

Committee minute



## **Strathclyde Partnership for Transport**

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

**9 February 2018**

held in 131 St Vincent Street, Glasgow

**contact officer:**

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**Minute of the meeting of Strathclyde Partnership for Transport's  
Audit and Standards Committee held in 131 St Vincent Street, Glasgow on 9 February 2018**

**Present** Mr Jim McNally (Chair), Councillors Colin Cameron, Allan Casey, Marie McGurk, David Shearer and appointed members Brian Davidson and Ann Faulds.

**Attending** Valerie Davidson, Assistant Chief Executive (Business Support); Valerie A Bowen, Senior Committee Officer; Neil Wylie, Director of Finance & HR and Iain McNicol, Audit & Assurance Manager.

**Also attending** Gary Devlin and Karen Jones, Scott-Moncrieff.

**1. Appointment of Chair**

Councillor McGurk nominated Mr Jim McNally as Chair in the absence of Councillor Finn and Councillor Shearer seconded the nomination.

**2. Apologies**

Apologies were submitted from Councillors Ian Cochrane and Jim Finn.

**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 1 December 2017 was submitted and approved as a correct record, subject to a timescale being indicated for follow up reviews and noting that it had been requested that non-operational staff were involved in Subway store counts.

**5. External Audit – Scott Moncrieff reports: External Audit Plan 2017/2018 and Interim Audit report for year ending 31 March 2018**

There were submitted:

(1) Scott Moncrieff's External Audit Plan for 2017/2018 (issued) of January 2018, which summarised the work plan for their 2017/2018 external audit of both SPT and the Strathclyde Concessionary Travel Scheme Joint Committee (SCTSJC), the core elements of which would include:

- an audit of the 2017/2018 financial statements of both SPT and SCTSJC and related matters;
- a review of arrangements for governance and transparency, financial management, financial sustainability and value for money; and
- any other work requested by Audit Scotland; and

(2) Scott Moncrieff's Interim Audit report (issued) for the year ending 31 March 2018 for both SPT and the Strathclyde Concessionary Travel Scheme Joint Committee.

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The report had concluded that, although no significant deficiencies in the adequacy or design of internal controls of key financial systems had been identified and the systems had been found to be well designed, one area with scope for improvement relating to Partnership Members' Register of Interests had been identified which, if addressed, would further strengthen the system of internal financial control.

After discussion and having heard the Chair stress that responsibility for Registers of Interests was a matter for individual members, and having heard Mrs Davidson in further amplification of the report and in answer to members' questions, the committee noted the report.

## **6. Corporate Risk Register update**

There was submitted a report (issued) of 26 January 2018 by the Assistant Chief Executive (Business Support)

- (1) appending the current corporate risk register; and
- (2) advising members that, although no changes had been made to the risk scores since the last committee, close attention continued to be paid to SPT 1: Capital funding allocation not matched to programme demands and SPT 5: Reduced future local authority budget settlements, as these risks were affected directly by the Scottish Government funding settlement.

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

## **7. Assurance framework update**

There was submitted and noted a report (issued) of 26 January 2018 by the Assistant Chief Executive (Business Support)

- (1) reminding members
  - (a) that SPT was subject to statute, standards, regulations, governance codes and statements of best practice and required to have effective arrangements in place for demonstrating adherence to them; and
  - (b) that the provision of assurance by qualified professionals was an essential element of SPT's accountability;
- (2) informing members of the assurance mapping process which was a technique that used visual representation of assurance activities to demonstrate how they applied to a specific risk or set of compliance requirements; and
- (3) appending an Assurance framework map, as at January 2018, which outlined the key risk areas and mitigation, assurance providers and the date of the last review.

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## **8. Local Code of Corporate Governance 2017/2018**

There was submitted a report (issued) of 26 January 2018 by the Assistant Chief Executive (Business Support)

- (1) reminding members that the 'International Framework: Good Governance in the Public Sector' had provided a set of 7 principles and supplementary guidance which assisted in the production of an Annual Governance Statement which was required to be published by SPT;
- (2) appending a summary report of evidence documents to support each principle which identified which governance arrangements would be subject to review in 2017/2018; and
- (3) requesting that the committee note the arrangements for the production of the Annual Governance Statement for 2017/2018.

After consideration and having heard Mrs Davidson in answer to members' questions, particularly concerning a proposed future change to corporate governance standards, the Committee noted

- (a) that further guidance was awaited on how this change would be incorporated into public bodies' codes; and
- (b) that the list of evidence documents should also include a review period date to ensure there was transparency over reviews.

## **9. General Data Protection Regulations implementation arrangements**

There was submitted a report (issued) of 26 January 2018 by the Assistant Chief Executive (Business Support)

- (1) detailing the findings of a regularity audit of the General Data Protection Regulations implementation arrangements;
- (2) explaining that the objective of the engagement was to assess the arrangements for implementation of the General Data Protection Regulations in accordance with legislation;
- (3) advising members
  - (a) that six recommendations had been agreed from this engagement;
  - (b) that key controls existed and had been applied consistently and effectively in the majority of areas tested; and
  - (c) that reasonable assurance could be taken from the controls in place for those areas covered in the engagement.

After consideration and having heard Mrs Davidson in answer to members' questions, the committee

- (i) noted the terms of the report;
- (ii) noted that training on GDPR would be provided also to board members; and

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- (iii) agreed that the Audit & Assurance Manager should submit a follow up report on the implementation of the recommendations to a meeting in approximately 6 months.

#### **10. Regularity audit of the Public Bodies Climate Change Duties report**

There was submitted and noted a report (issued) of 26 January 2018 by the Assistant Chief Executive (Business Support)

- (1) detailing the findings of a regularity audit of the Public Bodies Climate Change Duties;
- (2) explaining that the objective of the engagement was to provide a level of assurance on the arrangements for submission of the Public Bodies Climate Change Duties report 2016/2017; and
- (3) advising members
  - (a) that key controls existed and had been applied consistently and effectively in most areas; and
  - (c) that sound assurance in most areas could be taken from the controls in place for those areas covered in the engagement.

#### **11. Core Financial Systems review of expenses**

There was submitted a report (issued) of 26 January 2018 by the Assistant Chief Executive (Business Support)

- (1) detailing the findings of a core financial systems review of expenses;
- (2) explaining that the objective of the engagement was to assess and evaluate the internal controls for paying expenses by undertaking an end to end review of the core financial system; and
- (3) advising members
  - (a) that two recommendations had been agreed from this engagement;
  - (b) that key controls existed and had been applied consistently and effectively in the majority of areas tested; and
  - (c) that reasonable assurance could be taken from those areas covered in the engagement.

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

- (i) noted that the Director of Finance & HR had now implemented both recommendations;
- and

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- (ii) agreed that the Audit & Assurance Manager should submit a follow up report on the implementation of the recommendations to a meeting in approximately 6 months.

## **12. Systems review of MyBus administration**

There was submitted a report (issued) of 26 January 2018 by the Assistant Chief Executive (Business Support)

- (1) detailing the findings of a systems review of MyBus administration;
- (2) explaining that the objective of the engagement was to review the internal control and administration systems in place for MyBus services; and
- (3) advising members
  - (a) that seven recommendations had been agreed from this engagement;
  - (b) that key controls existed and had been applied consistently and effectively in the majority of areas tested; and
  - (c) that reasonable assurance could be taken from the controls in place for those areas covered in the engagement.

After consideration and having heard Mr McNicol in answer to members' questions, specifically in relation to the categorisation of priorities, the committee

- (i) noted the terms of the report;
- (ii) requested that the Audit & Assurance Manager consider the categorisation of risks further in light of the time needed to implement; and
- (iii) agreed that the Audit & Assurance Manager should submit a follow up report on the implementation of the recommendations to a meeting in approximately 6 months.

## **13. Digital Controls review of Social Media**

There was submitted a report (issued) of 26 January 2018 by the Assistant Chief Executive (Business Support)

- (1) detailing the findings of a digital controls review of Social Media;
- (2) explaining that the objective of the engagement was to identify, assess and evaluate the current policy and procedures in place for Social Media monitoring and reporting;
- (3) advising members
  - (a) that four recommendations had been agreed from this engagement;
  - (b) that key controls existed and had been applied consistently and effectively in the majority of areas tested; and

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- (c) that reasonable assurance could be taken from those areas covered in the engagement.

After consideration and having heard Mr McNicol in answer to members' questions, specifically in relation to the documented proposed actions, the committee

- (i) noted the terms of the report;
- (ii) requested that proposed actions were articulated more fully in future reports; and
- (iii) agreed that the Audit & Assurance Manager should submit a follow up report on the implementation of the recommendations to a meeting in approximately 6 months.

#### **14. Digital Controls review of cyber resilience arrangements**

There was submitted a report (issued) of 26 January 2018 by the Assistant Chief Executive (Business Support)

- (1) detailing the findings of a digital controls review of cyber resilience;
- (2) explaining that the objective of the engagement was to review cyber resilience arrangements in accordance with the Scottish Government's action plan entitled "*Safe, secure and prosperous: a cyber-resilience strategy for Scotland; public sector action plan 2017/2018*";
- (3) appending a copy of the Scottish Government's report; and
- (4) advising members
  - (a) that good progress had been made to implement the actions outlined by the Scottish Government for cyber resilience;
  - (b) that SPT would seek to achieve cyber essentials plus (CE+) certification by mid-2018;
  - (c) that one recommendation had been agreed from this engagement;
  - (d) that key controls existed and had been applied consistently and effectively in the majority of areas tested; and
  - (e) that reasonable assurance could be taken from the controls in place for those areas covered in the engagement.

After consideration and having heard Mr McNicol and Mrs Davidson in answer to members' questions, the committee

- (i) agreed that the Audit & Assurance Manager should submit a follow up report on the implementation of the recommendation to a meeting in approximately 6 months and
- (i) otherwise noted the terms of the report.

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**15. Engagement follow-up performance 2017/2018 to December 2017**

There was submitted a report (issued) of 26 January 2018 by the Assistant Chief Executive (Business Support)

- (1) reminding members that in accordance with the Public Sector Internal Audit Standards and the Internal Audit Charter, a follow up process to monitor and ensure that management actions arising from internal audit work were implemented effectively required to be established and then subsequently presented to the Audit and Standards Committee;
- (2) appending a summary of seven follow up performance reviews which had been completed between April and December 2017;
- (3) informing members that the percentage implementation rate of the recommendations from the seven follow-up reviews was found to be 95%; and
- (4) explaining that, where a recommendation had not been implemented as at the date of the follow up engagement, a client assurance statement had been agreed with the lead officer(s) to record a revised timescale to complete the outstanding recommendation.

After consideration, the committee

- (a) requested that further feedback on the two outstanding recommendations from the previous smartcard administration audit be made available to members; and
- (b) otherwise noted the terms of the report.

**16. Internal Audit plan 2017/2018 – Mid-year progress review**

With reference to the minute of 1 December 2017 (page 3, paragraph 8) when the committee had approved the Internal Audit Plan 2017/2018, there was submitted and noted a report (issued) of 26 January 2018 by the Assistant Chief Executive (Business Support),

- (1) advising members that, as at 29 December 2017, 372 of the 500 planned audit days (74%) had been achieved;
- (2) appending
  - (a) a summary of the recommendations arising from the fourteen assurance engagements which had been completed and reported to committee, together with the level of assurance offered to each engagement; and
  - (b) the Quality Assurance and Improvement Plan for 2017/2018; and
- (3) concluding that based on current performance levels, the audit plan objective of 500 days would be met by the end of the financial year.

**17. Internal Audit plan 2018/2019**

There was submitted a report (issued) of 26 January 2018 by the Assistant Chief Executive (Business Support)

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- (1) appending an internal audit plan for 2018/2019 which had been prepared in accordance with the Public Sector Internal Audit Standards and in accordance with SPT's Internal Audit Charter;
- (2) reminding members that the main objectives of the annual audit plan were to provide a framework for audit engagements in the forthcoming year and to ensure that the plan was aligned to the Partnership's strategic objectives and corporate governance arrangements;
- (3) informing members that the risk-based plan and the scope of each audit engagement had been informed by:
  - The Assurance framework;
  - Risk registers;
  - Strategy Group consultation;
  - External factors (e.g. government initiatives, intelligence, networking, etc.);
- (4) intimating that the plan would include also provision for consulting activities and fraud prevention work; and
- (5) recommending approval of the Internal Audit Plan for 2018/2019.

After consideration and having heard Mr Davidson in answer to members' questions, particularly in relation to the balance of resources directed to consulting activities, the Committee approved the Internal Audit Plan for 2018/2019.

#### **18. Audit Scotland report: Local Government in Scotland financial overview 2016/2017**

There was submitted and noted a report (issued) of 26 January 2018 by the Assistant Chief Executive (Business Support)

- (1) informing members that Audit Scotland had published a report entitled "*Local Government in Scotland financial overview 2016/2017*";
- (2) appending a copy of the report and supplements; and
- (3) explaining that the report had concluded
  - (a) that Councils' financial challenges had continued to grow as funding reductions were compounded by increasing costs and demands on services and some Councils risked running out of General Fund reserves within two to three years if they continued to use them at levels planned for 2017/2018;
  - (b) that debt had increased by £836 million in 2016/2017 and, although councils had taken advantage of low interest rates to borrow more to invest in larger capital programmes, some were becoming concerned about affordability of costs associated with debt within future budgets;
  - (c) that Councils' budget-setting processes for 2016/2017 had been complicated by late confirmation of funding from the Scottish Government and the funding arrangements for integrating health and social care;
  - (d) that, although all Councils had received an unqualified audit opinion on their 2016/2017 accounts, auditors had found that in several Councils financial

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management could be improved and could use their accounts to more clearly explain their financial performance over the whole year to better support scrutiny; and

- (e) that, as the financial outlook for Councils continued to be challenging, with the need to deliver savings being increasingly critical to their financial sustainability, robust medium-term financial strategies and effective leadership to deliver them were of increasing importance.

## 19. Public Reporting Complaints Statistics

There was submitted a report (issued) of 26 January 2018 by the Assistant Chief Executive (Business Support)

- (1) advising members of the statistics for the third quarter of 2017/2018 for SPT customer complaints;
- (2) informing members that of the 154 complaints received in the third quarter of 2017/2018, 45 did not concern SPT services and 100% had been responded to within the prescribed timescale;
- (3) providing members with a breakdown of the areas of service delivery within SPT where complaints had been received in quarter 3; and
- (4) intimating
  - (a) that all complaints had been considered and investigated thoroughly; and
  - (b) that SPT would continue to monitor customer complaints using the information to learn and improve on services delivered.

After consideration, the Committee requested

- (i) that future reports include some contextual explanation of specific issues that might result in an increase in complaints; and
- (ii) that a trend analysis be prepared.

## 20. Members' and Directors' expenses 2017/2018

There was submitted a report (issued) of 31 January 2018 by the Assistant Chief Executive (Business Support) detailing members' and directors' expenses to 23 December 2017.

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