Committee report

SPT

Internal Audit plan 2017/18 – mid-year progress report

Committee	Audit and Standards

Date of meeting 9 February 2018   **Date of report** 26 January 2018

Report by Assistant Chief Executive (Business Support)

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 2017/18.

2. Background

Internal Audit plan 2017/18

The Internal Audit plan 2017/18 was approved by the Audit and Standards committee, at its meeting of 1 December 2017.

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 SPT's corporate governance arrangements whilst having scope to be responsive to change.

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

- (the) Assurance framework;

- Risk registers;

- External factors (e.g. Audit Scotland reports, intelligence, networking, etc.);

- 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 2017/18

The main objective of the Internal Audit plan for 2017/18 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 includes provision for consulting services and fraud-related work.

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 (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.

Fourteen assurance engagements have been completed and reported to the Audit and Standards committee in 2017/18, 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, seven follow-up reviews of assurance engagements have been completed in the year to December 2017. Follow-up reviews found that 39 of the 41 (95%) recommendations from these engagements have been implemented.

Consulting services

Consulting services 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 2017/18, Audit and Assurance has provided consulting services in relation to SPT's response to Audit Scotland reports, the assurance framework, the local code of corporate governance and risk management arrangements.

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 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 prevent, detect, investigate and report fraud.

A separate report on the outcome of the 2016/17 NFI exercise additional matches was presented to the Audit and Standards committee following investigation of data 'matches'.

Audit plan days

In the year to 29 December 2017, 372 of the 500 audit plan days (74%) have been achieved. Based upon the current performance levels, the audit plan objective of 500 days will be met by the end of the financial year.

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) 2017/18 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 QAIP for 2017/18 is outlined at Appendix 3.

Independence

The Audit and Assurance service has been independent in its planning, operation and activity throughout 2017/18, 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 2017/18 was approved by the Audit and Standards committee, at its meeting of 1 December 2017. Good progress has been made, to date, in achieving the Internal Audit plan for 2017/18.

5. Committee action

The committee is asked to note the contents of this report and the progress made to date in achieving the Internal Audit plan for 2017/18.

6. Consequences

Policy consequences	*In accordance with the Public Sector Internal Audit Standards 2017.*
Legal consequences	*None*
Financial consequences	*None*
Personnel consequences	*None*
Social Inclusion consequences	*None*
Risk consequences	*As detailed in the report.*

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.

Audit and Standards Committee – 9 February 2018
Internal Audit plan 2017/18

Assurance engagements reported as at February 2018

No.	Audit plan engagement	Status	Number of Recommendations	Date reported to Audit and Standards Committee	Assurance Level
1	Regularity audit of Subway annual stockcount	Complete	4	1 December 2017	Reasonable
2	Regularity audit of investment property administration	Complete	11	1 December 2017	Reasonable with exceptions
3	Regularity audit of Buchanan Bus station security uplift arrangements	Complete	4	1 December 2017	Reasonable
4	Regularity audit of Subway station ticket offices	Complete	4	1 December 2017	Reasonable
5	Regularity audit of Subway station TVM security uplift arrangements	Complete	3	1 December 2017	Reasonable
6	Regularity audit of the CRC energy efficiency scheme	Complete	Nil	1 December 2017	Sound in most areas
7	Systems review of subsidised bus services	Complete	4	1 December 2017	Reasonable
8	Contract audit of advertising income	Complete	6	1 December 2017	Reasonable
9	General Data Protection Regulations implementation arrangements	Complete	6	9 February 2018	Reasonable
10	Regularity audit of public bodies climate change duties report	Complete	Nil	9 February 2018	Sound in most areas
11	Core financial system review of expenses	Complete	2	9 February 2018	Reasonable
12	Systems review of MyBus administration	Complete	7	9 February 2018	Reasonable
13	Digital controls review of Social Media	Complete	4	9 February 2018	Reasonable
14	Digital controls review of cyber resilience arrangements	Complete	1	9 February 2018	Reasonable

Appendix 1

Levels of Assurance
(Statement of Opinion on the Adequacy and Effectiveness of Internal Controls)

Engagement Findings/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]

Audit and Assurance
PSIAS self-assessment

Quality Assurance and Improvement Plan (QAIP) 2017/18

PSIAS reference	Area for Improvement	Action(s)	Lead Officer	Timescale
1210 Proficiency *1230 Continuing Professional Development (CPD)*	Skills, knowledge and continuous professional development of Audit and Assurance team	Implement training plan 2017/18 / continue to identify areas to enhance service delivery	Audit and Assurance manager	On-going/ March 2018
2330 Documenting information	In accordance with SPT's transition to paperless offices, review the retention of files/records.	Continue to review engagement files in line with SPT policy	Audit and Assurance manager	On-going/ March 2018