

*joining up
journeys*

SPT

committee minute

Strathclyde Partnership for Transport

Minute of Audit and Standards Committee meeting

25 March 2011

held at Consort House, Glasgow

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Minute of the meeting of the Strathclyde Partnership for Transport's Audit and Standards Committee held in Glasgow on 25 March 2011.

Present Councillors Duncan MacIntyre (Chair), Ian Gray and Tommy Morrison and appointed member Tom Hart.

Attending Valerie Davidson, Assistant Chief Executive (Business Support), Valerie A Bowen, Senior Clerk; Gordon MacLennan, Chief Executive; Neil Wylie, Director of Finance & HR and Owen Hendry, Chief Internal Auditor.

Also attending Stephen Reid, KPMG.

1. Apologies

Apologies were submitted from Councillors Bill Grant and William Hendrie.

2. Declaration of interest

The committee noted that there were no declarations of interest.

3. Minute of previous meeting

The minute of the meeting of 19 November 2010 was submitted and approved as a correct record.

4. Corporate Risk Register update

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There was submitted and noted a report (issued) of 15 March 2011 by the Assistant Chief Executive (Business Support),

- (1) reminding members of the role of SPT's Risk Management Group which met 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 addition of risk reference SPT19 "Non implementation of Subway modernisation project", the reduction in scoring of SPT11 to reflect the current economic climate and the transfer of ownership of SPT16 to the Assistant Chief Executive (Operations); 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.

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5. Fraud awareness guidance

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There was submitted a report (issued) of 14 March 2011 by the Assistant Chief Executive (Business Support), informing members

- (1) that as part of its anti-fraud strategy, a week long campaign in the form of five intranet news articles on fraud related matters, containing electronic links to key anti fraud documentation, had been promoted on SPT's intranet site; and
- (2) that the purpose of the articles was to raise awareness of the fraud risk facing SPT, to encourage staff participation in the delivery of SPT's anti fraud strategy and to publicise contact details for whistle blowing and fraud reporting lines.

Following discussion and having heard Mr Hendry in further amplification, the committee noted the terms of the report.

6. National Fraud Initiative

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There was submitted and noted a report (issued) of 14 March 2011 by the Assistant Chief Executive (Business Support)

- (1) intimating that, as part of the fraud response plan, SPT had participated in the National Fraud Initiative (NFI) for the third year during 2010/2011;
- (2) advising members that a recent NFI report had highlighted matches for 7 employees and 270 creditors; and
- (3) concluding
 - (a) that the interim work carried out by Internal Audit had confirmed that there were legitimate reasons why cross matches existed and that examination of the lower risk creditor transactions was continuing; and
 - (b) that the full results of the investigations would be submitted to a future meeting of the committee.

7. Progress update on travel and accommodation expenditure recommendations

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With reference to the special meeting of the Audit and Standards Committee held on 2 June 2010 (page 1, para 2) when the committee had

- (1) considered the findings of the KPMG audit investigation being carried out at SPT's request following adverse media reports; and
- (2) noted that a full follow up of all issues would be considered progressively over the next 12 months to ensure that the revised controls were operating effectively,

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there was submitted a report (issued) of 17 March 2011 by the Assistant Chief Executive (Business Support)

- (a) appending a progress report on issues relating to control of travel and expenses which would be submitted to Audit Scotland for information; and
- (b) informing members that all matters raised had been addressed or, in a small number of cases, were in the process of being implemented and that close scrutiny would continue.

After consideration and having heard Mrs Davidson in further explanation, the committee agreed that the conclusions, once finalised, be submitted in summary form to a future meeting of the Partnership.

8. Members' and Directors' expenses 2010/2011

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With reference to the special meeting of the Audit and Standards Committee held on 2 June 2010 (page 1, para 2) when the committee had

- (1) considered the findings of the KPMG audit investigation being carried out at SPT's request following adverse media reports; and
- (2) agreed, inter alia, that the Audit and Standards Committee review all senior officers' and members' expenses on an ongoing basis,

there was submitted and noted a report (issued) of 7 March 2011 by the Assistant Chief Executive (Business Support) detailing members' and directors' expenses for the period from 1 April 2010 to 26 February 2011.

9. Implementation of International Financial Reporting Standards (IFRS)

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Reference was made to the minute of 26 February 2010 (page 1, paragraph 3) when the committee had considered and noted a report intimating that from 2010/11, SPT, in line with local authorities, would be required to prepare annual accounts in accordance with International Financial Reporting Standards (IFRS) which was essentially an accounting change which required revisions to accounting policies, changes in the format of financial statements and a significant number of additional disclosures.

Thereon, there was submitted a report (issued) of 7 March 2011 by the Assistant Chief Executive (Business Support)

- (1) advising members that the transition to IFRS, supported by PricewaterhouseCoopers, continued to progress satisfactorily and to plan; and
- (2) providing information in relation to specific tasks contained within the transition plan.

After consideration, the committee noted the terms of the report.

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10. Annual Audit Scotland overview

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There was submitted and noted a report (issued) of 9 February 2011 by the Assistant Chief Executive (Business Support)

- (1) informing members that Audit Scotland conducted annual audits of all local authorities and related bodies in Scotland which identified key issues and raised matters which might impact on the financial management, governance and control of audited bodies;
- (2) appending Audit Scotland's "An overview of local government in Scotland 2010" which had been issued to all local authorities; and
- (3) explaining that, as the following key issues had been identified as matters which required to be considered by all relevant bodies in Scotland, they would be incorporated in the Internal Audit Plan for 2011/2012:-
 - ensuring robust asset management;
 - obtaining value for money from the procurement process;
 - ensuring that the principles outlined in "following the public pound" were followed; and
 - recognising the importance of performance management, sound governance and accountability to support decision making.

11. Internal Audit reports

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There was submitted a report (issued) of 11 March 2011 by the Assistant Chief Executive (Business Support)

- (1) appending summary reports from recently completed internal audit reviews on the following systems;
 - Treasury Management;
 - rental income; and
 - retention of documents;
- (2) explaining that the remedial actions recommended in the reports, 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 reviews, the committee

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- (a) agreed that a progress report on the retention of documents be submitted to the committee within the next three months ; and
- (b) otherwise noted that Internal Audit would undertake a follow up review to confirm the implementation of the recommendations detailed in the reports and report back to the committee within six months.

12. Follow up of Internal Audit recommendations

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There was submitted and noted a report (issued) of 4 March 2011 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 17 September 2010:-
 - payment procedures;
 - procurement; and
 - budgetary control; and
- (2) informing members that, although the progress in implementing the agreed internal audit recommendations reported to the committee was satisfactory, they would be subject to further review.

13. Internal Audit Plan 2010/2011 - progress

[Click here to view](#)

With reference to the minute of 11 June 2010 (page 5, paragraph 10) when the committee had approved 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, there was submitted and noted a report (issued) of 11 March 2011 by the Assistant Chief Executive (Business Support),

- (1) reminding members that the main objectives of the annual audit plan were to
 - translate the strategic plan into a schedule of audit assignments;
 - define the purpose and duration of each audit assignment;
 - provide a framework for direction and control; and
 - align audit coverage to SPT's risk registers;
- (2) informing members
 - (a) that at the end of February 2011, the plan was broadly on target to achieve the agreed audit coverage of 490 productive days; and

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- (b) that during the previous 11 months, 430 of the 449 planned productive days for that period had been achieved; and
- (3) indicating that the implementation of the audit plan was on target and would allow delivery of the planned audit coverage for 2010/11.

14. Internal Audit Plan 2011/2012

[Click here to view report](#)

There was submitted and noted a report (issued) of 14 March 2011 by the Assistant Chief Executive (Business Support),

- (1) appending an internal audit plan for 2011/20112 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;
- (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;
 - (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,

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discussions with the Strategy Group, 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.

15. External Audit Plan overview

[Click here to view report](#)

There was submitted a report (issued) of 17 March 2011 by the Assistant Chief Executive (Business Support)

- (1) appending an Audit Plan overview issued by the External Auditors, KPMG, for the year ending 31 March 2011;
- (2) summarising KPMG's findings regarding the following:-
 - corporate governance arrangements and financial statements;
 - performance management; and
 - reporting the audit; and
- (3) outlining their intended approach to issues impacting on SPT's activities in the year.

After discussion and having heard Mr Reid in further amplification of the report and in answer to members' questions, the committee noted the Audit Plan Overview for 2010/2011.

16. External Audit – LASAAC Code shadow financial statements 2008/2009 and 2009/2010

[Click here to view report](#)

There was submitted a report (issued) of 17 March 2011 by the Assistant Chief Executive (Business Support)

- (1) informing members
 - (a) that SPT was required to observe proper accounting practice which required compliance with the Code of Practice on Local Authority Accounting in the United Kingdom 2010/2011 (the code); and
 - (b) that the 2010/2011 code was the first to be based on International Financial Reporting Standards (IFRS);
- (2) appending a report by KPMG, SPT's external auditors, which set out their review of SPT's restated opening balance sheet as at 1 April 2009 and 2009/2010 shadow financial statements in preparation for full IFRS implementation; and
- (3) advising members that, although no major issues had been identified, further consideration of accounting treatment and documentation was required in some instances.

Following discussion, the committee noted the terms of the report.