

GMCA Audit Committee

Date: 20th September 2023
Subject: Head of Internal Audit Annual Opinion 2022/23
Report of: Sarah Horseman, Deputy Director, Audit and Assurance

PURPOSE OF REPORT

This report has not changed since the version circulated to Members in July 2023

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 2023.

RECOMMENDATIONS:

Members are requested to consider and comment on the Head of Internal Audit Opinion 2022/23.

CONTACT OFFICERS:

Sarah Horseman - Deputy Director, 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 2022/23
- 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 2022/23

1. Introduction

1.1 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

2.1 The Head of Internal Audit opinion is substantially derived from the results of the risk-based audits contained within the Internal Audit Plan for 2022/23. 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;
- The results of any investigation work undertaken by Internal Audit;
- 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)

2.2 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. Overall Opinion

3.1.1 Based on the work undertaken by Internal Audit in respect of 2022/23 the opinion of the Head of Internal Audit is that **reasonable assurance** is provided on the overall adequacy and effectiveness of GMCA's framework of governance, risk management and internal control.

3.1.2 This opinion is based upon the findings of the audit work undertaken during the year as well as other sources of assurance that can be relied upon.

3.1.3 It is reflective of the continued progress made in relation to the evolving maturity of risk management arrangements in place within GMCA and in the continued development of the performance management framework, including the 2022/23 business plan and associated periodic reporting against milestones and metrics within it. Implementation of audit actions has also remained consistent throughout the year, averaging just below 80% over the year, against a target of 85%.

3.1.4 There were a number of limited assurance opinions issued during the year, but proportionately fewer than the previous year. Generally these were in relation to specific areas within the organisation that aren't necessarily an indicator of systemic failures of internal control, but rather isolated processes or activities where improvements are needed.

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

3.1.6 Internal Audit work has been carried out in line with the requirements of PSIAS. 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.

4. Basis of the Opinion

4.1. Corporate Governance

4.1.1 Through the internal audit work undertaken and review evidence to support the application of the governance framework, for 2022/23 it can be confirmed that the following are in place:

4.1.2 Governance and Scrutiny

- New Scrutiny arrangements were introduced in the year, this consists of one Overview and Scrutiny Committee where there had previously been three. Meetings were held each month with the exception of May 2023 (which was the local elections period), in public and recordings and papers made available on the GMCA website.
- The Police, Fire and Crime Panel is also in place, and met regularly, in public, throughout the year.
- A Standards Committee is in place and met in February 2023.
- The Audit Committee meets regularly, in public and all papers are also publicly available.
- Meeting papers and webcasts for GMCA, Committee and Scrutiny meetings are available on the GMCA website for a period of six months after the meeting date.
- Registers of key decisions (upcoming and made) for GMCA and GMTTC are available on the GMCA website

4.1.3 Policies and Codes

- GMCA has within its Constitution a Code of Conduct for both Officers and Members which set out the key expectations around personal behaviour and professional conduct.
- There are generally robust policies and procedures in place for gathering and collating declarations of interest from Members which are available on the GMCA website. Declarations of Interest is a standing agenda item at all Committee and Scrutiny meetings.
- GMCA's whistleblowing policy was reviewed in the financial year with minor amendments approved by the Standards Committee in February 2023.

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 report for 2022/23 is to be presented to the Audit Committee on 21st July 2023.

4.1.4 Objectives and Performance Measurement

- A number of strategies and plans are in place across GMCA which define outcomes and priorities. These include:
 - A refreshed Greater Manchester Strategy (GMS) which was published in 2021 and spans the 10 years to 2031. Desired outcomes and commitments are set out to achieve a greener, fairer and more prosperous Greater Manchester.
 - The Standing Together Plan 2022-2025 sets out the plan for policing and for addressing inequalities, fighting crime, and making the city-region safer. It sets out three priorities which are: keeping people safe and supporting victims; reducing harm and offending and strengthening communities and places
 - GMFRS Fire Plan sets out a number of priorities and commitments for GMFRS relating to emergency response, prevention, protection, value for money, culture and integration with partner agencies. An annual delivery plan was in place for 2022/23 with performance reported quarterly against the key performance indicators in the plan.
- Quarterly performance management metrics started to be reported to the Senior Leadership Team in 2021/22 and have continued throughout 2022/23. Delivery of business plan commitments is also monitored and reported.
- GMCA publishes quarterly information in line with 2.1 of the Local Government Transparency Code. Not all of the annual information required in section 2.2 of the Code was available on the GMCA website in 2022/23 (for example land and assets data and GMCA organisation chart)

4.2. Risk Management

4.2.1 The Deputy Director, Audit and Assurance has responsibility for the risk management framework for GMCA, supported by a part-time Corporate Risk Manager. It is clear within GMCA through the framework and the Internal Audit Charter that although development of the framework was undertaken by members of the Audit and Assurance team, 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).

4.2.2 The Risk Management Framework was developed by the Head of Audit and Assurance and approved by Audit Committee in November 2020. Roll out of the framework has continued in 2022/23, with continued progress made across directorates. GMCA Strategic Risks were fundamentally reviewed during the year by

the leadership team and aligned to the Corporate Plan priorities. Work continues to cascade this level of review and refresh down through the various layers of risks.

4.2.3 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.

4.3. Internal Control

4.3.1 The audit work undertaken during 2022/23 produced a mixed set of assurance opinions. In comparison to previous years, the proportion of limited assurance opinions has continued to decline, being 31% in 2022/23, compared to 36% in 2021/22.

4.3.2 All the grant work certification work undertaken by Internal Audit in 2022/23 provides assurance that the required controls are in place to ensure grant conditions are met.

4.3.3 Implementation of audit actions has been consistent during the year, maintaining the good performance that had been made by the end of the previous year.

4.4. Internal Audit work performed

4.4.1 The Internal Audit Plan for 2022/23 was presented to and approved by the Audit Committee in June 2022.

4.4.2 A summary of the internal audit reports issued in 2022/23 is provided here:

Assurance level	Governance	Risk	Internal Control
Substantial Assurance (0%) A sound framework of governance, risk management and/or internal control was found to be in place. Controls are designed effectively, operate consistently with no evidence of systemic control failures and no high or critical risk audit findings reported			
N/A			
Reasonable Assurance (56%) Generally an appropriate framework for governance, risk management and/or internal control was found to be in place and controls are operating but there are areas for improvement in terms of design and/or consistent execution of controls.			
Grant funding and management reporting	✓		✓
Public Sector Decarbonisation Grant Process			✓
Budgetary Control	✓	✓	✓
Treasury Management	✓		✓
GMCA Performance Management follow up	✓		✓
AEB - Provider Contract management			✓

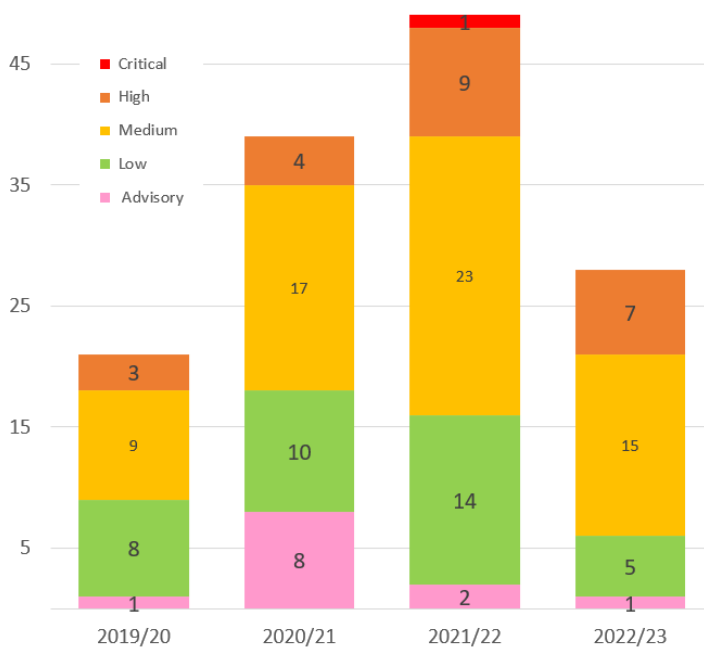
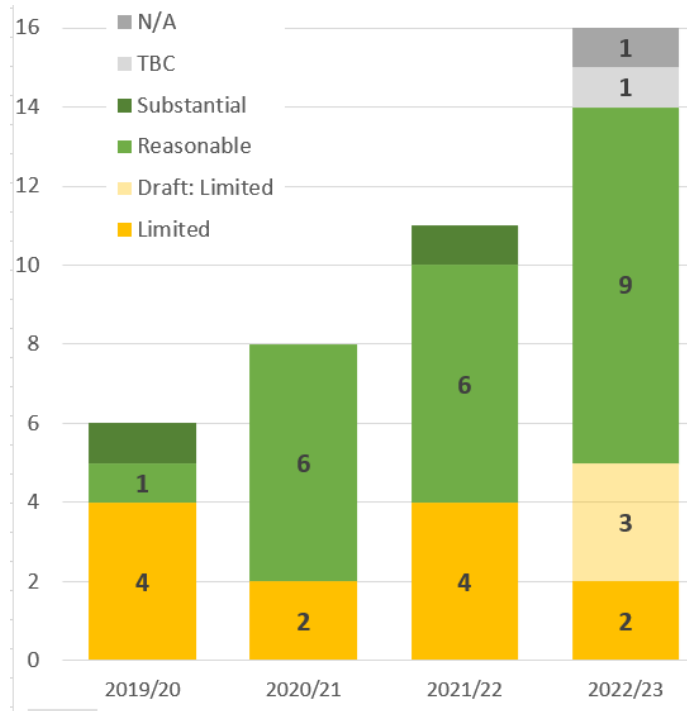
Supporting Families Framework			✓
Non-AR Income			✓
GM One Network Project			✓
Limited Assurance (31%) Significant improvements are required in the governance, risk management and/or control environment. A number of medium and/or high-risk exceptions were reported during the audit that need to be addressed. There is a direct risk that organisational objectives will not be achieved.			
GMFRS Maintenance and testing of operational equipment			✓
CCTV policy and practice*			✓
GM Road Safety Partnership*	✓		
Use of contractors and temporary staff*			✓
Waste Estates	✓	✓	✓
No Assurance (0%) The framework for governance, risk management or the system of internal control is ineffective or is absent. 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.			
N/A			
Advisory reports / Other (13%) An assurance opinion was not provided due to the nature of the engagement or where the audit has not yet been completed			
Safeguarding and DBS			✓
External Loans (Advisory)	✓		

*Reports in draft at the time of writing

Analysis of 2022/23 audit findings and audit opinions

There has been more internal audit work undertaken this year at GMCA than previous years.

The chart to the right shows the number of audit opinions issued along with the level of assurance they have provided.



Despite the greater amount of internal audit work undertaken in the year, there have been fewer audit findings than in previous years which could be representative of the continually improving control environment.

4.5. Grant certification work

A Summary of the grant certification work undertaken in 2021/22 is provided below:

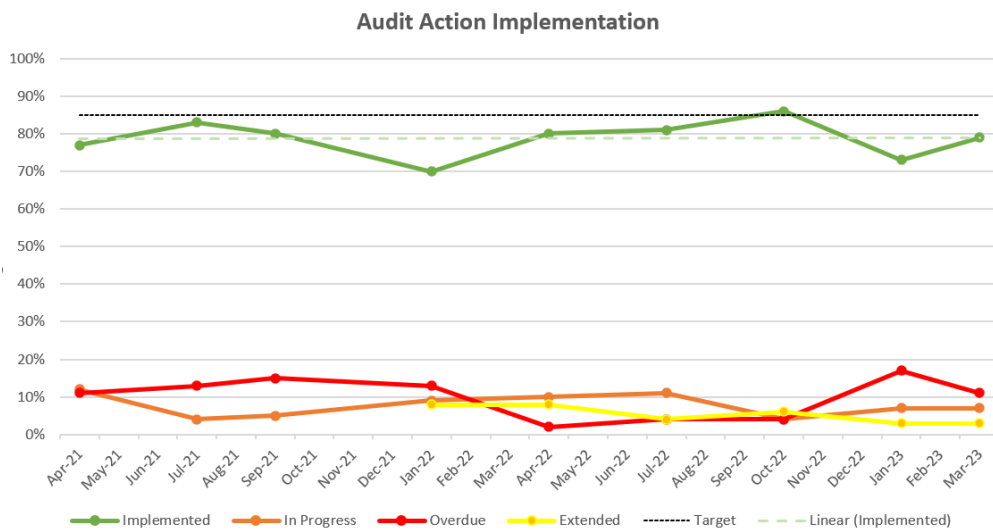
Grant	Amount certified (/grant amount)	Assurance level
BEIS Growth Hub Funding 2021/22	£0.8m	Positive
Peer Networks Grant – Annual Sign Off 2021/22 + March 22 claim	£0.6M	Positive
Public Sector Decarbonisation Scheme – Phase1 (Section 31) 31/3535	£78.2m	Positive
Local Transport Capital Block Funding (Pothole Fund) Specific Grant Determination (2021/22) (Section 31) 31/5506	£15.5m	Positive
Brownfield Housing Fund Grant 2021/22 (Section 31) /6020 & 5706	£49.2m	Positive
Local Transport Capital Block Funding (CITY DEALS FUND) 31/5675.	£22.3m	Positive
Green Homes Grant Phase 1b 31/5336	£4.8m	Positive
Green Homes Grant Phase 2 20/21 31/5337	£13.3m	Positive
NO2 Plan Implementation Fund 2019 Support for a Charging Clean Air Zone 31/3799	£36m	Positive
NO2 Plan Clean Air Fund Grant 2021 31/5480	£1.8m	Positive
NO2 Plan Clean Air Fund Grant 2021 31/5762	£3.2m	Positive

4.6. 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. Internal Audit track and validate the implementation of audit actions and report regularly on this to management and Audit Committee.

At the end of March 2023, the audit action implementation rate was 79% which is representative of the average implementation rate throughout the year. The target on time implementation rate is 85% so there is some scope for continued improvement. Internal Audit will continue to work with management to support further improvement. The chart below shows the performance of implementation of audit actions for the last two financial years, which apart from some seasonal variation typically at the end of each calendar year, shows consistent performance.



4.7. Effectiveness of Internal Audit during the period

An external quality assessment (EQA) of the Internal Audit Function was undertaken in 2021/22. The conclusion was that overall the service complies with PSIAS. Areas for improvement were identified and an action plan put in place to address those.

A further assessment of the effectiveness of the Internal Audit Function was undertaken in 2022/23 by the Deputy Director, 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
- Progress in implementing the actions arising from the EQA
- Implementation of Internal Audit recommendations

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

5. Other Sources of Assurance

5.1. Local Government Association (LGA) – Peer Review of GMCA

5.1.1 In late December 2022, the LGA undertook a peer review. Whilst this was not an inspection of GMCA that would provide a detailed assessment of the themes of the review it is nonetheless a really useful independent view of a number of aspects of the Authority. The review focused on:

- Local priorities and outcomes
- Organisation and place leadership
- Governance and culture
- Financial planning and management
- Capacity for improvement

5.1.2 Considering the scope of this Internal Audit Opinion, the themes of Governance and Financial Planning and Management are the most relevant. In those areas, excerpts from the LGA report are:

- “The governance model is well developed and is the result of many years of collaboration across the GM authorities. This has helped to effectively ‘knit’ together a diverse range of portfolios and projects; with a lot of informal collaboration supporting statutory and advisory boards. Whilst policy issues can be challenging and involve some tough decision making, politicians air differences of opinion which are worked through and behaviours are mature: there have not been any referrals to the CA’s Standards Board since the CA was created in 2017”.
- “There is a clear process of pre-budget challenge by members and officers. There is also evidence of mature relationships reflected in budget-setting, which includes agreement on the use of and refunding of some budgets”.
- “The overall approach to budget setting and challenge is positive”

A full copy of the report can be found here [LGA Corporate Peer Challenge Final Report 2021 \(greatermanchester-ca.gov.uk\)](https://www.greatermanchester-ca.gov.uk/reports-and-publications/lga-peer-review-report-2021)

5.2. Ofsted Inspection of GMFRS Apprenticeship Scheme

5.2.1 As an employer-provider, the GMCA is responsible for managing apprenticeship funding within the rules set, delivering training, supporting learners and maintaining quality. It is also required to be on the Register of Apprenticeship Training Providers which is maintained by the Education and Skills Funding Agency. This allows registered organisations to receive government funding to train apprentices.

- 5.2.2 Greater Manchester Combined Authority (GMCA) started its contract as an Apprenticeship Employer Provider in May 2017. As a newly set-up publicly funded Employer-Provider, GMCA was the subject of an Ofsted monitoring visit in October 2019 but in July 2022 a full Ofsted inspection took place. This was one of the first full inspections of a fire and rescue service in the UK.
- 5.2.3 At the time of the inspection, 195 apprentices were studying operational firefighting at Level 3. GMCA subcontracts the English and Mathematics functional skills tuition to another training provider. Apprentices complete a 16-week basic firefighting training programme at the fire and rescue training centres before they are posted to their watch at one of the 41 fire stations located across Greater Manchester.
- 5.2.4 The Inspection addressed the following areas:
- What is it like to be a learner with this provider?
 - What does the provider do well and what does it need to do better?
 - Safeguarding
 - What does the provider need to do to improve?
- 5.2.5 The overall outcome achieved by the service was Good. The specific outcomes were as follows:
- Quality of Education - Good
 - Personal Development - Outstanding
 - Behaviour & Attitude – Outstanding
 - Leadership and Management – Good
- 5.2.6 A full copy of the report can be found here [Greater Manchester Combined Authority - Open - Find an Inspection Report - Ofsted](#)

5.3. GMFRS - HMICFRS Inspections

- 5.3.1 Her Majesty's Inspectorate of Constabulary and Fire and Rescue Services (HMICFRS) undertook an assessment of GMFRS in 2021/22. The assessment examined "the service's effectiveness, efficiency and how well it looks after its people". The purpose of the assessment is to give the public information about how their local fire and rescue service is performing in several important areas and how it compares to other Fire and Rescue Services across England.
- 5.3.2 At the time, a Cause of Concern was raised for how GMFRS responds to and trains staff for marauding terrorist attacks (MTAs) however during 2022/23, this was formally closed by HMICFRS, recognizing the progress made by GMFRS in addressing the original recommendation.
- 5.3.3 The full inspection report and cause of concern closure letter can be found at: [Greater Manchester - HMICFRS \(justiceinspectrates.gov.uk\)](#) and [Greater Manchester Fire and Rescue Service: Cause of concern closure letter - His](#)

[Majesty's Inspectorate of Constabulary and Fire & Rescue Services
\(justiceinspectors.gov.uk\)](http://justiceinspectors.gov.uk)

6. Recommendations

6.1 Recommendations are set out at the front of the report.

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	There is a sound system of governance, risk management and internal control in place. Internal controls are designed to achieve objectives and the controls tested during the course of internal audit work were being consistently applied.	<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
Reasonable	<p>There is an established system of governance, risk management and internal control in place that is generally operating effectively. Some areas for improvement were identified.</p> <p>Internal Controls are generally operating effectively. Audit testing found some areas for improvement although not indicative of systemic failure in the control environment.</p>	<ul style="list-style-type: none"> • The number of internal audit reports rated as “Limited Assurance” does not outweigh those with “Reasonable”, “Substantial” Assurance • Assurance over systems of control that are pervasive across the organisation (for example corporate functions) was generally positive (ie reasonable or substantial assurance opinions). • Frameworks for governance and risk management are in place and generally operating effectively • 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

		<p>governance, risk management or internal control</p> <ul style="list-style-type: none"> • 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 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"> • There are significant gaps in the arrangements for governance and/or risk management or the arrangements had not been effectively executed during the year. • 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 design and/or operating effectiveness of 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.

<p>No Assurance</p>	<p>The arrangements for governance, risk management and internal control is generally weak, leaving the system open to significant error or abuse and/or 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. • Frameworks for governance and risk management are not in place • Audit actions are consistently not implemented in line with agreed timescales.
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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.