



Annual Internal Audit opinion and report 2020/2021

Committee Audit and Standards

Date of meeting 4 June 2021

Date of report 18 May 2021

Report by Assistant Chief Executive

1. Object of report

To ask the committee to note the annual Internal Audit opinion and report for 2020/2021.

2. Background

The Internal Audit plan 2020/2021 was approved by the Audit and Standards committee at its meeting of 14 February 2020.

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.

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

The main objective of the Internal Audit plan for 2020/2021 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, and the following paragraphs details each element.

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 2020/2021 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, six follow-up reviews of assurance engagements have been reported in 2020/2021. Follow-up reviews confirmed that 19 of the 19 (100%) recommendations from these engagements have been implemented, as at the date of performance review.

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 2020/2021, Audit and Assurance has provided consulting services in relation to assurance frameworks, SPT's response to Audit Scotland reports, business continuity planning, cyber resilience framework updates, and local code of corporate governance.

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 2020/2021 included provision for fraud prevention and investigation to support this strategy.

Separate reports on the National Fraud Initiative (NFI) were presented to the committee at the meetings of 28 August 2020 and 4 June 2021.

Internal Audit resources

The Audit and Assurance team was adequately resourced throughout 2020/2021, with resources allocated to each assignment.

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) 2020/2021 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 2020/2021, as set out in the Internal Audit Charter.

Public Sector Internal Audit Standards (PSIAS)

The annual Internal Audit opinion and report for 2020/2021 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 2021;
- 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 2020/2021.

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 2021.

4. Conclusions

The Internal Audit plan 2020/2021 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 2021.

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.

Audit and Standards Committee – 4 June 2021
Internal Audit plan 2020/2021

Assurance engagements reported in 2020/2021

| 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 | 28 August 2020 | Reasonable |
| 2 | Regularity audit of bus infrastructure annual stockcount | Complete | Nil | 28 August 2020 | Reasonable |
| 3 | Systems review of asset management arrangements | Complete | 3 | 28 August 2020 | Reasonable |
| 4 | Regularity audit of digital change controls | Complete | 4 | 28 August 2020 | Reasonable |
| 5 | Regularity audit of bus infrastructure outcomes | Complete | 5 | 27 November 2020 | Reasonable |
| 6 | Regularity audit of Subway station office administration | Complete | 5 | 27 November 2020 | Reasonable |
| 7 | Regularity audit of petty cash administration | Complete | 2 | 27 November 2020 | Sound in most areas |
| 8 | Regularity audit of the public bodies climate change duties report | Complete | Nil | 27 November 2020 | Sound in most areas |
| 9 | Regularity audit of the general data protection regulations arrangements | Complete | 7 | 19 February 2021 | Reasonable |
| 10 | Regularity audit of equalities reporting | Complete | 3 | 19 February 2021 | Reasonable |
| 11 | Regularity audit of the administration of smartcards | Complete | 3 | 19 February 2021 | Reasonable |
| 12 | Regularity audit of bus station facilities administration | Complete | Nil | 19 February 2021 | Sound in most areas |
| 13 | Subway infrastructure and maintenance overtime administration: controls report | Complete | 6 | 19 February 2021 | Reasonable with exceptions |
| 14 | Regularity audit of procurement arrangements during the pandemic | Complete | Nil | 4 June 2021 | Sound in most areas |
| 15 | National Fraud Initiative (NFI) outcomes 2020/2021 | Complete | Nil | 4 June 2021 | Sound in most areas |
| 16 | Contract audit of digital network security services | Complete | 4 | 4 June 2021 | 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> |