

Strathclyde Partnership for Transport

Minute of the Audit & Standards Committee

16 November 2012

held in Consort House, Glasgow

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**Minute of the meeting of Strathclyde Partnership for Transport's
Audit and Standards Committee held in Consort House, Glasgow, on 16 November 2012**

Present Councillors David Wilson (Chair) and Paul Welsh and appointed member Tom Hart.

Attending Valerie Davidson, Assistant Chief Executive (Business Support); Gordon MacLennan, Chief Executive; Neil Wylie, Director of Finance & HR; Iain McNicol, Audit & Assurance Manager, Charlie Kaur, Senior Internal Auditor, Donald Baddon, Manager, IT and Jesper Petterson, Delivery Team Leader, IT.

Also attending Stephen Reid, KPMG.

1. Quorum

In terms of Standing Order no. 3.1.1, the meeting was deemed to be inquorate as three councils were not represented. Thereon, members present discussed the following items of business.

2. Apologies

Apologies were submitted from Councillors John Bruce, John Cairney (substitute), Bill Grant, Bobby McDill, Pauline McKeever and Chris Thompson and Appointed Member Bill Ure.

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. Minute of previous meeting

The minute of the meeting of 14 September 2012 was submitted and noted.

5. Corporate Risk Register update

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There was submitted and noted a report (issued) of 6 November 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 a reduction in the scoring of SPT 16 to reflect the impact of the recent fares change; and
- (3) appending the revised corporate risk register; and

6. Level of Assurance

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There was submitted and noted a report (issued) of 3 October 2012 by the Assistant Chief Executive (Business Support)

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- (1) informing members that the Partnership was required to provide an Annual Governance Statement and Statement of Control within the Financial Statements, with a view on SPT's systems for internal controls; and
- (2) appending a table outlining the assurance levels based on the audit findings and conclusions at individual assignment levels which was then collated on a periodical basis and would support the organisation's view on systems for internal control.

7. Systems review of Risk Management

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There was submitted and noted a report (issued) of 12 October 2012, together with a more detailed list of recommendations issued at the meeting which covered also the following five items on the agenda, by the Assistant Chief Executive (Business Support)

- (1) informing members of SPT's current risk management processes;
- (2) detailing the audit findings of a systems review of risk management;
- (3) explaining that the objective of the audit was to use best practice guidance as a benchmark to assess, review and evaluate the current risk management policy and strategy;
- (4) advising members
 - (a) that some areas of improvement had been identified and seven recommendations had been agreed which would be implemented by the Strategy Team;
 - (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; and
- (5) intimating that the Audit and Assurance Manager would submit a follow up report on the implementation of the recommendations to a future meeting.

8 Regularity audit of rental income

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There was submitted and noted a report (issued) of 8 October 2012 by the Assistant Chief Executive (Business Support)

- (1) informing members of SPT's land and buildings portfolio which was managed by the property section;
- (2) detailing the findings of a regularity audit of rental income;
- (3) explaining that the objective of the audit was to review and evaluate the current arrangements for processing and receiving rental income and provide performance information;
- (4) advising members

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- (a) that some areas of improvement had been identified and five recommendations had been agreed with the Head of Property;
 - (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; and
- (5) intimating that the Audit and Assurance Manager would submit a follow up report on the implementation of the recommendations to a future meeting.

9 Systems review of the payment of expenses

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There was submitted and noted a report (issued) of 8 October 2012 by the Assistant Chief Executive (Business Support)

- (1) informing members that in accordance with corporate governance guidelines, SPT made payments to employees and elected members for expenses incurred to undertake authorised duties;
- (2) detailing the findings of a systems review of the payment of expenses;
- (3) explaining that the objective of the audit assignment was to analysis the expenses payments made in 2011/2012 and compare actual to expected internal controls by testing a sample of claims;
- (4) advising members
 - (a) that some areas of improvement had been identified and five recommendations had been agreed with the relevant departmental management;
 - (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; and
- (5) intimating that the Audit and Assurance Manager would submit a follow up report on the implementation of the recommendations to a future meeting.

10. Systems review of grant funded projects

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There was submitted and noted a report (issued) of 2 November 2012 by the Assistant Chief Executive (Business Support)

- (1) informing members that in accordance with Section 3(5) of the Transport (Scotland) Act 2005, SPT provided grant funding for appropriate projects to constituent authorities in the Partnership area;
- (2) detailing the findings of a systems review of grant funded projects;

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- (3) explaining that the objective of the audit assignment was to review and evaluate the procedures and internal controls in place for the authorisation and payment of grant funding to projects;
- (4) advising members
 - (a) that some areas of improvement had been identified and five recommendations had been agreed with the relevant departmental management;
 - (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; and
- (5) intimating that the Audit and Assurance Manager would submit a follow up report on the implementation of the recommendations to a future meeting.

After discussion and having heard the views expressed by Mr Hart that there should be scope for reporting on the success or otherwise of such grant funded projects, the committee noted the terms of the report.

11. Systems review of Subway ticketing income (Park and Ride)

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There was submitted and noted a report (issued) of 2 November 2012 by the Assistant Chief Executive (Business Support)

- (1) providing information on the Park and Ride facilities available at Bridge Street, Kelvinbridge and Shields Road Subway stations;
- (2) detailing the findings of a systems review of Subway ticketing income at Park and Ride stations;
- (3) explaining that the objective of the audit assignment was to assess and evaluate the current procedures and internal controls in place for Subway ticketing income from Park and Ride stations;
- (4) advising members
 - (a) that some areas of improvement had been identified and six recommendations had been agreed with the relevant departmental management; and
 - (b) that key controls existed and had been applied consistently and effectively in the majority of areas; and
- (5) intimating that the Audit and Assurance Manager would submit a follow up report on the implementation of the recommendations to a future meeting.

12. Systems review of IT controls (physical and environmental)

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There was submitted a report (issued) of 2 November 2012 by the Assistant Chief Executive (Business Support)

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- (1) detailing the findings of a systems review of IT controls (physical and environmental);
- (2) explaining that the objective of the audit assignment was to evaluate and test the policy, procedures and processes for the physical and environmental controls in place for the use of IT equipment, which included a physical verification of PCs, laptops and mobile phones;
- (3) advising members
 - (a) that areas of improvement had been identified and twenty six recommendations had been agreed with IT management;
 - (b) that although key controls existed, they had not been applied consistently and effectively; and
 - (c) that reasonable assurance could be taken from the controls in place, with the exception of the IT inventory records and security arrangements of some IT equipment; and
- (4) intimating that the Audit and Assurance Manager would submit a follow up report on the implementation of the recommendations to the next committee.

After considerable discussion, the steps being taken to improve the situation were noted.

13. Members' and Directors' expenses 2012/2013

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There was submitted and noted a report (issued) of 5 November 2012 by the Assistant Chief Executive (Business Support) detailing members' and directors' expenses for the period from 1 April to 3 November 2012.

14. Internal Audit Plan 2011/2012 – mid year progress report

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With reference to the minute of the

- (1) Personnel Committee (page 3, paragraph 6) when the committee had approved a revised Audit and Assurance structure; and
- (2) Audit and Standards Committee of 23 March 2012 (page 3, paragraph 6) when the committee had approved the Internal Audit Plan 2012/2013,

there was submitted and noted a report (issued) of 5 November 2012 by the Assistant Chief Executive (Business Support),

- (a) informing members that the revised Audit and Assurance structure had now been implemented and was fully resourced from 6 August 2012;
- (b) advising member that as at 2 November 2012, 268 of the 490 planned audit days (55%) had been achieved;
- (c) explaining that audit work to date included 8 assignments completed and reported to the committee and a further 10 planned assignments in progress at various stages;

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- (d) appending a position statement of the planned work in the year to 2 November 2012; and
- (e) concluding that good progress had been made to date in achieving the Internal Audit Plan for 2012.