



# Governance and Audit Committee Internal Audit Progress Report

July 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 2023/24 Audit Plan and any planned changes – Page 8 onwards** shows progress against the plan. there has been focus on completing the 2022-23 plan with a number of reviews carried forward for completion in the first quarter, work on the 2023-24 plan is now also progressing.

**Outstanding actions-** At **page 12** 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 14** provides details of feedback received from recently issued reports to date and these have been included.

**Performance Measures - Page 15** provides details on our performance measures.

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

### Audit Report- Contract Management (Battery Powered Displays for Bus Stops and Shelters)

Internal Audit reviewed the Battery Powered Displays for Bus Stops and Shelters call-off arrangement, managed within ICT Services, for compliance with contract standing orders and the National Audit Office's Contract Management Framework. The review resulted in an audit opinion of **REASONABLE** assurance and it was concluded that overall there was good ongoing compliance with contract standards.

The review noted that the call-off agreement with the supplier had been set up in compliance with contract standing orders and appropriate declarations of interests had been submitted. There was a dedicated officer who had good oversight of the contract and there was regular engagement with the supplier to ensure delivery and performance was in accordance with the contract specification. There was also appropriate monitoring of expenditure although we did recommend that this area and overall financial monitoring could be improved and made 2 recommendations for management to action.

### Audit Report- Flexi Bus

Internal Audit reviewed the trial Flexi Bus scheme which had been operating for around 18 months. The audit scope and control objectives included:

- arrangements were adequate to manage the agreement with the bus operator,
- scheme was being delivered in accordance with the contract,
- performance of the service was measured and action taken where deemed necessary,
- a review of the procurement process.

The review highlighted a number of operational issues which impacted on the effective delivery on the scheme however controls were in place to manage these issues therefore the review was given a **REASONABLE** assurance rating. Audit made recommendations to review the service and reflect, via a lesson learned approach, on whether the scheme was meeting the objectives it was set up to deliver.

### Audit Report- Security of Assets

This review examined the adequacy of controls in place to manage the New Generation Transport portfolio within the Facilities and Assets service area. The audit scope covered the following;

- policies and procedures
- property records and property management
- new agreements, renewals and termination of leases including rent reviews
- income collection and debt recovery.

The review concluded that while improvements to processes had been made, further work was required to strengthen controls and the report gave a **LIMITED** assurance rating. Audit recommendations were made to improve procedure notes to ensure there was consistency in approach to new, renewal and termination of leases and rent reviews. In addition, it was also recommended to review current lettings practices to minimise the risk of large amounts of rents accruing and to ensure a clear framework and guidance to staff involved in debt recovery.

### Audit Report- Equalities (EDI)

The audit considered the adequacy and effectiveness of controls in place to develop, implement and embed equity, diversity and inclusion (EDI) by reviewing plans and strategies, governance arrangements, accuracy of both qualitative and quantitative data and arrangements to promote an EDI culture across the organisation. The audit was given a **LIMITED** assurance rating.

Recognising that significant progress has been made to foster a positive EDI culture particularly by leaders there was some reservations that plans and actions were unachievable with the current level of resource in place. Some rationalisation was required to priorities tasks within the various work streams and present information in a manner that could be more easily communicated. The newly formed EDI Performance and Oversight Board should provide the necessary oversight once its role is fully embedded which would include reporting of appropriate management information as well as monitoring of EDI activities. Audit made 4 recommendations for management attention to address issues arising during the review.

### Audit Report-- Contract Management (Facilities Management)

Internal Audit reviewed the Facilities Management contract operated within the Facilities and Assets service area, for compliance with contract standing orders and effective contract management. The review resulted in an audit opinion of **MINIMAL** assurance and overall, the system of internal control was found to be a weak framework with controls inconsistently applied.

The review made a series of recommendations to address issues including a lack of documentation to effectively support delivery and oversight of the contract. The contract was due for renewal however re-tendering action had not been commenced and there was a risk the Authority would be engaging in work without the safeguards of a contract agreement in place. It was also found that there was inconsistent management oversight and there was no evidence that there was any monitoring of the performance

of the supplier. it was also noted that there was little division of duties and controls in place to segregate the approval and authorisation of invoices for payment and it proved difficult to reconcile expenditure incurred.

### Audit Report- ICT Vulnerability Management

The objective of this review was to verify whether there were appropriate controls in place to minimise key risks associated with IT vulnerabilities across the WYCA infrastructure. The audit's scope and control objectives included:

- Vulnerability management policies and procedures
- Vulnerability discovery process
- Vulnerability reporting, remediation and rescan process
- Trending and Metrics

The review highlighted a number of key risks around an out of date policy on patching, the slow rate of remediation of required patches including the manual nature of patching servers currently and the need to fully utilise the tools and systems available to the ICT team. The report gave a **LIMITED** assurance rating and a full discussion with the Head of ICT confirmed the actions that were being taken to address the recommendations made in the report.

### Audit Report – AEB Provider Review (5)

This AEB provider was selected for review due to the abnormally high number of entries on two of the AEB team's performance management exception reports. The review considered the explanations supplied by the provider for these anomalies as well as the usual review of systems, processes, controls and compliance with WYCA funding rules. The review concluded that an assurance rating of **MINIMAL** assurance was appropriate.

This rating was based on our opinion of a weak framework of controls with inconsistent application and the large number of corrections that the provider made to their final submission for the academic year, this was after some of these issues had been identified at the start of the audit. There was also further clawback of payment as a result of the audit.

It was evident to our auditors that the provider had been working hard to improve controls and the application of controls during and on conclusion of the audit, but the level of improvement required, we believe, necessitates the need for a further audit at the end of the next academic year to ensure these changes are embedded.

### Audit Report - AEB Provider Review (6)

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

The review focussed on compliance with the WYCA AEB funding and management rules, accuracy of data submission, that delivery of provision is in line with expectations and that the provider has appropriate procedures and controls in place. The audit findings confirm robust processes for learner registration and progress reporting, a good understanding of WYCA funding rules and with only a few minor issues identified from the sample of learner files tested and a small amount of clawback identified. Some recommendations were made for improving error identification and correction and the recording of this information.

### **Audit Memorandum – Connecting Innovation Controls Advice**

Internal Audit completed an investigation into two claims made on the Connecting Innovation fund which, while they concluded separately, did identify some areas for improvement of controls for future funding of a similar nature. A workshop session was held with the Connecting Innovation team which then informed this memorandum and a number of recommendations to be applied going forward. The recommendations covered the following points:

- Clear initial assessment through provision of a business case that aligns to the funding aims
- Basic due diligence and Know Your Customer Checks on applicants and proposed suppliers, clear geographical parameters on location
- Better stipulation of procurement processes to be followed, engaging with the procurement team to establish these in a proportionate way
- Clearer stipulation on evidence to support outputs, benefits to be delivered and defrayal.

### **Adult Education Budget (AEB) Progress Update**

Work is continuing on provider audits to support the annual rolling programme of AEB assurance reviews with one audit currently in progress. The team are also supporting the AEB Annual Conference by providing a number of workshops on the audit approach to providers of AEB training and support.

The main focus of the AEB work over recent weeks has been the completion of the annual assurance statement to the Department for Education (DfE) which has now successfully been submitted following sign off by the Section 73 Chief Finance Officer.

The team are currently attempting to recruit to the two vacancies in the team and interim support is being sought to help to mitigate the resource issues in the short term.

## Counter Fraud, Whistleblowing and Anti Money Laundering

There has been one new referral in 23/24 to date and three cases that carried forward from 22/23. Out of those four cases, two are still under investigation and two have closed. Work is due to get underway shortly to develop the Counter Fraud Strategy that will include proposed actions for proactive detection and deterrent work.

The table below provides a summary of referrals reported during 2023-24, including carry over from the previous year.

	Total number of referrals 23/24	Investigation completed - No breach/ no further action / not proven	Investigation completed – further action taken	Under investigation
Fraud – External	1 new 1 (c/f from 22/23)	N/A	1	1
Fraud – Internal	1 (c/f from 22/23)	N/A	N/A	1
Whistleblowing	1 (c/f from 22/23)	1	N/A	0
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 that the grant conditions have been met. Since we last reported to Committee in March 2023, Audit have reviewed and certified the following.

Grant/Fund	Claim Period	Value certified £
Connecting Innovation	Q1 (01/01- 31/03)	220,001
Rebiz (REF2)	Q1 (01/01- 31/03)	747,115
Strategic Business Growth	Q1 (01/01- 31/03)	315,239
BEIS	2022-23	390,001
Brownfield Housing Fund	2022-23	n/a





## Internal Audit Plan 2023/24

	Assurance Area	Scope	Current Status/Timetable
1	Connecting Innovation Controls Advisory report	Review of the Connecting Innovation fund to suggest improvements to controls and processes. (carried over from 22-23)	Advisory Report Completed (see above)
2	Adult Education Budget-Assurance statement	A review of the governance and financial arrangements of the Adult Education Budget programme to inform the Assurance Statement to the DfE.	Completed
3	GDPR (ICO Framework)	This audit is focused on a high-level review of compliance with expectations in the Information Commissioner Office Accountability Framework (carried over from 22-23)	At Draft Report Stage
4	Compliance with Contracts Standing Orders & Financial Regulations	Review focuses on control and use of Procurement Cards (carried over from 22-23)	In progress
5	Police and Crime Team Commissioning (including violence reduction unit)	A review to consider how the Police and Crime team processes are fitting into the CA ways of working to ensure agile responses to short term funding. (carried over from 22-23)	In progress
6	Project Review (Rail car parking package)	A review of the Rail car parking package to examine compliance with the Assurance Framework and good project management principles. (carried over from 22-23)	In progress
7	AEB Provider Review 7	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	In progress

		learners and claims (financial and outcomes) have followed the Funding Rules and contractual agreements in place.	
8	Contract Management (sample to confirm compliance with Fin Regs/ Contracts Standing Orders and good practice)	Contract reviews to ensure compliance with contract standing orders and contract management principles across the organisation.	In scope
9	Climate Change	To examine the CA's progress against its external plans to manage climate emergency.	In scope
10	Procurements (sample to confirm compliance with Fin Regs/ Contracts Standing Orders)	To review a selection of recent procurements and examine compliance with financial regulations, contract standing orders and procurement rules	Quarter 1-2
11	Project and Programme Assurance (various reviews) including use of PIMS and overall view of use of funding (e.g. Gainshare)	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 principles.	Quarters 1-4
12	Physical security including responsibilities and the social element of security	To review access arrangement and physical security of CA property and risk of social engineering.	Quarter 2
13	Central review of contract management to consider standards, support, guidance and monitoring.	To examine the central approach to Contract Management support provided to the organisation,	Quarter 2
14	HR – with an emphasis on recruitment/ retention/ succession planning	To review the arrangements to support recruitment and retention and succession planning.	Quarter 2
15	ICT – various, including Cyber Security and PCI	A programme of ICT audits provided by Salford Internal Audit Services informed by the 22/23 audit work.	Quarter 2-3

16	TPS Financial Controls follow up work	This work will follow up the 22/23 audit which culminated in a minimal assurance rating.	Quarter 2-3
17	Compliance with Contracts Standing Orders & Financial Regulations	Focus on the current financial system and processes.	Quarter 2-3
18	Data Quality	To review the project examining the provision of data for the region.	Quarter 2/3
19	Counter Fraud work	To undertake proactive counter fraud work to strengthen controls to prevent, detect and investigate theft, fraud and corruption	Quarters 2-4
20	Integrated Corporate System (HR, Finance, Payroll)	To review progress with implementation of the new Integrated Corporate System and more specifically aim to provide assurance that new controls are effective, and benefits of the new system are being realised.	Quarter 3
21	Financial Management and Business Planning – a rolling programme of reviews over a 3-year cycle to assess controls, governance and risk management of these linked processes.	A rolling programme of reviews over a 3-year cycle to assess controls, governance and risk management of these linked processes.	Quarter 3
22	Security of Assets	Informed by our 22/23 audit work, to continue to review asset management processes.	Quarter 3
23	Health & Safety	To provide assurance that HS policies and practices are up to date and meet legislative requirement and review processes around incidents and reporting of these and actions taken as a result.	Quarter 3
24	Supply chain financial liquidity, with an emphasis on risk management and business continuity plans	To examine the due diligence and financial check processes on the CA's processes	Quarter 3

25	Equality, Diversity and Inclusion (progress against the Local Govt Framework and internal EDI measures)	To examine EDI implementation across the organisation and examine progress in areas highlighted for improvement in the 22-23 audit. And to carry out compliance work to determine how well EDI is being embedded in the CA.	Quarter 4
26	GDPR	To focus on compliance with policies and practices in directorates including following up on 22/23 audit findings.	Quarter 4
27	Risk Management	Health check of the risk management arrangements to inform the audit opinion	Quarter 4
28	Adult Education Budget	Reviews in line with the Assurance framework for AEB to give programme assurance	Quarter 4
29	Code of Corporate Governance and Compliance with sub delegations	This review will focus on review of the revised delegations and proposed review of the Code.	Quarter 4
30	Multiply – advice and guidance on new funding stream in line with DfE requirements	Ongoing advice and guidance on requirements of the programme and review to inform the year end annual assurance statement to the DfE.	Ongoing
31	Grant Audits	In line with funding applications and funding agreements	As required
32	Attendance on Boards	Advice and guidance to inform the control framework	Ongoing
33	Various grant certifications	In line with funding applications and funding agreements	See above table

### 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.

### 3. Audit Follow up

In line with Public Sector Internal Audit Standards and internal procedures, progress against implementation of agreed actions (audit recommendations) is followed up with the action owner/management at periodic intervals. These follow ups vary between, a formal evaluation of evidence to assess the progress management have made, to obtaining a status update from action owners. Audit is reviewing its follow up processes to ensure these remain effective, particularly where a Limited or Minimal assurance audit rating is given.

The table below shows the status of agreed actions (also from advisory reviews) arising from April 2022. Whilst showing a significantly high percentage of in progress recommendations, of the 57, 26 relate to one report (previously reported to this Committee) and will form part of formal follow up work in 23/24. Audit continues to work with management/action owners to ensure agreed actions are implemented in a timely manner to mitigate governance, risk and control issues. A summary against implementation of “In progress” recommendations is also provided. Management chose not to accept one recommendation although work is ongoing to introduce compensating processes and controls.

<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	10	7	3	0	0
Finance and Commercial	5	2	3	0	0
COO Direct report	3	0	3	0	0
Transport Policy and Delivery	0	0	0	0	0
Inclusive Economy, Skills & Culture	7	0	7	0	0
Strategy, Comm, Intelligence	4	0	4	0	0
Policing, Environment, Place	0	0	0	0	0
Transport Ops & Passenger Exp	44	6	37	0	1
Mass Transit	0	0	0	0	0
<b>TOTAL</b>	<b>73</b>	<b>15</b>	<b>57</b>	<b>0</b>	<b>1</b>
		20.55%	78.08%	0.00%	1.37%
<i>Previous report</i>					

Status of In progress recommendations		
Audit Area	In progress Recommendations	Status
Risk Management	3	Implementation of recommendations remain in progress and we have requested a further update.
Health & Safety	3	One recommendation around review of the H&S strategy has been partially implemented and is awaiting internal approval, the two other recommendations are in progress.
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.
Mcard APP	1	Implementation of recommendations remain in progress and we have requested a further update.
Transport and Property (Financial Controls)	26	Detailed feedback was provided in the March Governance and Audit Committee. A formal follow up of this audit this planned for Quarter 2-3.
Connecting Innovation controls advice	7	This is an advisory report, a summary of the findings is provided above in section 2.
Equalities (EDI)	4	A summary of the findings is provided above in section 2, audit will provide an update on the implementation of recommendations at the next update.
Security of Assets	6	A summary of the findings is provided above in section 2, audit will provide an update on the implementation of recommendations at the next update.
Contract Management – Real Time Bus Displays	2	A summary of the findings is provided above in section 2, audit will provide an update on the implementation of recommendations at the next update.
Contract Management – Facilities Management	3	Audit are at present following up these recommendations with Management and are awaiting a response.
Flexi Bus	1	This recommendation may no longer be applicable due to a change in service provision, audit awaiting feedback.

## 4. Customer Feedback

Since we last reported to Committee, Audit have received the following positive feedback;

Review name & report issue date	What did we do well?	What could we have done better?
Security of Assets	The Auditor was easy to talk to and discuss the various processes of how the Estate Team have developed the NGT Portfolio since it came within the Facilities and Assets department. Reading the finished report shows a true reflection of the work achieved and how we can move it forward and improve certain processes to reduce the risks.	n/a
Equalities (EDI) (May 2023)	Defined the scope effectively, working with the team to establish priority areas of focus that would enable greater controls, and management of the EDI programme.	It is a challenge, but with EDI being one of the cross-cutting themes, it's the extent to which internal audit of the EDI programme, accounts for services beyond the Strategy Team's leadership of EDI interventions, to account for related activities e.g. recruitment and diversity interventions in the HR team as one example. I have concerns we view the EDI scope in isolation, and we need to understand and define how the cross-cutting themes can be better understood and built into audit exercises. Especially, to map tensions between the cross-cutting themes e.g., achieving net zero timeline and enabling inclusion of people and wellbeing in society and the economy, as well as the controls and/or, improving controls to effectively monitor the performance of interventions and alignment to wider organisational strategy.

## 5. 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 2022/23 - to include annual audit opinion achieved	July (draft) March (final)	NA	NA	NA										NA
Compliance against Public Sector Internal Audit Standards - self assessment against the Local Govt checklist achieved	July (draft) March (final)	NA	NA	Met										Met
Customer Satisfaction (including question around EDI approach)	80% good or above	NA	100%	100%										100%
Reports issued within 10 working days from completion of audit work	95%	0%	67%	50%										27%
Percentage completed reviews against agreed plan, quarterly targets	Q1=10%, Q2=40%, Q3=70%, Q4=90%	0%	0%	7%										7%
Percentage of recommendations agreed	90%	99%	100%	NA										99%
Fraud/ Whistleblowing acknowledgement, where appropriate, within 10 working days	100%	NA	100%	NA										100%
Fraud/ Whistleblowing reports to be issued within 10 working days of investigation completion	95%	NA	N/A	0%										0%
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%	100%	0%										100%