

Governance & Audit Committee Internal Audit Progress Report

January 2020

Key Headlines / Index

Staff changes- A new Principal Internal Auditor started in November 2019. Two existing Internal Auditors left the team in December 2019, so it is currently operating at reduced capacity. One of these was due to the scheduled ending of a fixed term contract. Until a full recruitment process can be concluded for the other vacant post temporary cover is being sought.

Reports issued- Summaries of the scope and findings of these reviews can be found at Page 3

- Economic Services- Counter Fraud- Advisory
- HR Policy Compliance Review 2019/20- Economic Services
- HR Policy Compliance Review 2019/20- Transport Services
- HR Policy Compliance Review 2019/20- Corporate Services

Revised 2019/20 Audit Plan- A summary of plan progress is provided on Page 4. Details of amendments made to the audit plan for 2019/20 to enable the Head of Internal Audit to give a considered Annual Audit Opinion in the Assurance Governance Statement at year end are at Pages 5-9.

Outstanding actions- There are two outstanding actions reported as open on the Pentana system and on the Agreed Actions Register (more recently issued reports). Only one action is overdue and this is a low priority one. We are awaiting action owners and due dates for the recently issued directorate HR Compliance Reports.

Feedback from clients- Pages 10-11 details the feedback received from our auditees received since the last Governance and Audit Committee report.

2020/21 Internal Audit Plan development - A separate report has been provided to the Committee on the process Internal Audit is following to develop the 2020/21 plan, which involves analysing the risks faced by the Combined Authority in the context of the overall audit universe, and determining where assurance is being provided from elsewhere that mitigates against these risks.

Reports Issued

Economic Services- Counter Fraud Advisory

Internal Audit was asked by Economic Services to check and provide advice on how to proactively strengthen controls and mitigate against fraud whilst delivering against their priorities that involve investment in local businesses, to minimise the impact of the high inherent risk in such relationships. While the current systems cannot eliminate fraud risk entirely, the evidence suggests that overall the controls are working effectively and are proportionate to the risks posed.

A few areas in which controls could be strengthened were identified during the review, and a fraud risk assessment workshop was conducted with the Economic Services team which has helped to raise awareness of potential frauds and what team members should be looking out for. In the main, focus should be on trying to put as much effort as possible into 'due diligence' work prior to agreement of grants and other payments. Close attention should also be paid to submitted invoices as these are a common area for fraud and where there is any suspicion of anything untoward to check back with relevant parties before payment.

As this was an advisory piece there is no assurance level provided for this area, and formal recommendations were not made in the report. However, making simple additions to current procedures and processes up front would ensure some consistency, and encourage all team members to undertake these checks.

HR Policy Compliance Review 2019/20- Economic Services, Transport Services and Corporate Services

The purpose of these audits was to utilise a standard questionnaire and evidence requirements to assess how well a sample of line managers within directorates have complied with published HR policies and guidance in a number of areas in the last 12 months. These were Recruitment and Induction, Leave and Attendance, Performance Review, Flexible Working, Disciplinary and Capability, Secondment, and the Management of Change.

As work on the remaining two directorates, and an advisory report for HR on potential improvements to policies, procedures and processes are still being completed, further details and conclusions from these reports and how they compare to each other will be provided to the next Governance and Audit Committee meeting.

2019/20 Internal Audit Plan

Summary Internal Audit Plan 2019/20

The previous detailed internal audit plan, and proposed changes to it as a result of review by the incoming Head of Internal Audit in order for them to maximise the assurance base on which to provide an annual internal audit opinion in line with the Public Sector internal Audit Standard (PSIAS) are detailed below.

In summary:

- 11 reviews have been completed.
- 10 reviews have been removed (3 of these have been replaced elsewhere in the plan, 6 are mainly financial audits where these have been delivered last year and there were no major issues identified and at least 2 of these are also covered in the work of external audit. In the remaining case an external report has been provided that gives us assurance on the area in question).
- 6 individual reviews are ongoing, three of which relate to HR Policy Compliance (Delivery and Policy, Strategy and Communications directorates and Advisory report for the Corporate HR Team). The others relate to a series of Programme Assurance reviews, a review of ICT security measures where software applications are managed by the business rather than ICT, and GDPR Compliance testing.
- Grant certifications and counter fraud work are ongoing throughout the year, as is our advice provided to Boards such as that on the Internal Governance Project.
- 3 reviews on Procurement, Contract Management and Business Recovery/ Contingency, and the Internal Audit contribution to the compilation of the Annual Governance Statement, are scheduled for Q4
- 2 reviews have been deferred to 2020/21 as the area under consideration will change as a result of the Corporate Transformation Project (CTP).

Detailed Internal Audit Plan 2019/20- including changes made

	Original Assurance Area	Revised Assurance Area	Status	Assurance level
1	Creditors	NA	Completed	Reasonable
2	Payments	Specific issue, memorandum issued	Completed	NA
3	Main Accounting – General Ledger	No major issues from previous year’s audit, covered by external audit therefore removed for this year	Removed	NA
4	Debtors	No major issues from previous year’s audit, covered by external audit therefore removed for this year	Removed	NA
5	Payroll	No major issues from previous year’s audit.	Removed	NA
6	Expenses and Allowances	NA	Completed	Reasonable
7	Treasury Management	No major issues from previous year’s audit, therefore removed for this year.	Removed	NA
8	Procurement	NA	Scheduled for Q4	NA
9	Health and Safety	External report commissioned, review of terms and output indicates that IA can place reliance on this independent report and gain assurance from it. The report clearly details its coverage and relevance of what was considered, and recommendations provided for the CA to implement.	Removed	NA

		To do another report on this area would be a duplication of effort and waste of resources.		
10	Employment Law and HR Processes	This has become part of the HR Policy Compliance reviews being carried out for each directorate and to include an advisory report for HR to consider whilst revising their policies and processes.	Ongoing	See below 31-36
11	Risk Management	NA	Completed	Limited
12	Code of Corporate Governance	NA	Completed	Reasonable
13	Business Recovery/ Contingency	Work undertaken late 18/19, but not formally reported as this was to change as a result of the CTP.	To refresh and follow up in Q4	NA
14	WYCA/ LEP Governance – decision making/ delegations	The Internal Governance Project is currently addressing these areas and rather than a formal review. The Head of Audit is now sitting on the project board to overview actions being undertaken and make recommendations for improvement where applicable in a timely manner.	Ongoing	NA
15	Recruitment Procedures and Temporary Employment Arrangements	This has become part of the HR Policy Compliance reviews being carried out for each directorate and to include an advisory report for HR to consider whilst revising their policies and processes.	Ongoing	See below 31-36
16	Annual Governance Statement	This has been on every audit plan, but is not a review, but rather is a contribution to the production of the annual governance statement and annual internal audit report.	Scheduled for Q4	NA

17	Pre-paid tickets and concessionary fares	This became ENCTS (number 20 below)	Removed	NA
18	Tendered Subsidised Bus Services	No major issues from previous year's audit, therefore removed for this year.	Removed	NA
19	Metro Travel Centre Operations	No major issues from previous year's audit, therefore removed for this year.	Removed	NA
20	English National Concessionary Travel Scheme (ENCTS)	NA	Completed	Reasonable
21	Programme Assurance	A rolling programme of reviews is to be undertaken to health check that projects and programmes are moving appropriately through the assurance framework process. Internal Audit will also contribute to the annual review of the assurance framework.	Ongoing	NA
22	Data Quality/ Business Intelligence	To defer to 2020/21 in order to assess post Corporate Technology Programme (CTP).	Deferred	NA
23	Data Security/ Data Protection	The scope of this has been amended and this is now to be a review of ICT security measures in software applications introduced/ managed in the business.	Ongoing	NA
24	GDPR	N/A	Completed	Reasonable
25	Cyber penetration testing	To undertake once the CTP programme is complete. This will require external expertise.	Deferred	NA
26	Contract Management	NA	Scheduled for Q4	NA

27	Counter Fraud work	One investigation completed, further analytical work to be undertaken	Ongoing	NA
28	Various grant certifications	Requested by Business. All pass certification after review.	Ongoing	NA
29	NEW – Economic Services, improving fraud controls – Advisory	Requested by Business. Advisory only so no assurance given.	Completed	NA
30	NEW – GDPR compliance testing	Requested by Business. To be completed after self-assessments have been piloted and rolled out by the Data Protection team.	Ongoing	NA
31	NEW - HR Policy Compliance- Economic Services	<p>To obtain assurance regarding line manager application of policies and procedures to determine the extent to which legislation and best practice is followed replacing reviews on:</p> <ul style="list-style-type: none"> - Employment Law and HR processes (10 above) - Recruitment Procedures and Temporary Employment Arrangements (15 above) 	Completed	Reasonable
32	NEW - HR Policy Compliance- Transport Services		Completed	Limited
33	NEW - HR Policy Compliance- Corporate Services		Completed	Reasonable
34	NEW - HR Policy Compliance- Delivery		Ongoing	Not applicable
35	NEW - HR Policy Compliance- Policy,		Ongoing	Not applicable

	Strategy and Communications			
36	NEW - HR Policy Compliance- Advisory issues	To provide feedback to HR and advice on areas where policies and processes require improvement to assist line managers in applying them and resolve any areas of confusion when these are updated.	Ongoing	Not applicable

Client Feedback

Client feedback reports have been sent out and feedback requested for 7 reviews completed in 2019/20 as at 02.01.2020. 4 of these have been received since the last Governance and Audit Committee.

Overall satisfaction is showing as 71%, against a target of 80%.

In order to increase transparency regarding how customers think things can be improved, and what they appreciated, we have revised the customer feedback form to advise them their comments can be reported to the Governance and Audit Committee. The following comments were subsequently received:

Review name & Report issue date	What did we do well?	What could we have done better?
<p>Economic Services-Counter Fraud Advisory October 2019</p>	<ul style="list-style-type: none"> • The team... is much more customer focussed. There is also much more communication throughout with agreed objectives (which).... is a really positive improvement. • Changed perception of the audit function and now very comfortable asking for advice. • Auditing all programmes at the same time was very helpful and meant that comparisons could be made... and recommendations could be made on areas where processes could be standardised. • Regular communication throughout the audit. • “The fraud workshop was really good and thought provoking and was an example of how audit can support us to develop new and better ways of working.” 	<ul style="list-style-type: none"> • Standardising feedback (different auditors used different forms). • Focus on the big picture and improvements that can be made at programme level rather than observations about minor discrepancies... that have no bearing on overall programme delivery.

	<ul style="list-style-type: none"> • Recommendations all related to things within our area of work which we are in control of (in the past we have received recommendations that relate to other directorates which has made recommendations very difficult to implement). 	
Risk Management October 2019	<ul style="list-style-type: none"> • Approach used...professional, inclusive and insightful. • Engaged throughout the process. • Clear understanding of the lines of inquiry and of the results and responses gathered. • (Auditee) experience and understanding of current processes was valued and taken on board. • Recommendations were meaningful and relevant. • Focus on the root causes of problems... and prioritisation of key issues. • Kept sighted of developments as they arose, rather than only at the conclusion of the audit. • Creation of summary reports for Directorates was a really good step forward. 	<ul style="list-style-type: none"> • The inclusion of one recommendation/ action per Directorate might help further strengthen the idea that improvements need to be made by Corporate and Directorate functions working in partnership.
ENCTS August 2019	<ul style="list-style-type: none"> • A thorough assessment of our arrangements. • The draft reports were presented for comment in good time. 	<ul style="list-style-type: none"> • Initial recommendations related business decisions, rather than whether our practices were open and transparent, auditable. (NB: It was acknowledged this was amended.) • Moving forward, individual auditors to scrutinise the process, rather than the eventual technical business decision made (if this has been done in line with legislation and professional experience.)