

ITEM: 6

REPORT TO: WEST OF ENGLAND COMBINED AUTHORITY AUDIT COMMITTEE

DATE: 26 April 2018

REPORT TITLE: INTERNAL AUDIT ANNUAL REPORT 2017/18

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 2017/18 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 2017/18 was presented to the West of England (WECA) Audit Committee on the 28th September 2017. 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.

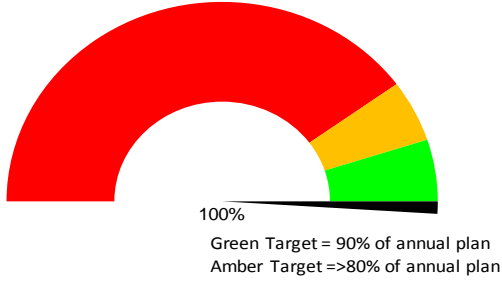
4.2 The Committee receives verbal updates at each meeting and a formal update on delivery against the plan on the 25th January 2018. This report builds upon that update and the chart overleaf records the position as at 31st March 2018.

PERFORMANCE DASHBOARD - INTERNAL AUDIT

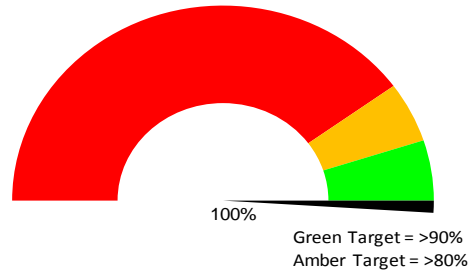
Client - WECA

Period - April 2017 - March 2018

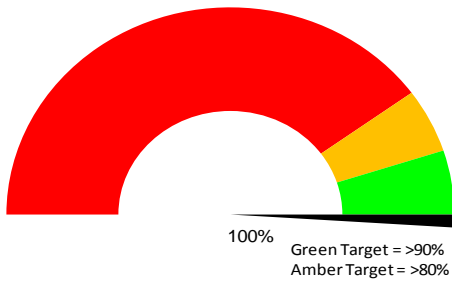
1. AUDIT PLAN COMPLETED



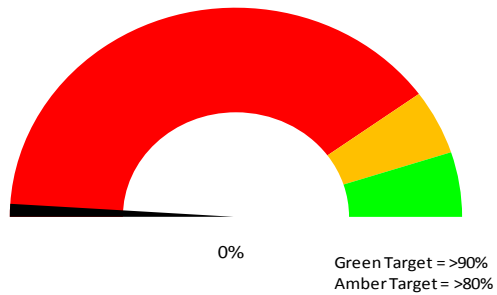
2. AUDITS COMPLETED IN PLANNED TIME



3. CUSTOMER SATISFACTION

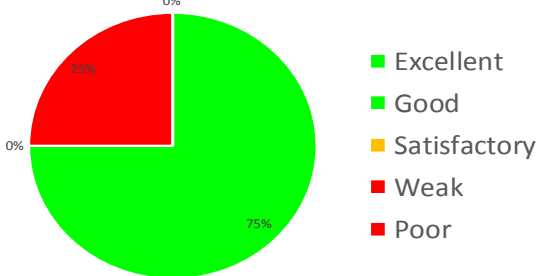


4. IMPLEMENTATION OF RECOMMENDATIONS

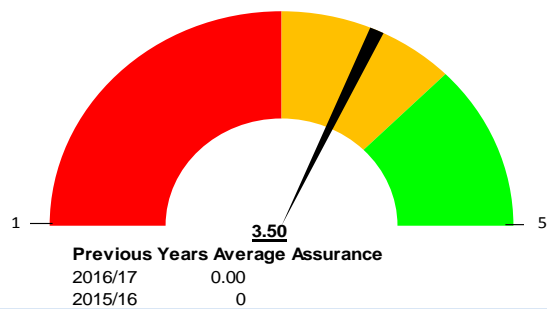


5. AUDIT OPINION - ASSURANCE LEVEL PROVIDED

Current Position



Current Average Assurance Level



6. WHISTLEBLOWING CASES IN CURRENT FINANCIAL YEAR



7. INVESTIGATIONS - CASES UNDER INVESTIGATION DURING REPORTING PERIOD



8. NEW UNPLANNED WORK



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 2017/18 Audit Plan (15 audit reviews) at the end of March 2018.
- 4.3.3 This records that 10 audit review have been finalised / completed and 5 reviews are in 'draft' report format or 'substantially completed'.

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 / 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 Customer feedback has been received for one audit review (Compliance with Procurement Regulations (IBB). Some of the comments received from this completed questionnaire are recorded below:

"Identified several gaps in the process that will enable the team to improve compliance with procurement and finance processes".

"Excellent ongoing communication through the whole process".

"A great review and it felt like an engaging process rather than being 'done unto'".

"Very fair and the iterative nature of finalising the report enabled us to gain comfort in the recommendations".

4.6 IMPLEMENTATION & FOLLOW UP OF RECOMMENDATIONS

4.6.1 The dashboard records the implementation of critical / high risk rated recommendations at the time the audit was 'Followed-Up' at 0%. This is because no 'Follow Ups' have been undertaken during 2017/18. A 'Follow Up' process will be introduced during 2018/19 during which time the recommendations agreed for those audits completed during 2017/18 will be reviewed.

4.7 INVESTIGATIONS/ WHISTLEBLOWING

4.7.1 During the year 2017/18 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 Outside of the work on the Reasonable Assurance Model there are seven audit reviews at draft or final report stage. Three have recorded an assurance level of good (Level 4) and one audit recorded an assurance level of weak (level 2), please see Appendix 2 for a description of our assurance levels.

4.8.2 Subject to final review and client agreement it is proposed that the final three reviews, Accounts Payable, Accounts Receivable and Payroll key control reviews will have an audit opinion of satisfactory to excellent (between Assurance Levels 3 and 5).

4.8.3 Details on the level 2 review – IBB Compliance with Procurement Regulations – will be provided at the meeting. In all cases management have responded positively to the reviews and all the Internal Audit recommendations have been accepted and due to be 'followed-up' in the first two quarters of 2018/19.

4.9 UNPLANNED AUDITS / WORK

4.9.1 There were no unplanned pieces of work during 2017/18.

4.10 FORMAL OPINION ON THE INTERNAL CONTROL FRAMEWORK

4.10.1 The Head of Audit West is required to give an opinion on the internal control framework.

4.10.2 Statement of the Head of Audit 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 did not identify any systemic failures;
- There were no fundamental system failures or control breakdowns to business critical functions;

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 2017/18.

Report Author:

West of England Combined Authority Contact: Tim Richens – Director of Corporate Services

Audit West – Jeff Wring

Background Papers

Any person wishing to inspect the Background Papers, used in the preparation of this Report, should seek the assistance of the Contact Officer for the meeting

Appendix 1

Audit Reviews Position Statement (as at 31st March 2018)

Ref	Topic	Status	Assurance Level	Recommendations	
				Made	Agreed
17-233W	Reasonable Assurance Model – Corporate Governance	Completed	Amber	N/A	N/A
17-233W	Reasonable Assurance Model – Financial Management	Completed	Amber	N/A	N/A
17-233W	Reasonable Assurance Model – Risk Management	Completed	Red	N/A	N/A
17-233W	Reasonable Assurance Model – Performance Management	Completed	Amber	N/A	N/A
17-233W	Reasonable Assurance Model – Procurement & Commissioning	Completed	Amber	N/A	N/A
17-233W	Reasonable Assurance Model – Programme & Project Management	Completed	Amber	N/A	N/A
17-233W	Reasonable Assurance Model – Information Management	Completed	Amber	N/A	N/A
17-233W	Reasonable Assurance Model – Asset Management	Completed	Amber	N/A	N/A
17-202W	Accounts Payable Key Controls Review	Substantially Completed			
17-203W	Accounts Receivable Key Controls Review	Substantially Completed			
17-205W	Payroll Key Controls Review	Substantially Completed			
17-207W	Compliance with Procurement Regulations (Invest in Bristol & Bath)	Final Report	2	7	7
17-211W	Mayoral Election Costs	Completed	4	N/A	N/A
17-212W	Grant Funding Key Controls Review	Draft Report	4	3	Awaited
17-213W	Treasury Management	Draft Report	4	3	Awaited

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 is one area detailed in the Assurance Summary which requires 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