



LIVERPOOL
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COMBINED AUTHORITY

METROMAYOR
LIVERPOOL CITY REGION

INTERNAL AUDIT PLAN AND CHARTER 2023-24

Audit and Governance Committee

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1. Introduction

- 1.1 This report provides the Internal Audit Plan and Internal Audit Charter 2023-24 for the Liverpool City Region Combined Authority and Merseytravel.
- 1.2 The Internal Audit Plan is a key requirement of the Public Sector Internal Audit Standards (hereafter referred to as “the Standards”).
- 1.3 The Plan demonstrates how Internal Audit’s resources will be used during the financial year so as to provide assurance on the effectiveness of the internal control systems in place in both organisations, so as to inform the Annual Report and Opinion of the Head of Internal Audit for 2023-24 for the Combined Authority and Merseytravel respectively.
- 1.4 Since the pandemic, the pace of change and level of uncertainty has continued to be significant. Particular attention has been paid to ensuring that the Internal Audit Plan is reflective of, and responsive to, the changing risk landscape of the organisation, so as to ensure that the work of Internal Audit directly contributes to providing insight and assurance in those areas of most significant threat to the achievement of the strategic objectives set out in the Corporate Plan. This approach has been established through consultation with relevant stakeholders.
- 1.5 The Internal Audit Charter sets out the role, purpose, and authority of Internal Audit, and the responsibilities of the organisation in supporting the work of Internal Audit. It also details the ethical standards adopted by the Internal Audit service.

2. Organisational Context

2.1 This is the final year of the 2021-24 Corporate Plan. The Corporate Priorities are:



2.2 Against this backdrop, the organisational context for the Internal Audit Plan continues to be one of significant and fast-paced change. The key recent developments include:

- Continued development and implementation of plans to meet the Combined Authority’s net zero carbon target by 2040;
- Development of the pipeline of projects and commencement of delivery of schemes using the City Region Sustainable Transport Settlement funding;
- Implementation of the systems to replace EU structural funds – UK Shared Prosperity Fund;
- Government approval of the Business Case for the Liverpool City Region Freeport;
- Development of a model for the future shape of bus services across the City Region; and
- Introduction into service of the new trains on the Merseyrail network.

2.3 The pace of change and level of uncertainty has continued to be significant since the pandemic, and these factors will continue to present risks to the City Region economy as well as to the organisation directly. These will present challenges such as increases in operating costs arising from increased inflation; increased cost of borrowing arising from the higher interest rate; pressure on projects arising from availability of contractors, suppliers and materials; workforce pressures arising from national changes in working patterns and high competition for skills in key areas; and continued national political uncertainty creating a reduced level of confidence in continuity of government policy.



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- 2.4 Supporting the delivery of the Corporate Priorities, it is important that the organisation manages these risks effectively and establishes and maintains robust systems of internal control and corporate governance.
- 2.5 The Internal Audit Plan 2023-24 provides scope to provide advice and guidance to the organisation on the extent to which sound risk management, internal control and governance have been established and are effective in respect of key developing systems, new/emerging areas of risk or significant opportunities.

3. Plan Compilation Principles

- 3.1 The Standards state that the “Chief Audit Executive” must “establish risk-based plans to determine the priorities of the internal audit activity, consistent with the organisation’s goals”. They refer to the need for the plan to reflect the assurance framework, risk management arrangements and to take account of input from management and “the board”.
- 3.2 In meeting this Standard, an extensive consultation and risk assessment exercise has been undertaken to identify potential areas for audit, comprising:
- Review of relevant publications such as the Chartered Institute of Internal Auditors annual publication *Risk in Focus*, and *Horizon Scanning: Challenges and Opportunities 2023*, produced by Mazars;
 - Review of the Corporate Risk Register, service, and project risk registers to identify key risks which suggest areas for audit coverage;
 - Mapping against the organisation’s assurance framework to identify where there may be assurance needs to be fulfilled by Internal Audit, and also where there are adequate alternative sources of assurance which might suggest a lighter touch audit might be suitable (see Appendix B);
 - Detailed “understanding the business” meetings with managers, Heads of Service and Assistant Directors across the organisation, so as to understand the key business functions, changes and risks presented;
 - Findings and outcomes from previous audit work;
 - Engagement with Directorate Management Teams; and
 - Evaluation of the risks highlighted by the work undertaken in delivering the Internal Audit Plan 2022-23.
- 3.3 By implementing a risk-based methodology, the Plan is intended to ensure that Internal Audit resource is used to concentrate on the most significant identified risks which may jeopardise the achievement of the Corporate Priorities. Such a focus is also intended to assist management in understanding the risks within their own service delivery areas and within key projects, and to assist them in developing robust and resource-effective controls to mitigate these risks. In order to ensure that Internal Audit is agile and able to respond to changes in the risk profile, this year’s Plan has been constructed with the emphasis on flexibility and responsiveness.

4. Plan Composition

4.1 Summary

4.1.1 The Internal Audit Plan is detailed at Appendix A, and is composed of the following areas:

Plan Heading	Description	Audit Days		
		Combined Authority	Merseytravel	Total
Core Audit	Provision of assurance in respect of statutory or government requirements or areas of key risk.	313	192	505
Responsive Audit	Provision of assurance in respect of areas of new/emerging/escalating risks and developing systems.	173	172	345
Reactive Audit	Allocation of time for investigation of matters brought to the attention of Internal Audit on an ad hoc basis, such as allegations of fraud, bribery or corruption, or confidential reports (“whistleblows”).	19	19	38
Subsidiaries	Work to be delivered to Growth Platform and The Beatles Story respectively.	25	25	50
Guidance and Consultancy	Providing input to key corporate projects and advising on developing systems and emerging risks.	73	73	146
Management and Corporate Responsibilities	Audit management including engagement with the Executive and Senior Leadership Teams, quality assurance of audit work, and responsibilities such as facilitating the corporate fraud, bribery, and corruption policy framework.	200	123	323
TOTAL AUDIT DAYS		803	604	1407

4.2 Core Audit

4.2.1 The “core audit” element of the Plan relates to areas of audit work that are either statutory requirements, requirements of government or are areas of key risk. Coverage of these areas is considered essential to delivering a comprehensive assurance on the effectiveness of internal control, governance, and risk management.

4.2.2 The main areas of note within this element of the Internal Audit Plan 2023-24 are:



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Governance

This is the annual review of the organisation’s corporate governance arrangements, in accordance with the CIPFA/Solace “Delivering Good Governance in Local Government” (2016) so as to inform the Annual Governance Statements for both organisations.

Risk Management

Review of the extent to which robust and effective arrangements for risk management have been embedded within the organisation, so as to optimise delivery of the objectives articulated in the Corporate Plan and supporting plans. This years’ review will be conducted externally so as to provide an independent review, cognisant of the Head of Internal Audit’s dual role.

Performance Management

This review seeks to provide assurance on the operation and effectiveness of the corporate system for managing delivery of the priorities articulated in the Corporate Plan.

Financial

Reviews of the key controls over the most significant areas of financial transactions across the organisation.

Information Technology

Technical ICT audit is provided via a contractual arrangement with Salford Technical Internal Audit Services based upon a specific risk assessment. Less technical areas, such as the audit of application control, are to be carried out by the in-house audit team.

Procurement and Contracts

This work seeks to provide assurance on the extent to which goods and services procured are subject to procurement exercises where necessary and ensure that the routes to procurement are compliant with the Constitution and Public Contract regulations.

Investments

Thematic review of the controls specific to a number of investment schemes, including review of compliance with the Assurance Framework, and risk management processes.

Programmes

Review of a number of significant capital schemes across the organisation to appraise a variety of aspects such as procurement, performance management, use of gateway process.

Grant Assurance

Work undertaken to meet statutory requirements in respect of grant funding received by the organisation from various government departments.

Counter-Fraud

This relates to the proactive internal audit work to contribute to the prevention and detection of fraud, appraising the effectiveness of anti-fraud controls in place.

Safeguarding

This review seeks to provide assurance that appropriate controls are in place to ensure that we keep the people we serve safe.

Information Management

Reviews of the controls in place in respect of Data Protection, Freedom of Information, Environmental Impact Regulations and the Publication Scheme to provide assurance that the organisation is meeting its statutory obligations.

Transport

Reviews of the controls in place to manage relationships with transport including management of the rail concession and the organisations role in managing the bus network.

Equality

This review seeks to provide assurance that equality impacts are appropriately assessed and considered in decision making.

Net Zero

Provision of assurance in respect of progress being made towards the Combined Authority's net zero carbon ambition.

Auditable Area	Theme	Entity	Scope	Risk Rationale	Linkage to Assurance Map
Annual Governance Review	Governance	CA	Statutory work under the Accounts and Audit Regulations to support the compilation of the Annual Governance Statements.	Underpins all Corporate Risks Statutory requirement	Governance and legal/regulatory compliance
Capital Programme - Development and Monitoring	Financial	MT	Review of controls in respect of key financial system	Corporate Risk Register - Financial Sustainability	Asset and estate management
City Region Sustainable Transport Settlement - Schemes	Programmes	CA	Review of a number of aspects to provide assurance over the key areas of this significant funding area.	Corporate Risk Register - Transport	Project and programme delivery
Commercial Investments (Loans) - Construction/Equipment	Investments	CA	Review of the controls in respect of investment schemes	Corporate Risk Register - Economic Prosperity	Project and programme delivery
Counter Fraud	Counter Fraud	CA	Completion of a range of audit reviews of controls to prevent and detect fraud, bribery and corruption.	Corporate Risk Register - Financial Sustainability	Counter fraud, bribery and corruption arrangements
Creditors and Cheque Control	Financial	CA	Review of controls in respect of key financial system	Corporate Risk Register - Financial Sustainability	Robust financial management
Data Protection	Information Management	CA	Review of the controls in respect of Data Protection	Corporate Risk Register - Resilience	Effective information management
Debtors	Financial	CA	Review of controls in respect of key financial system	Corporate Risk Register - Economic Prosperity	Robust financial management
Equality Impact Assessment in Decision Making	Equality	CA	Review of controls for ensuring that equality impacts are reflected in decision-making.	Corporate Risk Register - Resilience	Equality and diversity
FoI / EIR / Publication Scheme	Information Management	CA	Review of the controls in respect of FOI, EIR and the Publication Scheme	Corporate Risk Register - Resilience	Effective information management
Grant Claim Pre-payment Checks	Grant Assurance	CA	Review of the controls in respect of grant claim administration	Corporate Risk Register - Financial Sustainability	Fulfillment of Devolution Deal obligations
Investment Funds (Grants) - SIF, TCF etc. Assurance Framework	Investments	CA	Review of the controls in respect of investment schemes	Corporate Risk Register - Economic Prosperity	Project and programme delivery
IT Application Control	IT	CA	Review of controls in respect of a range of key applications	Corporate Risk Register - Resilience	ICT operations and security
Net Zero	Programmes	CA	Review of arrangements in place and being developed to translate net zero ambitions into actions, and progress towards environmental targets.	Corporate Risk Register - Environment	Contributing to net zero carbon
Payroll	Financial	CA	Review of the controls in respect of key financial system	Corporate Risk Register - Financial Sustainability	Human resources and capacity
Performance Management	Performance Management	CA	Review of the system of corporate performance management and the extent to which this is embedded across the organisation.	Underpins the Corporate Risk Register process	Effective performance management
Procurement - Compliance with Constitution	Procurement & Contracts	CA/MT	Review of a number of procurements to ensure compliance with Constitution and legislation.	Numerous service and project risk registers	Effective procurement and commissioning arrangements
Programme / Project Assurance	Programmes	CA	Review of the controls in respect of programme and project management	Corporate Risk Register - Economic Prosperity	Project and programme delivery
Risk Management	Risk Management	CA	Review of the system of corporate risk management and the extent to which this is embedded across the organisation.	Underpins the Corporate Risk Register process	Robust risk management
Rolling Stock	Programmes	MT	Review of key areas of control to align with key stages of project delivery	Corporate Risk Register - Transport	Project and programme delivery
Safeguarding	Safeguarding	CA	Review of the controls in respect of Safeguarding	Corporate Risk Register - Resilience	Safeguarding
Transport Operators	Transport	MT	Review of management of bus and rail operators, including management of the rail concession, role in managing the bus network, and ensuring resilience and continuity of service.	Corporate Risk Register - Transport	Transport operations
IT Technical Audit	IT	CA	Review of a number of IT processes to ensure appropriate controls are in place to minimise key IT risks	Corporate Risk Register - Resilience	ICT operations and security

4.3 Responsive Audit

4.3.1 The “responsive audit” element of the Plan relates to work to be conducted in response to identified areas of significant risk to the organisation. As the year progresses, it is often the case that the risks that were identified as most significant at the start of the year are superseded by new and emerging risks, risks escalating in score, and others de-escalating, and new projects and funding streams coming into being. So as to remain relevant and connected to these developments and ensure that Internal Audit work is relevant and risk-based, the plan accommodates a flexible approach, and giving the opportunity to flex the plan within the broad themes identified, so as to tailor the scope of the work appropriately, or indeed, to focus on a different area should the risk presented make this necessary.

4.3.2 Such an approach is made possible because of the significant developments in the embeddedness of the corporate system of risk management. It has been stressed to all Directorate Management Teams that the success of the approach relies on the

continued development of this system, and all are supportive of this in order to derive the significant benefits the approach delivers to the business.

4.3.3 The themes within this element of the Internal Audit Plan 2023-24 are:

- Equality
- Ethics and Conduct
- Grant Assurance
- Health and Safety
- Human Resources
- Information Management
- IT
- Operations
- Organisational Development
- Policy and Strategy
- Procurement and Contracts
- Programmes
- Resilience
- Transport

Some of these themes are also included within the Core element of the Plan, and the responsive element gives the opportunity to explore areas of control which go beyond the statutory or key risk requirement.

4.4 Reactive Audit

- 4.4.1 The “**reactive audit**” element of the Plan relates to a provision of time for the investigation of matters brought to the attention of Internal Audit on an ad hoc basis, such as allegations of fraud, bribery or corruption, or confidential reports (“whistleblows”). Should this time not be required, it will be used for the “responsive audit” element of the Plan.



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4.5 Subsidiaries

4.5.1 A Letter of Engagement and Plan is in place for The Beatles Story and The Growth Platform. These contain 25 days of audit work for each entity. Both Plans contain a number of suggested areas for audit, and discussions are being held during March to finalise the Plans for the work in respect of each entity.

5. Quality Assurance and Improvement Programme (QAIP)

- 5.1 The Standards require that the Internal Audit function establishes a Quality Assurance and Improvement Programme (QAIP), and in doing so, continuously develops its quality and effectiveness.
- 5.2 A suite of performance indicators has been developed to allow for reporting and monitoring the performance and effectiveness of the service, so as to provide an assurance of the quality of its work and usage of the results of this monitoring to improve continuously the service provided.
- 5.3 Details of the outcomes of audit work will continue to be presented to every meeting of the Audit and Governance Committee, as will the performance against each of the indicators detailed below.
- 5.4 For 2023-24, the performance indicators and associated targets are:

Description and Purpose	Target
<p>Compliance with the Public Sector Internal Audit Standards (PSIAS) This measures the extent to which the results of internal assessment indicate that the Service retains its full compliance with the PSIAS.</p>	100%
<p>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.</p>	100%
<p>Percentage of annual senior management survey responses indicating satisfaction with the Internal Audit service provided This measures the feedback received on the level of satisfaction amongst senior management, expressed during the annual satisfaction survey.</p>	100%
<p>Percentage of recommendations implemented within a reasonable timescale This measures the extent to which managers feel that 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.</p>	100%

6. Internal Audit Charter

- 6.1 In compliance with the Standards, Internal Audit is required to establish a Charter which sets out its role, purpose, and authority.
- 6.2 This provides clarity and legitimacy to the role of Internal Audit in the organisation and assists the function in operating in line within an agreed framework.
- 6.3 The document acts as a guide for Internal Auditors in their daily work, but also assists officers and members in understanding what internal audit is and how it operates, and how they can support effective internal audit work. The document includes a Code of Ethics which details the ethical standards auditors are required to demonstrate, to which all auditors attest on an annual basis.
- 6.4 The Charter has been prepared so as to meet the Standards and it incorporates all relevant requirements.
- 6.5 The Charter is shown at Appendix C. This is reviewed and presented to this Committee and Merseytravel Board for approval annually.