

## GMCA AUDIT COMMITTEE

**Date:** 22 April 2022

**Subject:** Audit Action Follow up

**Report of:** Sarah Horseman, Head of Audit and Assurance

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### PURPOSE OF REPORT

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

This report was prepared for the April 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](mailto: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

<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 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.

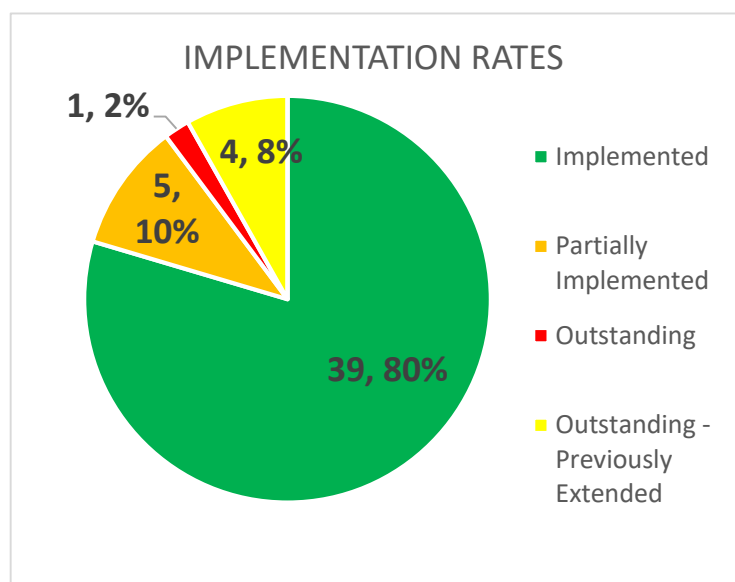
## 2 Agreed Process

- 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

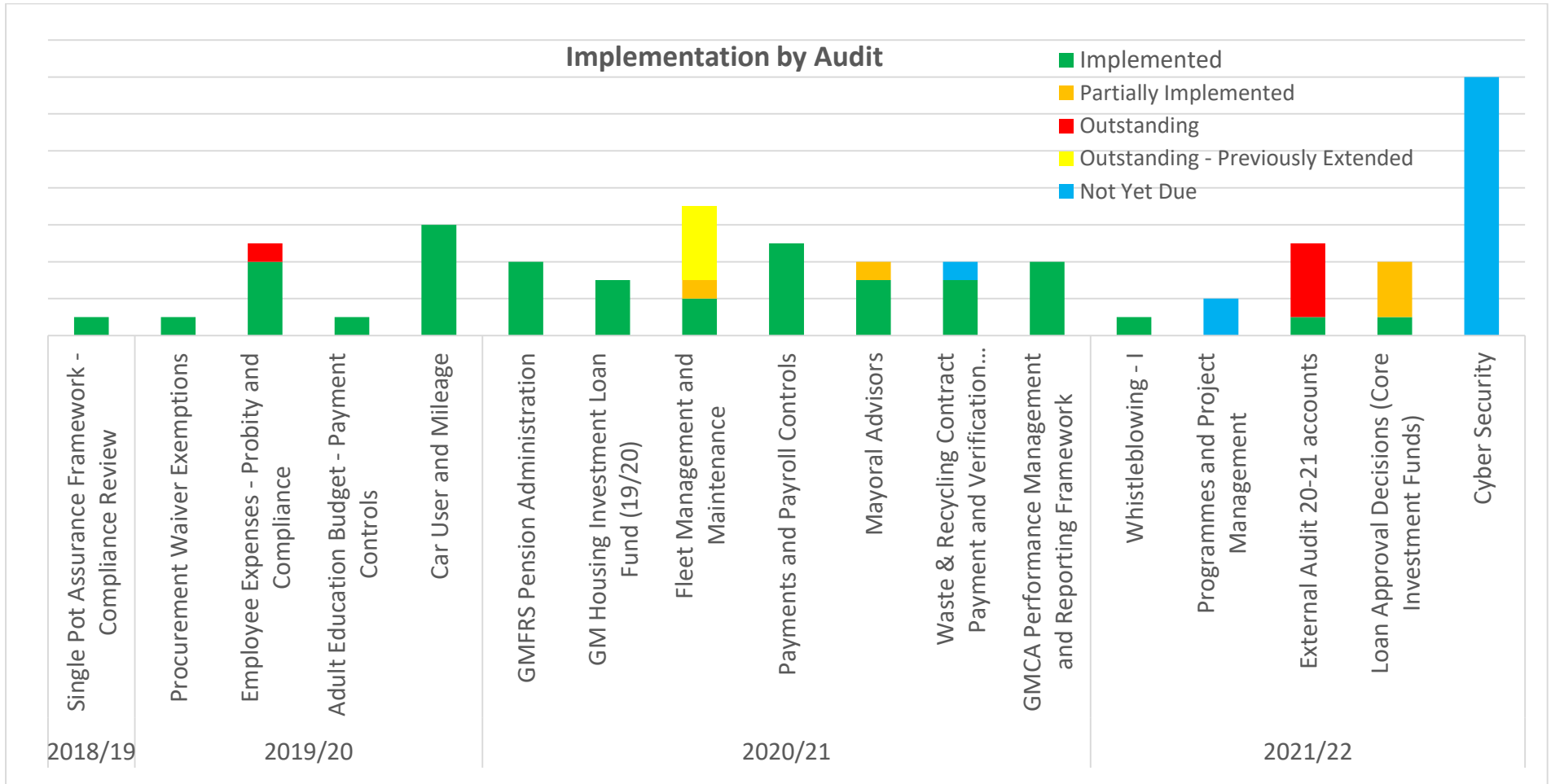
- 3.1 As at April 2022, 80% of Internal Audit actions due in the last 2 years have been implemented, against the target rate of 85%.

This is this is a rise on the Q3 position of 70%.



## 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 action in relation to the Employee Expenses report relates to the ability to reclaim VAT on expense claims. The recent policy implementation and roll out means that supporting evidence for claims should be uploaded to the system, the Payroll Team are working with the software supplier on how to capture the relevant VAT information at individual claim level.
- 4.3 Five actions from the LTSC Fleet Management and Maintenance Audit have previously been extended and were last reported to Committee in September 2021. These are now outstanding against the revised target date. Management have indicated that these actions will be considered alongside agreed actions relating to LTSC Central Stores as there are mutual issues particularly around systems, processes, performance, and value for money. LTSC Management plan to carry out a full review of both functions by the end of June 2022, with the intention of addressing key areas of concern. We will seek an update on progress prior the next Audit Committee.
- 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.
- 4.6 External Audit recommendations are excluded from the calculation of implementation rates but they are now included in the action tracking process to streamline the process and provide External Audit with a view of the status of their recommendations when the next external audit takes place. See **Appendix B**.

## 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	40	2	6	24	8
Partially Implemented	5	0	0	3	2
Outstanding	5	0	0	1	4
Not Yet Due	17	0	5	9	3
Extended - Not Yet Due	0	0	0	0	0
Outstanding - Previously Extended	4	0	1	2	1
<b>Total</b>	<b>71</b>	<b>2</b>	<b>12</b>	<b>39</b>	<b>18</b>

- 5.2 The number of actions being tracked this quarter has decreased, this is due to 22 implemented actions being removed as these are over 2 years old. Our policy is to remove any implemented actions over 2 years old from the tracker each quarter.
- 5.3 Any 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 as implemented at least once in this tracker report.

**Status of Overdue Actions at April 2022**

Audit Title.	Risk Rating	Audit Finding and Agreed Management Action (Summarised version from Audit Report)	Target Date	Responsible Officer	Internal Audit Status	Audit Committee Update (Apr 2022)
Employee Expenses - Probity and Compliance (July 2019)	Minor	<p><b>Audit Finding</b>  <b>VAT:</b> Consideration should be given to the process for reclaiming VAT on relevant VAT expense claim transactions.</p> <p><b>Management Action</b>                      Agreed</p>	March 2020	Payroll and Pensions Manager	Outstanding	<p>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.</p> <p>Now that the new process is in place and requires the uploading of documents to support the claim the team are considering how VAT reclaims can be incorporated into the claim process. A meeting with the payroll software provider has been scheduled for the April 2022.</p>

Appendix A

<p>Mayoral Advisors (June21)</p>	<p>High</p>	<p><b>Audit Finding</b> The governance arrangements over Mayoral Advisors is informal and inconsistent</p> <p><b>Management Action</b> 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>	<p>30 Sept 2021</p>	<p>Andrew Lightfoot, Deputy Chief Executive</p>	<p>Implemented (subject to verification)</p>	<p>Process agreed with Leaders for approval on Advisors via Resources Committee. Two transport appointments approved by March Committee.</p> <p>Paper to go to next Resources Committee to formalise future appointments.</p>
<p>Mayoral Advisors (June21)</p>	<p>Medium</p>	<p><b>Audit Finding</b> There is a lack of transparency over the work of the Mayoral Advisors and advisory panels</p> <p><b>Management Action</b> 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>	<p>30 Sept 2021</p>	<p>Andrew Lightfoot, Deputy Chief Executive</p>	<p>Partially Implemented (subject to verification)</p>	<p>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<sup>th</sup> September 2021.</p> <p>To be covered as part of the next paper to Resources Committee.</p>



Appendix A

<p>Fleet Management and Maintenance 20/4/2021</p>	<p>Medium</p>	<p><b>Audit Finding:</b> B-fleet Vehicle Usage Policy: There is no policy in place to manage and monitor the usage of B-fleet vehicles across the service.</p> <p><b>Management Action:</b> a) The 'Driving at Work' policy will initially focus on grey book uniformed staff and be approved by SLT and FBU. b) The next stage will take into consideration fleet usage across the wider GMFRS/GMCA estate including operational (support vehicles) and non-operational (pool cars) vehicles. The published policy guidance will establish the key requirements of managers and vehicle users and this will include, but not be restricted to, the following areas:  <ul style="list-style-type: none"> <li>· B-fleet vehicle location updates, to ensure vehicles are available to support service operations at all times</li> <li>· Daily recording of vehicle journeys</li> <li>· Daily vehicle roadworthiness inspection and defect checks</li> <li>· Driver validation checks</li> <li>· Consistency with other related policies (car user and mileage; and employee expenses)</li> <li>· Use of non-operational Pool cars and booking system including for non-Grey Book staff</li> </ul> c) The use of vehicle tracking devices on all new vehicles is an essential part of developing an effective vehicle usage and monitoring process and a separate policy will be put in place to support this area.</p>	<p>30 September 2021  Extended to June 2022</p>	<p>Fleet Services Manager</p>	<p>Outstanding</p>	<p>LTSC Management to carry out a full review of both Fleet and Stores functions by the end of June 2022, with the intention of addressing key areas of concern. IA to assess progress and timescales, prior to next Audit Committee meeting.</p>
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Appendix A

<p>Fleet Management and Maintenance 20/4/2021</p>	<p>Medium</p>	<p><b>Audit Finding:</b> Disposal of obsolete vehicles and equipment: There are delays and backlogs in the disposal of obsolete and decommissioned assets.</p> <p><b>Management Action:</b> The Fleet disposal policy will be updated to explicitly set out the procedures for the identification of end of useful life assets, and the decommissioning, disposal or scrapping of these assets (vehicles and equipment). a) The policy update will encompass the following key areas:  <ul style="list-style-type: none"> <li>· Method for identifying assets at the end of their useful life and determining the appropriate method of disposal.</li> <li>· Methods of disposal available, including the expected use of quotes and tenders and selection of approved providers.</li> <li>· Authorisation and approval limits for items over specified values.</li> <li>· How asset valuations will be sought prior to disposal (where necessary).</li> <li>· Procedures for the decommissioning of vehicles prior to disposal.</li> <li>· BWO asset register and expected process for review of 'parked' items.</li> <li>· Quarterly Reporting to SLT of asset disposals including income receipts.</li> </ul>                     b) There will be a regular review of all 'parked' items and a plan put in place for the safe disposal/scrapping of all obsolete vehicles and equipment, including a process for dealing with items listed as 'missing' equipment.</p>	<p>September 2021  Extended to June 2022</p>	<p>Fleet Services Manager</p>	<p>Partially Implemented</p>	<p>As above.</p> <p>The backlog of end of life vehicles and obsolete equipment that was identified at the time of the audit has now been dealt with via selling, scrapping, or donating.</p> <p>As part of the review of all audit actions within LTSC, the Fleet Manager will review all disposal methods to ensure that all aspects of the audit recommendation are incorporated fully into the disposal policy.</p>
<p>Fleet Management and Maintenance 20/4/2021</p>	<p>High</p>	<p><b>Audit Finding:</b> Performance Management Framework: There isn't a fully robust framework in place against which the value and efficiency of fleet services can be measured and monitored.</p>	<p>July 2021  Extended to June 22</p>	<p>Area Manager, Head of Service Support &amp;</p>	<p>Outstanding</p>	<p>As above.</p>

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		<p><b>Management Action:</b> We will establish a performance framework which includes a suite of indicators against which the efficiency of fleet service activities can be measured and monitored in relation to cost, quality, and timeliness of workshop repairs.</p> <p>Working with Corporate Support functions we will determine requirements of the service and availability and access to regular BWO Management Information (MI). The opportunity to automate the regular extraction of this information through the development of a suite of bespoke reports will be explored.</p> <p>The BWO Asset Management Module which is currently being adapted for use in the GMCA Estates Team will also be considered for its applicability and usefulness to the fleet team as a mechanism to record and report relevant information.</p>		Head of Finance (Management Accountancy)		
Fleet Management and Maintenance 20/4/2021	Low	<p><b>Audit Finding:</b> System data quality: There are some inconsistencies in data quality which should be checked.</p> <p><b>Management Action:</b> This is linked to finding 4 and the actions from that will assist the monitoring of performance which could highlight anomalies in data.</p> <ul style="list-style-type: none"> <li>· We will implement a consistent process for the capture and input of all work order information.</li> <li>· We will carry out a review of the data extracts provided by the Internal Audit team and Finance to understand potential anomalies and any immediate action required to improve data quality.</li> </ul> <p>We will review the Grey Fleet vehicles in the system and closedown any which do not require annual reviews by LTSC.</p>	July 2021  Extended to June 2022	Fleet Services Manager & Head of Finance (Management Accountancy)	Outstanding	As above.  The LTSC Fleet Manager considers that the introduction of a new bespoke system will allow better quality data to be extracted and monitored in the future.

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<p>Fleet Management and Maintenance 20/4/2021</p>	<p>Medium</p>	<p><b>Audit Finding:</b> Contract Management: There is a lack of evidence over how value for money is achieved through revenue contract spend.</p> <p><b>Management Action:</b> In conjunction with Procurement colleagues, there will be a full review of all high priority contract spend areas to understand the full requirements of these and a forward plan to address where contracts need to be re-procured or market tested.</p> <p>Ensuring appropriate senior level oversight is in place with adequate reporting on contract spend areas.</p>	<p>September 2021  Extended to June 2022</p>	<p>Head of Commercial and Fleet Services Manager</p>	<p>Outstanding</p>	<p>As Above.  Work has begun with the Commercial Team to identify the pipeline of commissioning work that is needed across LTSC. Initial benchmarking exercises are also being looked at for key Fleet contracts to ensure that value for money is obtained while maintaining quality standards.</p>
<p>Loan Approval Decisions (Core Investment Funds) 7/12/2021</p>	<p>Low</p>	<p><b>Audit Finding:</b> Any declarations of interests by CEX ASG members and CIT staff are made as and when they arise. There is no formal register of personal or business interests maintained.</p> <p><b>Management Action:</b> A declaration of interests register will be put in place for CIT and CEX ASG to record any personal, pecuniary, or business-related conflicts of interest. This will include annual declarations being made by Officers and External Members of the group to ensure identified interests can be managed.</p>	<p>January 2022</p>	<p>Investment Director</p>	<p>Partially Implemented</p>	<p>A template for this has now been drafted and is being reviewed. Once approved, the proposal will allow for individual declaration forms to be completed on an annual basis and updated throughout the year if changes are needed.</p> <p>This is linked to a wider IA review of GMCA Behavioural policies and codes of conduct.</p>

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<p>Loan Approval Decisions (Core Investment Funds) 7/12/2021</p>	<p>Medium</p>	<p><b>Audit Finding:</b> The terms of Reference for CEX Appraisal Sub-Group require review and update.</p> <p><b>Management Action:</b> The terms of reference of the CEX ASG will be updated to reflect the activities and responsibilities of the group and presented to the GMCA Board for approval. This will include as a minimum: - Purpose of the group - Membership and attendees - Objectives and scope of funds to be considered for approval - How decisions are taken, and - Reporting arrangements.</p>	<p>January 2022</p>	<p>Investment Director</p>	<p>Partially Implemented</p>	<p>The updated terms of reference have been drafted and are subject to review and approval.</p>
<p>Loan Approval Decisions (Core Investment Funds) 7/12/2021</p>	<p>Low</p>	<p><b>Audit Finding:</b> There is no formal methodology in place for the setting of loan interest rate calculations</p> <p><b>Management Action:</b> Loan proposal forms submitted for approval will record the basis and rationale for interest rate calculation and setting by Transaction Managers. This will allow for greater transparency in the process and comparability of the methods used.</p>	<p>January 2022</p>	<p>Investment Director</p>	<p>Partially Implemented</p>	<p>The new process has been put in place and all Transaction Managers are aware of the process. As yet, no new loan deals have been approved since the new process was put in place but the first is expected to be drafted shortly to confirm how the process will work.</p>

## External Audit Action Tracking

To streamline the process for audit action tracking, internal audit have included external audit actions in the tracking spreadsheet and process. The status of external audit actions with Internal Audits view of the current status is provided below. External Audit will provide their own assessment of the completion of those recommendations.

Audit Title.	Risk Rating	Audit Finding and Agreed Management Action (Summarised version from Audit Report)	Target Date	Responsible Officer	Internal Audit Status	Audit Committee Update (Apr 2022)
External Audit 20-21 accounts 24/11/2021	Medium	<p><b>Audit Finding:</b> Segregation of Duties in Accounts Receivable weak as individuals can both raise and approve sales invoices on the system</p> <p><b>Management Action:</b> We will review roles following the recent restructure and ensure this is in place, this will be assessed as part of an upcoming internal audit review of accounts receivable</p>	March 2022	Head of Finance Corporate and Technical	Implemented (subject to verification)	<p><b>IA View:</b> New role profiles have been set up within the Accounts Receivable system and were launched at the beginning of March. This ensures that there is both segregation and approval of invoices within the system.</p> <p>IA will conduct walkthrough testing of the system and review user permissions to verify changes.</p>
External Audit 20-21 accounts 24/11/2021	Medium	<p><b>Audit Finding:</b> No disaster recovery test had been performed by the organisation within the period.</p> <p><b>Management Action:</b> We will consider the GMCA approach to disaster recovery testing alongside the creation of a back up policy and EBS.</p>	March 2022	Digital Solutions Manager	Outstanding	<p><b>IA View:</b> The disaster recovery procedures were also picked up as part of the recent Cyber Security audit, as part of this management provided a detailed plan of action with a target date of Mar 2023</p>

Appendix B

External Audit 20-21 accounts 24/11/2021	Low	<p><b>Audit Finding:</b> Testing of journals identified a write off processed to clear an imbalance between petty cash records and the financial systems, this could not be matched to supporting documents. Amount written off was of low value (£311)</p> <p><b>Management Action:</b> We will ensure petty cash policies and procedures reflect this as well as commencing a review of the requirement for petty cash to be held by the CA.</p>	March 2022	Head of Finance Capital and Treasury Management	Outstanding	
External Audit 20-21 accounts 24/11/2021	Low	<p><b>Audit Finding:</b> No formal back up policy in effect at the Authority</p> <p><b>Management Action:</b> GMCA will produce a formal back-up policy and is currently developing proposals for an Enterprise Back Up Solution (EBS) to be implemented in early 2022 if agreed.</p>	March 2022	Digital Solutions Manager	Outstanding	<p><b>IA View:</b> This was also picked up as part of the recent Cyber Security audit. Management confirmed that a proposal around this was being presented to Senior Management and provided a target date for implementation of September 2022</p>
External Audit 20-21 accounts 24/11/2021	Low	<p><b>Audit Finding:</b> No formal change management policy in effect at the organisation.</p> <p><b>Management Action:</b> Whilst there is no formal change management policy in place the external auditor acknowledged that the GMCA change management controls are very strong. We will consolidate the process into a formal policy.</p>	March 2022	Digital Solutions Manager	Outstanding	<p><b>IA View:</b> The recent Cyber Security audit identified the need to update several corporate policies in this area. Management had also recognised the need to do this and had set a target date of March 2023 for completion of all required policy updates.</p>