

GREATER MANCHESTER INTEGRATED TRANSPORT AUTHORITY

ANNUAL GOVERNANCE STATEMENT 2008/09

1. Scope of Responsibility

- 1.1 The Greater Manchester Integrated Transport Authority (GMITA) is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The GMITA also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 1.2 In discharging this overall responsibility the GMITA is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk.
- 1.3 The GMITA is in the process of adopting a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework for Delivering Good Governance in Local Government. This statement will explain how the GMITA has complied with the code and also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit [Amendment] [England] Regulations 2006 in relation to the publication of a statement on internal control.
- 1.4 Prior to the formal adoption of the Code of Governance the GMITA is working to the CIPFA/SOLACE Framework through existing governance arrangements which will be brought together into a single document by the adoption of the Code

2. The Purpose of the Governance Framework

- 2.1 The governance framework comprises the systems and processes, and culture and values, by which the Authority is directed and controlled and its activities through which it is accountable to, engages with and lead the community. It enables the Authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.
- 2.2 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risks of failure to achieve policies, aims and objectives and can therefore only

provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the GMITA's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

- 2.3 The GMITA has been working to the CIPFA/SOLACE governance framework for the year ended 31 March 2009 and up to the date of approval of the Annual Report and Statement of Accounts.

3. Review of Governance Arrangements

- 3.1 An important element of governance is the internal control environment that includes the Authority's policies, procedures and operations that are in place to:

- Establish and monitor the achievement of the GMITA's objectives
- Identify, assess and manage risks to achieving the GMITA's objectives
- Facilitate policy and decision making
- Ensure value for money
- Ensure compliance with established policies (including ethical expectations), procedures, laws and regulations
- Safeguard the GMITA's assets and interests from losses such as arising from fraud, irregularity or corruption
- Ensure the integrity and reliability of information, accounts and data including internal and external reporting and accountability processes.

- 3.2 The governance arrangements have been reviewed against the following key parts of the CIPFA/SOLACE code of governance:

- Focus on the Authority's purpose and community needs
- Having clear responsibilities and arrangements for accountability
- Good conduct and behaviour of Councillors and officers
- Informed, transparent decision making takes place
- That the skills and capacity of Councillors and officers are developed
- Stakeholders are engaged

Focusing on the Authority's Purpose and Community Needs

- 3.3 The GMITA's principal objectives have been developed following extensive consultation with the ten Greater Manchester Local Authorities and with stakeholders including the voluntary sector, residents and the

traveling public and transport industry groups. As required by the 2000 Transport Act, the Authority identified key local transport objectives and incorporated them, along with a five year investment strategy, within the second Greater Manchester Local Transport Plan (LTP) which covers the period 2006/07 to 2010/11.

- 3.4 The current LTP is jointly produced by the GMITA/GMPTE and the ten local authorities. The LTP sets out the medium term objectives for five years, which defines the broad policy objectives that the officers are expected to deliver. These policy objectives are reviewed on an annual basis by the Authority, with the delivery of the LTP being monitored via the Policy Committee.
- 3.5 The Local Transport Act 2008 gives the GMITA responsibility for producing the next Local Transport Plan, which will supersede the current plan in 2011, in consultation with the ten local authorities in Greater Manchester. Officers are now developing the working arrangements which will oversee its production over the next two years.

Measuring the quality of services for users, ensuring they are delivered in line with objectives and they represent best use of resources

- 3.6 The Policy Committee and Performance Management Committee monitors the delivery of key objectives against a comprehensive set of mandatory and local performance indicators. Internal performance reports are produced and progress against the seven strategic objectives and 43 performance indicators is reported each July in the Business and Performance Plan, in which the GMITA also identifies and publishes its policy priorities for the year ahead.
- 3.7 The indicators include qualitative indicators for the areas the GMITA is directly accountable for, for example on public transport information and waiting facilities.
- 3.8 The Transport Network Committee receives performance reports on the operation of buses and trains. The performance of these modes is the direct responsibility of the operators, although the GMITA has an important challenge role in helping ensure the quality of service and drawing the operators' attention to key areas where improvement is required.
 - For the rail network, there are performance standards – for example, relating to punctuality and reliability – set by Government and agreed with the Train Operating Companies as part of Franchise Agreements. Service performance reports are regularly presented to Transport Network Committee. In addition, the quality of stations and trains in Greater Manchester is audited on a regular basis by monitoring

cleaning and maintenance, with performance being linked to the Franchise Agreement through an incentive/penalty payments regime. Again, Transport Network Committee receives regular reports on station and train quality.

- With regard to bus services, the performance of subsidised services is regularly reported to Transport Network Committee, with poor performance resulting in penalty deductions. The majority of bus services however are provided by operators on a commercial basis. The GMPTE established a revised bus performance monitoring regime, which was rolled out at the beginning of 2009, to strengthen the Authority's processes in this regard. This performance information is supplemented by a number of passenger surveys as well as a customer complaints system managed by the GMPTE which is also the subject of regular reports to the Transport Network Committee. The Transport Network Committee also receives performance reports covering non-conventional bus services, such as demand responsive transport.
- The relationship with Metrolink is unique insofar as the GMITA/GMPTE directly contract for the system which has built in performance and quality control measures. Again, performance is reported to Transport Network Committee.

Having Clear Responsibilities and Arrangements for Accountability

- 3.9 The statutory duties of the GMITA are set out in the Constitution which is reviewed and updated, as necessary, on an annual basis and agreed by the Authority. All officers are in receipt of a copy of the Constitution (A copy is also available on the GMITA website).
- 3.10 Part 2 of the Constitution sets out the responsibilities of the Authority and its Committees, Part 3 the Rules of Procedure, Part 4 the Financial Procedures, Part 5 the Codes of Conduct and Part 6 the protocol for Member/officer relations.
- 3.11 The City Solicitor carries out the statutory functions of the Monitoring Officer who has overall responsibility for legal issues and her staff work closely with elected Members and GMPTE staff to provide advice where appropriate. All reports to the Authority and its Committees are considered from a legal perspective.
- 3.12 The Authority's Finance Officer carries overall responsibility for financial issues and all reports to GMITA and its Committees require commentary about any financial implications.

Good Conduct and Behaviour

- 3.13 The Constitution sets behavioural standards for Members in the Members Local Code of Conduct. This contains extensive requirements including registering and disclosing personal, financial and other interests, anti-discrimination, personal advantage, disclosure of information and acceptance and registration of hospitality and gifts.
- 3.14 This is updated on an annual basis in line with the arrangements for the Constitution.
- 3.15 Members are provided with standards training each year by the Monitoring Officer.
- 3.16 The Code of Practice for Officers is also contained within the Constitution.
- 3.17 The GMPTE has an established Counter Fraud and Corruption Policy in place, whilst the GMITA is covered by arrangements made by MCC.

Informed, Transparent Decision Making

- 3.18 The Constitution documents procedures including financial regulations and procurement rules. This is compliant with the duties and responsibilities of the Authority provided for within the Transport Acts 1968, 1983, 1985 and 2000, the Local Government Act 1972 and the Transport and Works Act 1992. In the absence of specific GMITA procedures, MCC procedures apply to staff working on GMITA matters.
- 3.19 The GMITA is the decision-making body with responsibility for formulating policy over the delivery of the public passenger services and transport facilities. The GMITA delegates specific decision-making responsibilities relating to the functions of the Authority to its committees, other constituent bodies and to officers. Responsibility for decision-making is clearly identified in the Constitution.
- 3.20 The Policy Committee monitors the operation, impact and effectiveness of policy and considers financial questions relating to the Authority's functions. The Performance Management Committee considers matters relating to the application of best value and makes recommendations to Policy Committee with regard to budgets for Best Value Reviews and the implementation of Action Plans.
- 3.21 A project was commissioned in the Spring to look at how the Authority's committee processes could be improved with a view to implementing the new arrangements in advance of the Authority's Annual Meeting on 19

June 2009. Subject to formal approval, it is intended to implement the findings of the review from the start of the 2009/10 municipal year.

Customer Service

- 3.22 The GMPTE provides a complaints management system which informs quarterly reports to the Transport Network Committee. Briefly, complaints from the public and elected Members are logged and categorised. Each correspondent receives a letter from Customer Relations acknowledging receipt of their complaint and the complaint is then forwarded to either a department of GMPTE or to the appropriate operator, for a detailed response. The GMPTE collates and analyses the complaints to highlight any internal performance issues (with regard to both the GMPTE and the Authority) and to help track the performance of transport operators.
- 3.23 The GMITA is in the process of developing its own working protocol which will be reviewed and embedded during 2009/10.

Risk Management

- 3.24 The management of risks to the delivery of the GMITA aims and objectives is largely carried out by the GMPTE through its Risk Management Policy and Strategy and action taken to improve risk management arrangements. Risk management arrangements for the GMITA for 2009/10 in going forward have been developed in line with Manchester City Council's risk management methodology. Work to further develop the area is necessary to ensure risks are more clearly focused on the Authority's objectives. Further work regarding scrutiny of the management of risks by the Audit Committee has also been identified.

Developing Skills and Capacity

- 3.25 The development needs of officers within the GMITA are identified and delivered as part of an appraisal process. The MCC Performance Appraisal process is used.
- 3.26 Specific training for officers and Members relating to risk management has been identified and will be implemented during 2009/10.

Engaging with Local People and Stakeholders

- 3.27 The Authority has maintained a programme of periodic seminars to provide an opportunity for Members of the Authority, members of the public, transport operators, officers and other interested parties to come together to discuss topical local transport matters. In addition, the GMITA's website has undergone further development to maximise its

potential to communicate with, and receive the views of, the traveling public. These revised arrangements are under constant review.

- 3.28 GMPTE continues to carry out a range of engagement and consultation activities with residents and stakeholders, such as transport operators, throughout the year including, for example, six-monthly tracking surveys to identify transport priorities as well as specific consultation on new schemes.

4. Review of Effectiveness

- 4.1 The GMITA has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the executive managers within the Authority who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

The process includes:

- Annual consideration of the Constitution and associated rules and procedures
- Reviews of performance overseen by the Performance Management Committee
- Reports by the Finance Officer and the Monitoring Officer in discharge of statutory functions
- Review of the effectiveness of internal controls by the Authority's internal auditors
- Submission of an annual assessment (the annual letter) by the Authority's external auditor. [Overview of the review of the effectiveness of the system of internal audit (as required by the April 2006 amended regulations to the Accounts and Audit Regulations (England 2003)].

Audit Committee

- 4.2 The Audit Committee is responsible for reviewing the activity of internal and external audit in providing assurance over the effectiveness of internal controls.

Internal Audit

- 4.3 MCC delivers the GMITA internal audit service and provides independent opinion on the adequacy and effectiveness of internal audit control systems. The MCC Head of Internal Audit agrees the Annual Audit Plan

with, and reports to, the GMITA Audit Committee and its Finance Officer and has access to all Authority Officers and Members.

- 4.4 The Head of Internal Audit's Assurance Statement for 2008/09 acknowledges the progress made in risk management, performance management and in preparing the Governance Statement.
- 4.5 The GMPTE has its own Internal Audit function and Audit Committee, with an independent Chair reporting directly to the GMPTE Board. The Finance Officer is a member of the Audit Committee which facilitates identification and communication of GMPTE issues to the GMITA Audit Committee.

External Audit

- 4.6 External Audit have issued the following reports during 2008/09:

Draft Annual Governance Report 2007/08, including:-

- Reports to those charged with governance
- Opinion on financial statements
- Value for Money Conclusion
- Annual Audit Letter

- 4.7 The 2007/08 accounts had an unqualified audit opinion and the Auditors noted the Authority's positive and constructive approach to audit work.

Other Assurance Mechanisms

- 4.8 To support the delivery of the Annual Governance Statement the officers of the GMITA have also carried out a self assessment of:

- The governance arrangements in place for the GMITA
- The financial controls in place for the GMITA

- 4.9 This considered the following areas:

- Financial Regulations
- Treasury Management
- Counter Fraud arrangements
- Scheme of Delegation
- Budget Setting and budgetary control
- Financial systems
- Systems to address actions agreed with Internal and External Auditors

4.10 The assessment concluded that controls are in place in the above areas.

5. Significant Governance Issues

5.1 The GMITA is committed to a culture of continuous improvement and ensuring value for money. The Annual Governance Statement identifies Areas where further improvements need to be made and where the GMITA will need to focus its efforts during 2009/10. The Audit Committee will closely monitor the Action Plan supporting these improvements.

Resource Management

5.2 The GMPTE, who are responsible for the overall delivery of the LTP, are embedding their business planning processes to link the GMITA strategic objectives through to service and team plans and individual objectives. There is a continued need to ensure that the GMITA works closely with the GMPTE in the development of the Medium Term Financial Strategy (MTFS). The production of the MTFS is the responsibility of GMPTE. The GMITA Finance Officer will work closely with GMPTE to ensure that the requirements of GMITA are met.

5.3 In 2008/09 AGMA decided that the residents and businesses of Greater Manchester should inform the final decision on whether to proceed to submit a bid to Government for Transport Innovation Funds. This was undertaken during December 2008 via a Referendum and Business Poll resulting in the decision not to proceed with the submission. Therefore the issues regarding effective management of exceptional resource levels that would have resulted in the event of a successful TIF bid are now not a significant issue.

Risk Management

5.4 The GMITA is continuing to develop risk management arrangements, and will need to ensure these are sufficiently robust. A Risk Register has been developed and agreed together with actions to mitigate the risks identified. Work has begun to ensure that those risks identified are more clearly focused on the Authority's objectives and the nature and extent of ongoing Audit Committee activity to scrutinize the management of risks requires attention. The Authority needs to ensure arrangements are fully embedded during 2009/10 including :

- A monthly review and update of the Register by officers
- Review of the Risk Register at each Audit Committee
- A review of the viability of monitoring and mitigating the volume of risks.

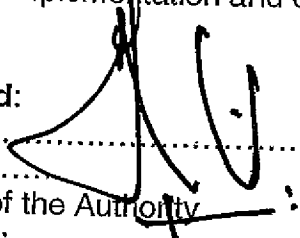
Performance Management

- 5.5 The Authority has constituted a Performance Management Committee to monitor performance through the receipt of quarterly reports on the performance of GMPTE. The Authority needs to develop an overarching framework to enable the monitoring and measuring of targets specific to the Authority's priorities and objectives.

Governance

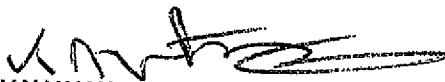
- 5.6 The GMITA has not formally adopted a Governance Code in line with the new CIPFA/SOLACE governance framework. However, work is underway to ensure this is adopted as early as possible. Discussions with the Audit Commission have identified that it would be appropriate, at this stage, for the GMITA to adopt a short Governance Code to strengthen their Governance arrangements.
- 5.7 We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed:



Clerk of the Authority

Signed:



Chair of the Authority

Independent auditor's report to the Members of Greater Manchester Integrated Transport Authority

Opinion on the financial statements

I have audited the Authority and Group accounting statements and related notes of Greater Manchester Integrated Transport Authority for the year ended 31 March 2009 under the Audit Commission Act 1998. The Authority's accounting statements comprise the Income and Expenditure Account, the Statement of Movement on the General Fund Balance, the Statement of Total Recognised Gains and Losses, the Balance Sheet, the Cash Flow Statement and the related notes. The Group's accounting statements comprise the Group Income and Expenditure Account, the reconciliation of the Authority (surplus)/deficit to the Group (surplus)/deficit, the Group Statement of Total Recognised Gains and Losses, the Group Balance Sheet, the Group Cash Flow Statement and the related notes. The Authority and Group accounting statements have been prepared under the accounting policies set out within them.

This report is made solely to the members of Greater Manchester Integrated Transport Authority in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 49 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission.

Respective responsibilities of the Treasurer and auditor

The Treasurer's responsibilities for preparing the financial statements in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008 are set out in the Statement of Responsibilities for the Statement of Accounts.

My responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the Authority and Group accounting statements present fairly, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008:

- the financial position of the Authority and its income and expenditure for the year; and
- the financial position of the Group and its income and expenditure for the year.

I review whether the governance statement reflects compliance with 'Delivering Good Governance in Local Government: A Framework' published by CIPFA/SOLACE in June 2007. I report if it does not comply with proper practices specified by CIPFA/SOLACE or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered, whether the governance statement covers all risks and controls. Neither am

I required to form an opinion on the effectiveness of the Authority's corporate governance procedures or its risk and control procedures.

I read other information published with the Authority and Group accounting statements, and consider whether it is consistent with the audited Authority and Group accounting statements. This other information comprises the Explanatory Foreword. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the Authority and Group accounting statements. My responsibilities do not extend to any other information.

Basis of audit opinion

I conducted my audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Authority and Group accounting statements and related notes. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the Authority and Group accounting statements and related notes, and of whether the accounting policies are appropriate to the Authority's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the Authority and Group accounting statements and related notes are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the Authority and Group accounting statements and related notes.

Opinion

In my opinion:

- The Authority financial statements present fairly, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008, the financial position of the Authority as at 31 March 2009 and its income and expenditure for the year then ended; and
- The Group financial statements present fairly, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008, the financial position of the Authority as at 31 March 2009 and its income and expenditure for the year then ended.

Conclusion on arrangements for securing economy, efficiency and effectiveness in the use of resources

Authority's Responsibilities

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance and regularly to review the adequacy and effectiveness of these arrangements.

Auditor's Responsibilities

I am required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the Authority for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion in relation to proper arrangements, having regard to relevant criteria specified by the Audit Commission for other local government bodies. I report if significant matters have come to my attention which prevent me from concluding that the Authority has made such proper arrangements. I am not required to consider, nor have I considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Conclusion

I have undertaken my audit in accordance with the Code of Audit Practice and having regard to the criteria for other local government bodies specified by the Audit Commission and published in May 2008 and updated in February 2009, and the supporting guidance, I am satisfied that, in all significant respects, Greater Manchester Integrated Transport Authority made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2009.

Certificate

I certify that I have completed the audit of the accounts in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Jackie Bellard

Jackie Bellard
District Auditor
Audit Commission
Aspinall House
Aspinall Close
Middlebrook
Horwich
BOLTON
BL6 6QQ

30 September 2009