



Internal Audit opinion and report 2023/2024

Date of meeting 14 June 2024

Date of report 2 May 2024

Report by Chief Executive

1. Object of report

To ask the committee to note the annual Internal Audit opinion and report for 2023/2024.

2. Background to report

The Internal Audit plan 2023/2024 was approved by the Audit and Standards committee at its meeting of 17 February 2023.

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); and
- 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 2023/2024 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.

Twelve assurance engagements were completed and reported to the Audit and Standards committee in 2023/2024. 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 2023/2024, Audit and Assurance provided consulting services in relation to SPT's response to Audit Scotland reports, assurance framework, business continuity planning arrangements, business improvement initiatives, and the local code of corporate governance.

Fraud initiatives

Managing the risk of fraud and corruption is the responsibility of SPT (Strathclyde Partnership for Transport) 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.

Reports were presented to the Audit & Standards committee at its meetings of the 9 June, 8 September, and 24 November 2023, on counter fraud arrangements.

Quality assurance

In 2023/2024 the planned days available were used to achieve the Internal Audit plan.

The Audit and Assurance function was independent in its planning, operation, and activity throughout 2023/2024, 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) 2023/2024 for the Audit and Assurance service has been completed. This exercise used good practice guidance, namely, the CIPFA (Chartered Institute of Public Finance and Accountancy) 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 2023/2024 has been prepared in accordance with the Public Sector Internal Audit Standards 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 2024;
- 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 2023/2024.

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 2024.

4. Committee action

The Committee is asked to note the contents of this report and that the Internal Audit plan 2023/2024 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 Lesley Aird
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 – 14 June 2024

Internal Audit plan 2023/2024

Assurance engagements completed and reported in 2023/2024

No.	Internal Audit plan engagement title	Status	Number of Recommendations	Date reported to Audit and Standards Committee	Assurance level
1	Regularity audit of Subway stock count	Complete	2	9 June 2023	Reasonable
2	Regularity audit of bus infrastructure stock count	Complete	Nil	9 June 2023	Sound in most areas
3	Contract audit of Subway tunnel lining works	Complete	Nil	8 September 2023	Sound in most areas
4	Regularity audit of SCTS operator payment administration	Complete	1	24 November 2023	Reasonable
5	Regularity audit of the framework for supporting local bus services	Complete	3	24 November 2023	Reasonable
6	Systems review of physical access and security arrangements	Complete	5	24 November 2023	Reasonable
7	Core financial systems review of payroll payments administration	Complete	Nil	24 November 2023	Sound in most areas
8	Regularity audit of the public bodies climate change duties report	Complete	Nil	24 November 2023	Sound in most areas
9	Systems review of capital programme delivery	Complete	1	23 February 2024	Reasonable
10	Regularity audit of BARST project	Complete	5	23 February 2024	Reasonable

11	Regularity audit of Subway station office administration	Complete	Nil	14 June 2024	Reasonable
12	Regularity audit of bus station facilities administration	Complete	Nil	14 June 2024	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]