

GMCA Audit Committee

Date: 30 June 2020

Subject: Emergent Internal Audit Plan

Report of: Sarah Horseman, Head of Audit and Assurance

PURPOSE OF REPORT

The purpose of this report is to share with Members of the Audit Committee the emergent three-year internal audit plan and the operational internal audit plan for 2020/21.

RECOMMENDATIONS:

That the Committee reviews the emergent internal audit plan and provides direction as to any areas of focus for the annual internal audit plan for 2020/21.

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Risk Management – N/A

Legal Considerations – N/A

Financial Consequences – N/A

Financial Consequences – N/A

Number of attachments included in the report: N/A

BACKGROUND PAPERS: N/A

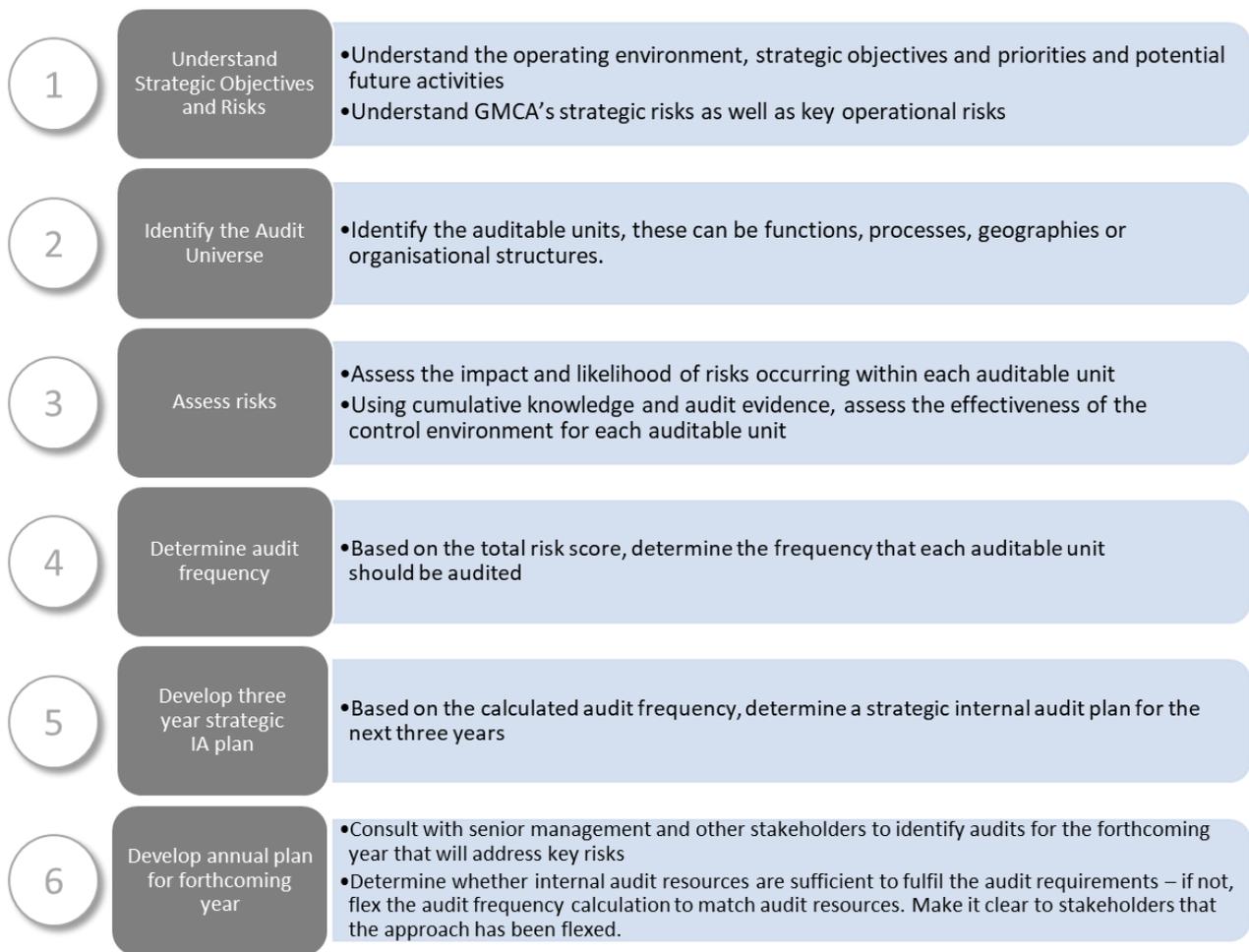
TRACKING/PROCESS		
Does this report relate to a major strategic decision, as set out in the GMCA Constitution		No
EXEMPTION FROM CALL IN		
Are there any aspects in this report which means it should be considered to be exempt from call in by the relevant Scrutiny Committee on the grounds of urgency?	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

1. Introduction

- 1.1. In early 2020 Internal Audit commenced a risk-based planning process for the Internal Audit services to be provided to GMCA for the year 2020/21 and beyond. Good progress was being made in this until the unforeseen changes in working arrangements arising from the Covid-19 pandemic. As a result of this the planning process was paused in order to allow GMCA resources to focus on business critical activities.
- 1.2. In Quarter 1 of 2020/21 it became apparent that because of COVID-19 the risk environment that the GMCA faced had significantly changed. New risks were emerging and existing risks were changing. Internal Audit worked with Senior Management and Leadership to develop a Covid-19 GMCA Corporate Risk Register in order to identify and manage as best as possible the new risk environment.
- 1.3. This report provides the Committee with the current proposed internal audit plan for 2020/21. Changes to the plan will be reported to each Audit Committee meeting during the year. Where necessary if fundamental changes are required before the next Audit Committee meeting, approval will be sought from the Audit Committee Chair.

2. Planning Approach

- 2.1. An overview of the audit planning approach is shown below. The risk assessment criteria are provided in Appendix A.



- 2.2. In line with the planning approach shown above, in early 2020 Internal Audit undertook planning activities and developed a draft three-year internal audit strategic plan as well as details of a number of audits for prioritisation in the 2020/21 plan. The draft plan was shared with the Senior Leadership Team for review and comment on 12 March 2020.
- 2.3. The situation in relation to the coronavirus pandemic evolved quickly in the second half of March 2020 and as a result, internal audit paused the planning process at Step 6, before the plan was agreed by Audit Committee.
- 2.4. Given the changed risk landscape, in May 2020, Internal Audit revisited the planning process and re-performed the planning process from Steps 3 to 6, taking into consideration the COVID-19 Risk Register which had been endorsed and adopted by CEMT.
- 2.5. Overall, the impact of COVID has meant the vast majority of risks within the organisation had increased, with new risks emerging and existing risks changing. A new three year plan was developed based on the updated risk assessment.

- 2.6. Internal Audit developed a proposed plan to address the new risks. In the meantime, the team had been asked to undertake a piece of work specific to the COVID-19 response and using experience from GMP, TfGM as well as other internal audit networks have been able to propose additional audit reviews that had not previously been required to be considered.
- 2.7. The updated proposed plan was shared with GMCA SLT and CEMT as well as GMFRS CLT for review and comment to ensure that the proposed audits would provide relevant, useful support for the Directorates as well as providing assurance to the Audit Committee.

3. Risk assessment and three-year strategic internal audit plan

- 3.1. Based on the planning methodology, the following three year internal audit plan has been developed. The risk assessment takes into consideration the following factors that affect the **impact** of each auditable area:
- The **materiality** of the activity, based on the value of funding being processed or the cost of providing the activity
 - The **pervasiveness** of the activity, whether it impacts all of the organisation or is restricted only to the area it concerns
 - If the activity would cause **service disruption** to the public and/or GMCA organisation
 - Whether the activity concerns **delivery** of programmes or projects
 - The **reputational** impact on GMCA if the activity was not undertaken appropriately
 - Whether there is a **health and safety** impact on the public or GMCA employees
 - Whether the activity impacts the **strategic** aims of GMCA
 - Whether the activity carries **statutory** responsibility
 - If the activity directly relates to a risk on the GMCA **corporate risk** register
 - Whether the activity relates to a risk on the **COVID-19 risk** register
- 3.2. The **likelihood** of the risk has also been assessed, consideration of the likelihood score includes the volatility of local or national policy, the complexity of the activities within the area and the degree of judgement required to undertake the activity.
- 3.3. Finally, knowledge of the **control environment** has been considered. Where recent audit work undertaken did not identify significant issues within the control environment there can generally be assumed to be more confidence in the control environment than an area that has either not been reviewed recently or where recent work identified issues in control.
- 3.4. The **risk score** is calculated based on all the factors above.
- 3.5. The **optimal frequency** of audit activity is driven by the risk score for each auditable area. The optimal frequency is then "**flexed**" to reflect the actual internal audit resource

available within the team. Whilst the plan will not address all the risks identified within the risk assessment, if completed as planned, in conjunction with other key sources of assurance, it will provide sufficient audit evidence to determine the annual Head of Internal Audit opinion. In approving the plan the Audit Committee acknowledges this limitation.

3.6. The proposed plan below is shown in descending order by risk score, with GMP and GMFRS being the highest risk areas to GMCA.

Directorate	Auditable Unit	Optimal Audit Frequency	Flexed Audit Frequency	2020/21	2021/22	2022/23
Mayoral Duties	Greater Manchester Police	Annual	Annual	x	x	x
Police / Fire / Criminal Justice	GMFRS	Annual	Annual	x	x	x
Corporate Services	Procurement	Annual	Annual	x	x	x
Corporate Services	Finance	Annual	Annual	x	x	x
Corporate Services	ICT	Annual	Annual	x	x	x
Corporate Services	Waste	Annual	Annual	x	x	x
Corporate Services	Information Governance	Annual	Annual	x	x	x
Police / Fire / Criminal Justice	PCC	Annual	Annual	x	x	x
Education Work and Skills	AEB	Annual	Every 2 years		x	x
Corporate Services	Core Investment Team	Annual	Every 2 years		x	
Digital	Digital	Annual	Every 2 years	x		x
Cross-cutting	Capital grants	Annual	Annual	x	x	x
Cross-cutting	Commissioning and contract management	Annual	Every 2 years		x	
Corporate Services	HROD	Annual	Every 2 years		x	x
Corporate Services	Health, Safety and Wellbeing	Annual	Every 2 years	x		x
Cross-cutting	Programme management	Annual	Every 2 years	x	x	
Corporate Services	Governance	Every 2 years	Every 2 years	x		
Environment	Environment	Every 2 years	Every 3 years		x	
Corporate Services	Legal	Every 2 years	Every 3 years			x
Education Work and Skills	Work	Every 2 years	Every 3 years	x		

Directorate	Auditable Unit	Optimal Audit Frequency	Flexed Audit Frequency	2020/21	2021/22	2022/23
Place Making	Planning	Every 2 years	Every 3 years			x
Corporate Services	Strategy and Research	Every 2 years	Every 3 years	x		
Economy	Economy	Every 2 years	Every 3 years		x	
Education Work and Skills	Education	Every 2 years	Every 3 years			x
Education Work and Skills	Skills	Every 2 years	Every 3 years			x
Place Making	Infrastructure	Every 2 years	Every 3 years	x		
Place Making	Housing	Every 2 years	Every 3 years		x	
Public Service Reform	Public Service Reform	Every 3 years	Every 5 years			
Place Making	Development	Every 3 years	Every 5 years			
Place Making	Property	Every 3 years	Every 5 years			
Corporate Services	Communications	Every 3 years	Every 5 years			
Place Making	Culture	Every 3 years	Every 5 years			
Public Service Reform	Ageing Hub	Every 3 years	Every 5 years			
Corporate Services	Audit	Every 3 years	Every 5 years			

4. 2020/21 Internal Audit Plan

Based on the three-year strategic internal audit plan, an operational plan for 2020/21 has been developed. Details of the plan are as follows:

Directorate	Auditable Unit	Audit title	Description	Proposed Timing
Corporate Services	Chief Executive's Office	Risk Management	Audit of risk management across the organisation to assess risk management maturity and identify areas for improvement.	Q2
Corporate Services	Chief Executive's Office	Lessons Learned - Mortuary commissioning project	Audit requested by Chief Resilience Officer to review the Mortuary Commissioning project.	Q1/2

Directorate	Auditable Unit	Audit title	Description	Proposed Timing
Corporate Services	CIT	GMHILF	Chief Finance Officer annual reporting statement supported by an Internal Audit review of the controls framework for the administration GMHILF funded scheme.	Q4
Corporate Services	Finance	Procurement	A review of the design of procurement policies and procedures and adherence to those policies and procedures across directorates.	Q3
Corporate Services	Finance	Grant certifications	Grant assurance reviews and certification in accordance with relevant grant determination conditions	All
Corporate Services	Finance	Payments and Payroll Controls	Post-event assurance - An audit of new, additional or unusual payments out of CA during the lockdown period	Q3
Corporate Services	Governance	Code of Corporate Governance	A programme of work over areas defined by the Code of Corporate Governance. This audit will focus on Demonstrating Commitment to Ethical Values including consideration of registers of interest, codes of conduct and arrangements for reporting wrongdoing.	Q3
Corporate Services	Governance	Delegated Authorities	Review of the application of the new delegated authorities structure and how it is applied within Directorates.	Q4
Corporate Services	Health, Safety and Wellbeing	Health and Safety Compliance	Review of processes for ensuring compliance with COVID arrangements for workplaces.	Q2
Corporate Services	HROD	Investigation process	Internal audit will review the grievance and disciplinary investigation processes as well as test a sample of investigations to ensure compliance with the process. The audit will also consider how lessons learned and other actions are taken from investigations and implemented.	Q2
Corporate Services	ICT	Outsourced ICT audit work	To be agreed with new Head of ICT and outsourced to external provider of IT Audit services.	TBC
Corporate Services	Waste	Core financial processes (Waste)	Review of cost control arrangements, Invoicing, payment structures and deductions.	Q4
Cross-cutting	Programmes and Projects	Programme Governance	An assessment of the arrangements in place across CA for managing programmes and projects. Including corporate policies and procedures, governance authority and accountability, training and competency. Assessment of strengths and weaknesses and maturity of current arrangements.	Q2

Directorate	Auditable Unit	Audit title	Description	Proposed Timing
Work and Health	Work	Working Well	An audit over the processes and controls over the Working Well programme	Q4
Education	AEB	Advice regarding AEB Assurance framework	Advice and guidance to the AEB team on the development and implementation of the AEB assurance framework.	Q3
Cross-cutting	Programmes and Projects	Large Programme Governance	An audit of the arrangements for large programme governance (eg iOps, PfC, GMP Estates) which will incorporate the principles for programme governance and accountabilities, including with strategic partners such as GMP, NWFC etc. How is there appropriate strategic oversight?	Q4
GMFRS	GMFRS	Pensions administration	An audit requested by External Auditor to be included in the cyclical plan. An audit over the controls in place to administer the GMFRS pension fund.	Q1/2
GMFRS	GMFRS	GMFRS Fleet	This audit will examine the processes for budgeting for fleet maintenance along with the ongoing monitoring of costs and performance against KPIs. We will also assess how value for money is measured and demonstrated.	Q2
GMFRS	GMFRS	Training Centre	The Training area has been through PfC (January 2020). This audit will assess implementation of the Training Centre structure and activities against the Level 2 design	Q4
PCC	PCC	Phase 2 audit of grant processes	Agreed in 19/20 to undertake phase 2 of audit around PCC grant processes	Q3
Other Audit Activity				
Information Governance		Head of IA is a member of the IG Board, ongoing advice and oversight of IG risks through this forum.		All
Risk Management		Internal audit facilitate quarterly risk register updates through the Risk and Governance Group. In 20/21 consideration will be given to the COVID CRR and the eventual merging of the COVID and Corporate risk registers		All
Audit action tracking		Internal audit will monitor and report on progress in the implementation of agreed audit actions		All
Whistleblowing investigations		Receipt and investigation of whistleblowing reports		As needed
Ad-hoc advice and support		Advice and reviews requested in-year in response to new or changing risks and activities.		As needed
Contingency days		Days reserved to address new or emerging risks		As needed

Overarching principles of the plan:

- The plan has been developed to address the key risks identified in the risk assessment process
- The plan has been devised on the assumption each audit takes approximately 20 days. There are 350 available days based on current resourcing levels of Internal Audit
- Given the current environment, risks are changing and emerging on an ongoing basis, for that reason, the plan will be regularly reviewed and updated where necessary. Significant changes will be reported to the Audit Committee.

APPENDIX 1 – Risk Assessment Criteria

The following criterial are used during the risk assessment process

Impact

Impact	1 = Low	2 = Medium	3 - High
Materiality	Not a material financial amount associated with the activity	Financial amount associated with the activity <£50m (funding) or <£1m GMCA costs	Financial amount associated with the activity >£50m (funding) or >£1m GMCA costs
Pervasiveness	Impact isolated to specific activity/funding stream	Risk affects delivery within one or more directorates	Pervasive impact across all functions of the GMCA that would impact operations
Service disruption	No service disruption to core systems / processes /services [GMCA] or to services provided to public by services commissioned by GMCA	Up to 1 day disruption to core systems/processes/services [GMCA] or Potential longer term impact to services provided to public by services commissioned by GMCA	>1 day disruption to core systems/processes/services [GMCA] or Immediate impact to services provided to public by services commissioned by GMCA
Delivery	No impact on delivery of activities / programmes	Some impact on delivery of activities/programmes	Significant impact on delivery
Reputational	None or isolated complaints. No legal concerns.	Poor local publicity curtails ability to operate effectively without active stakeholder engagement.	Serious poor publicity and legal concerns. Affects trust in GMCA
Health and Safety	No health and safety impact	Minor injuries; cuts and bruises (First Aid Case)	RIDDOR reportable injury
Strategic	Negligible threat to achieving a Strategic Priority	Medium term threat to achieving one or more outcomes within a Strategic Priority	Critical long-term threat to achieving a Strategic Priority
Statutory	No statutory impact	Risk of isolated breach of statutory requirement or risk that statutory powers will not be delivered	Risk of repeated breach of statutory requirement or risk that statutory powers will not be delivered
Corporate risk	0 = Not on corporate risk register		Appears on corporate risk register
COVID 19 risk	0 = C19 has not changed risk profile	New risks emerged / emerging as a result of Covid19	Appears on Covid-19 CRR

Likelihood

Score	Description	Example
5	Risk is frequently encountered or has crystallised	High volume of transactions, frequent changes in environment, complex processing/instances, variation of activity
4	Likely to happen in the next year	New (in last 2 years) or tailored activities/transactions/contracts, frequent and changing environment
3	Likely to happen in the next two years	Frequent transactions, medium complexity, impacted by local/national policy likely to change
2	May occur in the next three years	Regular transactions, non-complex, impacted by longer term national policy
1	May occur in exceptional circumstances	Infrequent transactions, homogeneous population of transactions, little change in environment

Control Environment rating

Control environment

Score	Criteria
1	Evidence that control environment requires improvement through previous audit work and/or issues
2	Cumulative Audit Knowledge that control environment requires improvement or older evidence where improvements were required
3	No recent evidence that would influence knowledge of control environment
4	Older evidence supporting robust control environment OR Recent evidence showing adequate control environment but with some areas for improvement.
5	Recent (last 12 months) IA evidence supporting robust equate control environment with few or no high/critical findings OR Recent assurance provided from other sources (eg HMICFRS/ICO)