



Internal Audit Plan

1. INTRODUCTION

- 1.1 The City of Edinburgh Council Internal Audit team provides assurance over the controls established to mitigate the SEStran partnership's key risks by provision of one annual Internal Audit review.
- 1.2 The purpose of this paper is to provide an update on progress with the 2017/18 SEStran Internal Audit review, and request the Committee's insights on areas for potential inclusion in the scope of the planned 2018/19 review.

2. Scope of the 2017/18 Internal Audit review

- 2.1 The scope of the 2017/18 Internal Audit review was discussed and agreed with SEStran management and external audit (Scott Moncrieff), and provides assurance on the following risks recorded in the SEStran risk register:
 - Strategy;
 - Governance;
 - Key person dependency; and
 - Grant Disbursement
- 2.2 The review is currently in progress and is scheduled to complete by 30 March 2018. A report will be prepared that includes Internal Audit recommendations to address any control gaps identified, together with management's responses and agreed actions.

The full terms of reference are included at Appendix 1.

3. 2018/19 Internal Audit Review

- 3.1 The Internal Audit team has now completed their 2018/19 annual planning process, and the draft plan will be presented to the Council's Governance, Risk, and Best Value Committee for review and scrutiny on 20 March 2018.

The draft annual plan includes one 15-day Internal Audit review for SEStran. This is consistent with the level of assurance provided in prior years.

4. RECOMMENDATIONS

- 4.1 The Committee is requested to note the scope of the 2017/18 Internal Audit review, and provide insights in relation to key SEStran risks and areas of concern for inclusion in the planned 2018/19 Internal Audit review.

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Chief Internal Auditor

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Appendix 1 – Terms of Reference

Policy Implications	None
Financial Implications	None
Equalities Implications	None
Climate Change Implications	None

SEStran

Terms of Reference – Annual Audit, ref MIS 1708

To: Jim Grieve, Acting Partnership Director

From: Lesley Newdall, Chief Internal Auditor,

Date: 14 February 2018

Cc: *See Key Contacts List*

This review is being undertaken as part of the 2017/18 City of Edinburgh Council Internal Audit plan approved by the City of Edinburgh Council Governance, Risk, and Best Value Committee in March 2017.

Background

The South East of Scotland Transport Partnership (SEStran) is one of seven Regional Transport Partnerships in Scotland. The partnership area includes eight local authorities, and is home to 28% of Scotland's population.

There is a huge diversity of transportation issues within the SEStran partnership area, from urban congestion to rural public transport and from ferry ports to airports. SEStran aims to address these issues and work towards a more sustainable and efficient transport network.

SEStran's Regional Transport Strategy (RTS) is the cornerstone of their work. It lays out their vision for the strategic development of transport in south east Scotland up to 2028 and includes a particular focus on links to and from Edinburgh, as the economic hub of the region.

SEStran is predominantly grant funded and received £1.4M funding in the financial year 2016/17. Funding is normally received from the Scottish Government; European bodies; and local authority councils. Circa £1m of this funding was spent on projects to support delivery of the RTS, and the balance on operating costs.

Given the significant grant funding contributed to support delivery of SEStran projects, it is essential that an adequate and effective governance framework has been established to support SEStran operations and disbursement of grant funds.

Scope

The scope of this review will assess the design adequacy and operating effectiveness of the key governance controls established to support SEStran operations and disbursement of grant funding on delivery of SEStran projects, with the objective of mitigating the following key risks:

- Strategy (medium)
- Governance (including Supplier dependency) - medium
- Key person dependency (low)
- Grant Disbursement (low)

Limitations of Scope

The scope of our review is limited to review of the key controls noted above.

Approach

Our audit approach is as follows:

- Obtain an understanding of the key governance processes through discussions with key personnel, and review of systems documentation and walkthrough tests (where applicable);
- Identify the key risks;
- Evaluate the design of the controls in place to address the key risks; and
- Test the operating effectiveness of the key controls.

The sub-processes and related control objectives included in the review are:

Sub-process	Control Objectives
Governance and supplier management	<ul style="list-style-type: none">• There is an established succession planning process in place to ensure continuity in the event of senior officer absence;• Authorities and approvals are adequately designed and effectively and consistently applied in relation to payments; procurement; payroll and grant acceptance;• There are formal structures in place relating to the partnership board and committees;• There are formal processes in place which set out the remits of the board and committees the roles and responsibilities of senior officers; SEStran employees; the partnership board; and councillor and non-councillor members;• There is a formal process for the selection, education and training of new board members; and• SEStran annually obtains third party supplier confirmations to confirm that third party services are compliant with all applicable regulations and legislation.
Strategy	<ul style="list-style-type: none">• Contingency plans have been developed to address key Brexit risks such as sourcing alternative funding and sharing information and best practice with European bodies;• The contingency plans are approved at the correct level, regularly reviewed and updated to reflect ongoing Brexit developments; and• Ownership of contingency plans has been appropriately allocated.
Grant Disbursement	<ul style="list-style-type: none">• Grant payments are disbursed in line with the terms specified in Grant Offer Letters, with appropriate evidence of disbursement retained.

Our Responsibilities

The role of Internal Audit is to act as an independent, objective assurance and consulting function, designed to add value and improve the operational effectiveness of the organisation. Internal Audit has unrestricted access to all activities undertaken in the organisation in order to independently review and report on the governance, risk management and control processes established by management.

Internal auditors will ensure they conduct their work with due professional care and in line with the requirements of the Public Sector Internal Audit Standards and other relevant professional standards.

The responsibilities of Internal Audit in respect of individual audit assignments are detailed in Appendix 2.

Your Responsibilities

It is Management's responsibility to develop and maintain sound systems of risk management, internal control and governance and for the prevention and detection of irregularities and fraud. Internal Audit work should not be seen as a substitute for Management's responsibilities for the design and operation of these systems.

Management will co-operate with Internal Audit on assignments and provide access to records, systems and staff as required within a reasonable timeframe following the request.

Where an audit report is delivered, management are required to provide formal responses to all recommendations, including specifying responsibility and anticipated dates for the implementation of the solutions within two weeks of the draft report being issued. They are also responsible for the implementation of the solutions and this implementation will be monitored and subject to follow-up review.

Internal audit work is performed solely for SEStran and solely for the purposes outlined above. Reports and documents prepared by Internal Audit should not be provided to anyone else.

The responsibilities of the Auditee in respect of individual audit assignments are detailed in Appendix 2.

Internal Audit Team

Name	Role	Contact Details
Lesley Newdall	Chief Internal Auditor	0131 469 3216
Elizabeth Maccallum	Internal Auditor	0131 469 3075

Key Contacts

Name	Title	Role	Contact Details
Jim Grieve	SEStran Partnership Director (Acting)	Review Sponsor	0131 524 5160
Angela Chambers	SEStran Business Manager	Key Contact	0131 524 5154
Lisa Freeman	Strategy & Projects Officer	Key Contact	
Moira Nelson	Active Travel Strategic Development Officer	Key Contact	
Iain Shaw	CEC Principal Accountant	Key Contact	0131 469 3117

Timetable

Fieldwork Start	12 February 2018
Fieldwork Completed	02 March 2018
Draft report to Auditee	09 March 2018
Response from Auditee	23 March 2018
Final Report to Auditee	30 March 2018

Appendix 1: Information Request

It would be helpful to have the following available prior to our audit or at the latest our first day of field work:

- Relevant background papers, as discussed at the scoping meeting.

This list is not intended to be exhaustive; we may require additional information during the audit which we will bring to your attention at the earliest opportunity.

Governance (including Supplier dependency)

- Copy of the scheme of delegation of role and responsibilities
- Evidence of the annual assurance from third party providers that they are compliant with applicable regulations and legislation

Strategy

- Contingency plans for Brexit

Grant Disbursement

- A sample of a grant offer letter

Appendix 2: Key Audit Stages, Responsibilities and Timetable

Area	Principles	Further guidance
Planning the audit	Agreeing the audit scope and objectives	<ul style="list-style-type: none"> Internal Audit will determine and make arrangements for sufficient resources to achieve audit engagement objectives. This will be based on an evaluation of the nature and complexity of each engagement, time constraints and available resources. An initial planning meeting will be held between Internal Audit and the Partnership Director. The planning meeting will be held in advance of the audit fieldwork commencing. The purpose of the meeting will be to agree the scope and objectives for the review, requirements during the audit and a reporting and closeout timetable. The Partnership Director will identify the personnel who have the relevant knowledge and are best placed to answer questions in relation to the audit scope. The Partnership Director will be responsible for notifying these staff of the audit scope and any other requirements agreed with Internal Audit during the planning meeting. Internal Audit shall be responsible for organising meetings with relevant staff.
Audit fieldwork and planning	Timely communication of issues identified during fieldwork	<ul style="list-style-type: none"> The Auditee will be informed of the progress of the audit on a regular basis. Any issues identified during the fieldwork by Internal Audit will be discussed with the relevant staff to ensure that they are accurate and proposed recommendations are valid and achievable. Any material issues (Critical) will be raised by Internal Audit with the Partnership Director immediately as they arise.
Reporting	Closeout meeting to discuss and agree the internal audit report	<ul style="list-style-type: none"> The closeout meeting will be undertaken with the Partnership Director within two weeks of the audit fieldwork being completed. Internal Audit will provide the Partnership Director with a copy of the draft report within 2 weeks of completing the fieldwork.
Reporting	Management response to internal audit report	<ul style="list-style-type: none"> The Partnership Director will have 2 weeks to provide management comments on the findings and recommendations in the Internal Audit report. Internal Audit will issue the final report to the Partnership Director within 1 week of receipt of management comments.
Reporting	Reporting of internal audit findings to the Performance & Audit Committee	<ul style="list-style-type: none"> Internal Audit shall prepare an internal audit update report annually for the Performance & Audit Committee. The update report will summarise the findings arising from the finalised internal audit report. It will also include progress on implementation of prior year internal audit recommendations.

Area	Principles	Further guidance
Follow up	Monitoring the implementation of internal audit recommendations	<ul style="list-style-type: none"><li data-bbox="643 181 1406 344">• A questionnaire will be issued to be completed by the Auditee to allow opportunity to comment directly to the Chief Internal Auditor on the satisfaction of the audit service provided. This forms part of the Internal Audit Quality Review program.<li data-bbox="643 360 1445 589">• Internal audit will track the status of all open recommendations. Recommendations that are overdue will be reported to the Performance & Review Committee on an annual basis. Internal Audit will advise management of all open recommendations and invite them to provide evidence that the recommendations have been actioned.
