



Governance and Audit Committee Internal Audit Progress Report

October 2022

Appendix 1

1.Key Headlines / Index

Top three issues –Transport, in particular bus partnerships/franchising and mass transit; cost of living/inflation impacts on delivery/contracts; resource (including organisational design and recruitment).

Reports issued – Page 2 provides an update of work carried out since the last report to Committee.

Progress against 2022/23 Audit Plan and any planned changes – progress against the plan is moving more slowly than hoped given the resourcing issues, but with both the work in progress and the action being taken to bring in additional support through a procurement exercise, confidence remains high that sufficient work against the plan will be completed to ensure an opinion not limited by scope.

Outstanding actions- At **page 9** a fuller summary of the status of audit recommendations has been provided following the discussions at the last Committee meeting. There are now no overdue recommendations outstanding, but there is an update on any 'in progress' recommendations.

Feedback from clients – Page 11 provides details of feedback received from recently issued reports to date and these have been included.

Performance Measures - Page 12 provides details on our performance measures.

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

Audit Report – Complaints & Casework 2021-22

Internal Audit reviewed the Combined Authority’s complaints and casework handling process, finding the process is effective and ensures complaints are properly recorded, handled in accordance with the Combined Authority’s policies and procedures, and responded to in a timely manner, therefore **REASONABLE** Assurance was provided.

During the review it was acknowledged that there are some areas in the complaints and casework handling process that could be improved. We made one recommendation for the Casework & Correspondence team to complete their workplan within the target timescale and with adequate resource provided from all relevant internal stakeholders to support its completion. The completion of this workplan should ensure the necessary updates and improvements are made to the Combined Authority’s complaints and casework processes, documentation and reporting arrangements.

Audit Report – Risk Management 2021-22

Internal Audit performed an annual health check of the CA’s risk management arrangements to inform the Annual Audit Opinion. The review examined expected controls and concluded that an audit opinion of **REASONABLE** assurance can be given. The CA’s corporate risk management strategy provides an overarching framework defining the organisation’s approach to risk management and key responsibilities of senior management and officers with oversight from committee members particularly the Governance and Audit Committee. Corporate and operational risks are defined and reviewed regularly, and their impact assessed. We made recommendations to address areas for improvement particularly around training, having a joined approach to consider directorate risks and ensuring the strategy was kept under review.

Audit Report – Contract Compliance (Managed Print Devices) 2022-23

Internal Audit reviewed the Managed Print Devices contract managed by ICT Services to determine compliance with contract standing orders and standards. The contract was awarded in 2017 for the provision of printing devices and printing costs. The review resulted in an audit opinion of **REASONABLE** assurance concluding that the overall management of the contract achieved a good level of compliance with contract standards, there was good overall monitoring of printing across the CA.

Internal Audit also found that overall printing had reduced during the Covid pandemic but was increasing again and therefore it was an opportune time to assess the CA’s printing requirements and review device requirement as part of the retender. The review reaffirmed management’s intention to retender the contract prior to its term expiring in December 2022.

Adult Education Budget (AEB) Progress Update

The Combined Authority took control of devolved Adult Education Budget (AEB) and delegated Level 3 (Free Courses for Jobs Offer) funding in 2021. We are currently closing our first year of devolved delivery and beginning the second, where funding of almost £72million is to be distributed.

Internal Audit continued to provide strategic level support to the AEB Performance Group and have begun the delivery of on-site audit visits in earnest. Recruitment is still underway for the remaining two unfilled senior auditor roles, with options for how we may fill these posts being explored with HR.

Strategic activity

Work has been continuing on the development of the Audit & Assurance Framework. In this quarter we have focussed on developing our approach to external assurances from Local Authorities who receive AEB funding from us. A draft AEB Assurance Statement has been presented to and shared with Local Authority delivery leads for discussion with their Finance and Internal Audit colleagues in line with the previous ESFA approach where a Annual Financial Year End Certificate was required under the 'Post- 16 Audit Code of Practice 2021-22'. Completion of such a statement means they are held responsible for their own assurance processes and are not directly audited like other providers, as they already have a duty to demonstrate that they spend public money in accordance with HM Treasury's guidelines and have properly discharged any statutory and other legal requirements.

Work is also continuing on developing the Audit dashboards within Power Bi to inform provider Performance Management checks and compliance reviews. In particular, the identification of risks due to audit activity has meant that the level of Guided Learning Hours being delivered is now being monitored using Power Bi to ensure we are receiving Value for Money.

Internal Audit has also developed a Risk and Control Evaluation (RCE) document to enable the risks posed by providers, and controls to minimise these are mapped out and responsibilities are clear for how these are to be checked by the different AEB teams (Relationship Management, Contracts Team and Internal Audit with Data Analyst support).

All this activity and future tasks have now been included in the Audit and Assurance Workstream Plan and should advise the AEB Provider Risk Register for 2022/23 and Operational AEB Internal Audit Plan.

Operational delivery

Two reviews are currently in progress. New testing papers have also been developed in this period on sub-contracting in line with the Funding Rules to support the delivery of one of the current Provider reviews.

An 'in person' AEB conference was held to bring together the whole delivery partnership at which Internal Audit delivered a break-out session on our role and what to expect when selected for review. An article containing similar themes has also been included in the first AEB Partnership Newsletter of 2022/23 in an article on Internal Audit.

Counter Fraud, Whistleblowing and Anti Money Laundering

One whistleblowing concern has been raised to date in 2022/23. Initial investigations have been undertaken and relevant senior officers were to be briefed prior to further action being taken by Internal Audit.

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

	Total number of referrals 22/23	Investigation completed - No breach/ 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

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 2022, Audit have reviewed and certified the following grants.

Grant	Claim Period	Value certified £
Connecting Innovation	Q2 (01/04- 30/06)	158,503
Rebiz (REF2)	Q2 (01/04- 30/06)	528,778
Strategic Business Growth	Q2 (01/04- 30/06)	256,548
SMARTY	01/01- 30-06	7,953
Share North	01/01- 30-06	105,380

3. Internal Audit Plan 2022/23

	Assurance Area	Scope	Current Status/Timetable
1	Contract Management - Managed Print Services devices contract	Contract review to ensure compliance with contract standing orders and contract management principles.	Completed Review Reasonable Assurance rating given
2	Contract Management - Customer Care, Security and Posting of Bus Timetables	Contract review to ensure compliance with contract standing orders and contract management principles.	Draft Report Stage
3	Contract Management - Battery Powered Displays for Bus Stops and Shelters	Contract review to ensure compliance with contract standing orders and contract management principles.	Draft Report Stage
4	Transport and Property Services Directorate – Financial Controls review	To examine the system of internal controls within Transport Services with particular focus on Bus Services and School Transport Services.	Draft Report Stage
5	Integrated Corporate System (HR, Finance, Payroll)	To review progress with implementation of the new Integrated Corporate System, specifically considering data migration arrangements.	In progress
6	Contract Management - Leeds Bus Station Refurbishment	Contract review to ensure compliance with contract standing orders and contract management principles.	In progress
7	MCard APP	To examine controls around ticket sales through the new App with focus on fraud risks.	In progress
8	AEB Provider audit 3	This review forms part of the regular assurance cycle for AEB providers that Internal Audit have been commissioned to deliver. Evidence is to be tested to ensure the reporting, eligibility of learners and claims (financial and outcomes) have followed the Funding Rules and contractual agreements in place.	In progress

9	AEB Provider audit 4	This review forms part of the regular assurance cycle for AEB providers that Internal Audit have been commissioned to deliver. Evidence is to be tested to ensure the reporting, eligibility of learners and claims (financial and outcomes) have followed the Funding Rules and contractual agreements in place.	In progress
10	Flexi Bus	To examine the flexi bus arrangements	In progress
11	Procurement	To carry out review of a range of procurements to confirm compliance with financial regulations and contract standing orders.	In progress
12	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 2-4
13	Counter Fraud work	An investigation is currently underway following a referral. A strategic level fraud and corruption risk assessment is to be carried out later in the year against best practice guidance to advise the development of a proactive counter fraud work plan to strengthen our controls to prevent, detect and investigate fraud, corruption and money laundering.	Ongoing Quarter 4
14	Bus Funding Model	To examine spend forecast on tendered services/ concessionary fares, checks on controls/payments	Quarter 2-3
15	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
16	Compliance with Contracts Standing Orders & Financial Regulations	Focus on the current financial system.	Quarter 2-3
17	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

18	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
19	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
20	Code of Corporate Governance and Compliance with sub delegations	To advise and support the implementation of revised delegations and proposed review of the Code.	Quarter 3-4
21	Climate Change – external plans	To examine the CA’s progress against its external climate change plans	Quarter 3-4
22	Adult Education Budget	Ongoing advice and guidance to be followed by a review formally assessing compliance with the AEB Performance Management Framework, currently planned for Q3/4 to advise the Assurance Statement to the Department for Education.	Ongoing/ Q4
23	Risk Management	Annual health check to inform the audit opinion	Quarter 4
24	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
25	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
26	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

27	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
28	Grant Audits	In line with grant funding applications and funding agreements	As required
29	Attendance on Boards	Advice and guidance to inform the control framework	Ongoing
30	Various grant certifications	Grant certification provided In line with funding applications and funding agreements (see above)	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.
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 part of our QAIP, Internal Audit have carried out a review of the follow up process and have expanded the reporting in line with Committee requests. In addition, there will also be information against advisory reports from this plan year (none delivered to date) going forward. Any advisory reports undertaken in the previous plan year are now being followed up with a compliance audit.

The table below provides an update by Directorate on the status of each audit recommendation made since April 2021 (unless carried forward as outstanding).

Directorate	Total	Implemented	In progress	Overdue	Not to be Implemented
Cross Cutting	15	5	10	0	0
Corporate and Commercial Services	21	17	4	0	0
Delivery Services	2	2	0	0	0
Economic Services	1	0	1	0	0
Strategy, Comms, Policing	4	0	4	0	0
Policy and Development	1	0	1	0	0
Transport Services	10	3	4	0	0
Total	54	29	25	0	0

At the time of writing, there were no overdue recommendations agreed with Management which remain outstanding.

There are 25 recommendations not due yet, these have been followed up and Management have affirmed that these are in progress, IA has summarised "In progress" recommendations as follows;

Status of In progress recommendations		
Audit Area	Number of Recommendations	Status
Disaster Recovery/ Business Continuity	2	Progress on track, Internal Audit to continue to follow up recommendations.
National Fraud Initiative (NFI)	4	Progress is off track with implementation of these recommendations due to a combination of staff leaving, resource issues within teams to complete the required actions and system developments that were

		rolled out to streamline processes not having the desired impact. A further compliance review will be carried out after this year's NFI exercise to further assess progress.
Risk Management	4	Progress is on track. A Risk Management Working Group has been set up with members from each Directorate, staff have received risk management training and bespoke programme of support is being developed.
Contract Compliance – Bus Shelters Ltd	1	The assets team are currently working closely with the Commercial Team to implement a new on street contract which is on track to meet the recommendation deadline.
Health & Safety	2	Progress is on track with work ongoing to develop processes.
Customer Complaints & Casework	1	Progress is on track, a review of the Complaints & Casework Policy is underway.
Equalities	4	Progress on track, an Equalities review is planned in the current year.
Climate Change Follow up	1	Internal Audit to continue to follow up this recommendation.
AEB Procurement	1	Internal Audit have contacted the officer concerned who is currently on leave.
Safeguarding	4	Progress has been slightly off track due to staff leaving the organisation. However, work is now in progress to implement the recommendations with a new Head of Service in place.
Managed Print Devices	1	The Internal Audit report has recently been issued

5. Customer Feedback

Since we last reported to Committee, Audit have received feedback for one report that we issued in July 2022. The feedback is positive and details of the 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?
Customer Complaints and Casework 2021-22 (July 2022)	The client was kept informed at all times and the process was clearly explained.	N/A

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	NA	NA							100%
Compliance against Public Sector Internal Audit Standards - self assessment against the Local Govt checklist	May (draft) September (final)	NA	NA	100%	NA	NA							100%
Customer Satisfaction (including question around EDI approach)	80% good or above	100%	NA	100%	NA	100%							100%
Reports issued within 10 working days from completion of audit work	95%	100%	100%	100%	100%	0%							88%
Percentage completed reviews against agreed plan, quarterly targets	Q1=10%, Q2=40%, Q3=70%, Q4=90%	0%	0%	0%	4%	4%							4%
Percentage of recommendations agreed	90%	100%	100%	100%	100%	100%							100%
Fraud/ Whistleblowing acknowledgement, where appropriate, within 10 working days	100%	100%	NA	NA	NA	NA							100%
Fraud/ Whistleblowing reports to be issued within 10 working days of investigation completion	95%	NA	NA	NA	NA	NA							N/A
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%	67%	0%	50%	100%							63%