

Audit, Risk and Assurance Committee Meeting

Date	18 April 2023
Report title	Internal Audit Update – March 2023
Accountable Chief Executive	Laura Shoaf, Chief Executive Email: Laura.Shoaf@WMCA.org.uk
Accountable Employee	Helen Edwards, Director of Law and Governance Email: Helen.Edwards@WMCA.org.uk
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.

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 finalised following the completion of a number of audit reviews underway at the time this report was produced. 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. A draft opinion has been provided in paragraph 2.3 below.

2.3 As at the time this report was produced (27 March 2023) a number of internal audit reviews were nearing completion. Unless anything of significance is raised as part of these, prior to their completion – and we understand that there has been nothing to indicate that there will be, and dependent upon the final outcome of an independent investigation into a breach of the Combined Authority's financial regulations whereby costs on a capital project had exceeded the budget provision, our Annual Internal Audit Opinion should be able to provide reasonable assurance that the Combined Authority has adequate and effective governance, risk management and internal control processes.

3.0 Wider WMCA Implications

3.1 There are no implications

4.0 Financial implications

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

4.2 The draft internal audit opinion for feeding into the Annual Governance Statement to be included in the 2022/23 annual statement of accounts is noted.

5.0 Legal implications

5.1 This report will provide the Audit 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.

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

Internal audit reports:

Appendix A – Organisation Change

Appendix B – Payroll

Appendix C – Key Financial Systems

Appendix D – Information Assurance and Cyber Security (private agenda item)



West Midlands Combined Authority

Internal Audit Update Report – 27 March 2023

Delivered by City of Wolverhampton Council – Audit Services

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 which will be issued following the completion of a number of audit reviews currently underway, and as referenced later in this report.

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
Internal Audit Reviews previously reported		
ICT Strategy	High	Final issued – Satisfactory
Dudley Interchange	Medium	Final issued – Satisfactory
Affordable Housing Delivery Vehicle	High	Final issued – Satisfactory
WM2041 Delivery Programme (Environmental Recovery)	High	Final issued – Satisfactory

Auditable area	AAN Rating	Status and level of assurance
Audit Reviews reported for the first time		
Organisational Change Report attached at Appendix A	High	Final issued - Satisfactory
Payroll Report attached at Appendix B	High	Final issued – Satisfactory
<u>Key Financial Systems:</u> <ul style="list-style-type: none"> • Accounts Payable • Accounts Receivable • Treasury Management • Budgetary Control • General Ledger Report attached at Appendix C	High	Final issued: <ul style="list-style-type: none"> • Satisfactory • Substantial • Substantial • Substantial • Substantial
Information Assurance and Cyber Security Report attached at Appendix D <i>Due to the nature of this topic, the report has been classified as private.</i>	High	Final issued – Satisfactory

The below table details the remaining audits in the current years audit plan, that were underway at the time this report was produced. Those highlighted in green are being completed by the City of Wolverhampton Council's internal audit team, and those highlighted in grey by the Combined Authority's interim internal auditors.

The rows highlighted in blue indicate audit reviews, which following a preliminary assessment, are to be carried forward to the following year.

Audit
Procurement Exemptions
IR35
Bromsgrove Rail Station
Single Commissioning Framework
Adult Education Budget – Provider Performance
Bid Management
Land and Tenant Management
Corporate Asset Acquisition and Disposal Framework
Business Continuity

Investment Programme: Monitoring and Evaluation

Adult Education Budget – Procurement

4 Follow-up of previous recommendations

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
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	-	3
ICT Strategy	Satisfactory	29/03/22	31/08/22	-	1	3	4
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
Information Assurance and Cyber Security	Satisfactory	05/01/23	30/06/23	-	5	13	1
Key Financial Systems	Substantial/Satisfactory	03/02/23	31/05/23	-	5	3	4
Payroll	Satisfactory	09/03/23	06/04/23	-	2	5	2

* The number of recommendations completed reflects the opinion of the auditee only and the position as at 17 March 2023.

The target date for delivery of audit actions has been met in most cases, with two actions currently recording a delay to delivery against the target date originally set. These include the appointment of an independent member of the Midland Metro Limited Board, and the approval of revised Terms of Reference for the Environment and Energy Board, identified as part of the WM2041 audit.