GMCA Audit Committee

Date: 15 November 2023

Subject: Internal Audit Progress Report

Report of: Sarah Horseman, Deputy Director 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 2023/24. It is also used as a mechanism to seek approval of changes to the internal audit plan.

RECOMMENDATIONS:

Audit Committee is requested to:
- Consider and comment on the Internal Audit progress report.
- Approve the changes to the Audit Plan (Appendix C)

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 annual plan for GMCA was presented to the Audit Committee in March 2023 and this set out the planned assurance activity to be conducted during 2023/24 based on our understanding of the organisation's strategic and operational risks.

1.2 There are separate audit plans 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 (Police and Crime).

1.3 The purpose of this progress report is to provide Members with an update against the GMCA Internal Audit Plan for 2023/24 and summary of final reports presented to Committee.

2 Progress against the Internal Audit Plan 2023/24.

2.1 Since the last meeting in September 2023, we have finalised and published one report from the 2023/24 plan.

Audit Report	Opinion
ICT/Digital – Threat and Vulnerability Assessment	Limited
This report provided a limited assurance opinion with 4 recommendations (2 high and 2 Medium). These consist of several individual actions and the Digital Services team are currently developing a remediation plan to address the risks and manage these actions. Full details on the outcome of this work will be reported to Audit Committee as a restricted item in January 2024 once a full assessment of the work has taken place. The review provided an assessment of the effectiveness of the control framework being exercised in relation to threat and vulnerability management with reference to cyber security guidelines and good practice as provided by the National Cyber Security Centre (NCSC) cyber essentials and requirements included in the Cyber Assurance Framework (CAF).	

2.2 There are several audits planned and underway and reasonable progress is being made by the team to deliver these. We continue to work with Management to review scheduled audit work and minimise the impact on Directorates where possible. Client availability and capacity to support audit work does continue to present some challenges in terms of completing work to agreed timescales. Some planned audit work has been deferred due to changing assurance needs and the reasons for this are contained in this report.

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

Planning Stage	
GMCA Business Continuity Planning	Following initial planning discussions with Management an agreement was reached to defer this audit to allow an internal review and strengthening of BCP arrangements within GMCA to be carried out. This work will be supported by the Resilience team that has been brought in-house in the year. Internal Audit will contribute to this review and provide a statement of assurance before the year end. **Proposal to defer full audit to 2024/25.**
ICT Critical System Review (External)	The scope of this audit was agreed in October 2023 and will provide a review of the Gartan Roster application which is categorised as a CF1 application and used by GMFRS for the crewing and mobilisation of firefighters. Fieldwork will commence at the end of November 2023.
Bus Franchise - Governance	Initial scoping discussions have taken place to understand the high-level governance structure which oversees the operation of the Bus franchise scheme and understanding GMCA responsibilities in areas of budgetary control, asset management and contract management. Work will take place later in the year to allow the drafting of a formal written protocol in line with the Bus Franchising agreement.
Trailblazer Readiness	Planning discussions have taken place on understanding the approach being taken to preparing for the Trailblazer Devolution Deal which and in particular the single settlement which will come into force 25/26. Alongside trailblazer commitments in individual policy areas. Assurance continues to be sought through regular engagement sessions and involvement in senior leadership workstreams.
Estates Management	An initial scoping oping discussion has taken place. A Management workstream review of the Estates function is being carried out and we will seek assurance from this report which is due in November. In the meantime, Internal Audit has agreed to conduct some assurance work over the strategic gateway process which supports the GMFRS transformation programme.

Fieldwork Stage	
PAM Occupational Health Contract – effectiveness	Fieldwork commenced on this audit which aims to provide assurance over the effectiveness of the contract and service.
Payroll Compliance	Fieldwork is ongoing on this audit to provide assurance over payroll controls and processes.
GM Waste Fleet Assets	Fieldwork has commenced with on-site visits to the Contractor Suez during October.
Freedom of Information Act (FOIA) and Subject Access Requests (SAR)	This is new planned work to review the arrangements for responding to FOIA requests considering recent high profile data breach cases. Terms of reference has been agreed with fieldwork to commence in early November.
Anti-Money Laundering Policy review	A review and update of the AML policy and procedures is underway.

Reporting Stage	
Brownfield Housing Fund Grant 2022/23 (Section 31/6408)	Letter of certification completed, and Internal Position Statement over Grant Fund Usage (DRAFT) issued to Management – awaiting sign off.
GMFRS Station Standards Framework	Fieldwork is completed with ten Station visits and a draft audit report is being prepared.
Purchase Cards - Compliance	This is new proactive work to examine Pcard compliance. Fieldwork is complete and draft audit report being prepared.

2.3 **Grant Certifications –** There have been no grants requiring certification during this period.

Details of our progress in respect of the 2023/24 Audit Plan is shown in **Appendix B.**

3 Changes to the Internal Audit Plan

3.1 In line with the Internal Audit Charter, any significant changes to the approved Internal Audit Plan must be approved by the Audit Committee.

3.2 Following initial scoping discussions, we are proposing three changes to the plan this quarter. These are:

- Defer full audit of Business Continuity Planning until early 2024/25 to allow for an internal review by the recently in-housed Resilience Team. Internal Audit will determine and produce a position statement in the current financial year which will contribute to the Head of Internal Audit Opinion.
- Defer Supporting Families Audit to 24/25 as the last audit was completed in May 2023. This will be pending agreement by funding body.
- Add to the plan a series of short compliance audits of key financial processes, including Purchase Card Transactions, Expenses, Gifts and Hospitality etc to be taken in between "full" audits of those systems and processes to ensure ongoing compliance with policies.

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

4 Other Activities

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

4.2 **Whistleblowing and Counter Fraud Activities** – No whistleblowing reports have been received since the last update to Audit Committee. One previously reported case remains under investigation.

4.3 **Anti-fraud Training** – A new suite of online training is set to go live in early November with three training packages rolled out to staff covering general fraud awareness, Anti-bribery, and Anti-money laundering requirements.

4.4 **Anti-fraud Policy** – The GMCA Anti-Money Laundering policy and procedures are being updated to ensure these meet the latest regulatory requirements and to assess the level of risk in key activities.

4.5 **Senior Leadership Team Engagement** – The Assistant Director Audit and Assurance has recently joined the SLT, and we continue to hold quarterly engagement discussions with individual Service Directors to understand emerging risks/issues and to help inform future audit planning.

Appendix A - Summary of Internal Audit Reports issued 2023/24

The table below provides a summary of the internal audit work completed. This will inform the annual Internal Audit opinion for the year 2023/24.

Audit	Assurance Level	Audit Findings					Coverage		
		Critical	High	Medium	Low	Advisory	GMCA	GMFRS	Waste
Brownfield Housing Fund Grant	N/A – Internal Position Statement Only	We made no recommendations in this audit.					✓		
ICT – Threat and Vulnerability Assessment	Limited	-	2	2	-	-	✓	✓	✓

Grant Certifications				
BEIS Growth Hub Funding 2022/23		Positive	✓	
Brownfield Housing Fund Grant 2022/23		Positive	✓	
Local Energy Market: Period October 2021 – March 2023		Positive	✓	
Made Smarter Adoption NW 2022-25		Positive	✓	
GMCA Innovator Accelerator Seedcorn Funding 2022/23		Positive	✓	
LAEP to Net Zero £19k 2022/23		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	- 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	- 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	- 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	- 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 2023/24

The table below shows progress made in delivery of the 2022/23 Internal Audit Plan.

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

Directorate	Audit Area	Audit	Timing	Plan Days	Planning	Fieldwork	Draft Report	Final Report	Audit Committee	Comments
GMFRS	Service Support	Occupational Health Contract	Q1	20	●	◔	○	○		Fieldwork
GMFRS	Front Line Delivery	Station Standards Framework	Q2	30	●	●	◔	○		Draft Report Stage
GMFRS	Front Line Delivery	Operational Assurance and Organisational Learning Frameworks	Q2	10	◔	○	○	○		Preliminary discussions held
GMFRS	TBC	Block	Q4	30	○	○	○	○		Scope to be agreed in year
Corporate Services	People Services	Payroll	Q2	30	●	◔	○	○		Fieldwork

Directorate	Audit Area	Audit	Timing	Plan Days	Planning	Fieldwork	Draft Report	Final Report	Audit Committee	Comments
Corporate Services	Waste and Recycling	Fleet Assets – Maintenance	Q2	30	●	◉	○	○		Fieldwork
Cross Cutting	Governance	Business Continuity Planning	Q2	20	◉	○	○	○		Full Audit Postponed until 2024/25
Corporate Services	Finance	Purchase Card Compliance	Q3	5	●	●	●			Draft Report Stage
Corporate Services	Finance	Corporate Recharge Model	Q3	20	○	○	○	○		Rescheduled until Q4
Corporate Services	People Services	Recruitment and Attraction	Q4	30	○	○	○	○		Q4 - Not Started
Education, Work and Skills	Adult Education Budget	Performance Management	Q4	30	○	○	○	○		Q4 - Not Started
Corporate Services	ICT/Digital	Threat and Vulnerability Assessment (External)	Q2	5	●	●	●	●	November 2023	Delivered by Mersey Internal Audit Agency

Directorate	Audit Area	Audit	Timing	Plan Days	Planning	Fieldwork	Draft Report	Final Report	Audit Committee	Comments
Corporate Services	ICT/Digital	Critical Business System (External)	Q3	5	●	◉	○	○		Fieldwork
Corporate Services	ICT/Digital	IT Asset Management	Q4	5	○	○	○	○		Defer to 2024/25
Mayoral Priorities	Governance/ Assets	Bus Franchising	Q3	20	◉	○	○	○		Preliminary Discussions held Defer to Q4
Environment	Low Carbon	Net Zero achievement	Q3	20	○	○	○	○		Not Started
Place	Land and Property	Estates Management	Q3	30	◉	○	○	○		Preliminary Discussions held
Policy and Strategy	Governance	Trailblazer Programme Readiness	Q3	30	◉	○	○	○		Preliminary Discussions held
Public Sector Reform	Compliance	Supporting Families Programme	Q4	10	○	○	○	○		Defer to 2024/25

Directorate	Audit Area	Audit	Timing	Plan Days	Planning	Fieldwork	Draft Report	Final Report	Audit Committee	Comments
Cross Cutting	Programme and Project Mgt.	GMFRS Capital Programme	Q4	30	○	○	○	○		Not Started
Corporate Services	Grants	Mandatory Grant Certifications	Q1-Q4	60	◉	◉	◉	◉		As required.
Corporate Services	Grants	BEIS Growth Hub Funding 2022/23	Q1	-	●	●	●	●	September 2023	Completed
Corporate Services	Grants	Local Energy Market: Period October 2021 – March 2023	Q1	-	●	●	●	●	September 2023	Completed
Corporate Services	Grants	Brownfield Housing Grant	Q1	-	●	●	●			Completed - Awaiting Sign off
Corporate Services	Grants	Made Smarter Adoption NW 2022-25	Q2	-	●	●	●	●	September 2023	Completed
Corporate Services	Grants	GMCA Innovator Accelerator Seedcorn Funding 2022/23	Q2	-	●	●	●	●	September 2023	Completed

Directorate	Audit Area	Audit	Timing	Plan Days	Planning	Fieldwork	Draft Report	Final Report	Audit Committee	Comments
Corporate Services	Grants	LAEP to Net Zero £19k 2022/23	Q2	-	●	●	●	●	September 2023	Completed
	Total Plan Days			490						

Other Audit Activity		Quarter
Information Governance	Deputy Director of Audit and Assurance is a member of the Information Governance (IG) Board and the Serious Information Governance Incident (SIGI) Panel. Ongoing advice, and oversight of IG risks is undertaken through these forums.	All
Audit action tracking	Internal audit monitor and report on a quarterly basis the implementation of agreed audit actions.	All
Counter Fraud Activity	Maintenance of counter fraud policies, training and organisational awareness as well as response to reports of fraud.	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	N/A

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 March 2023.

There are no planned changes to the audit plan this time.

Audit Area	Audit	Days	Change requested	Rationale	Approved by Audit Committee
Corporate Services: Procurement and Commercial	Social Value Model Subsidy Control Act	40	Deprioritise	Assessed as medium risk, given available resources, focus on audits in high-risk areas.	Sept 2023
Corporate Services: Finance	BWO access rights	20	Deprioritise	Revised IT Audit Plan based on assessment from new IT Audit Provider.	Sept 2023
Corporate Services: Information Governance	Information Governance Processes	20	Deprioritise	IG is a shared service with TfGM. An IG audit was undertaken at TfGM in 2022/23 which covers the same team, processes and controls. The findings around the control design would therefore be similar. Actions from that audit will be applied to GMCA as well as TfGM and monitored through IG Board – where IA is represented to monitor progress of actions.	Sept 2023
Waste	Behavioural Change and	20	Deprioritise	Audit of Waste Fleet Assets included in the audit plan, propose to deprioritise this audit for this year to be reconsidered in future plans.	Sept 2023

Audit Area	Audit	Days	Change requested	Rationale	Approved by Audit Committee
	Communication Plan				
Economy and Strategy	Shared Prosperity Fund	20	Deprioritise	Focus for this plan will be on Trailblazer preparedness.	Sept 2023
Information Governance	Freedom of Information and Subject Access Request Processes	15	Addition	In response to recent high profile data breaches in other organisations.	Sept 2023
ICT/Digital	IT Asset Management	5	Defer	Digital Service are unable to support this audit at present due to capacity and resourcing issues.	Sept 2023
Governance	Business Continuity Planning	20	Defer	Request from Management to defer until April 2024 to allow a full internal review of BC policies, systems and processes to take place.	
Public Sector Reform	Supporting Families Framework	10	Defer	The previous audit was completed in May 2023, as such we propose to defer until 2024/25, however this is dependent on expectations from Government that we undertake work in Q4.	
Finance	Continuous Auditing	20	Addition	A series of proactive transactional based audits	