



Internal Audit Report and Opinion 2022/23

Bronwyn Baker / June 2023

Background

UK Public Sector Internal Audit Standards (PSIAS) require the Chief Audit Executive to deliver an annual internal audit opinion and report that can be used by the organisation to inform its governance statement. The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control. The results of work undertaken within the Annual Audit Plan are designed to support the opinion provided in the Annual Internal Audit Report alongside any other internal or external assurances on which Internal Audit can rely.

Scope of Internal Audit Opinion 2022/23

In providing the annual audit opinion, it should be noted that assurance can never be absolute. The most that internal audit can provide is a reasonable assurance that there are no major weaknesses in risk management, governance and control processes. The matters raised in this report are only those which came to our attention during our internal audit work in the financial year 2022/23 and are not necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required.

It should also be noted that the last year has again provided a significant challenge in terms of resourcing with a number of vacancies continuing to be extremely difficult to fill. This issue was and continues to be quite widespread in a number of professional areas and is not just restricted to the Combined Authority.

Specialist resource to do IT work was utilised to give assurance in relation to several reviews of the project delivering a new Integrated Corporate System and cyber security.

By re-assessing the plan against changes to risks, we were able to prioritise our work that enabled a full opinion to be given that is not limited by scope. We have been keeping under review the size and nature of the team given the changes to the Combined Authority and the substantial growth of the organisation over the last three years. This has resulted in a commitment in our business plan for 23/24 to a re-assessment of the audit universe at the Combined Authority along with a commitment to reconsider the size and structure of the team. This will be designed to ensure that the breadth and scope of internal audit work is appropriate to the risks and priorities in play both for the medium and long term. The outcomes of that review will be reported to the Governance and Audit Committee.

Annual Opinion 2022/23

From the work undertaken during the financial year 2022/23 and taking into account other sources of assurance, my opinion is that, overall, the effectiveness of the Combined Authority's framework of control, governance and risk management is adequate.

In reaching this opinion the following key factors were considered:

Risk Management

A key element of the control environment is ensuring that the Combined Authority manages the risks it faces to meet its objectives. There is a Risk Management strategy which sets out how the CA identifies, assesses, manages and then monitors risks. Risks are recorded at both a corporate and directorate level with regular assessment and reporting to the Governance and Audit Committee (GAC). Audit of the risk management system (previously reported to GAC in July 2022) highlighted areas for further improvement which the Planning and Performance team, responsible for supporting the risk management framework, are implementing as part of a wider revision of the process. This will ensure its alignment to a new performance monitoring framework introduced to monitor progress with achieving business plan objectives.

Governance

The Combined Authority has continued to progress its development of its governance arrangements with the appropriate reviews and refinements to delegated authorities. The assurance framework was also updated this year and published on the Combined Authority website in February and provided to Government at the same time.

There has also been a significant amount of work on organisational evolution this year to review the organisation's structure, operating model and ways of working to ensure their fitness for purpose for a Mayoral Combined Authority. A revised Directorate structure and operating model were agreed by the Combined Authority in June 2022. This is aiming to bring clear and accountable leadership, provide strategic direction and a focus on outcomes supported by a robust corporate centre. This work is continuing into 23/24. Internal Audit was due to undertake an audit of the Code of Corporate Governance in 22/23 following its review and revision. As this work was deferred to 23/24 so too has the audit been deferred, but audit has been involved in those discussions to date and will continue to offer advice and guidance in the interim.

Summary of Whistleblowing Cases

Internal Audit continues to act as the primary contact point for the Combined Authority's Whistleblowing Policy.

There have been 3 whistleblowing referrals during 2022/23. Two of these were from external parties. One was made by an officer, who was therefore eligible for protections under the Public Interest Disclosure Act 1998. Two of the referrals became fraud cases and are included in the summary of fraud cases below, the other case was non fraud related, was fully investigated and no breach found resulting in no further action being taken.

Summary of Fraud Cases

Internal Audit received six fraud referrals in 2022/23 and investigated four.

Three of those investigated related to grant funding provided by our organisation to organisations, one via a third party which has required a joint investigation. Lessons learned from these cases and recommendations to improve controls to prevent/ detect them sooner are being reported to management.

The other case relates to compliance with the Contract Standing Orders and effective contract management and remains open pending potential further investigation.

We were also advised of two attempted banking/ card frauds against the Combined Authority stopped by the bank and reported to us by Finance. As these were resolved by the banks these have been closed with no further action required.

An internal case of potential theft was referred to Human Resources for investigation.

There were no other fraud related matters or referrals in the 2022/23 financial year.

Controls

West Yorkshire Combined Authority has continued to operate its existing systems of control throughout the 22/23 plan year and while the work that Internal Audit has done, has identified some issues we are confident this is not sufficient to merit any limitation on the opinion. Concerns identified through the course of the year, particularly where limited or minimal assurance was given, have been taken seriously and action has been implemented to address these concerns. Internal Audit is continuing to follow up on the recommendations made for improvement and is continuing to regularly update both the Governance and Audit Committee and the internal Regulatory and Compliance Board on progress made.

Summary of Internal Audit Work 2022-23

The work of Internal Audit against the agreed audit plan is summarised in the table below.

	Assurance Area	Summary findings	Outcome
1	Contract Management - Managed Print Services devices contract	Audit reviewed the contract for managed print devices to establish level of compliance with contract standing orders and contract standards. The review noted that there was good compliance with contract standards and sufficient evidence of control was not demonstrated, audit reaffirmed management's intention to retender the contract due to it expiring.	Completed Reasonable Assurance rating given
2	Contract Management – Customer Care, Security and Posting of Bus Timetables	Audit reviewed this contract which is managed by the Facilities and Assets team and found that overall there was good compliance with contract standards.	Completed Reasonable Assurance rating given
3	AEB Provider audit 3	This review formed part of the regular assurance cycle for AEB providers that Internal Audit have been commissioned to deliver. Evidence was tested to ensure the reporting, eligibility of learners and claims (financial and outcomes) have followed the Funding Rules and contractual agreements in place. No significant issues were found.	Completed Review Reasonable Assurance rating given
4	Procurement	We reviewed recent procurements from each directorate and found that overall there was good compliance with procurement and contract standards. We raised one matter to ensure adequate arrangements are in place for officers to make timely declarations of interest when engaged in any procurement activity.	Completed Reasonable Assurance rating given
5	AEB Provider audit 4	This review formed part of the regular assurance cycle for AEB providers that Internal Audit have been commissioned to deliver. Evidence was tested to ensure the reporting, eligibility of learners and claims (financial and outcomes) have followed the Funding Rules and contractual agreements in place. No significant issues were found.	Completed Reasonable Assurance rating given

6	Integrated Corporate System (HR, Finance, Payroll)	The further review of the ICS programme in this plan year focussed particularly on Data Migration and while two recommendations were made to improve management of risks and recording of decisions, overall the data migration plan did not give rise to any significant issues.	Completed Reasonable Assurance rating given
7	Health & Safety	Audit found that was a comprehensive framework of policies and procedures and training in place to support and guide staff. There was also a strong second line assurance provided by the Health and Safety team through regular visits to assess compliance. Audit made recommendations to strengthen controls further	Completed Reasonable Assurance rating given
8	MCard APP	Review of the MCARD mobile app found that there were good controls in place. Usage of the app was appropriate, information was secure and receipts of payments well controlled. Audit made recommendations to improve system reconciliations and ensure known system risks were documented and reviewed regularly.	Completed Reasonable Assurance rating given
9	Contract Management - Battery Powered Displays for Bus Stops and Shelters	Audit reviewed this call off contract for compliance with contract standing orders and internal policies. The contract was well managed, with good oversight and monitoring of the supplier and of expenditure. Audit made recommendations to further improve documentation and budget monitoring and forecasting.	Completed Reasonable Assurance rating given
10	Flexi Bus	Whilst there were significant operational issues with delivery of the scheme which were recognised during the review, the audit had focused on controls in place. Recommendations were made including conducting a review of the service to determine improvements and reflect upon whether the scheme was achieving its desired aims.	Completed Reasonable Assurance rating given
11	AEB Provider audit 6	This review formed part of the regular assurance cycle for AEB providers that Internal Audit have been commissioned to deliver. Evidence was tested to ensure the reporting, eligibility of learners and claims (financial and outcomes) have followed the Funding Rules and contractual agreements in place. No significant issues were found.	Completed Reasonable Assurance rating given

12	ICT Audits	Salford Internal Audit Service performed a review to verify there were appropriate controls in place to minimise risks associated with IT vulnerabilities. The review highlighted a number of areas for improvement.	Completed Limited Assurance rating given
13	Security of Assets	This review has focused on the arrangement for managing the Combined Authority's New Generation Transport (NGT) asset portfolio. The audit found that processes for managing NGT leases had improved but with a lack of system documentation and guidance there was a risk of inconsistent approaches being adopted. Audit made recommendations for improvement to controls.	Completed Limited Assurance rating given
14	Equalities (EDI)	The audit recognised the significant amount of work the organisation has done to improve equity, diversity and inclusion. The review however identified a number of areas that would benefit from review and simplification to ensure the embedding of EDI reaches all of the organisation with consistency and a shared understanding. Audit made recommendations for management to consider.	Completed Limited Assurance rating given
15	Contract Management - Leeds Bus Station Refurbishment	Audit reviewed the Leeds Bus Station contract for compliance with contract standards. Whilst there was good compliance with procurement and contract standards the review highlighted a significant number of lessons learned with delivery of the contract. Recommendations have been made for better collaboration between internal teams to share knowledge and seek early advice and guidance and share lessons in other schemes.	Completed (awaiting management response) Limited Assurance rating given
16	Contract Management – JPB Facilities Management	The contract was reviewed due to concerns raised by Management. Compliance issues with contract standing orders, a lack of adherence to good contract management principles, inadequate documentation, insufficient oversight and lack of proper segregation of duties culminated in a number of audit recommendations for management to implement.	Completed Minimal Assurance rating given
17	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 Directorate with particular focus on Tendered Bus Services. The review highlighted weaknesses and made a number of recommendations for management to action, progress continues to be made to implement these and a follow up review is scheduled for 2023-24.	Completed Minimal Assurance rating given

18	AEB Provider audit 5	This review formed part of the regular assurance cycle for AEB providers that Internal Audit have been commissioned to deliver. Evidence was tested to ensure the reporting, eligibility of learners and claims (financial and outcomes) have followed the Funding Rules and contractual agreements in place. A number of issues were identified and raised with the provider to ensure improvements in controls. Reductions were made to the amount of funding claimed by the provider.	Completed Minimal Assurance rating given
19	Multiply	Ongoing advice and guidance on evidence requirements and governance issues was provided to the new Multiply programme team and was followed by a review to inform the Assurance Statement to the Department for Education at year end.	Completed, DfE assurance statement submitted to deadline
20	Adult Education Budget	Ongoing advice and guidance was provided throughout the year including a review formally assessing compliance with the AEB Performance Management Framework and completion of the AEB Assurance Statement to the Department for Education.	Completed, DfE assurance statement submitted to deadline
21	Compliance with Contracts Standing Orders & Financial Regulations	The review is focused on the issue, use and control of Procurement Cards within the Authority.	Underway but carried over to 23/24
22	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.	Underway but carried over to 23/24
22	Project and Programme Assurance reviews	A review is underway of the Rail Car parking package to examine compliance with the Assurance Framework as well as compliance with good project and contract management principles.	Underway but carried over to 23/24
24	GDPR (ICO Framework)	This audit is focused on a high level review of compliance with expectations in the Information Commissioner's Office Accountability Framework.	Underway but carried over to 23/24

25	Counter Fraud work	A total of seven whistleblowing/fraud referrals were received resulting in five investigations. This is an increase on previous years which averaged one referral a year. 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 controls to prevent, detect and investigate fraud, corruption and money laundering.	(See Whistleblowing and Fraud Cases section above)
26	Attendance on Boards	Advice and guidance to inform the control framework with particular Board attendance on; AEB, ICT Service Management and the Integrated Corporate System, and including implementation of the UK Shared Prosperity Fund, Multiply.	Ongoing advice and guidance which is continuing into the new plan year
27	Various grant certifications	A comprehensive range of grant certification was carried out over the year in line with funding applications and funding agreements. Audit provided the necessary checks and assurance to support the grant claim submissions.	See Grant Certification section below
28	Code of Corporate Governance and Compliance with sub delegations	This review has been deferred to 23-24 audit plan due to delays in implementing the revised delegations and proposed review of the Code.	Deferred to 23/24
29	Climate Change – external plans	This review has been deferred to 23-24 audit plan as requested by Management.	Deferred to 23/24
30	PAN Programme Charges (benchmark review)	This review was to consider arrangements and by comparison with others, a look for opportunities to demonstrate VfM with performance indicators and maturity measures, however this work was no longer applicable and therefore removed from the plan.	Removed from the plan

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.

Grant Certification

Internal Audit resource has been used to check and certify a significant number of funding streams which has required the Head of Internal Audit to sign off that grant funding terms and conditions have been met. The outcome of this work has helped to form an opinion on the control environment. During the year we provided certification on the following;

Funding Body	Grant	Claim Value £	Description
European Regional Development Fund	Investment Readiness	30,576	1 claim certified. Grants to small and medium sized businesses (SMEs)
European Regional Development Fund	Connecting Innovation	914,409	4 grant claims certified, this program was created to help businesses to innovate across Leeds City Region at the same level as other regions by enabling them access to specialist knowledge.
European Regional Development Fund	ReBiz	1,960,389	4 grant claims certified, grant to support SMEs identify and implement cost effective improvements in energy and resource efficiency.
European Regional Development Fund/ European Structural Investment Fund	Strategic Business Growth	938,085	4 quarterly claims certified, to provide an integrated package of advisory and financial support to help SMEs across Leeds City Region with growth potential.
Interreg SHARE-North	Art Forum Interreg/Share North/SMARTY	113,333	Several claims focused on SME expenditure, training grants etc
Dept for Business Energy and Industrial Strategy	BEIS Core Funding	780,000	Grant to businesses supporting the development of Growth Hubs
Department for Levelling up, Housing and Communities	Brownfield Housing Fund	16,146,481	Funding with the aim of creating more homes by bringing more brownfield land into development.

Funding Body	Grant	Claim Value £	Description
Department for Digital, Culture, Media & Sport	BDUK	1,720,037	Partnership with BT Openreach to deliver superfast broadband
Department for Transport	LTP	46,593,725	Capital transport expenditure provided to the Combined Authority.
Dept for Business Energy and Industrial Strategy	Peer Networks	93,896	Funding to support businesses with advice and guidance via its Growth Hub
Department for Levelling up, Housing and Communities	Community Renewal Fund-Retrofit Hub	346,928	Scheme to assist households in the Bradford area to deliver energy efficient measures
Department for Transport	Traffic Demand Management	22,655	Funding to support a local traffic demand management programme
Department for Transport	ZEBRA	n/a	Funding for bus improvements, audit certified that it would examine the controls and expenditure

Adult Education Budget (AEB)

In Year 2 of WYCA control of the devolved Adult Education Budget (AEB) and delegated Level 3 (Free Courses for Jobs) Internal Audit continue to provide support at a strategic and workstream level.

Key Areas of Involvement during the last 12 months have included:

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.
- Evolving our compliance visit testing methodology, and planned and completed five audits on providers, with a further audit in progress. In addition, work has been on-going with the ESFA regarding the AEB content of compliance visits that they have undertaken on 3 providers.
- Maintaining dialogue with ESFA on providers we have in common with them, including discussions on providers that may be considered high risk.
- Formal assurance reporting to Department for Education for the funding received for both AEB (devolved) and Free Courses for Jobs (delegated) completed at various stages of the year.

ICT and data

- Supported evolution of Power BI reporting, encouraging regular review of reports and subsequent expansion of reporting suite. Participate in regular review of reports / Provider performance.
- Work with ICT team to ensure on-going GDPR compliance with data extracted reviewed during audit activity.

Procurement and Legal & Governance

- Participated in Performance Group monthly meetings.
- Reviewed the initial Funding Rules and changes needed to these during delivery to date.
- Supported requests for changes to allocations, as required, in line with performance data.

Operational provider management

- Supported requests for changes to allocations, as required, in line with performance data.
- Supported worked on development of a Financial Due Diligence process which provides a RAG rating for Providers. This RAG rating is then used alongside other key information to decide upon Providers to be audited.
- Instigated a process for Local Authority assurance sign off – at this stage 3 out of 5 of our Local Authorities have returned their signed assurance documentation. Leeds & Bradford are still outstanding.

- Supported Provider event with an “insight to audit” session that gave providers an overview of how audits will be conducted and the key areas the audit will assess. Plans in place to repeat the session at this year’s Provider event.
- Supported internal discussions regarding Guided Learning Hours (GLH) and the gap between actual planned delivery hours and GLH. This has been substantiated by audit findings, and Internal Audit supported a recent roundtable event with Providers discussing impacts and possible adjustments to Funding Rules. Key issue, in that WYCA is not necessarily getting value for money with the way some courses are being delivered currently.
- Developed best practice guidance materials to ensure Providers have clear understanding of necessary checks required to confirm funding eligibility.

During the year Internal Audit have continued to struggle to recruit and retain auditors which has reduced the number of reviews that we have been able to carry out.

Multiply

Multiply is a new government funded programme of numeracy skills training for adults as part of the £2.6 billion UK Shared Prosperity Fund (UKSPF) funding package.

The funding is to engage more adults with numeracy levels below level 2 (GCSE C/4 pass) in informal learning to boost their maths skills for life and work.

In July 2022 the West Yorkshire Combined Authority was granted approximately £12.4 million over 3 years to deliver this in our region in line with an approved Investment Plan.

Internal Audit has provided dedicated support on building the audit and assurance framework necessary to meet grant requirements and monitor providers.

Ongoing advice and guidance has been provided on evidence requirements and governance issues, including liaison with the Department for Education’s Multiply team.

This has been followed by a review of compliance with the grant agreement to support the signature of the Annual Assurance Statement signed by the Section 73 Officer at the end of the financial year 2022/23.

No significant concerns were identified during this work, but further control developments were recommended as the programme develops into the delivery and assessment stages.

Third-Party Assurance

Treasury Management

The Combined Authority uses the Leeds City Council Treasury Management team for its transactions and we are still awaiting Leeds Council's Internal Audit information for 22/23.

Conformance with PSIAS

The work of Internal Audit must be conducted in accordance with the Public Sector Internal Audit Standards (PSIAS). Conformance with the standards provides an indication of the effectiveness of the system of internal audit. In doing so, assessment against the standards and CIPFA local government application note and development of Quality Assurance and Improvement Programme (QAIP) is essential. The QAIP must include a combination of internal and external assessments, internal assessments are periodic and ongoing whereas an external assessment must be carried out at least once every 5 years.

It has previously been reported that an external quality assessment of the Internal Audit activity was performed in April 2019. This assessment concluded that overall Internal Audit "generally conforms" with the requirements of the definition of Internal Audit, the Code of Ethics and PSIAS. An external assessment is due again in 2024. Internal Audit undertake a self-assessment against PSIAS annually and for 22/23 are confident that the team continue to meet the standards. The Audit Charter was reviewed as part of that self-assessment in January 2023, but no changes were made. The QAIP has been kept under regular review and Internal Audit effectiveness continues to be developed to ensure progress is made against areas identified for improvement.

Recommendation Follow Up

As part of the Public Sector Internal Audit Standards, audit are required to consider how well recommendations agreed with management are being implemented. Recommendations are made to address risks arising and weaknesses in controls. Once a recommendation is agreed an implementation timetable is set and the action is recorded in the Audit Actions Register. These actions then form part of an ongoing cycle of follow up work during the year and progress is reported to the Governance and Audit Committee. Recommendations are followed up to ensure that they are implemented and where there is delay the internal Regulatory and Compliance Board is advised. In addition, we track all outstanding recommendations (including prior years) across directorates as part of the internal performance monitoring and future audit planning processes.

Performance Indicators

PI area	PI description	Target	Actual performance
Issuing Reports	Final report on audits to be issued within 10 working days from completion of audit work	95%	80%
Recommendations	Percentage of agreed recommendations	100%	98%
Grant Claims	Grant claims processed within three working days of a fully completed file being received	90%	58%
Customer Feedback	Overall positive customer satisfaction rating (based on 6 out of 11 returned)	80%	100%
Fraud/Whistleblowing	Fraud/Whistleblowing acknowledged in 10 working days	100%	100%
Fraud/Whistleblowing	Fraud/Whistleblowing reports within 10 working days of completion	95%	33%

B Baker, Head of Internal Audit, June 2023