

Report to: Governance and Audit Committee

Date: 30 July 2018

Subject: **Internal Audit Progress Report**

Director(s): Angela Taylor, Director, Resources

Author(s): Russell Gott

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 April 2018 to 30 June 2018 and provides progress in delivering the 2017/18 and 2018/19 audit plans, 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 plans through the performance and release of the following audit reports:
- Growing Places Fund
 - Housing & Regeneration Fund
 - Payroll
 - Debtors
 - Health & Safety
 - Prepaid Tickets & Concessionary Travel
 - Business Growth Programme
 - Data Hosting / Business Continuity

- 2.4 There were three reviews where a 'requires improvement' opinion was provided. The key issues resulting from these audits are summarised as;

Health & Safety

- 2.5 This review concluded that the Combined Authority should develop the training policy in respect of H&S matters, develop safety procedures, clarify roles and responsibilities in respect of fire risk assessments and report on the outcome of the H&S inspection programme.

Growing Places Fund

- 2.6 The structure and content of reports provided to the Business Investment Panel should be developed so that members of this group can be provided with information to enable them to be fully aware of all aspects of the fund and ensure this is consistent at all times with the information contained within the Combined Authority's financial system.

Data Hosting/Business Continuity

- 2.7 It was established that a formal ICT Disaster Recovery Policy should be developed. This policy should include provision for backup and recovery of data, ensuring that adequate servers are available to restore data following a disaster, test the reliability of backup processes and undertake test restores on a regular basis.

Work in Progress

- 2.8 Information relating to work currently underway in relation to the 2018/19 Strategic Audit Plan is provided within the appendix to this report.

Outstanding Audit Actions

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

| Audit Review | Recommendation | Risk | Progress |
|--------------|---|------------------|--|
| ICT | That written procedures be developed for business critical systems to comply with ISO27001001 guidelines. These procedures to include all application projects in development and 'live' system applications. | Data/System loss | Due Date: 30/12/17 Completion: 20% Written procedures already in place are being updated and extended to enable compliance with PSN and ITIL standards. This will be an ongoing process as new systems and |

| | | | |
|---------------------|---|---|--|
| | | | infrastructure are introduced as part of the Corporate Technology Programme. |
| 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, due for final sign off on 27 July. |
| 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 completion September 2018. |
| Risk Management | Consider structure of reporting and escalation arrangements and include clearly in Corporate Risk Management Strategy | There is a risk that staff will fail to be fully aware of the risks that should concern them and that there will be progressively reduced levels of risk awareness and understanding within the Combined Authority. As a result, the system will fail to be comprehensive and therefore less effective. | Due Date: 31/05/18 Completion: 90% Enhanced risk escalation procedures developed and set out in updated Corporate Risk Management Strategy - to be considered by Governance and Audit Committee on 30 July. |
| Risk Management | To maintain a consistent and effective Risk Management System will require the consistent use of | There will be a risk that in the short term, until development of the new system is complete, the | Due Date: 31/05/18 Completion: 90% A common risk register template |

| | | | |
|-----------------|--|--|--|
| | a common Risk Register Template and its maintenance on a system in a way that is easily accessible and allows the production of management and monitoring reports for a variety of stakeholder groups. | changes explained above will result in the Risk Registers becoming a series of disparate registers maintained in a wide variety of ways and locations. | developed and rolled out for corporate risk register, directorate risk register and for projects/programmes. Further dissemination activities required after corporate risk management strategy considered by Governance and Audit Committee on 30 July |
| Risk Management | All components of Risk Management should be included within guidance documentation. The areas in which help may be required is the identification of risks and their treatment. The building of a risk aware culture will require a broad range of understanding both of the meanings of risk and its treatment. As well as written guidance a programme of education will help to introduce and develop risk management within the Authority. | There is a risk that staff may misunderstand the meaning and treatment of risks and as a consequence risks may not be identified and managed. | Due Date: 31/05/18 Completion: 75% New Corporate Risk Management Strategy developed and risk workshops held with all Directorates to disseminate details of enhanced procedures. Further guidance/training to take place following agreement of strategy by Governance and Audit Committee on 30 July. |

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 July 2018