



# Governance and Audit Committee Internal Audit Progress Report

January 2023

# 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 – Page 7 onwards** shows 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 11** the status of audit recommendations has been provided along with an update on any ‘in progress’ recommendations, there are no overdue recommendations.

**Feedback from clients – Page 13** provides details of feedback received from recently issued reports to date and these have been included.

**Performance Measures - Page 14** provides details on our performance measures.

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

### Audit Report- Transport and Property Services Financial Controls 2022-23

Internal Audit reviewed the adequacy of internal controls within the Transport and Property Services (TPS) Directorate, with a particular focus on Bus Services and School Transport Services. The review examined budgetary and financial controls, considered the robustness of processes and the effective discharge by officers of their budget and management responsibilities. The review identified weaknesses in the system of internal control culminating in a **MINIMAL** Assurance rating with a number of recommendations made for management to action. The recommendations have been accepted by management and a programme of suitable responses is now in train to address the concerns raised. This has been made a matter of urgency and external resource has been procured to consider how the systems and processes can be strengthened to ensure that controls and management of the service are significantly improved.

### Audit Report – AEB Provider Review (3)

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

The provider was selected, partly because of the level of sub-contracting activity that they oversee within their AEB activity. The review focussed on the processes for both sub-contract and in-house deliver, and followed the learner journey from registration of learners, through verification of learning to certification and exit interviews. The accuracy & timeliness of uploading of information into the electronic Individual Learner Record (ILR) system that generates claims for funding promptly. The provider's processes were found to be consistent and structured, but there were some minor issues noted regarding the timeliness of updating records and level of data capture / verification during the initial learner enrolment. Sub-contractor processes were found to be thorough and comprehensive.

### Audit Report – Integrated Corporate System (ICS) – Data Migration Strategy

The Internal Audit team co-source ICT provider, Salford IT Audit, were asked to conduct an assurance review as part of the audit programme for the ICS Project. They provided a **REASONABLE** assurance rating and confirmed the following:

Our opinion is based on a high-level overview of the steps to achieve the migration to date and was gained from interviews with key staff and observations made when evaluating documentation provided.

We are of the opinion that, providing the steps currently being planned are followed as described to us during the review, the risk that the migration will not achieve its objectives in line with the proposed timescales and costs is being managed. However, in reaching our opinion we are aware that completion of the remaining phases of the project is currently being replanned and the time available for the migration to be carried out remains to be confirmed.

We have made two Priority 2 recommendations which, if implemented, will assist management in improving and enhancing the control environment.

### Audit Report – Contract Compliance (Customer Care, Security, Posting of Bus Timetables) 2022-23

Internal Audit reviewed the Customer Care, Security and Posting of Bus Timetables contract managed by the Transport Services directorate to determine compliance with contract standing orders and contract standards, the contract was awarded in 2021. The review resulted in an audit opinion of **REASONABLE** assurance concluding that the overall there was good compliance with contract standards.

In arriving at this opinion, we noted that contract managers had good understanding of the arrangement, there was oversight by the Commercial team and regular meetings were held with the supplier to manage its performance and there was documentation in place to support issues arising. Provisions in the contract allowed for contract variations and we raised one recommendation for management to ensure that there was adequate documentation to support any changes to contract requirements and we also made a recommendation reminding management to ensure the supplier provided the relevant statutory documentation as required within the contract.

### Audit Report – Procurement 2022-23

Internal Audit examined a selection of recent procurements for compliance with procurement procedures, the CA's contract standing orders and whether processes were in place to achieve good value. It was concluded that an audit opinion of **REASONABLE** assurance could be given.

The review found that policies, processes, and procedures were applied consistently with good oversight from the Commercial Team and there was overall a good standard of documentation and controls in place. We made one recommendation for Management to ensure officers partaking in evaluating tenders made a timely declaration of any conflicted interests in compliance with internal requirements.

## 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. The programme is delivered in Academic Years, so the first year was completed at the end of July 2022, with all Individual Learner Records for the year updated and finalised by reporting period 14 (R14) in October. Total spend for the year was £59m.

### Strategic activity

The AEB Internal Audit team was supplemented in November by the addition of two part time Senior Auditors. Both have great public sector experience and are adding significant value to the team.

Work has been continuing on the development of the Audit & Assurance Framework. In this quarter we have focussed upon evolving the Risk Control Effectiveness (RCE) matrix and are looking to align the RCE work with the standardising of audit approach. There are other compliance activities being conducted by the AEB Contract Team regarding enrolment and record retention, and aligning the RCE work with respective role responsibilities is part of the work currently being undertaken. The Internal Audit team will become more effective if some of the more straight-forward compliance tests are tested as part of the Contract Team activity.

Linked to responsibilities, the ESFA have recently started to deliver some planned audits of WYCA providers – it is now important that WYCA understand the extent of the ESFA testing plan, and the level of assurance we can take from ESFA work with WYCA providers.

### Operational delivery

One provider review has been completed during this period. There is a complex provider review still in progress, and two further reviews have recently commenced. New testing papers / a more standardised audit process will be used on the latest reviews. It had been planned that a Community Learning provider would be audited during this period, but a separate independent Community Learning review is still in progress, and it has been agreed to defer any Community Learning audit activity until this review is concluded.

The training and development of the new team has taken some time during the current period – whilst the new starters have numerous years audit experience, they didn't arrive with any AEB knowledge, so there has been a steep learning curve introducing them to AEB. Focus will move from provider audits to some planned programme audits during Q4. With the addition of new audit resource and the suite of Power BI reports available to identify potential concerns continually being enhanced, the current aim is to create a standardised approach (e.g. audit timings, sample sizes, split between focussed and random sampling, testing strategies, clarification of acceptable evidences) to AEB audit.

## Counter Fraud, Whistleblowing and Anti Money Laundering

One whistleblowing concern previously reported to the Committee, and three new other fraud referrals have been raised to date in 2022/23.

One of the latest cases relates to an internal fraud concern and therefore has been classed as such below to avoid double counting, but it is felt the reporting officer is entitled to protections under the Public Interest Disclosure Act 1998, should they be necessary so it is also a whistleblowing concern.

Initial investigations into the latest three referrals are currently being undertaken to establish the appropriate response.

Relevant senior officers have been briefed on the ongoing case relating to funding distributed through an SLA arrangement and further information is being awaited from the relevant partner also involved.

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	2	N/A	N/A	2
Fraud – Internal	1	N/A	N/A	1
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 we last reported to Committee in October 2022, Audit have reviewed and certified the following grants.

<b>Grant</b>	<b>Claim Period</b>	<b>Value certified £</b>
Connecting Innovation	Q3 (01/07- 30/09)	121,476
Rebiz (REF2)	Q3 (01/07- 30/09)	388,923
Strategic Business Growth	Q3 (01/07- 30/09)	216,019
WYTC Shareholding	2021-22	n/a

### 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.	Completed Review Reasonable Assurance rating given
3	Transport and Property Services Directorate – Financial Controls review	This review was included in the plan at the requested of Senior Management and entailed an examination of the system of internal controls within the Transport Services Director with particular focus on Tendered Bus Services.	Completed Review Minimal Assurance rating given
4	Procurement	A sample of procurements was selected for review to confirm compliance with financial regulations and contract standing orders.	Completed Review Reasonable Assurance rating given
5	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.	Completed Review Reasonable Assurance rating given
6	Integrated Corporate System (HR, Finance, Payroll)	To review progress with implementation of the new Integrated Corporate System, specifically considering data migration arrangements.	Completed Review Reasonable Assurance rating given
7	Contract Management - Battery Powered Displays for Bus Stops and Shelters	Contract review to ensure compliance with contract standing orders and contract management principles.	In progress



8	Contract Management - Leeds Bus Station Refurbishment	Contract review to ensure compliance with contract standing orders and contract management principles.	In progress
9	MCard APP	To examine controls around ticket sales through the new App with focus on fraud risks.	In progress
10	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
11	Flexi Bus	To examine the flexi bus arrangements	In progress
12	Compliance with Contracts Standing Orders & Financial Regulations	The review has focused on the issue, use and control of Procurement Cards within the Authority.	In progress
13	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.	In progress
14	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. Rail Car parking package selected for review.	In scope
15	AEB Provider audit 5	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 scope
16	AEB Provider audit 6	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 scope

17	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.	In scope
18	Counter Fraud work	Three investigations are currently underway following referrals received, although two are at the initial receipt and review stage.  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
19	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. An initial vulnerability scan was undertaken which did not identify any major issues, but further work is due to be undertaken on vulnerability management later in the plan year.	Ongoing  Quarter 4
20	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 4
21	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 4
22	Climate Change – external plans	To examine the CA's progress against its external climate change plans	Quarter 4
23	Security of Assets	Carry over review to be completed and scope for further review to be determined but building on previous year's work.	Carry over review in progress Quarter 4
24	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

25	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
26	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
27	Grant Audits	In line with grant funding applications and funding agreements	As required
28	Attendance on Boards	Advice and guidance to inform the control framework	Ongoing
29	Various grant certifications	Grant certification provided In line with funding applications and funding agreements (see above)	Ongoing
30	*NEW* Multiply	Additional item added to the plan. Ongoing advice and guidance on evidence requirements and governance issues to be followed by a review to advise the Assurance Statement to the Department for Education at year end.	Ongoing/ Q4
31	*Commercial, Development and Investment work, specifically Business Accelerator Fund (claim and payment arrangements)	A review of any new commercial arrangements put in place. <b>TO BE REMOVED.</b> This has not been progressed to the extent that the business are ready for an audit so will be considered again next year and potentially added to the plan if appropriate.	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 part of our Quality Improvement Plan, Internal Audit have continued the review of the follow up process. As previously confirmed, 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	12	0	0	0
Corporate and Commercial Services	22	18	4	0	0
Delivery Services	2	2	0	0	0
Economic Services	1	1	0	0	0
Strategy Comm Policing	4	0	4	0	0
Policy and Development	1	0	1	0	0
Transport Services	36	5	31	0	0
<b>TOTAL</b>	<b>81</b>	<b>38</b>	<b>43</b>	<b>0</b>	<b>0</b>

At the time of writing, there were 43 recommendations in progress, these have been followed up with Management who 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
Risk Management	3	Good progress is being made, however due to staffing changes officers have requested adjustments to completion dates which have been agreed. 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, the Risk Strategy is due for review once the organisation redesign has been completed.

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	A review of Health and Safety is in progress and actions arising from the last review are in scope for follow up as part of the review.
Customer Complaints & Casework	1	The recommendation is in progress with some delay due to staffing changes, a revised implementation has been agreed, the status of this recommendation will continue to be monitored.
Equalities	4	Progress remains on track. Discussions have been held with the Equalities Officer to develop this year's audit scope for Equalities.
Climate Change Follow up	1	Due to staffing changes Internal Audit to continue to follow up this recommendation with the responsible person.
Safeguarding	4	Progress has been slightly off track due to staff leaving the organisation. However, work is underway to implement the recommendations.
Procurement	1	New review completed, a summary of the audit is included above
Transport and Property (Financial Controls)	26	New review completed, a summary of the findings is included above in this report, management are in the process of implementing the recommendations.

## 5. Customer Feedback

Since we last reported to Committee, Audit have received feedback for one report that we issued in November 2022. The feedback is positive and details of the narrative comments have been shared below for the Committee's oversight.

<b>Review name &amp; report issue date</b>	<b>What did we do well?</b>	<b>What could we have done better?</b>
Procurement 2022-23 (November 2022)	The Internal Auditor acted with understanding and patience to appreciate the procurement processes and procedures in the context of the CA whilst conducting the audit.	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	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	NA	NA	NA				100%
Customer Satisfaction (including question around EDI approach)	80% good or above	100%	NA	100%	NA	100%	NA	NA	100%				100%
Reports issued within 10 working days from completion of audit work	95%	100%	100%	100%	100%	0%	0%	100%	100%				85%
Percentage completed reviews against agreed plan, quarterly targets	Q1=10%, Q2=40%, Q3=70%, Q4=90%	0%	0%	0%	4%	4%	7%	15%	23%				23%
Percentage of recommendations agreed	90%	100%	100%	100%	100%	100%	100%	100%	100%				100%
Fraud/ Whistleblowing acknowledgement, where appropriate, within 10 working days	100%	100%	NA	NA	NA	NA	NA	NA	100%				100%
Fraud/ Whistleblowing reports to be issued within 10 working days of investigation completion	95%	NA	NA	NA	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%	100%	67%	NA				68%