



Annual Internal Audit opinion and report 2019/2020

Committee Audit and Standards

Date of meeting 12 June 2020

Date of report 23 April 2020

Report by Assistant Chief Executive

1. Object of report

To ask the committee to note the annual Internal Audit opinion and report for 2019/2020.

2. Background

Internal Audit plan 2019/2020

The Internal Audit plan 2019/2020 was approved by the Audit and Standards committee at its meeting of 22 February 2019.

The Internal Audit plan provides the direction of travel and a framework for internal audit work in the forthcoming year. The plan is aligned to SPT's corporate governance arrangements whilst having scope to be responsive to change.

The plan is regularly reviewed and the scope of each engagement is informed by:

- assurance frameworks;
- risk registers;
- external factors (i.e. government initiatives, intelligence, and networking);
- Strategy Group and the Audit and Standards Committee.

Internal Audit coverage

Audit and Assurance provide Internal Audit services to Strathclyde Partnership for Transport (the Partnership) and the Strathclyde Concessionary Travel Scheme Joint Committee (the Joint Committee). Engagements can encompass both organisations as they share common core systems.

3. Outline of findings

Internal Audit plan 2019/2020

The main objective of the Internal Audit plan for 2019/2020 was to provide an agile assurance service that assesses the effectiveness and efficiency of the Partnership's systems for internal control. The plan included provision for consulting activities and fraud prevention.

Assurance engagements

Assurance engagements are an objective examination of evidence for the purpose of providing an independent assessment on governance, risk management and control processes and to ensure operations are being conducted in accordance with legislation, regulations, internal policies and procedures (e.g. digital, financial, performance, compliance and security engagements). Assurance levels are based upon findings and conclusions at an individual engagement basis which, when collated on an annual basis, support the Statement on the System of Internal Financial Control contained within the financial statements of the Partnership and the Joint committee.

A summary of assurance engagements completed in 2019/2020 is shown at Appendix 1.

To assist members a copy of the Levels of Assurance assigned to each engagement is provided to the committee at Appendix 2.

In addition, twenty-three follow-up reviews of assurance engagements have been reported in 2019/2020. Follow-up reviews found that 71 of the 82 (87%) recommendations from these engagements have been implemented, as at the date of performance review.

Consulting activities

Consulting activities are advisory in nature and relate to specific requests from senior management. They are intended to add value and improve governance, risk management and control processes without the internal auditor assuming management responsibility.

During 2019/2020, Audit and Assurance has provided consulting services in relation to assurance frameworks, SPT's response to Audit Scotland reports, business continuity planning, local code of corporate governance, performance reporting and additional support needs and vocational transport arrangements.

Fraud prevention and investigation

Managing the risk of fraud and corruption is the responsibility of SPT management. Audit and Assurance assist management in the effective discharge of this responsibility. The Counter Fraud Strategy (including the fraud response plan and whistleblowing policy) outlines the Partnership's commitment to prevent, detect, investigate and report fraud. The Internal Audit plan for 2019/2020 included provision for fraud prevention and investigation to support this strategy.

Audit and Assurance provide assistance to management in line with the Partnership's commitment to prevent, detect, investigate and report fraud.

A separate report on the International Fraud Awareness week and counter fraud initiatives was presented to the committee at its meeting of 29 November 2019.

Internal Audit resources

The Audit and Assurance team was adequately resourced throughout 2019/2020.

Quality assurance

In accordance with the requirements of the Public Sector Internal Audit Standards (PSIAS), a self-assessment exercise and quality assurance and improvement programme (QAIP) 2019/2020 for the Audit and Assurance service has been completed. This exercise used good practice guidance, namely, the CIPFA local government application note for the UK Public Sector Internal Audit Standards as the benchmark.

The self-assessment found that the Audit and Assurance service conforms with the *International Standards for the Professional Practice of Internal Auditing*.

Independence

The Audit and Assurance function has been independent in its planning, operation and activity throughout 2019/2020, as set out in the Internal Audit Charter.

Public Sector Internal Audit Standards (PSIAS)

The annual Internal Audit opinion and report for 2019/2020 has been prepared in accordance with the Public Sector Internal Audit Standards (PSIAS) and the Internal Audit Charter.

Internal Audit opinion

The evaluation of the internal control environment is informed by the following sources:

- (the) assurance framework;
- assurance engagements completed in the year to 31 March 2020;
- implementation of management actions as part of the engagement follow-up process;
- reports issued by the Partnership's and Joint Committee's external auditors during 2019/2020.

It is the opinion of the Audit and Assurance manager, based on the above and information contained in Appendix 1, that reasonable assurance can be placed upon the adequacy and effectiveness of the Partnership's framework of governance, risk management and internal control in the year to 31 March 2020.

4. Conclusions

The Internal Audit plan 2019/2020 has been completed.

It is the opinion of the Audit and Assurance manager that reasonable assurance can be placed upon the adequacy and effectiveness of the Partnership's framework of governance, risk management and internal control in the year to 31 March 2020.

5. Committee action

The committee is asked to note the contents of this report.

6. Consequences

Policy consequences	<i>In accordance with the Public Sector Internal Audit Standards 2017.</i>
Legal consequences	<i>None directly.</i>
Financial consequences	<i>None directly.</i>
Personnel consequences	<i>None directly.</i>
Equalities consequences	<i>None directly.</i>
Risk consequences	<i>The implementation of agreed recommendations from assurance engagements mitigates risk.</i>

Name Valerie Davidson

Name Gordon Maclennan

Title Assistant Chief Executive

Title Chief Executive

For further information, please contact Iain McNicol, Audit and Assurance manager on 0141 333 3195.

Audit and Standards Committee – 12 June 2020
Internal Audit plan 2019/2020
Assurance engagements completed in 2019/2020

No.	Internal Audit plan engagement title	Status	Number of Recommendations	Date reported to Audit and Standards Committee	Assurance level
1	Regularity audit of Subway annual stockcount	Complete	1	7 June 2019	Reasonable
2	Contract audit of Security and stewarding	Complete	4	30 August 2019	Reasonable
3	Regularity audit of HR policy application on alcohol and drugs	Complete	3	30 August 2019	Reasonable
4	Regularity audit of Community Transport grant awards	Complete	4	30 August 2019	Reasonable
5	Regularity audit of the CRC energy efficiency scheme	Complete	Nil	30 August 2019	Sound in most areas
6	Regularity audit of Declaration of interest arrangements	Complete	1	30 August 2019	Sound in most areas
7	Digital controls review of Infor systems administration	Complete	9	29 November 2019	Reasonable with exceptions
8	Regularity audit of training outcomes and reporting	Complete	2	29 November 2019	Sound in most areas
9	Core financial system review of Debtors administration	Complete	2	29 November 2019	Sound in most areas
10	Regularity audit of the public bodies climate change duties report	Complete	Nil	29 November 2019	Sound in most areas
11	Value for money study of printing costs	Complete	3	29 November 2019	Reasonable
12	Regularity audit of bus information systems	Complete	4	14 February 2020	Reasonable
13	Regularity audit of bus station facilities administration	Complete	Nil	14 February 2020	Sound in most areas
14	Regularity audit of Subway station office administration	Complete	Nil	12 June 2020	Sound in most areas
15	Regularity audit of Subway information systems	Complete	4	12 June 2020	Reasonable
16	Regularity audit of Corporate information systems	Complete	2	12 June 2020	Reasonable

Levels of Assurance
(Statement of Opinion on the Adequacy and Effectiveness of Internal Controls)

Engagement Findings/Conclusions	Statement of Opinion on the Adequacy and Effectiveness of the Internal Controls	Assurance Level
<p>Objectives of internal control have been met in all areas within the scope of the audit engagement.</p> <p>Key controls exist and are applied consistently and effectively in all areas.</p>	Clean opinion	<p>'Sound Assurance' [Full Assurance]</p>
<p>Objectives of internal control have been met in almost all areas within the scope of the audit engagement.</p> <p>Key controls exist and are applied consistently and effectively in most areas.</p> <p>Areas for Improvement are Low risk.</p>	Clean opinion	<p>'Sound Assurance in most areas' [Substantial Assurance]</p>
<p>Objectives of internal control have been met in the majority of areas within the scope of the audit engagement. Some non-compliance/weaknesses identified.</p> <p>Key controls exist and are applied consistently and effectively in the majority of areas.</p> <p>Areas for Improvement are Medium risk.</p>	Clean opinion	<p>'Reasonable Assurance' [Moderate Assurance]</p>
<p>Objectives of internal control have not been fully achieved within the scope of the audit engagement. Non-compliance/weaknesses identified.</p> <p>Key controls exist but are not applied consistently and effectively.</p> <p>Areas for Improvement are Medium and/or High risk.</p>	Qualified opinion	<p>'Reasonable Assurance Except for.....' [Limited Assurance]</p>
<p>Objectives of internal control have not been achieved within the scope of the audit engagement. Significant non-compliance/weaknesses identified.</p> <p>Areas for Improvement are High risk.</p>	Adverse opinion	<p>'Reasonable Assurance cannot be placed' [No Assurance]</p>