

## Audit, Risk & Assurance Committee

<b>Date</b>	4 October 2023
<b>Report title</b>	Internal Audit Update
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<b>Report has been considered by</b>	N/A

**Recommendation(s) for action or decision:**

**Audit, Risk & Assurance Committee is recommended to:**

- (1) Note the contents of the latest Internal Audit Update Report.
- (2) Note the confirmation of the 22/23 Annual Audit opinion.

## **1. Purpose**

- 1.1 The purpose of this report is to present the Committee with an update on the work completed by internal audit so far, this financial year.

## **2. Background**

- 2.1 In accordance with the agreed work programme for internal audit, the reports provide an independent and objective opinion on the Combined Authority's effectiveness in managing their risk management, governance, and control environment.
- 2.2 The reports will feed into the 23/24 Annual Internal Audit Report that will be prepared at the end of the financial year. The Annual Report will provide an overall audit opinion on the adequacy and effectiveness of the governance, risk management and internal control processes, based upon the outcome of the reviews completed during the year. This opinion will be used to feed into the Annual Governance Statement that accompanies the Annual Statement of Accounts.
- 2.3 The 22/23 Annual Internal Audit report, presented to ARAC in July 2023, provided a 'provisional' annual audit opinion from the Head of Internal Audit due to audits remaining outstanding to delivery. On completion of these audits, the Head of Internal Audit at the City of Wolverhampton Council, who had provided the provisional audit opinion, has assessed the outcome and has confirmed no change is required to opinion provided.
- 2.4 The annual audit opinion for 22/23 for inclusion within the Annual Governance Statement will therefore read: 'Based on the work undertaken during the year, the implementation by management of the recommendations made and the assurance made available to the Combined Authority by other providers as well as directly by Internal Audit, we can provide **reasonable assurance** that the Combined Authority has adequate and effective governance, risk management and internal control processes'.

## **3. Wider WMCA Implications**

- 3.1 There are no implications.

## **4. Financial implications**

- 4.1 There are no direct financial implications as a result of this report.

## **5. Legal implications**

- 5.1 This report will provide the Audit, Risk and Assurance Committee with assurance that it is fulfilling its functions as set out in Schedule 5A to the Local Democracy, Economic Development and Construction Act 2009.

## **6. Equalities implications**

- 6.1 There are no implications.

**7. Other implications**

7.1 Not applicable

**8. Schedule of background papers**

8.1 None

**9. Appendices**

Appendix 1 – Adult Education Budget internal audit report

Appendix 2 – External Funding Arrangements internal audit report

Appendix 3 – Gifts and Hospitality arrangements audit report



# **West Midlands Combined Authority**

Internal Audit Update Report – 04 October 2023

## 1 Introduction

The purpose of this report is to bring the Audit, Risk and Assurance Committee up to date with the progress made against completing delivery of the 2022/23 and progress of the 2023/24 internal audit plans.

The Audit, Risk and Assurance Committee has a responsibility to review the effectiveness of the system of internal controls and to monitor arrangements in place relating to corporate governance and risk management arrangements. Internal audit is an assurance function which provides an independent and objective opinion to the organisation on the control environment, comprising risk management, control, and governance.

This update provides the committee with information on recent audit work that has been carried out to assist them in discharging their responsibility by giving the necessary assurances on the system of internal control.

Where appropriate each report issued during the year is given an overall opinion based on the following criteria:

No Assurance	Limited	Satisfactory	Substantial
Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.

## 2 Summary of progress

The following internal audit reviews have been completed or are in progress.

Auditable area	ANA <sup>1</sup> Rating	Level of assurance obtained
<b>Internal Audit Reviews previously reported</b>		
Procurement Exemption arrangements	High	Limited
IR35	High	Limited
<b>Audit Reviews completed</b>		
Adult Education Budget	High	Satisfactory
External Funding arrangements	High	Satisfactory
Gifts and Hospitality arrangements	High	Limited

<sup>1</sup> Audit Needs Assessment rating

Auditable area	ANA <sup>1</sup> Rating	Level of assurance obtained
<b>Audits in progress</b>		<b>Status</b>
TfWM review	n/a	In progress
Contract management	High	Scoping of audit
Adult Education Budget - Procurement	High	Scoping of audit
Key Financial Systems	n/a	Scoping of audit

### 3. *Audits completed this period*

#### **Adult Education Budget**

A review of the arrangements in place for the management of the Adult Education provision has been completed as part of the 22/23 audit plan with the scope of the audit focussing on the effectiveness of the arrangements in place for the delivery of adult education and training, including the arrangements to ensure an appropriate level of governance, risk management and financial probity. An assessment of the delivery of the audit recommendations from a previous audit of the Adult Education Budget was also completed as part of this review.

The outcome of the review concluded that **Satisfactory** arrangements are in place, with one amber and 3 green recommendations being identified for action by the department. These included:

- The approval process for increasing provider contract values.
- The effectiveness of The Performance Management Review (PMR) process.
- Implementation of the Compliance and Audit Schedule.
- Implementation of the VEAT/Procurement Process.

Further details are provided in the full audit report, provided as Appendix 1.

#### **External Funding Arrangements**

A review of the management arrangements for processing external funding applications was identified within the 22/23 internal audit plan and has been completed with the audit scope being 'to carry out a high-level appraisal of the external funding application process in order to provide assurance regarding its effectiveness and fitness for purpose'.

The outcome of the review concluded that **Satisfactory** arrangements are in place with four amber and four green issues being identified and recommendations made to address them. These have been accepted by the department and include:

- Improvements to be made to the application register.
- Use of the Bid Checklist to support the monitoring of applications.
- Introduction of a Steering group to develop a standard approach for case development.
- Formal reviews to be conducted of unsuccessful applications.
- The introduction of a formal risk assessment process as part of the preparation stage for bids.
- Development of a structured process to pro-actively source external funding opportunities.
- Greater visibility of the Procurement team throughout the application process.
- A Director to establish accountability and overall responsibility for the external funding application process.

Further details are provided in the full audit report, provided as Appendix 2.

### **Gifts and Hospitality arrangements**

This review is contained within the 23/24 internal audit plan with the scope being a review of the policies and procedures in place for the declaring of gifts and hospitality received by officers alongside a review of the associated monitoring and management arrangements in place.

The review concluded with a **Limited** assurance rating being provided, and 2 red and 2 amber recommendations being made to address the identified concerns. These have been accepted by the department and include:

- A review of the WMCA's Declaring Gifts and Hospitality policy.
- A consistent and robust process needing to be adopted for the monitoring of all declarations.
- Improvements to be made to the security of information contained in the register, and accessibility for officers to make a declaration.
- Greater visibility of the Code of Conduct for officers.

Further details are provided in the full audit report, provided as Appendix 3.

### **Other Internal Audit Activities – Unplanned Work**

In addition to planned audits, the team carried out the following two external grant certification claim reviews, to fulfil the requirement for an "Independent Reasonable Assurance Report ("Accountant's Report")", as required by external funding requirements. The programmes were funded by Innovate UK to facilitate productivity and economic growth by supporting businesses to develop and realise the potential of new ideas, including those from the UK's world class research base. The two certification claims were for:

- Multi-Area Connected Automated Mobility
- Zero Carbon Rugeley: A major new development as a catalyst for a town wide smart local energy system.

By using its Internal Audit Resources, the WMCA was able to save the costs of commissioning the work from private firms.

## 4 Follow-up of previous recommendations

Progress Monitoring Update							
Auditable area	Overall Opinion	Report Issue Date	Action Date	Agreed Actions			Number Completed*
				Red	Amber	Green	
Longbridge Park and Ride Income Management and Charging Arrangements	Limited	30/03/22	30/11/22	1	2	-	3
ICT Strategy	Satisfactory	29/03/22	31/08/22	-	1	3	4
Dudley Interchange	Satisfactory	13/05/22	31/07/22	-	3	-	3
Affordable Housing Delivery Vehicle	Satisfactory	20/06/22	30/09/23	-	1	-	0
MML	n/a	22/06/22	31/12/22	-	1	-	0
WM2041	Satisfactory	19/10/22	31/01/23	-	3	1	4
Information Assurance and Cyber Security	Satisfactory	05/01/23	30/09/23	-	5	13	16
Key Financial Systems	Substantial/ Satisfactory	03/02/23	31/05/23	-	5	3	7
Payroll	Satisfactory	09/03/23	06/04/23	-	2	5	7
Procurement Exemptions	Limited	21/06/23	31/12/23	1	2	2	1
IR35	Limited	19/06/23	30/09/23	1	4	-	2

\* The number of recommendations completed reflects the opinion of the auditee only and the position as at 31 August 2023.