

Strathclyde Partnership for Transport

Minute of the Audit & Standards Committee

11 November 2016

held in 131 St Vincent Street, Glasgow

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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 11 November 2016**

Present Councillors David Wilson (Chair), Bill Grant, Bobby McDill, Donald Reid and Paul Welsh and appointed members Brian Davidson, Ann Faulds and Jim McNally.

Attending Valerie Davidson; Assistant Chief Executive (Business Support); Gordon Maclennan, Chief Executive, Kirsten Gibson, Committee Support Officer, Iain McNicol, Audit & Assurance Manager and Neil Wylie, Director of Finance and HR.

Also attending John F Anderson, Adviser, Gary Devlin, Scott-Moncrieff and John Boyd, EY.

1. Welcome

The Chair welcomed Councillor Donald Reid, North Ayrshire Council, Gary Devlin, Scott-Moncrieff, and John Boyd, EY to their first meeting of the committee.

2. Apologies

Apologies were submitted from Councillors Martin Bartos and Alan Moir.

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

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The minute of the meeting of 9 September 2016 was submitted and approved as a correct record subject to the omission of appointed member Brian Davidson from the list of apologies.

5. Strathclyde Partnership for Transport and Strathclyde Concessionary Travel Scheme Joint Committee - An Introduction to Scott-Moncrieff, External Auditor

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Mr Devlin gave a brief introduction to the approach and planned work of Scott-Moncrieff, who had been appointed External Auditor for the period 2016/2017 – 2020/2021, and advised that he looked forward to working with SPT over the next five years.

6. Corporate Risk Register update

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There was submitted and noted a report (issued) of 31 October 2016 by the Assistant Chief Executive (Business Support)

- (1) appending the current corporate risk register; and
- (2) advising members that, although there had been no changes made to the risk scores since the last committee, close attention was being given to SPT 1 Reduced capital funding in future years from 2016/2017 and SPT 11 Current economic conditions impact

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on *SPT's cash reserves* as those risks were directly affected by the Scottish Government funding settlement and Brexit implications.

After discussion and having heard Mr Maclennan and Mrs Davidson in relation to the Corporate Risk Register, the committee noted

- (a) the terms of the report; and
- (b) that the risks discussed, particularly those relating to the possibilities of contractual risks arising from a significant contract award, would be reviewed at the next meeting of the Strategy Group.

7. East Kilbride Travel Centre controls report.

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With reference to the minute of 9 September 2016 (page 1, paragraph 3) when the committee had noted that a controls report would be presented to the next meeting of the committee, there was submitted a report (issued) of 31 October 2016 by the Assistant Chief Executive (Business Support)

- (1) providing members with a controls report of East Kilbride travel centre cash administration;
- (2) explaining that the objective of this engagement was to assess and evaluate the current internal controls and procedures operating within East Kilbride travel centre office, in relation to cash administration; and
- (3) advising members
 - (a) that some areas for improvement had been identified and seven recommendations had been agreed;
 - (b) that, key controls existed, but had not been applied consistently and effectively; and
 - (c) that reasonable assurance could be taken from those areas covered in the engagement with the exception of cash uplift arrangements.

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

- (i) noted the terms of the report; and
- (ii) agreed that the Audit & Assurance Manager should submit a follow up report on the implementation of the recommendations to a future meeting.

8. Regularity audit of corporate credit and procurement cards and petty cash

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There was submitted a report (issued) of 31 October 2016 by the Assistant Chief Executive (Business Support)

- (1) detailing the findings of a regularity audit of corporate credit and procurement cards and petty cash;

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- (2) explaining that the objective of this engagement was to assess, evaluate and test controls in place for the use of corporate credit and procurement cards and petty cash; and
- (3) advising members
 - (a) that some areas for improvement had been identified and five recommendations had been agreed;
 - (b) that, key controls existed, but had not applied consistently and effectively; and
 - (c) that reasonable assurance could be taken from those areas covered in the engagement with the exception of procurement card administration.

After consideration, the committee

- (i) noted the terms of the report; and
- (ii) agreed that the Audit & Assurance Manager should submit a follow up report on the implementation of the recommendations to a future meeting.

9. Core financial review of value added tax administration

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There was submitted a report (issued) of 31 October 2016 by the Assistant Chief Executive (Business Support)

- (1) detailing the findings of a core financial system of value added tax administration (VAT);
- (2) explaining that the objective of the engagement was to assess and evaluate the VAT tax accounting system and test controls by undertaking an end to end review; and
- (3) advising members
 - (a) that some areas for improvement had been identified and two recommendations had been agreed;
 - (b) that, key controls existed, and had been applied consistently and effectively in the majority of areas; and
 - (c) that reasonable assurance could be taken from those areas covered in the engagement.

After consideration, the committee

- (i) noted the terms of the report; and
- (ii) agreed that the Audit & Assurance Manager should submit a follow up report on the implementation of the recommendations to a future meeting.

10. Regularity audit of corporate banking charges

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There was submitted a report (issued) of 31 October 2016 by the Assistant Chief Executive (Business Support)

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- (1) informing members
 - (a) that SPT had a corporate banking contract with the Bank of Scotland which provided for SPT corporate and the Strathclyde Concessionary Travel Scheme (SCTS) transactions; and
 - (b) that the contract had commenced on 1 April 2014 for a duration of 3 years (with an option to extend for a further 2 years on a year by year basis);
- (2) detailing the findings of a regularity audit of corporate banking charges;
- (3) explaining that the objective of the engagement was to review corporate banking charges incurred as part of the core contractual arrangements; and
- (4) advising members
 - (a) that some areas for improvement had been identified and two recommendations had been agreed;
 - (b) that, key controls existed, and had been applied consistently and effectively in the majority of areas; and
 - (c) that reasonable assurance could be taken from those areas covered in the engagement.

After discussion and having heard Messrs McNicol and Wylie in answer to members' questions, the committee noted the terms of the report.

11. Engagement follow-up performance 2016/2017 mid-year report

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There was submitted a report (issued) of 31 October 2016 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 engagements which had been completed between April and October 2016;
- (3) informing members that the percentage implementation rate of the recommendations from the seven follow-up engagements was found to be 97%; 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 discussion and having heard the Chair on behalf of the committee congratulate all staff involved for their hard work in the implementation of all recommendations, the committee noted the report.

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12. Internal Audit Plan 2016/2017 – Mid-year progress report

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With reference to the minute of 17 June 2016 (page 5, paragraph 11) when the committee had approved the Internal Audit Plan 2016/2017, there was submitted and noted a report (issued) of 12 October 2016 by the Assistant Chief Executive (Business Support),

- (1) advising members that as at 7 October 2016, 251 of the 500 planned audit days (50%) had been achieved;
- (2) appending a summary of the recommendations arising from the eight assurance engagements which had been completed and reported to committee, together with the level of assurance offered to each engagement; and
- (3) concluding that good progress was being made in achieving the Internal Audit Plan for 2016/2017.

13. Public Sector Internal Audit Standards external assessment update

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With reference to the minute of 9 September 16 (page 5, paragraph 11) when the committee had

- (1) noted
 - (a) that the Public Sector Internal Audit Standards (PSIAS) had been revised from 1 April 2016 to incorporate the Mission of Internal Audit and Core Principles for the Professional Practice of Internal Auditing; and
 - (b) that in accordance with the PSIAS, an external assessment required to be conducted at least every five years by a qualified independent assessor or assessment team from outside the organisation; and
- (2) approved the appointment of EY as the external assessor to review conformance with the PSIAS,

there was submitted and noted a report (issued) of 31 October 16 by the Assistant Chief Executive (Business Support)

- (i) advising members that in accordance with the requirements of the PSIAS, a self-assessment exercise of the Audit and Assurance service had been completed;
- (ii) explaining that the exercise used good practice guidance, namely, the Chartered Institute of Public Finance & Accountancy (CIPFA) local government application note for the UK Public Sector Internal Audit Standards, as the benchmark;
- (iii) appending
 - (a) a populated self-assessment checklist for assessing conformance with the PSIAS and the CIPFA local government application note; and
 - (b) a quality assurance and improvement plan (QAIP) for 2016/2017 which had been prepared to support the assessment; and

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- (iv) explaining
 - (a) that both the self-assessment and QAIP 2016/17 had been forwarded to EY for independent validation; and
 - (b) that a report on the outcome of the external assessment would be presented to the next meeting of the committee, by EY.

Thereon, Mr Boyd gave a brief summary of the approach which would be taken by EY to their responsibilities.

14. Audit Scotland Report: Scotland's new financial powers

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There was submitted and noted a report (issued) of 12 October 2016 by the Assistant Chief Executive (Business Support) appending

- (a) a report entitled "Scotland's new financial powers", published by Audit Scotland in September 2016, which set out the key issues for implementing and managing the Scottish Parliament's new financial powers including the budget setting process and scrutiny and transparency of financial reporting; and
- (b) a diagrammatical overview of the proposed Scottish Consolidated Fund including the source(s) of funding, administrative bodies and spending.

15 Public Reporting Complaints Statistics

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There was a report (issued) of 31 October 2016 by the Assistant Chief Executive (Business Support)

- (1) advising members of the statistics for the second quarter of 2016/2017 for SPT customer complaints, the period which also covered the subway suspension;
- (2) informing members that 164 complaints had been received in the second quarter of 2016/2017, of which 47 did not concern SPT services, and that 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 2; 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 services delivered.

After discussion relating to the use of mystery shoppers and different types of complaints and having heard Mrs Davidson in answer to members' questions the committee

- (i) noted the terms of the report; and
- (ii) agreed that the content of the report would be reviewed for the next committee, taking into account all comments made by members.

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16. Members' and Directors' expenses 2016/2017

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There was submitted and noted a report (issued) of 20 October 2016 by the Assistant Chief Executive (Business Support) detailing members' and directors' expenses to 1 October 2016.