

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

November 2020

Key Headlines / Index

Top three issues – Mayoral Combined Authority (MCA) readiness due to tight deadlines, Post Covid-19 Recovery Plans and Current Covid impacts on the business

Reports/updates issued- Summaries of the scope and findings of these reviews can be found at Pages 2-8

- MCA Workstreams Update
- Adult Education Budget (AEB)
- Grant Certification
- Local Transport Plan Grant
- ICT Risk Assessment
- Digitisation and Corporate Technology Programme
- Counter Fraud and Whistleblowing

Progress against 2020/21 Audit Plan and any planned changes - detailed at pages 7-13

Outstanding actions- There are currently no overdue agreed actions.

Feedback from clients – As the majority of the current work is taking the form of advice and guidance within the parameters of the various MCA workstream programmes, there is no customer feedback at this point, however Internal Audit will be seeking feedback from the various project leads at the end of this plan year as to the effectiveness of the support provided. Audit will also continue to collect feedback on specific audits as these conclude.

Staff Changes – Recruitment for the half post to cover the Adult Education Budget (AEB) development work is complete and a new Principal Auditor is now in post. There has been an additional resource issue as one of the internal auditors has been on long term absence. Some temporary resource is due to commence mid November to assist with covering some of the gaps this has left.

Reports Issued/ Progress against Plan

MCA Workstream Updates

Internal Audit has been providing advice and guidance to various MCA workstreams as part of its planned work for 20/21. The following updates confirm the activity being undertaken and the contribution to ensuring appropriate consideration of controls and governance in the work that is ongoing.

MCA Workstream – **Decision Making and Committee Arrangements:**

Head of Internal Audit is on the Project Delivery Group which is co-ordinating a review of the Combined Authority's governance arrangements to identify amendments to:

- reflect the revised WYCA Order, including mayoral arrangements
- comply with all other relevant legislation,
- promote good governance including efficiency, transparency and accountability, and
- better reflect the objectives of political stakeholders.

MCA Workstream - **Integrated Corporate System and Casework & Correspondence System:**

Head of Internal Audit sits on the Steering Committee for this work which oversees progress against milestones, management of risks and strategic direction of the project. Internal Audit also provided a significant amount of time to review of the existing and proposed systems for HR and Finance, considering the current processes and controls and the desirable future state. Similarly Head of Internal Audit has also been on the project team for the Casework and Correspondence System working with that group to make proposals for the future system.

MCA Workstream – **Police and Crime Commissioner (PCC) Preparations:**

This has been ad hoc review, research and contributions as needed.

MCA Workstream – **Assurance Framework Review:**

Internal Audit were asked to consider specific aspects of the Assurance Framework and to contribute to the overall review of the proposed changes.

Adult Education Budget (AEB)

As reported to the Governance and Audit Committee on 12th May 2020 the Combined Authority is to receive devolved powers and manage the devolved Adult Education Budget (AEB) from early 2021 on which additional assurances will need to be given by Internal Audit.

The work to prepare for AEB devolution has moved on significantly with the following key milestones taking place:

- The Combined Authority submitted their 'Readiness Assessment' to the Department for Education (DfE) in late May 2020 (in line with what was presented to the GAC as Appendix 1) which was agreed, along with our application for Implementation Funding to support its preparation for AEB devolution.
- In September 2020 the DfE has issued a Memorandum of Understanding for the £464,000 funding the DfE will provide, which is to be matched by the Combined Authority. An initial claim for costs incurred to date has been submitted.
- The AEB Strategy was approved by the Combined Authority on 4 September 2020.
- A provider briefing event was held on 17 September 2020 where we had over 113 attendees, 80% of these were independent training providers with the remaining attendees, from colleges and local authorities.
- Launch of a dedicated AEB webpage which hosts the AEB Strategy, film of the provider event and links to procurement activity [AEB website](#)
- Stage 1 of the Dynamic Purchasing System (DPS) for contracts of services went live on 28 October 2020.

Internal Audit have continued to be active Project Board members, providing support at a strategic level. The Principal Auditor who leads on this area has also been involved in work on the following workstreams:

- **Audit and Assurance**- attending the regular Education Skills Funding Agency/ MCA Audit, Assurance and Fraud Investigators (AAFI) liaison meetings, determining assurance that will need to be provided on the procurement process and identifying appropriate due diligence measures to be considered that can be tested against.
- **Procurement**- assisting in the review and publication of the DPS in line with the deadlines set in October 2020.
- **Finance**- developing our approach to accounting for resource and the assurance processes over expenditure in preparation for the first implementation funding claim in September 2020.
- **Legal and governance**- advising on various governance and organisational matters, including risk registers, approvals and project documentation.
- **ICT and data**- helping compile system requirements and how these might be delivered as part of the working group on this area.

Achieving readiness is heavily contingent upon the projected timescales agreed with DfE being met. Key milestones for the AEB programme ahead are:

- Approval by the Combined Authority of the AEB governance process (November 2020).
- The formal stage laying of orders as part of the wider devolution deal (December 2020).
- Commissioning for 2021/22 provision (October 2020 – March 2021)
- West Yorkshire funding allocation confirmed by DfE (March 2021)
- Delivery and management begin (1 August 2021)

Grant certification

The plan contains an audit resource to certify grant claims where the Combined Authority acts as the Accountable Body or the grant conditions require an Internal Audit sign off.

Over the year this work has taken on two strands. Firstly, at an operational level Internal Audit have continued to certify, on request, various grant claims submitted by the Combined Authority. Examples of claims that have required certification have included European Regional Development Funds, Local Transport Grants, Bus Services Support Grants and the Growth Service. This has included performing due diligence checks and certifying the accuracy of claims prior to submission to the relevant funding bodies. Where required, we have made comment on suggested areas for improvement and in one instance (LTP grant, see below) this has culminated in an audit report.

Secondly, and more significantly, the Head of Internal Audit is working with the business as part of a wider discussion around the grant certification process with the aim of reducing the reliance on audit to provide all the checks and balances on grant claims. A task and finish group has been established to which Audit is providing advice and guidance on appropriate controls and which will help the business to manage the process itself, a further update will be provided to Committee at the next meeting.

Local Transport Plan (LTP) Grant review

The Combined Authority receives substantial Local Transport Capital Block Funding (Integrated Transport and Highways Maintenance) (LTP) annually which requires Internal Audit certification prior to submission to the Department for Transport.

The review examined the certification process and followed up previous audit recommendations made in an 2018-19 review of LTP. Arising from our work, we identified matters which resulted in two actions for management to implement. The actions primarily related to improving administrative processes and carrying out pre-audit documentation checks which once implemented should

ensure controls are strengthened and aid a smoother certification process, the overall opinion of **REASONABLE** assurance was given.

ICT Risk Assessment

This risk assessment was undertaken to provide an evidence base from which some further specific pieces of ICT audit work could be agreed and commissioned. The work was done using the knowledge and skills of the Salford ICT audit team that considered the general impacts to Local Authorities, discussions with key ICT staff at the Authority, comparisons to other similar organisations, controls in place, significant risks, previous audits and accreditations.

Given the outcome from the risk assessment, the Head of Internal Audit and the Head of ICT Services have agreed to focus on 3 main areas that would provide the timeliest assurances in this plan year, namely:

3rd Party Supplier Management

- Authorisation and approval of access requests
- Due diligence management of key 3rd party suppliers access
- Mechanism(s) for providing 3rd party access
- Due Diligence management of security for hosted solutions
- Access monitoring
- Access removal

Vulnerability Management

- Vulnerability discovery process
- Vulnerability prioritisation process
- Vulnerability reporting, remediate and rescan process
- Trending and Metrics
- Event Management business case
- Event log collation sources
- Event alert configuration and responses
- Event capacity management

Payment Card Industry (PCI) Compliance

- Identification of the payment methods available
- The completed SAQ is appropriate to the payment methods conducted
- The relevant vulnerability scans are conducted and all relevant vulnerabilities rectified
- Network segregation of cardholder data

- Authority processes for the installation of new card payment mechanisms/software ensures that it is properly authorised and included in the PCI Data Security Standard process

Digitisation and Corporate Technology Programme

As part of the ongoing work to digitise processes within the West Yorkshire Combined Authority, the Head of Internal Audit has been part of the working group that has been developing the new digital Request for Decision (RfD) process. This new process is due to be launched soon and has particularly emphasised the following:

- Through the development of a guidance hub, more attention and better early engagement with parties that will either have an interest in the decision or who may have skills and expertise that would be of benefit to the author
- Ensuring that key decisions are identified earlier in the process with the additional requirements around these noted and built into timelines and statutory requirements
- Using the new process to drive continuous improvement through better recording and monitoring, data analysis and feedback
- Speeding up the process and making the decisions (where appropriate) more visible and transparent.

The Head of Internal Audit is also part of the group developing a new application for reporting Health & Safety Incidents. This is progressing well and is intended to make it much easier for everyone to report incidents including near misses which should in turn drive the chance to take early action to prevent things becoming more significant.

Audit has also been involved in developing the new digitised process for Business Planning which is looking to enhance work across directorates making it easier to gain insight on interdependencies earlier in the process.

Audit has also been taking a proactive role in relation to the Corporate Technology Programme which has included being one of the first teams to move into a new document repository system that enables more collaborative working and greater transparency of information. Feedback from this process has been used to help to identify training needs and to help iron out some of the unexpected issues with the transition.

Counter Fraud and Whistleblowing

A referral has been received for investigation which is currently being assessed and will be reported on as appropriate.

The Whistleblowing Policy has been updated and revised in line with those for other MCA's and is with Legal Services for review prior to submission for approval.

A template reporting form has been devised, and the Whistleblowing Hotline number updated as part of this work.

The Counter Fraud, Bribery and Money Laundering Policies are also now under review.

The Principal Auditor/ Counter Fraud Specialist has now received basic training on IDEA Data Analytics and a programme of potential data analytics testing is being devised as a result.

The data for the latest National Fraud Initiative (NFI) has now been submitted and the appropriate data sharing notifications issued as part of this. Results for analysis are due in Q4.

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. This review needs to be deferred until after the Authority has become a Mayoral Combined Authority.	Deferred, but audit involvement in the development of digitised business planning
2	Corporate Governance (in particular connectivity across directorates)	Head of Internal Audit part of project delivery team for MCA Workstream 4 – Decision Making and Committee Structures – see MCA programmes update above	Ongoing
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 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 - see MCA programmes update above.	Ongoing
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 pilot stage with the Transport and Property Services directorate but has been delayed due to the focus on COVID-19 response and MCA readiness.	Quarter 3-4
6	Culture – working together	Given the current circumstances and the changes necessitated by both Covid and MCA implications, this work is no longer considered appropriate for this plan year.	Deferred
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 several areas.	Deferred
8	ICT including cyber security (vulnerability management)	ICT Risk Assessment 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 but has now been completed – see progress update above.	Quarter 3 - Advice and guidance risk assessment completed, further work to be undertaken in 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	Ongoing

		(RFD) process and Corporate Technology Project (CTP) workstreams. - see progress update above	
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. Audit has been working on the development of the Health & Safety reporting app - see digitisation update above	Ongoing
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 3 – scope has been agreed and audit is currently in progress. Focus of the work is on delivery of the internal climate emergency action plan.
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 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 - A selection of projects selected for review in Quarter 1 were put on hold, these will be picked up in Quarter 4.

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- See Counter Fraud and Whistleblowing Progress update above
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.	Scope written and currently in progress to be completed in Quarter 3
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. Other work to be done using data analytics to detect non-compliance/ potential duplicate payments.	Ongoing
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. Work around bus stations is on hold given the current Covid situation.	Quarter 4
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.	This has been scoped and is due to be conducted in Q3 and 4
20	Contract management	Follow up on IA work from 2019/20.	Quarter 4

21	HR Strategy implementation	See 13 above.	Quarter 4
22	Devolution	<p>An initial focus on Adult Education Budgets (AEB) by significant involvement on their project board and the development of an Audit and Assurance framework - see AEB progress update above</p> <p>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) - see MCA Workstreams Update above</p>	Ongoing
23	Brexit	While the COVID-19 crisis and Devolution deals resulted in a shift in the priority accorded to this area within the business and from government, it is now becoming more critical, however there is still little potential for a specific audit 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. This will also be considered as part of the development of an assurance reporting framework.	Ongoing with the Head of Internal Audit working with the Corporate 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 that may require an external consultant for delivery.	Deferred
27	Safeguarding	This was initially proposed by Transport Services with regards to their role with children and young people,	Deferred

		however it may need expanding after considering new responsibilities after devolution, such as vulnerable adults receiving adult education.	
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 - see MCA programmes update above.	Ongoing
29	Various grant certifications	See grants progress update above.	Ongoing
30	LTP Grant Audit - NEW	This was a small focused audit to follow up on previous recommendations and to highlight two more as a result of the work undertaken.	REASONABLE
31	Energy Accelerator Contract Review - NEW	A high level advisory review assessing the compliance systems and processes in place to manage the Energy Accelerator programme against our contractual requirements, in preparation for an independent assessment at the end of the programme.	Ongoing