

## **GMCA Audit Committee**

Date: 8 September 2020

Subject: Internal Audit Progress Report

Report of: Head of Audit and Assurance, GMCA

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### **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 for 2020/21. 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:**

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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 2020/21 – June 2020

<b>TRACKING/PROCESS</b>	
Does this report relate to a major strategic decision, as set out in the GMCA Constitution	No
<b>EXEMPTION FROM CALL IN</b>	
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 June 2020 Audit Committee and allocated 350 days of internal audit support in 2020/21.
- 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.
- 1.4 The Head of Audit and Assurance has also assumed responsibility for Risk Management for GMCA. The Head of Audit and Assurance is in the process of agreeing support from TfGM to assist with the development and implementation of a risk management framework.

## **2 Progress against the 2020/21 Internal Audit Plan**

- 2.1 Since the last Audit Committee on 23 June 2020, we have issued one final published report and two mandatory grant certifications, as noted below.
  - GM Housing Investment Loan Fund (GMHILF)
  - Grant Certification – BEIS Growth Hub Funding
  - Grant Certification - GM EU Exit Preparedness Funding
- 2.2 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.
- 2.3 Whilst progress against the plan remains broadly on track, the impact of COVID19 pandemic and unforeseen changes in working arrangements continues to affect audit resources and wider staff availability. We continue to keep this under review and make any necessary adjustments to planned audit work.
- 2.4 Some time was lost during the first quarter of 2020/21 as audit engagement planning was paused in order to allow GMCA Directorates to focus on implementing business continuity arrangements and supporting critical areas of the business. However, since the plan was

approved by Audit Committee in June, Internal Audit fieldwork work has now commenced in several areas and the status of this work is shown below.

**Fieldwork:**

2.5 There are five audits currently in progress, these are:

- GM Fire Fighter's Pension Review – Draft Report
- Lessons Learned Review of the GM Mortuary Commissioning Project - Draft Report
- Fleet Services - Fieldwork
- Payment and Payroll Controls – Fieldwork
- Programme and Project Governance - Planning
- Annual Governance Statement (AGS) – 2019/20 - Advisory

**Other activities completed:**

2.6 In addition there have been two areas of responsive work requested which are in progress:

- At the request of the Deputy Mayor, the Head of Audit and Assurance is undertaking an investigation into a complaint received from a previous employee. This will be reported going forwards within whistleblowing reporting.
- The Chief Executive has asked Internal Audit to undertake a review of the arrangements around Mayoral Advisors and guidance in place around payments to Mayoral Advisors. This audit is currently being scheduled.

2.7 These two audits are currently being absorbed within plan contingency and reflected as “off plan” work.

2.8 Internal Audit are also facilitating the review and update of the Corporate Risk Register for Q2. We are working with SLT and the Governance team to update the register and this will be presented to Audit Committee in October.

2.9 We have also taken the opportunity to focus on the orientation of the new starters and developing Internal Audit policies, procedures and practices.

2.10 Details of our progress in respect of the 2020/21 Audit Plan is shown in **Appendix B**.

### **3 Changes to the Internal Audit Plan**

3.1 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, any significant changes to the plan must be approved by the Audit Committee.

3.2 At this stage there are no reported changes to the audit plan for 2020/21. However the plan remains flexible during year to reflect the need for any prioritisation of emerging risk areas as a result of the COVID19 recovery plan or changes to the control environment. We will continue to engage with Directors and the Senior Leadership team on any significant risks arising and

new assurance requirements. Should there be a need to reduce the audit plan as a result of delays caused by Covid-19 or other priority audit work we will seek approval from the Audit Committee.

- 3.3 A full list of any proposed changes, with the rationale for each, will be 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 Priorities for the Next Quarter**

- 4.1 Key priorities for the next quarter are:

- Completion of outstanding Q2 work and scoping of Q3 planned work.
- To agree the level of support from TfGM to assist with the development and implementation of a risk management framework.
- National Fraud Initiative 2020/21 – data upload.

## Appendix A - 2020/21 Summary of Internal Audit Reports issued

The table below provides a cumulative summary of the internal audit work completed in 2020/21. This will inform the annual Internal Audit opinion for the year 2020/21. Audits in bold are those that have been issued since the last Audit Committee meeting.

Audit	Assurance Level	Audit Findings					Coverage		
		Critical	High	Medium	Low	Advisory	GMCA	GMFRS	Waste
<b>GM Housing Investment Loan Fund (b/f)</b>	Moderate			2	1		✓		
<b>Grant Certification - Business Energy and Industrial Strategy (BEIS)</b>	Positive	There are no recommended audit actions					✓		
<b>Grant Certification - Manchester EU exit Preparedness Funding</b>	Positive	There are no recommended audit actions					✓		
<b>Lessons Learned – GM Mortuary commissioning project*</b>	N/A						✓		
<b>GM Fire Service Pension Review*</b>	Moderate			2	2	2		✓	

\*Draft report

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**

	<b>DESCRIPTION</b>	<b>SCORING RANGE</b>	<b>DESCRIPTION</b>
	<b>SUBSTANTIAL ASSURANCE</b>	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.
	<b>REASONABLE ASSURANCE</b>	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.
	<b>LIMITED ASSURANCE</b>	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.
	<b>NO ASSURANCE</b>	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	<ul style="list-style-type: none"> <li>• Repeated breach of laws or regulations</li> <li>• Significant risk to the achievement of organisational objectives / outcomes for GM residents</li> <li>• Potential for catastrophic impact on the organisation either financially, reputationally or operationally</li> <li>• Fundamental controls over key risks are not in place, are designed ineffectively or are routinely circumvented</li> <li>• Critical gaps in/disregard to governance arrangements over activities</li> </ul>	40
High	<ul style="list-style-type: none"> <li>• One or more breaches of laws or regulation</li> <li>• The achievement of organisational objectives is directly challenged, potentially risking the delivery of outcomes to GM residents</li> <li>• Potential for significant impact on the organisation either financially, reputationally or operationally</li> <li>• Key controls are not designed effectively or testing indicates a systemic issue in application across the organisation</li> <li>• Governance arrangements are ineffective or are not adhered to.</li> <li>• Policies and procedures are not in place</li> </ul>	10
Medium	<ul style="list-style-type: none"> <li>• Minor risk that laws or regulations could be breached but the audit did not identify any instances of breaches</li> <li>• Indirect impact on the achievement of organisational objectives / outcomes for GM residents</li> <li>• Potential for minor impact on the organisation either financially, reputationally or operationally</li> <li>• Key controls are designed to meet objectives but could be improved or the audit identified inconsistent application of controls across the organisation</li> <li>• Policies and procedures are outdated and are not regularly reviewed</li> </ul>	5
Low	<ul style="list-style-type: none"> <li>• Isolated exception relating to the full and complete operation of controls (e.g. timeliness, evidence of operation, retention of documentation)</li> <li>• Little or no impact on the achievement of strategic objectives / outcomes for GM residents</li> <li>• Expected good practice is not adhered to (e.g. regular, documented review of policy/documentation)</li> </ul>	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 2020/21

The table below shows progress made in delivery of the 2020/21 Internal Audit Plan.

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

Directorate	Audit Area	Audit	Timing	Planning	Fieldwork	Draft Report	Final Report	Audit Committee	Comments
Corporate Services	Governance	Corporate risk register (CRR) facilitation	All	●	●	●	○	June 2020	COVID19 CRR Completed for Q1
Chief Executive's Office	Programmes and Projects	Lessons Learned - Mortuary Commissioning Project	Q1/Q2	●	●	●	○		Draft Report Issued
Chief Executive's Office	Governance	Risk Management Framework	Q2	⊙	○	○	○		Delayed to Q3
Corporate Services	Governance	Annual Governance Statement 2018/19	Q2	●	●	●	●	Sept 2020	
Corporate Services	Governance	Code of Corporate Governance	Q2	○	○	○	○		Delayed to Q3
Corporate Services	HROD	Investigation process	Q2	●	●	○	○		In Progress
Corporate Services	Health, Safety and Wellbeing	Health and Safety Compliance	Q2	○	○	○	○		Delayed to Q3
Corporate Services	Finance	Payments and Payroll Controls	Q2/Q3	●	●	○	○		In Progress

Directorate	Audit Area	Audit	Timing	Planning	Fieldwork	Draft Report	Final Report	Audit Committee	Comments
Corporate Services	Finance	Grant certifications	All	●	●	○	○		
Corporate Services	Finance	BEIS 2019/20 GM Growth Hub Finding	Q2	●	●	●	●	Sept 2020	Completed
Corporate Services	Grants	GM EU exit Preparedness Funding	Q2	●	●	●	●	Sept 2020	Completed
Cross-cutting	Programmes and Projects	Programme Governance	Q2	●	○	○	○		In Progress
Corporate Services	ICT	Outsourced ICT audit work	Q3	○	○	○	○		
Corporate Services	Finance	Procurement	Q3	○	○	○	○		
Place making	CIT	GM Housing Investment Loan Fund	Q4	○	○	○	○		
Corporate Services	Governance	Delegated Authorities	Q4	○	○	○	○		
Corporate Services	Waste	Core financial processes (Waste)	Q4	○	○	○	○		
Work and Health	Work	Working Well	Q4	○	○	○	○		
Education	AEB	Advice regarding AEB Assurance framework	Q4	○	○	○	○		
Cross-cutting	Programmes and Projects	Large Programme Governance	Q4	○	○	○	○		

Directorate	Audit Area	Audit	Timing	Planning	Fieldwork	Draft Report	Final Report	Audit Committee	Comments
GMFRS	GMFRS	Pensions administration	Q2	●	●	●	○		Draft Report Issued
GMFRS	GMFRS	GMFRS Fleet	Q2	●	○	○	○		In Progress
GMFRS	GMFRS	Training Centre	Q4	○	○	○	○		
PCC	PCC	Phase 2 audit of grant processes	Q3	○	○	○	○		
<b>Off Plan Audit Activity</b>									
Chief Executives Office	Governance	Mayoral Advisors	Q2	○	○	○	○		
GMFRS	Investigation	Whistleblowing	Q2	●	○	○	○		
Corporate Services	Counter Fraud	National Fraud Initiative 2020/21	Q3	◎	○	○	○		Data upload due Oct 2020

<b>Other Audit Activity</b>		<b>Quarter</b>
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. Development and implementation of a GMCA-wide risk management framework.	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

## **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 June 2020.

Audit Area	Audit	Timing	Days	Change requested	Rationale	Approved by Audit Committee
					There are no proposed changes to the audit plan	