



<b>AUDIT AND GOVERNANCE COMMITTEE</b>	<b>AGENDA ITEM No:</b>
<b>26 MAY 2020</b>	<b>PUBLIC REPORT</b>

## **INTERNAL AUDIT: PROGRESS REPORT 2019 / 2020**

### **1.0 PURPOSE**

- 1.1 Internal Audit provide assurance to the Audit and Governance Committee that activities undertaken across the Combined Authority are appropriately managed, monitored and delivered in accordance with set governance, controls and risk management frameworks. This report provides details of the progress made in delivering the approved Audit Plan for 2019 / 2020, together with details of those audits from the previous years which were being finalised at the time of the last Audit and Governance Committee.

<b><u>DECISION REQUIRED</u></b>	
<b>Lead Officer:</b>	<b>Steve Crabtree, Peterborough City Council</b>
The Audit and Governance Committee is recommended that the progress report from Internal Audit is considered.	
The Audit and Governance Committee is recommended to note proposals in relation to future audit coverage including protocols for flexing and amending proposals	

### **2.0 BACKGROUND**

- 2.1 In March 2019 Audit and Governance Committee discussed and agreed the Internal Audit Plan for 2019 / 2020. This covered works for 150 days.
- 2.2 In accordance with the agreed work programme for Internal Audit, the reports provide an independent and objective opinion on the Combined Authority's effectiveness in managing risk management, governance and the control environment.

2.3 All reports will also feed into the Internal Audit annual report that will be prepared at the end of the financial year. The Annual Report will provide an overall audit opinion on the adequacy and effectiveness of the governance, risk management and internal control processes, based upon the outcome of the reviews completed during the year.

### **3.0 PROGRESS**

3.1 In these unprecedented times, Internal Audit as a team has looked to continue to provide the service to the CA although timings have been delayed. The service at times has been deployed to assist in the Countywide Coordination Hub as well the impact of other lockdown requirements. Nevertheless, we have looked to continue to with the works via remote working, assuming staff are able to provide documentation and responses, although we also appreciate that this would not be a high priority in the current overall objectives for the CPCA.

3.2 Commentary on progress against the plan is set out below. Completed audit activities previously reported are:

- PROJECTS: East Cambridge Trading Company Loan
- GOVERNANCE: Corporate Governance Reviews
- GRANTS: Business Energy and Industry Strategy (Growth Hub Funding)
- GRANTS: Transport
- GOVERNANCE: Human Resources
- IT: Attempted Fraud

3.3 Status and findings in relation to other audit activities are as follows:

#### **3.4 GOVERNANCE: Fraud Risk Assessment**

The CPCA has an identified approach for the establishment of its key strategic risks. Internal Audit has taken this approach and applied it to focus on fraud, how it could impact on the CPCA and how it is in a position to manage and mitigate each one. The risks have been categorised in to 5 distinct areas – financial transactions, human resources, procurement and contract management, external funding and finally information technology.

The initial assessment has been shared with officers within each discipline. A number of changes have been identified to the various mitigating measures and these are being incorporated in to the final document.

### 3.5 GOVERNANCE: Budgetary Control / Finance Management System

Initial proposals scoped to look into the budgetary control arrangements, however this was extended with a focus on the potential need to replace the current financial suite used. A number of meetings have been held with officers within Finance to progress this during February 2020. A number of items of information remain outstanding so that we can form an opinion and conclude.

### 3.6 PROJECTS: Project Management Framework

The fieldwork has predominantly been completed although the notification that the PMO are no longer available (working for the Hub) may impact on full completion. Any gaps will be identified within the report. The outputs are currently being quality reviewed with a view to issuing a draft report by mid-June 2020.

It is noted that an overview of the 10 point Project Management Guide is scheduled for submission in this committee cycle.

### 3.7 PROJECTS: Project Management (Specific Projects)

While we have received a number of items of information to continue with the review, following the request from the Chief Executive the decision was taken to defer the reviews until each organisation returns to normality.

### 3.8 GOVERNANCE: Performance Management

Following the introduction of quarterly Performance Indicator reporting, Internal Audit have conducted a review to establish the arrangements. The scope of the audit was to ensure:

- Appropriate performance monitoring responsibilities exist
- There is a performance management framework
- Performance Indicators adequately reflect objectives and desired outcomes within the Business Plan
- Performance Indicators are reported and presented appropriately in a timely manner
- Performance Indicators are accurate

The fieldwork has been completed and a draft report produced. This is currently undergoing a quality review and is due for release for comment by 22 May 2020. Subject to no material issues being identified from the review, the audit is expected to provide a reasonable assurance outcome.

### 3.9 SKILLS: Adult Education Budget

To date consultancy advice has been provided via meetings on the development of an assurance framework; meetings attended on the ongoing requirements with the ESFA along with shadow working at a service provider. A quality assessment site visit previously scheduled for March 2020 was unable to go ahead following lockdown.

As a result of being unable to progress on this, Internal Audit has continued to assist and support on development of the assurance framework in order for the CPCA to submit an annual assurance letter to Central Government.

### 3.10 FOLLOW UP: ECTC Loan

Commentary has been received in relation to previous recommendations which are being compiled for issuing a draft report in mid-June 2020.

### 3.11 FOLLOW UP: LEP Assurance Framework

The previous audit identified that the CPCA was broadly compliant with the national framework. Since then, the CPCA has taken to amalgamating the LEP and CPCA framework into an overarching document. A desktop review has been undertaken and the previous gaps appear to have been addressed. Final checks are being made and a draft report prepared.

### 3.12 ANNUAL OPINION

With the current unprecedented times, lockdown measures have impacted on the service to fully deliver on the agreed audit plan. However, with agreed proposals to curtail certain works the overarching audit opinion will be providing at the next committee meeting in July 2020.

## 4.0 **AUDIT PLAN 2020 / 2021**

4.1 While an initial Audit Plan was established for the CPCA for 2020 / 2021, the cancellation of the last committee meeting in March 2020 prevented its referral, discussion and subsequent agreement. Those plans proposed an allocation of 180 days which covered works across the CPCA and the Business Board. The decision was taken in conjunction with the Chief Finance Officer to not start on this Plan. In light of the continued state of the country the plan will require a full refresh to potentially change focus. It is important that Internal Audit is proactive and prepared, while remaining pragmatic, as the situation continues to evolve.

- 4.2 The review of the Audit Plan will look to focus on those greatest risks which define the success of the CPCA. Significantly, the number of days required may need to be flexed. The impact on resources will need to be considered, post Covid-19. With the current arrangements for remote working, in order to deliver high quality reviews options considered include increasing budgets available for each audit review to factor in additional calls and effort for remote working, virtual meetings or workshops. It could also take the form of reducing the number of audit reviews to be completed per year to ensure that quality is not compromised.
- 4.3 In order to take on board ongoing changes, an element of unallocated time or contingency will be factored in. This will provide some time to allow for new audits to be incorporated into the Plans as risks increase or new activities come on line requiring evaluation. Agreement to additional works will be done in conjunction with agreement between the Chief Finance Officer, Audit and Governance Committee Chair and the Chief Internal Auditor. There may be merit in other audit reviews which have not started at that point being deferred. Should additional resources be required over and above the agreed days, discussions will be held with the s151 Officer at Peterborough City Council (as service provider) in line with service level agreements.
- 4.4 Once the crisis has abated, Internal Audit will take the opportunity to adopt many of the practices that have been proved to work effectively during the crisis as the “new normal”. This could include remote working, video conferencing or remote data analysis. This will have ongoing benefits in terms of efficiency, better work life balances and environmental benefits from less travel.
- 4.5 It should be noted that at the end of each year there is a requirement for an annual opinion on controls / control environment. In such circumstances where Internal Audit work may be reduced, it will be important to be clear on what has and has not been considered across the year and to adopt a limitation of scope approach where needed.

## **5.0 FINANCIAL IMPLICATIONS**

- 5.1 Internal Audit activities are set out within the Combined Authority’s Service Level Agreement with Peterborough City Council (as the current audit provider). Quarterly monitoring meetings are held with between the respective Chief Finance Officers.

## **6.0 LEGAL IMPLICATIONS**

- 6.1 The Accounts and Audit Regulations 2015, Regulation 5, requires a relevant organisation to undertake an effective internal audit to evaluate the effectiveness of its risk, control and governance processes, taking into account public sector internal auditing standards or guidance.

## SIGNIFICANT IMPLICATIONS

There are no direct wider CPCA implications arising from this report.

<u>Source Documents</u>	<u>Location</u>
List background papers:	