

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

**March 2022**

# 1. Key Headlines / Index

**Top three issues** –Transport, in particular bus partnerships/franchising and mass transit; delivery against Mayoral Pledges; Resource and recruitment.

**Progress against 2021/22 Audit Plan and any planned changes** – there are no further proposed changes to the plan since the last meeting of the Committee and work is progressing to ensure delivery in time to inform the annual opinion. Overall plan progress is detailed at pages 8 – 11.

**Outstanding actions-** At page 11 a brief summary is provided of audit recommendations made since April 2020. Audit monitor the status of implementation of recommendations and where recommendations are overdue, Audit work with Management to monitor progress, agree revised implementation dates or perform follow up reviews.

**Feedback from clients** – Audit have not received any feedback forms for the recently issued reports to date, but the overall KPI position is still reflected in the section on Performance Measures.

**Performance Measure-** Page 13 provides some details on our performance measures.

## 2. Reports Issued/ Progress Updates

### Audit Report – Contract Management (Bus Shelter Repairs)

Internal Audit reviewed the contract for glazing, repair and maintenance services of bus stops to determine compliance with contract standing orders and standards. The contract, managed by Transport and Property Services, was awarded in 2017 covering a wide provision of maintenance and repair services to bus stops, bus shelters and unmanned bus stations under a call-off arrangement.

The review resulted in an audit opinion of **LIMITED** assurance concluding that while there has been some compliance with contract standards, there were key areas where sufficient evidence of control was not demonstrated.

Three recommendations were made to improve document management and ensuring contract extension agreements and decisions and monitoring of budgetary activity was suitably recorded and evidenced.

The service intends to re-tender the contract and support is currently being provided by the Commercial team and, it is expected a new agreement will be in place from June 2022.

### Audit Report – Creditors and Purchasing

Internal Audit reviewed the adequacy and effectiveness of controls in place to manage risks associated with the Creditor and Purchasing systems and concluded that audit opinion of **REASONABLE** assurance can be given.

The review examined user access controls to both the purchasing and financial system, controls around changes to supplier information, sample checking of invoices paid, ensuring the system was reconciled regularly and performance (time taken to pay invoices) was monitored.

Two recommendations were raised to strengthen existing controls around changes to supplier details, and order approval permissions on the purchasing system.

The review also highlighted reporting limitations within the current financial system however noted that these should be addressed with the impending implementation of the new Integrated financial system.

### Advisory Report – Transport Grants (Financial Processes)

This review culminated from a series of grants received in the Transport Services directorate requiring internal audit certification that identified a number of issues. Following discussions with Senior Management it was agreed that a wider review of financial process relating to bus services should be undertaken. The review examined the process of preparing claims for audit certification, reviewed documentation and examined the internal financial control processes and oversight arrangements within the service.

We highlighted a number of areas for management to consider including developing clear internal quality assurance processes for grants certification, ensuring working papers supporting claims are comprehensive and that there was appropriate oversight of this, outstanding claim/returns should be pursued as a matter of priority and that consideration should be given to developing a grants manual. We also highlighted that it may be an opportune time to carry out a review of financial processes as part of the development of the new financial system.

### **Advisory Report – Special Educational Needs (SEN) Transport Services**

Audit previously investigated a fraud referral which, while it could not be taken forward as it did not relate to a fraud against the Authority, did highlight a number of areas in which the organisation could make improvements to its current processes within the SEN Transport Team. This work has now concluded and an advisory report was issued which made a number of recommendations that the business are going to address moving forwards.

The recommendations covered the following areas: ensuring that all records relating to drivers are properly maintained as some issues were found with systems (overwriting previous details), alternative drivers, incomplete information; contracts should be updated to include specifying expected documentation in relation to payments and subcontractor arrangements (invoices or payslips) and ensuring allowance for Open Book reviews as required; the Commercial Services Team should be used to provide expertise on any future contracting processes and required due diligence; financial reporting to be made clearer so that payments for different reasons (eg relief payments) can be separately considered, monitored and verified against approved funding.

### **AEB Procurement**

Internal Audit was commissioned to provide assurance over the procurement process to appoint providers to deliver Adult Education Budget (AEB) services in the West Yorkshire Region. The review focused on ensuring there was compliance with contract standing orders, procurement rules and guidance that had been developed to support the AEB tendering process.

Our work concluded that a **REASONABLE** level of assurance can be given on the basis that there was compliance with contract standing orders, good controls were in place over the assessment and evaluation of bids and the AEB team were duly supported by the Commercial team to ensure guidance was followed. Moreover, we found that evaluation and scoring documentation was thorough although we did make one recommendation to further improve the audit trail when agreeing allocation of funds. Awards were approved by Senior Leadership and approvals were received prior to commencing any contracts with the suppliers.

## 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 along with the rest of the Board is monitoring: progress against the project plan, any issues or emerging risks and providing advice and guidance to the project team as necessary. The project is now well underway and a health check project audit has been commissioned from our ICT specialist audit partner that is due to commence from mid March. This will ensure that any initial issues/risks receive early attention and will give the Project Board its independent assurance that things are on track.

MCA Workstream – **Police and Crime Commissioner (PCC) Arrangements:** the Head of Internal Audit is continuing to meet regularly with the Head of the West Yorkshire Police (WYP) Shared Service to develop protocols for working together/placing reliance on the respective internal audit teams work. The wider review of governance arrangements has made some suggestions to the Joint Audit and Ethics Committee about potential changes to that Committee, specifically with a view to separating the Ethics aspects and allowing a broader set of stakeholders to contribute to that discussion.

MCA Workstream – **AEB:** The Principal Auditor with responsibility for AEB sits on the AEB Performance Group, 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 have continued to do so on the new AEB Performance Group. The Principal Auditor who leads on this area has also been:

- **Audit and Assurance-** Liaising with the Education and Skills Funding Agency (ESFA) and other MCA's on the Audit and Assurance and Fraud Investigations (AAFI) group, developing the Operational AEB Audit and Assurance Workplan and planning and carrying out initial reviews on two providers.
- **ICT and data-** determining data report requirements for audit purposes from Power BI and ESFA source data to inform control and compliance reviews of providers.
- **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 the recording and assessment of flexibilities requests and exceptions reporting/ monitoring.

Recruitment of a further full time Principal Internal Auditor and two Senior Internal Auditors to support the provision of a programme of compliance visits to enable the organisation to meet its assurance requirements to the Department for Education regarding the funding provided has commenced but been unsuccessful so far.

## Counter Fraud, Whistleblowing and Anti Money Laundering

The previously notified internal fraud referral relating to time recording which was investigated by the HR team has now concluded and disciplinary action has been taken.

The work on Anti Money Laundering (AML) has also progressed with some additional recorded training sessions on using the newly developed Know Your Customer checklists now in place for staff, once they have completed the basic AML training.

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	N/A	N/A	N/A
Fraud – Internal	1	N/A	1	N/A
Whistleblowing	0	N/A	N/A	N/A
AML	0	N/A	N/A	N/A

## 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 January 2022, Audit have reviewed and certified the following grants.

Grant	Claim Period	Value certified £
LTA Bus Recovery Grant	2021-22	£809,043 (TBC)
Covid-19 Bus Support Grant	2021-22	£5,755,000
Connecting Innovation	Q4 (01/10-31/12)	£123,477
Rebiz (REF2)	Q4 (01/10-31/12)	£285,544
Investment Readiness	Q4 (01/10-31/12)	£46,005
Strategic Business Growth	Q4 (01/10-31/12)	£389,559
Interreg SHARE North	July – Dec 2021	£68,621

A number of issues were identified in the bus recovery/support grants which resulted in some additional audit advisory work. There is a summary of this report in Section 2 above (Transport Grants – Financial Processes).

### 3. 2021/22 Internal Audit Plan

Assurance Area	Scope	Current Status/Timetable
Project and Programme Assurance - Natural Flood Management	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.	Completed review Reasonable Assurance rating given
Health & Safety	To provide assurance that H&S policies and practices are up to date and meet legislative requirements and review processes around incidents and reporting of these and action taken as a result.	Completed review Reasonable Assurance rating given
Contract Management - Mechanical and Electrical Maintenance Repair service contract	A cycle of contract management reviews to ensure compliance with contract standing orders and contract management principles.	Completed review Reasonable Assurance rating given
Contract Management - Review of Bus Shelters contract	A cycle of contract management reviews to ensure compliance with contract standing orders and contract management principles.	Completed Review Limited Assurance rating given (see above)
Compliance with Contracts Standing Orders & Financial Regulations	Focus on the current financial system specifically the Creditors and Purchasing (Accounts Payable) system.	Completed Review Reasonable Assurance rating given (see above)
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.	Completed Review Reasonable Assurance rating given (see above)



Assurance Area	Scope	Current Status/Timetable
Counter Fraud work including a review of business support Covid grants	The counter fraud officer is currently developing a report and recommendations regarding relief payments made for a particular sector as a result of the fraud investigation undertaken earlier in the year.	Completed Advisory Review (see above)
Bus Funding Model - Financial Processes (Transport Services)	As a result of conducting grant assurance work where some issues with audit trails were established, an advisory review was conducted to recommend improvements to the recording and oversight of financial processes in this area.	Completed Advisory Review (see above)
AEB	Various reviews in line with newly developed assurance framework for AEB. Ongoing advice and guidance, to be followed by provider assurance in Q4.	First Provider report at Draft Stage
Contract Management – Customer Care, Cleaning and Security	A cycle of contract management reviews to ensure compliance with contract standing orders and contract management principles.	In progress
Climate Change	To follow up recommendations made during the last review.	In progress
Safeguarding	A review of our safeguarding policy and guidance, including a review of processes and practices where services are commissioned in transport services, ensuring staff receive safeguarding training at an appropriate level.	In progress
Procurement	To carry out deeper dives on some of the larger, more difficult procurements.	In progress
Security of Assets	This review will focus on the Combined Authority's asset management processes.	In progress
Equalities	To follow up on audit recommendations made in the last review.	In progress

Assurance Area	Scope	Current Status/Timetable
ICT – Cyber Security	Salford Internal Audit Service to provide specialist ICT work beginning with a review of Cyber Security.	In progress
Integrated Corporate System (HR, Finance, Payroll)	To review progress with implementation of the new Integrated Corporate System.	Scoping
Complaints Handling/Casework	A review of the arrangements put in place post the mayoral election.	Quarter 4
Risk Management	Annual health check to inform the audit opinion and follow up work from 2020-21	Quarter 4
HR	Focus on key risks and controls in HR, particularly around HR data	Quarter 4
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
Various grant certifications	Grant certification provided In line with funding applications and funding agreements	See above grants table
Attendance on Boards	Advice and guidance to inform the control framework	Ongoing advice and guidance
MCA Workstreams	See above commentary	Ongoing advice and guidance
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	To be deferred
Insolvencies	This review is proposed to be removed from the plan as other areas are prioritised and resource is constrained.	To be removed

Assurance Area	Scope	Current Status/Timetable
Inter Directorate Working - Use of SLAs/MOUs	This review is proposed to be removed from the plan as other areas are prioritised and resource is constrained.	To be removed

#### Overall Opinion Ratings

Level of Assurance	Description
Reasonable	There is a good framework of controls in place and the majority of controls are being consistently applied to ensure risks are managed effectively.
Limited	There is an adequate framework of controls in place but the controls are not being consistently applied to ensure the risks are managed effectively.
Minimal	There is a weak framework of control in place and/or the controls are not being consistently applied to ensure the risks are managed effectively.

## 4. Audit Follow up

As previously agreed with the Committee, Audit reports on any 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 is 1 overdue recommendation this relates to Contract Management (from Feb 2020 report), Audit continue to monitor progress with implementation of this.

The 1 recommendation “not to be implemented” has previously been reported but for completeness relates to an action in the Contract Management report (from Feb 2020 report) and corresponds to amending role profiles which it was agreed would be removed until contract management standards were fully in place and then revisited. Audit continue to work with Management to address 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
<b>Cross Cutting</b>	3	3	0	0	0	0
<b>Corporate and Commercial Services</b>	40	21	17	1	0	1
<b>Delivery Services</b>	2	2	0	0	0	0
<b>Economic Services</b>	0	0	0	0	0	0
<b>Strategy, Comms, Policing</b>	5	1	4	0	0	0
<b>Policy and Development</b>	0	0	0	0	0	0
<b>Transport Services</b>	6	1	5	0	0	0
<b>Total</b>	<b>56</b>	<b>28</b>	<b>26</b>	<b>1</b>	<b>0</b>	<b>1</b>

## 5. Performance measures

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

Measure	Annual Target	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	YTD
Annual Governance Statement deadline 2020/21 - to include annual audit opinion	May (draft) September (final)	NA	Achieved	NA	NA	NA	Achieved	NA	NA	NA	NA	NA	Achieved
Customer Satisfaction	80% good or above	N/A	NA	100%	NA	NA	100%	NA	100%	NA	NA	NA	100%
Reports issued within 10 working days from completion of audit work	95%	100%	0%	75%	NA	0%	0%	NA	50%	NA	0	100%	63%
Percentage of recommendations agreed	90%	100%	NA	100%	NA	NA	NA	100%	100%		100%	100%	100%
Fraud/ Whistleblowing acknowledgement, where appropriate, within 10 working days	100%	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	One Internal Fraud notified *
Fraud/ Whistleblowing reports to be issued within 10 working days of investigation completion	95%	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	No reports issued 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%	50%	50%	100%	100%	100%	100%	87%

- One internal fraud notification was for recording purposes only (see previous fraud section) as it had been dealt with by our HR team and through the conduct policy and did not therefore contribute to our performance indicators.