

joining up
journeys



committee minute

Strathclyde Partnership for Transport

Minute of Audit and Standards Committee meeting

11 June 2010

held at Consort House, Glasgow

contact officers:

Valerie A Bowen	phone: 0141 333 3130
Kirsten Clubb	phone: 0141 333 3576

Minute of the meeting of the Strathclyde Partnership for Transport's Audit and Standards Committee held in Glasgow on 11 June 2010.

Present	Councillors Duncan MacIntyre (Chair), Bill Grant, Ian Gray and William Hendrie.
Attending	Valerie Davidson, Assistant Chief Executive (Business Support), Neil Wylie, Director of Finance and Owen Hendry, Chief Internal Auditor.
Apologies	Councillors Tommy Morrison and appointed members Tom Hart and Bill Ure.
Also attending	John F Anderson, Consultant Advisor and Stephen Reid and Brian Curran, KPMG.

1. Declaration of interest

The committee noted that there were no declarations of interest.

2. Minute of previous meeting

The minutes of the meetings of 26 February 2010 and 2 June 2010 were submitted and approved as a correct record.

Arising from the minute of 2 June 2010, considerable discussion took place on the various comments which the Partnership had made earlier that day following consideration of that minute. Thereon the committee

- (1) agreed in relation to
 - (a) page 2, paragraph (iii) (C) that in addition to the publication of members and senior management expenses on the SPT website, the expenses of the next tier of senior management should also be published; and
 - (b) page 2, paragraph (iii) (E) that the revision of members' expense guidelines to strengthen the expectation that public transport was the preferred mode of travel should also include senior management; and
- (2) otherwise noted the comments made by the Partnership.

3. Corporate Risk Register update

[Click here to view report](#)

There was submitted a report (issued) of 3 June 2010 by the Assistant Chief Executive (Business Support),

11 June 2010

- (1) reminding members of the role of SPT's Risk Management Group which meet quarterly to monitor and review the risks faced by SPT within its working environment;
- (2) highlighting various amendments to the Corporate Risk Register which had been made at a recent meeting of the Risk Management Group, including the likelihood of risk references SPT3 and SPT5 increasing to reflect the current fiscal pressures and SPT16 increasing due to the inconsistencies of passenger footfall on the Subway; and
- (3) appending a revised Corporate Risk Register which highlighted the key risks currently identified for the organisation, together with their consequences, mitigating controls and assessed risk scores.

After discussion and having heard Mr Wylie in answer to members' questions, the committee noted the revised Corporate Risk Register.

4. National Fraud Initiative

[Click here to view report](#)

With reference to the minute of the committee of 12 June 2009 (page 4, paragraph 6) when the committee had noted

- (1) that as part of the fraud response plan, SPT had participated in the National Fraud Initiative (NFI) for the second year during 2008/09;
- (2) that the Chief Internal Auditor would investigate any cross matches which were reported to SPT by the NFI team to identify inaccuracies or potential fraud;
- (3) that earlier that year an NFI report had highlighted matches for 8 employees and 360 creditors from SPT's details of payroll and creditor transaction and standing data as at October 2008; and
- (4) that although the interim work carried out by Internal Audit had confirmed that there were legitimate reasons for potential irregularities and that no evidence of fraud or error had been found, the full results of the investigations would be submitted to a future meeting of the committee,

there was submitted and noted a report (issued) of 2 June 2009 by the Assistant Chief Executive (Business Support)

- (a) informing members that following the examination of all payroll transactions, Internal Audit had now confirmed that there were legitimate reasons for the potential irregularities reported by NFI to SPT for investigation;
- (b) outlining the results from the 2008/09 NFI exercise and;
- (c) explaining that copies of the national NFI report could be obtained from the Audit Scotland website or by contacting the Chief Internal Auditor.

11 June 2010

5. Internal Audit reports

[Click here to view report](#)

There was submitted a report (issued) of 3 June 2010 by the Assistant Chief Executive (Business Support),

- (1) appending a summary report from recently completed internal audit reviews on the the following systems;
 - Payroll Acting Up Allowances;
 - Risk Management; and
 - Asset Management;
- (2) explaining that the remedial actions recommended in the report, together with implementation dates, had been agreed with the relevant departmental managers; and
- (3) concluding that, although the results of the audit work had shown that there was continuing improvement in the control and value for money frameworks for these systems, there were some areas where scope for improvement existed and that these had been addressed by the audit recommendations.

After discussion and having heard Mr Hendry provide further detail on the individual recommendations contained within the review, the committee noted that Internal Audit would undertake a follow up report to confirm the implementation of the recommendations detailed in the report and report back to the committee within six months.

6. Audit investigations - requests by senior management

[Click here to view report](#)

There was submitted a report (issued) of 3 June 2010 by the Assistant Chief Executive (Business Support),

- (1) reminding members that senior management could request an internal audit investigation of selected areas of SPT activities where significant areas of concern had been identified;
- (2) detailing the results of two recent internal audit investigations into the following areas:-
 - Debit/credit card transaction charges; and
 - Subway overtime; and
- (3) explaining that the above investigations had been designed to assist management with their responsibility for the prevention of fraud and promote the better achievement of value for money in the delivery of service.

After considerable discussion and having heard Messrs Wylie and Hendry in further explanation and in answer to members' questions, the committee noted the recent audit investigations conducted by the Internal Audit Team.

11 June 2010

7. SPT's Fraud reporting line

[Click here to view report](#)

There was submitted a report (issued) of 27 May 2010 by the Assistant Chief Executive (Business support),

- (1) reminding members that SPT encouraged members of the public who suspected fraud or corruption against SPT to contact the Chief Internal Auditor through a dedicated phone number or e mail address;
- (2) advising members of several reports which had made through SPT's fraud report line during 2009/10; and
- (3) explaining that following investigations by the Chief Internal Auditor no evidence and corruption had been found in the reports received from the Fraud Reporting Line.

After discussion, particularly relating to raising the profile of the dedicated phone number to a wider audience and having heard Messrs Hendry and Wylie in answer to members' question, the committee noted the terms of the report.

8. Follow up of Internal Audit recommendations

[Click here to view report](#)

There was submitted and noted a report (issued) of 3 June 2010 by the Assistant Chief Executive (Business Support),

- (1) appending a report detailing
 - (a) the background to and current arrangements for the follow up of internal audit recommendations within the Partnership; and
 - (b) the progress in the implementation of the following internal audit recommendations reported to the committee on 18 September 2009:-
 - Rental;
 - Subway stores; and
 - Disclosure Scotland; and
- (2) concluding that the progress in implementing the agreed internal audit recommendations reported to the committee on 18 September 2009 was generally satisfactory.

9. Internal Audit Annual Report 2009/10

[Click here to view report](#)

With reference to the minute of 27 March 2009 (page 2, paragraph 4) when the committee had approved the Internal Audit Strategic Plan 2009/12, there was submitted a report (issued) of 3 June 2010 by the Assistant Chief Executive (Business Support), on the first year of the Plan which

11 June 2010

- (1) compared actual activity with planned activity, demonstrated the extent to which the audit needs had been met and highlighted the significant findings to date;
- (2) commented on the soundness of SPT's internal controls which had been examined to date in accordance with the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice; and
- (3) concluded that reasonable assurance could be placed upon the adequacy and effectiveness of the Partnership's internal control systems in the year to 31 March 2010.

After discussion and having heard Mr Hendry in further explanation, the committee noted the Internal Audit Annual Report for 2009/10.

10. Internal Audit Plan 2010/2011

[Click here to view report](#)

There was submitted and noted a report (issued) of 3 June 2010 by the Assistant Chief Executive (Business Support),

- (1) appending an internal audit plan for 2010/2011 which had been prepared in accordance with the Code of Practice for Internal Audit in Local Government in the United Kingdom, issued in 2006 by the Chartered Institute of Public Finance and Accountancy;
- (2) reminding members that the main objectives of the annual audit plan were to
 - translate the audit strategy into a schedule of audit assignments;
 - define the purpose and duration of each audit assignment; and
 - provide a framework for direction and control; and
- (3) informing members
 - (a) that the risk assessment used to support the 2009/12 Audit Strategy had been undertaken at a time when the Partnership's departmental risk registers were not fully complete for audit purposes;
 - (b) that recent developments in SPT's risk registers had offered the opportunity to align better audit coverage with all key risks and their associated mitigating controls; and
 - (c) that where possible the proposed audit coverage would be directed to offer assurance on the effectiveness of controls identified in SPT's corporate risk register and departmental register;
- (4) advising members
 - (a) that as some departmental risk registers were subject to review as part of organisational changes, it was not possible to formulate audit need assessment and to plan based exclusively on risk registers;

11 June 2010

- (b) that in order to overcome this, the Chief Internal Auditor had completed an audit needs assessment using other valuable information to ensure that the allocation of audit resources was prioritised against key risks and controls; and
 - (c) that this risk assessment would therefore be informed by relevant sections of risk registers, previous internal audit work, intelligence, discussions with the Strategy Team, Service Directors and the Audit and Standards Committee; and
- (5) highlighting that the delivery of the annual plan would ensure that the audit coverage anticipated in the Audit Strategy 2009/2012 was achieved.

11. External Audit - Interim Management Report

[Click here to view report](#)

There was submitted the Interim Management Report issued by the External Auditors, KPMG, for the year ended 31 March 2010 which summarised KPMG findings regarding the following:-

- Audit methodology;
- key risk areas;
- Organisational wide controls
- Key financial controls; and
- Performance management.

After considerable discussion and having heard Mr Reid, in further amplification of the report and in answer to members' questions, the committee noted the External Auditor's Interim Management report.