

Appendix 1

Governance & Audit Committee Internal Audit Progress Report

September 2021

Key Headlines / Index

Top three issues – PCC arrangements and embedding in the Combined Authority; Equality, Diversity and Inclusion improvements to policies and processes; Transport, in particular buses and mass transit.

Progress against 2021/22 Audit Plan and any planned changes – there are no planned changes, but discussions are ongoing with the business to ensure that any emerging risks are kept under review, plan progress is detailed at pages 6 – 9.

Outstanding actions- Following on from previous actions made, Internal Audit recently put a paper to the CA Senior Management Team outlining some recommended actions to further improve project and contract management arrangements across the business. The recommendations were accepted and as a result there is now a nominated person in place tasked with developing standards and protocols for project management and there is commitment to support the Head of Commercial Services to roll out contract management improvements. Audit will continue to monitor progress in these areas and report back to the Governance and Audit Committee as necessary.

Feedback from clients –Page 11 details the feedback received from four auditees since the last Governance and Audit Committee report.

Performance Measure- Page 12 provides some details on our performance measures.

Reports Issued/ Progress against Plan

Audit Report – Project review Natural Flood Management

As part of our agreed programme of project reviews we examined the Natural Flood Management (NFM) – Colne and Calder project. The scheme cost £1.7million and included specific aims and was delivered in collaboration with district partners and outside agencies.

The review examined compliance with the Combined Authority’s assurance framework including ensuring effective project management principles, governance, regular oversight, financial controls and monitoring arrangements. We concluded that **REASONABLE** Assurance can be provided. The project was well managed and delivered in line with agreed funding agreements and the outlined business case. We made one suggestion for Management to consider as part of improvements to project management processes.

MCA Workstream Updates

Internal Audit has been providing advice and guidance to various MCA workstreams as part of its planned work for 21/22. The following are updates against that work:

MCA Workstream - **Integrated Corporate System:**

Head of Internal Audit sits on the Project Board for this work and has specific responsibility for commissioning the planned regular assurance work for this project. This will be undertaken by the Salford IT Audit team who currently provide this specialist resource to support our annual audit plan. The project is due to begin its work with the supplier of the new technology from November with initial scoping and preparatory work followed by staged implementation from early 2022 with completion due by December 2022.

MCA Workstream – **Police and Crime Arrangements:** Head of Internal Audit is on the group considering the arrangements for policing and crime governance and is liaising regularly with the Head of Audit of the Police/PCC Shared Service to share information and to understand the outcomes of the audit work undertaken by that team.

MCA Workstream – **AEB:** The Principal Auditor with responsibility for AEB sits on the Project Board as well as leading the assurance workstream for the project, see report below for detailed update.

Adult Education Budget (AEB)

The Combined Authority took control of the £63 million devolved Adult Education Budget (AEB) and £2 million delegated Level 3 funding on 1st August 2021. Internal Audit have been active Project Board members, providing support at a strategic level and will continue to do so on the new AEB Performance Board.

The Principal Auditor who leads on this area has also been involved assisting in the onboarding of over 40 providers through delivery of a presentation and answering any resulting questions at 4 welcome events. Other work has also been done as follows:

- **Audit and Assurance-** Liaison with the Education and Skills Funding Agency (ESFA) and other MCA's on the Audit and Assurance and Fraud Investigations (AAFI) group, including identifying where random sample compliance visits are being undertaken by the ESFA on providers we have in common with them and discussions on high risk providers.
- **Procurement and Legal & Governance-** advising on final contract and grant agreement issues as required.
- **ICT and data-** progress on the new DAPS payment system and Customer Relationship Management (CRM) systems has slipped which has resulted in a need to advise on remedying this, temporary solutions and suitable access controls which need to be built into them.
- **Finance-** ensuring appropriate payment processes are in place prior to August 2021 when the first payments are due using temporary records and authorisation controls until the DAPs system is ready for testing and use (see above).
- **Operational provider management-** working with the new AEB Contract Management and AEB Key Account Management Teams to further develop the performance management framework and processes, including collaboratively working on our position on how particular funding rules should be interpreted and therefore, compliance with them evidenced by providers.

Future tasks include a review by the main Internal Audit Team on Stage 2 of the Procurement process for Independent Training Providers (ITP's)- Mini Competition. We are also due to recruit a further full time Principal Internal Auditor and three Internal Auditors to support the provision of a programme of compliance visits.

Counter Fraud, Whistleblowing and Anti Money Laundering

There have been no new fraud referrals since the July 2021 progress update to GAC.

Audit is currently working with specialist legal support and representatives from across the business to develop and implement improved AML arrangements. The intention is that template documentation for 'Know Your Client (KYC)' checks will be provided in the first instance. This will then be followed by enhancing understanding of AML through awareness raising sessions generally and some more specific training for relevant parts of the business. Risk assessments will be undertaken in individual directorates to ensure that there is a good understanding of the AML risks in different service areas. This will continue to build the appropriate expertise and knowledge to ensure good levels of compliance and risk mitigation going forward.

The table below provides a summary of referrals reported during 2021-22.

	Total number of referrals 21/22	Investigation completed - No breach/no further action	Investigation completed – further action taken	Still under investigation
Fraud - External	0	NA	NA	NA
Fraud - Internal	0	NA	NA	NA
Whistleblowing	0	NA	NA	NA
AML	0	NA	NA	NA

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. Since our last report in July 2021 we have reviewed and certified the following grants.

Grant	Claim Period	Value certified £
Share North (claim10)	Jan-Jun 2021	88,671
Investment Readiness	Q2(01/04-30/06)	109,352
Strategic Business Growth	Q2(01/04-30/06)	354,310
Connecting Innovation	Q2(01/04-30/06)	94,426
Rebiz	Q2(01/04-30/06)	218,314
Superfast BDUK	2020-21	0

No significant matters arose during the certification of these grants.

2021/22 Internal Audit Plan

	Assurance Area	Scope	Current Status/Timetable
1	Integrated Corporate System (HR, Finance, Payroll)	To review progress with implementation of the new Integrated Corporate System.	Quarter 3-4
2	Covid: grants and recovery	Part of Counter Fraud work, likely to take the form of assisting with risk assessments	Ongoing advice
3	GDPR and data privacy	To focus on compliance with policies and practices within directorates where significant GDPR issues arise and to review the Data Privacy Impact Assessments process.	Quarter 4

4	ICT – various, including Cyber Security	Salford Internal Audit Service to provide a programme of ICT reviews over the year in line with its risk assessment of ICT Services.	Quarter 3,4
5	Health & Safety including processes around claims	H&S policies and practices are up to date and meet legislative requirements, to provide assurance around health and safety incidents and reporting processes and ascertain the impact of Covid-19 on H&S activity.	In progress
6	Climate Change	To provide an assessment against the external action plans and follow up recommendations made during the last review.	Quarter 3
7	Project and Programme Assurance (various reviews)	A cycle of project and programme assurance reviews to be undertaken. The reviews will primarily focus on compliance with the Assurance Framework as well as good project and contract management compliance.	Natural Flood Management (Reasonable Assurance)
8	Equalities	Plan a further review against the EFLG framework gathering evidence to support the assessment, focus across the directorates on work implementing the strategy and action plan. Follow up on previous recommendations.	Quarter 4
9	Procurement	To carry out deeper dives on some of the larger, more difficult procurements with potentially focus on ones in Transport Services.	Quarter 3-4
10	Contract Management	A cycle of contract management reviews to ensure compliance with contract standing orders and contract management principles.	Draft Report on Mechanical and Electrical Maintenance Repair service
11	MCA Workstreams	See above commentary	Ongoing

12	Risk Management	Annual health check to inform the audit opinion and follow up work from 2020-21	Quarter 4
13	HR	Focus on key risks and controls in HR	Quarter 3-4
14	AEB	Various reviews in line with newly developed assurance framework for AEB	Ongoing advice and guidance, to be followed by provider assurance in Q4
15	Counter Fraud work including a review of business support Covid grants	The counter fraud officer is currently developing some recommendations regarding relief payments made for a particular sector as a result of the fraud investigation undertaken earlier in the year. The outcomes will be reported to this Committee once completed.	Ongoing advice
16	Security of Assets	This review will focus on the Combined Authority's asset management processes.	Quarter 3
17	Compliance with Contracts Standing Orders & Financial Regulations	Focus on the current financial system including the Creditors (accounts payable) system.	In scope
18	Complaints Handling/Casework	A review of the arrangements put in place post the mayoral election.	Quarter 3
19	Safeguarding	A review of our safeguarding policy and guidance, including a review of processes and practices where services are	In progress

		commissioned in transport services, ensuring staff receive safeguarding training at an appropriate level.	
20	Grant Audits	In line with funding applications and funding agreements.	As requested by funders
21	Attendance on Boards	Advice and guidance to inform the control framework	Ongoing
22	Various grant certifications	Grant certification provided In line with funding applications and funding agreements	See above grants table
23	Commercial	A review of any new commercial arrangements put in place, this may defer to 22/23 as these developments are not yet in place	Quarter 4
24	Bus Funding Model	This review is due for discussion as a result of some of the significant changes taking place around transport in West Yorkshire and may be rescoped. Any changes will be in line with revised risk profiles and will be reported back to this Committee.	Quarter 3-4
25	Insolvencies	This review, requested by SLT, is due to be scoped later in the year, but may be reviewed if risk profiles change.	Quarter 4
26	Inter Directorate Working - Use of SLAs/MOUs	This review, requested by SLT, is due to be scoped later in the year, but may be reviewed if risk profiles change.	Quarter 4
27	*NEW – Adult Education Budget Procurement Stage 2	To provide assurance over the Adult Education Budget mini competition Stage 2 of the Procurement process for selection of Independent Training Providers.	In progress

Audit Follow up

We have previously agreed with Committee to report on outstanding actions. The table below provides an update on the status of each audit recommendation made since April 2020 (unless carried forward as outstanding). There are 5 overdue recommendations, 3 of these relate to Contract Management (From Feb 2020 report), and 2 relate to AEB procurement stage1 (From Feb 21 report). As referred to in the brief synopsis at Page 2, we are working with Management to address the overdue recommendations. The implementation of recommendations is based upon Management’s own assessments except where Internal Audit have carried out formal follow up work.

Directorate	Total	Implemented	In progress	Overdue	Not advised	Not to be Implemented
Cross Cutting	3	2	2	0	0	0
Corporate and Commercial Services	33	9	18	5	0	0
Delivery Services	2	0	2	0	0	0
Economic Services	0	0	0	0	0	0
Policy and Development	2	0	2	0	0	0
Strategy, Communication and Policing	3	1	2	0	0	0
Transport Services	0	0	0	0	0	0
Total	43	12	26	5	0	0

Client Feedback

We have received 4 client feedbacks for reports (8 sent out), these relate to reviews included in the 2020-21 audit plan. These have shown an overall positive score, 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?
Emergency Active Travel Fund – (May 2021)	Kept the team well informed of progress and worked flexibly to accommodate what information was available at the time.	N/A
Equalities - (June 2021)	Internal audit worked closely with those working on the EDI action plan to look at how they could support the work that we know is required to improve in this area. This helped to support the ongoing work in developing the EDI action plan.	N/A
GDPR Compliance – (June 2021)	The final report was good reflection of areas that require improvement across the organisation.	For areas of compliance that are everyone's responsibility (as set out in the Officer Scheme of Delegation) we need to ensure we focus on placing responsibility and accountability for compliance with process owners...this was adjusted for in the final report.
AEB Procurement – (Feb 2021)	Mainly done without too much input from our team	Where our input was required could have done with more foresight and time to complete

Performance measures

The following provides some general performance indicator information to support the Committee in assessing the performance of Internal Audit.

Measure	Annual Target	April	May	June	July	August	YTD
Annual Governance Statement deadline 2020/21 - to include annual audit opinion	May (draft) September (final)	NA	Achieved	NA	NA	NA	Achieved
Customer Satisfaction	80% good or above	N/A	NA	100%	NA	NA	100%
Reports issued within 10 working days from completion of audit work	95%	100%	0%	100%	0%	0%	50%
Percentage of recommendations agreed	90%	100%	NA	100%	NA	NA	100%
Fraud/Whistleblowing acknowledgement, where appropriate, within 10 working days	100%	NA	NA	NA	NA	NA	No frauds reported to date
Fraud/Whistleblowing reports to be issued within 10 working days of investigation completion	95%	NA	NA	NA	NA	NA	No frauds reported to date
Grant certifications to be completed within 3 working days (or to a separately agreed deadline) of a fully completed evidence file being received	95%	100%	100%	NA	NA	100%	100%