



Internal Audit plan 2016/17

Committee Audit and Standards

Date of meeting 17 June 2016

Date of report 6 June 2016

Report by Assistant Chief Executive (Business Support)

1. Object of report

To seek committee approval for the Internal Audit plan 2016/17.

2. Background

Public Sector Internal Audit Standards

The Internal Audit plan for 2016/17 has been prepared in accordance with the Public Sector Internal Audit Standards (PSIAS).

The Internal Audit plan for 2016/17 has been developed using the assurance framework and a risk-based methodology following consultation with the Strategy Group on the Partnership's objectives and priorities, and in accordance with the Internal Audit Charter.

The Internal Audit Charter is provided to the committee at Appendix 1.

Internal Audit resources

The resource allocation required to achieve the Internal Audit plan for 2016/17 will be 500 audit days.

3. Outline of proposals

Internal Audit plan 2016/17

The Internal Audit plan for 2016/17 provides the direction of travel and a framework for audit engagements in the forthcoming year. The plan is aligned to the Partnership's strategic objectives, the (local) code of corporate governance and assurance framework, whilst having scope to be responsive to change (see Appendix 2).

The risk-based plan and the scope of each engagement have been informed by:

- (the) assurance framework;
- risk registers;
- Strategy Group consultation;
- external factors (e.g. government initiatives, intelligence, networking, etc.).

Plan objectives

The main objective of the Internal Audit plan 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 will also include provision for consulting activities and fraud prevention 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 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.

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.

Fraud prevention - Managing the risk of fraud and corruption is the responsibility of SPT management. Audit and Assurance will 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 prevention and investigation to support this strategy.

4. Conclusions

The Internal Audit plan for 2016/17 has been prepared in accordance with the Public Sector Internal Audit Standards (PSIAS).

5. Committee action

The committee is asked to approve the Internal Audit Charter and the Internal Audit plan for 2016/17.

6. Consequences

| | |
|-------------------------------|-------------|
| Policy consequences | <i>None</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>None</i> |

Name Valerie Davidson

Name Gordon MacLennan

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

Title **Chief Executive**

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



Strathclyde Partnership for Transport

Audit and Assurance

Internal Audit Charter

This charter describes the purpose, authority and responsibility of Strathclyde Partnership for Transport's (SPT's) Audit and Assurance function.

Definition (purpose of Internal Audit)

The Public Sector Internal Audit Standards (PSIAS) define Internal Audit as:

'an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes'.

Governance

In accordance with the PSIAS, the generic terms of 'Board', 'Senior Management' and 'Chief Audit Executive' require to be defined. For SPT, the 'Board' is the Audit and Standards committee, 'Senior Management' is the Strategy Group and the 'Chief Audit Executive' role is performed by the Audit and Assurance manager.

Independence

A professional, independent and objective Internal Audit service is one of the key elements of good governance.

The Audit and Assurance function must be independent in its planning and operation.

The Audit and Assurance manager has direct access to the ACE (Business Support); including the reporting of audit outcomes; the Chief Executive and all levels of management. In the event that the Audit and Assurance manager believes these specific reporting lines are compromised, he has direct access to the Chair of the Audit and Standards Committee.

Standards

Internal Audit staff shall govern themselves by adherence to the Institute of Internal Auditors' (IIA) 'Code of Ethics', the Seven Principles of Public Life and internal auditors own professional bodies' Code of Ethics.

Quality assurance and continuous improvement will be monitored by way of post engagement appraisal feedback provided by senior management on the performance of internal audit activity at an individual engagement basis, through an annual self-assessment exercise and external assessment (at least once every 5 years).

Authority

The Audit and Assurance team is granted the authority to:

- have unrestricted access to all Partnership premises;
- have unrestricted access to all assets, correspondence, documents, records and systems (computerised and otherwise);
- have access to all personnel relevant to the performance of engagements;
- receive any information and explanation, considered necessary, concerning any matter under investigation;
- require any Partnership employee to account for cash, stores, and any other asset(s) under their control; and
- access records belonging to third parties i.e. contractors and partner organisations, when required (this must be written into all agreements and contracts entered into with third parties).

Internal auditors will, at all times, act with integrity and take a professional, reliable, independent and innovative approach to their work. Internal auditors respect the value and ownership of information they receive and do not disclose information without appropriate authority unless there is a legal or professional obligation to do so.

When an audit opinion is requested it will be unbiased and based upon the facts available.

Objectives

The Audit and Assurance team provides the following services to the Partnership:

- **Assurance** services are an objective examination of evidence for the purpose of providing an independent assessment on governance, risk management and control processes 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.).

The provision of assurance services is the **primary role** for Internal Audit. Assurance engagements form the majority of the annual Internal Audit plan.

- **Consulting** activities are advisory and related to service activities, the nature and scope of which are agreed with senior management. They are intended to add value and improve governance, risk management and control processes without the internal auditor assuming management responsibility, e.g. advice and guidance. The annual Internal Audit plan includes provision for consulting activities.
- **Fraud prevention and detection.** Fraud is '*an illegal act categorised by deceit, concealment or violation of trust*'. Frauds are perpetrated by individuals and organisations to obtain money, property or services; to avoid payment or loss of services; or to secure personal or business advantage.

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.

Managing the risk of fraud and corruption is the responsibility of management. Audit and Assurance assist management in their effective discharge of this responsibility. Audit processes and procedures alone, even when performed with due professional care, cannot guarantee that fraud or corruption will be detected. Audit and Assurance does not have responsibility for the prevention or detection of fraud and corruption. Internal auditors will, however, be alert; in all their work; to risks and exposures that could allow fraud or corruption.

Any evidence or reasonable suspicion of an irregularity relating to monies, stores, property or records of the Partnership should be reported immediately by the ACE Business Support to the Audit and Assurance manager. Such irregularity shall be dealt with in accordance with the SPT's Governance Manual/Defalcation procedures. It is the responsibility of each Assistant Chief Executive / Director / Head of Service to promote awareness of and adherence to SPT's procedures and practices.

Responsibility and scope of activity

The scope of Audit and Assurance encompasses the examination and evaluation of the adequacy and effectiveness of the organisation's governance, risk management process, system of internal control, and the quality of performance in carrying out assigned responsibilities to achieve the Partnership's strategic objectives; including:

- review the reliability and integrity of financial and operating information and the means used to identify, measure, classify, and report such information;
- review the systems established to ensure compliance with policy, plans, procedures, laws, and regulations which could have a significant impact on operations and reports, and whether the organisation is in compliance;
- review the means of safeguarding assets and, as appropriate, verifying the existence of such assets;
- review and appraise the economy and efficiency of resource allocation;
- review operations or programmes to ascertain whether results are consistent with established objectives and goals and whether the operations or programmes are being carried out as planned;
- review specific operations at the request of SPT management or the Audit and Standards Committee, as appropriate;
- monitor and evaluate the effectiveness of the organisation's risk management arrangements;
- investigate allegations of fraud, bribery and corruption.

Audit planning

Annually, the Audit and Assurance manager shall submit an Internal Audit plan for the forthcoming year to the ACE (Business Support) and the Audit and Standards Committee for approval.

The annual Internal Audit plan will be developed using a risk-based methodology and will be aligned to the assurance framework, risk registers and strategic objectives. Consultation with key stakeholders (Strategy Group) will also be undertaken in the formulation of the annual Internal Audit plan.

Any significant deviation from the formally approved plan shall be communicated to the ACE (Business Support) and the Audit and Standards Committee.



Reporting

A written report will be prepared and issued by the Audit and Assurance manager following conclusion of each engagement to the Strategy Group. A summary report will then be presented to the Audit and Standards Committee.

Each report will detail the engagement work undertaken, the specific findings and any recommendations. Management's response will outline the agreed action to be taken to address any areas for improvement, identify a lead officer for each recommendation and provide the anticipated timescale to complete each agreed action.

Audit and Assurance will perform a follow-up review on engagement findings and recommendations, (normally six months after the report date) to test implementation performance. The results of follow-up reviews will be presented to the ACE (Business Support) and the Audit and Standards Committee.

An annual Internal Audit opinion and report will be included in the Annual Governance Statement contained in the Partnership's Financial Statements.

The annual Internal Audit opinion must conclude on the overall adequacy and effectiveness of SPT's framework of governance, risk management and control.

The annual Internal Audit report must incorporate:

- the Internal Audit opinion;
- a summary of the work that supports the opinion; and
- a statement on conformance with the Public Sector Internal Audit Standards (PSIAS) and the results of the quality assurance and improvement programme.

Resources

The resources required to deliver the annual Internal Audit plan for the forthcoming year shall be presented to the ACE (Business Support) and the Audit and Standards Committee for approval.

Periodic assessment

The Audit and Assurance manager will annually assess whether the areas defined in this charter continue to be adequate to enable the Internal Audit function to accomplish its objectives (i.e. the Internal Audit plan). The results of this assessment shall be communicated to the ACE (Business Support), the Chief Executive and the Audit and Standards Committee.

Valerie Davidson
**Assistant Chief Executive
(Business Support)**

Cllr David Wilson
**Chair of the
Audit and Standards Committee**



**Strathclyde Partnership for Transport
Audit and Assurance
Internal Audit plan 2016/17**

| | <u>Days allocated</u> | <u>Sub-total days</u> | <u>Total plan days</u> |
|---|-----------------------|-----------------------|------------------------|
| <u>Assurance engagements</u> | | | |
| Contract Audit – Subway tunnel lining | 25 | | |
| Contract Audit – IT service providers | 25 | | |
| Core Financial System – Value Added Tax administration | 25 | | |
| IT Controls – Change, file control and back up arrangements | 25 | | |
| Location Audits – Subway stations and Travel centres | 25 | | |
| Regularity Audit – Banking charges | 15 | | |
| Regularity Audit – CRC energy efficiency scheme | 15 | | |
| Regularity Audit – Corporate credit and procurement cards | 15 | | |
| Regularity Audit – Public Sector Climate Change duties | 15 | | |
| Regularity Audit – Subway annual stocktake | 15 | | |
| Systems review of Bus infrastructure (shelters and stops) | 25 | | |
| Systems review of Grant funded projects | 25 | | |
| Systems review of Health & Safety | 25 | | |
| Contingency allocation | 50 | | |
| Follow-up reviews | 50 | 375 (75%) | |
| <u>Consulting activities</u> | | | |
| Audit Scotland reports | 10 | | |
| Assurance framework | 10 | | |
| Local code of corporate governance | 10 | | |
| Records management | 10 | | |
| Risk management | 10 | 50 (10%) | |
| <u>Fraud prevention and investigation</u> | | | |
| Fraud prevention initiatives (NFI) | 25 | | |
| Contingency allocation | 25 | 50 (10%) | |
| PSIAS compliance | 25 | 25 (5%) | |
| Summary | | | 500 (100%) |