

Strathclyde Partnership for Transport

Minute of Audit and Standards Committee meeting

26 October 2006

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 Consort House, Glasgow, on 26 October 2006

- Present** Councillors Eileen Logan (Chair), John Mason, Barry McCulloch, Al Reay (deputy), Alan Stewart and appointed member Mr Tom Hart.
- Apologies** Councillors Duncan McIntyre, Davie McLachlan and appointed member Mr Bill Ure.
- Attending** John Anderson, Clerk; Gordon MacLennan, Assistant Chief Executive (Customer Services); Valerie Davidson, Assistant Chief Executive (Business Support); Neil Wylie, Director of Finance and Owen Hendry, Chief Internal Auditor.

1. Terms of Reference

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The Terms of Reference for the Audit and Standards Committee, which were approved at the Strathclyde Partnership for Transport meeting on 18 August 2006, were submitted and noted.

2. External Audit Annual Report

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There was submitted a report (issued) of 18 October 2006 by the Assistant Chief Executive (Business Support),

- (1) enclosing the external audit annual reports for 2005/06 for SPTA and SPTE which
 - (a) commented on matters of significance that had arisen out of the 2005/06 audit process; and
 - (b) confirmed the action planned by management to address the more significant matters identified for improvement; and
- (2) explaining that although these reports were the last to apply to SPTA and SPTE, the recommendations and actions would be carried forward to the Partnership as the successor body.

After considerable discussion and having heard Mrs Davidson in further explanation and Mr Wylie in answer to members' questions, the Partnership noted the terms of the report and the planned actions.

3. Internal Audit Annual Report 2005/06

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With reference to the minute of the Strathclyde Passenger Transport Authority of 18 August 2004 (page 1, paragraph 2) when the Authority had approved the Strategic Audit Plan 2004/07, there was submitted a report (issued) of 18 October 2006 by the Assistant

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Chief Executive (Business Support), on the second year of the 2004/07 Internal Audit Strategic Plan for SPTA and SPTE 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 for Internal Audit in Local Government in the United Kingdom 2003; and
- (3) concluded that, although internal controls had improved the organisational control environment, the level and nature of audit recommendations which continued to arise from internal audit coverage had suggested that there was scope for further improvement.

After discussion, the committee noted the annual report on the second year of the Strategic Audit Plan for 2004/07.

4. Strategic Audit Plan 2006/09

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There was submitted a report (issued) of 18 October 2006 by the Assistant Chief Executive (Business Support),

- (1) enclosing an Internal Audit Strategic Plan for 2006/09 for the Partnership which had been prepared in accordance with the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice for Internal Audit in Local Government in the United Kingdom 2003;
- (2) informing members that the plan covered a cycle of three years during which time all major systems and areas of activity would be audited and set out audit objectives, areas of audit coverage, types of activity, frequency of audit and an assessment of the resources to be applied;
- (3) informing members that the main aims of the plan were to
 - set objectives for internal audit;
 - prioritise objectives;
 - allocate audit resources in the most effective way; and
 - provide a framework for direction and control; and
- (4) explaining that the adoption of the strategy contained in the Internal Audit Strategic Plan 2006/09 would determine how the internal audit service would be delivered and developed.

After discussion and having heard Mrs Davidson and Mr Hendry in answer to members' questions, the Partnership approved the Strategic Audit Plan 2006/09.

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5. Internal Audit Plan 2006/07

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There was submitted and noted a report (issued) of 18 October 2006 by the Assistant Chief Executive (Business Support),

- (1) enclosing an internal audit plan for 2006/07 which had been prepared in accordance with the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice for Internal Audit in Local Government in the United Kingdom 2003;
- (2) informing members that plan covered the first year of the Internal Audit Strategic Plan for 2006/2009 and 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 assignments; and
 - provide a framework for direction and control; and
- (3) explaining that the delivery of the annual plan would ensure that the audit coverage anticipated in the Strategic Audit Plan 2006/09 was achieved.

6. Anti-fraud Strategy

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With reference to the minute of 19 May 2006 (page 2, paragraph 3) when the Partnership had approved its Financial Regulations which had stated, *inter alia*, the following:-

"The Assistant Chief Executive must ensure that the Partnership has an effective anti-fraud and corruption policy; it should be backed up by a culture that does not tolerate fraud or corruption"; and

"Senior managers must deal swiftly with those who defraud or attempt to defraud the Partnership or who are corrupt",

there was submitted a report (issued) of 18 October 2006 by the Assistant Chief Executive (Business Support),

- (1) enclosing a proposed Anti-Fraud Strategy for the Partnership;
- (2) informing members
 - (a) that the strategy provided for the introduction of a fraud response plan and whistleblowing policy; and
 - (b) that both these documents would strengthen the arrangements within the Partnership for the prevention and detection of fraud and corruption.

After discussion and having heard Mrs Davidson in further explanation and in answer to members' questions, the committee approved the Anti-Fraud Strategy and supporting appendices taking into consideration the comments raised by members at the meeting.

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7. Position statement on risk management arrangements

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There was submitted a report (issued) of 18 October 2006 by the Assistant Chief Executive (Business Support),

- (1) advising members
 - (a) that the Partnership was required to develop and maintain robust systems for identifying, evaluating and controlling all significant risks in accordance with the Chartered Institute of Public Finance and Accountancy/SOLACE Code of Corporate Governance; and
 - (b) that in order to meet the requirements of the code, the Partnership had been following the risk management arrangements contained in SPT's Risk Management Strategy;
- (2) highlighting
 - (a) that, at present, the decision making related to risk taking was hindered by the lack of a definition of risk appetite; and
 - (b) that there was also a need for a risk management group to assist senior management in identifying strategic risks;
- (3) explaining that as the risk management arrangements contained in the SPT Risk Management Strategy no longer matched the Partnership's requirements and did not fit with the new management structure, it was appropriate that the current risk management strategy be revised; and
- (4) intimating that a revised risk management policy and strategy would be submitted to the next meeting of SPT's Executive Team for consideration.

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

8. Future Audit and Standards Committee dates

The committee agreed to the following dates for future Audit and Standards Committee meetings:-

- Thursday, 1 February, 2007 at 11.00 am; and
- Thursday, 29 March, 2007 at 11.00 am.