

Draft GMCA Internal Audit Strategic Plan 2021/22 – 2023/24

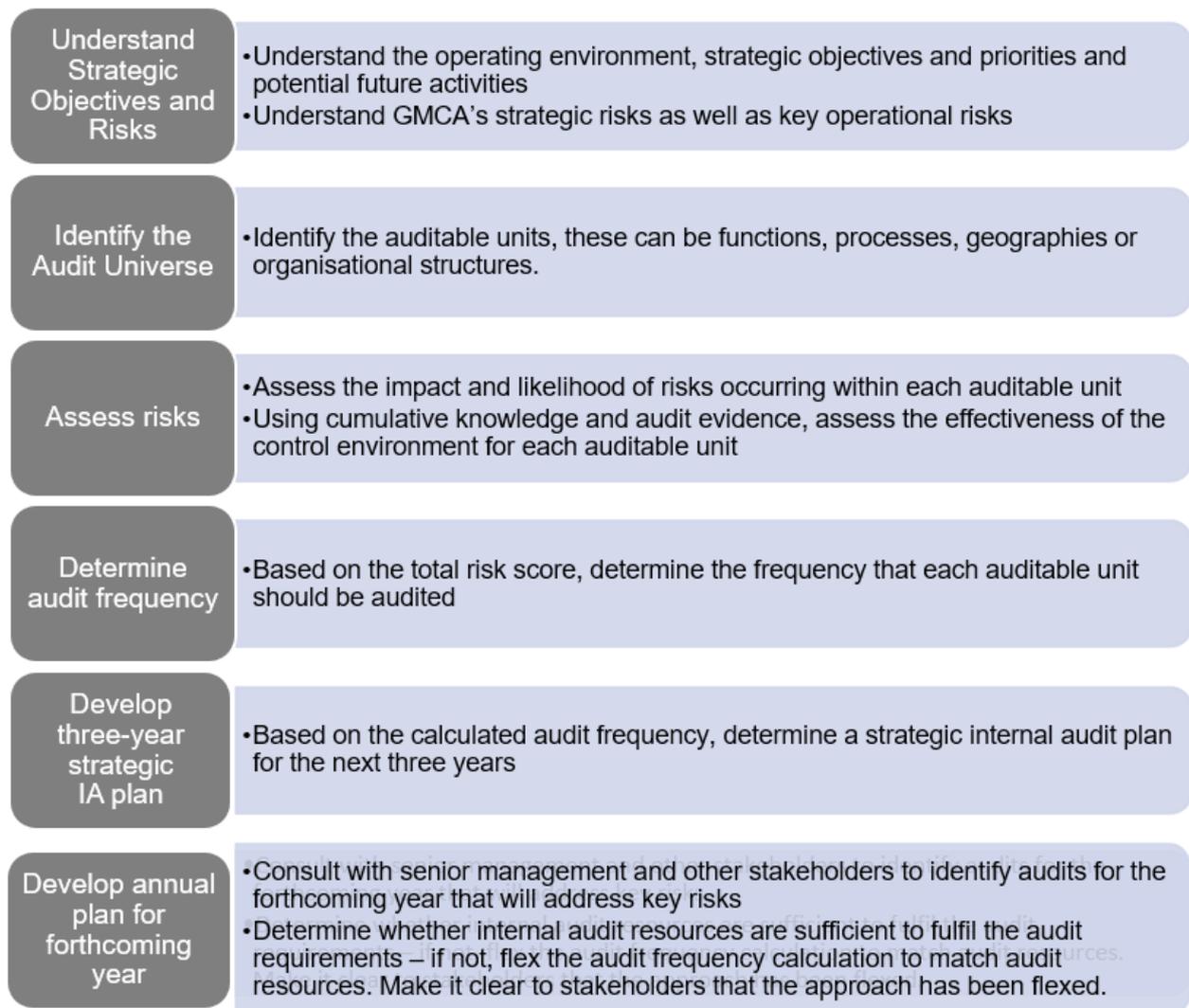
1. Introduction

This document sets out the three-year strategic internal audit plan and the proposed 2021/22 internal audit plan for GMCA. The planning process is based on Internal Audit's understanding of GMCA's current strategic and operational risks and as such is designed to provide assurance over key risk areas.

2. Approach

Internal Audit services will be provided in line with the Internal Audit Charter.

Our approach to developing the plan is set out below.



Details of the risk assessment criteria are provided in Appendix 1.

3. Basis of the Internal Audit Plan

The planning approach detailed above has been followed and results in an audit plan requiring **478 audit days** for the year 2021/22. The number of audit days required is aligned with the available internal audit resources for the year. Completion of the audits within the plan should provide sufficient audit evidence to allow the Head of Internal Audit to conclude on the overall adequacy and effectiveness of GMCA's framework of governance, risk management and internal control at the end of the year.

It is important to note that internal audit will not provide assurance over all key risks in any given year, Appendix 2 shows the linkage of the audit plan to GMCA's Strategic Risks. This demonstrates how over time, assurance over the mitigating activities put in place to manage strategic risks is gathered.

Key principles

The following key principles underpin the audit planning process:

Risk-based: Each auditable unit in the Audit Universe has been assessed to determine its Inherent Risk. Based on cumulative audit knowledge and recent internal audit evidence, we have also assessed the strength of the control environment. This has resulted in a risk score (Resultant Risk Score) which drives the frequency of audits within each unit, over a 3-5 year period. Links to GMCA Strategic risks are shown in Appendix 2.

Resource balanced: The optimal frequency of audit activity is driven by the risk score for each auditable area. The optimal frequency is then "flexed" to reflect the actual internal audit resource available within the team. Whilst the plan will not address all the risks identified within the risk assessment, if completed as planned, in conjunction with other key sources of assurance, it will provide sufficient audit evidence to determine the annual Head of Internal Audit opinion. In approving the plan the Audit Committee acknowledges this limitation.

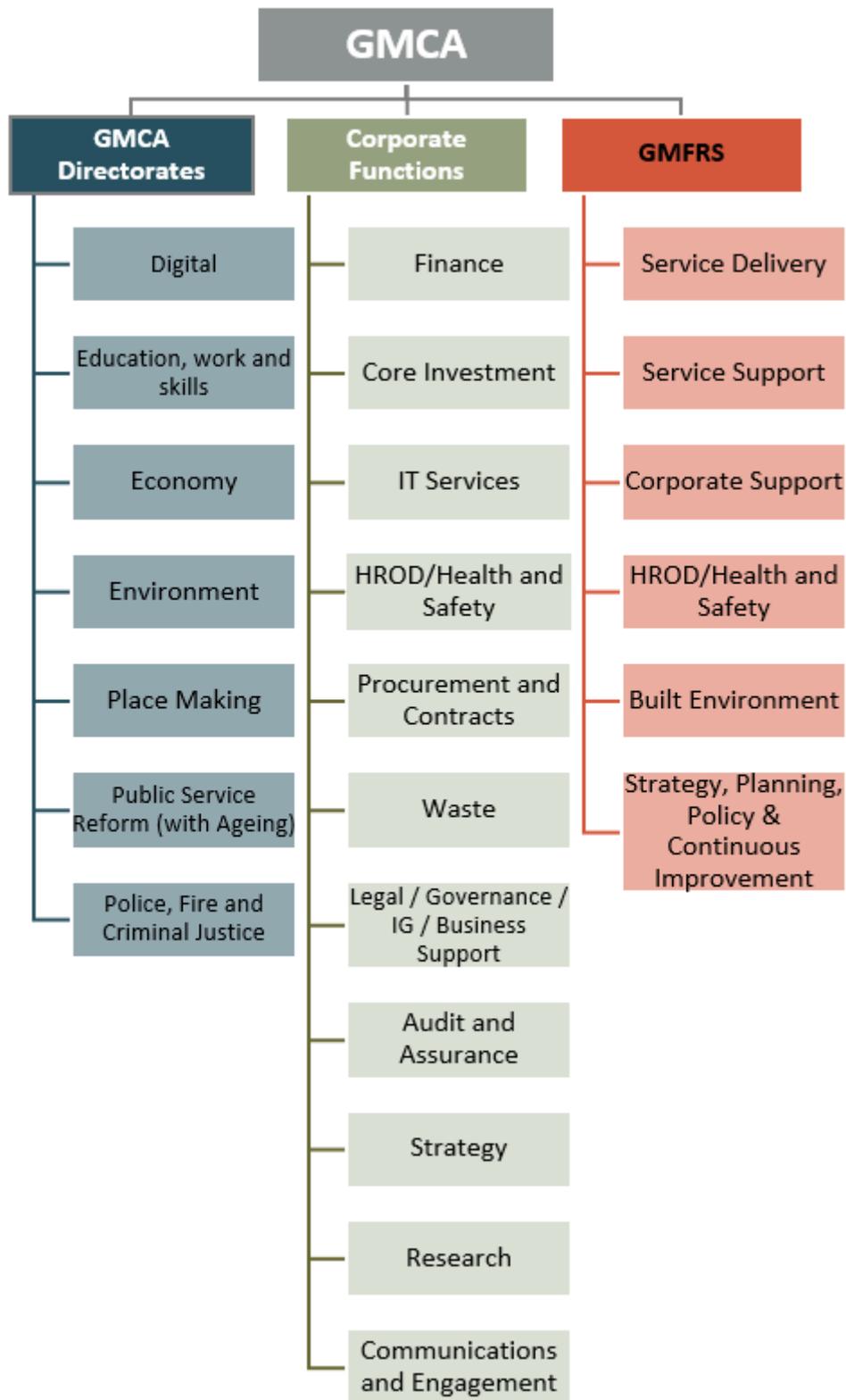
Regular review: In any year, the risk assessment is regularly revisited in acknowledgement that the internal and external environment changes. As 2020/21 has demonstrated, the need for that regular review is essential due to the nature and pace of change. The plan is proposed at a point in time but will be kept under regular review to ensure it flexes to meet the changing environment.

Other sources of assurance: Where possible, internal audit considers other sources of assurance available to auditable units. Assessments undertaken by external parties, work undertaken by external audit and any "Line 2" assurance provided by other internal activity such as HMICFRS.

Consultation: In development of the plan, the GMCA Senior Leadership Team, GMFRS Executive Board and Deputy Mayor's Executive (Fire) have been consulted.

4. Audit Universe

The audit universe has been identified and is based upon GMCA organisational structure and activities. The diagram overleaf shows the audit universe.



5. Risk assessment and three-year strategic internal audit plan

Based on the planning methodology, a three-year internal audit plan has been developed.

Calculating the risk score:

The risk assessment takes into consideration the following factors that affect the **impact** of each auditable area:

- The **materiality** of the activity, based on the value of funding being processed or the cost of providing the activity
- The **pervasiveness** of the activity – whether it impacts the whole organisation or is specific to a directorate
- The impact on GMCA's **Strategic Objectives**
- **Statutory and legal responsibilities** – eg provision of statutory functions and services, potential breaches of regulations.

The **likelihood** of the risk has also been assessed, consideration of the likelihood score includes the volatility of local or national policy, the complexity of the activities within the area and the degree of judgement required to undertake the activity.

Finally, knowledge of the **control environment** has been considered. Where recent internal audit work or other sources of assurance undertaken did not identify significant issues within the control environment confidence in the control environment can be taken compared to an area that has either not been reviewed recently or where recent work identified issues in control.

The **risk score** is calculated based on all the factors above.

Flexing the plan

Based on the audit methodology, the audit frequency has been **flexed** to match available resources.

- Items marked * would ideally be undertaken more frequently, ie every 2 years instead of 3 or annually instead of every 2 years.
- ** The number of days allocated to GMFRS specific audits has also been reduced to match resources. An additional audit relating to the processes in place to gather risk assessment information about the built environment has been requested by GMFRS.

In order to undertake the audits identified in the planning process without having to flex, an additional 145 audit days would be required (0.75 FTE). The Head of Audit and Assurance is currently working with the Treasurer to determine if an additional 0.5 FTE can be supported within existing budgets which would mean less flex in the plan would be necessary.

The table overleaf shows the results of the risk assessment, ranked in descending order in terms of risk scores with the associated preferred and flexed audit frequency for each auditable unit. It also shows when over the next three years each auditable area will be included in the plan.

In approving the plan the Audit Committee acknowledge that the plan has been flexed to match available resources and accept that the audit plan will not deliver the preferred amount of assurance but, if completed will still allow for the Head of Audit and Assurance to form an opinion on the effectiveness of the arrangements for risk management, governance and internal control.

Directorate / Activity	Preferred Audit frequency	Flexed Audit frequency	2021/22	2022/23	2023/24
GMFRS	Annual	Annual**	X	X	X
Digital: ICT Services	Annual	Annual	X	X	X
Corporate Services: Finance	Annual	Annual	X	X	X
Corporate Services: Procurement & Contracts	Annual	Annual	X	X	X
Police, Crime, Fire & Criminal Justice	Annual	Annual	X	X	X
Waste and Resources	Annual	Every 2 years*		X	
Education, Work and Skills: Education	Annual	Every 2 years*	X		X
Corporate Services: HROD / H&S	Annual	Every 2 years*		X	
Place	Annual	Every 2 years*	X		X
Corporate Services: Core Investment	Every 2 years	Every 2 years	X		X
Corporate Services: Information Governance	Every 2 years	Every 2 years		X	
Environment	Every 2 years	Every 2 years	X		X
Education, Work and Skills: Work & Skills	Every 2 years	Every 2 years	X		X
Corporate Services: Audit & Risk Management	Every 2 years	Every 3 years*	X		X
Digital: GM Digital	Every 2 years	Every 3 years*		X	
Cross cutting: Grant funding management and reporting	Every 2 years	Every 3 years*	X		
Corporate Services: Legal/Governance	Annual requirement	Annual requirement	X	X	X
Economy	Every 3 years	Every 3 years		X	
Public Service Reform	Every 3 years	Every 3 years	X		
Corporate Services: Strategy	Every 3 years	Every 3 years		X	
Corporate Services: Communications and Engagement	Every 5 years	Every 5 years		X	
Corporate Services: Research	Every 5 years	Every 5 years			X
Cross cutting: Grant certifications (mandatory)	Annual requirement	Annual requirement	X	X	X

6. 2021/22 Internal Audit Plan

Based on the three-year strategic internal audit plan, a more detailed internal audit plan for 2021/22 has been developed. Details of the plan are as follows:

Auditable Unit	Audit title	Description	Days	Proposed Timing
Corporate Services				
Finance	Core Financial Controls (Accounts Receivable)	Cyclical audits of core financial controls AP/AR/Payroll/General Ledger. In 21/22 an audit of the systems, policies and processes for dealing with income received by GMCA, including grant receipts (Q3)	30	Q2
Finance	Financial Management and budgetary control	A review of the processes and controls in place to monitor directorate budgets on a regular basis and for regular reporting of budget vs actuals.	30	Q3
Procurement	Procurement and Contract Management	With the establishment of the Head of Commercial services post an audit to provide assurance over processes and controls in place around procurement and contract management	30	Q4
Core Investment	Core Investment core processes	Review of process for loan approval decisions.	25	Q1
ICT Services	Cyber Security	An audit of the arrangements in place to manage cyber security across GMCA. Provided by external IT Audit provider.	External	Q1/2
Audit & Risk Management	External Quality Assessment	External review of compliance with Public Sector Internal Audit Standards.	5	Q1
Governance	Governance framework	Annual governance audit focussing on one aspect of governance framework as defined in the CIPFA SOLACE framework. Area of focus in 21/22 to be agreed in-year.	15	Q1
Governance	AGS	Input to development of the AGS.	5	Q1
Cross-cutting	Grant funding management and reporting	An audit of the framework in place for receipt and management of grant funding in line with terms and conditions to ensure funding is spent appropriately and within timescales.	30	Q2

Auditable Unit	Audit title	Description	Days	Proposed Timing
Cross-cutting	Mandatory Grant Certifications	Annual requirement to certify back to funding bodies that grants have been spent in accordance with terms and conditions	30	All
Directorates				
Environment	Embedding carbon reduction across GMCA	An audit to assess how well the principles and governance arrangements over carbon reduction are embedded across CA activities.	25	Q3
Education, Work and Skills	AEB	An audit to review the assurance framework established for AEB and how effectively it is being applied.	25	Q1
Place Making	Asset compliance	An audit of how asset compliance (Gas, Electric, legionella etc) is managed and ensured across the GMCA estate including, where relevant, GMCA, GMFRS and GMP assets.	25	Q3
Mayoral priorities	Processes and controls in place around mayoral priorities	Focus to be confirmed in year, but an audit to assess the governance, controls and effectiveness of mayoral priority activities such as ABEN, no child should go hungry	15	Q4
GMFRS				
Service Support	Continuing Professional Development	An audit of the processes and controls in place to manage CPD requirements of firefighters and officers.	20	Q4
Service Support	Stores	An audit of the processes and controls over the Stores facility, including request, issue and budgeting.	30	Q2
Total Audit Days			340	
Other Audit Activity				
Audit action tracking		Ongoing monitoring, validation and reporting of the implementation of audit actions	18	
Risk Management		Facilitation of Strategic Risk Register review and support to directorates to roll out Risk Management Framework.	36	

Auditable Unit	Audit title	Description	Days	Proposed Timing
Whistleblowing		Receipt and investigation as necessary of whistleblowing reports. Ongoing awareness activity	20	
Counter Fraud Activities		Maintenance of counter fraud policies. Support for organisational awareness and training.	12	
Ongoing advice, engagement and consultation		Ongoing Internal Audit development activity across GMCA through attendance at Boards (eg Information Governance Board, SIGI, Deputy Mayor's Executive) and provision of advice.	42	
Audit Committee preparation and participation		Preparation of reports for and attendance at Audit Committee meetings.	10	
Total			138	
Grand Total			478	

APPENDIX 1 – Risk Assessment Criteria

The following criterial are used during the risk assessment process

Impact

Impact	1 = Low	2 = Medium	3 - High
Materiality	Not a material financial amount associated with the activity. Revenue AND capital budgets < 10m	Revenue OR Capital budget 10-50m	Revenue or Capital budget > 50m
Pervasiveness	Impact isolated to specific activity/funding stream	Risk affects delivery within one or more directorates	Pervasive impact across all functions of the GMCA that would impact operations
Strategic	Negligible threat to achieving a Strategic Priority	Medium term threat to achieving one or more outcomes within a Strategic Priority	Critical long-term threat to achieving a Strategic Priority
Statutory & Legal responsibilities	No statutory impact	Risk of isolated breach of statutory requirement or risk that statutory powers will not be delivered. Some legal challenge. OR Indirect impact on the delivery of statutory responsibility	Direct risk of breach of statutory requirement or risk that statutory powers will not be delivered. Significant legal concern

Likelihood

Score	Description	Example
5	Risk is frequently encountered or has crystallised	High volume of transactions, frequent changes in environment, complex processing/instances, variation of activity
4	Likely to happen in the next year	New (in last 2 years) or tailored activities/transactions/contracts, frequent and changing environment
3	Likely to happen in the next two years	Frequent transactions, medium complexity, impacted by local/national policy likely to change
2	May occur in the next three years	Regular transactions, non-complex, impacted by longer term national policy
1	May occur in exceptional circumstances	Infrequent transactions, homogeneous population of transactions, little change in environment

Control Environment rating

Control environment

Score	Criteria
1	Evidence that control environment requires improvement through previous audit work and/or issues
2	Cumulative Audit Knowledge that control environment requires improvement or older evidence where improvements were required
3	No recent evidence that would influence knowledge of control environment
4	Older evidence supporting robust control environment OR Recent evidence showing adequate control environment but with some areas for improvement.
5	Recent (last 12 months) IA evidence supporting robust equate control environment with few or no high/critical findings OR Recent assurance provided from other sources (eg HMICFRS/ICO)

Audit Frequency

Based on the resultant Risk Score, the audit frequency for each auditable unit can be determined. The following ranges are applied

Resultant Risk score	Frequency
>35	Annual
25-34	Every 2 years
20-24	Every 3 years
0-19	For consideration every 5 years

Align audit requirements to available resources

Based on the frequency of audits within each auditable unit, an initial assessment of resources can take place. If the audit team does not have sufficient resources to undertake the audit programme then the Audit Frequency range can be flexed. This is achieved by changing the ranges for each frequency, in 21/22 the following flexing has been applied.

Flexed Risk score	Frequency
>40	Annual
30-39	Every 2 years
20-29	Every 3 years
0-19	For consideration every 5 years

In line with PSIAS, the Head of Internal Audit must communicate the impact of resource limitations to senior management and the Audit Committee - as a sub-optimal amount of audit work will be proposed.

APPENDIX 2 – Linkage to GMCA Risk Register

Category	Ref	Risk Title	Type	Description	Link to Audit Plan	
Strategic Risks	National Political Landscape	SR1	National political and economic environment	Political	National politics significantly impact the devolution agenda, funding and powers of GMCA.	
		SR3	Brexit Implications	Political	The implications of Britain's future trading relationship with the EU will take time to emerge - with both threats and potential opportunities	
		SR8	Climate Change and Carbon Reduction	Environmental	Failure to deliver on GM climate change initiatives within the required timescales with consequent impacts on achieving GM's long term carbon reduction targets.	<ul style="list-style-type: none"> Environment 21/22, 23/24
	GM Operating Environment	SR2	GM operating environment	Political	Failure to develop trust, cohesion and credibility with and between local GM system and partners	<ul style="list-style-type: none"> Communications & Engagement 22/23
		SR4	Mayoral Election	Political	Current GMCA plans, priorities and outcomes may need to be revisited.	
		SR5	Wider Impact on GMCA and GM District Finances of Covid-19	Economic	The financial implications on GMCA and GM Districts from the measures put in place to support residents and businesses through the Covid-19 crisis put at risk funding available for ongoing services as well as future ambitions.	<ul style="list-style-type: none"> Financial Management and Budgetary Control 21/22
		SR6	Outcomes defined within GMS are less achievable given COVID	Social	Social, behavioural and financial impacts of COVID affect the timescales of delivery of GMS outcomes	<ul style="list-style-type: none"> Place Making 23/24 Strategy 22/23 Communications & Engagement 22/23 Research 23/24

		SR7	Transport - Metrolink	Social	Significant loss of transport revenue due to Covid-19 and reduced patronage levels; uncertainty over longer term government funding support beyond 2020/21.	<ul style="list-style-type: none"> Financial Management and Budgetary Control 21/22
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Category	Ref	Risk Title	Type	Description	Link to Audit Plan	
Escalated Risks (as at April 2021)	GMFRS	GMFRS - MTA Response (Marauding Terrorist Attack)	Political	Greater Manchester Fire & Rescue Service's (GMFRS) unable to carry out practical MTA training either as a single service, or as part of a multiagency response.	<ul style="list-style-type: none"> Firefighter CPD 21/22 	
	Organisational Risks	OR1	Covid-19 reduces staff availability through absence, sickness, self-isolation.	People	Increased risk of staff absence in GMCA/GMFRS due to Covid-19 and/or caring responsibilities due to ongoing lockdown restrictions.	<ul style="list-style-type: none"> Covid-19 Workplace Regulations (GMFRS) 20/21
		OR9	Funding and grants not spent in line with timescales / conditions	Financial	Capital programme: Regeneration, infrastructure and investment funding (Growth Deal, Transport Grant etc.) awarded to GMCA is not spent in line with spending profile and this impacts future year financial awards. Grant Funding: Funding not spent in time/ in line with grant conditions	<ul style="list-style-type: none"> Financial Management and Budgetary Control 21/22 Grant funding management and reporting 21/22 Grant certifications Annual
		OR10	Data Protection Act 2018 compliance	Legal/ Statutory	Failure to comply with the requirements of the Data Protection Act 2018 (Inc. GDPR).	<ul style="list-style-type: none"> Information Governance 22/23
	Directorate Risks	DIR-IS	Information Security	Operational - Systems	Organisational arrangements are insufficient to deter, detect and prevent unauthorised access to ICT systems and to respond effectively as and when breaches do occur.	<ul style="list-style-type: none"> Cyber Security 21/22
		DIR-PSR	Homelessness	Social	GMCA homelessness reduction activities are ineffective.	<ul style="list-style-type: none"> Public Service Reform 23/24
		DIR-EWS	Delivery of Work & Skills Externally Funded	Social	The national and local restrictions in place in relation to Covid-19 have a major impact on	<ul style="list-style-type: none"> AEB 21/22

			Programmes supporting GM Residents		<p>how Work and Skills contract continue to be delivered in GM.</p> <p>Potential financial instability of the providers base in GM.</p> <p>Potential underspend in grant funding and lower than expected performance against targets set by of funders.</p>	<ul style="list-style-type: none"> • Education, Work and Skills 23/24
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Linkage to GMCA Corporate Objectives

GMCA has established a number of corporate objectives. Whilst many of these relate to the outcomes that GMCA helps to achieve within Greater Manchester, where possible audits to provide assurance over the objectives have been mapped in the table below.

Objective	Link to Audit Plan
To build and foster positive partnership and strong networks, common commitment and clarity	<ul style="list-style-type: none"> • Strategy 22/23 • Communications and Engagement 22/23 • Education, work and skills 21/22, 23/24 • Contract award 21/22
To deliver the plans and the governance to connect Greater Manchester's ambition to its work	<ul style="list-style-type: none"> • Strategy 22/23 • Information Governance 22/23 • Legal/Governance – Annual
To be thought leaders – doing things differently and doing them first, setting the agenda for English devolution and leading edge public sector work	<ul style="list-style-type: none"> • Strategy 22/23 • Research 23/24 • Communications and Engagement 22/23 • Public Sector Reform 21/22
To provide a face and voice to the wider world, including Government, for Greater Manchester's ambitions	<ul style="list-style-type: none"> • Communications and Engagement 22/23
To deliver excellent public services	<ul style="list-style-type: none"> • GMFRS - Annual • Waste and Resources – Annual • Police, Crime, Fire & Criminal Justice – Annual • Public Sector Reform 21/22 • Education, Work and Skills 21/22, 23/24 • GM Digital 22/23
To make GMCA a great place to work	<ul style="list-style-type: none"> • HROD 22/23