Strathclyde Partnership for Transport

Minute of Audit and Standards Committee meeting

16 November 2007

held at: Consort House, Glasgow

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Minute of the meeting of the Strathclyde Partnership for Transport's Audit and Standards Committee held in Glasgow on 16 November 2007

Present	Councillors Duncan McIntyre (Chair), William Hendrie and Tommy Morrison and appointed members Tom Hart and Bill Ure.
Apologies	Councillors David Fagan, Bill McIntosh and Davie McLachlan.
Attending	Valerie Davidson, Secretary/Assistant Chief Executive (Business Support); Valerie A Bowen, Senior Clerk; Gordon Maclennan, Assistant Chief Executive (Customer Services); Neil Wylie, Director of Finance and Owen Hendry, Chief Internal Auditor.
Also attending	Grant Macrae, KPMG.

1. Terms of Reference
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The Terms of Reference for the Audit and Standards Committee, which had been approved previously by the Strathclyde Partnership for Transport, were submitted and noted.

2. Minute of previous meeting

The minute of the meeting of 29 March 2007 was submitted and approved as a correct record.

3. Internal Audit Annual Report 2006/07
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With reference to the minute of 26 October 2006 (page 2, paragraph 4) when the Committee had approved the Internal Audit Strategic Plan 2006/09, there was submitted a report (issued) of 30 October 2007 by the Assistant Chief Executive (Business Support), on the first year of the Plan which

(1) compared actual activity with planned activity, demonstrated the extent to which the audit needs had been met and highlighted the significant findings to date;

(2) commented on the soundness of SPT's internal controls which had been examined to date in accordance with the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice for Internal Audit in Local Government in the United Kingdom 2003; and

(3) concluded that reasonable assurance could be placed upon the adequacy and effectiveness of the Partnership's internal control systems in the year to 31 March 2007.

After discussion, the committee noted the internal audit annual report for 2006/07.

4.   **Internal Audit Plan 2007/08**
        Click here to view report
        There was submitted and approved a report (issued) of 30 October 2007 by the Assistant
        Chief Executive (Business Support),

        (1)   enclosing an internal audit plan for 2007/08 which had been prepared in
                accordance with the Chartered Institute of Public Finance and Accountancy (CIPFA)
                Code of Practice for Internal Audit in Local Government in the United Kingdom
                2003;

        (2)   informing members that the plan covered the second year of the Internal Audit
                Strategic Plan for 2006/2009;

        (3)   reminding members that the main objectives of the annual audit plan were to:-

                •   translate the strategic plan into a schedule of audit assignments;
                •   define the purpose and duration of each audit assignments; and
                •   provide a framework for direction and control;

        (4)   explaining

                (a)   that the staffing level in the original plan had been revised from 510 to 430
                        days due to vacancies; and

                (b)   that in order to accommodate the shortfall in the number of days available for
                        audit coverage, it was proposed to carry forward four lower risk audit reviews
                        into 2008/09; and

        (5)   appending a revised annual internal audit plan for 2007/08.

5.   **Internal Audit reports**
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        There was submitted and noted a report (issued) of 17 October 2007 by the Assistant
        Chief Executive (Business Support),

        (1)   appending summary reports from four recently completed audit reviews which had
                involved the evaluation of controls or value for money in the following systems:-

                •   Larkhall/Milngavie rail project;
                •   Concessionary travel;
                •   Provision of catering; and
                •   Dial-a-Bus;

        (2)   explaining that the remedial actions recommended in the reports, together with
                implementation dates, had been agreed with the relevant departmental managers;
                and

(3)   concluding that, although the results of the audit work showed that there was continuing improvement in the control and value for money frameworks, there were some areas where scope for improvement existed and these had been addressed by the audit recommendations.

After consideration, the committee noted also that internal audit would carry out a follow up review to confirm the implementation of the recommendations detailed in the report.

6.   Code of Corporate Governance
Click here to view report
With reference to the minute of 29 March 2007 (page 3, paragraph 5) when the committee had noted

(1)   that the Partnership's Code of Corporate Governance had been carried forward from SPTA and had been updated to reflect the Partnership's current management structure;

(2)   that the code was based upon the five interlocking dimensions of corporate governance:-

* Community focus;
* Service delivery arrangements;
* Structures and processes;
* Risk management and internal controls; and
* Standards of conduct; and

(3)   that a review of compliance with the code would be undertaken and reported to the next meeting of the committee,

there was submitted a report (issued) of 18 October 2007 by the Assistant Chief Executive (Business Support),

(a)   highlighting some areas where the Partnership's corporate governance arrangements required to be strengthened; and

(b)   identifying the appropriate remedial action to be followed.

After consideration, the committee noted the review of the Partnership's corporate governance arrangements and endorsed the proposed remedial actions.

7.   Progress report on the development of risk management arrangements
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With reference to the minute of 1 February 2007 (page 1, paragraph 2) when the committee had noted, inter alia,

(1)   that the risk management policy and strategy statement inherited from SPTE/SPTA

had been revised and the following two significant changes to SPT's risk management arrangements had been introduced:-

(a)   the creation of a Risk Management Group, which although proposed in the original SPTE/A strategy document had never been established; and

(b)   the clarification of risk management roles and responsibilities particularly those activities related to the development of a Strategic Risk Register which had been amended to:-

- integrate risk management at every level of the organisation;
- clarify the role of the Risk Management Group; and
- reflect the Partnership's revised management structures; and

(2)   that a programme of risk awareness training was being developed for the organisation,

there was submitted a report (issued) of 31 October 2007 by the Assistant Chief Executive (Business Support) appending SPT's Corporate Risk Register which was continuously under review and which highlighted the 8 key risks currently identified for the organisation, together with their consequences, mitigating controls and assessed risk scores.

After discussion and having heard Messrs Wylie and Hendry in answer to members' questions, the committee noted the progress on the development of risk management arrangements within SPT.

8.   **Development of business continuity arrangements**
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There was submitted a report (issued) of 23 October 2007 by the Assistant Chief Executive (Business Support),

(1)   reminding members that one of SPT's key corporate risks was that the organisation's business continuity arrangements might be inadequate to respond to a major interruption of service;

(2)   advising members that, to counter this risk, an initiative to create a comprehensive set of business continuity plans had been launched; and

(3)   providing the committee with an update of the arrangements currently being undertaken which would increase the resilience and effectiveness of day to day management arrangements and ensure that all relevant areas adopted a consistent approach to business continuity and disaster recovery in the event of unforeseen circumstances.

After consideration and having heard Messrs Wylie and Hendry in answer to members' questions, the committee noted the report.

9.   External Audit Annual report 2006/07
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There was submitted a report (issued) of 6 November 2007 by the Assistant Chief Executive (Business Support),

(1)   enclosing the external audit annual report for 2006/07 for Strathclyde Partnership for Transport which had been consolidated with the annual report for the Strathclyde Concessionary Travel Scheme Joint Committee;

(2)   explaining

(a)   that the report covered the first year of a five year appointment for KPMG, the Partnership's external auditors; and

(b)   that the report set out to provide an opinion on the Partnership's financial statements together with the organisation's corporate governance arrangements;

(3)   informing members

(a)   that, although the conclusions of the report were satisfactory, a small number of remedial actions to improve the financial statements and strengthen corporate governance arrangements had been identified; and

(b)   that the implementation of these actions had been agreed with the Partnership's management.

After considerable discussion and having heard Mr Macrae in further amplification of the report and in answer to members' questions, the Partnership noted the terms of the report and the planned actions.