

South East of Scotland Transport Partnership

Internal Audit – Annual Report 2017/2018

1. Introduction

This report details Internal Audit's annual opinion for the South East of Scotland Transport Partnership (SEStran) for the year ended 31 March 2018. Our opinion is based on the outcomes of one audit included in the 2017/18 Internal Audit annual plan; the status of any open Internal Audit findings; and review of the SEStran draft annual governance statement.

Internal Audit considers that the SEStran control environment and governance and risk management frameworks are generally adequate, but with enhancements required, and is therefore reporting an 'amber' rated opinion (see Appendix 1), with our assessment towards the low end of this category.

This report is a component part of the overall annual assurance provided to SEStran, and the Board should consider the opinion of other assurance sources (such as external audit and the Treasurer's annual statement) when forming their own view on the design and effectiveness of the control environment and governance and risk management frameworks at SEStran.

2. Background

- 2.1 The objective of Internal Audit is to provide a high quality independent audit service to SEStran in accordance with Public Sector Internal Audit Standards (PSIAS) requirements, that provides assurance over the control environment established to manage SEStran's key risks and their overall governance and risk management arrangements.
- 2.2 PSIAS provide a coherent and consistent internal audit framework for public sector organisations. Adoption of the PSIAS is mandatory for internal audit teams within UK public sector organisations, and PSIAS require annual reporting on conformance.
- 2.3 It is the responsibility of the Council's Chief Internal Auditor to provide an independent and objective annual opinion on the adequacy and effectiveness of the SEStran control environment and governance and risk management frameworks in line with PSIAS requirements. The opinion is provided to the Partnership Board, and should be used to inform the SEStran annual governance statement.

- 2.4 The City of Edinburgh Internal Audit team currently performs one annual audit that focuses on the key controls established to manage SEStran's most significant risks.
- 2.5 The annual opinion provides an independent view of the adequacy and effectiveness of the SEStran control environment and governance and risk management frameworks, and is based on the outcomes of the audit performed; the status of any open Internal Audit findings; and review of the SEStran draft annual governance statement.
- 2.6 Where control weaknesses are identified, Internal Audit findings are raised, and management agree actions to address the gaps identified. However, it is the responsibility of management to address and rectify the weaknesses identified via timely implementation of these agreed management actions.
- 2.7 The IA definition of an overdue finding is any finding where all agreed management actions have not been implemented by the final date agreed by management and recorded in Internal Audit reports.

3. Main Report

- 3.1 Internal Audit considers that the SEStran control environment and governance and risk management frameworks are generally adequate, but with enhancements required, and is therefore reporting an 'amber' rated opinion (see Appendix 1), with our assessment towards the low end of this category.
- 3.2 This opinion is subject to the inherent limitations of internal audit (covering both the control environment and the assurance provided over controls) as set out in Appendix 2.
- 3.3 This report is a component part of the overall annual assurance provided to SEStran, and the Board should consider the opinion of other assurance sources (such as external audit, and the Treasurer's annual statement) when forming their own view on the design and effectiveness of the SEStran control environment and governance and risk management frameworks

4. Basis of opinion

- 4.1 Our opinion is based on the outcome of the audit completed in the year to 31 March 2018; the status of any open internal audit findings; and review of the SEStran draft annual governance statement.

Audit outcomes

- 4.2 The 2017/18 Internal Audit review assessed 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.
- 4.3 Our review identified some moderate control gaps in the design of the SEStran governance scheme in relation to short term contingency planning in the event of unplanned absence at senior levels within the partnership; SEStran employee succession planning; and the process to be applied in the event of resignation of a Board chair during their term of office.
- 4.4 We also noted that whilst the partnership risk register includes a high rated risk in relation to potential Brexit impacts on funding, no plan has been established detailing the actions in progress to ensure that post Brexit funding can be sourced and secured.

It is essential that at least circa 4% of new funding (this reflects the percentage of SEStran total average funding across the last 3 years sourced from the EU) is secured post Brexit to support both the ongoing operation of the partnership, and delivery of the planned strategic transport improvements through to 2028 as detailed in the Regional Transport Strategy, however, it is also acknowledged SEStran cannot realistically plan financial budgets beyond one year due to ongoing constraints in relation to government funding.

- 4.5 Consequently, one medium and one low rated internal audit findings were raised.

Status of Internal Audit Findings

- 4.6 All Internal Audit findings raised in 2015/16 and 2016/17 have been addressed and agreed management actions effectively implemented and sustained.
- 4.7 Internal Audit confirmed that management proposals to address the Medium and Low rated findings raised in the 2017/18 audit review are satisfactory, subject to agreement on the approach with the Council's Board Services team. Management has advised that they are aiming to implement their agreed actions in advance of the June Board meeting, with a verbal progress update to be provided.

Review of SEStran draft annual governance statement schedule

- 4.8 Review of the schedule prepared by management supporting the SEStran annual governance statement did not identify any instances of non compliance highlighted in the management responses that would adversely impact on our internal audit opinion.

5. Internal Audit Independence

- 5.1 PSIAS require that Internal Audit must be independent and internal auditors must be objective in performing their work. To ensure conformance with these requirements, Internal Audit has established processes to ensure that both team and personal independence is consistently maintained and that any potential conflicts of interest are effectively managed.
- 5.2 We do not consider that we have faced any significant threats to our independence during 2017/18, nor do we consider that we have faced any inappropriate scope or resource limitations when completing our work.

6. Recommendations

- 6.1 It is recommended that the Board notes the internal audit opinion for the year ended 31 March 2018.

Lesley Newdall

Chief Internal Auditor, City of Edinburgh Council

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Appendices: Appendix 1 – Internal Audit Annual Opinion Definitions

Appendix 2 - Limitations and responsibilities of internal audit and management responsibilities

Appendix 3 – SEStran annual internal audit review – final report

Appendix 4 – SEStran assurance questionnaire

Appendix 1

Appendix 1 – Internal Audit Annual Opinion Definitions

The PSIAS require the provision of an annual Internal Audit opinion, but do not provide any methodology or guidance detailing how the opinion should be defined. We have adopted the approach set out below to form an opinion for SEStran.

We consider that there are 4 possible opinion types that could apply to SEStran. These are detailed below:

1 Adequate <i>An adequate and appropriate control environment and governance and risk management framework is in place enabling the risks to achieving organisation objectives to be managed</i>	2 Generally adequate but with enhancements required <i>Areas of weakness and non-compliance in the control environment and governance and risk management framework that may put the achievement of organisational objectives at risk</i>
3 Significant enhancements required <i>Significant areas of weakness and non-compliance in the control environment and governance and risk management framework that puts the achievement of organisational objectives at risk</i>	Inadequate <i>The framework of control and governance and risk management framework is inadequate with a substantial risk of system failure resulting in the likely failure to achieve organisational objectives.</i>

Professional judgement is exercised in determining the appropriate opinion, and it should be noted that in giving an opinion, assurance provided can never be absolute.

Appendix 2 - Limitations and responsibilities of internal audit and management responsibilities

Limitations and responsibilities of internal audit

The opinion is based solely on the internal audit work performed for the financial year 1 April 2017 to 31 March 2018. Work completed was based on the terms of reference agreed with management. However, where other matters have come to our attention that are considered relevant, they have been considered when finalising our reports and the annual opinion.

There may be additional weaknesses in the SEStran control environment and governance and risk management frameworks that were not identified as they were not included in the 2017/18 audit review; were excluded from the scope of the review; or were not brought to Internal Audit's attention. Consequently, management and the Board should be aware that the opinion may have differed if these areas had been included, or brought to Internal Audit's attention.

Control environments, no matter how well designed and operated, are affected by inherent limitations. These include the possibility of poor judgment in decision-making; human error; control processes being deliberately circumvented by employees and others; management overriding controls; and the impact of unplanned events.

Future periods

The assessment of controls relating to the SEStran is for the year ended 31 March 2017. Historic evaluation of effectiveness may not be relevant to future periods due to the risk that:

- the design of controls may become inadequate because of changes in operating environment, law, regulation or other; or
- the degree of compliance with policies and procedures may deteriorate.

Responsibilities of Management and Internal Audit

It is Management's responsibility to develop effective control environments and governance and risk management frameworks that are designed to prevent and detect irregularities and fraud. Internal audit work should not be regarded as a substitute for Management's responsibilities for the design and operation of these controls.

Internal Audit endeavours to plan its work so that it has a reasonable expectation of detecting significant control weaknesses and, if detected, performs additional work directed towards identification of potential fraud or other irregularities. However, internal audit procedures alone, even when performed with due professional care, do not guarantee that fraud will be detected.

Consequently, internal audit reviews should not be relied upon to detect and disclose all fraud, defalcations or other irregularities that may exist.

The City of Edinburgh Council

Internal Audit

SEStran - Annual Internal Audit review

Final Report

30 April 2018

MIS1708

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This internal audit review is conducted for the South East Scotland Transport Partnership under the auspices of the 2017/18 internal audit plan approved by the South East Scotland Transport Partnership Board in March 2017. The review is designed to help the South East Scotland Transport Partnership assess and refine its internal control environment. It is not designed or intended to be suitable for any other purpose and should not be relied upon for any other purpose. The City of Edinburgh Council accepts no responsibility for any such reliance and disclaims all liability in relation thereto.

The internal audit work and reporting has been performed in line with the requirements of the Public Sector Internal Audit Standards (PSIAS) and as a result is not designed or intended to comply with any other auditing standards.

Although there specific recommendations are included in this report to strengthen internal control, it is management's responsibility to design, implement and maintain an effective control framework, and for the prevention and detection of irregularities and fraud. This is an essential part of the efficient management of the South East Scotland Transport Partnership. Communication of the issues and weaknesses arising from this audit does not absolve management of this responsibility. High and Critical rated risk findings will be raised with senior officers and board members as appropriate

1. Background and Scope

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.

The SEStran Governance Scheme was implemented in August 2017, and includes a range of key documents that form the basis of both Partnership operations and decision making.

Scope

The scope of this review assessed 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 risks:

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

For the full terms of reference see Appendix 2.

2. Executive summary

Summary of findings raised

1. Medium - Governance Scheme- contingency and succession planning

2. Low - Future Funding

Opinion

Our review identified some moderate control gaps in the design of the SEStran governance scheme in relation to short term contingency planning in the event of unplanned absence at senior levels within the partnership; SEStran employee succession planning; and the process to be applied in the event of resignation of a committee chair during their term of office.

We also noted that whilst the partnership risk register includes a high rated risk in relation to potential Brexit impacts on funding, no plan has been established detailing the actions in progress to ensure that post Brexit funding can be sourced and secured. It is essential that at least circa 4% of new funding (this reflects the percentage of SEStran total average funding across the last 3 years sourced from the EU) is secured post Brexit to support both the ongoing operation of the partnership, and delivery of the planned strategic transport improvements through to 2028 as detailed in the Regional Transport Strategy.

Consequently, one medium and one low rated findings have been raised.

Our review confirmed that all other aspects of the SEStran governance framework are adequately designed and operating effectively. We noted that there is a robust process in place for recruiting new non-councillor Board members and provision of training; and that third party services are effectively managed and monitored to ensure ongoing compliance with applicable legislation. Additionally, controls in relation to grant disbursement are operating effectively with returns provided to all grant providers demonstrating that funds have been disbursed as per grant offer conditions.

Our detailed findings and recommendations are laid out within Section 3: [Detailed findings](#)

SEStran management met with Internal Audit on 30 April 2018 to outline their proposals to address the findings raised. IA has confirmed that the planned approach is satisfactory. SEStran are aiming to implement the agreed actions in advance of the agreed implementation dates (subject to agreement of the approach with the Council's Committee Services team) so that confirmation of closure can be provided at the SEStran Board meeting scheduled for 22 June 2018.

3. Detailed findings

1. Governance scheme – contingency and succession planning

Medium

The remit and responsibilities of the SEStran Succession Planning Committee are detailed in the ‘List of Committee Powers’ document. However, their remit does not include responsibility for either short term operational contingency or long term succession planning for SEStran employees, or for the replacement of a committee chair in the event that they leave during their term of office.

There is currently no established SEStran contingency plan to ensure that the organisation continues to operate effectively in the event of unplanned long term absence at senior levels (Director and Programme Manager). There is also no established long-term succession plan to ensure that appropriate successors have been identified and developed to move into more senior operational roles in future.

Whilst there is an established process delegating authority to authorise invoices for payment from the Partnership Director to the Head of Programmes and the Business Manager to cover annual leave, there is no established delegated authority for key operational processes such as payments; procurement; payroll; and grant acceptance in the event of unplanned absence at senior levels.

Risk

The partnership is unable to operate in the event of unplanned absence at senior levels.

Internal Audit Recommendation(s)

1. The remit of the SEStran succession planning committee should be revised to include responsibility for establishing operational contingency and succession plans for the partnership. These plans should be presented to the partnership Board for approval prior to implementation;
2. A partnership contingency plan should be prepared, approved by the Board, and implemented. This should include (but should not be limited to) allocation of operational responsibilities and the processes to be applied in the event of unplanned absence at a senior level; and the process to be applied in the event that a committee chair leaves during their term of office; and
3. A SEStran succession plan should be prepared, approved by the Board, and implemented. This should include identification of potential role successors together with an assessment of their level of readiness (based on skills recorded in the SEStran skills matrix); their development needs; and training plans to support their future development. Identification and upskilling potential future successors should also support effective contingency planning.

Agreed Management Action(s)

1. It is proposed to add a further remit to the “List of Committee Powers” document, at Section 3, for the Succession Planning Committee as follows:
 “to prepare, for Partnership Board approval, operational contingency and succession plans for the Partnership”.
 We would then seek to work with the Succession Planning Committee and to progress this as soon as possible.

Owner: Acting Partnership Director

Implementation Date: 22/06/18

2. A “Partnership Operational Contingency Plan” will be prepared and included as an addendum to the “List of Officer Powers” document within the Governance Scheme. The plan will assign operational and procedural responsibilities to appropriate staff levels, in the event of absence at a senior level.
 In addition, the document will include a procedure to be followed in the event of the Partnership Board Chair leaving during a term of Office, which will clearly require engagement with the Vice Chairs and the wider Board, as part of the process.

Owner: Acting Partnership Director	Implementation Date: 22/06/18
3. A succession plan in relation to SEStran staff will be prepared.	
Owner: Acting Partnership Director	Implementation Date: 22/06/18

2. Future funding

Low

SEStran has identified Brexit as a high risk on their risk register. However, the risk register does not include planned actions to ensure that post Brexit funding of an equal value to that currently received from the European Union (4% of total average funding for the last 3 years) can be sourced to support ongoing operations, and delivery of the planned strategic transport improvements through to 2028 as detailed the Regional Transport Strategy.

It is acknowledged SEStran cannot realistically plan financial budgets beyond one year due to ongoing constraints in relation to government funding.

Risk

Long term viability of the partnership post Brexit.

Internal Audit Recommendation(s)

The risk register should be updated to include proposed actions in relation to sourcing alternative funding sources post Brexit, with regular progress updates provided to the Board.

Agreed Management Action(s)

The risk register will be updated in respect of actions to source additional funding beyond Brexit.

Owner: Acting Partnership Director	Implementation Date: 22/06/18
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Appendix 1 - Basis of our classifications

Finding rating	Assessment rationale
Critical	<p>A finding that could have a:</p> <ul style="list-style-type: none"> • Critical impact on operational performance; or • Critical monetary or financial statement impact; or • Critical breach in laws and regulations that could result in material fines or consequences; or • Critical impact on the reputation or brand of the organisation which could threaten its future viability.
High	<p>A finding that could have a:</p> <ul style="list-style-type: none"> • Significant impact on operational performance; or • Significant monetary or financial statement impact; or • Significant breach in laws and regulations resulting in significant fines and consequences; or • Significant impact on the reputation or brand of the organisation.
Medium	<p>A finding that could have a:</p> <ul style="list-style-type: none"> • Moderate impact on operational performance; or • Moderate monetary or financial statement impact; or • Moderate breach in laws and regulations resulting in fines and consequences; or • Moderate impact on the reputation or brand of the organisation.
Low	<p>A finding that could have a:</p> <ul style="list-style-type: none"> • Minor impact on the organisation's operational performance; or • Minor monetary or financial statement impact; or • Minor breach in laws and regulations with limited consequences; or • Minor impact on the reputation of the organisation.
Advisory	<p>A finding that does not have a risk impact but has been raised to highlight areas of inefficiencies or good practice.</p>

Appendix 2 – Terms of Reference

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.• 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;

	<ul style="list-style-type: none"> 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
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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	
Moirra 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 and Responsibilities


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.

		<ul style="list-style-type: none"> • 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.

Joint Boards

Schedule to Support Evidence of Assurance for the Annual Governance Statement

For the year end 31 March 2018

Name of Joint Board	South East Scotland Transport Partnership				
Completed by	Angela Chambers	Job title	Business Manager	Date completed	
Signed off by (signature)		Job title	Acting Partnership Director		
Print name of signatory	Jim Grieve	Date of signature	13 April 2018		

Introduction

The Statement of Accounts 2017/2018 includes the Annual Governance Statement signed by the Chair of the Partnership, the Partnership Director and the Treasurer. The Annual Governance Statement is supported by the Certificate of Assurance.

The Certificate of Assurance requires the Partnership Director to confirm that:

1. They have considered the effectiveness of internal controls, including controls in place to mitigate major risks to the Partnership's objectives;
2. To the best of their knowledge, appropriate controls are in operation upon which they can place reasonable assurance and that there are no significant matters arising that should be raised specifically in the Annual Governance Statement (or otherwise);
3. They have identified actions that will be taken to continue improvement.

This schedule should be used as a prompt for the Partnership Director to consider various aspects of good governance and the internal control environment before signing the Certificate of Assurance. It is not an exhaustive list.

Guidance notes for completing the schedule

The schedule should be completed by the Partnership Director or by a nominated officer. Before signing the Certificate of Assurance the Partnership Director should ensure that this schedule has been completed accurately.

Guidance notes are provided throughout the document but if you have any questions please email the Council's Governance Team at governance@edinburgh.gov.uk.

Please note that although evidence does not need to be attached to the completed schedule, accurate reference should be made to any supporting evidence. **This is because responses made in the schedule may be subject to audit at a later date.**

Your assessment should consider how your Partnership's arrangements would stand up to external scrutiny. When completing the schedule please include an assessment of the Partnership's compliance and, if your assessment is partially or not compliant, please note planned improvement actions in the relevant column.

Please return your completed schedule to governance@edinburgh.gov.uk no later than Friday **20 April 2018**.

Internal Control Environment, Risk and Resilience Requirement	Guidance notes	Response and reference to evidence	Assessment	Improvement Actions
1 You must ensure internal controls and procedures are in place throughout the Partnership that are proportionate, robust, monitored and operating effectively.	Please describe and/or give examples of the controls and procedures that you have in place and how these are monitored, tested and reported.	The Partnership has the following controls and procedures: Governance Scheme, HR Policies, Internal/External Audit, EU projects Audits, Conditions of Grant compliance, Anti-Fraud and Corruption Policy, Whistle Blowing Policy, Business Continuity Plan, Complaints Policy, Code of Conduct. There is a monitoring framework in place, including regular management meetings with key support staff/stakeholders/service providers and regular reporting to Performance & Audit Committee, Partnership Board and regulatory bodies.	Compliant	
2 You must ensure risk management arrangements identify the key risks to the Partnership, including those arising from: change (e.g. structural, service delivery, demographic and/or management); partnerships (external and internal) and projects.	Please describe your risk management arrangements and confirm that the three categories listed are included (where relevant).	Regular risk reports, identifying key risks, are presented to the Performance & Audit Committee and are also contained within finance/budget papers taken to the P&A Comm., Partnership Board and Officer meetings. Risk framework review complete and approved by P&A in November 2017.	Compliant	
3 You must ensure effective controls and procedures are in place to manage the risks identified above to a tolerable level. Where this is not the case, actions should be identified that, once put in place, will ensure the risk is managed to a tolerable level.	Please describe the controls and procedures that you have, or plan to put, in place.	Risk Register established and regularly reviewed and updated by key personnel. All identified risks within the risk register have associated mitigation measures in place. Risk reports are presented to Chief Officers', P&A and Partnership Board. Internal/External Audit annual audit process/exercise conducted.	Compliant	

4	You should have effective controls and procedures in place to manage the risks in delivering services through contracted parties and/or other partners, where applicable.	Please describe the controls and procedures that you have in place.	SEStran Governance Scheme, Service Level Agreements, Audit, staff monitoring of contracts/contractor management, Data Protection Policy, Information Security Policy, Records Management Plan. Regular reports presented to P&A and Partnership Board.	Compliant	
5	Has the monitoring process applied to funding/operating agreements identified any problems that could have an impact on the Annual Accounts?	Please describe the arrangements you have in place, including an overview of the monitoring process and frequency of reporting, and summarise any problems that have been identified.	Compliance/Conditions of Grant statements submitted to Scottish Government annually. SLAs in place with CEC (Financial/Insurance/Secretary*/Clerking*), Falkirk Council (HR) and Anderson Strathern LLP (Legal). Full monitoring framework in place, including internal monthly staff management meetings, quarterly reports to Chief Officers', P&A and Partnership Board. *Currently being updated.	No	
6	You must review the Partnership's risk management, internal controls and procedures and their effectiveness regularly.	Please describe how these are reviewed, by whom and how often.	Risk Management process – refer to Item 2 and 3 above. Review framework established and regular reports presented to P&A and Partnership Board. Timetable for Review: Governance Scheme (Secretary/Partnership Director/Legal Advisers) – Every second year (reviewed Aug 2017) HR Policies (HR Advisers/Partnership Director) – Annually Anti-Fraud and Corruption Policy (Treasurer) – Every second year (Review due)	Compliant	

7	Did the last review of the Partnership's internal control environment identify any weaknesses that could have an impact on the Annual Accounts.	Please include the date of last review, whether any weaknesses were identified and, if so, how these have been or will be addressed	Internal Audit work for 16/17 completed with no areas of weakness identified. Annual Internal Audit Review 17/18 is in the process of being finalised and draft report has identified the following risks: 1. Medium – Governance Scheme – Contingency and succession planning 2. Low – Future funding The Management response is being drafted and all actions are expected to be completed by end of June 18.	No	
8	Your business continuity plans and arrangements should mitigate the business continuity risks facing the Partnership's essential activities.	Please detail the plans and arrangements you have in place and explain how and when these are reviewed and reported.	Business Continuity Plan – the plan outlines the process used by SEStran to identify risk, threats and vulnerabilities that could impact on continued operations and provides a framework for building resilience and capability for an effective response. Reviewed annually or in the event of any significant changes.	Compliant	
9	Your risk management arrangements should adequately identify the risk(s) of any actual or prospective legal action being taken against the Partnership, or any matter which may actively lead to legal dispute with the Partnership.	Please outline the arrangements you have in place.	SEStran Legal Advisers and Secretary fully engaged in the risk reporting process and governance procedures and they provide support as per the terms of contract.	Compliant	
10	You must have adequate arrangements in place to identify any matters which give rise to a significant risk of reputational damage to the Partnership.	Please describe the arrangements you have in place.	The Business Continuity Plan, Information Security Policy, Governance Scheme, Records Management Plan, Data Protection Policy and Risk Framework all provide a structure for reviewing/monitoring any risks to organisational reputation and action taken as appropriate. SEStran are working towards Cyber Essentials Plus accreditation by Oct 2018.	Compliant	

Performance	Guidance notes	Response and reference to evidence	Assessment	Improvement actions	
11	Where performance monitoring identifies inadequate service delivery or poor value for money, you must have arrangements in place for reporting to your senior management team and/or the Partnership Board.	Please describe your performance monitoring arrangements, including frequency of reporting, and provide detail of any such reports during the reporting period.	Financial/Treasury Management/Projects reports are presented quarterly to Chief Officers', P&A and the Partnership Board. Internal/External Audit undertaken annually. Monthly management meetings, includes budget planning/monitoring. Business Plan sets out strategic objectives and KPIs which are reported to P&A and Partnership Board.	Compliant	
12	You should have arrangements in place to implement and monitor improvement measures to address any service delivery or performance problems.	Please describe the arrangements you have in place, give details of improvement measures introduced during the reporting period and outline any outstanding issues.	Regular budget/projects monitoring meetings at management level and with Accountant. Reporting against KPIs identified in Business Plan implemented.	Compliant	
13	You must have appropriate arrangements in place for recording, monitoring and managing customer service complaints and customer satisfaction.	Please describe the arrangements you have in place and how these are monitored, reviewed and reported.	Quarterly monitoring of KPIs. Complaints Policy. Customer helpdesk in place for RTP1 system. Business Plan KPI. Staff are trained to deal with enquiries from the public.	Compliant	
Policies and regulatory requirements		Guidance notes	Response and reference to evidence	Assessment	Improvement actions
14	You must have arrangements in place to ensure staff are made aware of and fully understand the implications of relevant existing and new Partnership policies.	Please describe the arrangements you have in place.	Staff induction for all new employees. Staff training planned for 2018 to include GDPR and cyber security. Staff are consulted about new/revised policies before being presented to the Board and circulated as final thereafter.	Compliant	

			Discussions at team meetings, through appraisal process and available on sharepoint site.		
15	You should have procedures in place to monitor staff compliance with relevant conduct policies and procedures eg. employee code of conduct, anti-bribery, whistleblowing.	Please describe the procedures that are in place eg. recording gifts and hospitality, recording conflicts of interest, bringing whistleblowing issues to the attention of senior management, etc.	Hospitality/Gift Register. Anti-Bribery Policy/procedures. Whistle blowing policy. Information Security Policy. Terms and Conditions of Employment Acceptable Use Policies. Disciplinary and Grievance procedures.	Compliant	
16	You should have arrangements in place to ensure all staff are aware of their responsibilities under information governance legislation e.g. Data Protection Act 1998 and Freedom of Information (Scotland) Act 2002.	Please describe the arrangements you have in place and how these are monitored and reported.	Staff Induction for new employees. Records Management Plan and associated policies. Data Protection policy revised in line with GDPR and approved by Board. Staff training planned by end May 2018.	Compliant	
17	All your staff should be aware of their responsibilities under relevant health and safety policies and procedures.	Please describe the procedures you have in place to ensure all staff are made aware of and fully understand their responsibilities in relation to existing policies, and new policies when these are introduced, eg. health and safety, fire safety, first-aid and emergency procedures, stress, accident/incident and work related ill health reporting, asbestos, water safety.	All staff receive induction, have access to policies on sharepoint and the website. Staff attend weekly team meetings, where they receive briefings as required. All staff have 1:1 meetings and go through a training and development exercise annually. There is a MOU/MOTO with the Landlord (Scottish Government) to look after the building to required legislative standards. Regular meetings with the Landlord, including quarterly H&S meetings. Policies are reviewed by H&S adviser.	Compliant	

			Policies are reviewed and reported to P&A Committee.		
18	Your organisation should have adequate training, procedures and controls in place to ensure that all areas operate in compliance with all applicable health and safety laws and regulations.	Please describe the arrangements in place and explain how you monitor compliance.	Scottish Government, as Landlord, has responsibility for the building. SEStran has relevant H&S policies/procedures in place. Policies available to all staff. H&S advice provided by Falkirk Council.	Compliant	
19	You should have competencies, processes and controls in place to ensure that all areas of your organisation, and any other areas of responsibility, operate in compliance with all applicable health and safety laws and regulations.	Please describe the arrangements you have in place and how these are monitored, reviewed and reported.	Scottish Government in their role as Landlord, have responsibility for the building. General Office Risk Assessment completed and H&S advice is provided by Falkirk Council. Qtrly H&S meetings with landlord and staff training provided.	Compliant	
20	Your organisation should have effective arrangements in place to ensure there is full compliance with Scottish, UK and EU legislation and regulations.	Please describe the arrangements you have in place, including risk assessment, monitoring and compliance with statutory reporting requirements.	SEStran has the following arrangements: Governance Scheme, Treasury Management SLA, Internal/External Audit. Legal Adviser/Secretary to Partnership. First Level Controller appointed for EU projects.	Compliant	
Financial Control		Guidance notes	Response and reference to evidence	Assessment	Improvement actions
21	You must ensure that the operation of financial controls is effective in ensuring the valid authorisation of financial transactions and maintenance of accurate accounting records.	Please describe your financial controls.	Controls in place include: Financial Rules, Contract and Regular Standing Orders, Corporate Procurement Policy (Within Governance Scheme), SLAs for Treasury Management, Limits of Authority and Purchase Card Policy.	Compliant	

			Regular budget monitoring meetings with key staff with quarterly reports presented to Chief Officers', P&A and Partnership Board.		
22	You should be confident that the arrangements you have in place to monitor expenditure/budget variances would identify control problems or variances that could have an effect on the Annual Accounts.	Please give details of the arrangements you have in place and if any control problems or variances have been identified.	Regular reporting and monitoring of expenditure and budgets, including management meetings and meetings with accountants. Quarterly finance/treasury reports to Chief Officers', P&A and Partnership Board. Any variances are managed.	Compliant	
23	You must have arrangements in place to ensure all material commitments and contingent liabilities (i.e. undertakings, past transactions or events resulting in future financial liabilities) are notified to the Treasurer or Chief Financial Officer.	Please describe the arrangements you have in place and provide details of any such notifications to the Treasurer/Chief Finance Officer.	As above.	Compliant	
24	You should ensure arrangements are in place to protect assets against theft, loss and unauthorised use and identify any significant losses.	Please describe the arrangements you have in place and if there have been any significant losses please detail these and outline any corrective action that has been, or will be, taken.	Asset register in place and is reviewed annually. Assets are insured via CEC Insurance Services (SLA in place) annually. SEStran are located within Scottish Government premises which operates under robust 24-hour security procedures. Server/Data cabinets contained within restricted access secure data rooms.	Compliant	

			Information Security and Records Management Plans in place. The Partnership has undergone pre-assessment for cyber essentials accreditation and expect to be awarded CE Plus by Oct 2018.		
25	You should have arrangements in place to review the adequacy of insurance provision and its adequacy in covering the risk of loss to the Partnership.	Please describe the arrangements you have in place including the frequency of review and date of last review.	Annual review carried out in conjunction with CEC Insurance Services Team. The policy runs from October to September annually. Services provided under SLA.	Compliant	
26	You must have arrangements in place that would identify any internal control, risk management or asset valuation problems that could affect the Annual Accounts.	Please describe the arrangements you have in place and detail any problems that have been identified.	Assets are recorded and reviewed by Accountants and included in Annual Accounts. Asset register has been completed.	Compliant	
Workforce Control Requirements		Guidance notes	Response and reference to evidence	Assessment	Improvement actions
27	You must have robust controls in place to ensure that statutory workforce requirements are met, eg. disclosure checks, statutory registration and qualification, European Working Time Directive, right to work in the UK and National Minimum Wage.	Please describe the arrangements you have in place.	All employees are subject to Baseline Personnel Security Standard (BPSS) clearance. SEStran is a Living Wage Employer. All working arrangements follow national and EU legislation, similar to Local Authority conditions.	Compliant	

Change and Project Management Requirements		Guidance notes	Response and reference to evidence	Assessment	Improvement actions
28	All projects/programmes must have clear business justification and appropriate governance in place to support delivery.	Please describe the arrangements you have in place.	Projects and programmes are scrutinised by P&A and approved by the Partnership Board. All in accordance with the published annual Business Plan, approved by the Board and subject to KPIs.	Compliant	
29	You must have effective controls in place to track delivery progress, take corrective action (if required), ensure ongoing viability and to formally close projects.	Please outline the arrangements you have in place.	Projects are monitored by project managers and Head of Programmes against contract requirements. Corrective action is undertaken as required and conditions of contract are applied.	Compliant	
Commercial and Contract Management Requirements		Guidance notes	Response and reference to evidence	Assessment	Improvement actions
30	You must have arrangements in place to ensure that all goods, services and works are procured and contracts managed in compliance with relevant legislation, policies and procedures.	Please describe the arrangements you have in place.	Arrangements are set out under the Governance Scheme. Public Contracts Scotland portal used, unless specialist goods/services required and ad-hoc advice obtained from Legal Advisers, SG and CEC procurement. SEStran have been able to utilise SG Framework contracts for a number of goods and services procured.	Compliant	
National Agency Inspection Reports		Guidance notes	Response and reference to evidence	Assessment	Improvement actions

31	Where reports relating to the Partnership have been published during the year has there been anything within the reports that could impact on the signing of the Annual Governance Statement?	This question requires a Yes/No response rather than an assessment score. Please also list any reports published during the year.	Annual Report Business Plan Audit Plans(Internal/External) Unaudited/Audited Accounts Report to Those Charged with Governance Revenue Budget Finance Officers Report Treasury Management Activity	No	
Internal Audit, External Audit Reports		Guidance notes	Response and reference to evidence	Assessment	Improvement actions
32	Have there been any internal audit, external audit or review reports published during the year that have highlighted high, medium or significant control deficiencies?	This question requires a Yes/No response rather than an assessment score. Please also list the reports published during the year and highlight any that have flagged high, medium or significant control deficiencies.	Audit Plans (Internal/External) Unaudited/Audited Accounts Report to Those Charged with Governance	No	
33	You should have arrangements in place to ensure all recommendations from these reports have been (or are being) implemented and that this is monitored effectively.	Please describe your implementation, monitoring and reporting arrangements and provide detail of any recommendations that are outstanding at the end of the reporting period.	Regular meetings with Internal and External Auditors to monitor progress and report on actions undertaken. SEStran management reviews carried out following audit reports and actions implemented/progressed as required.	Compliant	
Outstanding issues from previous years		Guidance notes	Response and reference to evidence	Assessment	Improvement actions
34	You should ensure that all outstanding issues or recommendations arising from this exercise, commissioned reviews, Partnership reports and other initiatives in previous years been addressed satisfactorily.	Please detail how any outstanding issues or recommendations are being addressed.	There are no outstanding issues.	Compliant	
Additional information		Guidance notes	Response and reference to evidence	Assessment	Improvement actions

35	Apart from the topics raised above, have there been any significant control problems or other matters affecting the Partnership to an extent that should be considered when signing the Annual Governance Statement?	This question requires a Yes/No response rather than an assessment score. Please provide details if there are any significant control problems or other matters.	The Partnership Director has been absent for 5 months to date. Powers have been delegated to Head of Programmes. The Chair is authorising all expenditure above £2k.	No (not significant)	Internal Audit have identified a related procedural issue, which will require an amendment to the Governance Scheme. This will be completed for Board Approval early in 18/19.

Reviewed by		Role	Internal Audit	Date	
Reviewed by		Role	Democracy, Governance and Resilience Senior Manger	Date	

