

1. Summary

- 1.1 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 in June 2018. The Plan included 289 days which were a combination of entries relating to the Group, SCRMCA only and SYPTE only. In addition, a total of 4 days were included in the plan to enable 1 piece of work to be completed (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. The carried forward work had been completed prior to drafting the Annual Report 2017/18 and was therefore incorporated into that report (i.e. not included in this report).
- 1.2 Updates have been provided to the Audit & Risk Committee during the financial year to confirm changes to the plan arising from unplanned work, cancelled or deferred reviews and any utilisation of contingency (Appendix D). The final position at 31st March 2019 was that Internal Audit had delivered 305 days in total, with 5 days being accrued to complete a Procurement Review. At the time of writing this report, all work has been completed and this resulted in 18 formal reports being issued in total (of which 3 related to the Group, 8 to SCRMCA only and 7 to SYPTE only).
- 1.3 Details of the work undertaken are included in section 3 below and are in a tabular format providing information for each project, the key issues, findings, messages, recommendation themes and levels of assurance. All of these details and levels of assurances combined are used to inform my annual assurance opinion as Head of Internal Audit on the Combined Authority's control environment. This opinion feeds through to the Annual Governance Statement for the Combined Authority. The Internal Audit opinion on the internal control arrangements is covered in section 3.

2. Internal Control Arrangements

- 2.1 The details of the audits summarised in the table below are provided in Appendix A (i) and have been completed to provide a basis for the assessment of the internal control arrangements.

Assurance Opinion		Audit Reports			
		Number		%	
		2018/19	2017/18	2018/19	2017/18
Positive Opinions	Substantial	2	4	18	50
	Adequate	5	4	46	50
Negative Opinions	Limited	4	0	36	0
	No	0	0	0	0
TOTAL		11	8	100	100

Recommendation Category	Number	% *
High Priority (Fundamental)	1 (0)	2 (0)
Medium Priority (Significant)	20 (9)	45 (50)
Low Priority (Merits Attention)	23 (9)	53 (50)
TOTAL	44 (18)	100 (100)

Control Adequacy	25 (10)	57 (56)
Control Application	19 (8)	43 (44)

Themes	Number of Recommendations *
Financial Management	13 (4)
Contracts / Procurement / Commissioning	11 (2)
Information Governance	12 (11)
Managing People	2 (0)
Performance Management & Data Quality	3 (1)
Democracy	1 (0)
Legal	2 (0)

* 2017/18 figures in brackets.

Appendix C provides a more detailed analysis of the recommendations made. NOTE - whilst the comparative figures have been included for 2017/18, it should be remembered that the areas reviewed are different between the two years.

2.2 Follow-up: Action Plan Implementation

The Team monitors the implementation of Internal Audit recommendations and associated action plans. The quarterly progress reports to the Audit Committee include the priority level and status of newly added recommendations. There are no recommendations that had been made during the financial year that remain outstanding six months after the issue of the final version of the Internal Audit Report or that have had more than 3 revisions to the original agreed implementation date. See Appendix E for details.

3. **Head of Internal Audit's Assurance Opinion**

3.1 Based on the systems reviewed and reported on by Internal Audit during the year, together with management's response to issues raised as recorded in Section 2 above and Appendix B, I am able to provide an overall **Adequate** assurance opinion.

- Of the 11 completed pieces of work where an assurance opinion was provided, 7 (64%) received a positive opinion.
- 4 reports received a limited assurance opinion. No limited opinions were issued in 2017/18.
- 98% of recommendations made were Significant or Merits Attention;
- Only 1 Fundamental recommendation was made;
- Recommendations were implemented in a timely manner during the year;
- There are no known instances of fraudulent activity that have come to light through Internal Audit work.

3.2 The individual pieces of work undertaken and their respective individual assurance opinions are shown in the table below:-

Audit Title	Assurance Opinion
AMP Technology	Adequate
Review of Inward Investment	Limited
Work & Health Unit Trial	Adequate
Ethical Arrangements (LEP)	Adequate
Procurement Review (Draft Report Status)	Limited
Financial System: Main Accounting	Substantial
Financial System: Payroll	Substantial
Financial System: Accounts Payable	Adequate
Group - Asset Utilisation	Adequate
Group - Capital Programme	Limited
Group - Compliance with GDPR	Limited

3.3 In addition to the 'reportable' pieces of work undertaken, Internal Audit has provided advice and assurances as consultancy in a further 2 areas. These were:

- Risk Management;
- Governance Domains / AGS Process.

3.4 The Committee will note the 4 reports that received a limited assurance opinion. The areas reviewed were requested by Management due to the fact that they related to changes in systems or approaches, or areas not previously audited. In such circumstances a limited opinion is not necessarily unexpected but reflects positively on the appetite of Management to seek Internal Audit input into specialised or developing areas of the business.

3.5 Taking all Internal Audit activity together, I am satisfied that it has covered sufficient areas to enable and justify this positive assurance opinion overall.

3.6 I am also pleased to report to the Committee of the continuing good relationship with senior management that has enabled an effective audit for the year.

3.7 Considering the current year and beyond, there remains significant constitutional, financial and operational uncertainty and therefore pressures on the Authority which bring with them major risks. There is also an increasing stakeholder scrutiny and challenge which also requires the Authority and management to be able to demonstrate the effectiveness of the control, risk and governance arrangements. It continues to be important therefore that the Authority, under the Mayoral arrangements has effective and efficient controls, governance and risk management arrangements in place and where opportunities for improvement are identified these are considered and implemented in a timely manner.

3.8 The Senior Management Team will need to remain focussed on maintaining a sound control and governance framework – i.e. 'staying safe' whilst responding to the financial and operational pressures during the year.