



### Internal Audit plan 2020/2021 – mid-year progress report

**Committee**            Audit and Standards

**Date of meeting**    27 November 2020

**Date of report**    6 November 2020

#### Report by Assistant Chief Executive

#### 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 2020/2021.

#### 2. Background

##### Internal Audit plan 2020/2021

The Internal Audit plan 2020/2021 was approved by the Audit and Standards committee, at its meeting of 14 February 2020.

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 the Partnership’s strategic objectives, the (local) code of corporate governance and assurance framework(s), whilst having scope to be responsive to change.

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

- assurance framework(s);
- risk registers;
- external factors (i.e. governance initiatives, intelligence and networking);
- Strategy Group and senior management consultation.

##### 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

#### Internal Audit plan 2020/2021

The main objective of the Internal Audit plan for 2020/2021 is 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.

#### In-year changes to the Internal Audit plan 2020/2021

At the Audit & Standards meeting on 12 June 2020, the committee agreed an amendment to add a review of controls relating to SPT's approach to General Data Protection Regulations (GDPR).

In addition, management requested a further amendment to add a regularity audit of digital change controls, which was reported to the Audit & Standards committee meeting on 28 August 2020.

As members may be aware, management have implemented a vacancy freeze during 2020/2021, to date. Thus a planned engagement to review recruitment administration has been paused.

#### 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 (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.

Eight assurance engagements have been completed and reported to the Audit and Standards committee in 2020/2021, 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, four follow-up reviews of assurance engagements have been completed in the year to November 2020. Follow-up reviews found that 13 of the 13 (100%) of the recommendations from these previously reported engagements have been implemented.

#### 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 2020/2021, Audit and Assurance has provided consulting services in relation to SPT's response to Audit Scotland reports, business continuity planning arrangements and co-ordination of progress to implement the cyber resilience framework.

### 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 has 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 the Audit & Standards meeting of 28 August 2020 on the work completed to date to support the Partnership's participation in the 2020/2021 NFI exercise.

### Audit plan days

In the year to 30 October 2020, 197 of the 350 audit plan days (56%) have been achieved.

### 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) 2020/2021 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 2019, 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 QAIP for 2020/2021 is outlined at Appendix 3.

### Independence

The Audit and Assurance service has been independent in its planning, operation and activity throughout 2020/2021, as set out in the Internal Audit Charter.

### 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 2020/2021 was approved by the Audit and Standards committee, at its meeting of 14 February 2020. Good progress has been made, to date, in achieving the Internal Audit plan for 2020/2021.

## **5. Committee action**

The committee is asked to note the contents of this report, the in-year changes to the Internal Audit plan and the progress made to date in achieving the Internal Audit plan for 2020/2021.

## 6. Consequences

|                         |   |
|-------------------------|---|
| Policy consequences     | <i>In accordance with the Public Sector Internal Audit Standards 2017.</i>          |
| Legal consequences      | <i>In accordance with the Local Authority Accounts (Scotland) Regulations 2014.</i> |
| Financial consequences  | <i>None.</i>  |
| Personnel consequences  | <i>None.</i>  |
| Equalities consequences | <i>None.</i>  |
| Risk consequences       | <i>As detailed in the report.</i>   |

**Name** Valerie Davidson

**Name** Gordon MacLennan

**Title** Assistant Chief Executive

**Title** Chief Executive

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

**Audit and Standards Committee – 27 November 2020**  
**Internal Audit plan 2020/2021**

**Assurance engagements reported as at November 2020**

| <b>No.</b> | <b>Internal Audit plan engagement title</b>                        | <b>Status</b> | <b>Number of Recommendations</b> | <b>Date reported to Audit and Standards Committee</b> | <b>Assurance level</b> |
|------------|--|---------------|----------------------------------|---|------------------------|
| 1          | Regularity audit of Subway annual stockcount                       | Complete      | 1                                | 28 August 2020  | Reasonable             |
| 2          | Regularity audit of bus infrastructure annual stockcount           | Complete      | Nil                              | 28 August 2020  | Reasonable             |
| 3          | Systems review of asset management arrangements                    | Complete      | 3                                | 28 August 2020  | Reasonable             |
| 4          | Regularity audit of digital change controls                        | Complete      | 4                                | 28 August 2020  | Reasonable             |
| 5          | Regularity audit of bus infrastructure outcomes                    | Complete      | 5                                | 27 November 2020                                      | Reasonable             |
| 6          | Regularity audit of Subway station office administration           | Complete      | 5                                | 27 November 2020                                      | Reasonable             |
| 7          | Regularity audit of petty cash administration                      | Complete      | 2                                | 27 November 2020                                      | Sound in most areas    |
| 8          | Regularity audit of the public bodies climate change duties report | Complete      | Nil                              | 27 November 2020                                      | Sound in most areas    |

**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 <b>all</b> areas within the scope of the audit engagement.<br>Key controls exist and are applied consistently and effectively in <b>all</b> areas.  | Clean opinion   | <b>'Sound Assurance'</b><br>[Full Assurance]                         |
| Objectives of internal control have been met in <b>almost all</b> areas within the scope of the audit engagement.<br>Key controls exist and are applied consistently and effectively in <b>most</b> areas.<br><br>Areas for Improvement are <b>Low</b> risk.  | Clean opinion   | <b>'Sound Assurance in most areas'</b><br>[Substantial Assurance]    |
| Objectives of internal control have been met in the <b>majority</b> of areas within the scope of the audit engagement. <b>Some</b> non-compliance/weaknesses identified.<br>Key controls exist and are applied consistently and effectively in the <b>majority</b> of areas.<br><br>Areas for Improvement are <b>Medium</b> risk. | Clean opinion   | <b>'Reasonable Assurance'</b><br>[Moderate Assurance]                |
| Objectives of internal control have not been fully achieved within the scope of the audit engagement. Non-compliance/weaknesses identified.<br>Key controls exist but are <b>not</b> applied consistently and effectively.<br><br>Areas for Improvement are <b>Medium</b> and/or <b>High</b> risk.                                | Qualified opinion   | <b>'Reasonable Assurance Except for.....'</b><br>[Limited Assurance] |
| Objectives of internal control have not been achieved within the scope of the audit engagement. <b>Significant</b> non-compliance/weaknesses identified.<br><br>Areas for Improvement are <b>High</b> risk.   | Adverse opinion   | <b>'Reasonable Assurance cannot be placed'</b><br>[No Assurance]     |



**Internal Audit plan 2020/2021 – mid-year progress report**

**Audit and Assurance - Public Sector Internal Audit Standards (PSIAS) self-assessment**

**Quality Assurance and Improvement Plan (QAIP) 2020/2021**

| <b>PSIAS reference(s)</b>  | <b>Area for Improvement</b>  | <b>Action(s)</b>  | <b>Lead Officer</b>         | <b>Timescale</b>        |
|--|--|---|-----------------------------|-------------------------|
| <i>1210 Proficiency</i><br><i>1230 Continuing Professional Development (CPD)</i> | Skills, knowledge and continuous professional development of Audit and Assurance team. | Implement training plan 2020/2021.<br><br>Continue to identify areas to enhance service delivery. | Audit and Assurance manager | On-going/<br>March 2021 |