

**Governance & Audit
Committee Internal Audit
Progress Report**

July 2020

Key Headlines / Index

Top three issues – Devolution (timescales and resources), Post Covid-19 Recovery Plans, Systems (security, document storage, MI etc)

Reports issued- Summaries of the scope and findings of these reviews can be found at Pages 2-4

- Contract Management (19/20)
- Procurement and Contract Management Compliance (19/20)
- ICT Software Management (19/20)

Progress against 2020/21 Audit Plan and any planned changes - detailed at pages 5-9

Outstanding actions- There are currently no overdue agreed actions.

Feedback from clients – Page 10 details the feedback received from our auditees since the last Governance and Audit Committee report.

Staff Changes – Recruitment for the half post to cover the Adult Education Budget (AEB) development work is underway, if a full time Principal Auditor can be identified for that post, a business case will be submitted to cover some of the gaps in resources previously identified.

Reports Issued

Contract Management

The purpose of this audit was to assess how well the Combined Authority performed against the National Audit Office (NAO) Contract Management Framework. Their Framework continues to be the government's standard reference text for contract management and is the tool routinely used by Internal Audit teams to assess performance in their own organisations.

This review identified that the central support for contract management covering both processes and guidelines is in need of improvement and investment. As the Authority moves to becoming a Mayoral Combined Authority it has the opportunity to consider how it can build a central contract management support function to help the organisation improve the basic tasks necessary for good contract management. This report does, however, recognise how much effort has gone into building the framework for developing good procurement practice and recommends that the same amount of attention is given to contract management. It is fair to say that these two activities are strongly connected and good compliant procurement needs to be followed by strong effective contract management. This will ensure that value for money delivery is realised and that the Authority achieves its goals and objectives.

Given the lack of maturity against the framework that this report identifies, our opinion provides **LIMITED** assurance that a contract management framework is sufficiently well developed.

This report is not an exhaustive examination against the Framework, rather its intention is to draw out the most useful areas for development for the Authority to consider, helping to create a more proportionate and pragmatic set of recommendations in the first instance.

The NAO also state the following in the framework. 'Contract success and failure depends as much on the soundness of the commercial strategy, the client's capability, and the robustness of the procurement as it does on the management of the contract'. It is important that the Authority considers this as it develops its contract management policies and processes.

A full set of management responses has been received, addressing the recommendations raised and progress on these actions is now underway.

Procurement and Contract Management Compliance

This review was undertaken to provide the organisation with assurance on how well existing procurement/contract management policies and procedures are being implemented in the business. This work was conducted against the revised contracts standing orders that came into force from July 2019. This did, therefore, limit the number of completed procurements that were available for review in the interview sample selected and Internal Audit will need to undertake further compliance checks in 2020/21, provision for which has already been included in the agreed audit plan for the year. As this review was being undertaken at the time of the introduction of lockdown due to Covid-19, the number of interviews were limited and this report is a reflection across the business as opposed to directorate by directorate.

The audit opinion for the work undertaken is that **REASONABLE** assurance can be given that there is generally compliance with the new procurement processes. It is important, however, to note that while contract managers, in the main, are doing their best, this is against a backdrop of little central guidance and support which makes it more difficult to measure compliance and to assess

how well contract management is performing generally. The separate report on contract management issued recently addresses a number of these areas and work is already underway to improve the current position.

Another important point to highlight is that there was considerable recognition that the procurement team have made significant improvements to processes, guidance and information on procurement and there was consistently high praise for team members and the assistance they provide to staff within the business.

Non-ICT managed applications security review

As part of continuous improvement ICT Services asked Internal Audit to provide assurance on compliance with corporate ICT security policies regarding software/ applications managed within the business. They also requested we identify any potential policy breaches/issues which could put WYCA at risk of data loss, corruption, and unauthorised disclosure (considering the penalties for breaches of the General Data Protection Regulations).

23 high risk applications detailed on the Business Application Register (BAR) were selected for review in conjunction with senior members of the ICT team from across the directorates. The 'power users', delegated by the business owner for each area to operationally manage the applications, were then interviewed and a standard set of questions regarding security controls asked and evidence requested.

As a result of the interviews and evidence gathered for this audit, our opinion is that only **LIMITED** assurance can be given that adequate security and access controls are consistently in place regarding the applications reviewed. **No specific incidents of concern were identified, but a number of recommendations have been made in order to strengthen controls within directorates under the guidance of ICT Services.** Business owners and ICT Services will be asked to take appropriate action to remedy the issues identified to ensure that any risks are fully addressed. This work will include ensuring more comprehensive guidance is available to all ICT business owners, that password changes are enforced in line with the policy and regular reviews are undertaken of users accessing systems.

2020/21 Internal Audit Plan

	Assurance Area	Proposed scope and any changes	Proposed delivery quarter
1	Strategic planning	A high level review of the strategic, directorate and team business planning functions against best practice.	Quarter 3
2	Corporate Governance (in particular connectivity across directorates)	To potentially be looked at considering the Mayoral Combined Authority (MCA) readiness workstreams regarding elections and new governance arrangements.	Quarter 3
3	Management Information Systems (MIS) – Corporate	Business continuity/ disaster recovery and all management information systems involved to be covered with particular emphasis on COVID-19 Recovery.	Quarter 3-4
4	Management information systems (MIS) – HR & Finance <i>now Integrated Corporate Services System Development</i>	A project to develop new systems for Finance, Payroll and Human Resources (HR) commenced as part of the MCA preparation work in June 2020. This will involve the mapping of all current processes and future requirements. Internal Audit has asked to be included on the Project Board for this work so we can advise on appropriate controls and governance throughout the development and delivery of this system.	From Quarter 2 onwards
5	GDPR and data privacy	Working with the Information Governance Team to develop a self-assessment and subsequent audit verification system for directorates. This is currently in the	Quarter 3-4

		pilot stage with the Transport and Property Services directorate but has been delayed due to the focus on COVID-19 response and MCA readiness.	
6	Culture – working together	To be split at this stage to form an element of other assurance areas, in particular Counter Fraud (currently 15), Equalities (currently 18) and MCA readiness work (currently 22).	To be considered as part of other reviews and removed as a separate item
7	Financial – access to future funding streams	This is to change due to the move to an MCA where significant devolution funding should be available across a number of areas.	To be combined with Devolution/ MCA Readiness
8	ICT including cyber security (and covering Transport Services technology developments)	Awaiting the results of an ICT Risk Assessment being carried out by Salford Council's ICT Internal Audit team of specialists to advise on what should be prioritised for consideration in 2020/21. This review was delayed at the request of our ICT Services Team due to COVID-19.	Quarter 3 & 4
9	Digitisation	The Head of Internal Audit has been a key member of the digitisation workshops for both the Request for Decision (RFD) process and Corporate Technology Project (CTP) workstreams.	Ongoing throughout year
10	Health and safety	Previous external work identified a number of areas of improvement required. However, this is less applicable with the move to more staff working from home due to COVID-19, the changing health and safety framework and any changes a Mayor may want to make.	To be reviewed again and possibly deferred
11	Climate change	To cover the CA's commitment to 'Tackling the Climate Emergency' and how we propose to do this, including how this feeds into our project evaluation and relates to the Devolution workstreams on this area.	Quarter 2 – currently being scoped

12	Risk management	Annual health check to inform the audit opinion and follow up work from 2019/20.	Quarter 4
13	HR compliance follow up review	This is to be combined with the work on the HR Strategy Implementation (currently 21) and the Workforce Development Devolution workstream (currently 22). This follow up/ review is to be done in tandem with the Strategy Implementation Plan itself to ensure all work is being completed on schedule.	Quarter 3/4
14	Programme assurance	A rolling programme of reviews to be undertaken to health check that projects and programmes are moving appropriately through the assurance framework process, and how well we are applying our preferred project management methodology.	Ongoing
15	Counter fraud work	Investigative work as required, and a Proactive Counter Fraud workplan to be developed for the year to include data analytics testing and reviews on high risk areas to provide assurance on controls.	Ongoing
16	Security of assets	A review of how the organisation classifies, records and secures its physical assets to ensure this is in line with the Combined Authority Financial Regulations. To include existence checks and valuation considerations.	Quarter 2 – currently being scoped
17	Compliance with Contracts Standing Orders & Financial Regulations	Initial focus on Purchase to Pay with checks on segregation of duties and possible collusion. This can be done via Internal Audit representation on the new ERP system project board (see 4 above) where processes will be broken down and examined.	Ongoing

		Other work to be done using data analytics to detect non-compliance/ potential duplicate payments.	
18	Equalities, including bus station safety and accessibility	A review of the CA's framework to measure and ensure equality internally and throughout the region. In particular to consider the action to be taken as a result of the 'Black Lives Matter' movement to reduce racial inequality, but to also cover other biases due to sex, sexual and gender orientation and physical and mental ability.	Quarter 3
19	Procurement	A quarterly set of checks to be undertaken on contract waivers, reports of outliers and procurements being undertaken as follow-up to the 2019/20 review.	Quarterly update – currently being scoped
20	Contract management	Follow up on IA work from 2019/20.	Quarter 4
21	HR Strategy implementation	See 13 above.	Quarter 3/4
22	Devolution	An initial focus on Adult Education Budgets (AEB) by significant involvement on their project board and the development of an Audit and Assurance framework. To consider other workstreams as part of relevant assurance areas as detailed elsewhere (Corporate Governance- currently 2, Climate Change- currently 11 and HR Strategy/ Compliance- currently 13).	Ongoing throughout the year
23	Brexit	The COVID-19 crisis and Devolution deals have resulted in a shift in the priority accorded to this area within the business and from government, making it unclear what could be reviewed at this point.	On hold
24	Quality Assurance	A review of the quality standards the CA is subject to and the assurance it seeks to ensure these are being met.	Ongoing with the Head of Internal Audit working with the Corporate

		This will also be considered as part of the development of an assurance reporting framework.	Performance Team to build the framework.
25	Skills and property	Due to current Covid-19 circumstances and the MCA readiness work, this will be considered as part of other reviews specifically HR and MCA.	To be considered as part of other reviews and removed as a separate item
26	Construction (Design and Management) CDM	This was a very specific piece of work relating to Health & Safety (currently 10) that may require an external consultant for delivery.	On hold
27	Safeguarding	This was initially proposed by Transport Services with regards to their role with children and young people, however it may need expanding after considering new responsibilities after devolution, such as vulnerable adults receiving adult education.	On hold
28	Complaints handling/ casework	These processes are currently being considered as part of the MCA Readiness Workstreams, with potential links to CTP digitalisation, the Head of Internal Audit is involved with both these projects providing advice and guidance on controls and governance.	Ongoing throughout the year
29	Various grant certifications	The number of grant certifications Internal Audit has been asked to deliver has increased significantly in the last 12 months. A review of these and the resources available is currently being carried out for consideration by the Director of Corporate Services.	Ongoing Review Quarter 1/ 2

Customer Feedback

The performance information on customer feedback is included in the Annual Report for 19/20 as all the feedback relates to the work done for that plan year. The narrative feedback below, however, has not previously been reported to the Governance and Audit Committee and is therefore presented here.

Review name & report issue date	What did we do well?	What could we have done better?
Contract Management Corporate Report May 2020	Took time to understand the context and where we are at, regarding development of the function. Used an independent benchmark against which to measure our practices. Managed to gain a very good oversight in a short period of time.	Delved a little more into the detail, drawing out more objective measures. However it is recognised that this was not possible at this point in time.