

AUDIT & STANDARDS COMMITTEE

18th APRIL 2019

INTERNAL AUDIT PROGRESS REPORT

Purpose of Report

To inform the Committee of the Internal Audit work completed and in progress from 1st January to 31st March 2019, the position with regard to the implementation of recommendations, about planned audit work and the performance of the Internal Audit Team.

Freedom of Information

Under the Freedom of Information Act this paper and any appendices will be made available under the Mayoral Combined Authority Publication Scheme. This scheme commits the Authority to make information about how decisions are made available to the public as part of its normal business activities.

Recommendations

It is recommended that Members consider the report and as necessary request further information and/or explanations from Internal Audit or Management.

1. Introduction

1.1 As part of its core functions the Audit Committee oversees the work of the Internal Audit Team and receives various reports. The following reports have been provided to date:-

April 2018

- IA Progress Report;
- IA Annual Plan Report 2018-19.

June 2018

- IA Progress Report;
- IA Annual Report 2017-18;
- IA Charter 2018-20.

October 2018

- IA Progress Report.

January 2019

- IA Progress Report
- IA QAIP Report

1.2 Assurance Opinion

The Assurance Opinion applied for each piece of work is selected from the following range:-

- | | | |
|-----------------|---|--------------------|
| • Substantial; | } | Positive assurance |
| • Adequate; | } | Positive assurance |
| • Limited; | } | Negative assurance |
| • No Assurance. | } | Negative assurance |

The Assurance Opinion is primarily driven by the number, nature and priority level of the recommendations made / agreed. The priority level of recommendations is described either as Fundamental, Significant or Merits Attention.

The Assurance Opinion is also influenced by whether the recommendations are in respect of the adequacy (or existence) of controls or the application of existing controls.

The final factor influencing the overall opinion is in relation to the controls assessed and whether the result of that assessment regards the effectiveness of the control as Good, Adequate, Limited or Poor.

2. Implications

2.1 Financial

The charge for the Internal Audit service is estimated to be as planned and consequently there are no financial implications to consider.

2.2 Legal

There are no legal implications.

2.3 Risk Management

Management engagement and responses remain positive which helps support a positive assurance that where opportunities for control, risk or governance improvements are highlighted, these are embraced by management.

2.4 Equality, Diversity and Social Inclusion

There are no implications.

3. Appendices/Annexes

3.1 The report attached at Appendix A includes:-

- significant control or compliance issues;
- longstanding recommendations;
- a summary of the work completed and also work in progress since the previous progress report;
- assurance opinions given and total recommendations made;
- recommendations followed-up by Internal Audit since the previous progress report;
- Internal Audit performance information.

REPORT AUTHOR POST

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Background papers used in the preparation of this report are available for inspection at: Barnsley MBC Westgate Plaza One office, Barnsley.

Other sources and references: Internal Audit Charter 2018-19, Annual Plan 2018-19, Internal Audit Reports, MK Insight (audit management system), Public Sector Internal Audit Standards 2017.

INTERNAL AUDIT PROGRESS REPORT

1. Annual Plan and Actual Comparison

The Group Annual Internal Audit plan (i.e. for the SCRMCA and SYPTE) for 2018/19 was agreed with the Managing Director, Section 73 Officer and Monitoring Officer and presented to the Committee at its June 2018 meeting. The plan includes 289 days which are a combination of entries relating to the Group, SCRMCA only and SYPTE only (NB 54 days in total are included for the undertaking of core financial systems reviews within the SCRMCA and also SYPTE and these are determined on a risk based approach during the year). The plan also incorporates a total of 4 days carried forward from 2017/18 to complete one planned assignment (SCRMCA Main Accounting) and a total of 17 days were accrued by the SYPTE to enable planned work relating to 2017/18 to be completed. This provided for a plan of 310 days in total.

As at 31st March 2019 (financial year end), a total of 305 days have been delivered and a request has been made to management for an accrual for 5 days to be made to enable the Procurement Review to be completed during April 2019.

2. Significant Control or Compliance issues to bring to the Audit Committee's Attention

There are no significant control or compliance issues to bring to the Committee's attention at this time.

3. Implementation of Recommendations and Management Responses

This section highlights to Members any recommendations that remain outstanding for 6 months or more following the original recommendation/agreed action target completion date and/or where the recommendation/agreed action target completion date has been subject to 3 revisions. There are no recommendations that fall into this category.

The Audit Committee requested sight of all recommendations outstanding – these are detailed at Appendix B.

4. Completed Projects Since last Progress Report

Title of Audit & Date of Report	Key Issues and Finding arising from the Audit	Assurance Opinion	No. & Priority of Recs	Comments / Follow-up Action
SCRMCA - Review of Inward Investment 08/02/2019	<p>The review concluded that the Inward Investment Team's Trade & Investment Plan clearly aligns to and supports the achievement of the SCRMCA's strategic objectives and priorities. This includes the markets and sectors to be targeted in terms of future investment opportunities, and all conferences and events identified for potential attendance during the year are considered in terms of the benefits that they will deliver.</p> <p>However, the individual actions within the plan could be more explicit to confirm how they will enable the achievement of objectives. These could also be strengthened to assign the actions to an owner (i.e. officer rather than a team) for improved accountability and performance monitoring with the anticipated implementation date recorded upon which actual progress could be monitored. The key performance indicators upon which the Inward Investment team are measured against and, similarly, the anticipated outcomes of an Officer attending a conference / event could also be more detailed and specific to provide the basis upon which actual performance could be measured and monitored.</p>	Limited	<p>Fundamental (0)</p> <p>Significant (3)</p> <p>Merits Attention (1)</p>	<p>Two recommendations implemented.</p> <p>To follow up the other recommendations in due course.</p>
SCRMCA - Work and Health Unit Trial 08/02/2019	<p>The review concluded that the SCR has developed effective relationships with the commissioned organisations, the CCG, the Work & Health Unit (WHU) and also West Midlands CA. In addition, robust processes have been implemented to manage, monitor and validate the financial claims and performance management information provided by the service providers.</p> <p>A review of the programme tracker, and sample testing of the contracts and memorandum of associations recorded on the document, identified some enhancements that could be made to the tracker to provide improved management information with regards to the status and period of each contract / agreement.</p> <p>It was noted that the main contract for hosting the trial (with SYHA) was not in place at the time of the trial commencing due to a disagreement with regards to be mobilisation payment, and this impacted upon the agreement of the management fees due to the SCR and also those to be paid to the CCG. It is acknowledged that this was due to the various organisations involved and the complexity of the trial and this this could not be directly controlled by the SCR.</p> <p>It is further acknowledged that the trial was delayed, resulting in a reduced referral period, and that negotiations are ongoing with the WHU to extend the trial period. Should an extension not be approved, the original performance targets will need to be re-evaluated in line with the remaining period of the trial.</p>	Adequate	<p>Fundamental (0)</p> <p>Significant (0)</p> <p>Merits Attention (4)</p>	Recommendations Implemented.
SCRMCA - Ethical Arrangements (LEP) 08/02/2019	<p>The review concluded that the areas identified in the Mary Ney report and also the findings arising from the Ministry of Housing, Communities and Local Government's review have been addressed.</p> <p>However, a review of relevant ethical related documentation, the SCR internet site and also</p>	Adequate	<p>Fundamental (0)</p> <p>Significant (1)</p> <p>Merits Attention (2)</p>	Recommendations Implemented.

Title of Audit & Date of Report	Key Issues and Finding arising from the Audit	Assurance Opinion	No. & Priority of Recs	Comments / Follow-up Action
	discussions with officers during the review have identified a few areas that could be further enhanced. Audit testing identified that Letters of Appointment may not have been signed and returned by Members (or securely retained on file) and also there was an inconsistency in the publication of Declarations of Interests made in meetings. Furthermore, the Internet site does not currently include the Register of Gifts and Hospitality, although it is acknowledged that one is being maintained by the SCR. It was noted that once the new National Local Growth Assurance Framework, which is currently in draft form, has been approved and an agreement reached on which version of the framework to follow, further changes may need to be implemented.			
SCRMCA - Main Accounting 29/01/2019	Based on the sample of transactions tested during this review, there were no control issues identified and therefore there are no recommendations to be made. Transactions processed via the Main Accounting systems had been appropriately authorised, processed accurately and were supported by source documentation.	Substantial	N/A	N/A
Group - Asset Utilisation 18/03/2019	<p>The review confirmed that an implementation plan had been drafted by the Group to address the primary objectives arising from phases 1a and 1b and that the required condition surveys had been undertaken as part of phase 2 of this project. At the time of this review, the commissioning process had commenced for phase 3 and the Target Operating Model had been presented to both the Strategic Asset Management (SAMs) Board and the Statutory Officers Group (SOG) to set out a high level structure for future management of the Group's assets.</p> <p>A review of the Terms of Reference for the SAMs Board identified a failure to set a minimum number of members required to be quorate at meetings, no arrangements for a Vice Chair to be appointed and Members being named that had since left the organisation. Therefore, it is recommended that this Terms of Reference is revised to ensure it covers the areas identified during the review.</p>	Adequate	Fundamental (0) Significant (1) Merits Attention (0)	Recommendation Implemented.
Group - Risk Management	Advice, support & guidance has been provided throughout the year (as and when requested) on the Risk Management Framework.	N/A	N/A	N/A
Group – Governance Domains and AGS	Advice, support and guidance has been provided throughout the year (as and when requested) whilst management have continued development of governance domains / a governance framework.	N/A	N/A	N/A

5. Projects / Other work In Progress (Relevant to SCRMCA and / or the Group)

Title of Audit or Nature of Audit Activity	Key Objective(s)	Status / Comment
SCRMCA - Accounts Payables	To provide assurance that the systems and controls are robust and operating effectively & efficiently.	Draft report issued on 10/01/19 – mgt approval to finalise awaited.
Group - Capital Programme	To provide independent, objective assurance that the risk, control and governance arrangements with regards to the South Yorkshire Transport Capital Programme are effective and provide for efficient use of funds / delivery. This will include ensuring that there are clearly defined roles and responsibilities and also delegated authority / accountability	Draft report issued on 26/02/19 – mgt response awaited.
Group - Information Governance / GDPR	To provide independent, objective assurance that the SCRMCA and SYPTE have undertaken a self-assessment to measure their compliance with the GDPR requirements, and that the outcome of the self-assessment is supported by detailed, accurate and timely source documentation. In addition, that all areas of non-compliance have been considered by management, actions agreed and that these are being effectively and efficiently managed and monitored	Draft report issued on 04/04/19 – mgt response awaited.
Group - Audit Committee	Preparation of reports and attendance at the Audit Committee meetings.	Closed at year end.
Group – Advice, Follow Up of Recommendations and Client Liaison	Provision of advice, as and when requested. Follow Up of Audit Recommendations. Meetings with SMT, Heads of Service and other ad hoc meetings.	Closed at year end.

6. Planned Work

All reviews included in the agreed annual audit plan relating to 2018-19 are now complete / at draft report stage with the exception of the Procurement Review. This has been delayed due to the late approval of the Terms of Reference and will be completed during April 2019.

Three reviews are at draft report stage at the time of writing this report; namely Accounts Payable, Capital Programme and Compliance with GDPR. The management responses have been proactively chased up and the reports will be finalised as soon as these are received.

We will also liaise with the incoming Internal Audit provider to facilitate the transition.

7. Cancelled / Deferred / Added Assignments

There have been no amendments to the agreed annual plan during this period.

8. Internal Audit Performance

The performance indicators for the fourth quarter of 2018/19 are attached at Appendix C. Performance of the overall function was satisfactory.

There have been two returned feedback questionnaires for the jobs completed in the period reported. An analysis of feedback returned is included at Appendix C.

Table 1A

Summary Activity Report

All Audit Reports Completed in each progress report period

Assurance Opinion	01/04/18 – 27/5/18	28/05/18 - 12/10/18	13/10/18 - 31/12/18	01/01/19 - 31/03/19	Cumulative
Substantial	1 (100%)		1 (50%)	1 (20%)	3 (38%)
Adequate	0		1 (50%)	3 (60%)	4 (50%)
Limited	0		0	1 (20%)	1 (12%)
None	0		0	0	0
TOTAL REPORTS	1 (100%)	N/A	2 (100%)	5 (100%)	8 (100%)

Total Recommendations

Number of Recommendations	01/04/18 – 27/5/18	28/05/18 - 12/10/18	13/10/18 - 31/12/18	01/01/19 - 31/03/19	Cumulative
Fundamental	0		0	0	0
Significant	0		2 (40%)	5 (42%)	7 (39%)
Merits Attention	1 (100%)		3 (60%)	7 (58%)	11 (61%)
TOTAL	1 (100%)	N/A	5 (100%)	12 (100%)	18 (100%)

Table 1B

Recommendations Followed-up in the period 01/01/19 to 31/03/19

Reporting in the period					
Recommendation Classification	Followed- Up	Completed by Target Date	Completed After Target Date	Not Yet Completed – Revised Date Agreed	Awaiting Management Response
Fundamental	0	0			
Significant	3 (43%)	3 (43%)			
Merits Attention	4 (57%)	4 (57%)			
Total	7 (100%)	7 (100%)			

Table 1C

Trend Analysis – All Periods - 2018/19

Assurance Opinions

	2018/19				Cumulative
	P1	P2	P3	P4	2018/19
	%	%	%	%	%
Substantial	100		50	20	38
Adequate	0		50	60	50
Limited	0		0	20	12
None	0		0	0	0
	100	N/A	100	100	100

Recommendations

	2018/19				Cumulative
	P1	P2	P3	P4	2018/19
	No.	No.	No.	No.	%
Completed by target date	8		1	7	89
Completed after target date	0		0	0	0
Not yet completed - revised date agreed	2		0	0	11
Awaiting Management Response*	0		0	0	0
Total followed up	10	N/A	1	7	100
% Completed by Original Due Date (excl. *)	80	N/A	100	100	

Glossary (For Tables 1A – 1C)

1. Classification of Recommendations

- Fundamental** A recommendation requiring immediate action – imperative to ensuring the objectives of the system under review are met.
- Significant** A recommendation requiring action necessary to avoid exposure to a significant risk to the achievement of the objectives of the system under review.
- Merits Attention** A recommendation where action is advised to enhance control or improve operational efficiency.

2. Assurance Opinions

	Level	Control Adequacy	Control Application
POSITIVE OPINIONS	Substantial Assurance	Robust framework of controls exist that are likely to ensure that objectives will be achieved.	Controls are applied continuously or with only minor lapses.
	Adequate Assurance	Sufficient framework of key controls exist that are likely to result in objectives being achieved, but the control framework could be stronger.	Controls are applied but with some lapses.
NEGATIVE OPINIONS	Limited Assurance	Risk exists of objectives not being achieved due to the absence of key controls in the system.	Significant breakdown in the application of key controls.
	No Assurance	Significant risk exists of objectives not being achieved due to the absence of controls in the system.	Fundamental breakdown in the application of all or most controls.

The assurance level applied is a judgement based on the overall assessment of the control environment.

SCRMCA Recommendations Outstanding Report

Appendix B

Name / Date of Final Report	Description	Priority	Status	Target Implementation Date	Date of Follow Up	Revised End Date	Update Notes	Action Manager
SCRMCA - AMP Technology Centre - R1 - Financial Accounts 23/11/2018	The issue regarding the supplier of gas to Building 3 should be resolved as soon as possible, and the outstanding payments due to the supplier settled by the owner of the AMP at that time (i.e. HCA and/or SCRCa).	Significant	Followed Up - Awaiting confirmation / evidence	31-Mar-19	01-Apr-19		Original Management Response:- CSM have been seeking a resolution of the gas issue for some time with SCRMCA monitoring progress on a regular basis. In August 2018 CSM escalated this as an unresolved issue and asked SCRMCA to intervene to help resolve it in order that the final settlement sum due to HCA for monies held in the project bank account could be paid over. To date this matter remains outstanding so, as an alternative, agreement is being sought from HCA that they will meet any accrued gas charges to the date of sale should they emerge.	Projects & Contracts Team Lead
SCRMCA - AMP Technology Centre - R3 - Schedule of Rates 23/11/2018	The annual review of all schedule of rates should be documented, with the date of review noted on the schedule, for future reference.	Merits Attention	Followed Up - Awaiting confirmation / evidence	31-Mar-19	01-Apr-19		Original Management Response:- The updating of the schedule of rates will be checked as part of the annual review and replacement of the Business Plan which forms part of the AMP Technology Centre Management Agreement with CSM.	Projects & Contracts Team Lead
SCRMCA - AMP Technology Centre - R4 - Asset Register 23/11/2018	An Asset Register should be established, with the details of all current assets owned by the SCRCa (i.e. located in the AMP) being recorded. The Asset Register should include details of the asset, location, date of acquisition (or transfer from the	Significant	Followed Up - Awaiting confirmation / evidence	31-Mar-19	01-Apr-19	30-Jun-19	Update 09/04/2019:- An Asset Register is now in place covering Buildings 2 and 3, work is being commissioned to provide a complete Asset Register for Building 1. Implementation date revised to 30/06/2019.	Assistant Director Housing, Infrastructure & Planning

Name / Date of Final Report	Description	Priority	Status	Target Implementation Date	Date of Follow Up	Revised End Date	Update Notes	Action Manager
	<p>HCA), value, depreciation and lifecycle.</p> <p>All new assets, disposals of existing assets and also write offs should be recorded in future.</p> <p>Independent checks should be periodically undertaken, to verify the accuracy of the Asset Register.</p>							
<p>SCRMCA - Payroll - R1 - Service Level Agreement</p> <p>07/12/2018</p>	<p>The SCRMCA Finance Team should continue to monitor timely receipt of the Salary Recharge invoices from Barnsley MBC, ensuring that any significant delays are escalated to the appropriate officer for resolution.</p>	Merits Attention	Accepted	30-Jun-19			<p>Management Response:-</p> <p>Consideration will be given to an SLA for future payroll arrangements for the SCRMCA when the Authority becomes an employing body.</p>	Senior Finance Manager
<p>SCRMCA - Review of Inward Investment - R1 - Strategic Plan</p> <p>08/02/2019</p>	<p>The International Trade and Investment Plan should include agreed implementation dates against each of the detailed objectives (actions) and also targets against each of the outcomes (key performance indicators), to enable the delivery of plan to be proactively managed and monitored during the year.</p>	Significant	Accepted	31-Dec-19			<p>Management Response:-</p> <p>The Trade and Investment Strategy and Operational Plan are currently under review and will be revised to include the international strategy of the SCR Mayor. Outputs and outcomes will be defined as part of this work.</p>	Director of Trade & Investment
<p>SCRMCA - Review of Inward Investment - R4 - Key Performance Indicators</p> <p>08/02/2019</p>	<p>Key performance Indicators should be set for the Inward Investment Team and performance measured against these reported to the Trade and Investment Advisory Board on a regular basis to enable challenges to be made if applicable.</p>	Significant	Accepted	31-Dec-19			<p>Management Response:-</p> <p>Inward Investment related objectives and targets are to be considered as part of the wider review of the strategy and plan. Once agreed, they will feed into a revised MCA governance model to provide for greater oversight.</p>	Director of Trade & Investment

Key:

Recommendation on target for implementation - original or revised date 2 months or more in advance

Recommendation with a revised date where implementation date is within 1 month

Recommendation with an original or revised date that has been missed



Analysis of Internal Audit Feedback Received - period 01/01/19 – 31/03/19

		Very Good	Good	Acceptable	Poor
A	Audit Planning				
1	Relevance of the audit objectives		2		
B	Communication				
1	Consultation on scope and objectives of the audit	1	1		
2	Communication during all aspects of the audit		2		
3	Helpfulness co-operation of the auditor(s)	1	1		
4	Professionalism of the auditor(s)	1	1		
5	The auditor(s) demonstrated an appreciation of any relevant issues concerning equality and diversity		2		
C	Timing				
1	Duration of the audit		2		
2	Timeliness of the audit report		1	1	
D	Quality of the audit report				
1	Format and clarity of audit report	1	1		
2	Accuracy of the findings		2		
3	Relevance of recommendations		2		
4	Overall quality of the report	1			
E	Value of the audit				
1	Basic controls assurance the audit has provided	1	1		
2	Added value given beyond basic controls assurance		2		
F	Overall Value of the audit				
1	Overall value of the audit		2		
			100%		
		100%			
	Total Number of 'ticks' (A – F)	6	22	1	
	Percentage	21%	76%	3%	
		97%		3%	

Returned Questionnaires:-

Period 1	0
Period 2	3
Period 3	1
Period 4	2
Total	6

Internal Audit Key Performance Indicators (Quarter 4) 2018/19

Appendix C

Ref.	Indicator	Frequency of Report	Target 2018/19	This Period	Year to Date
1.	<u>Customer Perspective:</u>				
1.1	Percentage of questionnaire received noted “good” or “very good” relating to work concluding with an audit report. *	Quarterly	95%	100%	100%
2.	<u>Business Process Perspective:</u>				
2.1	Percentage of final audit reports issued within 10 working days of completion and agreement of the draft audit report. *	Quarterly	80%	100%	100%
2.2	Percentage of chargeable time against total available.	Quarterly	73%	68.2%	71%
2.3	Average number of days lost through sickness per FTE	Quarterly	6 days	0.4 days**	1.6 days**
3.	<u>Continuous Improvement Perspective:</u>				
3.1	Personal development plans for staff completed within the prescribed timetable.	Annual	100%	100%	100%

* KPIs relate specifically to the SCRMCA.

** Figure relates to short term sickness absence. A member of the CAFT Team is currently long term absent from work and has been excluded from the KPI due to this not impacting on the SCRMCA.