

## **West Yorkshire Combined Authority**

### **Internal Audit Report and Opinion 2019/20**

## Background

UK Public Sector Internal Audit Standards (PSIAS) require the Chief Audit Executive to deliver an annual internal audit opinion and report that can be used by the organisation to inform its governance statement. The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control. The results of work undertaken within the Annual Audit Plan are designed to support the opinion provided in the Annual Internal Audit Report alongside any other internal or external assurances on which Internal Audit can rely.

## Scope of Internal Audit Opinion 2019/20

In providing the annual audit opinion, it should be noted that assurance can never be absolute. The most that internal audit can provide is a reasonable assurance that there are no major weaknesses in risk management, governance and control processes.

The matters raised in this report are only those which came to our attention during our internal audit work in the financial year 2019/20 and are not necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required.

## Annual Opinion 2019/20

From the work undertaken during the financial year 2019/20 and taking into account other sources of assurance, Internal Audit have reached the opinion that, overall, the effectiveness of the Combined Authority's framework of control, governance and risk management is adequate.

In reaching our opinion the following key factors were considered:

### Risk Management

Our review of risk management confirmed that while significant progress had been made in developing a new risk management strategy, there was still some distance to travel to truly embed risk management in all the directorates and teams within the Combined Authority. Directors have taken on board recommendations made to improve the use of risk management and have confirmed that awareness raising within their individual directorates has now been completed.

Internal Audit believes that as the West Yorkshire Combined Authority moves towards a future with significantly more processes being digitised, that risk management is an area that would benefit from this. This would make it much easier for risk management to be undertaken as part of business as usual as opposed to an additional bolt on process.

## Governance

The Combined Authority has continued to progress its development of its governance arrangements with the appropriate reviews and refinements to delegated authorities, the assurance framework and internal governance reporting. Further work is being undertaken to build better processes, digitise these where possible and to develop improvements to reporting that feeds into the annual assurance process. This is all positive progress and needs to now be balanced with attention to the requirements needed to be Mayoral Combined Authority (MCA) ready which will be a significant amount of work for the rest of 2020/21.

## Summary of Whistleblowing Cases

Internal Audit continues to act as the primary contact point for the Combined Authority's Whistleblowing Policy.

During the 2019/20 plan year, one referral was made via HR, but as no evidence was available, no further action was taken after initial investigation.

## Summary of Fraud Cases

Internal Audit followed up on one fraud issue in 2019/20 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, however recommendations were made to tighten processes to reduce this risk further in the future.

## Controls

The Combined Authority has continued to operate its system of controls in 2019/20 and Internal Audit has undertaken more compliance work within the business to assess how well those controls are being applied. This has identified that while controls appear to be working adequately, there is room for improvement around policies, the need for new, more effective systems and improved monitoring by all levels of management to ensure better compliance.

## Summary of Internal Audit Work

The work of Internal Audit against the agreed audit plan is summarised in the table below.

	Assurance Area	Comments	Status	Assurance level
1	Creditors	NA	Completed	Reasonable
2	Payments	Specific issue, memorandum issued	Completed	NA

3	Expenses and Allowances	NA	Completed	Reasonable
4	Procurement and Contract Management Compliance	NA	Completed	Reasonable
5	Risk Management	NA	Completed	Limited
6	Code of Corporate Governance	NA	Completed	Reasonable
7	Business Recovery/ Contingency	Some work undertaken late 18/19 that was due for some follow up in the final quarter of 19/20, but not undertaken due to Covid-19 crisis.	Deferred to 20/21	NA
8	WYCA/ LEP Governance – decision making/ delegations	The Internal Governance Project was put in place to address 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.	Completed	Ongoing advice and guidance.
9	Annual Governance Statement	This formed part of the agreed plan, but does not contribute to the opinion.	Completed	NA
10	English National Concessionary Travel Scheme (ENCTS)	NA	Completed	Reasonable
11	Programme Assurance	A rolling programme of reviews is to be undertaken to health check that projects and programmes are moving	Ongoing	Advisory report on Energy Accelerator completed

		appropriately through the assurance framework process. Internal Audit will also contribute to the annual review of the assurance framework.		
12	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.	Completed	Limited
13	GDPR	NA	Completed	Reasonable
14	Contract Management	NA	Completed	Limited
15	Counter Fraud work	One investigation completed, further analytical work to be undertaken	Ongoing	NA
16	Various grant certifications	Requested by Business. All pass certification after review.	Ongoing	NA
17	Economic Services, improving fraud controls – Advisory	Requested by Business. Advisory only so no assurance given.	Completed	Advisory Report
18	GDPR compliance testing	Requested by Business. To be completed after self-assessments have been piloted and rolled out by the Data Protection team.	Ongoing	Advice and guidance to date as roll out delayed
19	HR Policy Compliance- Economic Services	To obtain assurance regarding line manager application of policies and procedures to determine the extent to which legislation and	Completed	Reasonable
20	HR Policy Compliance- Transport Services		Completed	Limited
21	HR Policy Compliance- Corporate Services		Completed	Reasonable

22	HR Policy Compliance-Delivery	best practice is followed replacing reviews on: <ul style="list-style-type: none"><li>- Employment Law and HR processes (10 above)</li><li>- Recruitment Procedures and Temporary Employment Arrangements (15 above)</li></ul>	Completed	Limited
23	HR Policy Compliance-Policy, Strategy and Communications		Completed	Limited
24	HR Policy Compliance Feedback	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.	Completed	Advisory

### Third-Party Assurance

#### Treasury Management

Leeds City Council's Internal Audit section has completed a risk based audit of the central Treasury Management function for the period between 1st March 2019 and 28th February 2020.

This central audit concluded that the following assurance can be given for the control environment itself and the compliance with those key controls in practice.

Control Environment: **Substantial Assurance**

Compliance: **Substantial Assurance**

Detailed testing on a sample of 10 WYCA investments found no errors. A sample of loans was not tested as no loans were entered into by WYCA in the period reviewed. In addition interest payments on all fixed term loans and investments were recalculated and identified no errors. Therefore, based on the samples selected for review, Internal Audit has reached the opinion that key systems are operating soundly.

## Audit Performance

### Conformance with PSIAS

An external quality assessment of the Internal Audit activity was performed in April 2019. This assessment concluded that, overall Internal Audit complies with the requirements of the definition of Internal Audit, the Code of Ethics and PSIAS.

A number of actions to address any areas for improvement have formed part of the Quality Assurance and Improvement Programme (QAIP) for Internal Audit during 19/20, progress against which has been reported back to the Governance and Audit Committee.

### Performance Indicators<sup>1</sup>

Number of agreed delivery deadlines concluded within agreed timescales	- Target	80%
Actual performance		84%

## Issuing Reports

Final report on audits to be issued within one calendar week of the final agreed deadline	- Target	100%
Actual performance		72%

## Grant Claims

Grant claims processed within three working days of a fully completed file being received	- Target	90%
Actual performance		89%

## Customer Feedback

Overall positive customer satisfaction rating	- Target	80%
Actual performance		78%

Number of customer feedback questionnaires returned	- Target	70%
Actual performance		64%

The responses received have been analysed and indicate good scores in most criteria.

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<sup>1</sup> Internal Audit only introduced some of these indicators part way through the year, but what we have measured and/or had management information on is reported here.

The cumulative results from questionnaires completed throughout 2019/20 are:

	Question	1	2	3	4
1	Throughout the audit process I was kept informed of the work being done and issues arising	1	7	1	
2	The audit team demonstrated a good understanding of the business and associated risks (or took the time to develop such understanding during the audit process)	2	4	3	
3	Audit reports were issued in a timely way	3	6		
4	Audit reports were a fair summary of audit findings and management responses	2	5	2	
5	The audit team acted in a professional manner throughout the assignment	5	3	1	
6	Overall level of satisfaction (1 being the highest and 4 the lowest):	1	6	2	
Scale :					
1 = Strongly agree, 2 = Agree, 3 = Disagree, 4 Strongly disagree					

The results of these surveys indicate that the majority of stakeholders are satisfied with the delivery of Internal Audit engagements. However, it is noted that further work is required to improve the reporting of audit findings and stakeholders perception of the level of auditors' understanding of some aspects of the Combined Authority's operations.