

GMCA Audit Committee

Date: 30 September 2021

Subject: Internal Audit Progress Report

Report of: Sarah Horsman, Head of Audit and Assurance, GMCA

PURPOSE OF REPORT

The purpose of this report is to inform Members of the Audit Committee of the progress made on the delivery of the Internal Audit Plan for Q2 2021/22. It is also used as a mechanism to approve and provide a record of changes to the internal audit plan.

RECOMMENDATIONS:

Audit Committee is requested to:

- Consider and comment on the progress report
- Approve the changes to the Audit Plan (Section 3)

CONTACT OFFICERS:

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Equalities Impact, Carbon and Sustainability Assessment:

N/A

Risk Management

N/A

Legal Considerations

N/A

Financial Consequences - Capital

N/A

Financial Consequences - Revenue

N/A

Number of attachments included in the report:

BACKGROUND PAPERS: N/A

| 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? | No |
| TfGMC | Overview & Scrutiny Committee |
| N/A | N/A |

1 Introduction

The Internal Audit strategic three-year plan for GMCA was presented to the Audit Committee in April 2021 and this set out the planned assurance activity to be conducted during 2021/22 based on our understanding of the organisation's strategic and operational risks.

Separate plans are approved by Transport for Greater Manchester (TfGM) and Greater Manchester Police (GMP) / Police and Crime Functions with reporting to their respective Audit, Risk and Assurance Committee (ARAC) and Joint Audit Panel.

The purpose of this progress report is to provide Members with an update against the GMCA audit plan for 2021/22.

2 Progress against the 2021/22 Internal Audit Plan

2.1 Internal Audit work completed since the last meeting of the Audit Committee

Since the last Audit Committee held on 27 August 2021, we have issued two draft audit reports and one Whistleblowing outcome report as noted below. These reports have been discussed with Management and we are seeking to finalise the respective action plans and agree formal management responses these prior to finalisation.

- **Programme and Project Governance (DRAFT Report):** This report provided a **reasonable assurance opinion** over the effectiveness of the general control framework operating around programme and project management across GMCA and GMFRS. The audit identified that there is further capacity to improve and strengthen existing arrangements with a more consistent and defined approach. The report makes three recommendations linked to: improved governance and oversight of projects; the development of a simplified project control framework against which projects would be expected to be delivered; and the development of a recommended training programme for all project managers. The report was shared and discussed with the Deputy Chief Executive with a proposal for further discussion and agreement by the Chief Executive's Management Team prior to finalisation.
- **Investment Loan Approval Decisions – Core Funds (DRAFT Report):** This report provided a **reasonable assurance opinion** over the loan approval process for core funds and confirmed general compliance with the control

framework including the assessment, appraisal, approval and monitoring of loans. The Chief Executive Appraisal Sub-Group acted as a gateway for all loan approval decisions and our review showed this provided robust challenge to proposals being submitted prior to approval. The audit identified a small number of recommended improvement actions and we are in the process of agreeing a timetable for implementation of these.

The Executive Summaries and agreed actions for the audit reports will be shared with Audit Committee once the final published versions have been agreed by Management.

Resourcing: The resourcing position for Internal Audit has changed, with the departure of one Principal Auditor in August and we are in the process of recruiting to this vacant position. As such, our overall progress in delivering 2021/22 planned audit work has slipped and is likely to be further impacted during quarter 3. Progress during Q1/Q2 was also affected by some unplanned responsive investigation and grant certification work, and the completion of some outstanding work from the previous year.

We remain reasonably confident that the plan remains achievable and at this stage we are not seeking any material changes to the plan. We will however need to keep the audit plan and resourcing position for the service under review alongside any impact on the client side based on COVID restrictions and working arrangements.

2.2 Internal Audit work in progress 2021/22

A summary on the status of ongoing audit work is as follows:

| Planning Stage | |
|---|---|
| GMFRS – Stores management (Q2) | The scope for this audit has been discussed and agreed with Management and work is due to commence at the end of September. |
| ICT Security Audit (Q1) – Outsourced Work | Salford Internal Audit Service have commenced the Cyber Security audit. This has been temporarily paused due to resource constraints within IT in fulfilling ongoing activity and the completion of the required external audit IT General Controls work. The Internal Audit will resume in Oct/Nov 2021. |

| Fieldwork Stage | |
|---|---|
| Procurement – Contract Award (Q1) | This work is nearing completion and a draft report is being prepared. |
| Supporting Families Programme (Formerly Troubled Families) (Q2) | This work is ongoing within GM District Audit Teams who are working to timeline of mid-October for assurance reports to be issued. This should allow time for GMCA to review and consolidate a summary of outcomes and opinions for onward reporting. |
| Grant Certifications | We have been requested to undertake grant certifications for Brownfield Funding and Emergency Active Travel Fund. |

| Reporting Stage | |
|---------------------------------------|--|
| CIT - Loan Funding and Approval (Q1) | Draft report issued to management and awaiting finalisation. |
| Programme and Project Governance (Q1) | Draft report issued to management and awaiting finalisation. |

Details of our progress in respect of the 2021/22 Audit Plan is shown in **Appendix B**.

3 Changes to the Internal Audit Plan

The internal audit plan is regularly reviewed and can be amended to reflect changing risks and/or objectives. In line with the Internal Audit Charter, any significant changes to the plan must be approved by the Audit Committee.

At this stage there are no proposed changes to the audit plan for 2021/22 other than in year timing of work, with some audits being deferred to later in the year. The plan will be reviewed again during quarter 3 in line with the resourcing position and any emerging priority work. The audit plan is agile and can be flexed to meet current risk requirements, as such we will consider the scope and timing of audits with management.

A cumulative record of changes to the plan, with the rationale for each, is shown as an **Appendix C** to this report.

4 Other Activities

Aside from delivery of the internal audit plan, since the last meeting internal audit have undertaken the following additional activities.

4.1 External Quality Assessment (EQA) of GMCA Internal Audit Service: EQAs are required by Public Sector Internal Audit Standards (PSIAS) to be undertaken every five years. Although the Internal Audit function has only been in place for two years the Head of Audit and Assurance took the opportunity to have an EQA undertaken in 2021/22 to provide assurance over how the function is currently operating with a view to ensuring any recommendations are implemented to ensure ongoing compliance with PSIAS.

An external peer review of compliance PSIAS was carried out by Heads of Audit from Stockport and St Helens. The result of that work was that overall the Internal Audit function conforms with PSIAS. There were areas of partial conformance with areas for improvement identified. The Executive Summary and resulting action plan are included in Appendix D.

4.2 Extended Leadership Team (ELT) Development Sessions: There are several organisational development areas being progressed through ELT sub-groups to which Internal Audit are actively engaged and contributing. These include an

update of the GMCA Constitution, a review of corporate processes, PPM review, refresh of GMCA Business plans and Greater Manchester Strategy.

4.3 Whistleblowing and Counter Fraud activities

- **Whistleblowing** – An investigation was undertaken in response to an anonymous whistleblowing allegation. The allegation was not in relation to the activities of GMCA or individuals within it, but around a third party. No evidence was found to support the allegation but as a matter of good practice some process improvements have been recommended for action by GMCA.
- **Whistleblowing** - The Head of Audit and Assurance was appointed as Investigating Officer to a Formal Grievance that has been received which does have a whistleblowing element to it. The matter has not yet been concluded. The whistleblowing element will be reported through to Audit Committee in line with whistleblowing arrangements.
- **Freedom to Speak Up (F2SU)** – GMFRS have introduced a Freedom to Speak Up initiative whereby a F2SU Guardian has been appointed as a point of contact for staff to raise any concerns with them. The Guardian acts as a confidential advisor to ensure concerns raised follow the appropriate route. Internal Audit are liaising with GMFRS establish a process to ensure that any potential whistleblowing concerns that come via that route are notified to Internal Audit.

4.4 Boards and subgroups

- The Head of Audit and Assurance is a member of the Information Governance Board and of the Serious Information Governance Incident (SIGI) Panel both of which are chaired by the Senior Information Risk Owner. The Board meets on a regular basis. Progress has been made in identifying and managing IG risks and in developing formal mechanisms to record decisions made by SIGI in relation to specific incidents.
- Internal Audit also attend the Freedom of Information (FOI/EIR) and Transparency User Group to feed into the development of processes around

statutory duties under the Freedom of Information and Environment Information Regulations. This group will provide assurance to the Information Governance Board

- Internal audit attends the North West Chief Audit Executive Counter Fraud subgroup which generally meets quarterly on fraud matters affecting the region, knowledge sharing and good practice.

Appendix A - Summary of Internal Audit Reports issued 2021/22

The table below provides a summary of the internal audit work completed. This will inform the annual Internal Audit opinion for the year 2021/22.

| Audit | Assurance Level | Audit Findings | | | | | Coverage | | |
|--|-------------------|---|------|--------|-----|----------|----------|-------|-------|
| | | Critical | High | Medium | Low | Advisory | GMCA | GMFRS | Waste |
| External Quality Assessment of Internal Audit (Q1) | Finalised | | | | 13 | 8 | ✓ | ✓ | ✓ |
| Procurement – Contract Award (Q1) | TBC – In progress | | | | | | ✓ | ✓ | ✓ |
| Programme and Project Governance (Q1) | TBC – In progress | | | | | | ✓ | ✓ | ✓ |
| Loan Funding and Approval – Core Funds (Q1) | TBC – In progress | | | | | | ✓ | | |
| Whistleblowing Report – Property Development | N/A | We made several observations on process and have made recommendations | | | | | ✓ | | |

| Grant Certifications | | | | |
|-------------------------|----------|---|--|--|
| BEIS Growth Hub Funding | Positive | ✓ | | |

The following tables show definitions for the Assurance Levels provided to each audit report and the ratings attached to individual audit actions.

Assurance levels

| | DESCRIPTION | SCORING RANGE | DESCRIPTION |
|--|------------------------------|---------------|--|
| | SUBSTANTIAL ASSURANCE | 1-6 | 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 | 7-19 | 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 | 20-39 | 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 | 40+ | 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. |

Audit Finding Classification

| Risk Rating | Description/characteristics | Score |
|-------------|---|-------|
| Critical | <ul style="list-style-type: none"> Repeated breach of laws or regulations Significant risk to the achievement of organisational objectives / outcomes for GM residents Potential for catastrophic impact on the organisation either financially, reputationally or operationally Fundamental controls over key risks are not in place, are designed ineffectively or are routinely circumvented Critical gaps in/disregard to governance arrangements over activities | 40 |
| High | <ul style="list-style-type: none"> One or more breaches of laws or regulation The achievement of organisational objectives is directly challenged, potentially risking the delivery of outcomes to GM residents Potential for significant impact on the organisation either financially, reputationally or operationally Key controls are not designed effectively, or testing indicates a systemic issue in application across the organisation Governance arrangements are ineffective or are not adhered to. Policies and procedures are not in place | 10 |
| Medium | <ul style="list-style-type: none"> Minor risk that laws or regulations could be breached but the audit did not identify any instances of breaches Indirect impact on the achievement of organisational objectives / outcomes for GM residents Potential for minor impact on the organisation either financially, reputationally or operationally Key controls are designed to meet objectives but could be improved or the audit identified inconsistent application of controls across the organisation Policies and procedures are outdated and are not regularly reviewed | 5 |
| Low | <ul style="list-style-type: none"> Isolated exception relating to the full and complete operation of controls (e.g. timeliness, evidence of operation, retention of documentation) Little or no impact on the achievement of strategic objectives / outcomes for GM residents Expected good practice is not adhered to (e.g. regular, documented review of policy/documentation) | 1 |
| Advisory | Finding does not impact the organisation's ability to achieve its objective but represent areas for improvements in process or efficiency. | 0 |

Appendix B – Progress against the Internal Audit Plan 2021/22

The table below shows progress made in delivery of the 2021/22 Internal Audit Plan.

Key: ○ Not Yet started ⊙ Scheduled ● In progress • Complete

| Directorate | Audit Area | Audit | Timing | Planning | Fieldwork | Draft Report | Final Report | Audit Committee | Comments |
|----------------------|-----------------------|-------------------------------------|--------|----------|-----------|--------------|--------------|-----------------|--|
| Corporate Services | Governance | Annual Governance Statement 2020/21 | Q1 | ● | ● | ● | ● | Sept 2021 | IA contributed to the update of the AGS |
| Corporate Services | Grants | Mandatory Grant Certifications | Q1-Q4 | ○ | ○ | ○ | ○ | | There are several grants requiring certification |
| Corporate Services | ICT | Cyber Security | Q1 | ● | ○ | ○ | ○ | | Commenced |
| Corporate Services | Grants | BEIS Growth Hub Funding 2020/21 | Q1 | ● | ● | ● | ● | Aug 2021 | Completed |
| Core Investment Team | Loans and Investments | Loan Approval Decisions | Q1 | ● | ● | ● | ○ | | Draft Report Issued Sept |

| Directorate | Audit Area | Audit | Timing | Planning | Fieldwork | Draft Report | Final Report | Audit Committee | Comments |
|----------------------------|-----------------------------|-----------------------------------|--------|----------|-----------|--------------|--------------|-----------------|-----------------------------------|
| Corporate Services | Procurement and Contracting | Contract Award and Finalisation | Q1 | ● | ● | ○ | ○ | | Draft Report being prepared |
| GMFRS | Governance | Whistleblowing / Grievance | Q1 | ● | ● | ● | ○ | | Ongoing investigation |
| GMCA | Governance | Whistleblowing | Q2 | ● | ● | ● | ● | | Completed |
| Corporate Services | Governance | Governance Framework | Q1 | ○ | ○ | ○ | ○ | | Terms of reference being drawn up |
| Corporate Services | Governance | Programmes and Project Governance | Q1 | ● | ● | ● | ○ | | Draft Report Issued |
| Education, Work and Skills | Finance | Adult Education Budget | Q1 | ○ | ○ | ○ | ○ | | Deferred to Q4 |
| Corporate Services | Finance | Accounts Receivable | Q2 | ○ | ○ | ○ | ○ | | Deferred to Q4 |

| Directorate | Audit Area | Audit | Timing | Planning | Fieldwork | Draft Report | Final Report | Audit Committee | Comments |
|----------------------|------------|--|--------|----------|-----------|--------------|--------------|-----------------|---------------------------|
| GMFRS | GMFRS | Stores | Q2 | ● | ○ | ○ | ○ | | Fieldwork commencing Sept |
| Corporate Services | Finance | Grant Funding Management and Reporting | Q2 | ○ | ○ | ○ | ○ | | Deferred to Q3/Q4 |
| Public Sector Reform | Compliance | Supporting Families | Q2 | ● | ● | ○ | ○ | | Fieldwork Commenced |
| Environment | TBC | Carbon Reduction | Q3 | ○ | ○ | ○ | ○ | | |
| Corporate Services | Finance | Budgetary Control | Q3 | ○ | ○ | ○ | ○ | | |
| Placemaking | TBC | Asset Compliance | Q3 | ○ | ○ | ○ | ○ | | |
| GMFRS | Training | Continuing Professional Development | Q4 | ○ | ○ | ○ | ○ | | |
| Mayoral | Governance | Mayoral Priorities | Q4 | ○ | ○ | ○ | ○ | | |

| Directorate | Audit Area | Audit | Timing | Planning | Fieldwork | Draft Report | Final Report | Audit Committee | Comments |
|-------------|---------------------------|--------------------------|--------|----------|-----------|--------------|--------------|-----------------|----------|
| GMFRS | Protection and Prevention | 7(2)(d) Risk Assessments | Q4 | ○ | ○ | ○ | ○ | | |

| Other Audit Activity | | Quarter |
|-------------------------------|--|----------------|
| Information Governance | Head of IA is a member of the IG Board, ongoing advice, and oversight of IG risks through this forum. | All |
| Risk Management | Internal audit facilitates quarterly strategic risk register updates through the Senior Leadership Team and the ongoing development and implementation of a GMCA-wide risk management framework. | All |
| Audit action tracking | Internal audit will monitor and report on a quarterly basis the implementation of agreed audit actions | All |
| Whistleblowing investigations | Receipt and investigation of whistleblowing reports | As needed |
| Ad-hoc advice and support | Advice and reviews requested in-year in response to new or changing risks and activities. | As needed |
| Contingency days | Days reserved to address new or emerging risks | As needed |

Appendix C - Changes to the Internal Audit Plan

The internal audit plan is designed to be flexible and can be amended to address changes in the risks, resources and/or strategic objectives. Similarly, management and the board may request additional audit work be performed to address particular issues. In line with Public Sector Internal Audit Standards (PSIAS) the Audit Committee should approve any significant changes to the plan. This Section records any changes to the current internal audit plan since it was originally approved in April 2021.

| Audit Area | Audit | Timing | Days | Change requested | Rationale | Approved by Audit Committee |
|-------------------|--------------|---------------|-------------|-------------------------|--|------------------------------------|
| | | | | | There are no planned changes to the audit plan | |
| | | | | | | |
| | | | | | | |

Appendix D – External Quality Assessment

Greater Manchester Combined Authority
Peer Review of Internal Audit against the UK Public Sector Internal Audit
Standards

1 Introduction

- 1.1 All principal local authorities and other relevant bodies subject to the Accounts and Audit (England) Regulations 2015 (amended), the Accounts and Audit (Wales) regulations 2005, section 95 of the Local Government (Scotland) Act 1973 and the Amendment to the Local Government (Accounts and Audit) Regulations (Northern Ireland) 2006 must make provision for internal audit in accordance with the Public Sector Internal Audit Standards (PSIAS) as well as the (CIPFA) Local Government Application Note.
- 1.2 A professional, independent and objective internal audit service is one of the key elements of good governance in local government.
- 1.3 The PSIAS require that an external assessment of an organisation's internal audit function is carried out once every five years by a qualified, independent assessor or assessment team from outside of the organisation. External assessments can be in the form of a full external assessment, or a self-assessment with independent external validation.
- 1.4 The North West Chief Audit Executives' Group (NWCAE) has established a 'peer-review' process that is managed and operated by the constituent authorities. This process addresses the requirement of external assessment by 'self-assessment with independent external validation' and this report presents the summary findings of the review carried out on behalf of Greater Manchester Combined Authority.
- 1.5 "An independent assessor or assessment team means not having either a real or an apparent conflict of interest and not being a part of, or under the control of, the organisation to which the internal audit activity belongs." This review has been carried out by the Head of Internal Audit, Risk and Insurance at Stockport Metropolitan Borough Council and Audit Manager for St Helens Borough Council. Their 'pen pictures', outlining their background experience and qualifications, are included at Appendix 1.

2 Approach/Methodology

- 2.1 The NWCAE Group has agreed a detailed Memorandum of Understanding (MoU) that outlines the broad methodology for the conduct of this review. A copy of the MoU is available upon request.
- 2.2 In summary, the key elements of the process were:

- The peer review was undertaken in three stages: pre-review; on-site review (desktop); post-review and covers audit activity during the period covered in the latest Head of Internal Audit Opinion. Due to the Covid-19 pandemic this review was undertaken remotely, and specific testing was undertaken online.
- The Combined Authority was required to complete and share its self-evaluation of the Internal Audit service together with any relevant supporting evidence/documentation in advance of on-site review commencement. The NWCAE Group agreed that the self-assessment will use the **CIPFA Local Government Application Note (LGAN)** questionnaire. Supporting evidence included the Internal Audit Plan & Charter, the Head of Internal Audit Opinion, Quality Assurance & Improvement Programme and examples of final audit reports.
- To support the desktop review, a customer survey form was issued to key personnel within the authority.
- The review cannot reasonably consider all elements of the LGAN self-assessment and the review team used the ‘desktop’ period to determine strengths, weaknesses and subsequent key lines of enquiry in order that the review itself was risk-based, timely and added real value.
- The Combined Authority was assessed against the three broad themes of: Purpose and Positioning; Structure and Resources; and Audit Execution; together with a view on the impact that the Internal Audit service has within the organisation.
- Upon conclusion, the review team offered a ‘true and fair’ judgement against each thematic area of the LGAN, from which an aggregation of the three themed scores gives an overall Authority score.
- In addition to this, an evaluation of the impact of Internal Audit within the organisation was also made primarily on the customer survey forms, and online interviews with various levels of management within the Authority.

3 Summary Findings

- 3.1 Prior to 2019/20, the GMCA Internal Audit service had been provided by Manchester City Council on an outsource basis. A decision was made to bring the GMCA service in-house, and a new Head of Audit and Assurance was recruited and commenced employment in April 2019. There are two teams within the GMCA Internal Audit function, one which covers GMCA (including GMFRS and Waste) and one which covers the Mayoral Functions for Policing, Crime and Criminal Justice and Greater Manchester Police (GMP). The Head of Audit and Assurance is also the Head of Internal Audit at Transport for Greater Manchester. This scope of this assessment was the internal audit service provided by the team for GMCA. The GMP/PCC and TfGM teams have their own EQA arrangements in place.

3.2 For the GMCA Team:

An Audit Manager was recruited in November 2019, followed by the recruitment of two Principal Auditors in December 2019, and the new in-house internal audit team was fully resourced from March 2020.

- 3.3 As the new function was only formed 15 months prior to the external PSAIS assessment, a number of areas of partial compliance had been identified by the Head of Audit and Assurance, they were working towards full compliance and were already aware of what was required.
- 3.4 Following a detailed moderation process, the review team has concluded the following judgements:

| Area of Focus | Judgement |
|-----------------------|--------------------|
| Purpose & Positioning | Partially Conforms |
| Structure & Resources | Conforms |
| Audit Execution | Partially Conforms |
| Overall Judgement | Conforms |

- 3.5 The overall judgement has been determined as 'Conforms' despite two of the three areas being judged as partial, as the more fundamental principles of the Standards were considered to be satisfactory with a lot of the partials relating to minor issues. The Head of Audit and Assurance was aware of the majority of actions required, with actions plans already in place, which has enabled a positive overall conclusion.
- 3.6 Assessment against the individual elements of each area of focus is included in the table at **Appendix 2** and a summary of the areas for consideration to improve / develop the service is identified within the action table at **Appendix 3**.
- 3.7 Additional points for consideration identified during the review that are out of scope of the Standards / LAGN requirements but are contributory to the overall effectiveness and efficiency of the internal audit service are presented in the table at **Appendix 4** of the report for information and consideration only.

PSIAS Action Table

The following actions arising from the review undertaken are required to develop the Internal Audit Function and ensure compliance with PSIAS:

| PSIAS Ref | Rec No. | Action Required | Responsible | Action |
|----------------------------|---------|--|-----------------------------|--|
| Attribute Standards | | | | |
| 1130 | 1 | In future, assurance arrangements over which the Head of Audit and Assurance also has operational responsibility should be overseen by somebody outside of the internal audit activity. This could be done via a peer review arrangement (NWCAE group members have undertaken these in the past) or external provider. | Head of Audit and Assurance | Assurance over risk management arrangements will be overseen by a party outside of the internal audit function. Consideration will be given to establishing arrangements for peer review from another local or combined authority. No assurance work over risk management is in the scope of the Audit Plan for 2021/22 so these arrangements will be sought to be effective for 2022/23 and beyond. |

| PSIAS Ref | Rec No. | Action Required | Responsible | Action |
|-----------|---------|--|-----------------------------|---|
| 1210 | 2 | Consideration should be given to the development of counter fraud arrangements including buying in external resource, specific counter fraud training, or joint reviews. | Head of Audit and Assurance | The Head of Audit and Assurance is currently assessing Counter Fraud requirements at TfGM. It therefore is appropriate to consider both to determine the most effective and cost efficient way to develop/obtain the necessary counter fraud skills within the teams. Target date: December 2021 |
| 1220 | 3 | The Internal Audit Manual should be updated to include reference to internal auditors considering and documenting the cost of assurance in relation to potential benefits when undertaking consulting engagements. | Head of Audit and Assurance | Audit Manual will be updated in line with the recommendation. Target date: December 2021 |
| 1300 | 4 | The QAIP should be reviewed on an annual basis and presented to the Audit & Governance Committee. | Head of Audit and Assurance | Complete – Review date of QAIP changed to April 2022 |
| 1311 | 5 | Future performance targets should be developed in consultation with appropriate parties and included in any future service level agreement developed. | Head of Audit and Assurance | New outcome focussed KPIs to be developed and approved by Audit Committee. Target date: December 2021 for use in 22/23 |

| PSIAS Ref | Rec No. | Action Required | Responsible | Action |
|------------------------------|---------|---|-----------------------------|---|
| 1311 | 6 | As a minimum a formal annual update on performance should be presented to the Audit Committee, with regular updates on a quarterly basis. | Internal Audit Manager | <p>a) Once new KPIs have been agreed (as per 5 above) they will be reported to Audit Committee as part of the regular progress update reports – From December 2021.</p> <p>b) Annual review of performance in line with KPIs presented as part of the annual review of effectiveness of Internal Audit. Target Date – April 2022.</p> |
| Performance Standards | | | | |
| 2010 | 7 | A formal assurance framework should be developed in consultation with relevant stakeholders. | Head of Audit and Assurance | Develop and document Assurance framework for GMCA, in line with the “three lines” model Target date: December 2021. |

| PSIAS Ref | Rec No. | Action Required | Responsible | Action |
|-----------|---------|---|-----------------------------|---|
| 2050 | 8 | An assurance mapping exercise should be undertaken to identify and determine the extent to which the Head of Audit and Assurance can place reliance on other sources of assurance. An exercise is currently being undertaken with the NWCAE group to develop this area around assurance mapping so we would advise tapping into this group to gain areas of best practice that can be used in the future. | Internal Audit Manager | After the development of the Assurance Framework (7) an assurance mapping exercise will be undertaken. This can be used to inform HoA opinion for 21/22 as well as the planning process for 22/23. Target date: March 2022 |
| 2120 | 9 | In order to manage fraud risk more effectively, a risk assessment of fraud risks should be undertaken as part of the annual planning process. This will help determine whether resources are needed to provide assurance in any given high-risk fraud area (for example via completion of proactive counter fraud reviews). | Head of Audit and Assurance | Fraud risks will be considered in the annual planning process for 2022/23 Target date: March 2022. |
| 2210 | 10 | The results of any risk assessments of individual activity should be highlighted in the scoping document. The results of the assessment should feed through to the objectives. | Internal Audit Manager | We will review the planning document templates and incorporate a risk assessment section to ensure that it is clearly documented. Target date: December 2021 |

| PSIAS Ref | Rec No. | Action Required | Responsible | Action |
|-----------|---------|---|-----------------------------|---|
| 2210 | 11 | Guidance should be provided to internal auditors in order to ensure that internal auditors use criteria established by management to evaluate governance, risk and control, whether met or inadequate, and formally documented as part of the scoping exercise. This should also form part of management review of auditor documentation. | Head of Audit and Assurance | Audit manual to be updated to include reference to specifying what criteria are being audited against. If criteria don't already exist then guidance around how to develop them will be included. Target date: December 2021 |
| 2330 | 12 | The Head of Audit and Assurance should develop and implement a process for the retention of engagement records. This document should be reviewed on a regular basis. | Head of Audit and Assurance | Document retention policy will be drafted in consultation with relevant stakeholders including IG and Legal. Target date: December 2021 |
| 2340 | 13 | Internal audit procedures should be updated to include the requirement for a consistent approach around highlighting and evidencing supervisory review of working papers. | Internal Audit Manager | A practical and efficient way to consistently evidence review will be determined and included in the IA manual for immediate implementation. Target date: December 2021 |

Additional Development Action Table

During the review the following additional points for consideration were discussed with the Chief Internal Auditor. Whilst these specific points are out of scope of the Standards / LGAN requirements, they are nonetheless contributory to the overall effectiveness and efficiency of the Internal Audit service and are presented in this report for information and consideration only:

| PSIAS Ref | Rec No. | Points for Consideration | Responsible | Action |
|----------------------------|---------|--|---|---|
| Code of Ethics | | | | |
| 2 | 14 | In order to formally demonstrate that Internal Auditors display objectivity whilst performing services in accordance with the PSIAS, a reference should be made to this in every Internal Audit report produced. | Head of Audit and Assurance | Complete: Report template for 2021/22 has been updated to include reference to conformance with PSIAS. |
| Attribute Standards | | | | |
| 1000 | 15 | The Counter Fraud Strategy and Policy should be reviewed and published on the website. | Head of Audit and Assurance, Internal Audit Manager | Counter fraud activities are built into the audit plan for 21/22. The policies will be reviewed, refreshed, approved by Audit Committee and published – January 2022. |

| PSIAS Ref | Rec No. | Points for Consideration | Responsible | Action |
|-----------|---------|---|---|---|
| 1100 | 16 | A formal process should be introduced to ensure that threats to objectivity are identified and managed at engagement level by highlighting this in the Audit Charter and scoping documentation. | Head of Audit and Assurance Internal Audit Manager | Section 9.7 of IA Charter has been updated to reflect engagement level objectivity will be confirmed and documented at the planning stage. Complete - July 2021. Template planning documents will be updated to allow for objectivity to be confirmed at that stage within each engagement. December 2021. |
| 1130 | 17 | A process for the rotation of audit assignments should be introduced and documented within the Internal Audit Charter. | Head of Audit and Assurance Internal Audit Manager | Section 9.7 of IA Charter has been updated to refer to rotation of duties. Complete - July 2021. IA manager will wherever possible ensure rotation of auditor responsibilities within the audit plan. Ongoing. |
| 1210 | 18 | The use of data analytical tools should be explored and introduced, with relevant training provided. | Head of Audit and Assurance | In line with the action from Recommendation 2 above. Data analytics skills will also be considered for development within the team and budget requested as necessary. Target date: April 2022. |

| PSIAS Ref | Rec No. | Points for Consideration | Responsible | Action |
|-----------|---------|--|---|---|
| 1230 | 19 | A formal process to individually assess internal auditors against pre-determined skills and competencies should be introduced and highlighted in the Audit Manual. | Head of Audit and Assurance, Internal Audit Manager | The PRA process at GMCA will be used to assess performance. By its nature this will assess how auditors are performing against their objectives. IA Manual will be updated to reflect. Target date: December 2021. |
| 1300 | 20 | The Head of Audit and Assurance should formalise the period assessment for evaluating conformance with the PSIAS, such as highlighting the results in the Head of Audit and Assurance annual opinion. | Head of Audit and Assurance | Complete – the 2020/21 audit opinion summarised the results of the internal audit effectiveness assessment which includes conformance with PSIAS and reference to the QAIP. |
| 2450 | 21 | In the annual report and opinion, the Head of Audit and Assurance should include reference to any scope limitations in the opinion, or if there were no scope limitations this should be clearly documented, and clearly identify which audits completed in the year formed part of the originally agreed internal audit plan. | Head of Audit and Assurance | Reference to whether there were any scope limitations will be included in the 2021/22 opinion – Target date: June 2022. |