



Audit, Risk & Assurance Committee

Date	16 th March 2018
Report title	Outturn Report for Internal Audit 2017/18
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Report to be/has been considered by	None

Recommendation(s) for action or decision:

The Audit, Risk and Assurance Committee is recommended to:

1. Note the contents of the report which provides the basis and assurance over the Annual Governance Statement for approval to be included in the annual accounts.
2. Note the current position on the implementation of audit recommendations provided in 2017/2018 as set out in Appendix 2.
3. Note that no major risk exposure has been discovered since the last Outturn Report for 2016/2017.

1.0 Purpose

- 1.1 The purpose of this report is to provide the opinion of the Chief Audit Executive on the adequacy of WMCA control environment which is relevant in compiling the 2017/2018 Annual Governance Statement.
- 1.2 The report also informs the Audit, Risk and Assurance Committee of the progress made in delivering the Internal Audit Plan for 2017/18.

2.0 Background

- 2.1 The WMCA Internal Audit plan for 2018/ 2019 is to be considered and agreed by the Audit, Risk and Assurance Committee in March 2018.
- 2.2 There was a significantly changing environment in 2017/18 with the election of the first Mayor, the appointment of a new leadership team, the first development of a focussed Strategic Risk Register and the Audit, Risk and Assurance Committee's request for a review of the Governance framework and responsibilities which is due for completion in 2018/19. The WMCA is still undergoing many changes and the position will no doubt be different again at the end of the 2018/19.
- 2.3 The Assurance Framework and plan ensures that WMCA allocates public resources in accordance with the law and proper standards, and in an efficient and effective way that delivers both desired outcomes and value for money.
- 2.4 The CIPFA code 'Good Governance in Local Government: Framework (CIPFA/Solace, 2016)' requires the Chief Audit Executive to provide an opinion on the control environment and give assurance that Internal Audit is carried out in line with CIPFA Public Sector Audit standards.

3.0 Opinion of the Control Environment

- 3.1 **Appendix 1** sets out the control environment within which WMCA operates. This demonstrates three levels of assurance:
 - (a) Management Controls
 - (b) Corporate Assurance arrangements
 - (c) External validation
- 3.2 These areas of activity have been revised to reflect the scope of WMCA activities and they continue to be reviewed as the new organisation becomes established.
- 3.3 The framework of assurance needs to satisfy WMCA Board that the risks to delivery and the risks inherent in undertaking its work have been properly identified and are being managed by controls that are adequately designed and effective in operation.
- 3.4 Internal Corporate Assurance arrangements include:
 - (a) The appointment of Chief Audit Executive
 - (b) The provision of Internal Audit provided independently by Wolverhampton Audit Services
 - (c) The presentation of Audit Reports by Wolverhampton to each Audit Risk and Assurance Committee
 - (d) The development and delivery of an audit plan
 - (e) The issue of a formal audit report at the end of each audit

- (f) The follow up of audit recommendations and reporting of progress
- (g) Maintenance and submission of the National Fraud survey
- (h) Independent investigation of theft, fraud and unexplained financial losses in line with associated policies and procedures
- (i) Facilitation of lessons learned on all projects
- (j) Risk management arrangements across all areas of the business and reporting of corporate risks
- (k) Monitoring of business objectives

3.5 Improvements to controls and processes that have been highlighted through audit have been or will be implemented.

3.6 A total of 8 internal audits were undertaken during the reporting period. A summary of the current position on each of the Audit recommendations made during the year are attached as **Appendix 2**.

3.7 A number of issues were identified as part of these audits and recommendations have been provided and will be followed up by the respective management teams. The completion of all actions has been set for by or before August 2018, after which Internal Audit will further test these arrangements as part of their follow-on review activity that is undertaken for all audits findings.

3.8 Regular risk management review meetings are now in place across all WMCA activities including Commissions to enable full visibility of key risks having the potential to impact on the organisation.

3.9 A review of risk arrangements across all levels of the business is to be undertaken in order to validate current processes and to ensure a robust risk management function is maintained throughout the WMCA.

4.0 2018/19 Audit Plan

4.1 Internal Audit is provided by Wolverhampton Audit Services and contractual arrangements are in place to manage the provision of this service going forward.

4.2 The Corporate Assurance Manager has been working closely with Wolverhampton colleagues to develop a risk based approach to the development of the 2018/19 Annual Audit Plan which is the subject of a separate report to this committee.

5.0 Conclusion

5.1 Overall, all finalised audits undertaken have been rated Substantial or Satisfactory, demonstrating that the systems and processes around audit, risk and governance are effective.

5.2 On the basis of the work undertaken during 2017/18, and the results of audit and assurance, it is considered that WMCA control environment is robust.

6.0 Financial implications

6.1 No specific implications.

7.0 Legal implications

7.1 No specific implications.

8.0 Equalities implications

8.1 No specific implications.

9.0 Other implications

9.1 None.

10.0 Appendices

Appendix 1: Combined Assurance Activities

Appendix 2: Audit Services 2017/18 Reports Issued and 2017/18 Follow-up reviews