



Audit, Risk & Assurance Committee

Date	4 March 2021
Report title	Internal Audit Update – March 2021
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Report has been considered by	Strategic Leadership Team

Recommendation(s) for action or decision:

The Audit, Risk & Assurance Committee is recommended to:

- (1) Note the contents of the latest Internal Audit Update Report.

1.0 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.

2.0 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 also feed into the 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 can then be used to feed into the Combined Authority's Annual Governance Statement that accompanies the Annual Statement of Accounts.

3.0 Wider WMCA Implications

- 3.1 There are no implications

4.0 Financial implications

- 4.1 There are no implications

5.0 Legal implications

- 5.1 There are no implications

6.0 Equalities implications

- 6.1 There are no implications

7.0 Other implications

- 7.1 Not applicable

8.0 Schedule of background papers

- 8.1 None

9.0 Appendices

- 9.1 None



West Midlands Combined Authority

**Internal Audit Update Report – March 2021
2020-2021**

1 Introduction

The purpose of this report is to bring the Audit and Risk Assurance Committee up to date with the progress made against the delivery of the 2020 - 2021 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 work 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.

The information included in this progress report will feed into and inform our overall opinion in our internal audit annual report issued at the year end. Where appropriate each report we issue during the year is given an overall opinion based on the following criteria:

Limited	Satisfactory	Substantial
There is a risk of objectives not being met due to serious control failings.	A framework of controls is in place, but controls need to be strengthened further.	There is a robust framework of controls which are applied continuously.

2 Summary of progress:

The following internal audit reviews have been completed or are currently underway.

Auditable area	AAN Rating	Status and level of assurance	ARAC Meeting (indicative)
2019-2020 Internal Audit Reviews previously reported (will feed into the 2020-2021 opinion)			
Single Commissioning Framework	High	Final issued – Substantial	October 2020
Third Generation Trams Procurement Project Management	High	Final issued – Satisfactory	October 2020
2020-2021 Internal Audit Reviews previously reported (will feed into the 2020-2021 opinion)			
Sprint Programme Management Arrangements	High	Final report issued – Substantial	October 2020
Accounts Payable	High	Final report issued – Satisfactory	January 2021
Accounts Receivable	High	Final report issued – Substantial	January 2021
Budgetary Control	High	Final report issued – Substantial	January 2021
General Ledger	High	Final report issued – Substantial	January 2021
Payroll	High	Final report issued – Substantial	January 2021

Auditable area	AAN Rating	Status and level of assurance	ARAC Meeting (indicative)
Treasury Management	High	Final report issued – Satisfactory	January 2021
Human Resources Pre-employment checks	N/A	Final report issued	January 2021
Employee Management (Covid-19 response)	High	Final report issued - substantial	January 2021
Environmental Management System	High	Final issued – Satisfactory	January 2021
2020-2021 Internal Audit Review completed			
Procurement (Covid-19 response)	High	Final issued -Substantial	March 2021
2020-2021 Internal Audit Reviews in progress			
Harvesttime Project Management Arrangements	High	Fieldwork completed, awaiting final information	April 2021
Commonwealth Games Strategic Transport Plan*	High	Fieldwork in progress	April 2021
Local Industrial and Economic Strategy	High	Fieldwork in progress	April 2021
Digital Retraining Fund	High	Fieldwork in progress	April 2021
Risk Management	High	Fieldwork in progress	June 2021
Adult Education Budget	High	Planning commenced	June 2021
Bid Management	High	**Deferred to 2021-2022	
Investment Programme Monitoring and Evaluation Arrangements	High	**Deferred to 2021-2022	

*As previously noted, it has been agreed that a joint working approach would be undertaken in liaison with the Commonwealth Games Organising Committee's Internal Auditors regarding the Integrated Transport Plan. We are working collectively where there is commonality within the audit scopes of both the Organising Committee and the WMCA. Reporting will be undertaken independently to each organisation's respective audit committee.

** As previously agreed

Summary of individual audits

The following review was categorised as Substantial Assurance. A summary of our observations has been included below.

Procurement and Supplier Relief (Covid-19 Response)

Our review focused on the arrangements for procurement and supplier relief in response to the implications of the Covid-19 pandemic and alignment with the Procurement Practice Notes issued by the Cabinet Office to contracting authorities. We are pleased to report that we found no major issues, finding several areas of good practice and alignment with the procurement, contract and supplier support arrangements advised within the Cabinet Office Procurement Policy Notes (PPNs).

Procurement and contract review, additional assurance arrangements prior to undertaking new procurement activity and supply chain risk management and relief measures (including immediate payment terms and payment on profile for critical services) were suitably addressed as part of the ongoing response.

3 Follow-up of previous recommendations

Through an ongoing cycle of reviews, we continue to monitor the implementation of previous key recommendations, and any major issues of concern relating to their non-implementation, will be reported back to the Audit, Risk and Assurance Committee.

As part of a new working arrangement, the WMCA Internal Audit Liaison Officer will be undertaking the initial preparatory work for each follow-up review obtaining progress updates and supporting evidence as and when agreed implementation dates arrive. This is in support also of the WMCA management monitoring arrangements of progress with implementation.

Internal Audit upon referral from the Internal Audit Liaison Officer will then independently review the progress and supporting evidence, and report accordingly on the progress made with implementation of recommendations. Ultimately, Internal Audit will retain the responsibility for determining if sufficient action has been taken.

Follow up action of the following reviews forms part of this ongoing cycle:

Auditable area	Overall Opinion	Agreed Actions		
		Red	Amber	Green
In progress				
Homelessness Taskforce	Substantial	-	-	1
Forward cycle				
Devolution Deal Objectives and Financial Assumptions, including Business Planning	Satisfactory	-	2	-
WMCA Governance Arrangements	Substantial	-	-	6
Midland Metro Limited Operational Transfer	Satisfactory	-	2	-
Budget Management Role and Responsibilities	Substantial	-	-	3
Employee Performance Management	Satisfactory	-	1	1
Construction Retraining Fund	Substantial	-	-	1
West Midlands Rail Limited - WMCA Governance and Management Arrangements	Satisfactory	-	3	-
WMCA Accessible Transport Services	N/A	-	4	2

The following reviews have been completed:

Auditable area	Overall Opinion	Agreed Actions			Outcome
		Red	Amber	Green	
Employee Support Pilot (Productivity and Skills)	Substantial	-	-	1	Implemented, no further action required
Construction Retraining Fund	Substantial	-	-	1	Implemented, no further action required