

## **Strathclyde Partnership for Transport**

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

**14 September 2012**

held in Consort House, Glasgow

**contact officers:**

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**Minute of the meeting of Strathclyde Partnership for Transport's  
Audit and Standards Committee held in Consort House, Glasgow, on 14 September 2012**

**Present** Councillors David Wilson (Chair), John Cairney (substitute), Bill Grant, Bobby McDill, Paul Welsh and Kieran Wild (substitute) and appointed members Tom Hart and Bill Ure.

**Attending** Terry Lynch, Senior Legal Advisor; Gordon MacLennan, Chief Executive; Neil Wylie, Director of Finance & HR; Iain McNicol, Audit & Assurance Manager and Charlie Kaur, Senior Internal Auditor.

**Also attending** Stephen Reid, KPMG.

**1. Interim Chair**

In terms of Standing Order No.1.4.4, in the absence of the Secretary, the Senior Legal Advisor took the chair at the commencement of the meeting pending appointment of a Chair.

**2. Apologies**

Apologies were submitted from Councillors John Bruce, Pauline McKeever and Chris Thompson.

**3. 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.

**4. Appointment of Chair**

Nominations were sought for the post of Chair.

Thereon, Councillor Bill Grant, seconded by Councillor Paul Welsh, moved that Councillor David Wilson be elected to the post of Chair and there being no further nominations, the committee agreed unanimously to appoint Councillor Wilson who took the Chair for the remainder of the meeting.

**5. Minute of previous meeting**

The minute of the meeting of 23 March 2012 was submitted and noted.

**6. 2011/2012 Abstract of Accounts**

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There was submitted a report (issued) of 5 September 2012 by the Assistant Chief Executive (Business Support) requesting that the committee agree that the finalised abstract of accounts for SPT and Strathclyde Concessionary Travel Scheme Joint Committee for the financial year ending 31 March 2012 (appended to the report) be submitted to the Controller of Audit no later than 30 September 2012.

After discussion and having heard Mr Wylie in answer to members' questions, the committee approved the submission of the finalised abstract of accounts to the Controller of Audit.

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**7. Corporate Risk Register update**

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There was submitted and noted a report (issued) of 17 August 2012 by the Assistant Chief Executive (Business Support)

- (1) informing members that SPT's Corporate Risk Register which highlighted the key risks currently identified for the organisation, together with their consequences, mitigating controls and assessed risk scores, was reviewed and amended on a frequent basis;
- (2) advising members of the following changes which had been made to the Corporate Risk Register:-
  - a reduction in the scoring of SPT 1 to reflect the capital funding settlement agreement;
  - a reduction in the scoring of SPT 5 to reflect the local authority revenue budget settlement; and
  - a reduction in the scorings of SPT 2 and SPT 3 to reflect the conclusion of the Terms and Conditions consultation exercise;
- (3) appending the revised corporate risk register; and
- (4) highlighting the fact that SPT's risk management policy and strategy were currently subject to a review by Audit and Assurance and would be reported to a future committee.

**8. Internal Audit Annual Report 2011/2012**

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With reference to the minute of 27 March 2009 (page 2, paragraph 4) when the committee had approved the Internal Audit Strategic Plan 2009/2012, there was submitted a report (issued) of 31 May 2012 by the Assistant Chief Executive (Business Support) on the third year of the Plan which

- (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 2012.

After discussion and having heard Messrs McNicol and Wylie in further explanation and in answer to members' questions, the committee noted the terms of the report.

**9. Contract Audit: Advertising**

[Click here to view report](#)

With reference to the minutes of the Partnership of

- (1) 15 December 2006 (page 16, paragraph 19) when the Partnership had agreed to award a contract for advertising management to Primesight Ltd for a period of three years, with an option to extend the contract to 31 March 2012; and

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- (2) 9 December 2011 (page 6, paragraph 9) when the Partnership had agreed to award a contract for advertising management to Primesight Ltd for a period of three years commencing 1 April 2012, with an option to extend the contract for up to two years,

there was submitted a report (issued) of 15 August 2012 by the Assistant Chief Executive (Business Support)

- (a) detailing the findings of a contract audit assignment on advertising;
- (b) explaining that the objective of the audit was to review the management of the advertising contract and confirm that all monies due to SPT had been received; and
- (c) informing members that all amounts due to SPT from Primesight Ltd under the terms of the advertising contract dated January 2007 and the two subsequent variations had been received.

After discussion and having heard Messrs McNicol and MacLennan in further explanation and in answer to members' questions, the committee

- (i) noted the terms of the report; and
- (ii) agreed that the Audit and Assurance Manager would submit a follow up report on the performance of the new contract, which had commenced on 1 April 2012, to a future meeting.

#### **10. Contract Audit: Hillhead Station improvements**

[Click here to view report](#)

There was submitted a report (issued) of 17 August 2012 by the Assistant Chief Executive (Business Support)

- (1) informing members
  - (a) that Hillhead Station was the first station 'pilot project' in a programme of refurbishment to all 15 stations on the Subway system; and
  - (b) that following a tendering procedure and the award of a contract, modernisation and improvement works had commenced in June 2011;
- (2) detailing the findings of a contract audit assignment on Hillhead Station improvements;
- (3) explaining
  - (a) that the objective of the audit was to assess, evaluate and report on the control procedures for the financial administration of Hillhead Station improvements contract and compare SPT's processes against recommended best practice; and
  - (b) that the audit also examined contractor payments and contract monitoring arrangements; and
- (4) advising members

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- (a) that some areas of improvement had been identified and five recommendations had been agreed with the relevant departmental managers;
- (b) that key controls existed and had been applied consistently and effectively in the majority of areas; and
- (c) that reasonable assurance could be taken from the controls in place in those areas covered in the assignment.

After discussion and having heard Mr McNicol in further explanation and in answer to members' questions, the committee

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

## 11 National Fraud Initiative

[Click here to view report](#)

There was submitted and noted a report (issued) of 10 August 2012 by the Assistant Chief Executive (Business Support)

- (1) informing members that, in accordance with the Partnership's Counter Fraud Strategy, SPT would be participating in the fourth National Fraud Initiative (NFI), a UK wide data matching exercise of computerised payroll, pension and benefit data held by public and local authorities;
- (2) appending a self-appraisal checklist issued by Audit Scotland which had been completed prior to SPT's involvement in the NFI 2012/2013;
- (3) explaining that as part of the Fraud Response Plan, all employees would be made aware of SPT's participation in NFI via a note in their payslip and from SPT's intranet site; and
- (4) advising members that a report on the outcome of the exercise would be presented to the committee following investigation of any data matches found.

## 12 Systems review of school transport

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There was submitted a report (issued) of 14 August 2012 by the Assistant Chief Executive (Business Support)

- (1) informing members that eleven councils in the Strathclyde area had appointed SPT to act as their agent in procuring and administering contracts for the provision of mainstream school transport;
- (2) detailing the audit findings of a systems review of school transport; and
- (3) advising members
  - (a) that some areas of improvement had been identified and seven recommendations had been agreed with the relevant departmental managers; and

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- (b) that key controls existed and had been applied consistently and effectively in the majority of areas.

After discussion and having heard Messrs McNicol and MacLennan in further explanation and in answer to members' questions, the committee

- (i) noted the terms of the report; and
- (ii) agreed
  - (A) that the Audit and Assurance Manager would submit a follow up report on the implementation of the recommendations to a future meeting; and
  - (B) that, if required, the appropriate background papers for all recommendations would be made available to members at future committee meetings.

### 13 Systems review on the allocation of ZoneCard revenue

[Click here to view report](#)

There was submitted a report (issued) of 6 August 2012 by the Assistant Chief Executive (Business Support)

- (1) informing members of the background to SPT ZoneCard, which was a multi operator ticketing scheme involving over sixty public transport service organisations, including First ScotRail, SPT Subway, ferry and bus service operators;
- (2) detailing the audit findings of a systems review on the allocation of ZoneCard revenue; and
- (3) advising members
  - (a) that some areas of improvement had been identified and nine recommendations had been agreed with the relevant departmental managers; and
  - (b) that key controls existed and had been applied consistently and effectively in the majority of areas.

After discussion and having heard Mr Wylie in answer to members' questions, the committee

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

### 14. Members' and Directors' expenses 2012/2013

[Click here to view report](#)

With reference to the special meeting of the Audit and Standards Committee held on 2 June 2010 (page 1, paragraph 2) when the committee had agreed, *inter alia*, that the Audit and Standards Committee review the expenses of all members and senior officers on an on-going basis, there was submitted and noted a report (issued) of 29 August 2012 by the Assistant Chief Executive (Business Support) detailing members' and directors' expenses for the period from 1 April to 11 August 2012.

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## 15. Variation in order of business

In terms of Standing Order no. 3.4, the committee agreed to vary the order of business as hereinafter minuted.

## 16. External Audit - Report to those charged with governance

[Click here to view report](#)

There was submitted a report (issued) of 29 August 2012 by the Assistant Chief Executive (Business Support)

- (1) enclosing the external audit annual report for 2011/2012 to those charged with governance for Strathclyde Partnership for Transport which had been consolidated with the annual report for the Strathclyde Concessionary Travel Scheme Joint Committee (SCTSJC);
- (2) explaining that the report had been compiled in accordance with Audit Scotland's Code of Practice and summarised KPMG's work in relation to the financial statements of SPT and SCTSJC;
- (3) informing members
  - (a) that, the conclusions of the external audit report were satisfactory and had indicated that the financial statements for the Partnership for the financial year 2011/2012 were unqualified;
  - (b) that a number of remedial actions to improve the financial statements had been identified; and
  - (c) that the implementation of these actions had been agreed with the Partnership's management.

After considerable discussion and having heard Mr Reid in further explanation of the report, the committee noted the terms of the report and the planned actions.

## 17. External Audit – Annual Report 2011/2012

[Click here to view report](#)

There was submitted a report (issued) of 29 August 2012 by the Assistant Chief Executive (Business Support)

- (1) enclosing the external audit annual report for 2011/2012 for Strathclyde Partnership for Transport which had been consolidated with the annual report for the Strathclyde Concessionary Travel Scheme Joint Committee;
- (2) explaining that the report, which had been compiled in accordance with Audit Scotland's Code of Practice, covered the first year of a five year appointment for KPMG; and
- (3) informing members
  - (a) that, the conclusions of the external audit report were satisfactory and had indicated that the financial statements for the Partnership for the financial year 2011/2012 were unqualified; and

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- (b) that KPMG had been able to place reliance upon the work of SPT's Internal Audit team during the financial year 2011/12.

After discussion and having heard Mr Reid in further explanation of the report and thank Mr Wylie and his staff for their hard work and professionalism which had enabled his team to discharge their responsibilities effectively, the committee noted the terms of the report and the planned actions.