



West Midlands Combined Authority

Internal Audit Progress Report – 3 February 2025

1. Introduction

The purpose of this report is to bring the Audit, Risk and Assurance Committee (ARAC) up to date with the work undertaken by Internal Audit since the previous update and the progress made against delivery of the 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.

This update provides the committee with information on recent audit work that has been carried out since the previous update on 18 November 2024, and to assist them in discharging their responsibility by giving the necessary assurances on the system of internal control.

2. Progress Summary (2024/25 Internal Audit Plan)

The following internal audit reviews have been completed or are in progress in relation to the 2024/25 Internal Audit Plan:

Auditable area	Level of assurance obtained/Status
Audit reviews previously reported	
Core Growth Hub – Grant verification	N/A – Verification provided

Auditable area	Level of assurance obtained/Status
Commonwealth Games Legacy Enhancement Fund – Grant verification	N/A – Verification provided
West Midlands Innovation Programme - Phase 2 Q5	N/A – Verification provided
Multi Area Connected Automated Mobility – Grant verification	N/A – Verification provided
UK Shared Prosperity Fund	Reasonable Assurance
Information at Bus Stops and Shelters (Operator Charging)	Reasonable Assurance
Social Housing Decarbonisation Fund – Wave 2.1 – Grant verification	N/A – Verification provided
Audit reviews completed this period	
TfWM External Assurance Follow up - Governance and Capital Projects	Reasonable Assurance
Single Settlement - Readiness Check	Reasonable Assurance
Independent Training Providers	Reasonable Assurance
West Midlands Innovation Programme - Phase 2 Q6	N/A – Verification provided
Audits/work in progress	
Status	
Corporate Credit Cards	Final review
Procurement: Readiness for the Procurement Act 2023	Draft report issued
Digital Transport Systems	In progress – Testing
West Midlands Innovation Programme - Phase 2 Q7	In progress – Testing
Zero Emissions Vehicle Infrastructure	In Progress – Planning
Gifts and Hospitality Declarations – follow up	Final review
Careers Enterprise Company (CEC)	In progress – Testing
Change Control	In progress – Testing
KFS – Payroll	In progress – Testing
Annual Business Plan Performance Reporting	In Progress – Planning
Board Paper Governance	Final review
Brownfield Housing Fund	In Progress – Planning
KFS - Accounts Receivable	In Progress – Planning
KFS - Accounts Payable	In Progress – Planning

Auditable area	Level of assurance obtained/Status
External IT Vulnerabilities	In Progress – Planning

3. Progress Detail

One external grant certification (West Midlands Innovation Programme - Phase 2 Q6) has been carried out during this period to fulfil the requirement for periodic “Independent Reasonable Assurance Reports (“Accountant’s Report”)", as required by the external funding body. The Q7 certification of the same grant is currently underway and due to be issued by 31 January.

Three audits have been completed to final report stage during the period of this update. A summary of each audit is provided below including the assurance opinion provided and number/risk rating of recommendations made.

TfWM External Assurance Follow up - Governance and Capital Projects

A follow up review of TfWM External Assurance - Governance and Capital Projects has been carried out to seek assurance over the implementation of actions arising from the Nexus and Mazars external assurance reports previously carried out into TfWM, including evidence of the impact of delivery improvements.

An overall opinion of Reasonable assurance was provided. Overall, we have concluded that considerable progress has been made in the implementation of actions to satisfy the recommendations made within both the previous assurance reports. In total the majority of actions (55%) have been fully implemented across all recommendations made, with the remaining 45% (10) actions partially implemented. This is a substantial improvement in comparison to February 2024, where 43% of Nexus and 100% of Mazars recommendations were outstanding.

Further details are provided within the summary report at Appendix 2 and full report (including the summary of recommendations and agreed actions) within the private appendix.

Integrated Settlement - Readiness Check

An internal Readiness Check has been undertaken by Internal Audit to assess the organisation’s preparedness for the start of the Integrated Settlement, due on 1st April 2025, and in advance of an external readiness check being carried out by Deloitte as per paragraph 83 of the Single Settlement Memorandum of Understanding.

The final audit report has been issued with an audit opinion of Reasonable Assurance Provided. Internal Audit are currently liaising with management to agree alignment of the recommendations made within the report to the wider Integrated Settlement workstream and external assurance work by Deloitte. The final audit report will be reported to ARAC at the next meeting of the Committee.

Independent Training Providers

A review of Adult Skills independent training providers has been carried out to provide assurance over the management and performance of Independent Training Providers including allocation of funding, policies and procedures, monitoring, financial due diligence and procurement and delivery outcomes.

An overall opinion of Reasonable assurance was provided with one high, one medium and two low level recommendations being identified where improvements could be made and for action by the department. A further one advisory recommendation was made within the report. These included:

- A lack of supporting documents retained to demonstrate compliance with joining the Dynamic Purchasing System or commissioning Independent Training Providers
- Financial due diligence and financial health monitoring reviews of the management accounts for the Independent Training Providers not being completed in accordance with WMCAs internal process and the expected frequency, based on their financial RAG rating.

Further details are provided within the summary report at Appendix C and full report (including the summary of recommendations and agreed actions) within the private appendix.

Audits In Progress

A total of thirteen audits, one external grant certification and one follow up review are currently in progress from the 2024/25 Internal Audit Plan at various stages of completion. Audits are detailed within the summary table at section 2 of this report.

5. Changes to the Internal Audit Plan

The nature of evolving risks and the allocation of Internal Audit resource makes it is likely that the audit assignments included within the annual plan may be subject to change. Consequently, the Internal Audit Plan is reviewed regularly to reflect changing risks and/or objectives and resource of the Internal Audit team. In line with the Audit Charter any major proposed changes to the approved plan will be presented to ARAC for consideration.

Within the period of this update two corporate projects have been requested for completion within 24/25. These include additional audit work in relation to the external review of capital projects within TfWM. In addition, Internal Audit has seen an increase in the requirements for audit investigation work within the period due to a rise in the number of whistleblowing and corporate complaints. A full summary update on the whistleblowing and complaint investigation work undertaken will be provided at the next meeting of this Committee.

As a result of the additional work, the Internal Audit Management team continues to monitor its impact on the delivery of the approved Internal Audit Plan and regular reconciliations of resources to Audit Plan delivery are undertaken. To bring the 2024/25 Internal Audit Plan back into balance and having taken into account the additional work requested and carried out, as well as unforeseen staff absences a total

of four audits have been cancelled from the original audit plan. A further two audits are due to be deferred into 2025/26 due to individual project/area requirements. A summary of the cancelled and deferred audits is provided at figure 1 below.

Figure 1

Auditable area	Status Update
Asset Management	Cancelled. To be considered for inclusion within 25/26 plan.
Project Pipeline	Cancelled. Control elements considered as part of other audits.
Value Added Tax (VAT)	Cancelled. To be considered for inclusion within 25/26 plan.
Programme Cost Management (TfWM)	Cancelled. Assurance already provided through the external review of capital projects and additional audit work added to the 24/25 audit plan.
Integrated Settlement - Outcomes and Evaluation Framework	The Integrated Settlement Outcome and Evaluation Framework is yet to be agreed with Central Government and as such this audit is to be deferred into the 25/26 audit plan.
Bus Franchising	Internal Audit time had been scheduled pending decision on Future Bus Delivery Options. With a decision yet to be made this audit it to be deferred into the 25/26 audit plan.

Where possible, some elements of the cancelled audits are included in those reviews still going ahead. In other cases, the auditable area will be reconsidered as part of next year's annual audit planning process.

The above amendments to the Internal Audit Plan will not impair the Chief Audit Executive from making their annual audit opinion on the WMCA's control environment at the end of 2024/25.

6. Follow-up of previous audit recommendations

Progress and tracking of the implementation of agreed actions resulting from previously reported audits are detailed in the table below (as at 31 December 2024).

Recommendation Tracking Update								
Auditable area	Overall Opinion	Report Issue Date	Action Date	Agreed Actions			Complete	Outstanding
				High	Medium	Low		
Procurement Exemptions	Limited	21/06/23	31/12/23 *31/01/25	1	2	2	4	1 low
IR35	Limited	19/06/23	31/09/23 *31/12/24	1	4	-	5	-

Recommendation Tracking Update

Auditable area	Overall Opinion	Report Issue Date	Action Date	Agreed Actions			Complete	Outstanding
				High	Medium	Low		
Accounts Payable	Satisfactory	11/03/24	31/07/24 *31/03/25	1	-	-	0	1 high
Accounts Receivable	Satisfactory	29/02/24	30/06/24 *31/03/25	-	1	2	1	1 medium 1 low
Investment Programme Monitoring & Evaluation	Satisfactory	05/04/24	31/12/24 **31/05/25	-	5	2	5	2 medium
National Fraud Initiative	Satisfactory	27/02/24	31/03/25	-	1	2	2	1 low
Business Continuity planning	Limited	05/08/24	31/08/26	14	1	-	1	14 high
Energy Efficiency Retrofit	Satisfactory	24/07/24	31/12/25	-	2	2	2	2 medium
Adult Education Procurement	Satisfactory	11/09/24	01/11/24 **28/02/25	-	1	2	2	1 medium
Longbridge P&R follow-up	Limited	09/09/24	01/10/24 *31/03/25 **31/05/25	1	2	-	1	1 high 1 medium
Information at Bus Stops (IBSS)	Reasonable	29/10/24	31/10/24 **28/02/25	-	4	3	6	1 low
UK Shared Prosperity Fund	Reasonable	17/10/24	15/11/24 **28/02/25	1	3	1	3	1 red 1 amber

* Indicates a previous extension in last action completion date

** Indicated new revised action dates

Recommendations outstanding

Where audit recommendations have failed to be implemented by the agreed action date explanations have been sought from Officers responsible for their delivery. A summary of these is presented below:

Investment Programme Monitoring & Evaluation - Delivery of two medium recommendations relating to the establishment of an appropriate regime for the

monitoring of internal, Investment Programme projects, including the risk profiles in use, has been delayed as the team is working on broader timescales to enable an alignment with reporting arrangements in place with TfWM portfolio reporting. As a result, additional time is required to complete these recommendations, and a revised delivery date of May 2025 has been provided.

Adult Education Procurement – One recommendation remains outstanding against an expected delivery date of November 2024, with this relating to the due diligence arrangements of training providers with an ‘inadequate’ or ‘unsatisfactory’ rating and the control measures in place when awarding a contract to these suppliers. The recommendation has been absorbed into a detailed internal governance review currently in progress, ensuring the risks and impact is fully understood and appropriate plans and mitigation measures are put in place where required. It is anticipated this will be concluded by 28th February 2025 and the target delivery date has been revised accordingly.

Longbridge P&R follow-up – One high and one medium level recommendation remain outstanding. The high-level recommendation requiring final agreement of a supplier’s contract had a completion date of 30th September 2024 and currently remains outstanding. Internal Audit is now taking steps to assist the relevant departments in addressing the implementation gap.

The delivery date on the further medium recommendation regarding the formal approval arrangements needing to be developed for car park charging at the site was previously extended to March 2025 to enable a Study of all car parks to be undertaken. On review of timescales however, this is expected to take longer than initially thought and the delivery date has therefore been further revised until end of May 2025.

Information at Bus Stops (IBSS) - Delivery of all recommendations resulting from this audit were due for completion by October 2024, however one low rated recommendation continues to remain open. The recommendation is regarding the approaches being taken in receiving and managing customer feedback on the condition of bus poles and shelters, and a conclusion is now expected by end February 2025.

UK Shared Prosperity Fund - Two recommendations have passed the completion date with delivery remaining outstanding. Whilst these have been partially delivered, a holistic approach is being taken with consideration also being given to the implications of grants awarded through Integrated Settlement funding and any changes to procurement processes resulting from the Procurement Act 2023. This will result in a revised Employment, Skills, Health & Communities (ESHC) directorate governance process being rolled out, and will include regular risk reviews across all ESHC programmes, with an expected completion date of all audit recommendations by end February 2025.

Internal Audit has raised some concern regarding the number of audit recommendations that are not being completed within the timescales set out in audit reports and are considering approaches to support and address where delivery is not being achieved. This will include advising and supporting action owners where possible, the escalation of outstanding recommendations to the internal governance

panels when appropriate, and ensuring officers allow adequate time for delivery when agreeing timescales within audit reports.