

## Audit, Risk and Assurance Committee

<b>Date</b>	4 December 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:

**1. The Audit, Risk and Assurance Committee is recommended to:**

1.1 Note the contents of the latest Internal Audit Update Report.

**2. Purpose**

2.1 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.

**3. Background**

3.1 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.

3.2 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.

#### **4.0 Wider WMCA Implications**

4.1 There are no implications

#### **5.0 Financial implications**

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

#### **6.0 Legal implications**

6.1 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.

#### **7.0 Equalities implications**

7.1 There are no implications

#### **5.0 Other implications**

5.1 Not applicable

#### **6.0 Schedule of background papers**

6.1 None

#### **7.0 Appendices**

Appendix 1 – Health & Safety

Appendix 2 – Internal Audit structure chart



# **West Midlands Combined Authority**

Internal Audit Update Report – 04 December 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 2023/24 internal audit plan.

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
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>Audit Reviews completed</b>		
Health & Safety	Medium	Satisfactory
<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	In progress
Key Financial Systems Budgetary Control Accounts payable Accounts receivable General Ledger Payroll Treasury Management	n/a	In progress

### 3. Audits completed this period

#### Health & Safety

A review of the WMCA's Health and Safety (H&S) arrangements has been completed as part of the 23/24 audit plan, with the scope of the audit seeking assurance that the H&S management in operation, aligns with the H&S ISO accreditation 45001. WMCA currently holds this accreditation and as set out in the obligations, we are required to undertake an internal audit programme which considers all requirements of the standard.

The outcome of the review has concluded with a **Satisfactory** audit opinion being issued. 1 recommendation has been made and has been accepted. This being:

- An online Health & Safety programme should be introduced for all temporary workers to access and complete mandatory training.

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

### 4 Follow-up of previous recommendations

Progress of audit actions resulting from previously reported audits are detailed in the table below.

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

Progress Monitoring Update							
Auditable area	Overall Opinion	Report Issue Date	Action Date	Agreed Actions			Number Completed*
				Red	Amber	Green	
Affordable Housing Delivery Vehicle	Satisfactory	20/06/22	30/09/23	-	1	-	1
MML	n/a	22/06/22	31/12/22	-	1	-	1
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	17
Key Financial Systems	Substantial/Satisfactory	03/02/23	31/05/23	-	5	3	8
Payroll	Satisfactory	09/03/23	06/04/23	-	2	5	7
Procurement Exemptions	Limited	21/06/23	31/12/23	1	2	2	3
IR35	Limited	19/06/23	30/09/23	1	4	-	2
Gifts and Hospitality	Limited	22/09/23	31/12/23	2	2	-	0
External Funding arrangements	Satisfactory	25/08/23	31/03/24	-	4	-	0
Adult Education Budget	Satisfactory	25/07/23	31/07/23	-	1	3	4

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

The target date for delivery of audit actions has been met in most cases, with 4 actions currently recording a delay to delivery against the target date originally set. These include;

- **Cyber security:** A review of improved systems for the monitoring of data security has been completed with a preferred system having been determined for the automated monitoring of cyber threats. Approval is now being sought for its procurement and implementation.
- **IR35:** Additional resources have been obtained to support delivery of the 3 outstanding audit actions including the development of a framework that will set out the parameters of the contingent worker recruitment and IR35 process. The framework will enable all hirers across WMCA to administer a streamlined approach in the recruitment of contingent workers. Whilst it is anticipated the framework will be complete by December 2024, immediate action has been taken to respond to the timescales for completing IR35 requirements.

## 5. Delivery of the Internal Audit plan

Delivery of the Internal Audit plan continues to be monitored and current indications are showing that full delivery is unfortunately, unlikely to be achieved within year. This is due to the availability of temporary resources whilst we recruit and develop an in-house Internal Audit team, and the requirement to redirect resources to the review of the TfWM Capital programme and other unexpected matters being brought to Internal Audit's attention. Details of these are provided in the report entitled 'Update on Whistleblowing Claims'.

A review of the 23/24 Internal Audit plan is now in progress to reassess and determine if there is any change in the risk status of the planned audits in order for us to prioritise those that represent the highest risk to the organisation, and to identify those where operational processes have changed in-year resulting in the audit no longer being relevant or can be deferred to the 24/25 Internal Audit plan. The outcome of this will be presented to the next meeting of this committee in January '24.

As previously requested by Committee, the structure of the new Internal Audit team is provided as appendix 2 for information.