

**Report to:** Governance and Audit Committee

**Date:** 29 March 2018

**Subject:** **Internal Audit Progress Report**

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## **1 Purpose of this report**

- 1.1 To inform the Combined Authority of the work undertaken by the Internal Audit Section.

## **2 Information**

- 2.1 In accordance with the Accounts & Audit (England) Regulations 2015, the Combined Authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards and guidance.
- 2.2 This report provides details of activities undertaken by the Internal Audit Section in the period from 1 January 2018 to 31 March 2018 and provides progress in delivering the 2017/18 audit plan, audit opinion on reviews undertaken, summarises any significant issues identified and the status of any high priority audit recommendations which have not been implemented within the agreed timescales.
- 2.3 The Internal Audit Section has completed work contained within the Combined Authority's audit plan through the performance and release of the following audit reports:
- Risk Management - Requires Improvement
  - English National Concessionary Travel Scheme - Requires Improvement
  - Resource Efficiency Fund - Requires Improvement
  - Tendered Subsidised Bus Services - Controlled
  - Creditors Payments System - Controlled
- 2.4 There were three reviews where a 'requires improvement' opinion was provided. The key issues resulting from these audits are;

## **Risk Management**

- 2.5 This review recognised that the corporate risk management framework is currently being developed and that much has been achieved. However, there are now opportunities to further develop risk management within the Combined Authority so that it becomes an effective component of organisational governance.
- 2.6 It was recommended that, to ensure that risk management is embedded within the organisation, further training and workshop initiatives be undertaken to support this process.
- 2.7 The structure of reporting and escalation of risk be clearly provided within the corporate risk management strategy. This should include the review of the terms of reference of the Combined Authority's Audit & Risk Management Group.
- 2.8 To maintain a consistent and effective risk management system it was recommended that all risk registers throughout the organisation be consolidated into one corporate system.
- 2.9 To assist the development of a risk aware culture it was identified that additional guidance be provided in support of the Risk Management Strategy particularly in relation to the identification, assessment and treatment of risk.

## **Resource Efficiency Fund**

- 2.10 It was established that clarification is required in respect of responsibility for financial management and reporting of the performance with the different teams within the programme. In addition, the validation of financial information reported should be authenticated by the Combined Authority's Finance Section.
- 2.11 In respect of the Resources Efficiency Fund Steering Group, it was established that the terms of reference require reviewing and updating to set out action to be taken if a major issue arises and to clarify the group's responsibilities concerning financial management arrangements.

## **English National Concessionary Travel Scheme**

- 2.12 There are agreements in place with some operators which provide an agreed payment to reimburse them for providing concessionary travel. The Combined Authority has invested in the development and roll out of smart card technology. One of the benefits of this system is that it provides more precise data in relation to the use of these products on the bus network. To improve transparency of monitoring arrangements, it was recognised that formal reporting of actual usage of concessionary passes against the value of fixed payments should be provided and compared with contract tolerances.

- 2.13 The development of smartcard technology is delivered through a programme team set up within the Combined Authority. The governance arrangements for this programme include a programme board and a project direction team. It was recommended that programme governance arrangements be clarified. This to be achieved through the formal definition of the role and purpose of the project direction team particularly in respect of cost control/ budget monitoring and financial reporting.

### **Work in progress**

- 2.14 In addition to the completion of scheduled audit reviews provided in section 2.3 of this report, a number of audit reviews are currently in progress and include;

- Data Hosting
- Growing Places Fund
- Housing & Regeneration Fund
- Superfast Broadband
- Payroll
- Health & Safety
- Business Growth Programme
- Prepaid Tickets & Concessionary Travel
- Debtors

### **Outstanding Audit Actions**

- 2.15 The following high priority audit recommendations were overdue at the time of writing this report;

Audit Review	Recommendation	Risk	Progress
Health and Safety	Emergency Evacuation Procedures. That emergency evacuation procedures are designed and tested regularly to ensure they are appropriate for each site. These procedures to be readily available at each site and centrally on the network drive.	Emergency evacuation procedures are not appropriate and are not accessible.	Due Date: 30/06/17 Completion: 90% Work is underway to update procedures to ensure they reflect latest advice on bomb and fire evacuations from the bus stations. Current procedures are stored locally on site.
ICT	That written procedures be developed for business critical systems to comply with ISO27001001	Data/System loss	Due Date: 30/12/17 Completion: 20% To help determine business critical

	guidelines. These procedures to include all application projects in development and 'live' system applications.		systems, it was agreed to initially identify systems which contain sensitive data. This has now been established as part of the Information Governance project. ICT are now considering the requirement for specialist resource to write procedures.
Business Continuity	A disaster recovery policy that includes clear roles and responsibilities and a review and maintenance schedule be developed.	There is inadequate corporate oversight of business continuity systems.	Due Date: 30/09/17 Completion 95% Completed in draft, awaiting sign-off
ICT	Periodic test restores of key programmes/data from back up media should be undertaken and documented.	Data/System loss	Due Date: 30/12/17 Completion: 80% Simple restores completed April 2017. System restores to separate environment (at same site) completed December 2017. Reproduction of major applications to DR environment (at different site) scheduled for March 2018.

### **Resource**

- 2.16 Internal audit have secured further resource to enable the 2017/18 to be delivered in full. At the time of writing this report, it is anticipated that there will be a slight overrun into April 2018 before this work is completed. These measures will allow a sufficient body of work to be undertaken on which to base the annual internal audit opinion.

### **3 Financial Implications**

- 3.1 There are no financial implications directly arising from this report.

#### **4 Legal Implications**

4.1 There are no legal implications directly arising from this report.

#### **5 Staffing Implications**

5.1 The performance of some elements of the audit plan require the buying-in of audit specialisms.

#### **6 External Consultees**

6.1 No external consultations have been undertaken.

#### **7 Recommendations**

7.1 That this report be noted.

#### **8 Background Documents**

None.

#### **9 Appendices**

Appendix 1 - Internal Audit Dashboard