

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

January 2021

Key Headlines / Index

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

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

- MCA Workstreams Update
- Adult Education Budget (AEB)
- Counter Fraud, Anti Money Laundering and Whistleblowing

Progress against 2020/21 Audit Plan and any planned changes - detailed at pages 5-10. Given the issues faced during the course of this plan year, remaining reviews will be more focused and streamlined to ensure adequate completion of the plan.

Outstanding actions- There are currently no overdue agreed actions.

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

Initial considerations for the audit plan for 2021/22 – detailed at pages 11-13

Planning for the next financial year is now underway with some initial consideration being undertaken against the key risks for the organisation, deferred work from 2020/21 and external horizon scanning. These initial thoughts will be further developed as discussions are held with the business and further to any early comments the Committee would like to make at this stage.

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 majority of the updates are as per the paper that went to the Committee in November, however some additional progress on two of the workstreams is noted below.

MCA Workstream - Integrated Corporate Systems (ICS) 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. The ICS project has now completed the first phase of its procurement and is continuing the preparatory work needed to establish how processes will be developed for the new system.

MCA Workstream – Police and Crime Commissioner (PCC) Preparations: Internal Audit are currently working with the legal team to develop the proposed audit governance arrangements in relation to PCC functions and will provide further updates at the March Committee meeting.

Adult Education Budget (AEB)

Further to the last update to the Governance and Audit Committee the following work to prepare for AEB devolution has taken place:

- The AEB Governance Strategy was approved by the Combined Authority on 27 November 2020.
- The laying of the Order before Parliament for the wider devolution deal took place in December 2020.
- Providers have now been assessed and accepted onto the Dynamic Purchasing System (DPS) for contracts of services.
- The 'mini- competition' documents for the second stage of the DPS are being prepared in preparation for the 'go-live' date of 29 January 2021

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-** drafting what roles and responsibilities will be undertaken by Internal Audit regarding compliance and assurance once AEB is live and developing resource plans in line with this and preparing for work to be carried out by other team members to provide assurance the DPS stage of the procurement has been carried out appropriately.
- **Procurement-** advising on the review of the DPS and preparation of the mini-competition documents as required
- **Legal and governance-** developing workstream tasks with the core Project team and advising on various governance and organisational matters.

- **ICT and data-** compiling data and system requirements for audit and assurance and reviewing systems to meet these.

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

- The approval of the Order by Parliament as part of the wider devolution deal (January/February 2021).
- 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)

Counter Fraud, Anti Money Laundering (AML) and Whistleblowing

	Total number of referrals 20/21	Investigation completed - No breach/no further action	Investigation completed – further action taken	Still under investigation
Fraud - External	1			1
Fraud - Internal	0			
Whistleblowing	1	1		
AML	0			

A combined and updated Whistleblowing Policy for the Combined Authority and the LEP has been drafted and considered by the senior management team (SMT). Relevant approval will then be asked for from the Managing Director (under the Combined Authority Scheme of Delegation) and the LEP Board once this consultation has concluded.

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 – Advice and Guidance
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 – Advice and Guidance
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	Quarter 3-4

		directorate but has been delayed due to the focus on COVID-19 response and MCA readiness.	
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 and was reported to the last GAC.	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 (RFD) process and Corporate Technology Project (CTP) workstreams.	Ongoing – Advice and Guidance
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.	Ongoing – Advice and Guidance, nearing completion via development of the App
11	Climate change	To cover the Combined Authority's commitment to 'Tackling the Climate Emergency' and how we propose to	At Draft Report Stage

		do this, including how this feeds into our project evaluation and relates to the Devolution workstreams on this area.	
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- Two projects that were on hold from Quarter 1 are in the process of being reviewed.
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.	In progress - to be completed in Quarter 4

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 – Advice and Guidance
18	Equalities, including bus station safety and accessibility	A review of the Combined Authority’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 – equalities baseline review is now being scoped
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 the checks due to be carried out in Q3 and Q4.
20	Contract management	Follow up on IA work from 2019/20.	Quarter 4
21	HR Strategy implementation	See 13 above.	Quarter 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 - see AEB progress update above To consider other workstreams as part of relevant assurance areas as detailed elsewhere (Corporate Governance- currently 2, Climate Change- currently 11	Ongoing – Advice and Guidance

		and HR Strategy/ Compliance- currently 13) - see MCA Workstreams Update above	
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 (currently 10) 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, however it may need expanding after considering new responsibilities after devolution, such as vulnerable adults receiving adult education.	Deferred
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	Ongoing – Advice and Guidance

		guidance on controls and governance - see MCA programmes update above.	
29	Various grant certifications	See grants progress update above.	Ongoing in each quarter
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 – draft report completed

Client Feedback

One client feedback report has been sent out and received since the last Governance and Audit Committee with an overall positive score arising from the review, details of narrative comments have been shared below for the Committee's oversight.

Review name & report issue date	What did we do well?	What could we have done better?
Corporate Services- Local Transport	The audit team was keen to understand the funder's requirements, the information we had	There seemed to have been some misunderstanding between Internal Audit and Finance as to what checks should be done by whom, which seemed to

Capital Block Funding (LTP) Submission November 2020	available, and how the latter could be used to satisfy the former. We had a deadline from the funder, that the audit team worked hard to successfully meet, taking a both robust and pragmatic approach.	cause some delay in checks being carried out. However, I am under the impression that those issues have now been resolved.
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2021/22 Internal Audit Plan

WYCA Key Risks

An initial review of the latest Corporate Risk Register, as per the strategic risk paper brought to the last Audit Committee, has identified the following key (very high) risks for consideration in Internal Audit work planning:

- **CRR- SD1-** Failure to fully deliver projects and programmes (ie. Growth Deal & LPTIP) within timescales or budget, or with the anticipated level of benefits.
- **CRR- SD2-** Challenges and disruption to the way in which the Combined Authority provides services and the resources available to deliver those due to Brexit.
- **CRR- SD5-** Change in government policy that result in a major impact on achievement of organisational objectives and/or a need to reconsider objectives.
- **CRR- SD6-** Corporate objectives cannot be met due to the long term impacts of the COVID-19 pandemic on the regional economy and on travel habits.
- **CRR- FR3-** The financial health of the Combined Authority will be adversely affected due to the financial impacts of the COVID-19 pandemic.
- **CRR- SD8-** A significant increase in unemployment across the region, due to the ongoing economic disruption caused by the COVID-19 crisis and the end of the national Job Retention Scheme (furlough).

- **CRR- FR4-** The Combined Authority is placed under pressure to fund the reinstatement of commercial bus services threatened with withdrawal, due to premature withdrawal of emergency government funding support.

Deferred Work from 2020/21

A requirement of the Public Sector Internal Audit Standards (PSIAS) is to keep the Audit Plan under regular review so resources are used effectively and to report any changes to Committee throughout the year. This section highlights the following pieces of work that have been deferred from the current year's plan and asks Committee members to consider whether these areas are still the most significant risks that Audit should be focused on as part of the planning process for 2021-22. Internal Audit will also invite Management's consideration of these audit areas to help determine whether these remain necessary and relevant. The audits currently deferred to 2021-22 are as follows;

- Strategic Planning
- Culture – working together
- Financial – access to future funding streams
- Construction (Design and Management) CDM
- Safeguarding

In addition, Committee will be aware of an external arrangement for the provision of ICT audits. These reviews have been awaiting start dates, pending completion of agreed contracts, and whilst at the time of writing there is an expectation that some work will be delivered in the current year, particularly Vulnerability Management, a full complement of ICT audit work is likely to fall into 2021-22.

It is worth noting at this point that these deferred audits would not impact on the ability of the Head of Internal Audit to give an annual opinion on the adequacy and effectiveness of the system of internal control. An analysis of each audit shows that apart from Financial – access to future funding streams, the corporate risk (as reported to Committee in March) is covered within another review to be completed in the current year.

External Horizon Scanning

As part of audit planning work and in a similar approach to that taken last year, the following information is currently informing thinking for 2021/22. The Chartered Institute of Internal Auditors publishes a report every year called 'Risk in Focus'. This report

gathers intelligence on those areas of risk that Heads of Audit and Audit Committee Chairs, from across Europe and the United Kingdom, believe will be the most significant for the year ahead.

The top 15 risks are compared to last year (in brackets) and are ranked in perceived significance:

1. Cybersecurity (UP)
2. Regulatory Change and Compliance (SAME)
3. Digitisation (DOWN)
4. Financial (UP)
5. HR and Talent Management (UP)
6. Disasters and Crisis Response (NEW)
7. Macroeconomic and Geopolitical Uncertainty (UP)
8. Supply Chains/Outsourcing/Third Party Risk (DOWN)
9. Corporate Governance and Reporting (DOWN)
10. Communications, Management and Reputation (UP)
11. Corporate Culture (DOWN)
12. Bribery/Fraud/Financial Crime (UP)
13. Climate Change/Environmental Sustainability (UP)
14. Health and Safety (UP)
15. Mergers and Acquisitions (DOWN)