

Appendix 1

Governance & Audit Committee Internal Audit Progress Report

March 2021

Key Headlines / Index

Top three issues – Mayoral Combined Authority (MCA) readiness due to impending elections, ensuring PCC transfer arrangements are all in place and current Covid impacts including transport and business support

Reports/updates issued- Summaries of the scope and findings of these reviews can be found at Pages 3-7

- Climate Change (Tackling the Climate Emergency)
- AEB Procurement DPS Stage One
- MCA Workstreams Update
- Adult Education Budget (AEB)
- Counter Fraud, Whistleblowing and Anti Money Laundering
- Grant certification

Progress against 2020/21 Audit Plan and any planned changes - detailed at pages 8-13

Outstanding actions- There are currently no overdue agreed actions.

The proposed audit plan for 2021/22 – detailed at pages 14-17

Planning for audit work for next year has now been completed following consultation with this Committee, the Senior Leadership Team and the Regulatory and Compliance Board. The plan, as highlighted at the Governance and Audit Committee in January also considered the most significant corporate risks and risks identified in the wider audit sector.

Reports Issued/ Progress against Plan

Audit Report – Climate Change (Tackling the Climate Emergency)

Climate Change, (Tackling the Climate Emergency (TCE)) was included in the Internal Audit Plan for 2020-21 as climate change risk had been recorded on the corporate risk register and taken as one of the Combined Authority's priorities. This review focused on the **internal** climate change action plan only.

Internal Audit have provided an opinion of **LIMITED** Assurance for this review, based on the assessment of the adequacy of systems and processes to implement initiatives and to deliver against targets set out in the tackling climate emergency (TCE) internal action plan.

Whilst the team had notably been recognised at the recent MJ Awards ceremony in the “Leadership in Tackling the Climate Emergency” category for their work to tackle the climate emergency on a wider regional level, the audit found that governance and reporting arrangements, reviewing and updating of the internal TCE action plan and, communication and raising awareness of internal TCE initiatives required improvement and have made recommendations to address these. The findings have been accepted and Internal Audit are working with Management to agree a timeframe for implementation of the recommendations, but in the interim Management have confirmed the following: *It is also recognised that in order to drive forward delivery of the action plan there is a need to provide more focused resource. As part of the proposed restructure which has been agreed by the Combined Authority, there will be a new strategy team whose responsibilities would include ownership of the corporate policy and co-ordination of implementation of the organisational climate action plan.*

Audit Report - AEB Procurement DPS Stage one

Internal Audit has given an audit opinion of **REASONABLE** assurance to the stage one procurement exercise for Adult Education Budget using the Dynamic Purchasing System to determine eligibility of providers. We highlighted some minor improvements to administrative processes and recommendations have been made to address these.

Overall, the process appeared to be robust with some good collaboration between the Procurement team and the AEB staff to ensure the exercise was completed in a timely manner.

MCA Workstream Updates

Internal Audit has been providing advice and guidance to various MCA workstreams as part of its planned work for 2020/21. The following are updates against that work:

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. The project is now working to develop the implementation plan for the new system and has begun preparatory work in order to ensure that the teams involved can make good progress when the work begins in earnest. Internal Audit is being asked to consider relevant information and to feed in guidance as appropriate in addition to the work on the Steering Committee.

MCA Workstream – **Police and Crime Commissioner (PCC) Preparations:** Head of Internal Audit has been leading the Governance Sub Group considering the Audit implications of transfer and a separate report on progress to date is included in the pack of Committee papers.

MCA Workstream – **Decision Making and Committees:**

Head of Internal Audit sits on the project delivery team that is progressing proposals for the MCA Board and Combined Authority to consider. The 9 March Combined Authority meeting will be considering a report on MCA Preparations – Governance Arrangements which sets out progress to date and an indicative outline of a new Constitution.

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:

- On 29 January Parliament approved the West Yorkshire Combined Authority (Election of Mayor and Functions) Order (2021, No 112) and on the 30 January it came into law meaning we are now a Mayoral Combined Authority with immediate additional functions regarding the devolution of the adult education budget (AEB). The Combined Authority has considered governance arrangements that include member oversight and engagement.
- On 3 February the Combined Authority received a Funding Letter from Department for Education (DfE) outlining the devolved funding allocation for West Yorkshire. This is now to be £65 million due to additional Level 3 uplift funding of £2

million being added. We are still awaiting a Memorandum of Understanding that will detail how our relationship will operate in future.

- The government's Lifetime Skills Guarantee funding for the first level 3 qualification of anyone aged 24+ for West Yorkshire of £4.6 million will also be delegated to the Combined Authority and will complement the AEB programme.
- The 'mini- competition' (second stage of the Dynamic Purchasing System procurement process) went live on 29 January 2021. All queries should be raised by 22 February and assessment begins after it closes on 1 March 2021.
- Planning is underway for permanent staff resources to deliver AEB. Temporary staff are being recruited to assess bids, advise on implementation and adapt the AEB Payments IT system being purchased from Liverpool City Region (DAPS) to our needs and interdependent systems.

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-** developing the potential coverage of a compliance visit and other necessary assurances and tasks to be carried out by Internal Audit staff to support AEB delivery in line with the proposed post implementation operational resources model.
- **Procurement-** advising on the preparation of the mini-competition documents and tender queries raised as required.
- **Legal and governance-** developing workstream tasks with the core Project team and advising on various governance and organisational matters as they arise.
- **ICT and data-** compiling data and system requirements for audit and assurance and reviewing systems to meet these.
- **Operational provider management-** working with the AEB and Finance teams to develop a risk scoring matrix to cover all our providers, based on various information sources, to assist in their management operationally once we go live.

A review has been completed by the main Internal Audit Team on Stage 1 of the Dynamic Purchasing System (DPS) process (see above for summary).

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

- Memorandum of Understanding agreement with the Department for Education (March 2021)
- Contract allocation announcements (April/ May 2021)
- Funding rules, and contracts and grant agreement wording final approval (April 2021)
- Delivery and management begin (1 August 2021)

Counter Fraud, Whistleblowing and Anti Money Laundering

The fraud referral that was referenced in the last progress update to GAC is still under formal investigation. The table below provides a summary of referrals reported during 2020-21.

	Total number of referrals 2020/21	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			

The revised Whistleblowing policy for the Combined Authority and the LEP has now been fully approved. This will now be uploaded to the relevant webpages and publicised internally.

The Anti Money Laundering Policy has been refreshed and is currently with the senior management team for approval. The revised policy reflects requirements of the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 (amendment 2018 & 2020), identifies the Head of Internal Audit as the Money Laundering Reporting Officer and sets out the required procedures which should be followed for reporting suspicions of money laundering activity.

A new, combined Anti-Fraud and Corruption Policy has also been drafted and is awaiting feedback and comment. A counter fraud workplan is being developed for 2021/22 which will include a timetable for awareness raising and training that will also incorporate whistleblowing and anti-money laundering content.

Grant certification

Internal Audit resource continues to provide certification in accordance with the funding bodies grant determination letter requiring the Head of Internal Audit to sign off expenditure incurred. During quarter 3 and 4 we have reviewed and certified the following grants.

Grant	Period	Value certified £
Investment Readiness	Quarter 3	112,304
Access Innovation	Quarter 3	619,392
Connecting Innovation	Quarter 3	67,346
Rebiz (REF2)	Quarter 3	212,916
Strategic Business Growth	Quarter 3	13,250
Investment Readiness	Quarter 4	139,652
Connecting Innovation	Quarter 4	115,257
Rebiz (REF2)	Quarter 4	171,668
Strategic Business Growth	Quarter 4	267,211
BSOG	Annual	2,063,592
CBSSG Tranche1	One off	781,448
Emergency Travel	One off	In progress
Share North	6 monthly	In progress

No significant matters arose during the certification of these grants.

2020/21 Internal Audit Plan

	Assurance Area	Proposed scope and any changes	Update
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	Reports from the project team to MCA Board and Combined Authority to inform future arrangements
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 and lessons learned from the current crisis.	Review underway to assess current arrangements and to report on how effectively lessons have been learned.
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.	This work is ongoing with advice and guidance on the project itself in addition to processes and controls – this will continue throughout the implementation of the new system.
5	GDPR and data privacy	Working with the Information Governance Team the review focuses on examining policies and procurements to determine compliance with Data Protection Impact Assessments (DPIA) and the extent of completion of	This work has been scoped and is currently underway.

		mandatory Data Protection and Information Security Training.	
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 a previous GAC.	Quarter 3 - Advice and guidance risk assessment completed, an agreed audit schedule now in place for 21/22. Some additional guidance work being supplied on data analytics in Q4
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.	Audit will continue to support this work as part of the MCA Digital programme.
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 to help to improve the reliability and adequacy of reporting incidents.	This work is near completion with some proposed testing of the app in the field that will then inform any changes that may be required.

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.	LIMITED ASSURANCE
12	Risk management	Annual health check to inform the audit opinion and follow up work from 2019/20.	Audit scope has been agreed and work is underway
13	HR compliance follow up review	This is to be combined with the work on the HR Strategy Implementation (currently line 21) and the Workforce Development Devolution workstream (currently line 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.	Review will commence in March 2021.
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.	Two projects are currently being reviewed against compliance with the Assurance Framework.
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.	See 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.	This review is ongoing and is focused on recording and safeguarding land and property assets.
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	Audit has contributed to the 'as is' and 'to be' process work undertaken in the run up to the procurement of the new

		<p>system project board (see 4 above) where processes will be broken down and examined.</p> <p>Other work to be done using data analytics to detect non-compliance/ potential duplicate payments.</p>	<p>enterprise system – this will continue throughout the implementation of the system ensuring early advice on controls</p>
18	Equalities, including bus station safety and accessibility	<p>A review of the Combined Authority’s framework to measure and ensure equality internally and throughout the region. Given work around bus stations is on hold due to Covid situation the focus of this review is to assist with benchmarking and gathering evidence to support an internal assessment against the LGA Equality Framework for Local Government.</p>	<p>The review is ongoing and includes an assessment against the LGA Equalities framework for local government.</p>
19	Procurement	<p>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.</p>	<p>At draft report stage</p>
20	Contract management	<p>The review focuses on the Web3 project to redevelop the Combined Authority’s websites and examines how well the contract was monitored and managed.</p>	<p>This review is ongoing.</p>
21	HR Strategy implementation	<p>See 13 above.</p>	<p>Review will commence in March 2021</p>
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>	<p>This is all ongoing work with regular reports to this Committee on progress and involvement of audit.</p>

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 Combined Authority 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 guidance on controls and governance - see MCA programmes update above.	This advice and guidance work has formed part of the MCA readiness work undertaken by audit, however an assurance piece has been added to the audit plan for 2021/22.
29	Various grant certifications	See grants progress update above.	Grant certifications completed in accordance with set

			requirements and agreed timelines.
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 ASSURANCE
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.	At Draft Report Stage
32	AEB Procurement DPS Stage one - NEW	This review focused on the process of assessing applications received at Stage One of the Adult Education Budget procurement exercise using a Dynamic Purchasing System framework.	REASONABLE ASSURANCE

Proposed 2021/22 Internal Audit Plan

	Assurance Area	Provenance	Link to Corporate Risks/Priorities
1	Integrated Corporate System (HR, Finance, Payroll)	Corporate Risk Register	Transformational Change (CRR-TC1)
2	Covid: grants and recovery	Corporate Risk Register, External Horizon Scanning (Risk in Focus)	Service Delivery and Operational; Finance and Resources (NEW)
3	GDPR and data privacy	Corporate Risk Register, External Horizon Scanning (Risk in Focus)	Legal and Compliance risk (CRR-LC1)
4	ICT – various, including Cyber Security	Corporate Risk Register, External Horizon Scanning (Risk in Focus)	Safety and Security (CRR-SS2)
5	Health & Safety including processes around claims	Corporate Risk Register, External Horizon Scanning (Risk in Focus)	Legal and Compliance risk (CRR-LC1), Safety and Security (CRR-SS1)
6	Climate Change	Corporate Risk Register, External Horizon Scanning (Risk in Focus)	Environmental (CRR-E1)

7	Project and Programme Assurance (various reviews)	Corporate Risk Register, External Horizon Scanning (Risk in Focus)	Service Delivery and Operational (CRR-SD1)
8	Equalities	Corporate Priorities	Legal and Compliance (CRR – LC1)
9	Procurement	Combined Authority Financial Regulations, External Horizon Scanning (Risk in Focus)	Corporate Priorities
10	Contract Management	Corporate Risk Register	Service Delivery and Operational (CRR-SD1)
11	MCA Workstreams	Corporate Risk Register	Transformational Change (CRR-TC1)
12	Risk Management	Annual health check to inform the audit opinion	Corporate Priorities
13	HR	Corporate Risk Register, External Horizon Scanning (Risk in Focus)	Transformational Change (CRR-TC1)
14	AEB	Various reviews in line with newly developed assurance framework for AEB	Corporate Priorities
15	Counter Fraud work including a review of business support Covid grants	Combined Authority Financial Regulations	Corporate Priorities

16	Security of Assets	Combined Authority Financial Regulations	Corporate Priorities
17	Compliance with Contracts Standing Orders & Financial Regulations	Combined Authority Financial Regulations	Transformational Change (CRR – TC1)
18	Complaints Handling/Casework	Corporate Risk Register	Transformational Change (CRR – TC1)
19	Safeguarding	Corporate Risk Register	Corporate Priorities
18	Grant Audits	In line with funding applications and funding agreements	Corporate Priorities
19	Attendance on Boards	Advice and guidance to inform the control framework	Transformational Change (CRR – TC1)
20	Various grant certifications	In line with funding applications and funding agreements	Corporate Priorities
21	Commercial	SLT request – value add review	Corporate Priorities
22	Bus Funding Model	SLT request – probity and monitoring of contracts	Service Delivery and Operational (CRR – SD3)

23	Insolvencies	SLT request – our response to insolvencies	Development and Regeneration CRR – DR1
24	Inter Directorate Working - Use of SLAs/MOUs	SLT request – benchmarking/advice and guidance	Corporate Priorities