
Report to: Governance and Audit Committee

Date: 3 August 2017

Subject: Review of Internal Control and Effectiveness of Internal Audit

1. Purpose

1.1 To inform the Committee of the outcome of a review of internal control and the effectiveness of internal audit.

2. Information

2.1 There is a requirement under the Accounts and Audit (England) Regulations 2015 that 'The relevant body must conduct a review at least once in a year of the effectiveness of its system of internal control.....The findings...must be considered....by the members of the body meeting as a whole.' There is a further requirement that 'A larger relevant body must, at least once in each year, conduct a review of the effectiveness of its internal audit. The findings of the review...must be considered, as part of the consideration of the system of internal control ... by the committee or body...' As a Combined Authority the appropriate body to consider these reviews is the Governance and Audit Committee.

2.2 The elements of the system of internal control are set out in the Corporate Governance Code and Framework, approved by the CA at its annual meeting in June. The Code was extensively rewritten compared to the previous version in response to changes required by the revised CIPFA/SOLACE 'Delivering Good Governance in Local Government: Framework 2016' which is applicable for the 2016/17 year end onwards. The redrafted Corporate Governance Code and Framework now uses the seven principles as recommended by the new Framework. The revised principles reflect changes in local authority governance that have arisen since 2007 when the original guidance was issued, including but not restricted to, new roles and responsibilities, the impact of reduced funding and decisions that need to be made as a result, and the potential risks of working in new collaborative ways.

2.3 The review of the system of internal control is effectively set out in the Annual Governance Statement (AGS) which is required to be included in the annual accounts. This sets out the governance framework in place during the year and is in accordance with the guidance set out by CIPFA/SOLACE. It is also informed by the

work undertaken by internal audit in the year and their overall conclusion in their Internal Audit Annual Report which is:

'From the work undertaken during the financial year 2016/17 and taking into account other sources of assurance, Internal Audit have reached the opinion that WYCA's framework of governance, risk management and control is operating adequately.'

The full report from the Internal Audit Manager is included under agenda item 7. The AGS for the year to 31 March 2017 is included within the 2016/17 annual accounts which are appended in full to agenda item 11 that seeks the approval of the accounts.

- 2.4 The Director, Resources has undertaken a review of internal audit, using the Public Sector Internal Audit Standards (PSIAS) checklist and the information in the Internal Audit Annual Report which sets out the work undertaken in the year. The overall conclusion is that the internal audit function complies with the necessary standards and has worked to an adequate standard during the year. There are a few instances of non-compliance with the PSIAS but these are deemed immaterial (they include for instance the non-involvement of the Chair of the Governance and Audit Committee in staffing appraisals for the Internal Audit Manager) and a number of partial compliance mainly arising from the transition from previous working arrangements to those appropriate for the WYCA governance. These areas will be addressed as the governance arrangements of the Combined Authority are further developed during 2017/18.

3. Financial Implications

- 3.1 None arising directly from this report.

4. Legal Implications

- 4.1 None arising directly from this report.

5. Staffing Implications

- 5.1 None arising directly from this report.

6. Recommendations

- 6.1 That the Committee approve the outcome of the review of internal control and of the effectiveness of internal audit.