GMCA Audit Committee

Date: 24 January 2024

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 any changes to the Audit Plan (Appendix C)

CONTACT OFFICERS:

Sarah Horseman, Deputy Director of Audit and Assurance, GMCA
sarah.horseman@greatermanchester-ca.gov.uk

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 November 2023, we have finalised and published three reports from the 2023/24 plan. The Executive Summaries from these reports are shown at Appendix D.

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 have developed a remediation plan to address the key risks and manage and track these actions. The outcome of this work will be presented to Audit Committee as a restricted item in January 2024.	

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).

Purchase Card Compliance	Broadly Compliant

This audit is part of a series of short compliance based transactional audits on core financial processes. Our sample testing of cardholder transactions demonstrated a broad level of compliance, with 80% of transactions supported by a valid receipt, with no evidence of fraud or misuse.

The key area for improvement remained the timeliness of cardholder processing and line manager approvals within BWO.

GMFRS Station Standards Framework	**Reasonable**

This report provided a reasonable assurance opinion over the effectiveness of the Station Standards Framework and general compliance with the standards set. The framework was found to be accessible and there is good awareness amongst staff of the requirements of the framework. There are processes in place to measure individual on-station performance against the standards framework and to collate this information to provide an organisational view of performance across all stations. We did note some areas of non-conformance and areas for improvement in the reporting on compliance which will assist with the ability to evidence consistent usage across all stations and to meet HMICFRS inspection requirements around the three pillars of effectiveness, efficiency, and people.

2.2 There are several audits at the fieldwork and draft reporting stage, and we remain on track to deliver these by the end of April 2024. We continue to flex the plan to take account of changing assurance needs and staff capacity.

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

Planning Stage	
Net Zero Achievement	Initial scoping discussions have taken place. The audit objective is to provide assurance over GMCAs arrangements in place to support the delivery of the regional carbon neutrality target by 2038, and its own internal organizational carbon reduction targets and ability to evidence progress made.
Estates Management	An initial scoping discussion has taken place and Internal Audit has agreed to conduct assurance work over the strategic gateway process which supports the GMFRS transformation programme.

Fieldwork Stage	
Corporate Recharge Model	This audit aims to provide assurance over the methodology for applying costs under the internal Corporate Recharge Model for Corporate Services function including HR, Finance and Digital.
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.
Payroll Compliance	This report is at the Draft report stage and will be finalised in January 2024.
Occupational Health Contract – effectiveness	This report is at the Draft report stage and will be finalised in January 2024.
GM Waste Fleet Assets	This report is at the Draft report stage and will be finalised in January 2024.
Freedom of Information Act (FOIA) and Subject Access Requests (SAR)	This report is at the Draft report stage and will be finalised in January 2024.
ICT Critical System Review - Gartan Roster (External)	This report is at the Draft report stage and will be finalised in January 2024.

2.4 **Grant Certifications –** One grant was certified during the period**.**

LEAD (Local Energy Advice Demonstrator Grant) £60k. A further quarterly claim is due to be certified in January.

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   Since the last meeting there are no further change to the plan, however this will be kept under review.

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   Resourcing

4.1   We are recruiting a new Principal Auditor following the resignation of the current post holder. The advert was placed in December with a closing date at the end of January 2024.

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   **Whistleblowing and Counter Fraud Activities** – Two new whistleblowing reports have been received since the last update to Audit Committee and are being tracked by Internal Audit.

5.3   **Anti-fraud Training** – A new suite of online training went live in November with three training packages rolled out to an agreed cohort of staff, which includes Senior

Leadership Teams, Extended Leadership Team, Station Managers and Finance and Commercial staff. These cover general fraud awareness, Anti-bribery, and Anti-money laundering requirements.

5.4 **Investment Zone Planning** – We have supported on the completion of a risk assessment with the team ahead of the final gateway 5 process and release of funding for 2024/25.

5.5 **GMCA Business Continuity Planning** – Priority work is underway to strengthen the BCP process and this will begin in January 2024 supported by the Resilience Team. Ahead of this, a focused piece of work has commenced on ICT BCP arrangements to allow greater understanding of critical IT business systems/solutions in use and to allow appropriate disaster recovery testing to take place, aligned to several IT focussed business continuity scenarios.

5.6 **Senior Leadership Team Engagement** – The Deputy Director, Audit and Assurance has joined the SLT, and we continue to hold regular engagement discussions with Directors to understand emerging risks/issues and to help inform future audit planning.

6. **Recommendation**

6.1 The recommendation is set out at the front of the report.

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	-	-	✓	✓	✓
Purchase Card Compliance	Broadly Compliant	We made advisory actions only in this audit.					✓	✓	
GMFRS Station Standards Framework	Reasonable	-	-	4	-	-		✓	
Payroll Compliance (draft)	Substantial	-	-	1	-	-	✓	✓	✓

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	✓		
LEAD to Net Zero £60k	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 Internal Audit Plan.

Directorate	Audit Area	Audit	Timing	Plan Days	Status	Audit Committee
GMFRS	Service Support	Occupational Health Contract	Q1	20	Draft Report	
GMFRS	Service Delivery	Station Standards Framework	Q2	30	Completed	January 2024
GMFRS	Service Delivery	Operational Assurance and Organisational Learning Frameworks	Q2	10	Ongoing engagement and support	
Corporate Services	People Services	Payroll Compliance	Q2	30	Draft Report	
Corporate Services	Waste and Recycling	Fleet Assets – Maintenance	Q2	30	Draft Report	
Cross Cutting	Governance	Business Continuity Planning	Q2	20	Full Audit Postponed until 2024/25	
Corporate Services	Finance	Purchase Card Compliance	Q3	5	Completed	January 2024
Corporate Services	Finance	Corporate Recharge Model	Q3	20	Fieldwork	

Directorate	Audit Area	Audit	Timing	Plan Days	Status	Audit Committee
Corporate Services	People Services	Recruitment and Attraction	Q4	30	Planned for Q4	
Education, Work and Skills	Adult Education Budget	Performance Management	Q4	30	Fieldwork to commence in Q4	
Corporate Services	ICT/Digital	Threat and Vulnerability Assessment (External)	Q2	5	Completed	November 2023
Corporate Services	ICT/Digital	Critical Business System – Gartan Roster (External)	Q3	5	Draft Report	
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 2024/25	
Environment	Low Carbon	Net Zero achievement	Q3	20	Fieldwork to commence in Q4	
Place	Land and Property	Estates Management	Q3	30	Fieldwork to commence in Q4	
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	Status	Audit Committee
Grant Certifications				60		
Corporate Services	BEIS Growth Hub Funding 2022/23		Q1	-	Completed	September 2023
Corporate Services	Local Energy Market: Period October 2021 – March 2023		Q1	-	Completed	September 2023
Corporate Services	Brownfield Housing Grant		Q1	-	Completed - Awaiting Sign off	
Corporate Services	Made Smarter Adoption NW 2022-25		Q2	-	Completed	September 2023
Corporate Services	GMCA Innovator Accelerator Seedcorn Funding 2022/23		Q2	-	Completed	September 2023
Corporate Services	LAEP to Net Zero £19k 2022/23		Q2	-	Completed	September 2023
Corporate Services	LEAD to Net Zero £60k		Q3	-	Completed	January 2024
	Total Plan Days			410		

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.	Nov 2023
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.	Nov 2023
Finance	Continuous Auditing	20	Addition	A series of proactive transactional based audits	Nov 2023

Appendix D – Executive Summaries

GMFRS Station Standards Framework

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Internal Audit Report

GMFRS Station Standards Framework

FINAL

Issue Date   10 January 2024

Audit Team	
Sarah Horseman	Deputy Director Audit and Assurance
Damian Jarvis	Head of Internal Audit
Jessica Jordan	Principal Auditor

Report Distribution	
For Action	
Sarah Natress	ACFO, Director of Service Delivery
Paula Lyons	Area Manager, Frontline Service Delivery
David Minto	Borough Manager Manchester
Steve Jordan	Group Manager Organisational Learning & Ops Assurance
Carl Mitchell	Service Delivery Support Station Manager
Steven Forster	Station Manager, Organisational Learning & Ops Assurance
Nic Mayor	BCM Resilience and Planning Officer
For Information	
Audit Committee - **Executive Summary Only**	
Eamonn Boylan	Chief Executive
Dave Russel	Chief Fire Officer
Ben Norman	Deputy Chief Fire Officer
Steve Wilson	GMCA Treasurer
Gillian Duckworth	GMCA Solicitor and Monitoring Officer
Natasha Brayne	Head of Health Safety Fitness and Organisational Learning
Dave Wilson	HMICFRS Liaison Officer
Mazars	**External Auditor**

1. EXECUTIVE SUMMARY

AUDIT OBJECTIVE

The audit objective was to provide assurance over the effectiveness of the Station Standards framework, its usage, and the management and monitoring of operational compliance.

KEY RISKS IF CONTROLS ARE NOT IN PLACE AND/OR OPERATING

There are no recorded risks on the GMFRS Corporate Risk Register which relate to the area under review, however the following organisational risks are applicable to this area of activity and are considered as part of this audit:

- The service does not meet required standards set out by HMICFRS.
- The service is unable to meet its operational obligations.

ASSURANCE LEVEL

REASONABLE ASSURANCE

AUDIT FINDINGS

Critical	High	Medium	Low	Advisory	Total
		4			4

BASIS OF AUDIT OPINION

This is based on the scoring mechanism outlined in **Section 5 & 6** of this report.

AUDIT OPINION AND SUMMARY CONCLUSION

We provide a **Reasonable Assurance opinion** over the effectiveness of the Station Standards Framework and general compliance with the standards set. The framework is accessible and there is good awareness amongst staff of the requirements of the framework. There are processes in place to measure individual on-station performance against the standards framework and to collate this information to provide an organisational view of performance across all stations. We did note some areas of non-conformance and areas for improvement in the reporting on compliance which will assist with the ability to evidence consistent usage across all stations and to meet HMICFRS inspection requirements around the three pillars of effectiveness, efficiency, and people.

We visited ten stations (**Appendix 1**) to review and test the approach to using the framework and how they evidence compliance and the results of this. Our analysis is summarised below.

2

AREAS OF GOOD PRACTICE

Several areas of good practice were identified during our audit. These included:

- There is good awareness of the standards across all staff on stations including their ability to access the framework and the associated documents.
- Station Managers complete annual station audits to provide a view of standards compliance. Around 20% of these (2 per quarter) are independently verified by the Operational Assurance Team to provide consistency across the service.
- The production of quarterly reports which provide a wider organisation view on compliance with station standards and highlight potential areas for improvement.
- Our Station visits demonstrated that most standards were being met. Examples included:
  - Store cupboards are kept locked, and these were well organised and appropriately stocked.
  - Locker rooms were generally clean and tidy with personal items stored in lockers or stored neatly.
  - Stations were secure at the time of the visits and there were no obvious methods for unauthorised entry observed.
  - Fire risk assessments were in place and up to date at all stations and fire logbooks were being completed.
  - OPS5 records were being completed, as were driver's checklists and B routines.
  - Activities conducted on station at the time of the visits reflected records in the Work Routine Planners (WRP).

AREAS FOR IMPROVEMENT

The main identified areas for improvement related to the following:

- The station standards framework is a collation of organisational policy, procedures, and operational practices, as such ownership of these is corporate wide. This presents challenges in ensuring the contents of the framework remains accurate and links accessible. There is also no process for reviewing the addition of new standards or removal of obsolete standards from the framework to ensure it accurately reflects current expectations.
- Station Managers complete station audits annually; however, the programme does not reflect the entirety of the framework. The grading of individual elements does not promote going beyond simply meeting the standard. Action plans are not required for elements categorised as 'requires improvement' which may impact on future achievement of standards.
- Quarterly and annual reports prepared by the Service Delivery Support Team provide a consolidation of the results from the annual station audits. However, these reports do not consider wider organisational information which may provide greater context around those results. The reports do reflect where action plans are put in place to drive improvements in compliance but not whether these plans are completed in line with target dates.

- Use of the Active Monitoring System (AMS) across stations was inconsistent making it difficult to compare information across stations or between watches. In some instances, this led to the system being used as a 'tick box' exercise rather than an accurate record of activities undertaken.
- Our station visits identified some non-conformance issues, and these are shown at **Section 3.**

4

2.	SUMMARY OF AGREED ACTIONS

Finding	Risk Rating	Action	Target Date
1 Review and update of the Station Standards Framework to ensure this remains current.	MEDIUM	• Periodically review and update the framework, to ensure that its contents reflect the latest organisational and operational policy, procedures, and practices. • Complete pages which are under development and review the process for fixing broken links which will improve overall user experience. • To consider how wider organisational learning and information can be incorporated into the quarterly performance monitoring reports.	31/3/2024
2 Improvements required to station audit process, action plan monitoring and AMS system.	MEDIUM	• Ensuring the annual audit programme aligns with all elements of the station standard framework and review the grading criteria to incentivise performance above acceptable minimum standard. • Review the suitability and functionality of the AMS system to ensure it is fit for purpose. • Develop a process to monitor the completion of action plans and include in the quarterly monitoring report.	31/3/2024 30/6/2024 30/6/2024
3 Lack of consistency and awareness by Station Staff of some standards.	MEDIUM	• Clarify and communicate with station staff the expected standards and processes for the areas identified.	31/3/2024
4 Efficiency improvements and changes to reflect operational practice were identified for some standards.	MEDIUM	• To review and address identified issues and areas for improvement.	30/6/2024

5

23

AUDIT SPONSOR COMMENTS
While the audit has determined a reasonable level of assurance, it is recognised there are areas for improvement and continual development of the Station Standards Framework. The service is continually changing, and to ensure the framework stays current, is flexible, and can adapt to the changing needs, it is important to address the areas identified, but also maintain areas of good practice. Due to the breadth of interdependencies, actions taken will need support from several Directorates, in particular the updating of policies and procedures and associated links. It should also be noted that while corrective actions can be put in place, the evaluation of their implementation and effectiveness will fall outside the scope of action timelines. It should further be recognised that presently Service Delivery Support is under resourced which may further impact on completion by target dates. Paula Lyons – Area Manager, Frontline Service Delivery

This audit has been undertaken in conformance with Public Sector Internal Audit Standards

PURCHASE CARD COMPLIANCE

GMCA GREATER MANCHESTER COMBINED AUTHORITY

Internal Audit Report

Purchase Cards - Compliance

FINAL

Issue Date   21 December 2023

Audit Team	
Sarah Horseman	Deputy Director Audit and Assurance
Damian Jarvis	Head of Internal Audit
Stuart Richardson	Principal Auditor

Report Distribution	
For Action	
Sam Pickles	Head of Commercial Services
Victoria Gilding	Procurement Support
For Information	
Audit Committee - **Executive Summary Only**	
Steve Wilson	GMCA Treasurer
Eamonn Boylan	Chief Executive
Dave Russel	Chief Fire Officer
Ben Norman	Deputy Chief Fire Officer
Andrea Heffernan	Director of Corporate Support, GMFRS
Gillian Duckworth	GMCA Solicitor and Monitoring Officer
Mazars	**External Auditor**

GMCA GREATER MANCHESTER COMBINED AUTHORITY

INTRODUCTION

As part of the Internal Audit plan for 2023/24, we agreed to undertake a series of transactional audits on core financial processes to assess compliance with GMCA standing orders, financial regulations, and contract procedure rules. These audits will examine key controls in areas such as accounts payable, accounts receivable, payroll, procurement, and contract management.

Area of Review	Compliance with Purchase Cards Policy
System	Business World On!
Previous Full Audit Date and Opinion	11/01/2019
Previous Compliance Audit and Opinion	N/A- First Compliance Audit for this area

BACKGROUND AND CONTEXT

Our last full audit of purchase cards was completed in 2019 financial year. This report provided a **Limited Assurance opinion** and identified the following key areas for improvement:

- Timeliness of completion of processing and approvals.
- Structure of approvals within BWO.
- Evidence attached to approved claims.

There is a Purchase Card Policy in place, which was introduced in April 2019 and most recently updated in November 2021. This includes guidance on usage and administration of purchase cards.

AUDIT OBJECTIVE

The objective of this audit was to undertake testing on transactions to assess compliance with corporate policies and procedures.

Limitations:

This is not a full system audit and as such does not include review of the whole system or assess value for money.

Our sample testing does not provide assurance over the entire population.

SUMMARY CONCLUSION

Broadly Compliant – Some areas for improvement	Our sample testing demonstrated a broad level of compliance, with 80% of transactions supported by a valid receipt, with no evidence of fraud or misuse.
	Whilst this shows an improved position compared to 2019, this is above the typical monthly compliance rate which is between 50-70%. As such, fraud or error may go undetected and remains a risk.
	The key area for improvement remains the timeliness of cardholder processing and line manager approvals within BWO.

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KEY SYSTEM METRICS & SAMPLING INFORMATION

Period Examined	From: 26/09/2022	To: 25/09/2023
Data Source	Historical Line Manager transactions with a completed date after 01/04/2023 from the Weekly Outstanding Purchase Card Transaction List exported from BWO by Internal Audit.	
Sample Size	Sample	Population
Transactions	15	280
Value (£)	£5,772	£37,394.77

Data Point	As at 25/09/2023	
Number of Active Cardholders	200+ Most cardholders are GMFRS staff	N/A
Number of Outstanding Transactions (with Cardholder)	101	£15,57.01
Outstanding Transactions (with Line Manager)	64	£6,948.78
Monthly Spend	Average monthly spend is £30k	N/A

KEY CONTROL TESTING

CONTROL	FINDINGS	Compliance Level Rating
Transactions are supported by valid receipt/invoice uploaded into BWO.	The purchase card policy states that all purchase card transactions should be supported by an appropriate VAT receipt that evidences the details of the transaction. Failure to comply with this policy can result in the cardholder's card being suspended or removed, in accordance with the 'three-strike' policy outlined in the purchase card policy. We found **12/15 (80%)** of transactions in our sample had supporting documentation uploaded in BWO. We subsequently verified 2 transactions with cardholders, with 1 transaction unable to be verified as no response was received from the cardholder during the audit. Wider assurance received from monthly testing completed by the Commercial Team indicated that compliance generally varies between 50-70% per month for uploading of valid receipts. The system does allow transactions to be processed and approved through BWO without the attachment of supporting evidence (receipt/invoice). Whilst the 'three-strike' policy exists for purchase card holders who repeatedly fail to meet the requirements, strict enforcement of this remains challenging.	**Broadly Compliant**
Appropriate use of Purchase Card	There was no evidence of fraud or misuse from the sample tested. From our sample, 2/15 transactions related to flights, totalling £2,788 and booked outside the Corporate Travel contract.	**Broadly Compliant**

	Whist we received valid explanation to support this, the general principal is that all travel should be booked through the corporate travel contract. Some identification of 'off contract' spend is completed through monthly assurance activity, but this is a retrospective process.	
Cardholder confirmation and upload of receipt is completed promptly	The purchase card policy states that copies of receipts must be promptly uploaded on BWO within 21 days of when the transaction appears in the Purchase Card holders task list within BWO. Failure to comply with this policy can result in the cardholder's card being suspended or removed, in accordance with the three-strike policy outlined in the purchase card policy. The average number of days for cardholder to process transactions and complete tasks on BWO per sample selected was **16 days.** The number of days for cardholders to complete tasks ranged between **0 and 43 days,** with **5 tasks** taking over **21 days** to complete. Although only 67% of transactions have been processed within 21 days, as the average number of days is below 21 days, therefore the compliance level rating for this area is deemed to be **Broadly Compliant.** Wider assurance from the monthly outstanding task reports produced by the Commercial Team do show varying degrees of compliance, with instances of outstanding tasks up to and exceeding 400+ days.	**Broadly Compliant**
Line Manager approvals are given promptly	The purchase card policy states that line manager approvals should be processed on BWO in a timely manner and within 21 days of when the transaction appears in the line managers task list within BWO. Line Managers must also ensure that receipts are uploaded to BWO, and they are valid and match transactions on the submitted statements. Failure to comply with this policy can result in the cardholder's card being suspended or removed, in accordance with the three-strike policy outlined in the purchase card policy. The average number of days for Line Manager Approvals to be processed per the sample selected was **74 days.** The number of days for line managers to process approvals ranged between **31 and 180 days.** As noted above, only **12/15 transactions** had appropriate supporting evidence uploaded in line with the purchase card policy.	**Non-compliant**

	As no line manager approvals within our sample have been completed within 21 days, we have assessed this area to be **non-compliant** with documented controls in place. Wider assurance received from the monthly outstanding task reports produced by the Commercial Team do show instances of excessive delays in approval.	█

IDENTIFIED AREAS FOR IMPROVEMENT FOR MANAGEMENT ACTION

COMPLIANCE / SYSTEM ISSUES
• As of 25/09/2023, there were **101** current outstanding cardholder transactions with a value of **£15,571.01** and **64** current outstanding line manager transactions with a value of **£6,948.78**. This was identified as an issue during the previous audit in 2019 and remains as an area where improvement is required. The Commercial Team should continue to monitor purchase card usage, completion of outstanding tasks and overall compliance as part of their monthly assurance checks. • It would be beneficial to develop an appropriate reporting mechanism for the results of monthly assurance activity to ensure this area is given appropriate prominence and oversight at a Senior Management level. • To target cardholders and line managers where repeated non-compliance is identified in accordance with the 'three-strikes' policy. There should be a clear process for escalation through GMFRS Senior Leadership Team where unsatisfactory responses are received. • Cancelation of cards where there is no activity after a set period or where cards have been suspended for persistent non-compliance. • Regular reminders to cardholders and Line-Managers of obligations to be conducted through routine cardholder briefings and targeted e-mails. • Periodic review and update the Purchase Card Policy, to include any changes and to include reference to the monthly assurance activity completed by the Procurement Support Officer.

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APPENDIX 1: Compliance Level ratings

Rating	Description
Compliant	May be small number of minor incidents of non-compliance but controls are working effectively with the number of samples evidencing compliance greater than 90%.
Broadly Compliant	Some areas for improvement identified with the number of samples evidencing compliance greater than 70%.
Not compliant	Major improvement needed with the number of samples evidencing compliance less than 70% or lower.