

Report to: Governance and Audit Committee

Date: 31 October 2019

Subject: **Internal Audit Progress Report**

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1. Purpose of this report

- 1.1. To update the Committee on Internal Audit work including changes to audit methodology and current status of the organisational design programme underway in the team
- 1.2. To ask members to consider the contents of the report.

2. Information

2.1 Audit Methodology

The internal audit team are adopting the agile audit methodology (a practice based on agile project management). The intent is to work as a team on reviews, make audits more interactive, more responsive to changing risks and to ensure that reporting is shorter, quicker and more focused. This will also impact on the way audits are planned and scheduled with those items posing higher risks moving forward on the plan. It requires better communication between the audit team and the business to ensure that audits move at pace, there are interim progress updates and reports and that any misconceptions/inaccuracies are picked up earlier in the process thus reducing the length of final quality review and clearance. The first completed agile review is the report on risk management, a second agile review looking at how to strengthen fraud controls for grant funding streams is about to conclude.

2.2 Audit Plan for 2019/20

The reviews planned for the next two quarters are focused around assessing compliance in directorates against core corporate policies and providing feedback to the policy owners on potential improvements/good practice identified during the reviews. The intention is to build a baseline so that each director has an evidenced understanding of how controls and governance are operating in their part of the business. This will ultimately feed into the overall governance statement for the Combined Authority giving a clear audit trail to

support annual reporting. The first review concentrated on risk management and the team is now moving on to other corporate policies such as procurement, contract management, HR etc.

2.3 Completed reviews to date

The following reviews have been completed so far in 19/20:

- Gifts & Hospitality follow up – progress against previous recommendations has been good (they are all now completed) and that concludes this work
- Corporate Governance – Reasonable Assurance
- Creditors – Reasonable Assurance
- Employee Expenses – Reasonable Assurance
- GDPR – Reasonable Assurance
- Risk Management – Limited Assurance
- English National Concessionary Travel Scheme – Reasonable Assurance

Appendix 1 provides summaries of the work completed to date.

A total of six grant certifications have also been completed (Access Innovation Fund, Innovate UK, Interreg SHARE North, Investment Readiness, Resource Efficiency Fund, Strategic Business Growth).

2.4 Customer Feedback and Recommendations Implemented

Internal Audit have updated the feedback form in use to include an overall satisfaction score and have set initial Key Performance Indicators as follows:

- 70% of forms to be returned
- 80% overall satisfaction rate

Appendix 2 provides confirmation of performance to date. It also provides an update on how many agreed audit recommendations have been implemented and to what timescales.

2.5 Internal Audit Organisational Design (OD)

The OD for internal audit has been underway for some time now, and progress to date includes the appointment of a new Head of Internal Audit, agreement on a proposed new structure that will see the number of auditors reduced from three to two, but with a new Principal Auditor role being brought in. This role is currently out for recruitment and aims to facilitate the changes to audit methodology and to ensure that audit improves its strategic emphasis and contribution to improvements to risk management, internal control and governance.

2.6 Fraud/Whistleblowing/Money Laundering

There have been no whistleblowing reports or money laundering incidents to investigate so far this year. The team has followed up on one fraud issue that was identified through the bi-annual National Fraud Initiative. This related to

the potential misuse of concessionary travel permits for deceased individuals. While some misuse was indicated as a result of our investigation, the potential monetary loss was neither significant nor material and some recommendations have been made to tighten processes to reduce this risk further in the future.

3. Financial implications

3.1 None.

4. Legal implications

4.1 None.

5 Staffing implications

5.1 As noted in the report.

6. External Consultees

6.1 No external consultations have been undertaken.

7. Recommendations

7.1 That the Committee consider the internal audit progress to date.

8. Background Documents

None.

9. Appendices

Appendix 1 – Summary of completed audit reports to date

Appendix 2 – Customer feedback and implementation of recommendations