



Audit, Risk and Assurance Committee Meeting

Date	24 January 2023
Report title	Internal Audit Update – December 2022
Accountable Chief Executive	Laura Shoaf, Chief Executive
Accountable Employee	Satish Mistry, Interim Director, Law and Governance
Report has been considered by	N/A

Recommendation(s) for action or decision:

The Combined Authority Audit, Risk and Assurance Committee is recommended to:

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.
- 1.2 It needs to be brought to the attention of the Committee, that an unforeseen absence within the City of Wolverhampton Council's audit team, is having an impact on the delivery of the internal audit plan in line with the original indicative workplan. Therefore, a number of options for the delivery of the remainder of the plan by the originally estimated end date, are currently being explored, and will be reported back to the Committee at the earliest opportunity.

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 Final Internal Audit Report: WM2041 Delivery Programme (Environmental Recovery) – Appendix A



West Midlands Combined Authority

Internal Audit Update Report – December 2022

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 2022 - 2023 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:

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.

Auditable area	AAN Rating	Status and level of assurance	ARAC Meeting (indicative)
2021-2022 Internal Audit Reviews previously reported			
ICT Strategy	High	Final issued – Satisfactory	July 2022
Dudley Interchange	Medium	Final issued – Satisfactory	July 2022
Affordable Housing Delivery Vehicle	High	Final issued – Satisfactory	July 2022
2021-2022 Internal Audit Reviews completed and reported for the first time			
WM2041 Delivery Programme (Environmental Recovery) Report attached at Appendix A	High	Final issued – Satisfactory	November 2022
Cyber Security	High	Draft issued – Satisfactory (awaiting director sign-off)	January 2023

As referred to in the attached covering report, an unforeseen absence within the City of Wolverhampton Council's audit team, is having an impact on the delivery of the internal audit plan at this stage of the year, and in line with the original indicative workplan. Therefore, the plan is currently being reviewed while a number of options for the delivery of the remainder of the plan by the originally estimated end date, are explored.

The below table details the remaining audits in the current years audit plan. At the time this report was produced, those rows highlighted in green should still be completed. However, the completion of those in amber, some of which are underway, are at this point in time are potentially unlikely to be completed by the year-end and are where the options referred to above are currently being explored. Once resolved these will be brought to the attention of the committee. The rows highlighted in blue indicate audit reviews, which following a preliminary assessment by WMCA, are to be carried forward to the following year.

Audit
Organisational Change
Single Commissioning Framework
Adult Education Budget – Provider Performance
Key Financial Systems Combined Review – Accounts Payable, Accounts Receivable, Treasury Management, Budgetary Control and General Ledger
Key Financial System – Payroll
Adult Education Budget - Procurement
Procurement Exemptions
IR35
Bromsgrove Rail Station
Bid Management
Land and Tenant Management
Corporate Asset Acquisition and Disposal Framework
Business Continuity
Investment Programme: Monitoring and Evaluation

Also, the following two reviews initially included in the Internal Audit Plan are no longer required during the year, with further details provided below:

Inclusive Growth Toolkit - the toolkit is still in development and with the lead officer for it having now left WMCA, the work programme has been suspended.

Environmental Management System - this was initially to be audited bi-annually to satisfy ISO requirements but it is understood that WMCA are not continuing to maintain the accreditation.

4 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 in key areas.

Progress Monitoring Update							
Auditable area	Overall Opinion	Report Issue Date	Action Date	Agreed Actions			Number Progressed*
				Red	Amber	Green	
Human Resources Pre-employment checks	N/A	27/11/20	31/12/20	-	2	-	2
Environmental Management System	Satisfactory	06/01/21	30/06/21	-	1	1	2
Digital Retraining Fund	Satisfactory	10/06/21	01/11/21	-	3	1	4
Corporate Complaints Process	Satisfactory	12/10/21	01/01/22	-	3	4	7
Key Financial Systems	Substantial/ Satisfactory	07/03/22	30/06/22	-	5	4	7
Risk Management	Satisfactory	10/06/21	21/07/22	-	1	3	4
WMCA Devolved Adult Education Budget	Satisfactory	07/09/21	30/09/22	-	3	2	5
Longbridge Park and Ride Income Management and Charging Arrangements	Limited	30/03/22	30/11/22	1	2	-	2
ICT Strategy	Satisfactory	29/03/22	31/08/22	-	1	3	3
Dudley Interchange	Satisfactory	13/05/22	31/07/22	-	3	-	3
Affordable Housing Delivery Vehicle	Satisfactory	20/06/22	30/04/23	-	1	-	0
MML	n/a	22/06/22	31/12/22	-	1	-	0
WM2041	Satisfactory	19/10/22	31/01/23	-	3	1	2

* The number of recommendations completed reflects the opinion of the auditee only and reflects position as at 31st December 2022.

The target date for delivery of audit actions has been met in most cases, however delays to the programming of financial reports is impacting on the delivery of the remaining actions from the 21/22 audit of Key Financial Systems. A manual workaround has been implemented in the interim. Delivery of the remaining action from the Longbridge review continues to be progressed by the operational team, and the action contained within the ICT strategy is reliant on engagement with the financial planning process, with completion expected by end February 2023.