

Strathclyde Partnership for Transport

Minute of the Audit & Standards Committee

20 September 2013

held in Consort House, Glasgow

contact officers:

Valerie A Bowen phone: 0141 333 3130
Kirsten Clubb phone: 0141 333 3576

**Minute of the meeting of Strathclyde Partnership for Transport's
Audit and Standards Committee held in Consort House, Glasgow, on 20 September 2013**

- Present** Councillors David Wilson (Chair), John Bruce, Bill Grant, Alan Moir and Paul Welsh and appointed members Ann Faulds, Tom Hart and Jim McNally.
- Attending** Valerie Davidson, Assistant Chief Executive (Business Support); Kirsten Clubb, Committee Support Officer; Iain McNicol, Audit & Assurance Manager; Charlie Kaur, Senior Internal Auditor and Neil Wylie, Director of Finance & HR.
- Also attending** Stephen Reid, KPMG

1. Apologies

Apologies were submitted from Councillors Bobby McDill and Pauline McKeever.

2. Declaration of interest in terms of the Ethical Standards in Public Life etc (Scotland) Act 2000

The committee noted that there were no declarations of interest.

3. Minute of previous meeting

The minute of the meeting of 28 June 2013 was submitted and approved as a correct record.

4. 2012/2013 Abstract of Accounts

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There was submitted a report (issued) of 4 September 2013 by the Assistant Chief Executive (Business Support) requesting that the committee agree that the finalised abstract of accounts for SPT and Strathclyde Concessionary Travel Scheme Joint Committee for the financial year ending 31 March 2013 (appended to the report) be submitted to the Controller of Audit no later than 30 September 2013.

After discussion and having heard Mrs Davidson and Mr Wylie in answer to members' questions, the committee approved the submission of the finalised abstract of accounts to the Controller of Audit .

5. Variation in order of business

In terms of Standing Order no. 3.4, the Committee agreed to vary the order of business as hereinafter minuted.

6. External Audit – Annual audit report for year ended 31 March 2013

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There was submitted a report (issued) of 26 August 2013 by KPMG

- (1) enclosing the external audit annual report for 2012/2013 for Strathclyde Partnership for Transport which had been consolidated with the annual report for the Strathclyde Concessionary Travel Scheme Joint Committee;

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- (2) explaining that the report had been compiled in accordance with Audit Scotland's Code of Practice; and
- (3) informing members
 - (a) that the conclusions of the external audit report were satisfactory and had indicated that the financial statements for the Partnership and the Joint Committee for the financial year 2012/2013 were unqualified; and
 - (b) that KPMG had been able to place reliance upon the work of SPT's Internal Audit team during the financial year 2012/13.

After discussion and having heard Mr Reid in further explanation, the committee noted the terms of the report and the planned actions.

7. Corporate Risk Register update

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There was submitted a report (issued) of 11 September 2013 by the Assistant Chief Executive (Business Support)

- (1) reminding members that SPT's Corporate Risk Register, which highlighted the key risks currently identified for the organisation, together with their consequences, mitigating controls and assessed risk scores, was reviewed and amended on a frequent basis;
- (2) appending the current corporate risk register;
- (3) advising members that there had been no changes to the register since the last Audit & Standards committee meeting held on 28 June 2013; and

Following discussion, the committee agreed that, following extensive discussion on the Commonwealth Games 2014 transport system at the Partnership meeting held earlier that day, it should be considered a future operational risk and reflected on the register.

8. Managing early departures from the Scottish Public Sector

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There was submitted and approved a report (issued) of 16 August 2013 by the Assistant Chief Executive (Business Support)

- (1) intimating
 - (a) that Audit Scotland had published a report titled '*Managing early departures from the Scottish public sector*' which would form part of a more detailed and wide-ranging report on '*Reshaping Scotland's public sector workforce*' due to be published by Audit Scotland in late 2013; and
 - (b) that the report was designed to help public bodies improve their management and reporting of early release schemes by providing pointers on good practice;

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- (2) advising members
 - (a) that SPT continued to review service provision in line with best value principles and these reviews focused on cost reduction and service redesign which had resulted in reduced workforce numbers in recent years; and
 - (b) that SPT had clear policies in place for early release schemes and The Scheme of Delegated Functions, contained within the governance manual, provided guidance on the application of these policies;
- (3) explaining that Audit and Assurance had reviewed and evaluated SPT's arrangements in the management and reporting of early release schemes in accordance with the good practice guidance provided in the Audit Scotland report and had tested a sample of severance payments and supporting documentation for completeness and accuracy;
- (4) informing members
 - (a) that some areas for improvement had been identified and three recommendations had been agreed which would be implemented by departmental management;
 - (b) that key controls existed and had been applied consistently and effectively in the most areas; and
 - (c) that sound assurance in most areas could be taken from the controls in place in those areas covered in the engagement; and
- (5) recommending that the Audit and Assurance Manager be asked to submit a follow up report on the implementation of the recommendations to a future meeting.

9. Regularity audit of Subway stores and inventories

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There was submitted a report (issued) of 3 September 2013 by the Assistant Chief Executive (Business Support)

- (1) informing members that Subway Operations held stock for programmed and reactive repair work to Subway trains, rail lines and station infrastructure;
- (2) detailing the audit findings of a regularity audit of Subway stores and inventories;
- (3) explaining that the objective of the audit was to review and evaluate the current procedures in place for stockholding and inventory records; and
- (4) advising members
 - (a) that some areas for improvement had been identified and seven recommendations had been agreed which would be implemented by departmental management;
 - (b) that, although key controls existed, they had not been applied consistently and effectively; and

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- (c) that reasonable assurance, with the exception of access to the store, IT system privileges and the absence of inventory records, could be taken from the controls in place in those areas covered in the engagement.

After discussion and having heard the committee express their concerns on the number of improvements required, the committee agreed

- (i) that the Audit & Assurance Manager would submit a follow up report on the implementation of the recommendations to a future meeting; and
- (ii) that the Director of Subway Operations, together with the Subway Planning and Logistics Manager be in attendance at the next meeting of the committee to answer members' questions on the implementation of the recommendations in this report and in the following three items, together with their recommendations.

10. Systems review of Subway procurement (supplies and services)

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There was submitted and approved a report (issued) of 3 September 2013 by the Assistant Chief Executive (Business Support)

- (1) informing members that Subway Operations purchase a wide range of supplies and services to support service delivery objectives;
- (2) detailing the audit findings of a systems review of Subway procurement (supplies and services);
- (3) explaining that the objective of the audit was to review and evaluate the current procedures and monitoring arrangements in place;
- (4) advising members
 - (a) that some areas for improvement had been identified and eight recommendations had been agreed which would be implemented by departmental management;
 - (b) that, although key controls existed, they had not been applied consistently and effectively; and
 - (c) that reasonable assurance, with the exception of spend from legacy custom and practice, could be taken from the controls in place in those areas covered in the engagement; and

After discussion, the committee agreed that the Audit & Assurance Manager would submit a follow up report on the implementation of the recommendations to a future meeting.

11. Systems review of scrap metal billing

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There was submitted and approved a report (issued) of 17 July 2013 by the Assistant Chief Executive (Business Support)

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- (1) informing members that Subway Operations undertook programmed and reactive work to the Subway rail line and station infrastructure and as materials were replaced, they were identified, where appropriate, as scrap for re-cycling, which provided an income stream;
- (2) detailing the audit findings of a systems review of scrap metal billing;
- (3) explaining that the objective of the audit was to review the arrangements for the billing of scrap metal;
- (4) advising members
 - (a) that areas for improvement had been identified and sixteen recommendations had been agreed which would be implemented by departmental management;
 - (b) that, although key controls exist, they had not been applied consistently and effectively; and
 - (c) that reasonable assurance, with the exception of a contractual arrangement with the service provider, billing and monitoring arrangements, could be taken from the controls in place in those areas covered in the engagement; and

After discussion, the committee agreed that the Audit & Assurance Manager would submit a follow up report on the implementation of the recommendations to a future meeting.

12. Contract audit of security uplifts (Subway stations)

[Click here to review report](#)

There was submitted and approved a report (issued) of 11 September 2013 by the Assistant Chief Executive (Business Support)

- (1) informing members that SPT had a contract with a service provider for the uplift of cash from all Subway stations;
- (2) detailing the audit findings of a contract audit of security uplifts at Subway stations;
- (3) explaining that the objective of the audit was to review and evaluate the current contract together with the internal controls, procedures and recording system in place for these uplifts;
- (4) advising members
 - (a) that some areas of improvement had been identified and eleven recommendations had been agreed which would be implemented by departmental management;
 - (b) that, although key controls existed, they had not been applied consistently and effectively; and
 - (c) that reasonable assurance, with the exception of contract monitoring, could be taken from the controls in place in those areas covered in the engagement; and

After discussion, the committee agreed that the Audit & Assurance Manager would submit a follow up report on the implementation of the recommendations to a future meeting.

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13. Contract audit of security uplifts (travel centres)

[Click here to view report](#)

There was submitted and approved a report (issued) of 11 September 2013 by the Assistant Chief Executive (Business Support)

- (1) informing members that SPT had a contract with a service provider for the uplift of cash from all travel centres;
- (2) detailing the audit findings of a contract audit of security uplifts at travel centres;
- (3) explaining that the objective of the audit was to review and evaluate the current contract together with the internal controls, procedures and recording system in place for these uplifts;
- (4) advising members
 - (a) that some areas for improvement had been identified and twelve recommendations had been agreed which would be implemented by departmental management;
 - (b) that, although key controls existed, they had not been applied consistently and effectively; and
 - (c) that reasonable assurance, with the exception of contract monitoring, could be taken from the controls in place in those areas covered in the engagement; and

After discussion, the committee agreed that the Audit & Assurance Manager would submit a follow up report on the implementation of the recommendations to a future meeting.

14. Members' and Directors' expenses 2013/2014

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There was submitted and noted a report (issued) of 7 September 2013 by the Assistant Chief Executive (Business Support) detailing members' and directors' expenses to 7 September 2013

After discussion and having heard Mrs Davidson and Mr Wylie in further explanation and in answer to members' questions, the committee noted

- (1) that, as a result of discussions which took place at the last meeting, a review had been undertaken of the content of the directors expenses statement;
- (2) that the review had identified that, in some cases, regular business costs which would otherwise be invoiced for and classed as a business cost, had been incorrectly included, thus overstating the level of expenses claimed; and
- (3) that it was proposed therefore to focus the content on directly incurred and re-claimed expenses in line with other local authorities.