



Annual Internal Audit opinion and report 2021/2022

Date of meeting 9 September 2022

Date of report 22 August 2022

Report by Chief Executive

1. Object of report

To ask the committee to note the annual Internal Audit opinion and report for 2021/2022.

2. Background

The Internal Audit plan 2021/2022 was approved by the Audit and Standards committee at its meeting of 19 February 2021.

The Internal Audit plan provides the direction of travel and a framework for internal audit work in the forthcoming year. The plan is aligned with and supports 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:

- an assurance framework;
- the risk registers;
- other external factors (i.e. government initiatives, intelligence, and networking); and
- direction from the 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 proposals

The main objective of the Internal Audit plan for 2021/2022 was to provide an agile assurance service that assesses the effectiveness and efficiency of the Partnership's systems for internal control. The plan includes provision for consulting activities and fraud-related work.

Assurance engagements are an objective examination of evidence for the purpose of providing an independent assessment on governance, risk management and control processes and that operations are being conducted in accordance with external regulations, legislation, internal policies and procedures (i.e. financial, performance, compliance and 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.

Twelve assurance engagements were completed and reported to the Audit and Standards committee in 2021/2022. A summary of each completed engagement and the assurance level(s) offered, is shown in Appendix 1.

To assist members a copy of the level(s) of assurance assigned to each engagement is provided to the committee at Appendix 2.

In addition, four assurance engagements have been completed since the last committee meeting. A summary of each of these engagements is outlined as follows:

3.1. Digital controls review of email administration

Electronic mail (email) is an essential communication tool for all staff, members, contractors and other stakeholders. This digital product must be safe, secure, up-to-date and accessible for users in the office or via mobile equipment.

Digital management administer and monitor email accounts. Engagement testing identified a requirement to review the processes for email administration including monitoring arrangements undertaken to enhance regularity and currency of users and consider a standardised naming convention for group and shared mail boxes to assist with identification, purpose and management of the mailboxes.

Key controls exist and are applied consistently and effectively.

Reasonable assurance can be taken from the current arrangements in place for the email administration.

Three recommendations were agreed from this engagement, see Appendix 3.

3.2. Regularity audit of Subway station equipment maintenance

Three contracts are in place for repair and maintenance of Subway station office equipment:

- SPIE - Maintenance of Fire Alarm Systems and Intruder Alarm System;
- TS-UK - Manual, Automatic and PAC and Kantech Controlled Doors; and
- North - CCTV and Perimeter Alarm Maintenance contract.

These contracts are administered by Customer Standards in conjunction with Subway staff. Engagement testing identified a requirement to review contract monitoring arrangements to enhance management information reporting. Key controls exist and are applied consistently and effectively.

Reasonable assurance can be taken from the contract monitoring arrangements in place.

Two recommendations were agreed from this engagement, see Appendix 3.

3.3. Regularity audit of bus infrastructure stock count arrangements 2021/2022

In accordance with the 2021/2022 financial year end procedures, the prescribed deadline for reporting the bus infrastructure stock value was met.

Bus Infrastructure staff conducted a year-end physical stock count. The bus infrastructure stock value as at 31 March 2022 showed an 8% decrease in stock from previous year. There was no obsolete stock identified.

Key controls exist and are applied consistently and effectively in the majority of areas tested as per the stock count arrangements 2021/2022. Reasonable assurance can be taken from this engagement.

No recommendation(s) was made in relation to this engagement.

3.4. Regularity audit of Subway stock count arrangements 2021/2022

In accordance with the 2021/2022 financial year end procedures, the prescribed deadline for reporting the Subway stock value was met.

Subway stores staff conducted a year-end physical stock count. The Subway stock value as at 31 March 2022 showed an 9% increase in stock from previous year. There was no obsolete stock identified.

Engagement testing identified a requirement for Subway management to arrange refresher training for stores staff on ad-hoc exception reporting from the Infor (stock management digital system). Key controls exist and are applied consistently and effectively in the majority of areas tested from this engagement.

Reasonable assurance can be taken from this engagement.

One recommendation was agreed from this engagement, see Appendix 3. In addition, seven follow-up reviews of assurance engagements were completed in year. Follow-up reviews found that 21 of the 33 (64%) recommendations from those previously reported engagements have now been implemented. Where the implementation rate falls below the service delivery standards, these areas will be subject to Internal Audit coverage.

3.5. 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 2021/2022, Audit and Assurance provided consulting services in relation to SPT's response to Audit Scotland reports, business continuity planning arrangements, business improvement initiatives and co-ordination of progress to implement the cyber resilience framework.

3.6. Fraud initiatives

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

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

A report was presented to the Audit & Standards meeting of 4 June 2021 on the National Fraud Initiative (NFI) outcomes 2020/2021.

Audit and Assurance assisted management in the updated Counter Fraud Strategy approved by the Audit & Standards committee at its meeting of 26 November 2021.

3.7. Quality assurance

It is essential that the Audit and Assurance team has adequately resource and in 2021/2022 the equivalent of 350 days was available and utilised to achieve the Internal Audit plan.

The Audit and Assurance function has been independent in its planning, operation and activity throughout 2021/2022, as set out in the Internal Audit Charter.

In accordance with the requirements of the Public Sector Internal Audit Standards (PSIAS), a self-assessment exercise and quality assurance and improvement programme (QAIP) 2021/2022 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.

The annual Internal Audit opinion and report for 2021/2022 has been prepared in accordance with the Public Sector Internal Audit Standards (PSIAS) and the Internal Audit Charter.

3.8. 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 2022;
- 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 2021/2022.

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 2022.

4. Committee action

The committee is asked to note the contents of this report and that the Internal Audit plan 2021/2022 has been completed.

5. Consequences

Policy consequences

In accordance with the Public Sector Internal Audit Standards 2017.

Legal consequences	<i>None.</i>
Financial consequences	<i>None.</i>
Personnel consequences	<i>None.</i>
Equalities consequences	<i>None.</i>
Risk consequences	<i>The implementation of agreed recommendations from assurance engagements mitigates risk.</i>
Climate Change, Adaptation and Carbon consequences	<i>None.</i>

Name	Neil Wylie	Name	Valerie Davidson
Title	Director of Finance & Corporate Support	Title	Chief Executive

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

Audit and Standards committee 9 September 2022
Internal Audit plan 2021/2022

Assurance engagements reported in 2021/2022

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 stock count	Complete	Nil	4 June 2021	Reasonable
2	Regularity audit of bus infrastructure annual stock count	Complete	Nil	4 June 2021	Reasonable
3	Contract audit of escalator and lift maintenance	Complete	4	27 August 2021	Reasonable
4	Contract audit of waste management services	Complete	3	27 August 2021	Reasonable
5	Core financial system review of procurement cards	Complete	1	26 November 2021	Reasonable
6	Value for money study of electronic signatures	Complete	2	26 November 2021	Reasonable
7	Regularity audit of recruitment administration	Complete	3	26 November 2021	Reasonable
8	Regularity audit of the public bodies climate change duties report	Complete	Nil	26 November 2021	Sound in most areas
9	Regularity audit of the use of pooled vehicles	Complete	4	18 February 2022	Reasonable
10	Core financial system review of budgetary control	Complete	Nil	18 February 2022	Sound in most areas
11	Regularity audit of bus station facilities administration	Complete	Nil	18 February 2022	Sound in most areas
12	Regularity audit of Subway station offices administration	Complete	Nil	18 February 2022	Sound in most areas

Levels of Assurance
(Statement of opinion on the adequacy and effectiveness of internal controls)

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

Agreed action plan: Digital controls review of email administration

No.	Recommendation	Priority	Action Proposed	Lead Officer(s)	Due date
1	<p><u>Digital procedures</u></p> <p>Digital Management should review and document the processes for email (calendar) administration including monitoring arrangements undertaken to enhance regularity and currency of users.</p>	Medium	Procedures for email administration including monitoring arrangements will be reviewed.	Digital Manager	May 2022
2	<p><u>Shared, guest and other email accounts</u></p> <p>Digital management should review the process for verifying the currency of shared mail boxes, guest emails and other accounts (including mail users, mail contacts and other user mailbox and calendars).</p>	Medium	Guest users and general email will be reviewed on a regular basis.	Service Team Leader/Service Desk	May 2022
3	<p><u>Naming convention for mailboxes</u></p> <p>A naming convention is 'a set of rules for choosing the character sequence to be used for identifiers which denote variables'.</p> <p>Digital management should consider utilising a standardised naming convention for group and shared mail boxes (e.g. Mail Users and User Mail boxes) to assist in the identification, purpose and management of the mailboxes.</p>	Low	The current naming convention will be reviewed.	Digital Manager	July 2022

Agreed action plan: Regularity audit of Subway station equipment maintenance

No.	Recommendation	Priority	Action Proposed	Lead Officer(s)	Due date
1	<p><u>Performance management information</u></p> <p>Contract terms and conditions should be reviewed to require service providers to regularly present contract administrator(s) with management information including:</p> <ul style="list-style-type: none"> • Call-outs, response times and fix times; • Remedial action timescales; and • Provision of a critical spares list. 	Medium	<p>Performance management information provision will be discussed with service providers to enhance current arrangements. Noting that:</p> <ul style="list-style-type: none"> • Contracts do not stipulate fix times; • Remedial action is subject to agreement/authorisation prior to work commencing; • Critical spares are not a contractual requirement. 	Contract Manager	July 2022
2	<p><u>Controlled access and security door maintenance</u></p> <p>Controlled access and security doors should be added to the list of assets recorded in the digital system (Infor) to enhance monitoring and reporting arrangements.</p>	Low	Requires digital system (Infor) development work and review of current licences.	Contract administrator(s)	October 2022

Agreed action plan: Regularity audit of Subway stock count arrangements 2021/2022

No.	Recommendation	Priority	Action Proposed	Lead Officer(s)	Due date
1	<p><u>Stock management system</u></p> <p>Subway management should arrange refresher training for stores staff on the Infor digital system to include the following:</p> <ul style="list-style-type: none"> • Ad-hoc reporting to enhance management information; • Creation of standard reports to enhance monitoring arrangements; • Development of retrospective reporting to analyse stock holding. 	Medium	Refresher training on the Infor digital system will be arranged and provided to stores staff.	Head of Service Availability and Maintenance	September 2022

High: A fundamental control that should be addressed as soon as possible;

Medium: An important control that should be addressed within three months;

Low: An issue which is not fundamental but should be addressed within six months to improve the overall control environment.