



Internal Audit plan 2016/17 – mid-year progress report

Committee Audit and Standards

Date of meeting 11 November 2016

Date of report 12 October 2016

Report by Assistant Chief Executive (Business Support)

1. Object of report

To ask the committee to note the progress made to date in achieving the Internal Audit plan and performance objectives for 2016/17.

2. Background

2.1 Internal Audit plan 2016/17

The Internal Audit plan 2016/17 was approved by the Audit and Standards committee, at its meeting of 17 June 2016.

The Internal Audit plan provides the direction of travel and a framework for internal audit work in the forthcoming year. The plan is aligned to SPT's corporate governance arrangements whilst having scope to be responsive to change.

The plan and the scope of each engagement is informed by:

- (the) Assurance framework;
- Risk registers;
- External factors (e.g. Audit Scotland reports, intelligence, networking, etc.);
- Strategy Group and senior management consultation.

2.2 Internal Audit coverage

The Audit and Assurance team provide Internal Audit services to Strathclyde Partnership for Transport and the Strathclyde Concessionary Travel Scheme Joint Committee. Most of the planned assurance engagements encompass both organisations as they share common core systems and business processes.

3. Outline of proposals

3.1 Internal Audit plan 2016/17

The main objective of the Internal Audit plan for 2016/17 is to provide an assurance service that assesses the Partnership's governance arrangements and the effectiveness and efficiency of the systems for internal control. The plan includes provision for consulting services and fraud-related work.

3.2 Assurance engagements

Assurance engagements are an objective examination of evidence for the purpose of providing an independent assessment on governance, risk management and control processes and to ensure operations are being conducted in accordance with external regulations, legislation, internal policies and procedures (e.g. financial, performance, compliance, system security engagements, etc.). Assurance levels are based upon findings and conclusions at an individual engagement level which, when collated on an annual basis, support SPT's view on systems for internal control.

Eight assurance engagements have been completed and reported to the Audit and Standards committee in 2016/17, to date. A summary of each completed engagement and the assurance level(s) offered, is shown in Appendix 1.

To assist members a copy of the level(s) of assurance assigned to each engagement is provided to the committee at Appendix 2.

In addition, seven follow-up reviews of assurance engagements have been completed in the year to October 2016. Follow-up reviews found that 32 of the 33 (97%) recommendations from these engagements have been implemented.

3.3 Consulting services

Consulting services are advisory in nature and relate to specific requests from senior management. They are intended to add value and improve governance, risk management and control processes without the internal auditor assuming management responsibility.

During 2016/17, Audit and Assurance has provided consulting services in relation to SPT's response to Audit Scotland reports, money laundering, public sector pension scheme reporting, records management arrangements and Subway suspension ticketing.

3.4 Fraud initiatives

Managing the risk of fraud and corruption is the responsibility of SPT management. Audit and Assurance assist management in the effective discharge of this responsibility. The Counter Fraud Strategy (including Anti-Fraud and Corruption Policy, Whistle Blowing Policy and Financial Regulations relating to financial irregularity) outlines the Partnership's commitment to prevent, detect, investigate and report fraud. The annual Internal Audit plan includes provision for fraud-related work to support this strategy.

Audit and Assurance has provided assistance to management in line with the Partnership's commitment to prevent, detect, investigate and report fraud.

Preparatory work has been completed to support the Partnership's participation in the 2016/17 NFI exercise. A separate report on the outcome of the 2016/17 NFI exercise will be presented to the Audit and Standards committee following investigation of data 'matches'.

3.5 Audit plan days

In the year to 7 October 2016, 251 of the 500 audit plan days (50%) have been achieved. Based upon the current performance levels, the audit plan objective of 500 days will be met by the end of the financial year.

3.6 Quality Assurance and Improvement Programme

In accordance with the requirements of the Public Sector Internal Audit Standards (PSIAS), a self-assessment exercise and quality assurance and improvement programme (QAIP) 2016/17 for the Audit and Assurance service has been completed. This exercise used good practice guidance, namely, the CIPFA local government application note for the UK Public Sector Internal Audit Standards as the benchmark.

The self-assessment found that the Audit and Assurance service conforms with the *International Standards for the Professional Practice of Internal Auditing*.

The self-assessment and QAIP 2016/17 are subject to external assessment.

3.7 Independence

The Audit and Assurance service has been independent in its planning, operation and activity throughout 2016/17, as set out in the Internal Audit Charter.

3.8 Public Sector Internal Audit Standards (PSIAS)

All engagements have been conducted in conformance with the Public Sector Internal Audit Standards (PSIAS) and the Internal Audit Charter.

4. Conclusions

The Internal Audit plan for 2016/17 was approved by the Audit and Standards committee, at its meeting of 17 June 2016. Good progress has been made, to date, in achieving the Internal Audit plan for 2016/17.

5. Committee action

The committee is asked to note the contents of this report and the progress made to date in achieving the Internal Audit plan for 2016/17.

6. Consequences

Policy consequences	<i>In accordance with the Public Sector Internal Audit Standards 2016.</i>
Legal consequences	<i>None</i>
Financial consequences	<i>None</i>
Personnel consequences	<i>None</i>
Social Inclusion consequences	<i>None</i>
Risk consequences	<i>As detailed in the report.</i>

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Name Gordon MacLennan

Title **Assistant Chief Executive
(Business Support)**

Title **Chief Executive**

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Assurance engagements reported as at November 2016

No.	Audit plan engagement	Status	Number of Recommendations	Date reported to Audit and Standards Committee	Assurance Level
1	Regularity audit of Subway annual stocktake	Complete	3	9 September 2016	Reasonable
2	IT controls review of portable IT equipment	Complete	8	9 September 2016	Reasonable
3	Regularity audit of the CRC energy efficiency scheme	Complete	Nil	9 September 2016	Reasonable
4	Systems review of bus infrastructure: bus stops and shelters	Complete	1	9 September 2016	Reasonable
5	Regularity audit of East Kilbride travel centre	Complete	7	11 November 2016	Reasonable with exceptions
6	Regularity audit of corporate credit and procurement cards and petty cash	Complete	5	11 November 2016	Reasonable with exceptions
7	Core financial systems review of value added tax administration	Complete	2	11 November 2016	Reasonable
8	Regularity audit of corporate banking charges	Complete	2	11 November 2016	Reasonable

Levels of Assurance

(Statement of Opinion on the Adequacy and Effectiveness of Internal Controls)

Engagement Findings/Conclusions	Statement of Opinion on the Adequacy and Effectiveness of the Internal Controls	Assurance Level
Objectives of internal control have been met in all areas within the scope of the audit engagement. Key controls exist and are applied consistently and effectively in all areas.	Clean opinion	'Sound Assurance' [Full Assurance]
Objectives of internal control have been met in almost all areas within the scope of the audit engagement. Key controls exist and are applied consistently and effectively in most areas. Areas for Improvement are Low risk.	Clean opinion	'Sound Assurance in most areas' [Substantial Assurance]
Objectives of internal control have been met in the majority of areas within the scope of the audit engagement. Some non-compliance/weaknesses identified. Key controls exist and are applied consistently and effectively in the majority of areas. Areas for Improvement are Medium risk.	Clean opinion	'Reasonable Assurance' [Moderate Assurance]
Objectives of internal control have not been fully achieved within the scope of the audit engagement. Non-compliance/weaknesses identified. Key controls exist but are not applied consistently and effectively. Areas for Improvement are Medium and/or High risk.	Qualified opinion	'Reasonable Assurance Except for.....' [Limited Assurance]
Objectives of internal control have not been achieved within the scope of the audit engagement. Significant non-compliance/weaknesses identified. Areas for Improvement are High risk.	Adverse opinion	'Reasonable Assurance cannot be placed' [No Assurance]