

GMCA Audit Committee

Date: 8 July 2021

Subject: Head of Internal Audit Annual Opinion 2020/21

Report of: Sarah Horseman, Head of Audit and Assurance

PURPOSE OF REPORT

The Internal Audit team delivers an annual programme of audit work designed to raise standards of governance, risk management and internal control across the Greater Manchester Combined Authority (GMCA). In accordance with Public Sector Internal Audit Standard 2450 this work is required to culminate in “an annual internal audit opinion and report that can be used by the organisation to inform its governance statement. The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the organisation’s framework of governance, risk management and control.”

This report provides Members of the Audit Committee with the Head of Internal Audit Opinion on the effectiveness of the framework of governance, risk management and internal control at Greater Manchester Combined Authority (GMCA) for the year ended 31 March 2021.

RECOMMENDATIONS:

Members are requested to consider and comment on the Head of Internal Audit Opinion 2020/21.

CONTACT OFFICERS:

Sarah Horseman, Head of Audit and Assurance

Risk Management – see paragraph 3.3

Legal Considerations – N/A

Financial Consequences – Revenue – N/A

Financial Consequences – Capital – N/A

Number of attachments included in the report: N/A

BACKGROUND PAPERS:

Papers previously presented to Audit Committee

- Internal Audit Plan 2020/21
- Internal Audit progress reports
- GMCA Corporate Risk Register

TRACKING/PROCESS		
Does this report relate to a major strategic decision, as set out in the GMCA Constitution		No
EXEMPTION FROM CALL IN		
Are there any aspects in this report which means it should be considered to be exempt from call in by the relevant Scrutiny Committee on the grounds of urgency?		N/A
TfGMC	Overview & Scrutiny Committee	
N/A	N/A	

Head of Internal Audit Opinion 2020/21

1. Introduction

The Head of Internal Audit is obliged, under the Public Sector Internal Audit Standards (PSIAS), to provide an annual report summarising the work undertaken by internal audit during the financial year and to provide an overall opinion of the adequacy and effectiveness of the organisation's framework of governance, risk management and internal control, derived from this work.

2. Scope

The Head of Internal Audit opinion is substantially derived from the results of the risk-based audits contained within the Internal Audit Plan for 2020/21. In addition the following are also considered:

- Grant Assurance work undertaken by Internal Audit;
- The implementation of actions agreed as part of internal audit work;
- Other sources of assurance, for example external inspections/reviews as well as internal "line 2" assurance activities;
- The quality and performance of the internal audit service and level of compliance with Public Sector Internal Audit Standards (PSIAS)

The opinion does not imply that Internal Audit has reviewed all risks and assurances relating to GMCA. The opinion is one component that is taken into consideration within the Annual Governance Statement.

3. Head of Internal Audit Opinion

3.1. Opinion

Based on the work undertaken by Internal Audit in respect of 2020/21 the opinion of the Head of Internal Audit is that limited assurance is provided on the overall adequacy and effectiveness of GMCA's framework of governance, risk management and internal control.

This opinion is based upon the findings of the audit work undertaken during the year. The opinions issued generally provided assurance over the operation of internal controls within the activities being audited. The opinion is reflective of the fact that as GMCA is still a relatively new organisation, some of the wider governance and organisational risk management arrangements yet to develop to a mature and consistent state. It should be noted however that GMFRS, does have mature risk management arrangements and all audits undertaken on GMFRS activities provided a reasonable level of assurance.

The basis for this opinion is provided in Section 4 of this report. Details of the possible audit opinions is provided in Appendix A.

The Internal Audit team has maintained its independence and objectivity throughout the year and there have been no instances identified of non-conformance with PSIAS.

3.2. Corporate Governance

GMCA has in place a Code of Corporate Governance as part of its Constitution. The Code sets out GMCA's governance standards and is aligned to the CIPFA/Solace Framework "*Delivering Good Governance in Local Government: Framework*".

Through the audit work undertaken and the role that Internal Audit plays in the governance framework, for 2020/21 it can be confirmed that

- GMCA's whistleblowing policy was updated in November 2020 and is available on the GMCA intranet and the GMCA website. Whistleblowing reports are made to the Head of Audit and Assurance and oversight is provided by the Treasurer. The Audit Committee receives an annual report on the outcomes of whistleblowing reports.
- The Standards Committee met in November 2020, the Head of Audit and Assurance attends Standards Committee meetings and therefore has assurance that the Committee acts in line with its Terms of Reference.
- Counter fraud policies were last reviewed by the Audit Committee in 2019, these policies will be reviewed and refreshed in 2021/22.

Two audits were undertaken during the year specifically relating to Corporate Governance. Both these audits gave limited assurance opinions. The Mayoral Advisors audit found that improvements to transparency and governance arrangements over the roles are needed. An audit of the performance framework was also undertaken and found that whilst some performance management arrangements are in place within Directorates, there isn't a formally defined corporate process for reporting on organisational delivery and performance beyond the GMS outcomes framework, which is much wider than GMCA as an organisation.

3.3. Risk Management

In 2020/21 the Head of Audit and Assurance assumed responsibility for developing a risk management framework for GMCA. It is clear within GMCA through the framework and the Internal Audit Charter that although development of the framework was undertaken by Internal Audit, ownership of the risk management activities and risks lie absolutely with management, via the Chief Executive's Management Team (CEMT) and Senior Leadership Team (SLT).

In the first half of 2020/21 a Covid-19 risk register was established. This was in direct response to the pandemic and contained all new risks that emerged as a result as well as any ongoing existing risks. This risk register was periodically reviewed by CEMT.

A new Risk Management Framework was developed by Internal Audit and approved by Audit Committee in November 2020. Roll out of the framework is ongoing, with SLT risk workshops and regular updates now taking place and organisation-wide training and communications planned for 2021/22. Progress has been made in evolving the Corporate Risk Register. It was reviewed and restructured during the year which led to clarification of strategic, organisational and directorate level risks based on the new risk framework. There is now clear delineation within the GMCA Corporate risk register of the types of risk that appear on it.

An organisational risk management maturity assessment was undertaken in late 2020. The results of this show that the organisation as a whole, falls within the “Emerging” phase of risk management maturity. There are some formalised approaches in place within directorates and GMFRS have a mature risk management framework and processes in place; but other directorates need support to evolve their risk management activities. Work is ongoing across the organisation to increase the maturity level to a minimum of “conforming” in 2021/22.

Greater Manchester Police (GMP), Transport for Greater Manchester (TfGM) and Greater Manchester Fire and Rescue Service (GMFRS) maintain their own risk management arrangements and risk registers are owned by the Chief Constable, Chief Executive of TfGM and Chief Fire Officer respectively. Risks from these registers are escalated to the GMCA risk register where appropriate.

3.4. Internal Control

From the audit work undertaken in the year there were no issues identified that indicated systemic non-adherence to internal controls in place. Audits over GMFRS pension administration, payments made during the initial lockdown period, GMFRS fleet services and Waste payments all provided reasonable assurance opinions over the control environment.

It was reported in the previous opinion that 2019/20 audit findings identified the need for the availability of single, clearly defined, organisation-wide policies for processes such as expenses and car mileage claims as opposed to the use of historic GMFRS policies for example. Internal Audit has found this year that progress to develop and implement new policies has been slow with audit actions relating to these actions not being implemented in line with originally planned timescales.

3.5. Impact of Covid-19 on the Head of Internal Audit Opinion

In March 2020 during the initial stages of the lockdown, internal audit fieldwork was paused whilst the organisation adapted to new ways of working. The team continued to complete the remaining audits of the 2019/20 plan which were at reporting stage. The emergent internal audit plan was revisited in light of the pandemic and approved by the Audit Committee in June 2020.

Internal Audit fieldwork resumed remotely from Q2 onwards for the rest of the financial year. There has been sufficient audit work undertaken for an opinion to be reached.

4. Basis of the Opinion

4.1. Internal Audit work performed

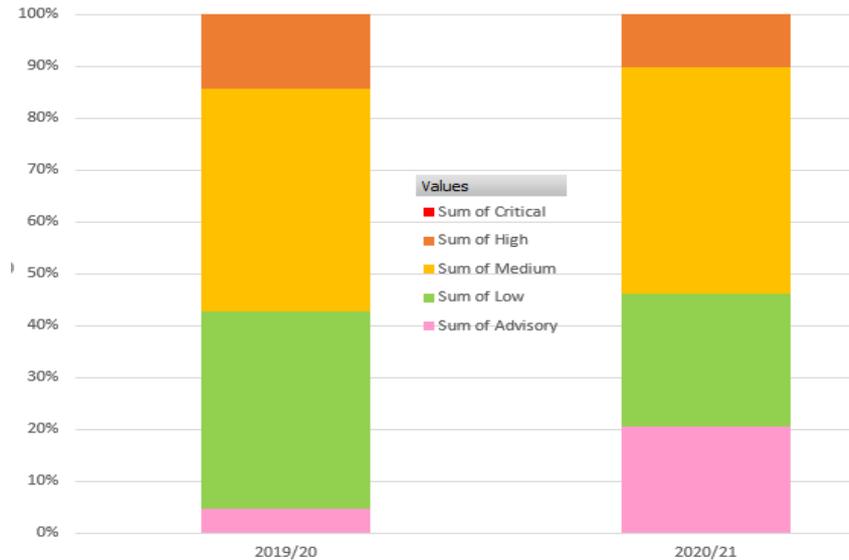
The Internal Audit Plan for 2020/21 was presented to and approved by the Audit Committee in June 2020.

A summary of the internal audit reports issued in 2020/21 is provided here:

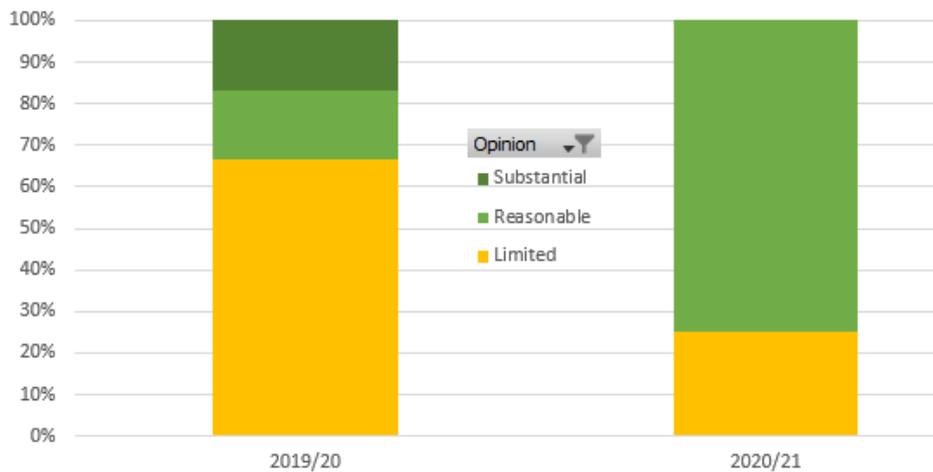
Audit	Assurance Level
GM Housing Investment Loan Fund	Reasonable
GMFRS Pension Scheme Administration	Reasonable
Covid workplace arrangements	Reasonable
GMFRS Fleet Services	Reasonable
Payments during lockdown	Reasonable
Mayoral Advisors	Limited
Waste Payments	Reasonable
Performance Management	Limited

Analysis of 2020/21 audit findings and audit opinions

- More audit findings were raised in 2020/21 compared to 2019/20 as more audit work was undertaken. A similar pattern can be seen in the distribution of finding ratings across the two years, although 2020 showed a slight reduction in the proportion of findings rated High and Medium risk, with more Low risk and Advisory findings being reported



With regards to audit opinions for each year, the distribution of report opinion ratings showed that whilst no “substantial assurance” opinions were issued in 2020/21, a greater proportion of “Reasonable” audit opinions were issued than in 2019/20. It should however be noted that rating mechanism changed in 2020/21 moving from 5 possible assurance opinions that were used previously (Full, Positive, Moderate, Limited, Non) to 4 (Substantial, Reasonable, Limited, None).



4.2. Grant certification work

A Summary of the grant certification work undertaken in 2020/21 is provided below:

Grant	Amount certified	Assurance level
BEIS Grant Certification	£512.5k	Positive
GM EU Exit Preparedness Funding	£300k	Positive
Local Energy Market	16k	Positive
Home to School and College Transport (tranche 1)	£2.249m	Positive
Additional Home to School and College Transport (tranches 2 & 3)	£2.2m	Positive
Peer Network Funding to Local Enterprise Partnership	£1.m	Positive

4.3. Implementation of audit actions

As part of PSIAS, we are required to consider the appropriateness of the organisation's response to the implementation of audit recommendations. GMCA Senior Leadership Team have responsibility ensuring the timely implementation of audit actions and the impact of risk. During 2020/21 Internal Audit assumed responsibility for tracking and validating the implementation of audit actions and report regularly on this to management and Audit Committee.

At the end of March 2021, the audit action implementation rate was 77%. This represents significant improvement from a position of 42% earlier in the year. The target on-time implementation rate is 85% so there is scope for continued improvement. Internal Audit will continue to work with management to support further improvement.

4.4. Effectiveness of Internal Audit during the period

An assessment of the effectiveness of the Internal Audit Function has been undertaken by the Head of Audit and Assurance. The assessment considered:

- IA team structure and resourcing
- The extent of conformance with the PSIAS in producing quality work.
- Delivering audit work in the most appropriate areas on a prioritised (risk) basis.
- Audit Committee reporting
- Implementation of Internal Audit recommendations

The assessment concluded that the internal audit Function is effective and has operated in compliance with PSIAS.

An external quality assessment (EQA) of the Internal Audit Function is being undertaken in 2021/22. At the time of writing this opinion, the assessment had been undertaken but the formal report arising from the assessment had not been received. However, it has been initially communicated to the Head of Audit and Assurance that, subject to verification, the conclusion would be that overall the service complies with PSIAS. There are areas for improvement but that these had already been identified in the internal effectiveness exercise. When finalised, the findings and recommendations of that assessment will be incorporated into the Quality Assurance and Improvement Programme for 2021/22.

5. Other Sources of Assurance

5.1. GMCA - Data Security Protection Toolkit (DSPT) Submission 2020/21

The Data Security Protection Toolkit (DSPT) is a requirement of organisations who access health data. In response to the COVID pandemic it was crucial for the GMCA to access health data for key interventions such as track and trace and so in 2020, the GMCA undertook the exercise to complete the DSPT assessment.

The assessment measures performance against the National Data Guardian's 10 data security standards which are:

People	Process	Technology
Ensure staff are equipped to handle information respectfully and safely, according to the Caldicott Principles.	Ensure the organisation proactively prevents data security breaches and responds appropriately to incidents or near misses.	Ensure technology is secure and up to date.
1. All staff ensure that personal confidential data is handled, stored and transmitted securely, whether in electronic or paper form. Personal confidential data is only shared for lawful and appropriate purposes.	4. Personal confidential data is only accessible to staff who need it for their current role and access is removed as soon as it is no longer required. All access data to personal confidential data on IT systems can be attributed to individuals.	8. No unsupported operating systems, software or internet browsers are used within the IT estate.
2. All staff understand their responsibilities under the National Data Guardian's Data Security Standards including their obligation to handle information responsibly and their personal accountability for deliberate or avoidable breaches.	5. Processes are reviewed at least annually to identify and improve processes which have caused breaches or near misses, or which force staff to use workarounds which compromise data security.	9. A strategy is in place for protecting IT systems from cyber threats which is based on a proven cyber security framework such as Cyber Essentials. This is reviewed at least annually.
3. All staff complete appropriate annual data security training and pass a mandatory test, provided through the revised Information Governance Toolkit	6. Cyber attacks against services are identified and resisted and CareCERT security advice is responded to. Action is taken immediately following a data breach or a near miss, with a report made to senior management within 12 hours of detection.	10. IT suppliers are held accountable via contracts for protecting the personal confidential data they process and meeting the National Data Guardian's Data Security Standards.
	7. A continuity plan is in place to respond to threats to data security, including significant data breaches or near misses, and it is tested once a year as a minimum, with a report to senior management.	

GMCA submitted its assessment against each of these standards which were then subsequently audited by NHS Digital. In August 2020 the results of the assessment were classified as “Standards Met”.

Whilst the purpose of the assessment was to provide assurance around health-related data, there is some wider assurance provided by the assessment over the wider GMCA data security activities and policies.

5.2. GMFRS - HMICFRS Inspections

In August 2020, HMICFRS were commissioned by the Home Secretary to inspect how fire and rescue services in England were responding to the COVID-19 pandemic. HMICFRS were asked to consider what is working well and what is being learned; how the fire sector was responding to the COVID-19 crisis; how fire services were dealing with the problems they face; and what changes are likely as a result of the COVID-19 pandemic. GMFRS was inspected between 2 and 13 November 2020.

A letter was received on 22 January 2021 with the results of that inspection. The letter confirmed:

- GMFRS maintained its statutory functions of prevention, protection and response during the pandemic

- GMFRS provided some additional support to the community during the first phase of the pandemic, predominantly using non-operational staff, retired firefighters and community volunteers. Wholetime firefighters were used solely to respond to emergencies.
- The service's financial position was largely unaffected
- The service was able to respond quickly to staff absences and acted to improve resilience at fire stations
- The service has a plan in place to address the backlog in training that arose as a result of training being suspended in the initial stages of the pandemic
- The service communicated well with its staff throughout the pandemic, including on issues relating to wellbeing. It made sure all staff had the resources they needed to do their jobs effectively.

A number of areas of focus were identified in order to manage the pandemic on an ongoing basis.

The full letter can be found at [COVID-19 inspection: Greater Manchester Fire and Rescue Service \(justiceinspectors.gov.uk\)](https://www.justiceinspectors.gov.uk)

5.3. GMFRS - Operational Assurance Activity

Greater Manchester Fire and Rescue Service (GMFRS) maintains an Operational Assurance (OA) team to undertake proactive and reactive monitoring across a range of operationally focused activities. The OA Team are supported by an extended team of Area based Officers to deliver a wide range of operational assurance activities. The OA team has defined its responsibilities as:

- A service that provides an effective balance of support and 'independent check and challenge', that is aligned to the expected service standards; and ensures all systems and internal controls are fit for purpose.
- Embedding a learning culture in the Service that supports and encourages both individuals and the Service to increase knowledge, competence and performance levels on an ongoing basis to promote continuous improvement.
- A new assurance approach to focus on self-assessment and validation that encourages self-awareness, and ensures high standards are met and maintained.

This "second line" assurance is a valuable source of assurance for GMFRS over operational activities. The 2020/21 annual outturn report was obtained and reviewed by Internal Audit. It details the scope and results of the OA work undertaken during the year and provides another source of assurance. A summary of the work undertaken, as detailed in the Operational Assurance Annual Outturn Report 2020-21 is as follows:

Capturing and reporting of safety critical events

All safety critical events are challenged and where possible rectified immediately. Incidents are recorded via the Active Monitoring System (AMS) highlighting a 'Safety Critical' event occurrence and create the associated individual learning point (ILP) and action plan. The safety critical events are monitored by the OA Team and also discussed at the Joint Health and Safety Committee.

There were **93** AMS Action plans raised within the reporting year 2020/21 that have been deemed Safety Critical by the report or debrief author. This compares to **129** from the previous year 2019/20. Internal Audit reviewed a sample of minutes from the Joint Health and Safety Committee and confirmed that the Operational Assurance updates featured within the meetings including a summary of safety critical events.

Station Inspections

38 out of the 41 stations received a Station Inspection in 2020-21. OA noted some inconsistency in the quality of each SI report, in terms of format and grammar. The OA Team have shared a template, example of a 'good' report as well as a guidance note for SMs to utilise. There were several areas of good practice identified. A number of areas for improvement have also been identified. These are generally areas that could be rectified with a little more cognisance of issues found and diligence by Station Management Teams. The condition of GMFRS premises and buildings was reported as a concern, however a programme of investment has started and it is expected an improvement will be recorded in forthcoming Inspections.

Breathing Apparatus data downloads and analysis

The OA Team completed **15** of the planned **20** Breathing Apparatus (BA) data downloads within the 12 month period, randomly selecting one operational BA set per station for data analysis. Three stations data downloads were unable to be analysed due to defective software which gave the OA team a defective download. The two further outstanding downloads were not completed due to other workloads supporting the pandemic response and BCM activity. The results showed across the range of the 20 BA downloads analysed a correct completion rate of between **88% to 99%**, with 14 of the 15 tests achieving **over 90%**. There were **no** safety critical issues found across all tests analysed.

Incident Monitoring

In accordance with National Operational Guidance and the Fire and Rescue National Framework for England, the OA Team actively attends and monitors operational activity and complete incident monitoring reports. These are designed to assure the Service that emergency incidents are dealt with safely and in a highly effective manner. During the reporting period the OA core and extended team have completed **82** reports in the reporting year of 2020-21, which compares to and **64** reports in 2019-20. Action plans were created for either areas for improvement or notable practice.

Thematic reviews

Thematic reviews are based upon specific areas of operational risk and / or opportunity identified within the areas of operational preparedness, operational response and operational learning. At

their conclusion, SLT will be provided with an informed report for due consideration and subsequent action, as appropriate.

The OA Team delivered two thematic audits in the reporting year. These were:

- Risk Assessment on Fire Stations - This audit looked at the current process and procedures of risk assessments for operational and training activity conducted on fire stations. The report was offered to SLT with key findings producing 6 recommendations.
- Operational Training – Phase 1 practical training - This audit looked at the elements of practical training conducted on phase one of the initial Firefighter training course. The report was offered to the Head of Operational Training with 17 key findings producing 11 recommendations.

Operational debriefing

Hot and formal debriefs are undertaken by each area and borough after incidents. Strategic debriefs are instigated following larger incidents, generally incidents involving a major incident, incidents involving eight pumps and above or unusual or protracted incidents.

They are arranged and facilitated by the OA Team and chaired by a Principal Officer. Incident Commanders along with functional officers are invited to formally discuss the incident in a constructive, supportive and confidential environment.

The debrief follows the nationally recognised ‘structured debrief model’, promoted as best practice by the College of Policing and Fire and Rescue guidance for National Operational Learning, that aims to highlight what went well, what did not go well and what can we learn.

During this reporting period OA have planned and facilitated **5** strategic debriefs for the year 2020-21 (compared to **13** in 2020-21). The debriefs produced **53** individual recommendations which were uploaded to AMS with action plans allocated.

Fatal and possible fatal and “2 in 24” incidents

23 fatal or possible fatal incidents have been attended and subsequent ‘OA1’ reports completed by OA Officers in 2020-21. This compares to **29** the previous reporting year. 8 “2 calls in 24 hours” investigations have been reported in 2020-21. Fatal and possible fatal (OA1) reports and “2 in 24” reports have been quality assured by the GMOA to ensure any issues relating to operational response or performance is offered for consideration to senior management.

Appendix A – Annual Opinion Types

The table below sets out the four types of annual opinion that the Head of Internal Audit considers, along with an indication of the characteristics for each type of opinion. The Head of Internal Audit will apply judgement when determining the appropriate opinion so the guide given below is indicative rather than definitive.

Opinion	Description	Indicators
Substantial	<p>There is a sound system of governance, risk management and internal control in place. Internal controls are designed to achieve the system objectives and controls tested during the course of internal audit work were being consistently applied.</p>	<ul style="list-style-type: none"> • Through internal audit work undertaken and/or other sources of assurance the arrangements for governance and risk management were deemed to be robust and consistently applied. • No individual assignment reports were rated as “No Assurance” • No critical or high risk rated findings were identified • A limited number of medium and low risk rated findings were identified within the audit work undertaken and were isolated to specific instances. • Management demonstrate good progress in the implementation of previous audit actions
Moderate	<p>While there is an established system of governance, risk management and internal control in place, there are weaknesses, which put some of the system objectives at risk.</p> <p>There is evidence that the level of non-compliance with some of the controls may put some of the system objectives at risk.</p>	<ul style="list-style-type: none"> • The number of internal audit reports rated as “Limited Assurance” is small in comparison to those rated as “Reasonable”, “Substantial” Assurance • No critical risk rated findings were identified in the audit work undertaken • Any high risk rated findings were isolated to specific activities and were implemented in line with agreed timescales • Medium risk rated findings do not indicate a systemic or pervasive weakness in governance, risk management or internal control • Management demonstrate reasonable progress in the implementation of previous audit actions.

Limited	<p>a) <u>Limited by volume</u></p> <p>Internal Audit undertook a limited number of audits. The work undertaken combined with other sources of assurance considered the arrangements for governance, risk management and control over a number of key corporate risks.</p>	<ul style="list-style-type: none"> • No individual assignment reports were rated as “No Assurance” • No critical risk findings were identified • Work undertaken covered a range of the key risks within the organisation • Any major or significant risk rated findings were isolated to specific activities and were implemented in line with agreed timescales
	<p>b) <u>Limited by results</u></p> <p>There are gaps in the arrangements for governance and risk management and/or those arrangements have not been applied consistently and robustly through the year</p> <p>and/or</p> <p>The level of non-compliance with internal controls puts the systems objectives at risk.</p>	<ul style="list-style-type: none"> • The number of internal audit reports rated as “Limited” or “No Assurance” outweighs those rated as “Reasonable” or “Substantial”. • Critical and High Risk findings were identified in the audit work undertaken • Internal Audit findings indicated that improvements were needed to the wider frameworks of governance and/or risk management • No more than two critical risk findings were identified and they were in relation to specific activities as opposed to indicating systemic failures and were rectified quickly. • Management do not demonstrate good performance in implementing audit actions.
No Assurance	<p>The arrangements for governance, risk management and internal control is generally weak, leaving the system open to significant error or abuse and/or</p> <p>Significant non-compliance with basic controls leaves the system open to error or abuse.</p>	<ul style="list-style-type: none"> • Audit reports are generally rated as “Limited” or “No” assurance. • Findings rated Critical and High outweigh those rated as Medium or Low. • Audit findings indicate systemic non-adherence to control procedures, indicating a poor control environment. • Audit actions are consistently not implemented in line with agreed timescales.

Appendix B

Below are the definitions of the assurance opinions used by Internal Audit. These opinion ratings have been defined for the GMCA Internal Audit and are consistent with the recommended definitions for engagement opinions published by CIPFA in April 2020.

	DESCRIPTION	DESCRIPTION
	SUBSTANTIAL ASSURANCE	A sound system of internal control was found to be in place. Controls are designed effectively, and our testing found that they operate consistently. A small number of minor audit findings were noted where opportunities for improvement exist. There was no evidence of systemic control failures and no high or critical risk findings noted.
	REASONABLE ASSURANCE	A small number of medium or low risk findings were identified. This indicates that generally controls are in place and are operating but there are areas for improvement in terms of design and/or consistent execution of controls.
	LIMITED ASSURANCE	Significant improvements are required in the control environment. A number of medium and/or high-risk exceptions were noted during the audit that need to be addressed. There is a direct risk that organisational objectives will not be achieved.
	NO ASSURANCE	The system of internal control is ineffective or is absent. This is as a result of poor design, absence of controls or systemic circumvention of controls. The criticality of individual findings or the cumulative impact of a number of findings noted during the audit indicate an immediate risk that organisational objectives will not be met and/or an immediate risk to the organisation's ability to adhere to relevant laws and regulations.