



# Governance and Audit Committee Internal Audit Progress Report July 2022

July 2022

# Appendix 1

## 1.Key Headlines / Index

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

**Reports issued – Pages 2-6** provide an update of work carried out since the last update to Committee.

**Progress against 2022/23 Audit Plan and any planned changes** – there has been focus on completing the 2021-22 plan and work on the 2022-23 plan is now progressing. Overall the plan is now well underway and a summary is provided at **pages 7 – 9**. There has been one addition to the agreed plan i.e. Transport and Property Services Directorate – Financial Controls review. It is anticipated that the plan will be delivered on time in order to inform the annual audit opinion.

**Outstanding actions-** At **page 10** a brief summary is provided of audit recommendations made since April 2021. 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 – Page 11** provides details of feedback received from recently issued reports to date and these have been included.

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

## 2. Reports Issued/ Progress Updates since the last Committee meeting

### Audit Report – Safeguarding

Local Authorities have a duty to promote safeguarding, report concerns and ensure functions and services promote welfare of vulnerable people and children. This review examined the current arrangements with particular reference to: governance, policies and guidance, recording and reporting concerns and training for staff.

Our work concluded that whilst there was some good practice in place to manage safeguarding, further progress was required to embed these practices. The safeguarding policy was out of date and whilst it was under review we identified some additional improvements for Management to consider. Furthermore, there appeared to be inconsistency in recording incidents and lines of reporting were not adhered to. Therefore an audit opinion of **LIMITED** assurance was provided.

The review resulted in recommendations for management to implement and included agreeing a revised safeguarding policy and raising awareness amongst all staff, providing safeguarding training, improving systems for recording incidents and ensuring there was oversight of issues via the Regulatory and Compliance Board.

### Audit Report – Procurement

Internal Audit reviewed compliance with procurement procedures, contract standing orders and whether good value was achieved, concluding that an audit opinion of **REASONABLE** assurance can be given.

A review on the implementation of policies, processes, and procedures along with checks on a sample of procurements over £30k found that an appropriate standard of documentation and controls is in place to support compliance with procurement policies and contract standing orders therefore Reasonable Assurance can be provided.

We did not make any formal recommendations; however, we did make one minor suggestion around improving procurement documentation storage.

### Audit Report – Cyber Security

Salford Internal Audit Service (our specialist ICT audit provider) have undertaken a review of Cyber Security in the form of a scan that aims to identify any unaddressed vulnerabilities. There were no major issues identified with the results of the scan, some low risk areas were identified that could be easily addressed and these were highlighted to the ICT team for action.

As a result of these findings, **REASONABLE** assurance has been provided.

### **Audit Report Follow up – Climate Change**

Internal Audit conducted a review to follow up on progress against the recommendations made in our previous report, which received a rating of Limited Assurance in January 2021. As a follow up review, this engagement was designed to give a sense of progress against the recommendations made previously and was consequently not rated.

We have found that little progress has been made against each of the audit recommendations from our previous report. It is our intention to review the Combined Authority's (CA's) climate change activities in 2022-23 with a focus on the CA's external objectives, however the CA should still be managing and monitoring its own practices and approach to internal climate change targets.

We therefore made one recommendation as part of this follow up report, for management to clarify the position of the TCE internal action plan going forward.

### **Audit Report Follow up – Equalities**

Internal Audit conducted a review to follow up on progress against the recommendations made in our previous report, which received a rating of Limited assurance in May 2021. As a follow up review, this engagement was designed to give a sense of progress against the recommendations made previously and was consequently not rated.

We have found that good progress has been made against each audit recommendation recognising that work is ongoing to fully implement actions arising from the previous audit report.

Our overall view is that progress is now moving forward at a much faster pace and the emphasis, focus and commitment to equality, diversity and inclusion is clearly evident, but it is our intention to review Equalities again at the latter stages of the Audit Plan for 2022-23 to allow audit to refresh the opinion.

### **Audit Report – National Fraud Initiative (NFI)**

The National Fraud Initiative (NFI) is a Cabinet Office exercise that matches electronic data within and between public and private sector bodies to prevent and detect fraud and sends them out for investigation by participants on a bi-annual basis. Those involved include police authorities, local probation boards, fire and rescue authorities as well as local councils and NHS trusts, some central government departments and a number of private sector organisations.

Combined Authorities are legally required to submit certain data and report on investigation outcomes via a secure Portal. These are then compiled and published in a national report. Individual teams including Finance, Transport Services, ICT and Legal and

Governance Services are asked to review and report on any identified matches. Internal Audit then provides investigative and test analysis expertise as well as compiling an overall report on the responses from the organisation for internal governance reporting.

Internal Audit assessed compliance with mandatory responsibilities and lessons learned from the NFI 2020 exercise in which 16,284 matches were considered, risk assessed and some investigated in detail. This report presented the approach taken, findings and conclusions drawn from the review for information and recommended actions for senior management consideration where appropriate.

REASONABLE assurance was given and the joint working approach has led to new methodologies being developed that should increase the audit trail available and effectiveness and timeliness of our review of matches in future exercises.

### **Advisory Report – Integrated Financial System**

Salford Internal Audit Service (our specialist ICT audit provider) examined the effectiveness of project management processes in place to provide confidence that the implementation of the new Integrated Corporate System (ICS) will deliver its defined aims within agreed funding and delivery timescales.

The review found that there is a risk that the project may not achieve its objectives in accordance with the planned timescales and costs. A number of issues were identified which, if addressed, would significantly reduce the risk of failing to achieve the objectives of the project. As a result of this assessment, the ICS Project Board has undertaken some immediate work to build in additional mitigations and actions. These are now under regular review by the Board and form part of the ongoing management of the project. Further assurance reviews are planned for the remainder of the project timetable.

### **Advisory Report – AEB Provider Review (1)**

Internal Audit conducted their first review of an Adult Education Budget (AEB) provider. This review was completed on an advisory basis due to an already identified need to support them in their delivery. This was also driven by recent changes being agreed with them, another Combined Authority and the Education and Skills Funding Agency (ESFA) regarding how they assessed learner eligibility for a particular type of funding for which they are one of only two providers nationally.

The review focussed on the processes followed for the registration of learners, their eligibility for the funding claimed, and the uploading of information into the electronic Individual Learner Record (ILR) system that generates claims for funding promptly and accurately. Changes to learner status, Learning Support Funding, Community Learning provision and how it was accounted for, were also considered. The aim was to provide guidance to the provider as to areas that required development and make recommendations regarding how this might be done.

A number of areas were identified for improvement where the Funding Rules and Grant Agreement were not being complied with. Analysis of the root causes of these were used to suggest actions to be taken to improve processes and controls.

## Audit Report – AEB Provider Review (2)

Internal Audit's second Adult Education Budget (AEB) provider visit has been conducted, concluding that an audit opinion of REASONABLE assurance can be given.

The review focussed on the processes followed for the registration of learners and the uploading of information into the electronic Individual Learner Record (ILR) system that generates claims for funding promptly and accurately. The provider's processes were found to be consistent and structured, and only one minor recommendation was made regarding potential process improvement.

## Adult Education Budget (AEB) Progress Update

The Combined Authority took control of what is now £65 million devolved Adult Education Budget (AEB) and £4.6 million delegated Level 3 (Free Courses for Jobs Offer) funding on 1<sup>st</sup> August 2021 and 1<sup>st</sup> December 2021 respectively.

The first Letters of Assurance on Payments to Providers for these funding streams for financial year 2021/ 22 (August 2021-March 2022) were required by the Department for Education at the end of June 2022. Internal Audit provided guidance on the content to include in these and internal approval processes and tested the evidence of their content for accuracy prior to their approval by the Section 73 Officer.

Recommendations for future controls were provided to the AEB team as part of this work. These primarily related to items that should be published on the West Yorkshire Combined Authority website being updated in line with best practice and activity that will need to be carried out at year end in line with the Performance Management Framework. Caveats were included regarding the payments made to two providers who have received Performance Improvement Notices with requests for repayment at R10 due to underperformance against their agreed profiles/ delivery plans.

Internal Audit have been active Performance Board members, providing support at a strategic level and have continued to do so on the new AEB Performance Group. The Principal Auditors who work 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 and providers we have in common, developing the Operational AEB Audit and Assurance Workplan and starting to deliver further AEB provider audit visits.
- **ICT and data-** developing the Audit dashboards within Power Bi to inform control and compliance reviews of providers.
- **Legal and Governance-** Reviewing flexibilities requests and changes to the Funding Rules in line with local flexibilities approved by the Combined Authority and Employment and Skills Committee.

Recruitment is still underway for the remaining two unfilled senior auditor roles, with these out to advert again.

## Counter Fraud, Whistleblowing and Anti Money Laundering

Basic Anti Money Laundering (AML) training has now been made available to all staff via the iHASCO training portal (the mandatory training also includes modules on Counter Fraud, Bribery and Corruption). More detailed guidance and recorded training sessions on using the newly developed Know Your Customer checklists is in the process of being published on the intranet to support those who may need to carry out checks as part of their roles.

The table below provides a summary of referrals reported during 2022-23.

	Total number of referrals 22/23	Investigation completed - No breach/ no further action	Investigation completed – further action taken	Still under investigation
Fraud – External	0	N/A	N/A	0
Fraud – Internal	0	N/A	N/A	N/A
Whistleblowing	1	N/A	N/A	1
AML	0	N/A	N/A	N/A

One whistleblowing concern has been raised to date and an initial investigation is currently underway.

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

Grant	Claim Period	Value certified £
Connecting Innovation	Q1 (01/01-31/03)	205,275
Rebiz (REF2)	Q1 (01/01-31/03)	298,850
Investment Readiness	Q1 (01/01-31/03)	30,576
Strategic Business Growth	Q1 (01/01-31/03)	286,669
BEIS	Apr 21– Mar 22	780,000
Peer Networks	Apr 21– Mar 22	93,896
Traffic Demand Management	Apr 21– Mar 22	22,655
BDUK	Apr 21– Mar 22	1,720,037
BHF	Apr 21– Mar 22	n/a
ZEBRA	March 2022	n/a

### 3. Internal Audit Plan 2022/23

Assurance Area	Scope	Current Status/Timetable
Contract Management (sample to confirm compliance with Fin Regs/ Contracts Standing Orders)	Contract management reviews to ensure compliance with contract standing orders and contract management principles and a separate review focusing on central systems.	In progress
MCard APP	To examine controls around ticket sales through the new App with focus on fraud risks.	In scope
Adult Education Budget	Various reviews are to be delivered in line with assurance framework for AEB, including a programme of provider audit visits.	In progress
<b>*NEW</b> Transport and Property Services Directorate – Financial Controls review	To examine the system of internal controls within Transport Services	In progress
FlexiBus	To examine the flexibus arrangements	In scope
Project and Programme Assurance reviews	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.	Quarter 2
Counter Fraud work	A proactive counter fraud work plan is being developed in line with our policy and best practice consisting of activities to strengthen our controls to prevent, detect and investigate fraud, corruption and money laundering that involves the Combined Authority and its resources.	Quarters 2-4
Procurement	To carry out review of a range of procurements to confirm compliance with financial regulations and contract standing orders.	Quarter 2-3



Integrated Corporate System (HR, Finance, Payroll)	To review progress with implementation of the new Integrated Corporate System.	Quarter 2-3
Bus Funding Model	To examine spend forecast on tendered services/ concessionary fares, checks on controls/payments	Quarter 2-3
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 2-3
Compliance with Contracts Standing Orders & Financial Regulations	Focus on the current financial system.	Quarter 2-3
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.	Quarter 3
Police and Crime Team Commissioning (including Violence Reduction Unit)	A review to consider how the Police and Crime Team processes are fitting into CA ways of working to ensure agile responses to short term funding.	Quarter 3
PAN Programme Charges (benchmark review)	To consider current arrangements and by comparison with others, look for opportunities to demonstrate vfm with performance indicators and maturity measures.	Quarter 3
Code of Corporate Governance and Compliance with sub delegations	To advice and support the implementation of revised delegations and proposed review of the Code.	Quarter 3-4
Climate Change – external plans	To examine the CA's progress against its external climate change plans	Quarter 3-4
Risk Management	Annual health check to inform the audit opinion and follow up work from 2021-22	Quarter 4
Security of Assets	Carry over review to be completed and scope for further review to be determined but building on previous year's work. This second review will focus on the Combined Authority's asset management processes.	Carry over review in progress Quarter 4

Equalities	Plan for a further review against the EFLG framework gathering evidence to support the assessment, focus across the directorates on work implementing the strategy, action plan and EDI measures. Follow up on previous recommendations.	Quarter 4
Commercial, Development and Investment work, specifically Business Accelerator Fund (claim and payment arrangements)	A review of any new commercial arrangements put in place.	Quarter 4
GDPR (ICO Framework)	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
Grant Audits	In line with grant funding applications and funding agreements	As required
Attendance on Boards	Advice and guidance to inform the control framework	Ongoing
Various grant certifications	Grant certification provided In line with funding applications and funding agreements (see below)	Ongoing

### 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.

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**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.

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## 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 2021 (unless carried forward as outstanding). At the time of writing, 3 recommendations are overdue, and Audit have been liaising with Management to establish progress with implementing these. The table also refers to 1 recommendation “not to be implemented” which management have chosen not to accept. This refers to a recommendation in the National Fraud Initiative audit report (June 2022) that asked officers to establish a process to check all member declarations annually, however, Management felt that the onus was on Members to report any changes to the Monitoring Officer in line with the Members Code of Conduct.

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>	11	6	4	0	0	1
<b>Corporate and Commercial Services</b>	21	15	3	3	0	0
<b>Delivery Services</b>	2	2	0	0	0	0
<b>Economic Services</b>	1	0	1	0	0	0
<b>Strategy, Comms, Policing</b>	4	0	4	0	0	0
<b>Policy and Development</b>	1	0	1	0	0	0
<b>Transport Services</b>	10	2	8	0	0	0
<b>Total</b>	<b>50</b>	<b>25</b>	<b>21</b>	<b>3</b>	<b>0</b>	<b>1</b>

## 5. Customer Feedback

Audit have received 3 client feedbacks for reports (6 sent out), these relate to reviews completed in the 2021-22 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?
Equalities (follow up) (March 2022)	Providing a supportive environment whilst encouraging quality challenge and interrogation to gain the best results for all.	Ahead of the meeting, maybe a overview/reminder of the process and timeline, and any associated actions and for who.
AEB Procurement (March 2022)	Happy with the review	n/a
Procurement (May 2022)	The scope of the audit was clearly presented. The auditor also gave confidence that they would take time to understand the operation of the department and practices in the application of their audit measures.	None, the commercial team was happy with the audit process and the way in which it was completed.

## 6. 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 2021/22 - to include annual audit opinion	May (draft) November (final)	NA	100%	NA									100%
Compliance against Public Sector Internal Audit Standards - self assessment against the Local Govt checklist	May (draft) September (final)	NA	NA	100%									100%
Customer Satisfaction (including question around EDI approach)	80% good or above	100%	NA	100%									100%
Reports issued within 10 working days from completion of audit work	95%	100%	100%	100%									100%
Percentage completed reviews against agreed plan, quarterly targets	Q1=10%, Q2=40%, Q3=70%, Q4=90%	NA	NA	0%									0%
Percentage of recommendations agreed	90%	100%	100%	100%									100%
Fraud/ Whistleblowing acknowledgement, where appropriate, within 10 working days	100%	100%	NA	NA									100%
Fraud/ Whistleblowing reports to be issued within 10 working days of investigation completion	95%	NA	NA	NA									N/A
Grant certifications to be completed within 3 working days (or to a separately agreed	95%	100%	67%	0%									70%

