



## **Strathclyde Partnership for Transport**

### **Minute of the Audit & Standards Committee**

**17 March 2017**

held in 131 St Vincent Street, Glasgow

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**Minute of the meeting of Strathclyde Partnership for Transport's  
Audit and Standards Committee held in 131 St Vincent Street, Glasgow on 17 March 2017**

- Present** Councillors David Wilson (Chair), Dr Martin Bartos, Bill Grant, Bobby McDill, Donald Reid and Paul Welsh and appointed members Ann Faulds and Jim McNally.
- Attending** Valerie Davidson; Assistant Chief Executive (Business Support); Valerie A Bowen, Senior Committee Officer; Gordon MacLennan, Chief Executive and Iain McNicol, Audit & Assurance Manager.
- Also attending** John F Anderson, Adviser; Karen Jones, Scott-Moncrieff and John Boyd, Ernst & Young LLP.

**1. Apology**

An apology was submitted from appointed member Brian Davidson.

**2. Declaration of interest in terms of the Ethical Standards in Public Life etc (Scotland) Act 2000**

The committee noted that there were no declarations of interest.

**3. Minute of previous meeting**

The minute of the meeting of 11 November 2016 was submitted and approved as a correct record.

**4. External Audit – Scott Moncrieff reports: External Audit Plan 2016/2017 and Interim Audit report for year ending 31 March 2017**

There were submitted

- (1) Scott Moncrieff's External Audit Plan for 2016/2017 (issued) of March 2017, which summarised the work plan for their 2016/2017 external audit of both SPT and the Strathclyde Concessionary Travel Scheme Joint Committee (SCTSJC), the core elements of which would include:-
  - an audit of the 2016/2017 financial statements of both SPT and SCTSJC and related matters;
  - an interim audit, taking into consideration the work of internal audit, on accounting systems;
  - a review of arrangements for governance and transparency, financial management, financial sustainability and value for money; and
  - any other work requested by Audit Scotland; and
- (2) Scott Moncrieff's Interim Audit report (issued) of March 2017 for the year ending 31 March 2017 for both SPT and the Strathclyde Concessionary Travel Scheme Joint Committee. The report had concluded that, although there were no significant

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deficiencies in the adequacy or design of internal financial controls over the key financial systems and which had been considered to be well designed, three recommendations with scope for improvement had been identified which, if addressed, would further strengthen internal financial controls. These recommendations had been accepted by SPT management and one had already been implemented.

After discussion and having heard Ms Jones in further amplification of the report and Ms Jones and Mr McNicol in answer to members' questions, the committee noted the report.

## 5. Ernst & Young LLP report – Independent examination of Internal Audit

There was submitted a report (issued) of February 2017 by Ernst & Young LLP (EY)

- (1) advising members that the Public Sector Internal Audit Standards (PSIAS) required an independent external assessment of the Internal Audit function to be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organisation;
- (2) intimating that, in October 2016, SPT had commissioned EY to undertake an independent examination of SPT's self-assessment of the Internal Audit function;
- (3) summarising the findings from EY's review and providing details of the self-assessment performed, EY's independent examination and corroboration of management's self-assessment and identifying areas of recommended good practice; and
- (4) informing members
  - (a) that EY's independent examination had found that Management's self-assessment was complete and accurate and did not identify any areas of non-conformance with the PSIAS; and
  - (b) that areas of good practice had been identified, including risk based audit planning and segregated consultancy activities to support Management, which reflected the evolving role of internal audit.

After discussion and having heard Mr Boyd in further amplification of the report and Messrs Boyd and Maclennan in answer to members' questions, the committee noted the report.

## 6. Corporate Risk Register update

There was submitted and noted a report (issued) of 6 March 2017 by the Assistant Chief Executive (Business Support)

- (1) appending the current corporate risk register; and
- (2) advising members that since the last committee, the following changes had been made to the risk register:-

Ref	Risk	Change/Update
SPT 1	Capital funding allocation not matched to programme demands.	The risk score had decreased following capital funding settlement from the Scottish Government.

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Ref	Risk	Change/Update
SPT 5	Reduced future Local Authority budget settlements.	The risk score had increased following the agreed revenue budget requisition for 2017/2018. Close attention had, and would continue to be, given to this risk.
SPT 25	Rolling stock contract not delivered to budget, time or quality requirements.	A new separate corporate risk had been added due to the scale and complexity of the rolling stock contract.

After discussion and having heard Mrs Davidson and Mr Maclennan in answer to members' questions, the committee noted the terms of the report.

#### 7. Assurance framework update

There was submitted and noted a report (issued) of 6 March 2017 by the Assistant Chief Executive (Business Support)

- (1) reminding members
  - (a) that SPT was subject to statute, standards, regulations, governance codes and statements of best practice and required to have effective arrangements in place for demonstrating adherence to them; and
  - (b) that the provision of assurance by qualified professionals was an essential element of SPT's accountability;
- (2) informing members of the assurance mapping process which was a technique that used visual representation of assurance activities to demonstrate how they applied to a specific risk or set of compliance requirements; and
- (3) appending an Assurance framework map, as at March 2017, which outlined the key risk areas and mitigation, assurance provider(s) and the date of the last review.

#### 8. Local Code of Corporate Governance 2016/2017

There was submitted and noted a report (issued) of 6 March 2017 by the Assistant Chief Executive (Business Support)

- (1) reminding members that the 'International Framework: Good Governance in the Public Sector' had provided a set of 7 principles and supplementary guidance which assisted in the production of an Annual Governance Statement which was required to be published by SPT; and
- (2) appending
  - (a) the Local Code of Corporate Governance 2016/2017 which was used to assist in the production of the Annual Governance Statement and which had been populated with evidence of compliance to support each of the 7 principles; and

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- (b) a summary report of evidence documents to support each principle which identified which governance arrangements would be subject to review in 2017/2018.

## **9. IT controls: Change and file controls**

There was submitted a report (issued) of 6 March 2017 by the Assistant Chief Executive (Business Support)

- (1) detailing the findings of a review of IT change and file controls;
- (2) explaining that the objective of this engagement was to assess, review and evaluate the internal controls in place for IT change and file protocol, including back-up arrangements; and
- (3) advising members
  - (a) that some areas for improvement had been identified and nine recommendations had been agreed;
  - (b) that key controls existed, but had not been applied consistently and effectively in the areas tested; and
  - (c) that reasonable assurance could be taken from those areas covered in the engagement, with the exception of back up arrangements and recovery planning.

After consideration and having heard Mrs Davidson and Mr Maclennan in answer to members' questions, the committee

- (i) noted the terms of the report; and
- (ii) agreed that the Audit & Assurance Manager should submit a follow up report on the implementation of the recommendations to a future meeting.

## **10. Regularity audit of the Public Bodies Climate Change Duties report**

There was submitted a report (issued) of 6 March 2017 by the Assistant Chief Executive (Business Support)

- (1) detailing the findings of a regularity audit of the Public Bodies Climate Change Duties report for 2015/2016;
- (2) explaining that the objective of the engagement was to provide a level of assurance on the arrangements for submission of the Public Bodies Climate Change Duties report 2015/2016; and
- (3) advising members
  - (a) that one area for improvement had been identified and a recommendation had been agreed;
  - (b) that key controls existed and had been applied consistently and effectively in most areas; and

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- (c) that sound assurance in most areas could be taken from the controls in place for those areas covered in the engagement.

After consideration, the committee

- (i) noted the terms of the report; and
- (ii) agreed that the Audit & Assurance Manager should submit a follow up report on the implementation of the recommendation to a future meeting.

#### **11. Contract audit of Subway tunnel lining**

There was submitted a report (issued) of 6 March 2017 by the Assistant Chief Executive (Business Support)

- (1) detailing the findings of a contract audit for the Subway tunnel lining contract;
- (2) explaining that the objective of the engagement was to assess and evaluate monitoring arrangements for the Subway tunnel lining contract in accordance with the contract terms and conditions; and
- (3) advising members
  - (a) that some areas for improvement had been identified and three recommendations had been agreed;
  - (b) that key controls existed and had been applied consistently and effectively in the majority of areas covered in the engagement; and
  - (c) that reasonable assurance could be taken from those areas covered in the engagement.

After consideration, the committee

- (i) noted the terms of the report; and
- (ii) agreed that the Audit & Assurance Manager should submit a follow up report on the implementation of the recommendation to a future meeting.

#### **12. Systems review of grant funded projects**

There was submitted a report (issued) of 6 March 2017 by the Assistant Chief Executive (Business Support)

- (1) detailing the findings of a systems review of grant funded projects;
- (2) explaining that the objective of the engagement was to assess, review and evaluate internal controls and procedures for the administration of grants;
- (3) advising members

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- (a) that areas for improvement had been identified and nine recommendations had been agreed;
- (b) that key controls existed and had been applied consistently and effectively; and
- (c) that reasonable assurance could be taken from those areas covered in the engagement.

After consideration and having heard Mrs Davidson in answer to members' questions, the committee

- (i) noted the terms of the report; and
- (ii) agreed that the Audit & Assurance Manager should submit a follow up report on the implementation of the recommendation to a future meeting.

### **13. National Fraud Initiative 2016/2017**

There was submitted and noted a report (issued) of 6 March 2017 by the Assistant Chief Executive (Business Support)

- (1) reminding members that the committee, at its meeting on 9 September 2016, had agreed that a follow-up report on the outcome of the 2016/2017 National Fraud Initiative (NFI) exercise would be presented to the Audit and Standards committee following investigation of 'data matches';
- (2) explaining that a data match was where the same address, bank account, date, name or payment details was identified in two or more transactions;
- (3) intimating
  - (a) that in early October 2016, SPT datasets for payroll and trade creditors had been provided to the national NFI team, as per a prescribed timescale;
  - (b) that these datasets had been matched with public bodies' data and 963 matches had been released to SPT; and
  - (c) that of these matches, 959 were trade creditor matches and the remaining 4 had related to payroll matches;
- (4) informing members
  - (a) that engagement testing had analysed and investigated the matched data and had found no error or fraud;
  - (b) that the engagement had identified a requirement to cleanse creditor standing data held in the financial management system; and
  - (c) that the findings of the exercise had been reported back to Audit Scotland using NFI website tools; and
- (5) advising members

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- (a) that key controls existed and had been applied consistently and effectively in most areas reviewed; and
- (b) that sound assurance in most areas could be taken from the areas covered in the engagement.

**14. Audit Scotland report: Local Government in Scotland financial overview 2015/2016**

There was submitted and noted a report (issued) of 6 March 2017 by the Assistant Chief Executive (Business Support)

- (1) informing members that Audit Scotland had published a report " Local Government in Scotland financial overview 2015/2016 ";
- (2) appending a copy of the report and supplements; and
- (3) explaining that the report had concluded
  - (a) that although councils had managed their finances well, significant challenges lay ahead;
  - (b) that councils had remained within their overall budgets, increased their reserves slightly and reduced their debt in 2015/2016 and although each council had its own particular challenges, all councils faced financial shortfalls requiring further savings or using reserves;
  - (c) that councils would need to change the way they worked if they were to make the savings required if they were to meet increased cost pressures in areas such as pensions; and
  - (d) that further reductions in Scottish Government funding were expected whilst demands on key services, particularly social care, continued to rise.

**15. Audit Scotland Report: How Councils Work**

There was submitted and noted a report (issued) of 6 March 2017 by the Assistant Chief Executive (Business Support)

- (1) informing members that Audit Scotland had published a report " How Councils Work";
- (2) appending a copy of the report and supplement which had highlighted issues that were important to the governance of councils in the current climate;
- (3) intimating that the report had revisited themes in the Accounts Commission's 2010 publication " How Councils Work: Roles and working relationships: are you getting it right? " ;
- (4) informing members that the key messages focussed on the main themes from the original report, including:



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- (a) the requirement for clear roles and responsibilities and that governance arrangements required to be kept up to date;
- (b) the need for effective working relationships; and
- (c) the need for members to have the skills and tools to carry out their complex and evolving role.

## **16. Public Reporting Complaints Statistics**

There was submitted and noted a report (issued) of 6 March 2017 by the Assistant Chief Executive (Business Support)

- (1) advising members of the statistics for the third quarter of 2016/2017 for SPT customer complaints;
- (2) informing members that 136 complaints had been received in the third quarter of 2016/2017, of which 40 did not concern SPT services, and that 100% had been responded to within the prescribed timescale;
- (3) providing members with a breakdown of the areas of service delivery within SPT where complaints had been received in quarter 3; and
- (4) intimating
  - (a) that all complaints had been considered and investigated thoroughly; and
  - (b) that SPT would continue to monitor customer complaints using the information to learn and improve services delivered.

## **17. Members' and Directors' expenses 2016/2017**

There was submitted a report (issued) of 6 March 2017 by the Assistant Chief Executive (Business Support) detailing members' and directors' expenses to 18 February 2017.

After discussion and having heard Mrs Davidson in answer to members' questions, the committee

- (1) noted the terms of the report; and
- (2) agreed that minor presentational issues relating to the use of corporate cards should be reviewed.