



**LIVERPOOL
CITY REGION**
COMBINED AUTHORITY

METROMAYOR
LIVERPOOL CITY REGION

INTERNAL AUDIT UPDATE



Audit and Governance Committee
28 July 2021

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1. Introduction

- 1.1 The purpose of this report is to provide a summary of Internal Audit work completed in the fourth quarter of 2020-21 and first quarter of 2021-22, in respect of the Internal Audit Plans for 2020-21 and 2021-22.
- 1.2 The report is prepared for the Audit and Governance Committee to facilitate the discharge of obligations as defined in its Terms of Reference to highlight the outcomes of Internal Audit work as a source of assurance on the effectiveness of the Combined Authority's governance, risk and internal control environment.
- 1.3 Internal Audit is defined as: "an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes." (Public Sector Internal Audit Standards 2017)
- 1.4 The mission of Internal Audit is to: "To enhance and protect organisational value by providing risk-based and objective assurance, advice and insight".
- 1.5 This report includes:
 - A summary of Internal Audit Plan delivery for the period;
 - Details of work undertaken, and key items of note in respect of corporate systems, CA-specific systems and Merseytravel-specific systems;
 - An update on counter-fraud work undertaken during the period;
 - An update on internal audit performance with reference to the key performance indicators detailed in the Quality Assurance and Improvement Programme (QAIP); and
 - An update on the service's compliance with the Public Sector Internal Audit Standards (PSIAS).

2. Summary of Internal Audit Plan Delivery

2.1 Audits Completed

2.1.1 In the period, twenty-two audits were completed. These are shown in Table 1 (those shown in italics are at draft stage):

Audit Name	Organisational Risk Opinion	Corporate System	LCRCA	Merseytravel
2020-21				
Mayoral Programme - Digital	Minor	Y		
Rolling Stock - Testing Programme	Negligible			Y
LEP Governance Annual Review	n/a		Y	
Fast Tag Account Management	Minor			Y
CCTV	Minor			Y
Transforming Cities Fund	n/a		Y	
Risk Management	Minor	Y		
Payroll	Minor	Y		
Capital Programme	Minor	Y		
Covid-19 Govt Funding	Minor	Y		
Bus Services - Contract Management (VFM)	Minor			Y
Mersey Ferries - Ticketing and Admissions	Minor			Y
Housing First	Moderate		Y	
Creditors (inc - BACS Application Management)	Minor	Y		
<i>Investments - Pre-Payment Assurance</i>	Moderate		Y	
<i>Mersey Ferries - Retail and Stock Reconciliation</i>	Minor			Y
<i>Active Travel Fund</i>	tbc			Y
<i>Rail Concession Agreements</i>	Minor			Y
IT Service Desk Management	Minor	Y		

Audit Name	Organisational Risk Opinion	Corporate System	LCRCA	Merseytravel
2021-22				
LCRCA Annual Governance Statement Review 2020-21	n/a		Y	
MT Annual Governance Statement Review 2020-21	n/a			Y
<i>Tidal Power - Procurement Review</i>	Moderate		Y	

Table 1

2.1.2 Appendix A and B give a detailed breakdown of the Internal Audit Plans 2020-21 and 2021-22 respectively, showing the status of each item of audit work that was contained within the Plans as approved by the Committee.

3. Corporate Systems

3.1 Background

3.1.1 Seven of the audits completed in the period were of corporate systems that are provided by Merseytravel to both Merseytravel and LCRCA. Reporting of the outcomes from the audit work in these areas formally falls within the remit of the Merseytravel Audit, Risk and Governance Board, but as the LCRCA is a “recipient” of these services, the audit findings are also reported to the Audit and Governance Committee. This is to provide assurance that the risks associated with these are being managed effectively.

3.2 Organisational Risk Opinion

3.2.1 All seven audits of Corporate Systems received an organisational risk opinion of “Minor”, which means that a satisfactory level of assurance on the effectiveness of the internal controls reviewed can be derived, and that the risk presented to the organisation by the recommendations made is at a low level.

3.3 Recommendations of Note

3.3.1 The audits finalised within the period identified two recommendations classed as “high priority”.

3.3.2 These recommendations are detailed in Table 2:

Audit Title	Recommendation	Action Planned by Management
Application Control - Paxton	<p>The management of the Paxton system requires review and the following items must be addressed:</p> <ul style="list-style-type: none"> • An appropriate number of Asset Management officers is determined who have administrative privileges for operating the system to ensure resilience; • training is provided for officers given administrative 	Review will be undertaken that will address all points detailed.

Audit Title	Recommendation	Action Planned by Management
	privileges on the system and training records are updated; and <ul style="list-style-type: none"> • administrative privileges are reviewed and removed from those officers that do not require them. 	
Application Control - Paxton	A contract/maintenance/support agreement should be established in respect of the Paxton software	Maintenance agreement will be put in place

Table 2

3.3.3 The implementation of recommendations is subject to ongoing monitoring and where dates of agreed action have passed and confirmation of implementation has not been received, Internal Audit contacts managers to establish progress, confirm actions completed or agree revised implementation dates, if appropriate.

3.3.4 Table 3 provides a summary of progress in respect of the implementation of previous recommendations made in respect of corporate systems:

Year	Department	Auditable Area	Organisation				Recommendations			Extension Requested and Agreed	Notes
			High	Medium	Completed	In Progress	Overdue	High Overdue			
2020-21	IT - Service Delivery	Service Desk Management	0	3	0	3	0	n/a	n/a		
2020-21	Finance	Creditors	0	3	0	3	0	n/a	n/a		
2020-21	Policy Development	Covid-19 Govt Funding	0	1	0	1	0	n/a	n/a		
2020-21	Finance	Capital Programme	0	1	0	1	0	n/a	n/a		
2020-21	HR Operations	Payroll	0	5	0	5	0	n/a	n/a		
2020-21	IT	Application Control - Mainsaver	0	5	5	0	0	n/a	n/a		
2020-21	IT - Governance	Software Asset and License Management (FAST)	0	2	0	2	0	n/a	n/a		
2020-21	Procurement	Procurement	0	2	2	0	0	n/a	n/a		
2020-21	IT	Application Control - Paxton	2	12	3	11	0	0	n/a		
2020-21	Legal	Insurance Claims	4	0	2	2	0	0	n/a		
2020-21	HR - Learning	Staff Benefits	1	6	7	0	0	0	n/a		
2020-21	HR Operations	Covid-19 Safe Working Govt Guidance - Office Based Services	0	1	0	1	1	n/a	No		
2020-21	Finance	Credit Cards	0	6	3	3	3	n/a	No		
2019-20	AM - Maintenance Delivery	Wallasey Stores	4	15	16	3	3	0	Yes	Extended date not yet expired	
2019-20	AM - Technical Services	Building Security	3	7	9	1	1	0	Yes	Extended date not yet expired	
2019-20	Corporate	Commissioning	2	2	1	3	0	0	n/a		
2019-20	Customer Delivery	Ancillary Income and Debt Recovery	3	2	4	1	1	0	Yes		
2019-20	Customer Delivery	Business Continuity	5	14	6	13	11	2	Yes	In discussion with dept	
2019-20	Customer Operations (Tunnels)	Tunnels Toll Recording and Reconciliation	0	4	4	0	0	n/a	Yes		
2019-20	Democratic Services	Democratic Services	0	3	3	0	0	n/a	n/a		
2019-20	Finance	Budget Monitoring	0	2	1	1	0	n/a	n/a		
2019-20	Finance	Procurement Cards	1	5	5	1	1	1	Yes	In discussion with dept	
2019-20	HR - Operations	Health and Safety	1	2	2	1	0	0	n/a		
2019-20	HR - Operations	Recruitment and Selection	2	10	0	12	12	2	Yes	In discussion with dept	
2019-20	HR - Strategy & Systems	Time & Attendance	1	6	6	1	1	1	Yes	In discussion with dept	
2019-20	Internal Audit	Risk Management	0	2	2	0	0	n/a	n/a		
2019-20	IT - Governance	Internet Monitoring	0	3	2	1	0	n/a	n/a		
2019-20	IT - Governance	Telephone Monitoring	0	5	5	0	0	n/a	n/a		
2019-20	IT - Service Delivery	IT - Service Continuity	0	11	7	4	4	n/a	Yes	In discussion with dept	
2019-20	Procurement	Commissioning	2	2	1	3	0	0	n/a		
2019-20	Procurement	Procurement	0	1	0	1	1	n/a	Yes	Extended date not yet expired	
2019-20	Programme Management Office	PMO	0	10	9	1	1	n/a	Yes	In discussion with dept	
2019-20	Research & Intelligence	Corporate Performance Management	0	11	9	2	2	n/a	Yes	Extended date not yet expired	
2018-19	Finance	Main Accounting System - Income Reconciliation	1	8	7	2	2	0	Yes	Extended date not yet expired	
2018-19	HR - Operations	Payroll	1	4	4	1	1	0	Yes	In discussion with dept	
2018-19	HR - Strategy & Systems	Travel, Accommodation & Expenses	0	3	2	1	1	n/a	Yes	In discussion with dept	
2018-19	IT - Governance	IT - Information Security Policies	0	5	5	0	0	n/a	n/a		
2018-19	IT - Service Delivery	IT - Cyber Security	3	10	11	2	2	0	Yes	In discussion with dept	
2018-19	IT - Service Delivery	IT - IT Asset Control (CMDB)	0	6	5	1	1	n/a	Yes	Extended date not yet expired	
2017-18	AM - Maintenance Delivery	Fleet Management	3	20	19	4	4	1	Yes	Extended date not yet expired	
2017-18	HR / Legal	Ethical Policy Framework	0	10	9	1	1	n/a	Yes	Extended date not yet expired	
2017-18	Procurement	Procurement	0	8	7	1	1	n/a	Yes	Extended date not yet expired	

Table 3

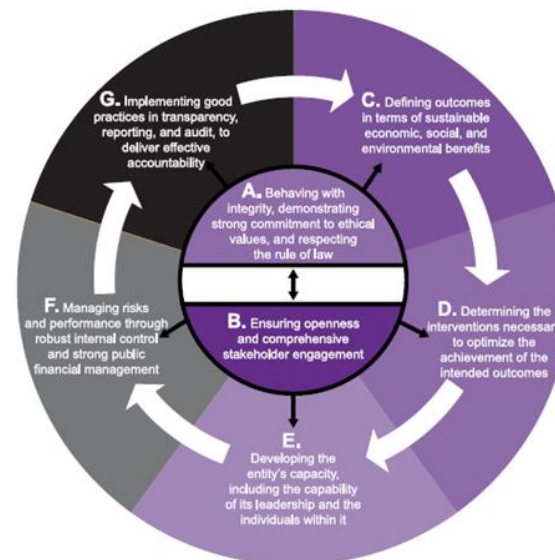
3.3.5 Significant work has been undertaken with Assistant Directors/Heads of Service to encourage completion of outstanding recommendations, particularly those that are long-standing. This has generated engagement and has prompted fresh focus and action on progressing the issues, and consequently a number of recommendations have been closed during the period.

3.3.6 A number of recommendations have had their implementation dates revised, and these are shown in the Comments column in table 3 above. These movements have been the subject of discussions with internal audit, and the explanations provided were deemed to be reasonable. However, there will be ongoing attention paid to these recommendations to ensure that timely implementation occurs.

3.4 Corporate Governance

3.4.1 LCRCA has put in place a Code of Corporate Governance as part of its Constitution. This is held on the intranet for ease of reference for staff.

3.4.2 In order to appraise the effectiveness of corporate governance and provide supporting evidence to inform the Annual Governance Statement (AGS), Internal Audit has conducted a review of the LCRCA's corporate governance arrangements. This has followed the mandatory CIPFA/SOLACE guidance "Delivering Good Governance in Local Government" (2016), which embodies the following Core Principles illustrated by the diagram, right.



"Delivering Good Governance in Local Government" (CIPFA/SOLACE) 2016

3.4.3 The work covered the prescribed areas of governance as defined in the guidance, and engaged with all Heads of Service, Assistant Directors, Directors and the Chief Executive in gaining assurance that there is a comprehensive and effective system of governance in place.

- 3.4.4 This comprised the completion of a Governance Assurance Statement by each of these senior staff, in which they commented on the adequacy of the governance arrangements within their spheres of influence. The arrangements described in these Statements were generally positive and highlighted an awareness of the principles of good governance. Also, positively, most respondents highlighted their wish to develop and improve their governance arrangements and identified actions to be taken over the next year to do so.
- 3.4.5 The review has also encompassed a wider review of key aspects of the CIPFA/Solace guidance, particularly to look at areas of governance weakness suggested by the Liverpool City Council Best Value report, published in March 2021, and to highlight any areas in which the organisation can learn lessons and strengthen its governance so as to provide assurance that the organisation has responded to the report in a positive manner and taken the opportunity to reflect and learn.
- 3.4.6 The following table highlights the key findings emanating from the review work undertaken. It should be noted that there was no indication of any of the weaknesses being widespread across the organisation and/or any significant issues having materialised. However, it is felt that by highlighting such weaknesses now, it will help to foster an open and transparent culture, with the ability to take positive immediate action in response. The risk exists that, should action not be taken now to respond to these weaknesses, ‘Significant Governance Issues’ may materialise as a result.

Key Findings from the Annual Governance Statement Review 2020-21
• Not being fully compliant with the requirements of the Transparency Code.
• A need to further enhance awareness and understanding in relation to the Seven Principles of Public Life (Nolan Principles) across the organisation (however, improvements have been seen since last year).
• A need to enhance understanding of, and compliance with, the Gifts and Hospitality Policy.
• A need to enhance understanding of, and compliance with, the Declarations of Interest Policy.
• Completion of e-learning modules has, in general, been poor across the organisation. However, a new system has been introduced, by People and Organisational Development, to help enhance the process and facilitate completion.
• A lack of clarity as to whether all key partnerships have been formally approved at senior level (n.b. an email was sent to relevant managers following a request by the Chief Executive; to try to obtain clarity and understanding; however, limited responses have been received)
• A lack of performance management information having been reported to Members. It is anticipated the translation of

the Corporate Plan in to Service Plans (and further still within Individual Performance Plans), will need to be robustly monitored and reported against utilising appropriate measures.
<ul style="list-style-type: none"> • A need to further strengthen controls in relation to evidence-based policy-making and understanding of implications and risk of decisions.
<ul style="list-style-type: none"> • Managers raising concerns regarding staffing levels; and, as such, staffing and operations will need to be reviewed to ensure delivery of service objectives whilst maintaining adequate levels of internal control.
<ul style="list-style-type: none"> • A need to enhance monitoring of completion of training identified within IPPs, and the potential impact of non-completion of such training.
<ul style="list-style-type: none"> • A need to ensure robust Service Risk Registers are in place and subsequently reviewed and updated following the publication of the updated Corporate Plan; with the highest scoring risks in Service Risk Registers being escalated for consideration for inclusion in the Corporate Risk Register; and that risks are properly considered in decision making / reports presented to decision makers.
<ul style="list-style-type: none"> • A need to raise awareness and understanding of how to report a data breach.
<ul style="list-style-type: none"> • A need to enhance compliance with the requirements of the Corporate Retention Policy.
<ul style="list-style-type: none"> • A need to ensure directorate policies and procedures are fit for purpose and up to date.
<ul style="list-style-type: none"> • A need to ensure Business Continuity Plan(s) are reviewed and updated.

Table 4

3.4.7 The corporate Risk Group plays an important role in reviewing the emerging AGS Review findings generated by the work of Internal Audit. In early 2020, the group agreed a broad set of principles/questions to be utilised in assessing and determining whether a finding should be considered as a 'Significant Governance Issue'. The agreed principles/questions cover whether the issue in question has:

- Resulted in non-achievement of one or more of the LCRCA; and/or
- Resulted in non-achievement of a core principle detailed within the CIPFA guidance; and/or
- Resulted in widespread negative publicity; and/or
- Emanated from a concern about a wrongdoing or malpractice in the workplace that has had a public interest aspect; and/or
- Been raised by an external body/regulator as being of significant concern/high priority; and/or
- Been raised by one of the organisation's statutory officers as being of significant concern/high priority; and/or
- Required (or will continue to require) significant organisational resources to rectify.



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The AGS findings were presented to the Risk Group in May 2021, and none were determined as being 'significant' in nature. This was reported to the Director of Corporate Services who has responsibility for producing the AGSs.

4. Liverpool City Region Combined Authority: Specific Systems

4.1 Background

4.1.1 Six of the pieces of work completed in the period were of systems that are specific to LCRCA. From a governance perspective, these fall entirely within the remit of the Audit and Governance Committee and would not be routinely reported to the Merseytravel Audit, Risk and Governance Board.

4.2 Organisational Risk Opinion

4.2.1 Three audits of LCRCA Specific Systems received an organisational risk opinion of “Moderate” meaning that there were significant weaknesses detected, and that the risk presented to the organisation by the recommendations made is at a moderate level.

4.2.2 An opinion is not provided in respect of Governance reviews due to the nature of the work undertaken.

4.3 Recommendations of Note

4.3.1 The audits finalised within the period identified one recommendation classed as “high priority”.

4.3.2 This recommendation is detailed in Table 5:

Audit Title	Recommendation	Action Planned by Management
Housing First	A robust process of monitoring Safety and Inclusion Plans must be operational that ensures 100% of Plans are in place and are being reviewed within the necessary timescales; and that the quality of information contained within the Plan has been assessed, with corrective action taken, within the prescribed timescales. Any existing system	Response awaited

Audit Title	Recommendation	Action Planned by Management
	errors/anomalies should be rectified.	

Table 5

4.3.3 The implementation of recommendations is subject to ongoing monitoring and where dates of agreed action have passed and confirmation of implementation has not been received, Internal Audit contacts managers to establish progress, confirm actions completed or agree revised implementation dates, if appropriate.

4.3.4 Table 6 provides a summary of progress in respect of the implementation of previous recommendations made in respect of corporate systems:

Year	Department	Organisation Auditable Area	Recommendations				Extension Requested and Agreed		Notes	
			High	Medium	Completed	In Progress	Overdue	High Overdue		
2020-21	Policy Coordination	Housing First (VFM)	1	14	0	15	0	0	n/a	
2020-21	LEP	LEP Governance Annual Review	0	2	1	1	0	0	n/a	
2020-21	Mayoral Programme Delivery	Mayoral Programme - Digital	0	8	7	1	0	n/a	n/a	
2019-20	Investment	SIF2 Assurance Framework	0	1	0	1	0	0	n/a	

Table 6

4.5 Grant Certification

4.5.1 In the period since the last Internal Audit Update, the following grant claims shown in Table 7, were reviewed, so as to confirm compliance with grant conditions:

Grant Name	Number of Claims Audited 2020-21 Q4 & 2021-22 Q1	Value Audited (£)
Careers & Enterprise	8	286,670
Growth Hub	3	507,277
Low Energy Hub	1	36,511
Peer Networks	2	135,063
SIF	20	6,862,843
SIF - Pre-Development Funding	8	167,496



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SIF - Skills	33	4,473,994
Grand Total	75	12,469,854

Table 7

5. Merseytravel: Specific Systems

5.1 Background

5.1.1 Nine of the audits completed in the period were of systems that are specific to Merseytravel. From a governance perspective, these fall entirely within the remit of the Audit, Risk and Governance Board, but are also reported to the Audit and Governance Committee for information and in the interests of transparency.

5.2 Organisational Risk Opinion

4.2.1 Seven of the audits of Merseytravel Specific Systems received an organisational risk opinion of “Minor” or “Negligible”, which means that a satisfactory level of assurance on the effectiveness of the internal controls reviewed can be derived, and that the risk presented to the organisation by the recommendations made is at a low level. One audit, Active Travel Fund, which is in draft at the time of writing, has yet to have its organisational risk opinion confirmed.

4.2.2 An opinion is not provided in respect of Governance reviews due to the nature of the work undertaken.

5.3 Recommendations of Note

5.3.1 The audits finalised within the period identified two recommendations classed as “high priority”.

5.3.2 This recommendation is detailed in Table 8:

Audit Title	Recommendation	Action Planned by Management
Fast Tag Account Management	Further work is undertaken to review accounts existing at the introduction of the residents’ scheme using a risk- based approach e.g. accounts with three or more tags, account name which suggest a business user etc. to determine if any can be identified as business users. Where business users are identified the appropriate	Further reviews will be undertaken to tease out any accounts which are found to not be eligible for the LCR discount concession

Audit Title	Recommendation	Action Planned by Management
	charge should be applied.	
CCTV	Completion of the Surveillance Commissioner's 2014, version one, of the self-assessment tool in 2017 gives some assurance on Merseytravel's compliance with the 12 guiding principles of the Commissioner's Surveillance Camera Code of Practice. Consideration should be given to updating the self-assessment using the current (2019) version of the self-assessment tool. Arrangements should also be put in place to consider further completion of the tool for any future updates or in the event of significant changes in Merseytravel's CCTV system, policy and procedures.	This will be completed by the Strategic Service Coordinator, with input and support from Tunnels Police staff.

Table 8

- 5.3.3 The implementation of recommendations is subject to ongoing monitoring and where dates of agreed action have passed and confirmation of implementation has not been received, Internal Audit contacts managers to establish progress, confirm actions completed or agree revised implementation dates, if appropriate.
- 5.3.4 Table 9 provides a summary of progress in respect of the implementation of previous recommendations made in respect of Merseytravel specific systems:

Organisation			Recommendations							
Year	Department	Auditable Area	High	Medium	Completed	In Progress	Overdue	High Overdue	Extension Requested and Agreed	Notes
2020-21	Customer Operations (Ferries)	Mersey Ferries - Ticketing and Admissions	0	8	0	8	0	n/a	n/a	
2020-21	Bus - Network Performance	Bus Services - Contract Management	0	11	0	11	0	n/a	n/a	
2020-21	Police Operations (Tunnels)	CCTV	1	8	3	6	0	0	n/a	
2020-21	Customer Delivery	Fast Tag Account Management	1	1	0	2	0	0	n/a	
2020-21	Customer Operations (Hubs)	Travel Centres	0	10	3	7	4	n/a	Yes	In discussion with dept
2020-21	Policy Development	Urban Traffic Control	0	2	2	0	0	n/a	n/a	
2019-20	Bus - Network Performance	Bus Services - Contracts	0	4	1	3	3	n/a	Yes	In discussion with dept
2019-20	Customer Delivery	Catering Concession - Contract Management	0	5	4	1	1	n/a	Yes	Extended date not yet expired
2019-20	Customer Operations (Hubs)	Concessionary Travel Pass Applications	0	4	4	0	0	n/a	n/a	
2019-20	Customer Operations (Hubs)	Travel Centres - Income / Stock Reconciliation	2	11	13	0	0	n/a	n/a	
2018-19	AM - Maintenance Delievery	Vehicle Tracking System	1	3	2	2	2	0	Yes	Extended date not yet expired
2018-19	The Beatles Story	Beatles Story - Governance	0	7	7	0	0	n/a	n/a	

Table 9

5.3.4 Significant work has been undertaken with Assistant Directors/ Heads of Service to encourage completion of outstanding recommendations, particularly those that are long-standing. This has generated engagement and has prompted fresh focus and action on progressing the issues.

5.3.5 A number of recommendations have had their implementation dates revised, and these are shown in the Comments column in table 9 above. These movements have been the subject of discussions with internal audit, and the explanations provided were deemed to be reasonable. However, there will be ongoing attention paid to these recommendations to ensure that timely implementation occurs.

6. Quality Assurance and Improvement Programme

6.1 Performance Update

6.1.1 The Public Sector Internal Audit Standards (PSIAS) require that the service maintains a Quality Assurance and Improvement Programme (QAIP) which includes a series of performance measures and associated targets.

6.1.2 Performance measures defined in the QAIP are also included within the Internal Audit Service Plan and are thus reported to senior management in accordance with the corporate quarterly performance reporting process. This provides senior management oversight and scrutiny of performance and of any remedial actions required to meet identified targets.

6.1.3 Table 10 below details the performance measures and the results for the period:

Description and Purpose	Target	Actual	Variance and Explanation
<p>Compliance with Public Sector Internal Audit Standards (PSIAS) This measures the extent to which the Internal Audit Service complies with the requirements set out in the Standards and the Local Government Application Note.</p>	100%	100%	<p>No variance The results of self-assessment reveal that the service continues to “generally comply” with the Standards.</p>
<p>Percentage of the Internal Audit Plan 2021-22 completed This measures extent to which the Audit Plan is being delivered. The delivery of the Plan is vital in ensuring that an appropriate level of assurance is being provided across the organisation’s systems.</p>	15% See Chart 1	4% See Chart 1	<p>Variance Sickness absence impacted on completion of 2020-21 planned work with knock-on effect in respect of 2021-22 plan. There was also a reactive piece of work completed at the request of the external auditor in Q1.</p>
<p>Percentage of the Internal Audit Plan 2020-21 completed This measures extent to which the Audit Plan is being delivered. The delivery of the Plan is vital in ensuring that an appropriate level of assurance is being provided across the organisation’s systems.</p>	100% See Chart 2	100% See Chart 2	<p>No variance The 2020-21 Plan has been completed.</p>
<p>Percentage of recommendations implemented within a reasonable timescale This measures the extent to which managers feel that</p>	100%	100%	<p>No variance No recommendations made in 2020-21 are overdue.</p>

Description and Purpose	Target	Actual	Variance and Explanation
the recommendations made are appropriate and valuable in strengthening the control environment and also provides the Committee with a view on how effective management action is in responding to recommendations.			
Percentage of client survey responses indicating a "very good" or "good" opinion This measures the feedback received on the service provided and seeks to provide assurance that Internal Auditors conduct their duties in a professional manner.	100%	100%	No variance Feedback is positive although response levels are low.
Percentage of annual senior management survey responses indicating satisfaction with the Internal Audit service provided This measures the feedback received from Directors and Heads of Service on the service provided and seeks to provide assurance that Internal Audit is adding value at a strategic level.	100%	100%	No variance Feedback was positive although response levels were low.

Table 10

Charts 1 and 2 below gives a more detailed breakdown of the performance indicator “percentage of the Internal Audit Plan 2021-22 and 2020-21 completed” respectively. These have been profiled to show the percentage of the Plan that is the target for completion each quarter.

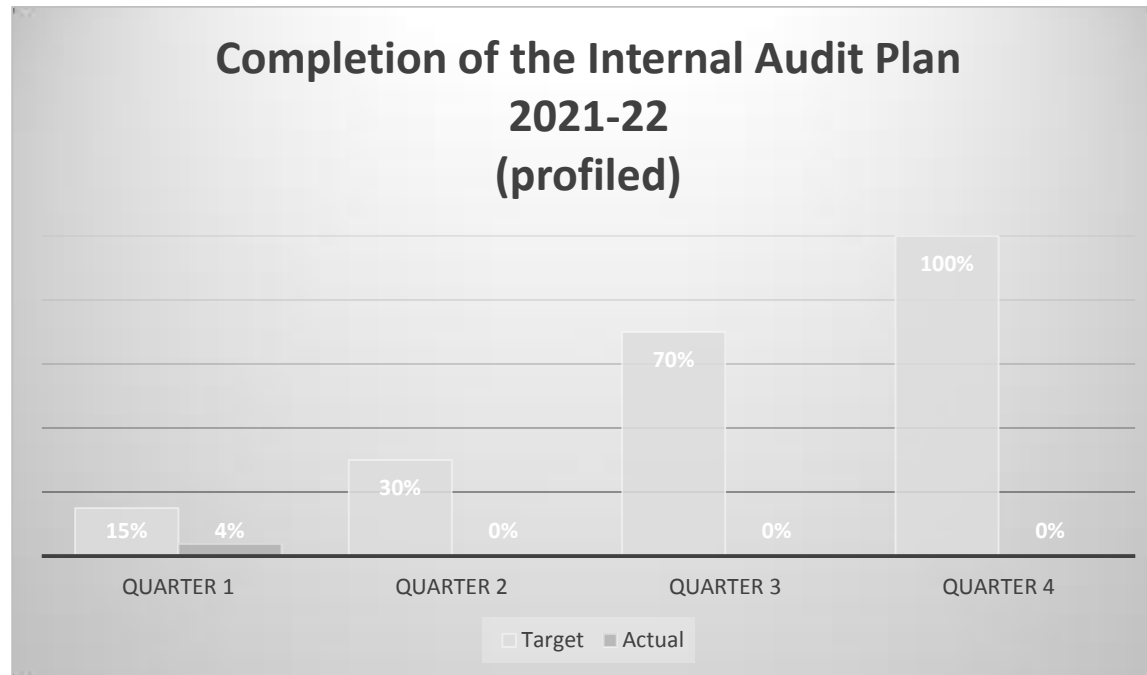


Chart 1

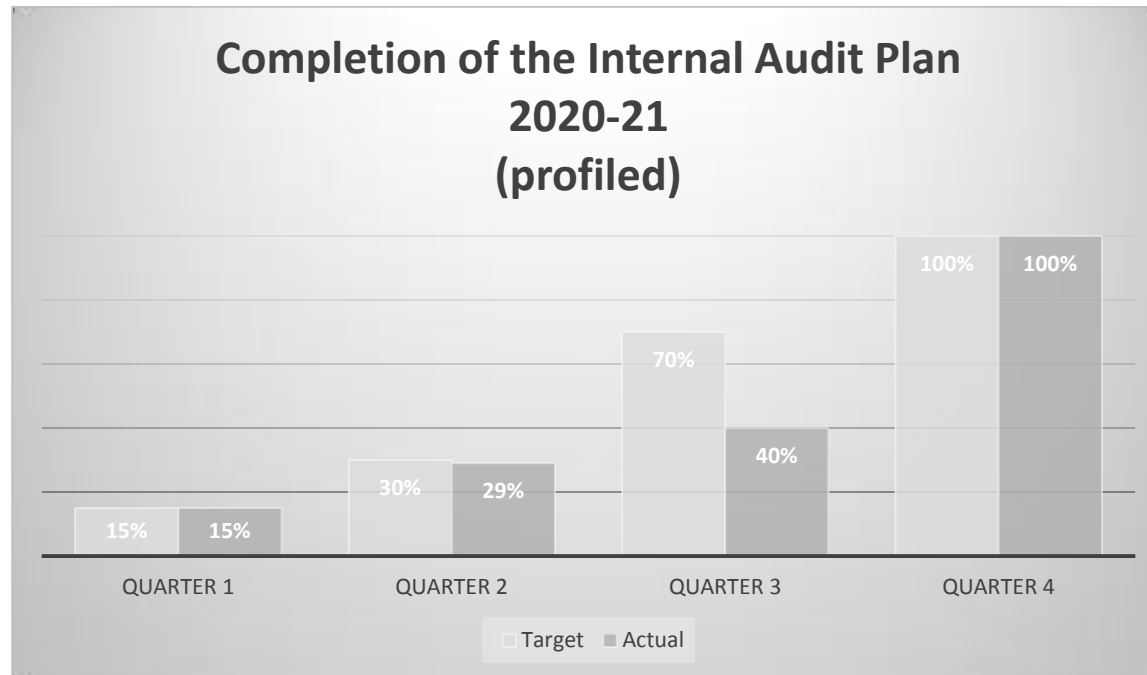


Chart 2

6.2 Resources

6.2.1 The Internal Audit service is now at full complement, although 30 days were lost to sickness absence during quarter 4, and this delayed the completion of a number of pieces of work from the 2020-21 Plan, all of which have now been completed, however, but this has impacted on the completion of quarter 1 work also. The team's resources have not been diverted into any areas of non-audit activity during the period.

7. Fraud, Bribery and Corruption

7.1 CIPFA Code of Practice on Managing the Risk of Fraud and Corruption (2014)

7.1.1 The CIPFA Code of Practice on Managing the Risk of Fraud and Corruption is the key guidance document for the sector on managing fraud risk.

7.1.2 In the Counter-Fraud Update report presented to this Committee at its January 2021 meeting, it was noted that a full review of the organisation's compliance with the guidance had been undertaken, and that this had resulted in a number of action points. The following table gives an update on the progress being made to address the actions:

Ref	Action	Progress Update
1	Monitor the take-up levels of the Fraud Awareness e-learning and follow up to completion with Assistant Directors/Heads of Service and Directors if necessary.	Monitoring of take up levels continues. Manager also have access to management information regarding e-learning and staff receive reminders. Internal Audit has also issued its own reminders to managers and has reinforced with corporate communications. 446 members of staff have completed the awareness e-learning – this represents 45% of the workforce.
2	Conduct comparison of fraud risks with other Mayoral Combined Authorities.	In progress Session to be held with other Mayoral Combined Authorities July 2021.
3	Consider running Fraud Risk Workshops within Departments, especially those where fraud risks have been identified as most significant.	In progress Session was held with Travel Centres Operations Managers in May 2021. Further sessions to be held on the basis of risks identified in the fraud risks in Service Risk Registers.
4	Undertake review of fraud risks in Service Risk Registers and ensure actions to address fraud risks are included for all. Establish regime of regular reminders to update fraud risks in Service Risk Registers, including consideration of any new/emerging fraud/corruption risks.	In progress Risk Manager continues to liaise with Heads of Service to ensure fraud risks are appropriate and reviewed.
5	Strengthen guidance to Committee report authors relating to the consideration of fraud risks in the Risk section of the reports.	Completed Updated guidance has been produced and included within the Committee report template.

Ref	Action	Progress Update
6	Include within the Annual Governance Statement commentary on the performance and effectiveness of the organisation's counter fraud strategy.	Completed Included in AGS Findings Summary for 2020-21 for consideration for inclusion by the author.

Table 11

7.2 Fraud Plan

7.2.1 The Internal Audit Plan 2020-21 included 90 days for proactive counter-fraud work across both Merseytravel and the Combined Authority, and the Internal Audit Plan 2021-22 includes 198 days for this. It is also of note that key anti-fraud controls are also evaluated as part of a significant number of other audits within the Plan.

7.2.2 The Plan includes the following areas of focus:

Counter Fraud		
2020-21		
Audit Title	Progress	
Fast Tag Account Management	Completed	
Tunnels Cash Toll Recording	Completed	
Travel Centres	Completed	
Debtors	Deferred to 2021-22 and underway	
Staff Benefits	Completed	
Creditors (inc BACS Application Management)	Completed	
Insurance Claims	Completed	
Mersey Ferries - Retail and Stock Reconciliation	Draft Report Issued	
Spaceport Closure	Completed	
Mersey Ferries - Ticketing and Admissions	Completed	
Credit Cards	Completed	
Rail Operators - Stock Control	Withdrawn – Covid-19 access restrictions	
2021-22		
Audit Title	Days Allocated	Progress
Absence Management	15	

Credit Cards	15	
Creditors and Cheque Control	23	
Debtors	23	Commenced
Insurance Claims	23	
Fast Tag Account Management	15	
Mersey Ferries - Ticketing and Admissions	23	
Travel Centres - Income / Stock Reconciliation	23	
Tunnel Tolls Income Recording	23	
Rail Operators - Stock Control	15	

Table 12

7.2.3 There is also a provision of 12 days in the Plan for the investigation of allegations of fraud or irregularity, and this has not been utilised during this quarter.

7.3 Fraud Risks

7.3.1 Given the increase in attempted fraudulent activity that is likely to proliferate during the pandemic, all Heads of Service have been reminded to review the fraud risks contained within their Service Risk Registers. This is with the objective of updating of reflecting new and emerging fraud risks associated with coronavirus, and to ensure that Heads of Service have acknowledged such risks in their planning and development of internal controls.

7.4 National Fraud Initiative (NFI)

7.4.1 The organisation participates in the National Fraud Initiative co-ordinated by the Cabinet Office. Data from the Payroll and Creditors and concessionary travel systems are uploaded to the dedicated Cabinet Office website and are matched with data within and between participating bodies so as to identify potential frauds, overpayments and errors. On receipt of the results, the organisation has responsibility to follow up and investigate the matches. The main NFI data matching is undertaken every two years, the results of these matches are fed into a national report at the end of each cycle.

7.4.2 Matches in respect of the NFI exercise for 2020 have been released and review work is ongoing.

7.5 Investigations

7.5.1 There have been no investigations undertaken by Internal Audit in the quarter.

7.6 Fraud Policy Framework

7.6.1 All fraud policies within the Policy Framework are up to date, having been approved by this Committee at its January 2021 meeting and Merseytravel on 10 February 2021.

8. Public Sector Internal Audit Standards (PSIAS)

8.1 Internal Assessment

8.1.1 The PSIAS Local Government Application Note (LGAN), the document which assists in translating the requirements of the Public Sector Internal Audit Standards into a local government setting, has been reviewed, and a refreshed document issued by CIPFA in February 2019. It is important to state that this document does not introduce new requirements emanating from the Standards but is more useful in assisting local authorities to assess their own compliance with the Standards.

8.1.2 The internal assessment has been reperformed, and there are a small number of actions suggested to enhance compliance. These are detailed in Table 13 below:

Ref	Action	Progress Update
	PSIAS	
1112	Include relevant detail to committee/board to enhance transparency in relation to the safeguards relating to roles and responsibilities that fall outside of internal auditing	Completed Included within Internal Audit Charter presented to the ARG Board and Audit and Governance Committee March 2021 meetings.
1312	Confirm independence and qualifications of assessor to Board and Committee prior to the external assessment	Completed Included detail in PSIAS section of Internal Audit Update Report presented to ARG Board and Audit and Governance Committee July 2021 meetings.
2330	To delete archived records which are past their retention period	Completed Records that have passed their retention period have been deleted.
	PSIAS Development	
2200, 2230	Further embed the process of auditor and manager discussion re scope/most pertinent risks/available time budget; and pre-audit discussions with client to aid the process of scoping the audit review.	In progress Embedding of fully risk-based audit approach continues, with team session held in June 2021 to progress the implementation.
2410	Review/formalise arrangements with Beatles Story and the LEP.	In progress

Table 13

8.2 External Assessment

- 8.2.1 It is a requirement of the PSIAS that the service must be subject to an external assessment of its compliance with the Standards every five years. The service was subject to such an external assessment (peer review validation of self-assessment) against the requirements of the Public Sector Internal Audit Standards (PSIAS) in June 2017.
- 8.2.2 The overall outcome of this assessment was that the service conforms to the PSIAS. All actions arising from the report have subsequently been completed.
- 8.2.3 The next external review is due during this financial year and will take place during August 2021. The assessment will be undertaken by CIPFA, the primary body for public sector finance. The assessor will be Ray Gard, who is both a CIPFA and ACCA qualified accountant and a Fellow of the Chartered Institute of Internal Auditors. He has many years' experience as a Head of Internal Audit, predominantly in the London boroughs, and he is independent of the LCRCA.
- 8.2.4 The outcome and key findings of the review will be reported to this Committee once the work has been concluded and the final report received.

Appendix A: Internal Audit Plan 2021-22 Status Update

Auditable Area	Entity			Organisational Risk Rating	Organisational Risk Opinion	Status
	Corporate	LCRCA	Merseytravel			
Rolling Stock - Power Supply Project			Y	MODERATE		
Rolling Stock - Covid-19 Impact			Y	MODERATE		
Rolling Stock - Battery Powered Train Trial			Y	MODERATE		
Rolling Stock - Asset Ownership			Y	MODERATE		
Tidal Power - Procurement Review		Y		MAJOR	Moderate	Draft Report Issued
Investment Models		Y		MAJOR		Commenced
Investment Schemes - FIF		Y		MAJOR		Commenced
Investment Schemes - tbc		Y		MAJOR		
Investment Schemes - tbc		Y		MAJOR		
SIF2 Assurance Framework		Y		MAJOR		
Learning and Development	Y			MODERATE		Commenced
Health, Safety and Wellbeing - Corporate Review	Y			MODERATE		Commenced
Health, Safety and Wellbeing - Office Based Services	Y			MODERATE		
Payroll	Y			MODERATE		
Absence Management	Y			MODERATE		
Ethics / Standards of Conduct	Y			MODERATE		
Application Control - Haven System	Y			MODERATE		Commenced
Application Control - tbc	Y			MODERATE		
Application Control - tbc	Y			MODERATE		
Capital Programme	Y			MODERATE		
Credit Cards	Y			MODERATE		
Creditors and Cheque Control	Y			MODERATE		
Debtors	Y			MODERATE		Commenced
Governance Assurance Statement 2021-22	Y			MODERATE		
LCRCA/MT Annual Governance Statement Review 2020-21	Y			MODERATE	n/a	Completed
Risk Management	Y			MODERATE		
Insurance Claims	Y			MODERATE		
Procurement	Y			MODERATE		

Auditable Area	Entity			Organisational Risk Rating	Organisational Risk Opinion	Status
	Corporate	LCRCA	Merseytravel			
LEP Governance Annual Review		Y		MODERATE		
LEP Risk & Control Review		Y		MODERATE		
ESIF		Y		MODERATE		
Grant Auditing Arrangements at Local Authorities - Accountable Body	Y			MODERATE		
Tunnels Projects		Y		MODERATE		
Health, Safety and Wellbeing - Asset Management			Y	MINOR		
Financial Sustainability of Operators and Contractors COVID			Y	MAJOR		Commenced
Alternative Delivery Models			Y	MODERATE		
Recovery Partnerships			Y	MODERATE		
Business Continuity Management	Y			MODERATE		
Fast Tag Account Management			Y	MINOR		
Health, Safety and Wellbeing - Operational Transport			Y	MINOR		
Mersey Ferries - New Vessel			Y	MODERATE		
Mersey Ferries - Ticketing and Admissions			Y	MINOR		
Travel Centres - Income / Stock Reconciliation			Y	MINOR		
Tunnel Tolls Income Recording			Y	MINOR		Commenced
The Beatles Story			Y	MINOR		
Covid-19 Govt Funding	Y			MODERATE		
Operator of Last Resort			Y	MODERATE		
Rail Operators - Stock Control			Y	MODERATE		
Brexit Impacts	Y			MAJOR		
Freeport		Y		MODERATE		
Adult Education Budget		Y		MAJOR		
Digital Infrastructure		Y		MAJOR		
Race Equality	Y			MINOR		Commenced
Back Up Management	Y			n/a		
Proactive BAU Management	Y			n/a		
Asset Management	Y			n/a		
Cyber Security - Response (NIST)	Y			n/a		
LEP - IT Overview	Y			n/a		

Appendix B: Internal Audit Plan 2020-21 Status Update

Auditable Area	Entity			Organisational Risk Rating	Organisational Risk Opinion	Status
	Corporate	LCRCA	Merseytravel			
Covid-19 Future Innovation Fund		Y		Moderate	n/a	Completed
Pre Payment Assurance		Y		Moderate	Moderate	Draft Report Issued
SIF2 Assurance Framework		Y		Moderate	n/a	Deferred
Transforming Cities Fund		Y		Moderate	n/a	Advice Provided
Mayoral Programme - Digital		Y		Moderate	Minor	Completed
Mayoral Programme - Tidal		Y		Moderate	Minor	Completed
ESIF		Y		Moderate	Minor	Completed
Grant Auditing Arrangements at Local Authorities	Y			Moderate	n/a	Deferred
Adult Education Budget		Y		Moderate	n/a	Advice Provided
Housing First (VFM)		Y		Moderate	Moderate	Completed
LEP Governance Annual Review		Y		Moderate	n/a	Completed
LEP Risk & Control Review		Y		Moderate	n/a	Deferred
Rolling Stock - TCIS Project			Y	Moderate	Negligible	Completed
Rolling Stock - Testing Programme			Y	Moderate	Negligible	Completed
Rolling Stock - Train Lengthening Project			Y	Moderate	Negligible	Completed
Business Continuity Management	Y			Major	n/a	Deferred
CCTV			Y	Moderate	Minor	Completed
Covid-19 Safe Working Govt Guidance - Transport Directly Operated			Y	Moderate	Minor	Completed
The Beatles Story - Payroll			Y	Moderate	n/a	Deferred
Software Asset and License Management (FAST)	Y			Moderate	Minor	Completed
Application Control - Paxton	Y			Moderate	Minor	Completed
Application Control - Mainsaver	Y			Moderate	Minor	Completed
Covid-19 Safe Working Govt Guidance - Office Based Services	Y			Moderate	Minor	Completed
Payroll	Y			Moderate	Minor	Completed
Capital Programme	Y			Major	Minor	Completed
Covid-19 PPN 02/20 and PPN 03/20	Y			Moderate	Minor	Completed
Risk Management	Y			Major	Minor	Completed
Procurement	Y			Moderate	Minor	Completed

Auditable Area	Entity			Organisational Risk Rating	Organisational Risk Opinion	Status
	Corporate	LCRCA	Merseytravel			
Annual Governance Statement Review 2020-21 (LCRCA)		Y		Moderate	n/a	Deferred
Annual Governance Statement Review 2020-21 (Merseytravel)			Y	Moderate	n/a	Deferred
Governance Assurance Statement 2020-21 (LCRCA)		Y		Moderate	n/a	Advice Provided
Governance Assurance Statement 2020-21 (Merseytravel)			Y	Moderate	n/a	Advice Provided
Annual Governance Statement Review 2019-20 (LCRCA)		Y		Moderate	n/a	Completed
Annual Governance Statement Review 2019-20 (Merseytravel)			Y	Moderate	n/a	Completed
Covid-19 Safe Working Govt Guidance - Asset Management			Y	Moderate	Minor	Completed
Bus Alternative Delivery Models			Y	Major	n/a	Deferred
Bus Services - Contract Management (VFM)			Y	Moderate	Minor	Completed
Covid-19 Govt Funding	Y			Moderate	Minor	Completed
Active Travel Fund			Y	Moderate	tbc	At Review Stage
Urban Traffic Control			Y	Moderate	Minor	Completed
Operator of Last Resort			Y	Moderate	Moderate	Completed
Rail Concession Agreements (VFM)			Y	Moderate	Minor	Draft Report Issued
Fast Tag Account Management			Y	n/a	Minor	Completed
Mersey Ferries - Retail and Stock Reconciliation			Y	n/a	Minor	Draft Report Issued
Mersey Ferries - Ticketing and Admissions			Y	n/a	Minor	Completed
Spaceport Closure			Y	n/a	n/a	Completed
Travel Centres			Y	n/a	n/a	Completed
Tunnels Cash Toll Recording			Y	n/a	n/a	Completed
Staff Benefits	Y			n/a	n/a	Completed
Credit Cards	Y			n/a	n/a	Completed
Creditors (inc BACS Application Management)	Y			n/a	Minor	Completed
Debtors	Y			n/a	n/a	Deferred
Insurance Claims	Y			n/a	n/a	Completed
Rail Operators - Stock Control			Y	n/a	n/a	Deferred
Office 365	Y			n/a	tbc	Commenced
Service Desk Management	Y			n/a	Minor	Completed
Agresso	Y			n/a	tbc	Commenced
Microsoft InTune	Y			n/a	tbc	Commenced
Change Management	Y			n/a	tbc	Commenced

Appendix C: Organisational Risk Opinions and Recommendation Priority Levels

Organisational Risk Opinions	Recommendation Priority Levels
<p>Major The risks identified in the review could, if they materialised, have a major impact on the organisation as a whole.</p>	<p>High The recommendation is essential to the management of risk within the area under review.</p>
<p>Moderate The risks identified in the review could, if they materialised, have a moderate impact on the organisation as a whole.</p>	<p>Medium The recommendation is important to the management of risk within the area under review.</p>
<p>Minor The risks identified in the review could, if they materialised, have a minor impact on the organisation as a whole.</p>	<p>Advisory The recommendation is a suggestion intended to enhance the existing management of risk within the area under review.</p>
<p>Negligible No risks were identified within the review.</p>	