

**REPORT TO: WEST OF ENGLAND COMBINED AUTHORITY AUDIT
COMMITTEE**

DATE: 25th JUNE 2019

REPORT TITLE: INTERNAL AUDIT ANNUAL REPORT 2018/19

AUTHOR: JEFF WRING – AUDIT WEST (INTERNAL AUDIT)

1. PURPOSE OF THE REPORT

1.1 This is the Annual Report of the Internal Audit function detailing progress against the Plan, a summary of audit performance and key issues, as well as the formal opinion on the internal control framework.

2. RECOMMENDATION

2.1 The Corporate Audit Committee notes the Internal Audit Annual Report 2018/19 and formal opinion on the internal control framework.

3. FINANCIAL IMPLICATIONS

3.1 There are no direct financial implications relevant to this report.

4. THE REPORT

4.1 The Annual Internal Audit Plan for 2018/19 was presented to the West of England (WECA) Audit Committee on the 26th April 2018. This approach involved a mixture of formal audit work along with an assessment of the internal control framework to inform the plan for future years. The Plan forms the principal work of the Internal Audit Service and is a significant source of assurance of the effectiveness of the WECA's internal control environment.

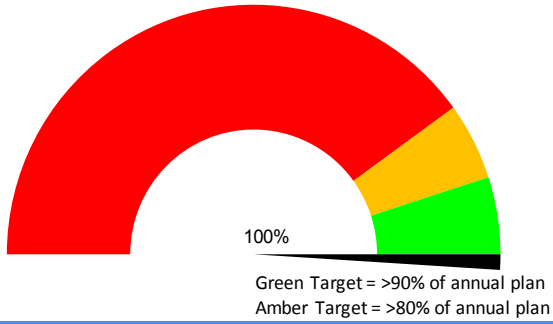
4.2 The Committee receives verbal updates at each meeting and a formal update on delivery against the plan in November 2018 and February 2019. This report builds upon that update and the chart overleaf records the position as at the end of the year.

PERFORMANCE DASHBOARD - INTERNAL AUDIT

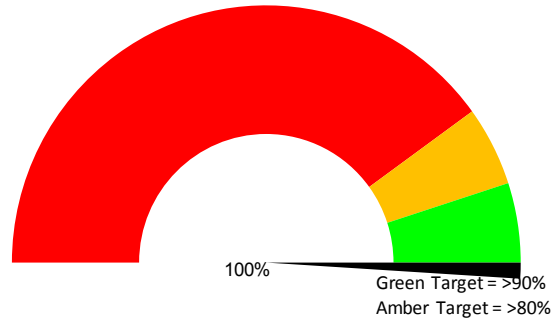
Client - WECA

Period - April 2018 - March 2019

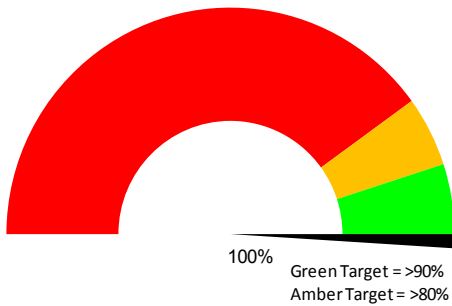
1. AUDIT PLAN COMPLETED



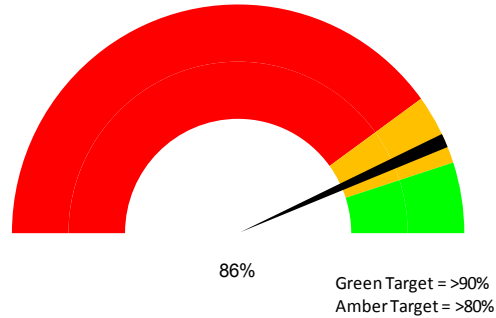
2. AUDITS COMPLETED IN PLANNED TIME



3. CUSTOMER SATISFACTION

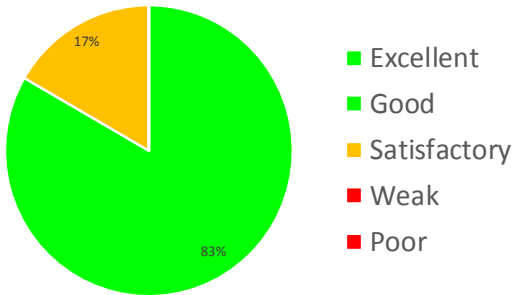


4. IMPLEMENTATION OF RECOMMENDATIONS

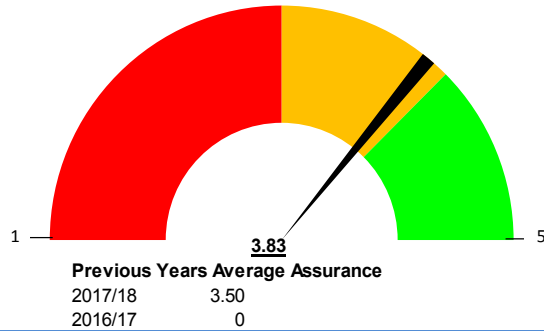


5. AUDIT OPINION - ASSURANCE LEVEL PROVIDED

Current Position



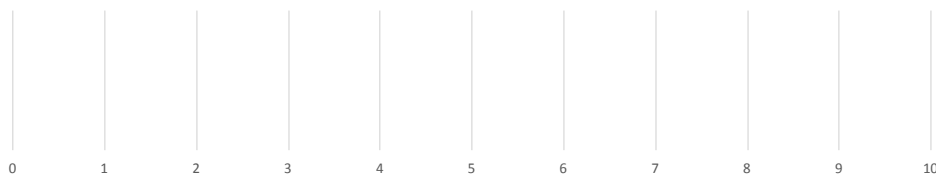
Current Average Assurance Level



6. WHISTLEBLOWING CASES IN CURRENT FINANCIAL YEAR



7. INVESTIGATIONS - CASES UNDER INVESTIGATION DURING REPORTING PERIOD



Equating to
0.0
Audit Days
2018/19

8. NEW UNPLANNED WORK



Equating to
0.0
Audit Days
2018/19

PERFORMANCE SUMMARY

4.3 COMPLETION OF THE INTERNAL AUDIT PLAN

- 4.3.1 The performance dashboard shows that 100% of the plan is 'substantially completed'. This includes work that is either finalised or at reporting stage.
- 4.3.2 Appendix 1 records the estimated status of each audit review within the 2018/19 Audit Plan at the end of the year.
- 4.3.3 This records that 6 formal audit reviews have been finalised along with 7 follow-up audits and 11 further pieces of targeted audit work.

4.4 AUDIT REVIEWS COMPLETED IN ASSIGNED DAYS

- 4.4.1 The percentage of audits completed within the initial allocated days is recorded at 100%. This figure was calculated based on audits recorded as being at 'Final' and 'Completed' Report stage.
- 4.4.2 The importance of completing work within the assigned number of days is monitored closely by the management team.

4.5 CUSTOMER SERVICE

- 4.5.1 Customer service and providing value to clients is essential to the provision of a quality internal audit service. We are pleased to report that all questionnaires completed through the Internal Audit Computer System recorded good or excellent responses and this matched feedback received verbally from individual Service Managers.
- 4.5.2 Customer feedback is initially reviewed by the Audit Manager and the scores and comments are communicated onto the relevant auditor.
- 4.5.3 Some of the comments received from this completed questionnaire are recorded below:

"This Audit builds upon those previously undertaken and has supported the progressive strengthening of arrangements"

'Good Report and fair recommendations'

'Recommendations were very fair and balanced and reflective of the fact that we had a reasonably new arrangement'

'Very professional'

'Always felt well informed and engaged'

4.6 IMPLEMENTATION & FOLLOW UP OF RECOMMENDATIONS

- 4.6.1 The dashboard records the implementation of recommendations at the time the audit was 'Followed-Up' at 86%. Of this only 1 high risk recommendation had not been implemented as at the time of the follow-up but has subsequently been completed and 4 out of 30 medium risk recommendations had not been implemented. Due to the change in service provider these recommendations will be followed through in the implementation process of the new financial systems provision as they relate to Payroll, Creditors and Debtors.

4.7 INVESTIGATIONS/ WHISTLEBLOWING

4.7.1 During 2018/19 Audit West has not been involved in any formal investigations and there are no known whistleblowing cases.

4.8 ASSURANCE LEVEL PROVIDED

4.8.1 Appendix 1 details all the work undertaken and a summary of our opinions with a slightly improved position on last year. There were six audit reviews substantially completed of which five have recorded an assurance level of good (Level 4) and one recorded an assurance level of satisfactory (Level 3). Please see Appendix 2 for a description of our assurance levels.

4.8.2 In addition to this formal work we also reviewed Counter Fraud arrangements as a separate piece of work to support good governance and help WECA establish appropriate arrangements - so this was not formally rated - and 8 recommendations were made to help form a sound framework to manage the risks in this area.

4.8.3 Further to this we also supported the production of the Annual Governance Statement by reviewing all the sources of assurance and independently assessed the evidence with no significant issues identified for the statement. This was also validated by the work on our reasonable assurance model which independently assesses eight key themes of organisational health and rates them based on levels of assurance and risk. Again there were no significant findings and a summary of our views were presented in detail at the last meeting.

4.8.4 Finally we also carried out some limited grant certification work on the Growth Hub and we anticipate grant certification work to increase in 2019/20 as more expenditure is incurred on delivery of key outcomes for WECA. Yet again there were no significant issues from this work and the grant return signed off.

4.9 UNPLANNED AUDITS / WORK

4.9.1 There were no unplanned pieces of work during 2018/19.

4.10 FORMAL OPINION ON THE INTERNAL CONTROL FRAMEWORK

4.10.1 The Service Director – One West (Acting as Chief Audit Executive for WECA) is required to give an opinion on the internal control framework.

4.10.2 Statement of the Service Director – One West - In forming an opinion on the internal control framework I have considered the work of the Audit & Assurance function as well as consideration of other assurances I can rely on and the wider governance framework and performance of the WECA.

It is my opinion that at the current time the WECA's internal control framework and systems to manage risk are reasonable.

- Reasonable assurance can be provided over the WECA's systems of internal control, helping to ensure corporate priorities can be achieved;
- Agreed policies, Financial Regulations and Contract Standing Orders are broadly being complied with;
- Managers throughout the WECA are aware of the importance of maintaining adequate and effective governance arrangements;
- Appropriate arrangements are operated to deter and detect fraud and investigations and did not identify any systemic failures;

- There were no fundamental system failures or control breakdowns to business critical functions or any identified fraud;

- There were no poor or weak ratings from Audit Work

The Audit Committee's support in ensuring this balance and maintaining effective corporate governance is appreciated and I would like to thank all members of the committee for their input and guidance over the past year.

Consultation:

5. Outcomes of Audit Work were consulted with Senior Management team and Director of Investment & Corporate Services.

Public Sector Equality Duties:

6. No significant implications

Economic Impact Assessment:

7. No direct implications.

Finance Implications:

8. No direct implications, cost of service within existing budgets

Legal Implications:

9. No direct implications

Land/Property Implications;

10. No direct implications.

Human Resources Implications:

11. No direct implications

Recommendation:

12. To note the report, statutory opinion on the Internal Control framework and outcome of Internal Audit work undertaken in 2018/19.

Report Author:

Audit West – Jeff Wring

West of England Combined Authority Contact: Malcolm Coe – Director of Investment & Corporate Services

Background Papers

Any person seeking background information relating to this item should seek the assistance of the contact officer for the meeting who is Ian Hird / Tim Milgate on 0117 456 6982; or by writing to West of England Combined Authority, 3 Rivergate, Temple Way, Bristol BS1 6ER; email: democratic.services@westofengland-ca.gov.uk

Audit Area	Assurance Level or Risk Rating	Rec's Made	Rec's Agreed
Accounting Ledger – Control A/C Reconciliation	Assurance Level 4 - Good	2 Medium	All
Bank Account Reconciliation	Assurance Level 4 - Good	2 Medium	All
Risk Management	Assurance Level 3 - Satisfactory	1 Medium	All
Adult Education	Assurance Level 4 - Good	1 High 3 Medium	TBC
Future Bright	Assurance Level 4 - Good	1 High 4 Medium	All
Grant Funding	Assurance Level 4 - Good	3 Medium	All
Counter Fraud Arrangements	Satisfactory	8	All
Annual Governance Statement - Review	Satisfactory	-	-
Grant Certification – Growth Hub	Satisfactory	-	-
Reasonable Assurance Model – Corporate Governance	Assurance & Risk Rating - Amber	-	-
Reasonable Assurance Model – Financial Management	Assurance & Risk Rating - Amber	-	-
Reasonable Assurance Model – Risk Management	Assurance & Risk Rating - Amber	-	-
Reasonable Assurance Model – Performance Management	Assurance & Risk Rating - Amber	-	-
Reasonable Assurance Model – Procurement	Assurance & Risk Rating - Amber	-	-
Reasonable Assurance Model – Information Management	Assurance & Risk Rating - Amber	-	-
Reasonable Assurance Model – Asset Management	Assurance & Risk Rating - Green	-	-
Reasonable Assurance Model – Project Management	Assurance & Risk Rating - Amber	-	-
Follow – Up Area	Original Assurance Level	Rec's Made	Rec's Implemented
Follow – Up – Local Growth Fund	Assurance Level 3 - Satisfactory	3 Medium	All
Follow – Up – Accounts Receivable	Assurance Level 3 – Satisfactory	8 Medium	7 Medium
Follow – Up – Accounts Payable	Assurance Level 4 – Good	7 Medium	5 Medium
Follow – Up – Payroll	Assurance Level 4 – Good	4 Medium	3 Medium
Follow – Up – Treasury Management	Assurance Level 4 - Good	3 Medium	All
Follow – Up – Procurement (IEB)	Assurance Level 2 - Weak	5 High 2 Medium	4 High 2 Medium
Follow – Up – Grant Funding	Assurance Level 4 - Good	3 Medium	All

Appendix 2 – Audit Opinion Descriptions

Assurance Rating	Opinion
Level 5	The systems of internal control are excellent with a number of strengths and reasonable assurance can be provided over all the areas detailed in the Assurance Summary
Level 4	The systems of internal control are good and reasonable assurance can be provided. Only minor weaknesses have been identified over the areas detailed in the Assurance Summary
Level 3	The systems of internal control are satisfactory and reasonable assurance can be provided. However there are a number of areas detailed in the Assurance Summary which require improvement and specific recommendations are detailed in the Action Plan
Level 2	The systems of internal controls are weak and reasonable assurance could not be provided over a number of areas detailed in the Assurance Summary. Prompt action is necessary to improve the current situation and reduce the risk exposure
Level 1	The systems of internal controls are poor and there are fundamental weaknesses in the areas detailed in the Assurance Summary. Urgent action is necessary to reduce the high levels of risk exposure and the issues will be escalated to your Director and the Audit Committee