



# Governance and Audit Committee Internal Audit Progress Report

March 2023

# Appendix 1

## 1.Key Headlines / Index

**Top three issues** – Getting organisation evolution work right, transport for the region (bus reform, rail policy, mass transit), new integrated corporate system.

**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. This, while moving slowly, is getting through the planned reviews. The Committee is, however, asked to note the proposed removal, following discussion with the Internal Leadership Board, of one review (Benchmarking Pan Programme Charges) to reflect the relative risk versus the resourcing issues in the team. There has also been one addition to the plan (Multiply) around a new funding stream which requires audit assurance in line with Department for Education requirements.

**Outstanding actions-** At **page 10** 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 12** 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- Health and Safety

The review examined the adequacy and effectiveness of controls in place to mitigate risks associated with non-compliance with health and safety legislation, internal policies and ensuring employees and others are kept safe.

Internal Audit was able to provide an audit opinion of **REASONABLE** assurance. In giving this opinion Audit found that there was a comprehensive framework of policies and procedures and training in place to support and guide staff. There was also strong second line assurance activity provided by the Health & Safety team through regular site visits to assess compliance and report on actions where these were required. Audit also found a sound system of reporting accidents and near misses and management information to the Regulatory and Compliance Board each month ensuring senior management oversight.

Audit made three recommendations to strengthen internal controls further. The planned review of the Health & Safety strategy should be timetabled with milestones and agreed publication dates, the health and safety committees' terms of reference should be periodically reviewed to ensure it remains effective and membership is up to date and identifying and documenting health and safety risks on an appropriate risk register.

Audit also asked management to consider the potential to develop the roles of health and safety representatives, further training opportunities for staff in the bus stations and enhancing the process and accessibility of policies that have been signed off.

### Audit Report – MCard Mobile App

The review examined the controls associated with operating the MCard Mobile App to assess whether these are being effectively managed.

Internal Audit were able to provide an audit opinion of **REASONABLE** assurance. To support this opinion audit noted that there has been good oversight of the App's development and integration into existing processes, with customer activity and usage closely monitored. Opayo (formerly SagePay) provides the payment platform for processing ticket purchases. There was no retention of customer payment data minimising risks associated with managing personal details. Ticket sale data is regularly reconciled to the Combined Authority's financial systems and access to the MCard Mobile App's back-office system (ROSA) is appropriately controlled.

Audit made two recommendations to support the strengthening of internal controls. The first recommendation is around ensuring the consistency of ticket sale reconciliation documentation. The second recommendation is around improving risk management by creating and maintaining a risk register to document risks associated with the MCard Mobile App.

Audit also made one observation for management to note about a known network-wide issue with the potential for customers to be able to duplicate digital train tickets. Work is ongoing nationally to resolve this issue.

## Adult Education Budget (AEB) Progress Update

The Combined Authority is now in the second year of controlling the devolved Adult Education Budget (AEB) and delegated Level 3 (Free Courses for Jobs Offer).

Work has been continuing to develop a more formulaic approach to Provider audits. The two new audits started during this period are using a more standardised framework than has previously been the case, and it is expected that this will significantly improve the completion time of audits.

Resourcing of the AEB Internal Audit Team has been impacted by the resignation and departure of one of the team. The process for finding a replacement has commenced, but there are concerns that recruitment will experience the same difficulties previously encountered. There has been some movement within the Internal Audit team as a result of that resignation, which has meant further training & development activity this quarter has been needed.

There was a requirement to provide Department for Education with an assurance letter on Free Courses for Jobs funding at the start of the year. There were no significant concerns identified whilst providing this assurance.

There is one complex provider review that has progressed to draft stage, with the Provider still providing new evidence.

The other two on-going audits that have started in the quarter are close to completion, with neither currently having significant concerns. In addition the ESFA have communicated the findings from a College audit they completed in January, with a satisfactory level of assurance. There has been some follow up activity on the Local Authority assurance statements that were initially requested in Q4, 2022 – there are still three authorities that are overdue regarding submission of assurance statements, and if these remain unsubmitted it may be that there will be a requirement to include these authorities within the audit cycle for AEB.

Internal support has continued to be provided to the AEB Contracts Team with Compliance Checks, and content for the periodic AEB Newsletter.

## Counter Fraud, Whistleblowing and Anti Money Laundering

Two whistleblowing concerns and three fraud referrals have been raised so far in the plan year.

One of the whistleblowing concerns has been raised since the last meeting by a member of the public via the Whistleblowing Policy. The other matters all remain as reported previously.

As concerns have been raised and recorded this year under the Whistleblowing Policy this has enabled it to be tested in practice. It is currently under full review as a result of changes to the LEP, but this will also take into account any necessary changes identified as a result of the referrals to date and any other changes to legislation or best practice.

One of the external fraud referrals has been closed after agreement with management with no fraud identified, however, a report on control improvements and clear guidelines surrounding necessary evidence will be provided to the relevant team to build good practice.

Investigations into the three other referrals are currently continuing, one of which is by a partner responsible for distributing the relevant funding. Audit are awaiting confirmation their investigations are completed and the outcome of these.

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	1	0	1
Fraud – Internal	1	N/A	N/A	1
Whistleblowing	2	N/A	N/A	2
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 January 2023, Audit have reviewed and certified the following grants.

Grant	Claim Period	Value certified £
Connecting Innovation	Q4 (01/10- 31/12)	429,155
Rebiz (REF2)	Q4 (01/10- 31/12)	743,848
Strategic Business Growth	Q4 (01/10- 31/12)	183,848

CRF Retrofit Hub	2021-22	346,928
LTP	2021-22	46,593,725

### 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 request 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	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
8	MCard APP	To examine controls around ticket sales through the new App with focus on fraud risks.	Completed Review

			Reasonable Assurance rating given
9	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 issued
10	Flexi Bus	To examine the Flexibus trail scheme arrangements	Draft report issued
11	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.	Draft report issued
12	Contract Management - Leeds Bus Station Refurbishment	Contract review to ensure compliance with contract standing orders and contract management principles.	Draft reporting stage
13	Contract Management – JPB Facilities Management	Contract review to ensure compliance with contract standing orders and contract management principles.	Draft reporting stage
14	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.	Vulnerability management – draft reporting stage
15	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/testing
16	Security of Assets	Carry over review to be completed and scope for further review to be determined but building on previous year's work.	In progress/testing
17	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	In progress/testing



		and claims (financial and outcomes) have followed the Funding Rules and contractual agreements in place.	
18	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 progress/testing
19	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.	Currently developing the detailed scope
20	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.	Currently developing the detailed scope
21	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.	Currently developing the detailed scope
22	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, not yet started
23	Climate Change – external plans	To examine the CA's progress against its external climate change plans.	Quarter 4, not yet started
24	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, not yet started
25	Counter Fraud work	Four investigations are currently underway following referrals received, although one has been passed to the relevant partner for work at this stage.  A strategic level fraud and corruption risk assessment is to be carried out against best practice guidance to advise the development of a proactive counter fraud work plan for 2023/24 to strengthen our	Ongoing

		controls to prevent, detect and investigate fraud, corruption and money laundering.	
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 March / April to advise the AEB Assurance Statement to the Department for Education.	Ongoing
27	Attendance on Boards	Advice and guidance to inform the control framework	Ongoing
28	Various grant certifications	Grant certification provided In line with funding applications and funding agreements (see above)	Ongoing
29	*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 – currently developing the assurance process and testing programme
30	Grant Audits	In line with grant funding applications and funding agreements	As required
31	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.	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).

<b>Status of agreed actions</b>					
<b>Directorate</b>	<b>Total</b>	<b>Implemented</b>	<b>In progress</b>	<b>Overdue</b>	<b>Not to be Implemented</b>
Cross Cutting	15	12	3	0	0
Finance and Commercial	12	11	1	0	0
COO Direct report	10	7	3	0	0
Transport Policy and Delivery	2	2	0	0	0
Inclusive Economy, Skills & Culture	1	1	0	0	0
Strategy, Comm, Intelligence	4	4	0	0	0
Policing, Environment, Place	1	0	1	0	0
Transport Ops & Passenger Exp	38	6	32	0	0
Mass Transit	0	0	0	0	0
<b>TOTAL</b>	<b>83</b>	<b>43</b>	<b>40</b>	<b>0</b>	<b>0</b>

At the time of writing, there were 40 recommendations in progress. Audit continues to follow up recommendations with action owners and a summary of progress against implementation of "In progress" recommendations is provided below;

<b>Status of In progress recommendations</b>		
<b>Audit Area</b>	<b>Number of Recommendations</b>	<b>Status</b>
Risk Management	3	There is a review of risk management taking place following on from the organisational redesign work, recommendations are in progress and will form part of that review.

Contract Compliance – Bus Shelters Ltd	1	Staff member has been absent, progress is currently being followed up with the line manager and the Commercial Team
Health & Safety	3	The Health and Safety audit has recently been completed and a summary is provided elsewhere in this report.
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.
Climate Change Follow up	1	Internal Audit to continue to follow up this recommendation with the responsible person and as part of the review of Climate Change which is on the current year plan.
Safeguarding	4	An update has been provided, progress has been slightly off track due to staff leaving the organisation. Audit are following up recommendations with Management.
Mcard APP	1	The Mcard audit has recently been completed and a summary is provided elsewhere in this report.
Transport and Property (Financial Controls)	26	<p>Audit is confident that the recommendations agreed by management are in progress with some completed already (although sign off of these is going to be held over to ensure that the actions have time to bed in and demonstrate the required improvements) and while, for example, regular TPS/ Finance meetings to give oversight and challenge are happening now, there is still action to be taken as a result of those discussions, particularly in relation to seeing sustained improvement to budget management. This is also true of some of the recommendations made to improve application of controls in the finance team itself, with action taken already, but time needed to see these controls being effective as a matter of routine.</p> <p>There is also an acceptance that the broader work happening in the Combined Authority Corporate Centre, along with some separately procured work on systems and process development in TPS, will address some of the recommendations, but that this work is still underway. There is a similar position in relation to the new Integrated Corporate Systems, due to go live in the new financial year.</p>

		Audit is being kept updated on the progress of recommendations and the Committee has already seen the proposal to include a full follow up of the TPS report and recommendations in the new plan year.
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## 5. Customer Feedback

Since we last reported to Committee, Audit have received positive feedback for the Health and Safety report we issued in March 2023, Audit continues to monitor its performance and any feedback received is used to inform its quality assurance improvement programme.

## 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	Mar	YTD
Annual Governance Statement deadline 2021/22 - to include annual audit opinion	May (draft) November (final)	NA	100%	NA	NA	NA	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	NA	NA	NA		100%
Customer Satisfaction (including question around EDI approach)	80% good or above	100%	NA	100%	NA	100%	NA	NA	100%	NA	NA	NA		100%
Reports issued within 10 working days from completion of audit work	95%	100%	100%	100%	100%	0%	0%	100%	100%	NA	NA	50%		80%
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%	23%	33%		33%
Percentage of recommendations agreed	90%	100%	100%	100%	100%	100%	100%	100%	100%	NA	NA	100%		100%

Fraud/ Whistleblowing acknowledgement, where appropriate, within 10 working days	100%	100%	NA	NA	NA	NA	NA	NA	100%	100%	100%	NA		100%
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		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	100%	0%	NA		58%