

Internal Audit opinion and report 2022/2023

Date of meeting 9 June 2023

Date of report 10 May 2023

Report by Chief Executive

1. Object of report

To ask the committee to note the annual Internal Audit opinion and report for 2022/2023

2. Background to report

The Internal Audit plan 2022/2023 was approved by the Audit and Standards committee at its meeting of 9 September 2022. **Note:** the delay in approval was a direct consequence of the Council election period and the subsequent reconstituting of the committee following this.

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

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

- an assurance framework;
- the risk registers;
- other external factors (i.e. government initiatives, intelligence, and networking);
- direction from the Strategy Group and the Audit and Standards Committee.

The Audit and Assurance team provide Internal Audit services to Strathclyde Partnership for Transport (the Partnership) and the Strathclyde Concessionary Travel Scheme Joint Committee (the Joint Committee). Engagements can encompass both organisations as they share common core systems.

3. Outline of findings

The main objective of the Internal Audit plan for 2022/2023 was to provide an agile assurance service that assesses the effectiveness and efficiency of the Partnership's systems for internal control. The plan includes provision for consulting activities and fraud-related work.

Assurance engagements are an objective examination of evidence for the purpose of providing an independent assessment on governance, risk management and control

processes and that operations are being conducted in accordance with external regulations, legislation, internal policies and procedures (i.e. financial, performance, compliance and system security engagements). 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.

Thirteen assurance engagements were completed and reported to the Audit and Standards committee in 2022/2023. 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.

Consulting activities

Consulting activities 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 2022/2023, Audit and Assurance provided consulting services in relation to SPT's response to Audit Scotland reports, business continuity planning arrangements, business improvement initiatives, data mapping and the local code of corporate governance.

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 raise awareness, prevent, detect, investigate and report fraud. The annual Internal Audit plan includes provision for fraud-related work to support this strategy.

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

A report was presented to today's Audit & Standards meeting on the National Fraud Initiative (NFI) outcomes 2022/2023.

Quality assurance

In 2022/2023 the planned days available were utilised to achieve the Internal Audit plan.

The Audit and Assurance function was independent in its planning, operation and activity throughout 2022/2023, as set out in the Internal Audit Charter.

In accordance with the requirements of the Public Sector Internal Audit Standards (PSIAS), a self-assessment exercise and quality assurance and improvement programme (QAIP) 2022/2023 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 annual Internal Audit opinion and report for 2022/2023 has been prepared in accordance with the Public Sector Internal Audit Standards (PSIAS) and the Internal Audit Charter.

Internal Audit opinion

The evaluation of the internal control environment is informed by the following sources:

- (the) assurance framework;
- assurance engagements completed in the year to 31 March 2023;
- implementation of management actions as part of the engagement follow-up process;
- reports issued by the Partnership's and Joint Committee's external auditors during 2022/2023.

It is the opinion of the Audit and Assurance manager, based on the above and information contained in Appendix 1, that reasonable assurance can be placed upon the adequacy and effectiveness of the Partnership's framework of governance, risk management and internal control in the year to 31 March 2023.

4. Committee action

The Committee is asked to note the contents of this report and that the Internal Audit plan 2022/2023 has been completed.

5. Consequences

Policy consequences	<i>In accordance with the Internal Audit Charter.</i>
Legal consequences	<i>None.</i>
Financial consequences	<i>None.</i>
Personnel consequences	<i>None.</i>
Equalities consequences	<i>None.</i>
Risk consequences	<i>The implementation of agreed recommendations from assurance engagements mitigates risk.</i>
Climate Change, Adaptation & Carbon consequences	<i>None.</i>

Name Neil Wylie
Title Director of Finance & Corporate Support

Name Valerie Davidson
Title Chief Executive

For further information, please contact *Iain McNicol, Audit and Assurance manager* on 0141 333 3195.

APPENDIX 1
Audit and Standards Committee – 9 June 2023
Internal Audit plan 2022/2023

Assurance engagements completed and reported in 2022/2023

No.	Internal Audit plan engagement title	Status	Number of Recommendations	Date reported to Audit and Standards Committee	Assurance level
1	Regularity audit of Subway annual stock count	Complete	1	9 September 2022	Reasonable
2	Regularity audit of bus infrastructure annual stock count	Complete	Nil	9 September 2022	Reasonable
3	Contract audit of corporate uniform replacement	Complete	3	25 November 2022	Reasonable
4	Regularity audit of ticketing refund process (Subway and ZoneCard)	Complete	1	25 November 2022	Reasonable
5	St. Enoch Subway station ticket office: controls report	Complete	3	25 November 2022	Reasonable with exceptions
6	Subway Maintenance equipment and materials: controls report	Complete	5	25 November 2022	Reasonable with exceptions
7	Regularity audit of the public bodies climate change duties report	Complete	Nil	25 November 2022	Sound in most areas
8	Core financial systems review of creditor payments and administration	Complete	1	17 February 2023	Sound in most areas
9	Regularity audit of bus station facilities administration	Complete	Nil	17 February 2023	Sound in most areas
10	Regularity audit of mobile digital equipment	Complete	5	17 February 2023	Reasonable with exceptions
11	Regularity audit of Subway station office administration	Complete	Nil	9 June 2023	Reasonable
12	National Fraud Initiative (NFI) outcomes 2022/2023	Complete	Nil	9 June 2023	Sound in most areas
13	Regularity audit of Subway MSA payments	Complete	Nil	9 June 2023	Sound in most areas

APPENDIX 2

Levels of Assurance (Statement of opinion on the adequacy and effectiveness of internal controls)

Engagement findings and 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]