

GMCA Audit Committee

Date: 21 January 2022

Subject: Audit Action Follow up

Report of: Sarah Horseman, Head of Audit and Assurance

PURPOSE OF REPORT

This report advises Audit Committee of the progress to date in implementing the agreed actions from internal audit assignments.

This report was prepared for the January 2022 Audit Committee. A further quarterly update will be provided at the next Audit Committee meeting.

RECOMMENDATIONS:

Members are asked to review the progress of the implementation of Internal Audit actions.

CONTACT OFFICERS:

Sarah Horseman, Head 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 GMCA Internal Audit Plan comprises a range of audits agreed by Senior Leadership Team and Audit Committee. Each audit assignment concludes with the issue of an audit report and agreed actions for implementation. Each action has a named responsible officer and an agreed target implementation date.
- 1.2 Internal Audit has responsibility for the follow up of all audit actions and reporting to Audit Committee on progress made.
- 1.3 This report provides an overview on the latest position of Internal Audit actions which were outstanding prior to this meeting.

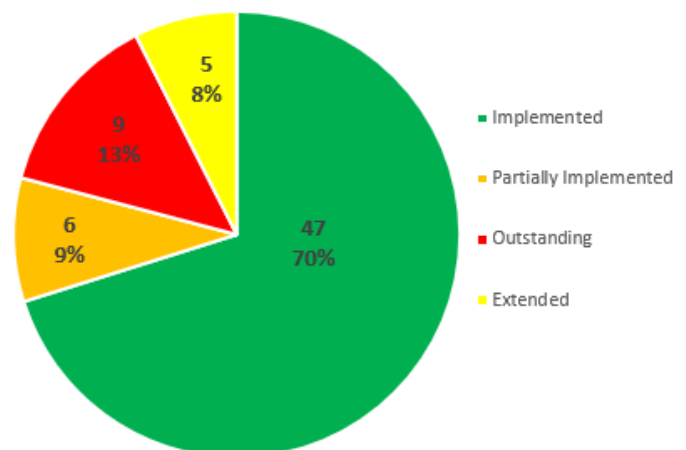
2 Agreed Process

- 2.1 It is the responsibility of management to implement audit actions on time and provide updates for the tracker. To aid facilitation of this, Internal Audit maintains the action tracker which is shared with risk owners to capture updates on progress of outstanding actions.
- 2.2 GMCA Senior Leadership Team retains responsibility for overseeing the timely implementation of all audit actions and assessing the impact on risk.

3 Current Status

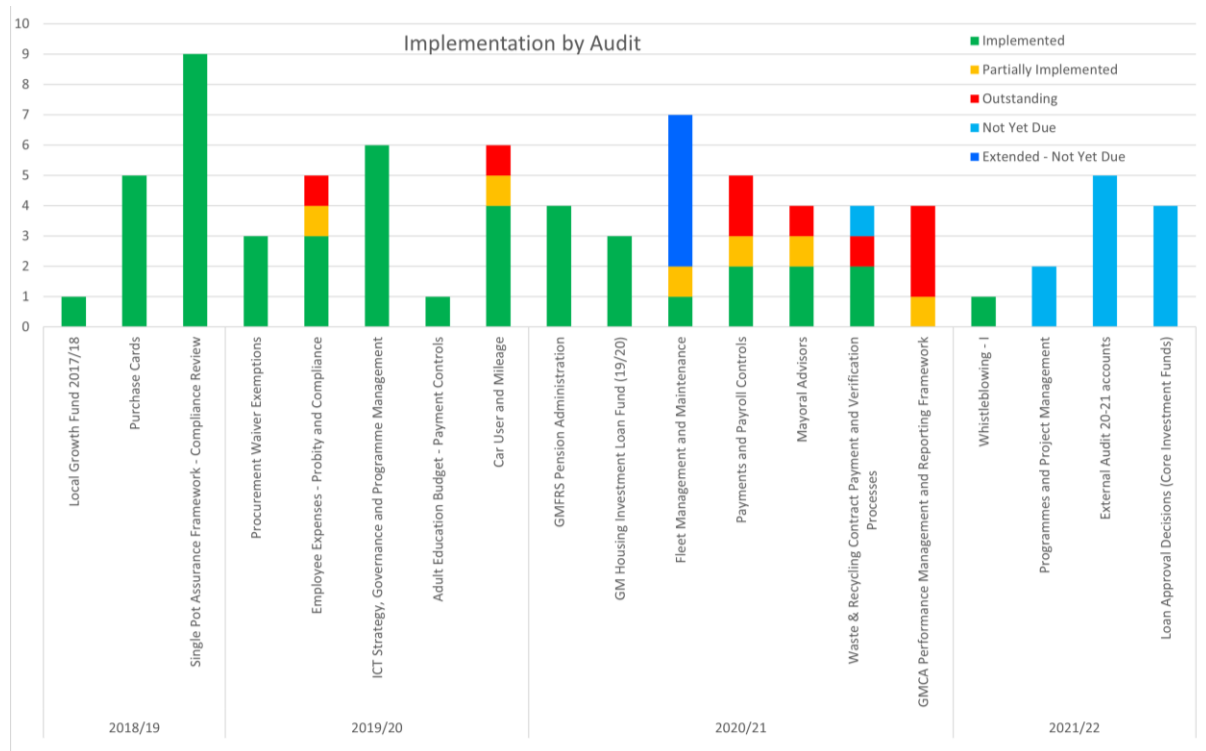
- 3.1 As at January 2022, 70% of audit actions due in the last 2 years have been implemented, against our target rate of 85%.

This represents a slight fall from the Q2 position of 80% and is as a result of several new actions falling due during the period and the “dropping off” of 14 previously implemented actions from older audits (>2 years ago).



4 Analysis of Audit Actions – by Audit

4.1 The chart below shows the status of implementation of audit actions by audit.



4.2 The longstanding actions in relation to two reports (Employee Expenses and Car User and Mileage) are nearing completion. The policies received approval from GMFRS Exec Board on 11 January 2022 and will be submitted to the Joint Trades Union Meeting later this month. Following this, Management can commence roll out of these policies across GMFRS

4.3 Several actions have been extended to take account of revised implementation timescales. These relate to five actions from the Fleet Management and Maintenance Audit which were reported to Committee in September 2021 and three actions from the Performance Management Reporting Framework audit. The planned re-launch of the revised Greater Manchester Strategy, Corporate

Plan and Business Plans have been postponed to February 2022 due to Covid-19 pressures which will delay implementation of these.

- 4.4 Where due dates have been extended these actions are shown in the table and we will continue to monitor progress on these and report to audit committee when these become due.
- 4.5 Details of outstanding and partially implemented actions and responses on progress have been included at **Appendix A** to allow Members opportunity to consider these.

5 Analysis of Audit Actions – by Risk Rating

- 5.1 The table below shows the status of audit actions by the risk rating of the associated audit finding.

Action Status	Total	Critical (Major)	High (Significant)	Medium (Moderate)	Low (Minor)
Implemented	47	2	15	25	5
Partially Implemented	6	2	1	2	1
Outstanding	9	0	3	4	2
Not Yet Due	12	0	0	5	7
Extended - Not Yet Due	5	0	1	3	1
Total	79	4	20	39	16

- 5.2 The number of actions being tracked this quarter has reduced as we have removed all implemented actions where the target date was over 2 years old. This will help to provide a stable comparison of implementation rates across periods going forward.
- 5.3 Actions that are over 2 years old but have not been fully implemented will not be removed from the tracker until the actions have been completed and reported on.

Status of Overdue Actions at January 2022

Audit Title.	Risk Rating	Audit Finding and Agreed Management Action (Summarised version from Audit Report)	Target Date	Responsible Officer	Internal Audit Implementation Status	Audit Committee Update (Jan 2022)
Employee Expenses - Probity and Compliance (July 2019)	Major	<p>Audit Finding Policy and Procedures: The priority should be the establishment and roll out the HR policy framework for employee expenses, car user mileage and other related policies including purchase cards. This will require consultation and clearance with the Trades Unions.</p> <p>Management Action Actions will be the responsibility of the Payroll and Pensions Manager</p>	March 2020	Payroll and Pensions Manager	Partially implemented	<p>For non-uniformed staff, the green/red book "GMCA Travel, Mileage and Expenses Policy" was launched in January 2021 and is published on the intranet. COMPLETED.</p> <p>The Grey / Gold book policy was initially launched 11th May however it was temporarily withdrawn due to an issue over insurance cover for those on detached duties.</p> <p>Separate Insurance Cover for detached duties has been purchased and the policy has been updated to reflect this.</p> <p>The revised policy was submitted to GMFRS Exec Board for approval on 11 January 2022 and will go to the Joint Trade Union Meeting on 20 January 2022 for approval prior to publication.</p>

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Employee Expenses - Probity and Compliance (July 2019)	Minor	<p>Audit Finding VAT: Consideration should be given to the process for reclaiming VAT on relevant VAT expense claim transactions.</p> <p>Management Action Agreed</p>	March 2020	Payroll and Pensions Manager	Outstanding	In the expenses audit it was identified that GMCA do not routinely claim VAT back on expenses because historically there was insufficient supporting evidence from expense claims to do so. Following the introduction of the on-line expenses system the payroll and finance teams will now work to establish a process for facilitating VAT reclaims. The action was agreed that the proposed process for reclaiming VAT will be reviewed once the policies for claiming expenses had been finalised. This will be completed by end of March 2022.
Car User and Mileage (June 2020)	Major	<p>Audit Finding Policies and Procedures: The priority should be the agreement and roll out of a single, up to date GMCA Car User Mileage Policy and procedural framework.</p> <p>Management Action An Employee Travel, Mileage & Expenses Policy which details claims which can be made through Payroll, to be drafted for consultation.</p>	June 2020	Payroll and Pensions Manager	Partially implemented	See previous comments on policy approval and roll out.

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Payments and Payroll Controls (April 2021)	Medium	<p>Audit Finding GMFRS Cheque Book Account: A cheque book Fire imprest account is used, but controls over the use of this account require review.</p> <p>Management Action The cheque book account will be closed, unless there is a business need for the continued operation of this account. The decision to close the account or not should consider alternative payment routes and processes for any ‘miscellaneous’ payments types for which the account is ordinarily used which don’t fit existing creditor or employee expenses payment procedures.</p>	June 2021	Head of Finance (Management Accountancy) & Associate Partner, Transaction Finance	Outstanding	There has been no cheque activity since the start of the financial year. Management are seeking to close this account by April 2022.
Payments and Payroll Controls (April 2021)	Medium	<p>Audit Findings Retrospective Purchase Orders: Up to a quarter of the ‘supported payments’ made during the period tested were paid against a retrospective purchase order, including a number of aged invoices up to 12 months old.</p> <p>Management Action Further control measures are required to reduce the number of instances of unsupported payments and raising of retrospective purchase orders for supplies of works, goods, and services. Measures should include:</p> <ul style="list-style-type: none"> • Publicising the GMCA No Po No Pay policy • verbal orders are not acceptable and there is a requirement to issue a PO at the point of ordering. • Exchequer Services to continue to reject payment of invoices without valid Purchase Orders. • Regularly report on organisational performance as part of Finance/Exchequer KPIs. 	September 2021	Deputy Treasurer & Head of Finance (Corporate & Technical)	Outstanding	<p>Exchequer Services continue to reject invoices without a purchase order and to publicise the no PO no pay policy.</p> <p>The team is currently considering the best way to push this message out to the wider organisation and how best to monitor the success of the messaging. It is thought that initially targeted training could be the best approach and as such work is beginning with the systems team over how to extract the relevant</p>

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		<ul style="list-style-type: none"> Carry out further analysis to identify any Directorates causing concern. 				information from the system.
Payments and Payroll Controls (April 2021)	Low	<p>Audit Finding Risk of duplicate payments: There are several controls to consider reducing the likelihood of duplicate payments occurring or increase the likelihood of detection.</p> <p>Management Action Supplier Masterfile: Regular cleansing of the supplier Masterfile will be carried out to remove any duplicated or obsolete supplier IDs or those not used for an extended period (e.g. +12months).</p> <p>Grant Payments: There should be a consistent methodology for referencing grant payments within BWO. This should include period/year.</p> <p>Invoice Input: Ensuring invoice references are correctly input including consistent process for grant invoices, supplier credit notes and supplier invoices within BWO.</p> <p>Duplicate Payment Detection: In addition to the existing automated duplicate payment reports within BWO, and those conducted through the National Fraud Initiative data matching exercise, the finance team will consider other opportunities for enhanced duplicate payment data matching.</p>	September 2021	Associate Partner, Transaction Finance	Partially Implemented	<p>The Exchequer Team undertake several automated and manual checks for duplicate payments on a regular basis. Exchequer Manager is liaising with the systems team to identify the option of enhanced duplicate payment reports.</p> <p>Work in cleansing the supplier database is ongoing.</p> <p>Exchequer Services continue to reject invoices without a purchase order and to publicise the no PO no pay policy.</p> <p>The Exchequer Manager and Finance Manager are currently looking at how to</p>

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						best communicate that retrospective purchase orders should not be used, and orders should be raised in advance. As part of this they are also looking at how the system can report on who is raising retrospective orders and whether targeted training would be more beneficial.
Waste & Recycling Contract Payment and Verification Processes (June 2021)	Low	<p>Audit Finding</p> <p>Verification checks are not undertaken on the percentage recycling rates provided by Suez and used in the payment mechanism.</p> <p>Management Action</p> <p>a) Waste Contract Team to liaise with Suez to determine the level of documentary evidence to be provided to corroborate the accuracy of figures included in the billing calculations.</p> <p>b) Waste Contract and Finance teams to agree a process for checking and verifying these figures going forward. This should include a 'reasonableness' check on acceptable fluctuations.</p>	31/10/21	Justin Lomas / Richard Booth / Simon Ashworth	Outstanding	Awaiting confirmation that the action has been implemented.

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Fleet Management and Maintenance (April 2021)	Medium	<p>Audit Finding Service Maintenance Charges & Budget Monitoring: The process for allocating and apportioning costs aligned to budgets should be reviewed.</p> <p>Management Action A full review of the mechanism for the charging and recharging of vehicle and equipment maintenance costs will be carried out. This will include consideration of the following:</p> <ul style="list-style-type: none"> • GMFRS Internal recharging mechanism, • Apportionment calculations for labour and overheads charged to budgets, • Staff timesheets and hourly rates charged, • Budget allocations, monitoring and reporting. 	September 2021	Head of Finance (Management Accountancy)	Partially Implemented	The recharges that have taken place for the current financial year have been reviewed and the Finance Team do not believe that the current system adds value, as such the transactions have been reversed and action is underway to cease all further recharges. Budgets will need to be realigned to account for the centralising of costs going forward but it is felt this will provide more accountability over fleet costs.
Mayoral Advisors (June21)	High	<p>Audit Finding The governance arrangements over Mayoral Advisors is informal and inconsistent</p> <p>Management Action In line with the recommendations of the Strategy and Policy Team’s discussion paper, a set of principles and protocols for the operation of Mayoral Advisors will be established, including at a minimum: a role description, clearly defined expectations, declarations of interest, gifts and hospitality recording, terms of office, and progress / activity reporting requirements.</p> <p>How the Advisor works within the governance structure of GMCA will also be clearly defined.</p>	30 Sept 2021	Andrew Lightfoot, Deputy Chief Executive	Implemented (subject to verification)	<p>All Advisor appointments will be considered and approved by the GMCA Resources Committee going forward. LGBTQ+ Mayoral Advisor contract extension submitted to Resources Committee in Dec 2021.</p> <p>Awaiting confirmation of contract status for each of the Mayoral Advisors.</p>

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Mayoral Advisors (June21)	Medium	<p>Audit Finding There is a lack of transparency over the work of the Mayoral Advisors and advisory panels</p> <p>Management Action The GMCA website will include a page for each Mayoral Advisor and advisory panel/group/task force, which is kept up to date with basic information such as: terms of reference, members lists, informal records of meetings, recent and planned activities, progress reports, and formal annual reports. Where an Advisor steps down or a panel is discontinued, this should be made clear on the website.</p>	30 Sept 2021	Andrew Lightfoot, Deputy Chief Executive	Partially Implemented (subject to verification)	Annual progress reports will be submitted the full GMCA going forward. The first reports from the Advisory Panels was considered at the meeting on 10 th September 2021.
GMCA Performance Management and Reporting Framework (June21)	High	<p>Audit Finding Develop and agree a GMCA Performance Management Framework.</p> <p>Management Action The principles for a defined GMCA-wide performance management framework should be set out in a report to the GMCA Board for approval. This should be developed in consultation with Directorates / SLT to ensure full engagement and agreement with the principles. This should include, at a minimum:</p> <ul style="list-style-type: none"> • an agreement of the need for a succinct but comprehensive set of KPIs / measures / outcomes (to be defined within the annual Business Plan). • the frequency at which these measures will be calculated and reported; and, • the forums / groups (both internal and external) that will have sight of and scrutiny/challenge over the reported figures. 	30 Sept 2021 (Extended to April 2022)	Andrew Lightfoot, Deputy Chief Executive	Partially Implemented (subject to verification)	<p>A suite of Corporate and Directorate KPIs has been developed and agreed by SLT. These KPIs will be reported Quarterly, commencing third quarter 2021. These mainly relate to corporate health indicators.</p> <p>Delivery performance metrics to be included in the revised Corporate Plan and Business Plans.</p> <p>The Terms of Reference of the GMCA Resources Committee will be expanded to incorporate responsibility for oversight of GMCA performance.</p>

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GMCA Performance Management and Reporting Framework (June21)	Medium	<p>Audit Finding Ensure alignment between the GMS and GMCA Business Plan priorities, including specific and measurable targets and timescales.</p> <p>Management Action</p> <p>a) The refreshed GMS and implementation plan should clearly identify those actions/activities that are the responsibility of the GMCA to deliver (either wholly or as a partner/influencer).</p> <p>b) All such actions/activities should be included in the GMCA Business Plan to ensure that there is a direct and explicit link between Business Plan priorities and GMS priorities.</p> <p>The GMCA Business Plan should, wherever possible, include defined and measurable targets and timescales for the delivery of planned activities.</p>	30 Sept 2021 (Extended to April 2022)	Andrew Lightfoot, Deputy Chief Executive	Extended Proposal to extend the deadline to April 2022 in line with refreshed GMS	The re-launch of the revised Greater Manchester Strategy (GMS) and the new corporate business plan (3yr) and (1yr) business plans has been postponed to February 2022. These will include alignment / prioritisation of GMCAs delivery and performance metrics. Work has been undertaken to collate corporate health metrics, directorate performance metrics and headline milestones for the year.

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GMCA Performance Management and Reporting Framework (June21)	High	<p>Audit Finding Report on actual delivery against the KPIs and Business Plan activities.</p> <p>Management Action In line with the performance management framework designed as a result of Finding 1 above, directorates should report actual performance against the KPIs, targets and timescales of activities as defined in the Business Plan to the forums and at the frequency as agreed in the framework.</p> <p>The format of such reporting should be presented in a dashboard / RAG-rated format with brief supporting narrative, and should link to, or incorporate, financial reporting.</p>	30 Sept 2021 Extend April 2022	Amy Foots, Head of Implementation, Strategy and Policy	Partially Implemented	A suite of Corporate and Directorate KPIs has been developed and agreed by SLT. These KPIs will be reported Quarterly, commencing third quarter 2021. The Terms of Reference of the GMCA Resources Committee will be expanded to incorporate responsibility for oversight of GMCA performance in October 2021.
GMCA Performance Management and Reporting Framework (June21)	Medium	<p>Audit Finding There is a lack of corporate visibility over all active programmes and projects being delivered.</p> <p>Management Response</p> <ul style="list-style-type: none"> • Register of Grant funded Programmes: To develop a corporate register of all grant funded programmes, projects, and initiatives. • Finance Governance: Development of a gateway process which enables alignment of project/schemes to strategic priorities and ensures robust financial oversight and approvals for all new funding to ensure adherence to GM Local Growth Assurance Framework and CIPFA Financial Management Code of Practice. • Resources Committee: To introduce quarterly finance and performance reporting to GMCA Resources Committee who will have responsibility for oversight and monitoring of funding and spend. 	30 Sept 2021	Steve Wilson, Treasurer	Outstanding	We have not received an update against this action