

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

DATE: 17 NOVEMBER 2022

REPORT TITLE: INTERNAL AUDIT UPDATE

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Purpose of Report

1 To Update the Committee on Internal Audit work in 2022/23.

Recommendation

- The Committee are invited to note the areas under review and progress against the plan as at 20th October 2022.

Background / Issues for Consideration

2.1 The Committee approved the Annual Audit Plan at its meeting on 28th April 2022.

2.2 The tables in section 2.3 summarise the status of work as either complete, work in progress, or scheduled. Through consultation with the Interim Director of Investment & Corporate Services, and the Investment Performance Manager the planned LEP Governance audit review (Internal Audit Reference 22-007W) has been postponed which has enabled additional time to be allocated to the Counter Fraud & Corruption work (22-011W) scheduled for Quarter 4.

2.3 Summary of Audit Work and Status – 2022/23

Planned Work (As recorded in the approved Internal Audit Plan)

Internal Audit Ref	Area Under Review	Status
21-011W	Concessionary Travel	Complete – Limited Assurance
22-001W	City Region Sustainable Transport Settlement	Scheduled Quarter 4
22-002W	Project Management – Future Transport Zone	Work In Progress
22-003W	Grant Audit Certification – Growth Hub	Complete – 23 rd May 2022
22-004W	Climate Emergency Action Plan	Work In Progress
22-005W	Performance Management	Work In Progress
22-006W	Reasonable Assurance Model – Corporate Governance	Scheduled Quarter 4
22-007W	LEP - Governance	Days reallocated to Counter Fraud & Corruption Review
22-008W	Audit Follow-Up – Core Financial Systems – Data Analytics	Work In Progress
	Audit Follow-Up – Counter Fraud & Corruption	Scheduled Quarter 4
	Audit Follow-Up – IT Audit (Cyber Security)	Work In Progress
	Audit Follow-Up – Project / Programme Management	Work In Progress
22-009W	Payroll	Work In Progress
22-010W	IT Audit – Cyber Security	Scheduled for Q4
22-011W	Counter Fraud & Corruption – National Fraud Initiative & Declaration of Interests	Scheduled for Q4
22-012W	Grant Audit Certification – Future Transport Zone	Complete – 5 th October 2022

Unplanned Work

22-201W	Business Growth Grants	Complete – Substantial Assurance
22-204W	Grant Audit Certification – Peer Networks	Complete – 11 th May 2022
22-205W	Grant Audit Certification – DfT Bus Subsidy Grant	Complete – 5 th October 2022
22-206W	Grant Audit Certification – DfT Covid Bus Subsidy Grant	Complete – 5 th October 2022

2.4 Internal Audit Work - Review of Compliance with Funding Grant Terms & Conditions

The Combined Authority receives central government grant funding and each grant has terms and condition that have to be complied with and that includes obtaining an independent auditor / accountant review of funding claims submitted and an examination of a sample of grant claim items to verify that the expenditure is eligible.

Internal Audit has carried out five grant certifications:

Funding Description	Funding Body	Grant Offer Letter Date	Funding Claimed (£) 2021/22	Date Grant Auditors Letter Required	Date Grant Auditors Letter Despatched
Core Growth Hub (22-003W)	Business, Energy & Industrial Strategy	4 th June 2021	700,000	31 st May 2022	23 rd May 2022
Future Transport Zone (22-012W)	Department for Transport	9 th March 2022	1,945,801	29 th April 2022	5 th October 2022
Peer Networks (22-204W)	Business, Energy & Industrial Strategy	26 th February 2021	99,850	Not specified in Offer Letter	11 th May 2022
DfT Bus Subsidy Grant (22-205W)	Department for Transport	15 th July 2022?	1,147,621	30 th September 2022	5 th October 2022
DfT Covid Bus Subsidy Grant (22-206W)	Department for Transport	19 th January 2020 (Tranche 1) 27 th Oct 2021 (Tranche 8)	4,870,107	Not specified in offer letter - but email request received on 6 th May 2022	5 th October 2022

The Internal Audit work carried out on the 5 grant areas only found a minor error related to Peer Networks (22-204W). An adjustment of £7,528 was made to the total figure of £107,378 which was to be claimed (as recorded on the Financial System Report).

2.5 Two out of the five 'grant certification' pieces of work were planned, i.e. included in the Internal Audit Plan presented to Audit Committee in April. The remaining three were 'unplanned' and Audit West had to respond to short notice requests to carry out the work. Internal Audit will liaise with the Director of Investment & Corporate Services and Head of Finance to ensure all future grant certification work is programmed / planned which will help ensure the work is completed and respective letters despatched prior to the specified date as recorded in the Funding Body Grant Offer Letter.

2.6 A further piece of 'unplanned' work was requested - an audit review of 'Business Growth Grants' (22-201W). The audit work (reviewing a 10% sample of grant applications – 18 out of 178) resulted in an Audit Report which concluded with an audit opinion that the Business Growth Grants had been appropriately and proportionately verified, validated, and approved in line with scheme requirements and that these grants had been paid accurately and timely to businesses.

2.7 Internal Audit Work – Audit Assurance Reviews / Reports

It is adopted practice to report to Audit Committee if any Audit Reports are assigned a 'Limited Assurance' (Level 2) or 'No Assurance' (Level 1) rating. The 2021/22 Audit Review of Concessionary Travel was issued as a 'Final Audit Report' in July 2022 and a Level 2 'Limited Assurance' rating was assigned. The full report is attached – **Appendix 1**.

2.8 Background to Concessionary Travel

The Diamond Travelcard is the Concessionary Travel scheme operating across the West of England Authorities and allows cross-border travel on buses for eligible residents. WECA and North Somerset Council (NSC) are the official Travel Concession Authorities with responsibilities for administering the scheme in the respective areas, which includes calculating the reimbursements due to operators and making the payments. Management of the scheme across the West of England was previously undertaken by South Gloucestershire Council on behalf of the four West of England authorities, who at the time were each Travel Concession Authorities. In 2017 WECA took on the Travel Concession Authority role from its three constituent authorities, and South Gloucestershire Council continued to manage the scheme on behalf of WECA and NSC. In April 2020, WECA took over this scheme management role, on behalf of itself and NSC. The three constituent authorities continue to issue passes to residents in their areas on behalf of WECA, and NSC issues in its area.

2.9 The Internal Audit Review – Concessionary Travel

There were four 'Key Control Objectives' recorded in the Concessionary Travel Report's Assurance Summary which were assessed to help form an overall opinion. The Assurance Summary as recorded in the Report is recorded below:

Assessment	Key Control Objectives
Poor	1. To ensure clarity and formal acceptance of responsibilities of WECA, North Somerset and constituent authorities for administration of Concessionary Travel.
Poor	2. To ensure calculation of Concessionary Travel reimbursement payments to bus companies is reasonable, consistent, subject to scrutiny and approval (transparency), and in line with government guidance.
Good	3. To ensure payments processed for Concessionary Travel are accurate, timely and in line with notices issued to bus companies.
Poor	4. To ensure that constituent authorities are issuing Concessionary Travel Passes in line with WECA priorities and government rules.

2.10 The Audit Report Summary Findings recorded that over the last couple of years through the period of the Covid Pandemic the focus of the service has been on supporting operators and processing timely payments. The report did highlight evidence of improvements.

2.11 The three 'High Risk' Weaknesses recorded were:

1) The Agreements setting out the roles and responsibilities of WECA and the West of England Local Authorities in managing the scheme administration and issuing travel passes expired in 2020.

2) The method for calculating the reimbursement rate has not been consistently

applied, although it should be noted that due to the Covid-19 pandemic the latest formal calculations were carried out prior to the service being brought in-house.

3) Calculations of reimbursement rates for bus operators are not being carried out on an annual basis as per requirements in the Department for Transport (DfT) Statutory Instrument.

The 'Management Response' to the Audit Report was positive and all recommendations were agreed to be implemented. The West of England Combined Authority officers have already started to progress implementation of the recommendations for the agreed due date of December 2022. A 'Follow-Up' of the audit will be carried out in Quarter 4 of 2022/23 and the outcomes will be reported to this Committee.

Consultation

3 Report and work undertaken is consulted with the Director of Investment & Corporate Services

Other Options Considered

4 Not applicable

Risk Management/Assessment

5 The internal audit plan is drawn up on a risk basis, using the Reasonable Assurance Model.

Public Sector Equality Duties

6 Embedded within the audit process is consideration of compliance with statutory guidance and regulations which includes those relating to equality and diversity.

Finance Implications, including economic impact assessment where appropriate:

7 No direct implications – Cost of service within existing budgets.

Legal Implications:

8 No direct implications

Climate Change Implications

9 No direct implications. However, Climate Change has been considered as a key risk for the Authority which has been identified during the Internal Audit Reasonable Assurance Model process resulting in an audit being included in the 2022-23 Annual Internal Audit Plan.

Land/property Implications

10 No direct implications.

Human Resources Implications:

11 No direct implications.

Appendices:

Appendix 1 – Concessionary Travel Internal Audit Report

Background papers:

None

West of England Combined Authority Contact:

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 332 1486; or by writing to West of England Combined Authority, 3 Rivergate, Temple Quay, Bristol BS1 6EW; email: democratic.services@westofengland-ca.gov.uk