



Annual Internal Audit opinion and report 2018/19

Committee Audit and Standards

Date of meeting 7 June 2019

Date of report 26 March 2019

Report by Assistant Chief Executive

1. Object of report

To ask the committee to note the annual Internal Audit opinion and report for 2018/19.

2. Background

Internal Audit plan 2018/19

The Internal Audit plan 2018/19 was approved by the Audit and Standards committee at its meeting of 9 February 2018.

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:

- (the) assurance framework;
- risk registers;
- external factors (e.g. government initiatives, intelligence, and networking);
- the 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 2018/19

The main objective of the Internal Audit plan for 2018/19 was to provide an 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 2018/19 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, fourteen follow-up reviews of assurance engagements have been reported in 2018/19. Follow-up reviews found that 50 of the 55 (91%) 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 2018/19, Audit and Assurance provided consulting services in relation to SPT's response to Audit Scotland reports, the assurance framework, business improvement controls, the local code of corporate governance and risk management 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 2018/19 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 National Fraud Initiative (NFI) outcomes 2018/19 was presented to the Audit and Standards committee following investigation of data matches.

Internal Audit resources

The Audit and Assurance team was adequately resourced throughout 2018/19.

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) 2018/19 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 2018/19, as set out in the Internal Audit Charter.

Public Sector Internal Audit Standards (PSIAS)

The annual Internal Audit opinion and report for 2018/19 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 2019;
- 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 2018/19.

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 2019.

4. Conclusions

The Internal Audit plan 2018/19 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 2019.

5. Committee action

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

6. Consequences

Policy consequences	<i>None.</i>
Legal consequences	<i>None.</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 on 0141 333 3195.