

GMCA AUDIT COMMITTEE

Date: 22 April 2022

Subject: Internal Audit Progress Report

Report of: Sarah Horseman, 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 Q4 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

- 1.1 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.
- 1.2 The GMCA Internal Audit Plan comprises a range of audits agreed by Senior Leadership Team and Audit Committee. Each audit assignment concludes with the issue of an audit report and agreed actions for implementation. Each action has a named responsible officer and a target implementation date.
- 1.3 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.
- 1.4 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

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

- 2.1 Since we last reported to Audit Committee on 21 January 2022, we have issued five audit reports and certified one grant. Three of these reports have been finalised and agreed with Management, with two reports awaiting formal management responses prior to publication. The Executive Summaries from these reports are appended to this report. A summary of the reports issued in final is included below:
- 2.2 **Accounts Receivable (AR):** Our audit report provided a **limited assurance opinion** over Accounts Receivable processes and controls. The audit identified a significant control issue relating to user access rights and permissions in the AR process. This fundamental weakness in the design of the control framework means that there is a higher risk of fraud and error within the process.
 - The primary area of concern relates to a lack of segregation of duties between key activities of invoice creation and processing of credit notes and those with responsibility for allocating income and processing of refunds. Self-authorisation of these also meant there was also no independent approval in the system.
 - Management took immediate interim action to remove overlapping AR role profiles and further work has since been undertaken to review user permissions to ensure these are commensurate with current roles only and allow for critical separation of duties.
 - Audit testing did not identify any instances of inappropriate activity.

- In addition to the issue raised above, we identified four other areas for improvement action. Internal Audit will undertake further walkthrough testing to ensure that access permissions are appropriate, and controls are operating as expected.
- In comparison to the total funding received by GMCA, the value of income processed by AR is relatively low, however this still equates to significant values being processed through the system each year. The main source of funding received by the authority is government grant funding and a separate process for administering this was being developed and implemented by the Finance Team in March 2022.

2.3 **ICT Cyber Security:** This audit provided a **Reasonable Assurance opinion** over cyber security arrangements. The audit of GMCA's cyber security identified key areas where controls could be improved in order to improve the level of maturity against the NIST cybersecurity framework. This included the following:

- Documented policies and procedures (all areas)
- IT asset management (Identify)
- Access control (Protect)
- Data loss prevention (Protect)
- Back up (Protect)
- Security event detection, capture and analysis (Protect)
- Network integrity and protection (Protect)
- Disaster recovery (Recover)

2.4 The total number of recommendations (14) is indicative of the wide scope of the audit which covered 22 separate control areas. This includes five priority 1/essential recommendations, seven priority 2/important recommendations and two advisory recommendations.

2.5 **GMFRS Central Stores:** This report provided a **limited assurance opinion** over the controls in place for the operational management of GMFRS Stores. The three main areas that contributed to this opinion are:

- The Stores facility operate a centralised delivery model and whilst the day to day running of Stores appears to meet station requirements for the supply of uniform, consumables and operational equipment, there has been no strategic review of the service to test this against other potential delivery models. This is an area the new LTSC Management are keen to review.
- There are some fundamental stock management controls that we would expect to be in place that are not operating, including full physical stock checks of the Warehouse to stock records.
- In relation to procurement and contract management, there is a lack of understanding and ownership over contract/non-contract spend and whether this represents value for money. Also, delegated authority and formal sign off for procurement decisions is not always clear.

- The audit made five recommended improvement actions and a timetable for implementation of these was agreed.

2.6 **Grant certifications** – These was one grant certification completed during the period for Peer Networks (December 2021 Claim) £108k.

3 Internal Audit work in progress 2021/22

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

Planning Stage	
Grant Funding – Management and Reporting.	We issued an interim position statement in November 2021 and we will seek to revisit and undertake walkthrough testing on the new grant management process in April 2022.
Public Sector Decarbonisation Scheme – Phase1 (Section 31 Grant)	This £78.2m grant provides capital funding across Greater Manchester Public Estate for a variety of low carbon retrofit schemes including Heat Pumps, Insulation, LED Lighting and Solar PV. Grant certification was due in March 2022, but has since been extended to 30 June 2022. Ongoing preparation work alongside 16 partner organisations to certify this funding.
Grant Certifications	BEIS- Core Growth Hub Funding 2021/22 - £780k - This grant is due to be certified.

Fieldwork Stage	
Estates Management – Statutory Premises Safety Checks	The scope of the audit is focussed on providing assurance over the completion of statutory health and safety checks across the GMCA estate in relation to gas, electricity, legionella and fire safety.
GMFRS - Firefighter Training and CPD	Fieldwork commenced in January 2022. Since the commencement of the work we learned that GMFRS are also undertaking a review of training so Internal Audit will ensure that the results and findings of both audits are shared and aligned.

GMFRS – Fire Safety Assessments (72d)	Fieldwork commenced in January 2022 on this audit and remains ongoing.
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Reporting Stage	
Procurement – Contract Award	This work is nearing completion and a draft report is being prepared.
Fixed Asset – Data Migration	This is an additional piece of work was requested by management. A draft report has been prepared and shared with Management for comments prior to publication.

3.1 Our overall progress in delivering 2021/22 planned audit work remains reasonable but there have been some delays in the completion of work due to COVID-19 work absence and client availability. We are seeking some changes to the plan which are outlined at Section 3, if approved, we remain confident the remainder of the plan can be achieved. Further details of our progress in respect of the 2021/22 Audit Plan is shown in Appendix B.

4 Changes to the Internal Audit Plan

4.1 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.

4.2 We are proposing some changes to the audit plan, with planned work on Adult Education Budget being deferred and re-evaluated as part of the 2022/23 plan. There has been no additional unplanned work carried out during the last quarter. We will aim to complete outstanding areas of work during April/May and these will be reflected in the Head of Internal Audit Annual Opinion Report in June 2022.

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

5 Other Activities

- 5.1 Aside from delivery of the internal audit plan, since the last meeting internal audit have undertaken the following additional activities.
- 5.2 **Audit Planning for 2022/23:** We have undertaken a series of planning discussions with Directors to inform the audit plan and to understand any new or emerging risks in functional areas.
- 5.3 **Whistleblowing and Counter Fraud Activities** - One anonymous whistleblowing allegation was received during the quarter but when reviewed was not a qualifying whistleblowing report. It was passed on to another team for progressing through the relevant internal policy. Full details on the outcome of all whistleblowing allegations received during 2021/22 are provided in a separate report to Audit Committee.
- 5.4 Additional work has been undertaken during the quarter to develop an Anti-Fraud Strategy and Anti-Bribery Policy. These are currently in draft and will be presented to SLT in April 2022 for approval and launched this year. Both policies will be shared with Audit Committee in June for review and approval.
- **Anti-fraud Strategy 2022-24 (Draft)** - This strategy sets out GMCA's approach to managing the risk of fraud and corruption and how an anti-fraud and corruption culture is established and promoted. The strategy incorporates the best practice guidance for combatting fraud in Local Government. It is based on the key principles set out in the CIPFA Code of Practice on Managing the Risk of Fraud and Corruption in Local Government (the Code) and Fighting Fraud Corruption Locally (FFCL) strategy as these represent best practice and compliance with these measures will enable GMCA to demonstrate effective stewardship of public funds. The strategy also sets out the key priorities and activities for Internal audit and other stakeholders over the next two years.
 - **Anti-Bribery and Corruption Policy (Draft)** - This policy and procedural guidance is part of the corporate policy framework and will aim to ensure that Elected Members and Officers have access to the appropriate guidance and GMCA's stance on bribery is widely publicised.
 - **Anti-Fraud Development Activities** - In 2022/23 Internal Audit will focus on raising the awareness and understanding of the anti-fraud strategy and anti-fraud principles across the organisation, through the development of communications and training arrangements. We will also investigate the feasibility of on-line reporting tools to allow for easy reporting of fraud concerns.
- 5.5 **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 Meetings and the Counter Fraud subgroup which 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	Compliant with PSIAS				13	8	✓	✓	✓
Programme and Project Governance	Reasonable			2			✓	✓	✓
Loan Approval Decisions – Core Investment Funds	Reasonable			1	3		✓		
Supporting Families Programme	Positive Overall	We made no recommendations as part of this review					✓		
ICT- Cyber Security	Reasonable						✓	✓	✓
Accounts Receivable	Limited		2	1	2		✓	✓	✓
GMFRS – Stores Management	Limited		1	2	2			✓	

Audit	Assurance Level	Audit Findings					Coverage		
		Critical	High	Medium	Low	Advisory	GMCA	GMFRS	Waste
Grant Funding – Management and Reporting	N/A	An Internal Audit Position Statement was issued following an interim assessment completed in November 2021. Further work to be conducted in April 2022.					✓		
Behavioural Policy Review	Draft Report Issued						✓	✓	✓
Fixed Assets Data Migration	Draft Report Issued						✓	✓	✓
GMFRS 7(2)(d) Fire Safety Risk Assessments								✓	
GMFRS - Firefighter Training and CPD								✓	
Estates Management – Statutory Premises Safety Checks							✓	✓	
Procurement – Contract Award							✓	✓	✓

Grant Certifications				
BEIS Growth Hub Funding	Positive	✓		
Covid-19 Emergency Active Travel Fund 20/21 (31/5099)	Positive	✓		
Green Homes Grant (31/5187)	Positive	✓		
Brownfield Housing Fund 20/21 (31/52990)	Positive	✓		
GM Local Energy Market (Oct20-June21)	Positive	✓		
GM Local Energy Market (Oct20-Sept21)	Positive	✓		
BEIS Peer Network Support (Dec 21 Claim)	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	⊙	⊙	⊙	⊙		Ongoing
Corporate Services	ICT	Cyber Security	Q1	●	●	●	●	April 2022	Final Report issued
Corporate Services	Grants	BEIS Growth Hub Funding 2020/21	Q1	●	●	●	●	Aug 2021	Completed
Core Investment Team	Loans and Investments	Loan Approval Decisions	Q1	●	●	●	●	Jan 2022	Final Report Issued
Corporate Services	Procurement and Contracting	Contract Award and Finalisation	Q1	●	●	⊙	○		Draft Report being prepared
GMFRS	Governance	Whistleblowing / Grievance	Q1	●	●	●	●	Sept 2021	Completed
GMCA	Governance	Whistleblowing	Q2	●	●	●	●	Sept 2021	Completed

Directorate	Audit Area	Audit	Timing	Planning	Fieldwork	Draft Report	Final Report	Audit Committee	Comments
Corporate Services	Governance	Governance Framework – Behavioural Policies	Q1	●	●	●	○	June 2022	Draft Report Issued
Corporate Services	Governance	Programmes and Project Governance	Q1	●	●	●	●	Jan 2022	Final Report Issued
Education, Work and Skills	Finance	Adult Education Budget	Q1	○	○	○	○		Proposal to Defer to 2022/23
Corporate Services	Finance	Accounts Receivable	Q2	●	●	●	●	April 2022	Final Report Issued
GMFRS	Assets	Stores & Logistics	Q2	●	●	●	●	April 2022	Final Report Issued
Corporate Services	Finance	Grant Funding Management and Reporting	Q2	●	●	●	○	June 2022	Interim Opinion Given
Public Sector Reform	Compliance	Supporting Families Programme	Q2	●	●	●	●	Jan 2022	Final Report Issued
Environment	TBC	Carbon Reduction	Q3	○	○	○	○		Proposal to Defer to 2022/23
Corporate Services	Finance	Budgetary Control	Q3	○	○	○	○		Proposal to Defer to 2022/23

Directorate	Audit Area	Audit	Timing	Planning	Fieldwork	Draft Report	Final Report	Audit Committee	Comments
Placemaking	TBC	Asset Compliance	Q3	●	●	○	○		Fieldwork Commenced
GMFRS	Training	Fire Fighter Training and CPD	Q4	●	●	○	○		Fieldwork Commenced
Mayoral	Governance	Mayoral Priorities	Q4	○	○	○	○		Proposal to Defer to 2022/23
GMFRS	Protection and Prevention	7(2)(d) Fire Safety Risk Assessments	Q4	●	●	○	○		Fieldwork Commenced
Corporate Services	Finance	Fixed Asset Data Migration	Q4	●	●	●	○		Fieldwork Commencing Jan 22

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
Finance	Fixed assets – Data Migration	Q4		Plan addition	A request from Management to undertake this work. To provide assurance over migration of fixed asset data from BWO to the CIPFA fixed asset system.	Jan 22
Finance	Budgetary Control	Q3		Defer	To defer to 22/23 audit plan. A significant amount of development work is being undertaken in finance to improve budget monitoring processes and aligned to the new finance structure. This affects the timing of this work.	Jan 22
Environment	Carbon Reduction	Q4		Defer	To defer to 22/23 audit plan. Unlikely to deliver due to time constraints.	Jan 22
Mayoral	Mayoral Priorities	Q4		Defer	To defer to 22/23 audit plan. Unlikely to deliver due to time constraints.	Jan 22
Work and Skills	Adult Education Budget	Q1		Defer	To defer this audit and reconsider as part of 2022/23 audit plan following planning discussion with Executive Director.	

Appendix E – ACCOUNTS RECEIVABLE



INTERNAL AUDIT REPORT

Accounts Receivable

FINAL

Based on the audit work performed, this audit has been classified as LIMITED ASSURANCE.	LIMITED ASSURANCE
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Reference: 2021/22Q2

Draft Report Issued: 18 February 2022

Final Report Issued: 12 April 2022

Audit Sponsor: Steve Wilson, Treasurer

Lead Auditor: Jessica Jordan

EXECUTIVE SUMMARY

1. Background and Context

- 1.1 The Accounts Receivable (AR) process is the process for controlling income due to GMCA and forms part of the organisations core financial systems which are managed via the Finance System Business World On (BWO). The process begins with the creation of an invoice and ends with the settlement of the debt by the customer. By exception, some debts may need to be cancelled or written off.
- 1.2 GMCA receives income from a variety sources including Central Government grants, contributions from local authorities and NHS agencies, charges for valuations and other housing-investment related fees, training and facilities charges, loan income and other ad-hoc income such as pension overpayments. Not all these income receipts are controlled through the AR process, including government grant receipts, which is the main source of funding for GMCA.
- 1.3 The GMCA's Financial Regulations, state that *Chief Officers are responsible for notifying the Treasurer of all income due to GMCA*. The ability to raise invoices generally rests with the Core Finance team, Exchequer Services, and the Core Investment Team. The Capital and Treasury Team are responsible for the receipt and allocation of income received and Exchequer Services manage the debt collection process. The Core Investment Team manage the collection and repayment of investment loans.
- 1.4 This Internal audit report provides assurance over the effectiveness of controls operating in the AR process.

2. Audit Objective and Scope

- 2.1 The objective of this audit is to provide assurance that all income due to GMCA is properly identified, collected, and accounted for. To do this, we have sought to
 - Provide assurance over the efficiency and effectiveness of controls to ensure the accurate and timely billing of income, and the recording and allocation of income received; and
 - Assess the debt recovery and write off processes and controls to ensure monies due are collected as effectively as possible.
- 2.2 The scope of the work included the following AR processes and controls:
 - Written Policies, Procedures and Guidance
 - Roles and Responsibilities
 - Customer Masterfile Standing Data
 - Invoice Creation, Authorisation, and Validation
 - Credit Notes

- Settlement of invoices; and
 - Debt Recovery and Write Off.
- 2.3 Sample testing covered the period April 2020 to December 2021. For comparative data purposes Appendix 1 includes data from April 2019 to December 2021 to take into consideration any anomalies due to the Covid Pandemic.

Limitations:

- 2.4 This audit focussed on invoiced income and did not consider the receipt and allocation of income outside of this process. We did however consider the total volume and value of income received outside of the AR process to determine the validity of having separate processes.
- 2.5 We did not review the debt recovery procedures undertaken by the Core Investment Team (CIT) for repayment of recyclable loan funds, which is administered outside the normal AR and debt recovery process.

3. Key Metrics

3.1 Full details of comparative data for AR is shown at **Appendix 1**

3.2 As at the end of period 9 (December 2021):

- There were 1,156 invoices raised
 - There were 60 credit notes raised
 - Aged debt was £3.1m (as at January 2022 - £1.4m related to Core Investment Team and thus excluded from the debt recovery testing in this audit)
 - There were 6 invoices written off totalling £102,547 all of which related to Core Investment Team transactions.
- 3.3** The table below shows a summary breakdown of income types received into GMCA bank accounts since the beginning of 2019/20 financial year (excluding sweeps between accounts). As a guideline income is normally in the range of around £5-7 billion per year and there are around 2-3000 transactions each year.

Type of Income Received into bank (Apr 2019 to Dec 2021)	% of value	% of transactions
Treasury Deals*	64%	14%
Grants and Government Funding	21%	7%
Rates, Precepts and Levies	11%	11%
CIT Transactions	2%	8%
AR Income	1%	30%

VAT Income	1%	0%
Capital Income and Legal Settlements	0%	2%
Misc / Other	0%	27%

*This relates to the return of funding that is loaned out to others at a favourable interest rate when not needed by GMCA, only a small proportion of this income which relates to interest would be additional funding for GMCA.

4. Audit Opinion

- 4.1 Our audit identified a significant control issue relating to user access rights and permissions in the AR process. This fundamental weakness in the design of the control framework means that there is a higher risk of fraud and error within the process. Audit testing did not however identify any instances of inappropriate activity and action was taken by the Finance team immediately to address the issue. For this reason, a **Limited Assurance** opinion has been provided.
- 4.2 The primary area of concern relates to a lack of segregation of duties between key activities of invoice creation and processing of credit notes and those with responsibility for allocating income and processing of refunds. All users also have ability to make changes to customer Masterfile data. The self-authorisation of Invoices and Credit Notes regardless of value means there is no independent approval in the system.
- 4.3 Over time user permissions have evolved relative to changes in staff roles or staff capacity issues. There should be an exercise undertaken to review user permissions to ensure these are commensurate with current roles only and allow for critical separation of duties. A process should be established that allows for a consistent application of this approach between ICT Service Desk and BWO Service Team.
- 4.4 Management have taken an immediate interim action to remove overlapping AR role profiles.
- 4.5 In comparison to the total funding received by GMCA, the value of income processed by AR is relatively low, however this still equates to significant values being processed through the system each year. The main source of funding received by the authority is government grant funding and a separate process for administering this is being developed and implemented by the Finance Team in March 2022.
- 4.6 In addition to the issue raised above, we identified four other areas for improvement which are included in this report.



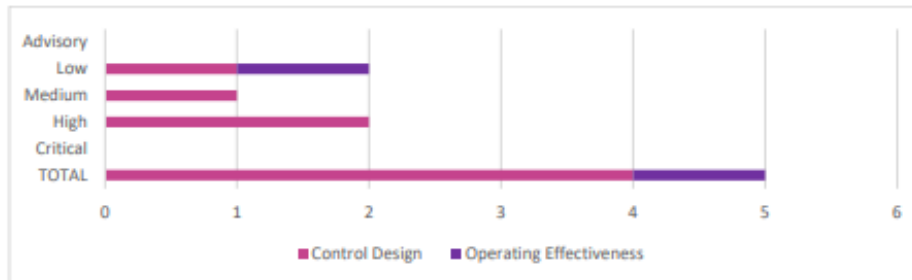
The scoring is based on the rating mechanism provided in **Appendix 2**

5. Summary of Findings and Agreed Actions

Finding	Risk rating	Action	Target Date
1. An appropriate segregation of duties is not in place within the AR system.	High	Review of logical access controls	1/3/2022
		Process for movers/transfers	Cyber Audit
2. Customer Masterfile data is not secure or properly maintained.	High	Review of logical access controls	1/3/2022
		Clarification of documentation required to support changes	1/4/2022
		Review and cleanse Customer Masterfile	1/4/2022
		Develop a Process to review changes to customer Masterfile	1/4/2022
		Review feasibility of recording notes on individual customer records	30/6/2022
3. Regular management Information reporting on invoices raised, aged debt and credit notes is not taking place.	Medium	Define performance metrics and present periodically to management	30/6/2022
4. Uploading of supporting documentary evidence to BWO is not taking place consistently.	Low	Upload of supporting information for all transactions and changes	1/4/2022
5. Declaration of Interest forms are not completed by Finance Staff.	Low	Declarations of interest register for Finance, Commercial and Internal Audit	30/4/2022

Control design vs Operating effectiveness

The table below shows how many of the audit findings relate to issues in the design of controls (Control Design) and how many are as a result of controls not being applied effectively (Operating effectiveness).



6. Organisational implications

- 6.1 User access controls and granting of permissions for critical business systems requires review. A recent cyber security audit identified that whilst appropriate processes are in place for new starter network account provisioning and removing access for leavers, for any ad hoc changes made for staff that changed jobs/roles, there was no defined process for this area. As such their remains a risk of inappropriate access to systems.
- 6.2 The cyber security report did recommend the implementation of a standard process for the identification of staff who have changed jobs/role to ensure that account privileges are amended or removed as required.
- 6.3 While BWO Service Team are actively dealing with the user access issue in the AR system it would be beneficial to review access rights for BWO and other business systems across the organisation to ensure that this issue is not repeated elsewhere.
- 6.4 In addition to the above, there is a significant proportion of organisational funding that is not controlled through the AR process, meaning there can be inconsistencies over how funding received in advance is approved and accounted for. This risk is being addressed through a revised grant management processes and staff training.

7. Management Response

- 7.1 The 20-21 Accounts process and External Audit Completion Report recommendation identified two processes in place for raising sales invoices and credit notes across the organisation:
 1. Self-review and approval by inputter
 2. FIN11 invoice and credit note request processed by inputter with review and approval by a senior officer

This in turn, highlighted the absence of; segregation of duties, and internal controls.

In response to this we put an action plan in place to review the existing Accounts Receivable policies, processes, and procedures, with a resulting development plan to address the audit recommendations.

The review was strengthened by the Internal Audit of the Accounts Receivable process, which expanded on the External Audit Report recommendations.

The implementation of the restructured Finance team during 2021 and maximising the additional staff resources available, has supported the manual and financial system changes and improvements made in relation to the findings in this report (section 5) and the specific areas for improvement (section 9).

The full Management response to this report is included in the published version of the report.

ICT CYBER SECURITY



INTERNAL AUDIT REPORT

Cyber Security

FINAL

Based on the audit work performed, this audit has been classified as REASONABLE ASSURANCE.	REASONABLE ASSURANCE
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Reference: SIAS/2122-01

Draft Report Issued: 14 February 2022

Final Report Issued: 10 March 2022

Audit Sponsor: Phil Swan, Director, Digital

Lead Auditor: Salford Internal Audit Service

Circulation:

For Action

Phil Swan	Director, Digital
Paul Wilkinson	Digital Solutions Manager

For Information

Chair and Members of the Audit Committee
Chief Executives Management Team
External Auditors

EXECUTIVE SUMMARY

1. Background and Context

An Internal Audit has been undertaken on behalf of GMCA Internal Audit by Salford IT Audit Service. This Executive Summary document provides an overview of the audit, the findings and opinion of the audit. As different audit providers use different audit opinion rating scales, this document also maps the Salford results onto the GMCA rating scale to aid comparison across audit reports.

The National Institute of Technology (NIST) created the Cyber Security Framework (CSF) as a voluntary framework to provide organisations with guidance on how to prevent, detect, and respond to cyberattacks. The Framework is based on existing standards, guidelines, and practices for organisations to better manage and reduce cybersecurity risk. In addition to helping organisations manage and reduce risks, it was designed to foster risk and cybersecurity management communications amongst both internal and external organisational stakeholders. The framework is seen as a good practice framework to measure and monitor how organisations respond to cyber risks.

2. Audit objective and scope

The objective of the audit was to provide management with a gap analysis comparing current practices to the NIST Cyber Security Framework and to identify any areas for improvement.

The audit covered the following areas of the NIST Framework:

1. Identify: Asset Management, Governance, Business Environment, Risk Assessment, Risk Management Strategy, Supply Chain Risk Management
2. Protect: Identity Management, Authentication and Access Control, Awareness and Training, Data Security, Information Protection Processes and Procedures, Maintenance, Protective Technology
3. Detect: Anomalies and Events, Security Continuous Monitoring, Detection Processes
4. Respond: Response Planning, Analysis, Mitigation, Improvements
5. Recover: Recovery Planning and Improvements

3. Audit Opinion

The audit of GMCA's cyber security has identified key areas where controls could be improved in order to improve the level of maturity against the NIST cybersecurity framework. This includes the following:

- Documented policies and procedures (all areas)
- IT asset management (Identify)
- Access control (Protect)
- Data loss prevention (Protect)

- Back up (Protect)
- Security event detection, capture and analysis (Protect)
- Network integrity and protection (Protect)
- Disaster recovery (Recover)

The total number of recommendations (14) is indicative of the wide scope of the audit which covered 22 separate control areas. This includes five priority 1/essential recommendations, seven priority 2/important recommendations and two advisory recommendations.

SUBSTANTIAL ASSURANCE			REASONABLE ASSURANCE			LIMITED ASSURANCE		NO ASSURANCE	
10	9	8	7	6		4	3	2	1

The overall score reflects the assessed opinion over how well the risks are managed with the appropriate control measures in place. The opinion is based on the auditor's judgement and takes in to account the number of recommendations made, the priorities of the recommendations, the impact on the business area under review and the organisation as a whole. No scientific formulae can be applied as some areas/objectives may be considered to have a higher weighting factor over other areas / objective. Key risks that could have a critical impact on the organisation will automatically warrant a lower level assessment.

This activity has not been audited previously by Salford Internal Audit Service who would like to thank the ICT team for their co-operation and support in enabling the audit to take place.

Note from GMCA Head of Audit and Assurance: The audit report provided by the Salford IT Audit Service, reports by exception (i.e. only the areas for improvement) which is reflected in the wording of the opinion. For context, the audit considered 34 areas under the five objectives of the NIST Security Framework. Of those, 12 did not require any further action which indicated processes and controls in place were adequate. Those areas where improvements were identified are covered by the 14 recommendations.

4. Summary of Exceptions/Areas for Improvement

NIST Area	Recommendation	Priority	Target Date
Identify	R1. A full and complete inventory of all hardware and software should be maintained.	1	Q3/4 2022/23
	R2. Review and update of corporate policies to ensure they are up to date and of a consistent format.	2	Q3/4 2022/23
	R3. Records that the Information Security Vendor Requirements (ISVR) Policy has been applied should be retained	2	Q2 2022
Protect	R4. Implementation of standard process for updating user access for staff who mode roles	2	Q3/4 2022/23
	R5. Regular review of the specific users excluded in the conditional access settings	Advisory	Q3/4 2022/23
	R6. Review mechanisms to manage, monitor and prevent data loss.	1	Q3/4 2022/23

2

	R7. A GMCA-wide back up policy should be put in place	1	Q1/2 2022/23
	R8. The revised Technical Vulnerability Management Policy should be implemented once it has been approved.	2	Q2/3 2022/23
	R9. Remediate operating system vulnerabilities caused by use of unsupported operating systems	2	Q3/4 2022/23
	R10. The current anti-virus solution should be reviewed to ensure it is fit for purpose.	2	Q1/2 2022/23
	R11. All smart devices should be registered and managed on the Microsoft Intune system.	1	Q3/4 2022/23
	R12. GMCA should carry out a review/options exercise for the implementation of a Security Incident & Event Management (SIEM) mechanism/solution	2	Q3/4 2022/23
	R13. GMCA should consider implementing an always on VPN for remote working.	Advisory	Q2/3 2022/23
Respond	R14. IT disaster recovery arrangements should be fully documented and approved.	1	Q3/4 2022/23

5. Management Comment

(Paul Wilkinson, Digital Solutions Manager)

The findings shown in the audit report are, in my opinion, an accurate representation of the audit process that was carried out thoroughly and diligently by the Salford IT Audit Service.

Upon initial engagement with the Salford IT Audit Service, we were able to determine and agree an appropriate scope for the audit, recognising that the NIST framework is considerable in size.

This scope was focussed on several key areas of the framework and the resulting recommendations will form the basis of activities for the IT Security Programme over the next twelve months.

Reassuringly of the 14 recommendations provided in the report, 13 already featured on the GMCA Cyber Action Plan, which is a list of activities that underpin the IT Security Programme and record the status of each item.

Addressing these 14 recommendations will improve the Authority's Cyber Security posture and provide further assurance that the associated risks are being managed appropriately. However, it's worth noting that Digital Services' ability to implement the recommendations is based upon a mix of capacity and capability. In many cases financial investment will be required to provide the capability and other activities will need to be re-prioritised to provide the capacity. This could well be a challenge for GMCA and for the Digital Services' teams who are relatively small in numbers and experiencing a high demand from the organisation. With this in mind the timescales shown in relation to delivery of the recommendations are target dates with assumptions being made around the appropriate levels of capacity and capability.

Overall, and in conclusion, I believe this report to be a good representation of where GMCA are on their Cyber Security journey which is being managed and led by Digital Services, working closely with Information Governance and Audit and Assurance.

GMFRS CENTRAL STORES



INTERNAL AUDIT REPORT

GMFRS Stores Audit

FINAL

Based on the audit work performed, this audit has been classified as LIMITED ASSURANCE.	LIMITED ASSURANCE
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Reference: 2021/22Q2

Draft Report Issued: 14 January 2022

Final Report Issued: 12 April 2022

Audit Sponsor: Andrea Heffernan, Director of Corporate Support

Lead Auditor: Jessica Jordan

EXECUTIVE SUMMARY

1. Background and Context

- 1.1 GMFRS Stores facility is based at Leigh Technical Service Centre (LTSC) and is split into two main areas:
 - **Transport Stores** – designed to meet the needs of the Fleet Vehicle Management and Maintenance Team also based at LTSC through the provision of required vehicle parts, service supplies, etc.
 - **Main Warehouse Stores** – provides stock to meet the service delivery needs on stations including the provision of uniforms, cleaning equipment, fire extinguishers, and general maintenance, etc.
- 1.2 The Stores team are responsible for the ordering, management and distribution of stock that is held within the warehouse alongside the purchasing and distribution of items which due to high value / low turnover are only ordered as needed. Stock deliveries are made across the GMCA estate using three dedicated stores delivery vehicles.
- 1.3 The Stores Team report to the new Fleet and Logistics Manager and are line managed by the Stores and Logistics Manager with a full establishment of 10 staff.
- 1.4 This audit report provides the outcome of our work and assurance over the arrangements for the management, purchasing, control and distribution of GMFRS stores items.

2. Audit objective and scope

- 2.1 The objective of this audit was to provide assurance over the effectiveness of systems and processes for stores management. The scope of the audit examined the following control areas:
 - Adequacy of systems, policies, procedures, and processes for stores management.
 - Roles and responsibilities of stores staff.
 - Contract purchasing, management and monitoring.
 - Procedures for internal ordering, distribution, and recharging of stock items.
 - Stock control and security.

Limitations of scope

- 2.2 Our audit was limited to the activities undertaken by the Stores Team. The audit did not consider:
 - Direct purchasing decisions made by individual teams outside of this process,
 - Storage or security of stores items held by client teams outside of LTSC.
 - Our testing was performed on a sample basis and therefore does not give absolute assurance over the entire population of records.

- 2.3 Internal audit was also requested to consider specific issues relating to the effectiveness of the PPE Laundry, repair and maintenance contract following concerns over missing items of uniform. Our initial observations on this have been reported separately to this report.

3. Key Stores Metrics

	Main Warehouse			Transport Stores	Stores Total
	General	Operational Equipment	Uniform	Vehicle Parts	Total
Open Product Lines	412	564	1065	1617	3,658
No. of Stocked Items	64,808	34,070	19,900	28,951	147,729
Value of Stock held	£51,060	£148,845	£473,319	£180,519	£853,743

	2019	2020	2021 (to date)
Total No. of Orders	20,896	20,719	10,711
Total No. of Items Ordered	322,417	220,123	111,792
Total value of Orders	£ 1,183,616	£1,053,519	£681,775

A detailed breakdown is shown at appendix 1

4. Audit Opinion

- 4.1 We provide a **Limited Assurance opinion** over the controls in place for the operational management of GMFRS Stores. Three main areas that have contributed to this opinion are:
- The Stores facility operate a centralised delivery model and whilst the day to day running of Stores appears to meet station requirements for the supply of uniform, consumables and operational equipment, there has been no strategic review of the service to test this against other potential delivery models. It was not included as part of the scope for Programme for Change, and as such no recent review has taken place over the efficiency and effectiveness of the service including alignment of key service objectives, operational practices, or value for money. This is an area the new LTSC Management are keen to review.
 - There are some fundamental stock management controls that we would expect to be in place that are not operating, including full physical stock checks of the Warehouse to stock records.

- In relation to procurement and contract management, there is a lack of understanding and ownership over contract/non-contract spend and whether this represents value for money. Also, delegated authority and formal sign off for procurement decisions is not always clear.
 - We also noted areas for improvement in staff training and control of obsolete branded Uniform.
- 4.2 A previous audit report on LTSC vehicle fleet management and maintenance issued earlier this year made a series of recommendations on related issues around the value and efficiency of the service, performance management and contract governance arrangements. Those actions should be considered alongside the observations made in this report.



The scoring is based on the rating mechanism provided in Appendix 1

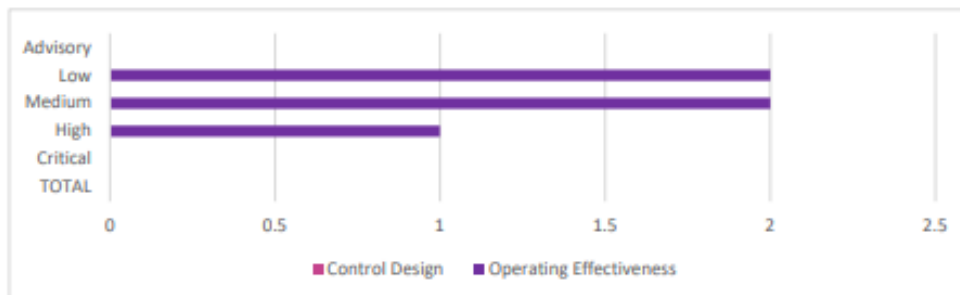
5. Summary of Findings and Agreed Actions

Finding	Risk rating	Action	Target Date
1. Stores Strategy and overarching management requires review.	High	Review of Fleet Delivery Model	TBC
2. Stock control procedures, and the security and access to Warehouse Stock needs to be strengthened.	Medium	Full stock takes to be undertaken	TBC
		Fleet and Logistics Manager to review stock take results going forward	TBC
		With BWO team functionality of current system will be reviewed for potential enhancements.	TBC
		With Access Control team, access control rights and processes for the Stores Warehouses will be reviewed.	TBC
3. Improvements are needed in procurement and contract management activity.	Medium	With Commercial team a full review of contracts and suppliers will be undertaken.	TBC
		Introduce reporting and monitoring of high spend areas including on and off contract spend.	TBC

		Ensure clear ownership and responsibility for contracts and supplier management	TBC
		Increase control over BWO supplier information to ensure accurate and up to date.	TBC
4. There is no formal training/CPD plans in place for the team.	Low	Individual staff training plans will be put in place relevant to roles.	TBC
5. The control and secure disposal of branded firefighter uniform to prevent potential misuse needs to be improved.	Low	Review of use and accuracy of individual uniform records in BWO	TBC
		Trial system to record uniform sent for destruction to determine workload and effectiveness.	TBC

Control design vs Operating effectiveness

The table below shows how many of the audit findings relate to issues in the design of controls (Control Design) and how many are as a result of controls not being applied effectively (Operating effectiveness).



6. Organisational implications

- 6.1 **Systems:** One of the key areas for development being considered by LTSC Management is the acquisition of bespoke fleet management software as a replacement for BWO as they believe the existing system does not meet their information needs or support their drive for greater operational efficiency. The scope of this work will consider workshop and stores requirements from a procurement and asset management perspective and how this integrates with existing BWO financial processes, which remains the GMCA Financial Management System.
- 6.2 **Supply Chain:** There is a risk of delay or increase in the cost of Uniform, consumables, and operational equipment due to supply chain disruption as a result of BREXIT and the Pandemic. This risk and planned mitigations are shown in the GMFRS Corporate Risk Register.

7. Management Response

- 7.1 *Management to include a brief response to the report to the report findings and actions.*