

GMCA Audit Committee

Date: 21 January 2020

Subject: Internal Audit Progress Report

Report of: Head of Audit and Assurance, GMCA

PURPOSE OF REPORT

The purpose of this progress report is to inform Members of the Audit Committee of the progress to date of the delivery of the Internal Audit Plan. 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 Head of Audit and Assurance's progress report.

CONTACT OFFICERS:

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

Risk Management – see paragraph

Legal Considerations – see paragraph

Financial Consequences – Revenue – see paragraph

Financial Consequences – Capital – see paragraph

Number of attachments included in the report: None

BACKGROUND PAPERS:

- Internal Audit Plan 2019/20 – April 2019

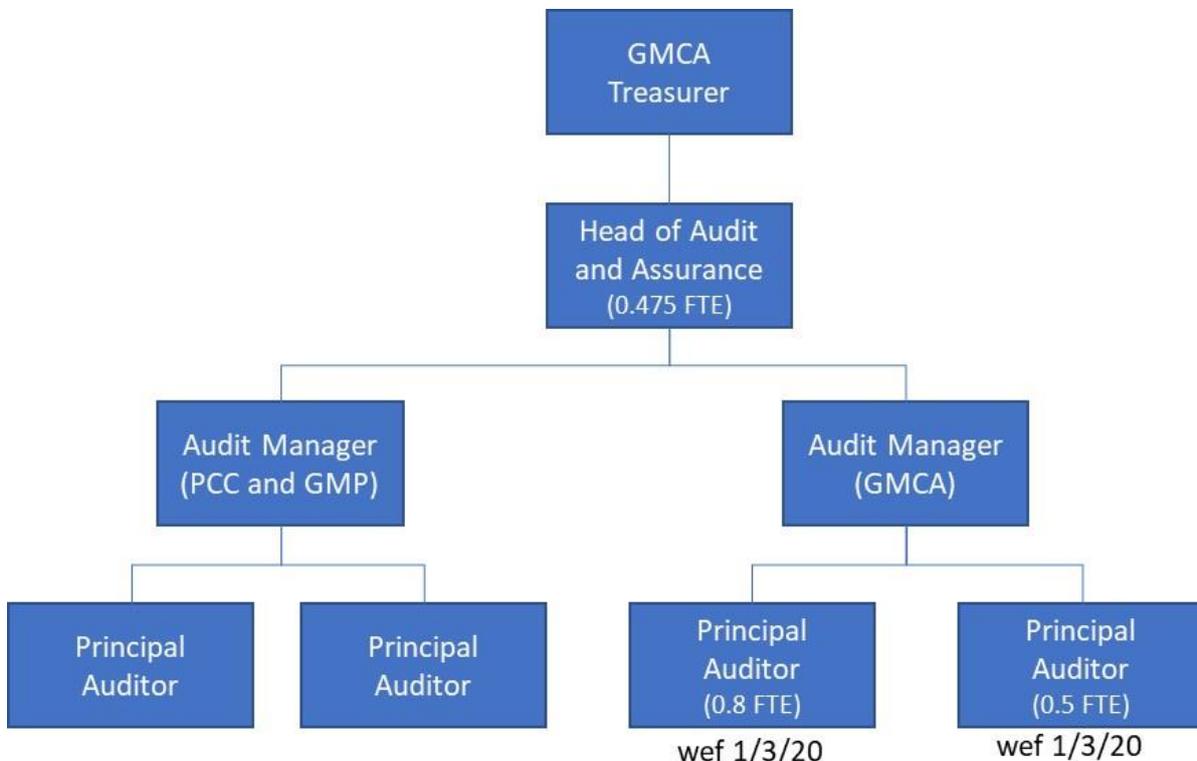
TRACKING/PROCESS		
Does this report relate to a major strategic decision, as set out in the GMCA Constitution		No
EXEMPTION FROM CALL IN		
Are there any aspects in this report which means it should be considered to be exempt from call in by the relevant Scrutiny Committee on the grounds of urgency?		No
TfGMC	Overview & Scrutiny Committee	
N/A	N/A	

1 Introduction

- 1.1 The annual audit plan for GMCA was presented to the April 2019 Audit Committee and allocated 487 days of internal audit support in 2019/20.
- 1.2 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.
- 1.3 The purpose of this progress report is to provide Members with an update against the GMCA audit plan and an update on Internal Audit Resourcing plans.

2 Internal Audit Team

- 2.1 Following Audit Committee in October 2019, budget approval was given to recruit two new Senior Internal Auditor roles, one of which would be a split role expected to work across GMCA and TfGM.
- 2.2 We are pleased to report that following a recruitment exercise carried out during November, offers were made to appoint to both positions in December. We can confirm that two new team members will join GMCA on 1 March 2020. This follows the appointment of the GMCA Internal Audit Manager who started on 1 November 2019. From March 2020 the Internal Audit team will be fully resourced in line with the current, approved establishment.
- 2.3 The approved structure is shown in the diagram below.



- 2.4 The Head of Audit and Assurance has also assumed responsibility for Risk Management for GMCA. This will require additional resource in 2020/21 which is being sought through approval of the 20/21 budget.

3 Progress against the 2019/20 Internal Audit Plan

- 3.1 There were two final published audit reports issued since the last meeting of the Audit Committee, as noted below
- GM Troubled Families Programme
 - ICT Strategy, Governance and Programme Management
- 3.2 Details of the number and priority of agreed actions in respect of these audits are attached in **Appendix A** and the Executive Summaries from these Final reports will be shared with Members.
- 3.3 Work is currently underway in the following areas:

Planning and Scoping:

A series of high level scoping discussions have been held with Officers from GMCA and Fire and Rescue in respect of proposed Q3/Q4 work. We have agreed the scope and approach to completing audit work in the following two areas;

- GM Waste and Recycling Contract – Contract Governance
- GM Housing Investment Loan Fund (GMHILF)

Fieldwork:

There are four audits progressing at fieldwork stage and we plan to issue Draft reports on these by the end of January 2020.

- Car User and Mileage Claims
- Adult Education Budget – Payment controls
- Local Growth Fund 2018/19 Grant Certification
- Single Pot Assurance Framework (SPAF) - Follow up review

Other activities completed:

- Corporate Risk Register workshop and update (Q3)
- GMFRS Allegations – Reporting
- Introductory engagement discussions with several Heads of Service

3.4 Details of our progress in respect of the 2019/20 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, significant changes to the plan must be approved by the Audit Committee.
- 4.2 The delays in recruiting to the structure does present a risk and means there is a shortfall in resourcing to support the delivery of GMCA and GMFRS planned audit work for 2019/20.
- 4.3 As mentioned above, this will soon be resolved with the appointment of two Principal Auditors but there does need to be an update to the current plan to reflect the available resource to the end of this financial year.
- 4.4 We have held discussions with several Heads of Service in order to understand their priorities, high level risks and any specific areas for audit activity. Based on these discussions, we are proposing to reprioritise the plan and defer or change the scope of some audits shown on the plan for 2019/20.
- 4.5 We are seeking approval from Audit Committee to remove or defer 9 audits from the original plan.
- 4.6 A full list of proposed changes, with the rationale for each, is shown as an **Appendix C** to this report. This provides a cumulative record of changes to the approved plan along with the date they were approved by the Committee.
- 4.7 At this stage, due to the complexity of the audits required we are not seeking to appoint interim short term agency resource to support on plan delivery.

5 Priorities for the Next Quarter

- 5.1 Key priorities for the next quarter are:
 - Completion of the 2019/20 internal plan as approved by the Audit Committee in January 2020
 - Onboarding of the two new internal audit resources
 - Planning for the 2020/21 internal audit plan. This will involve further engagement with SMT and ELT to understand current and emerging risks and priorities so as to be able to develop the risk based plan.
 - Approval of Risk Management role and resource budget, followed by recruitment activity for that post
 - Update and approval of anti-fraud policies

Appendix A - 2019/20 Summary of Internal Audit Reports issued

The table below provides a cumulative summary of the internal audit work completed in 2019/20. This will inform the annual Internal Audit opinion for the year 2019/20. Audits in bold are those that have been issued since the last Audit Committee meeting.

Audit	Assurance Level	Audit Findings					Coverage		
		Critical	Major	Significant	Moderate	Minor	GMCA	GMFRS	Waste
Business Energy and Industrial Strategy (BEIS) Mandatory Grant Certification	Positive						✓		
Procurement Waiver Exemptions	Moderate	-	1	1	1	-	✓	✓	✓
Employee Expenses	Moderate		1	1	2	1	✓	✓	✓
ICT Strategy, Governance and Programme Management	Moderate	-	-	4	2	-	✓	✓	✓
National Productivity Investment Fund (NPIF) 2018/19 Mandatory Grant Certification	Positive						✓		

Audit	Assurance Level	Audit Findings					Coverage		
		Critical	Major	Significant	Moderate	Minor	GMCA	GMFRS	Waste
GM Energy Market Mandatory Grant Certification	Positive						✓		
GM Troubled Families Programme	Positive	There are no recommended audit actions being managed by GMCA. Actions in relation to the GM Districts are monitored by the local Audit Teams					✓		

The following tables show definitions for the Assurance Levels provided to each audit report and the ratings attached to individual audit actions. Given the previous internal audit arrangements these ratings have been aligned with those used historically by MCC. The report and finding ratings will be reviewed and revised for 2020/21 onwards.

Assurance levels

Level of assurance	Description
Full ●	Full assurance – there is a sound system of internal control designed to achieve the objectives of the system/process and manage the risks to achieving those objectives. Recommendations will normally only be Advice and Best Practice.
Positive ●	Positive assurance – whilst there is basically a sound system of control, there are some areas for improvement, which may put the system/process objectives at risk. There are Moderate recommendations but these do not undermine the system’s overall integrity. Any Major or Significant recommendations relating to part of the system would need to be mitigated by strengths elsewhere. Any Critical recommendations will prevent this assessment,
Moderate ●	Moderate assurance – there are some areas for improvement in the system of internal control, which may put the system/process objectives at risk. There are a small number of Major recommendations or a number of Significant recommendations. Any Critical recommendations would need to be mitigated by significant strengths elsewhere. A number of Critical recommendations would prevent this assessment.

Limited	●	Limited assurance – there are significant areas for improvement in key areas of the systems of control, which put the system/process objectives at risk. There are Major recommendations and any Critical recommendations relating to part of the system would need to be mitigated by significant strengths elsewhere.
No	●	No assurance – an absence of effective internal control is leaving the system/process open to significant error or abuse. There are Critical recommendations indicating major risks requiring mitigating actions.

Finding ratings

Risk	Assessment rationale
● Critical	<p>Life threatening / multiple serious injuries or prolonged work place stress. Severe impact on morale and service performance.</p> <p>Intense political and media scrutiny i.e. national media coverage / prolonged local media coverage. Possible criminal, or high profile, civil action against the organisation, members or officers. Cessation of core activities, Strategies not consistent with government’s agenda, trends show service is degraded. Failure of major Projects –Members & SMT required to intervene. Large increase on project budget/cost: (Greater of £1.0M of the total budget or more than 15 to 30% of the departmental / service area). Statutory intervention triggered. Impact on the whole organisation</p>
● Major	<p>Serious injuries or stress requiring medical treatment with many workdays lost. Major impact on morale and performance.</p> <p>Scrutiny required by external agencies, external audit etc. Unfavourable national or prolonged local external media coverage. Noticeable impact on public opinion. Major impact on the effectiveness of governance for the organisation.</p> <p>Significant disruption of core activities / performance. Key targets missed, some services compromised. Senior Management action required. Major increase on project budget/cost: (Greater of £0.5M of the total Budget or more than 6 to 15% of the departmental budget).</p>
● Significant	<p>Injuries or stress requiring some medical treatment with workdays lost. Some impact on morale and performance.</p> <p>Scrutiny likely to be exercised by external agencies, internal committees or internal audit to prevent escalation. Probable limited unfavourable local media coverage. Significant short-term disruption of non-core activities / service performance.</p> <p>Standing Orders / Financial Regulations not complied with. Impact on the effectiveness of governance at the organisation or service level. Services unlikely to meet needs. Service action will be required. Significant increase on</p>

	<p>project budget/cost: (Greater of £0.3M of the total Budget or more than 3 to 6% of the departmental budget). Handled within the team</p>
<p>● Moderate</p>	<p>Injuries / stress requiring some medical treatment, potentially some workdays lost. Some impact on morale and performance. Additional scrutiny required by management and internal committees to prevent escalation. Possible limited unfavourable local media coverage. Short-term disruption of non-core activities / service performance. Standing Orders / Financial Regulations occasionally not complied with. Minor impact on the effectiveness of governance at the organisation or moderate impact at service level. Services do not fully meet needs. Service action will be required. Small increase on project budget/cost: (Greater of £0.1M of the total Budget or up to 3% of the departmental budget). Handled within the team</p>
<p>● Minor</p>	<p>Minor injuries or stress with no workdays lost or minimal medical treatment. No impact on staff morale Internal Review, unlikely to have impact on the corporate image. Minor errors in systems/operations or processes requiring action or minor delay without impact on overall schedule. Handled within normal day to day routines. Some impact on the effectiveness of governance at service level. Minimal financial loss – Minimal effect on project budget/cost: Negligible effect on total Budget or departmental budget).</p>

Appendix B – Progress against the Internal Audit Plan 2019/20

The table below shows progress made in delivery of the 2019/20 Internal Audit Plan.

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

Audit Area	Audit	Timing	Planning	Fieldwork	Draft Report	Final Report	Audit Committee	Comments
Finance and Investment	Employee Expenses	Q1	●	●	●	●	Oct 2019	
Procurement and Contracts	Procurement Waiver Exemptions	Q1	●	●	●	●	July 2019	
Digital	ICT Strategy Governance and Programme Management	Q1	●	●	●	●	Jan 2020	
IA Management	Annual Governance Statement 2018/19	Q1	●	●	●	●	June 2019	
Grants	BEIS 2018/19	Q1	●	●	●	●	July 2019	
Grants	NPIF 2018/19	Q2	●	●	●	●	Oct 2019	
Grants	GM Energy Market	Q2	●	●	●	●	Oct 2019	
Grants	Pot Hole Action Fund 2018/19	Q2	●	●	●	●		This work was completed early and reported during 2018/19
Skills	Work and health programmes (b/f)	Q3	○	○	○	○		See Appendix C
Policy and Strategy	Strategy and business planning - monitoring	Q3	○	○	○	○		See Appendix C

Audit Area	Audit	Timing	Planning	Fieldwork	Draft Report	Final Report	Audit Committee	Comments
Policy and Strategy	Business case and bid development	Q3	○	○	○	○		See Appendix C
Finance and Investment	Block Allocation - Core financials systems	Q3	○	○	○	○		Scope and timing TBC
Finance and Investment	Car User and Mileage	Q3	●	●	◐	○		
Grants	LGF 2018/19	Q3	●	●	○	○		
Finance and Investment	Grants assurance review	Q3	◐	○	○	○		
GM Waste and recycling	GM Waste contract	Q3	●	◐	○	○		
Adult education	Adult education budget	Q3	●	●	○	○		
Troubled families	Troubled families framework	Q3	●	●	●	●	Jan 2020	
IA Management	Risk Management framework	Q3	○	○	○	○		See Appendix C
ICT	TBC	Q3/4	○	○	○	○		See Appendix C
GMFRS	Fleet services	Q4	◐	○	○	○		See Appendix C
Finance and Investment	GMCA/LEP SPAF	Q4	●	●	○	○		
Housing, planning and homelessness	GM Housing Investment Loan Fund (GMHILF)	Q4	◐	○	○	○		

Audit Area	Audit	Timing	Planning	Fieldwork	Draft Report	Final Report	Audit Committee	Comments
Housing, planning and homelessness	GM Investment decisions	Q4	○	○	○	○		See Appendix C
Housing, planning and homelessness	Housing and planning	Q4	○	○	○	○		See Appendix C
Digital	Digital programme governance	Q4	○	○	○	○		See Appendix C
IA management	Annual Governance Statement	Q4	○					
IA management	IA Forward planning	Q4	○					
IA management	Corporate risk register (CRR) facilitation	All	●	●	●	●	Jan 2020	Q3/4 Completed

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 2019.

Audit Area	Audit	Timing	Days	Change requested	Rationale	Approved by Audit Committee
Skills	Work and health programmes (b/f)	Q3	20	Remove	This audit was originally planned for 2018/19. It was intended to review the governance and assurance framework in place for the “next phase of the programme”. Given the passage of time, we propose to re-assess Work and Skills as part of the 2020/21 planning process to determine the most appropriate audit work to be undertaken. There are no current corporate risks other than AEB on the risk register. AEB is the subject of a current audit.	
Policy and Strategy	Strategy and business planning - monitoring	Q3	35	Defer	This audit was intended to review the arrangements in place for monitoring performance against GMS and business plan objectives. It is still an important audit to undertake but is proposed to be included in 2020/21.	
Policy and Strategy	Business case and bid development	Q3	20	Defer	This audit is to review the processes in place to assess, evaluate and approve bids for new work/funding. We propose to consider this for inclusion in future plans based on risk assessment during the upcoming planning process.	
IA Management	Risk Management framework	Q3	20	Defer	Development of the GMCA Risk Management Framework to be undertaken in 2020/21 when additional risk management resources are available.	

Audit Area	Audit	Timing	Days	Change requested	Rationale	Approved by Audit Committee
ICT	TBC	Q3/4	25	Remove	The scope of this work had not been agreed. A Strategy and Governance audit has been undertaken in 2019/20. Future ICT audit work to be determined as part of planning process for 2020 and beyond.	
Housing, planning and homelessness	GM Investment decisions	Q4	15	Remove	This was proposed to be a review of the processes for agreeing loan applications for investment funding decisions from either LGF or Growing Places funding. Given resourcing, the HILF audit work that will be performed we propose to remove this audit and reconsider housing and planning risks as part of the 2020/21 planning process	
Housing, planning and homelessness	Housing and planning	Q4	20	Remove	This audit was intended to be a review of governance arrangements over the delivery of housing and planning priorities. Discussion with Housing and Planning team has found that the GM Housing Strategy Implementation Plan is due to be approved early 2020. It would therefore be more appropriate to undertake a review after the implementation plan has been agreed.	
Digital	Digital programme governance	Q4	20	Remove	This was intended to be a review of one of the key areas of the Digital Strategy. Given a revised digital strategy is due for approval in Q4 2019/20 it would be more appropriate to undertake an audit once the new strategy is in place.	

Audit Area	Audit	Timing	Days	Change requested	Rationale	Approved by Audit Committee
GMFRS	GMFRS Block Allocation	Q4	60	Defer	A number of audits were proposed to be undertaken at GMFRS. Given resource constraints as well as the significant time spent on the GMFRS investigation it is proposed to defer these audits to 2020/21 plan.	