



Internal Audit plan 2021/2022

Committee Audit and Standards

Date of meeting 19 February 2021

Date of report 1 February 2021

Report by Assistant Chief Executive

1. Object of report

To seek committee approval for the Internal Audit plan 2021/2022, noting that given the current ongoing public health restrictions and changes to working arrangements may require the plan to be amended throughout the plan period.

2. Background

Public Sector Internal Audit Standards (PSIAS)

The Internal Audit plan for 2021/2022 has been prepared in accordance with the Public Sector Internal Audit Standards (PSIAS).

The Internal Audit plan for 2021/2022 has been developed using the assurance framework(s) and a risk-based methodology following consultation with the Strategy Group on the Partnership's objectives and priorities, and in accordance with the Internal Audit Charter. However in developing the plan, it is recognised that organisational priorities may change to respond to the ongoing public health emergency.

Internal Audit Charter

The Internal Audit Charter can be found at Appendix 1.

3. Outline of proposals

Internal Audit plan 2021/2022

The Internal Audit plan for 2021/2022 provides the direction of travel and a framework for audit engagements in the forthcoming year. The plan is aligned to the Partnership's strategic objectives, the (local) code of corporate governance and assurance framework(s), whilst having scope to be responsive to change which is necessary in the current environment (see Appendix 2).

The risk-based plan and the scope of each engagement have been informed by:

- assurance framework(s);
- risk registers;
- Strategy Group consultation;
- external factors (i.e. government initiatives, intelligence, and networking).

Plan objectives

The main objective of the Internal Audit plan is to provide an agile assurance service that assesses the effectiveness and efficiency of the Partnership's systems for internal control. The plan will also include provision for consulting activities and fraud-related work as requested by SPT management.

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 external regulations, legislation, internal policies and procedures (e.g. financial, performance, compliance, system security engagements). Assurance levels are based upon findings and conclusions at an individual engagement level; which when collated on an annual basis, support SPT's view on systems for internal control.

Note: The assurance framework is mapped and updated on a regular basis.

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. This also includes support to SPTs business improvement work when requested.

Fraud prevention initiatives: Managing and minimising the risk of fraud and corruption is the responsibility of SPT management. Audit and Assurance will assist management in the effective discharge of this responsibility. The Counter Fraud Strategy (including Anti-Fraud and Corruption Policy, Whistleblowing Policy and Financial Regulations relating to financial irregularity) outlines the Partnership's commitment to prevent, detect, investigate and report fraud. The annual Internal Audit plan includes provision for fraud-related work to support this strategy.

4. Conclusions

The Internal Audit plan 2021/2022 has been prepared in accordance with the Public Sector Internal Audit Standards (PSIAS) and the Internal Audit Charter. The Internal Audit plan has a contingency allocation to respond to the on-going public health emergency.

5. Committee action

The committee is asked to approve the Internal Audit plan for 2021/2022, noting that should changes be necessary these will be agreed with the Audit & Standards Committee

6. Consequences

Policy consequences	<i>In accordance with the Public Sector Internal Audit Standards 2017.</i>
Legal consequences	<i>In accordance with the Local Authority Accounts (Scotland) Regulations 2014.</i>
Financial consequences	<i>None.</i>
Personnel consequences	<i>None.</i>
Equalities consequences	<i>None.</i>
Risk consequences	<i>As detailed in the report.</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.



APPENDIX 1

Strathclyde Partnership for Transport

Internal Audit Charter

The Audit and Assurance function provides Internal Audit services to the Partnership.

This charter describes the purpose, authority and responsibility of Strathclyde Partnership for Transport's (SPT's) Audit and Assurance function.

Definition (purpose of Internal Audit)

The Public Sector Internal Audit Standards (PSIAS) define Internal Audit as:

'an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes'.

Mission of Internal Audit

The mission of Internal Audit is:

'to enhance and protect organisational value by providing risk-based and objective assurance, advice and insight'.

Core Principles

The Core Principles, outlined in the PSIAS, require the Internal Audit function to:

- *demonstrate integrity;*
- *demonstrate competence and due professional care;*
- *be objective and free from undue influence (independent);*
- *align with the strategies, objectives, and risks of the organisation;*
- *be appropriately positioned and adequately resourced;*
- *demonstrate quality and continuous improvement;*
- *communicate effectively;*
- *provide risk-based assurance;*
- *be insightful, proactive, and future-focused;*
- *promote organisational improvement.*



Governance

In accordance with the PSIAS, the generic terms of *'Board'*, *'Senior Management'* and *'Chief Audit Executive'* require to be defined. For SPT, the *'Board'* is the Audit & Standards committee, *'Senior Management'* is the Strategy Group and the *'Chief Audit Executive'* role is undertaken Audit and Assurance.

Independence

A professional, independent and objective Internal Audit service is one of the key elements of good governance.

The Audit and Assurance function must be independent in its planning and operation.

Audit and Assurance has direct access to the Assistant Chief Executive; including the reporting of audit outcomes; the Chief Executive and all levels of management. In the event that the Audit and Assurance believe these specific reporting lines are compromised, he has direct access to the Chair of the Audit and Standards Committee.

Code of Ethics

Internal Audit staff shall govern themselves by adherence to the Institute of Internal Auditors' (IIA) 'Code of Ethics', the Seven Principles of Public Life and internal auditors own professional bodies' Code of Ethics.

Authority

Audit and Assurance is granted the authority to:

- have unrestricted access to all Partnership premises;
- have unrestricted access to all assets, correspondence, documents, records and systems (computerised and otherwise);
- have access to all personnel relevant to the performance of engagements;
- receive any information and explanation, considered necessary, concerning any matter under investigation;
- require any Partnership employee to account for cash, stores, and any other asset(s) under their control; and
- access records belonging to third parties i.e. contractors and partner organisations, when required (this must be written into all agreements and contracts entered into with third parties).

Audit and Assurance will, at all times, act with integrity and take a professional, reliable, independent and innovative approach to their work. Audit and Assurance respect the value and ownership of information they receive and do not disclose information without appropriate authority unless there is a legal or professional obligation to do so.

When an audit opinion is requested it will be unbiased and based upon the facts available.

Objectives

The Audit and Assurance team provides the following services to the Partnership:

- **Assurance** services are an objective examination of evidence for the purpose of providing an independent assessment on governance, risk management and control processes to ensure operations are being conducted in accordance with external regulations, legislation, internal policies and procedures (e.g. financial, performance, compliance, system security engagements, etc.).

The provision of assurance services is the **primary role** for Internal Audit. Assurance engagements form the majority of the annual Internal Audit plan.

- **Consulting** activities are advisory and related to service activities, the nature and scope of which are agreed with senior management. They are intended to add value and improve governance, risk management and control processes without the internal auditor assuming management responsibility, e.g. advice and guidance. The annual Internal Audit plan includes provision for consulting activities.
- **Fraud prevention and detection.** Fraud is '*an illegal act categorised by deceit, concealment or violation of trust*'. These acts are not dependent upon the threat of violence or physical force. Frauds are perpetrated by individuals and organisations to obtain money, property or services; to avoid payment or loss of services; or to secure personal or business advantage.

The Counter Fraud Strategy (including Anti-Fraud and Corruption Policy, Whistle Blowing Policy and Financial Regulations relating to financial irregularity) outlines the Partnership's commitment to prevent, detect, investigate and report fraud. The annual Internal Audit plan includes provision for fraud-related work to support this strategy.

Managing the risk of fraud and corruption is the responsibility of management. Audit and Assurance assist management in their effective discharge of this responsibility. Audit processes and procedures alone, even when performed with due professional care, cannot guarantee that fraud or corruption will be detected. Audit and Assurance does not have responsibility for the prevention or detection of fraud and corruption. Internal auditors will, however, be alert; in all their work; to risks and exposures that could allow fraud or corruption.

Any evidence or reasonable suspicion of an irregularity relating to monies, stores, property or records of the Partnership should be reported immediately by the Assistant Chief Executive to Audit and Assurance. Such irregularity shall be dealt with in accordance with the SPT's Governance Manual/Defalcation procedures. It is the responsibility of each Director / Service management to promote awareness of and adherence to SPT's procedures and practices.



Responsibility and scope of activity

The scope of Audit and Assurance encompasses the examination and evaluation of the adequacy and effectiveness of the organisation's governance, risk management process, system of internal control, and the quality of performance in carrying out assigned responsibilities to achieve the Partnership's strategic objectives; including:

- review the reliability and integrity of financial and operating information and the means used to identify, measure, classify, and report such information;
- review the systems established to ensure compliance with policy, plans, procedures, laws, and regulations which could have a significant impact on operations and reports, and whether the organisation is in compliance;
- review the means of safeguarding assets and, as appropriate, verifying the existence of such assets;
- review and appraise the economy and efficiency of resource allocation;
- review operations or programmes to ascertain whether results are consistent with established objectives and goals and whether the operations or programmes are being carried out as planned;
- review specific operations at the request of SPT management or the Audit and Standards Committee, as appropriate;
- monitor and evaluate the effectiveness of the organisation's risk management arrangements;
- investigate allegations of fraud, bribery and corruption.

Audit planning

Annually, Audit and Assurance shall submit an Internal Audit plan for the forthcoming year to the Assistant Chief Executive and the Audit and Standards Committee for approval.

The annual Internal Audit plan will be developed using a risk-based methodology and will be aligned to the assurance framework, risk registers and strategic objectives. Consultation with key stakeholders (Strategy Group) will also be undertaken in the formulation of the annual Internal Audit plan.

Any significant deviation from the formally approved plan shall be communicated to the Strategy Group and the Audit and Standards Committee.

Quality Assurance

Quality assurance and continuous improvement will be monitored by way of post engagement appraisal feedback provided by senior management on the performance of internal audit activity at an individual engagement basis, through an annual self-assessment exercise and external assessment (at least once every 5 years).



Reporting

A written report will be prepared and issued by Audit and Assurance following conclusion of each engagement to the Strategy Group. A summary report will then be presented to the Audit and Standards Committee.

Each report will detail the engagement work undertaken, the specific findings and any recommendations. Management's response will outline the agreed action to be taken to address any areas for improvement, identify a lead officer for each recommendation and provide the anticipated timescale to complete each agreed action.

Audit and Assurance will perform a follow-up review on engagement findings and recommendations, (normally six months after the report date) to test implementation performance. The results of follow-up reviews will be presented to the Assistant Chief Executive and the Audit and Standards Committee.

An annual Internal Audit opinion and report will be included in the Annual Governance Statement contained in the Partnership's Financial Statements.

The annual Internal Audit opinion must conclude on the overall adequacy and effectiveness of SPT's framework of governance, risk management and control.

The annual Internal Audit report must incorporate:

- the Internal Audit opinion;
- a summary of the work that supports the opinion; and
- a statement on conformance with the Public Sector Internal Audit Standards (PSIAS) and the results of the quality assurance and improvement programme.

Resources

The resources required to deliver the annual Internal Audit plan for the forthcoming year shall be presented to the Assistant Chief Executive and the Audit and Standards Committee for approval.

Periodic assessment

Audit and Assurance will annually assess whether the areas defined in this charter continue to be adequate to enable the Internal Audit function to accomplish its objectives (i.e. the Internal Audit plan). The results of this assessment shall be communicated to the Strategy Group and the Audit and Standards Committee.

Valerie Davidson
Assistant Chief Executive

Cllr. Marie McGurk
**Chair of the
Audit and Standards Committee**



**Strathclyde Partnership for Transport
Audit and Assurance
Internal Audit plan 2021/2022**

	<u>Days allocated</u>	<u>Sub-total days</u>	<u>Total plan days</u>
<u>Assurance engagements</u>			
Core Financial System – Procurement cards	10		
Data analytics – Bus station facilities	10		
Data analytics – Subway station offices	10		
Digital controls – Cyber resilience framework update	10		
Digital controls – Recruitment administration	10		
Regularity audit of bus compliance and inspection	10		
Regularity audit of escalator and lift maintenance	10		
Regularity audit of SCTS implementation	10		
Regularity audit of waste management services	10		
Systems review of capital programme delivery	10		
Business improvement – internal controls	50		
Contingency allocation	75		
Follow-up reviews	20	245 (70%)	
<u>Consulting activities</u>			
Audit Scotland reports	10		
Assurance framework	10		
Local code of corporate governance	10		
Risk management arrangements	10		
Data analytics – quality assurance	30	70 (20%)	
<u>Fraud prevention and investigation</u>			
Fraud awareness and prevention initiatives	20	20 (5%)	
PSIAS compliance	15	15 (5%)	
Summary			350 (100%)