



Governance and Audit Committee Internal Audit Progress Report

October 2023

Appendix 1

1.Key Headlines / Index

Top three issues – Resource and capacity, 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. Work on the 2023-24 plan is progressing, albeit slowly while we wait for a new recruit (due end September) to start and lots of leave over the summer period.

Outstanding actions- At **page 9** the status of audit recommendations has been provided along with an update on any ‘in progress’ and those that have not met their original due date.

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

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

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

Audit Report- GDPR

The review examined the organisations compliance with the General Data Protection Regulations and focused at a high level, on systems and processes against expectations of the Information Commissioner’s Office Accountability Framework. This was a two stage review looking at one half of the framework with a further review planned for later in 2023. This review covered the following areas; Leadership and Oversight, Policies and Procedures, Training and Awareness, Risks and DPIA and Records Management. The review noted the following observations;

- The leadership and management structure was clear with roles and responsibilities identified with individuals responsible for data protection being well experienced.
- There was guidance and procedures issued to Heads of Service and other managers as Information Asset Owners (IAO) on what is needed to meet the GDPR requirements, and the induction process required all staff to undertake the training on GDPR. An improvement was suggested for the Information Governance team to ensure that newly recruited IAO and internal movers receive the necessary guidance and training,
- A recent health check report concluded that the policies and procedure were generally fit for purpose with areas for development suggested. The Information Governance team was in the process of implementing the recommendations from the health check report.
- There was an Information Management project which would develop a Data and Information strategy to support the development of a framework around managing information and data throughout its lifecycle. An improvement to the process of keeping information assets in one register available to asset owners was recommended.

Audit provided an audit opinion of **REASONABLE ASSURANCE** and two recommendations were made for improvement which have been accepted by management.

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 at draft report stage and a second audit underway. The recently completed draft report identified a number of control issues with the supplier and these have been escalated to the AEB team for consideration.

Internal Audit have continued to provide support, advice and guidance including: the development of the AEB funding rules, attendance at the AEB Performance Board and ESFA led anti-fraud meetings along with ad hoc pieces of work.

Internal Audit have now recruited to one of the two vacancies in the team, with the new starter in post from the end of September and recruitment underway for the other post.

Counter Fraud, Whistleblowing and Anti Money Laundering

There have been seven new referrals in 23/24 to date and three cases that carried forward from 22/23. Out of those ten cases, seven are still under investigation and three have closed. This has been a significant increase in the number of referrals over a relatively short space of time creating pressure on delivery across both these investigations and across the wider audit work. This is compounded by the resignation of our counter fraud officer. In order to mitigate this risk, we have identified training that will upskill a number of the team to enable them to assist with investigations in the interim while we undertake recruitment action.

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	5 1 (c/f from 22/23)	1	1	4
Fraud – Internal	1 1 (c/f from 22/23)	N/A	N/A	2
Whistleblowing	1 1 (c/f from 22/23)	1	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 that the grant conditions have been met. Since we last reported to Committee in July 2023, Audit have reviewed and certified the following.

Grant/Fund	Claim Period	Value certified £
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Connecting Innovation	Q2 (01/04- 30/06)	444,295
Rebiz (REF2)	Q2 (01/04- 30/06)	321,285
UKSPF (Claim1)	Up to 31 st March 2023	4,037,852
WYTCL Shareholding statement	2022-23	n/a
BDUK	2022-23	1,580,205

Audit resource has also been utilised to support the 3-year UK Shared Prosperity Fund (UKSPF). Work is ongoing with advice and guidance provided to the UKSPF team developing their procedures for managing the claims process as well as the role of audit and assurance in the process, a further detailed update can be provided to this Committee at the next update.

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
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)	Completed REASONABLE ASSURANCE
4	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 learners and claims (financial and outcomes) have followed the Funding Rules and contractual agreements in place.	Draft Report Stage
5	Contract Management Review-Electricity contract	Contract review to ensure compliance with contract standing orders and contract management principles	Draft Report Stage
6	Compliance with Contracts Standing Orders & Financial Regulations	Review focuses on control and use of Procurement Cards (carried over from 22-23)	In progress
7	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

8	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
9	Contract Management Review – Marketing and Communications contract	Contract review to ensure compliance with contract standing orders and contract management principles	In progress
10	AEB Provider Review (8)	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	Climate Change	To examine the CA's progress against its external plans to manage climate emergency.	In progress
12	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. PCI work now in progress, Cyber to be undertaken in Quarter 4.	In progress
13	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 the organisation is ready to go live.	In progress
14	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	In scope .
15	TPS Financial Controls follow up work	This work will follow up the 22/23 audit which culminated in a minimal assurance rating.	See Follow Up section below
16	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 2-3

17	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 2-3
18	HR – with an emphasis on recruitment/ retention/ succession planning	To review the arrangements to support recruitment and retention and succession planning.	Quarter 2-3
19	Compliance with Contracts Standing Orders & Financial Regulations	Focus on the current financial system and processes.	Quarter 2-3
20	Data Quality	To review the project examining the provision of data for the region.	Quarter 2/3
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	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
31	Counter Fraud work	To undertake proactive counter fraud work to strengthen controls to prevent, detect and investigate theft, fraud and corruption	Quarters 2-4
32	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
33	Attendance on Boards	Advice and guidance to inform the control framework	Ongoing
34	Various grant certifications	In line with funding applications and funding agreements	See above table
35	Grant Audits	In line with funding applications and funding agreements	As required

Overall Opinion Ratings

Level of Assurance	Description
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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.
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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.

The table below shows the status of agreed actions arising from April 2022. Of the 46 recommendations remaining to be implemented, the original due date has been revised for 22 actions following discussions with Management. For 3 cases where the due date has now passed Audit are waiting to receive feedback regarding their implementation. 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. In the 3 not to be implemented, 1 relates to a action in the Contract review of Facilities Management (previously reported) and 2 relate to Transport and Property – Financial Controls audit.

Status of agreed actions						
Directorate	Total	Implemented	In progress	Original Due Date Not Met Revised Implementation Date Agreed	Overdue, Revised Implementation Date Not Agreed	Not to be Implemented
Cross Cutting	10	7	0	3	0	0
Finance and Commercial	5	4	0	1	0	0
COO Direct report	5	0	4	1	0	0
Transport Policy and Delivery	0	0	0	0	0	0
Inclusive Economy, Skills & Culture	0	0	0	0	0	0
Strategy, Comm, Intelligence	4	0	4	0	0	0
Policing, Environment, Place	0	0	0	0	0	0
Transport Ops & Passenger Exp	44	11	10	17	3	3
Mass Transit	0	0	0	0	0	0
TOTAL	68	22	18	22	3	3

		32.35%	26.47%	32.35%	4.41%	4.41%
Previous report		20.55%	78.08%	n/a	n/a	1.37%

A breakdown of actions still to be implemented is provided here;

Status of In progress recommendations		
Audit Area	In progress Recommendations	Status
Risk Management	3	Implementation of recommendations remains in progress. Some changes internally and responsibility for owning risk management is moving to the Legal and Governance team has meant implementation of recommendations has been delayed.
Health & Safety	3	Due to the internal restructure and line responsibility for the team changing, implementation of recommendations has been delayed although work is progressing.
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 one recommendation remains in progress, the original due date has passed and Management has requested a revised implementation date.
Transport and Property (Financial Controls)	17	We have received feedback from the business on progress against the recommendations which is reflected in the revised figures above, however while there is a genuine desire to make the necessary changes, there is also recognition that given the significance of the change required, a lot of collaborative working needs to continue to not just deal with existing issues, but to build much better processes going forward. A formal follow up of this audit is planned for Quarter 3 - 4.
Equalities (EDI)	4	We have received an update regarding implementation of these in progress recommendations. The proposed recruitment of a EDI project manager due to commence in July 2023 was delayed to

		September 2023 and action owners have requested moving the original due dates.
Security of Assets	6	Currently in progress, we have received feedback from the action owners and it is highly unlikely the due dates will be met. Further discussions are to be held with management to review the risks and consider next steps.
Contract Management – JPB Facilities Management	3	These remain outstanding, we are awaiting feedback from management.
Flexi Bus	1	There is one recommendation outstanding which has been followed up with Management and Audit are awaiting feedback.
GDPR	2	Report recently issued, see the above audit summary section for details

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?
GDPR	Overall, it has been a successful audit within GDPR.. It is helpful that you have asked questions and further clarity as opposed listing non-conformities without IG input. This has ensured that we have been kept up-to-date and taken into account other ongoing work and action plans which will resolve questions which we're asked as opposed to repeating actions which are in alternative project plans.	If it is in-line with the audit principles, it would be helpful to understand the scope of the audit prior to the initial meet – this will ensure that we are adequately prepared and not overlapping the scope of the audit with project plans.

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	NA	Draft done							NA
Compliance against Public Sector Internal Audit Standards - self assessment against the Local Govt checklist achieved	July (draft) March (final)	NA	NA	Met	NA	NA	NA							Met
Customer Satisfaction (including question around EDI approach)	80% good or above	NA	100%	100%	NA	NA	100%							100%
Reports issued within 10 working days from completion of audit work	95%	0%	67%	0%	NA	100%	NA							50%
Percentage completed reviews against agreed plan, quarterly targets	Q1=10%, Q2=40%, Q3=70%, Q4=90%	0%	0%	7%	7%	7%	10%							10%
Percentage of recommendations agreed	90%	99%	100%	NA	NA	100%	NA							99%
Fraud/ Whistleblowing acknowledgement, where appropriate, within 10 working days	100%	NA	100%	0%	100%	100%	NA							86%
Fraud/ Whistleblowing reports to be issued within 10 working days of investigation completion	95%	NA	N/A	0%	NA	NA	NA							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%	NA	100%	100%	NA							100%