

## **GMCA Audit Committee**

Date: 15 March 2023  
Subject: Emerging Internal Audit Plan 23/24  
Report of: Sarah Horseman, Head of Audit and Assurance

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### **PURPOSE OF REPORT**

The purpose of this report is to share with Members of the Audit Committee the three-year internal audit plan and the operational internal audit plan for 2023/24.

### **RECOMMENDATIONS:**

Members are requested to approve the Internal Audit Plan.

### **CONTACT OFFICERS:**

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**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

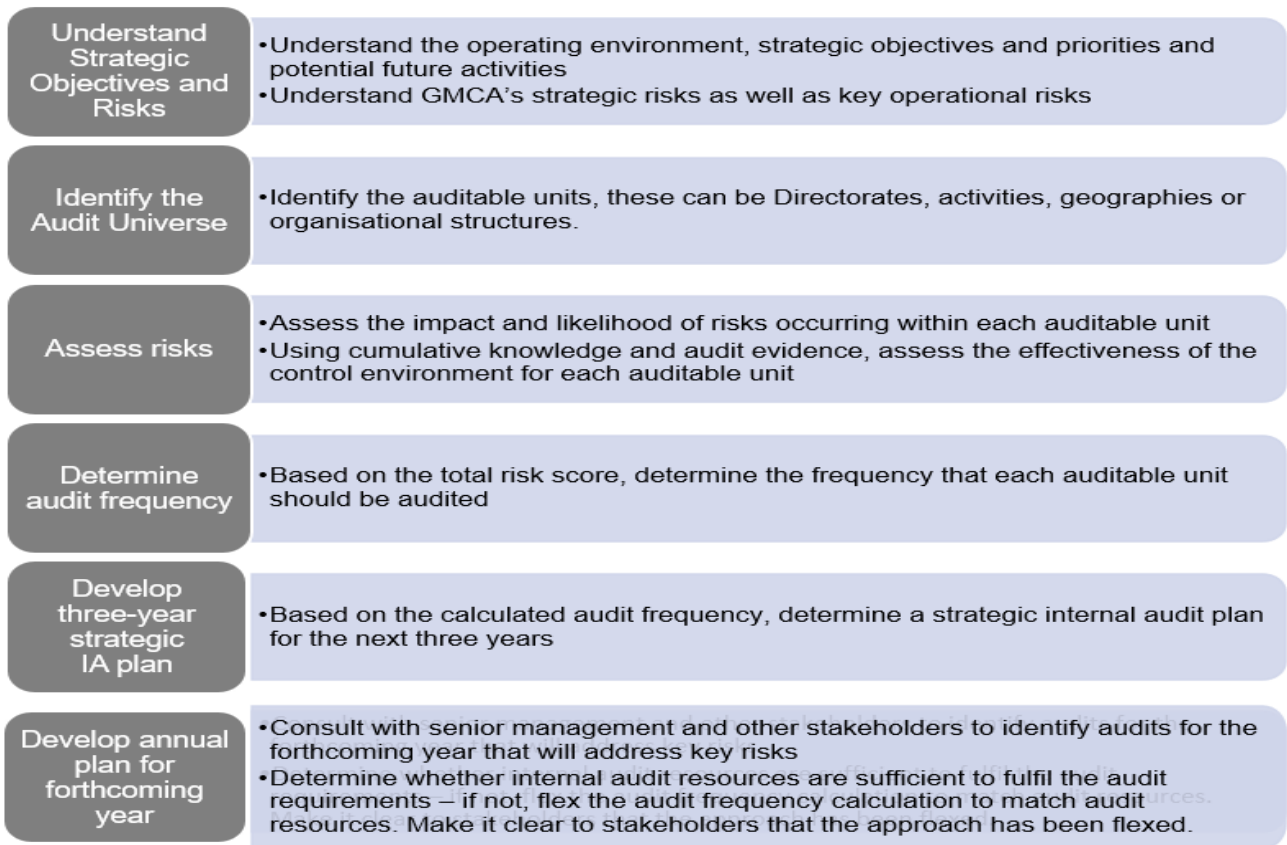
# **GMCA Internal Audit Plan 2023/24**

## **1. Introduction**

- 1.1 This document sets out the three-year strategic internal audit plan and the emerging 2023/24 internal audit plan for GMCA. The planning process is based on Internal Audit's understanding of GMCAs current strategic and operational risks and as such is designed to provide assurance over key risk areas.
- 1.2 The emerging plan will be kept under review and refreshed on a quarterly basis as required depending on any local or national policy changes, emerging risks and priorities. For example, the Trailblazer devolution deal could have a significant impact on GMCA. Depending on the deal, a review of governance and assurance arrangements may be required.

## **2. Approach**

- 2.1 Internal Audit services will be provided in line with the Internal Audit Charter. Our approach to developing the plan is set out below.



Details of the risk assessment criteria are provided in Appendix 1.

## 2.2 Key planning principles

The process above has been followed in order to undertake a risk-assessment and develop an audit plan. However, the following principles are also applied:

**Risk Assessment:** The “Audit Universe” has been identified as each of the Directorates within GMCA, supported by a number of cross-cutting activities. The Universe is shown in Section 4 below. Each auditable area in the Audit Universe has been assessed to determine its Inherent Risk which is determined by assessing the financial and reputational risk of each directorate or activity. Cumulative audit knowledge and recent internal audit evidence is also used to assess the strength of the control environment which may increase or decrease the overall risk score. This results in a risk score which drives the frequency of audits within each unit, over a 3-5 year period. Scores over 40 are audited annually, 31-40 every two years, 21-30 every three years. Anything 20 or below is

considered for inclusion every 5 years. The audit universe and risk assessment are reviewed annually to ensure they remain current given any changes in structure or activities.

**Alignment to Strategic and Operational Risk:** GMCA has an established risk management process, and as such there are identified strategic, organisational and directorate risks. The audit plan takes consideration of identified risks to ensure that our work is able to test the effectiveness of the actions put in place to mitigate risk.

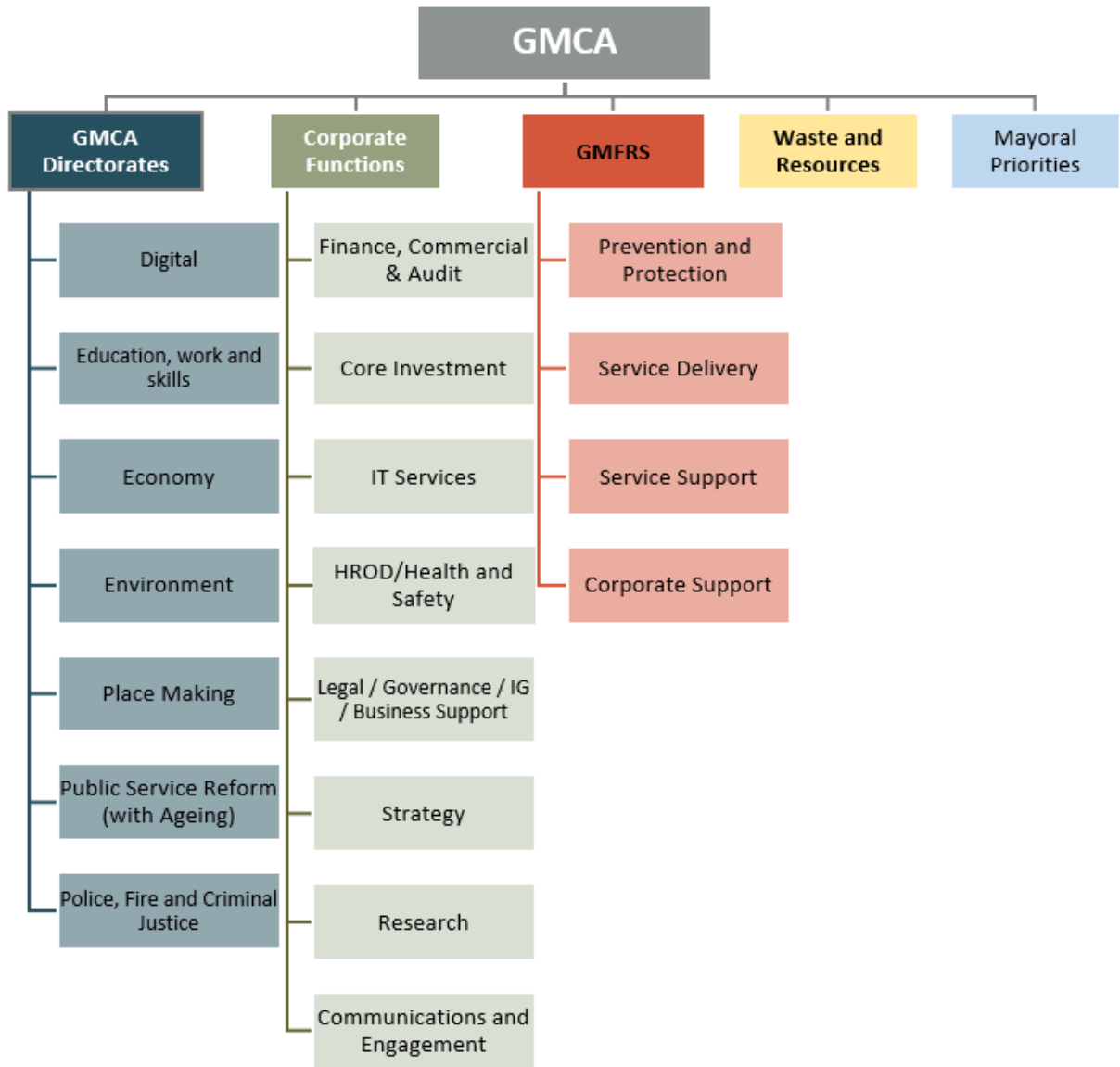
It is important to note that internal audit will not provide assurance over all key risks in any given year. The plan in Section 6 shows the linkage of the audit plan to GMCA's Strategic Risks and key organisational and operational risks. This demonstrates how over time, assurance over the mitigating activities put in place to manage strategic risks is gathered.

**Agility and Relevance:** As recent years have demonstrated, the need for regular review of the internal audit plan and risk assessment is essential due to the nature and pace of change. The plan will be kept under review, with regular updates provided to Audit Committee of any changes proposed.

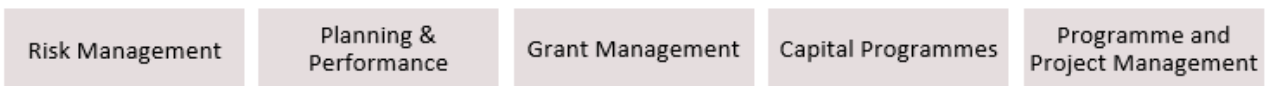
**Other sources of assurance:** When determining the internal audit plan, other sources of assurance available are considered. Assessments undertaken by external parties (eg inspectorate/regulator audits such as HMICFRS or the ICO) as well as the work undertaken by external audit and any Line 2 assurance provided by other internal activity such as the Operational Assurance Team within GMFRS. Continued focus will be maintained on coordinating Line 2 and Line 3 activities to ensure an integrated approach to audit and assurance.

### **3. Audit Universe**

For planning purposes the Audit Universe has been defined as follows



**Cross Cutting activities**



#### 4. Risk Assessment and Strategic Internal Audit Plan

4.1 The Internal Audit risk assessment has been reviewed for 23/24 taking into consideration any changes in activities undertaken and risks as well as any assurance over control environment obtained from the results of 2022/23 internal audit work. This informs the frequency of audit activity. The table has been ordered in descending order of risk and shows the number of audits to be undertaken each year for each Directorate/activity.

Directorate / Activity	Risk Score	Audit frequency	Number of audits		
			23/24	24/25	25/26
Cross cutting: Capital Programmes	50	Annual	2	2	2
Police, Crime, Fire & Criminal Justice*	50	Annual	0	0	0
GMFRS	48	Annual	4	4	4
EWS: Education	48	Annual	1	1	1
Waste and Resources	48	Annual	1	1	1
Corp Services: Finance	45	Annual	2	2	2
Digital: ICT Services	44	Annual	3	3	3
Corp Services: Information Governance	40	Every 2 years	1		1
Corp Services: Legal/Governance	40	Every 2 years	1		1
Place: Land and Estates	40	Every 2 years	1	1	
Corp Services: HROD / H&S	36	Every 2 years	1	1	1
Environment	36	Every 2 years		1	1
Mayoral Priorities (inc Bus Reform)	36	Every 2 years	1		1
Corp Services: Commercial	36	Every 2 years	1		1
Cross cutting: Grant management and reporting	32	Every 2 years	1	1	
Cross cutting: Programmes and Project Management	30	Every 3 years		1	1
Cross cutting: Business Continuity	30	Every 3 years	1		
Corp Services: Core Investment	28	Every 3 years			1
Digital: GM Digital	28	Every 3 years			1
Economy	28	Every 3 years	1		

Directorate / Activity	Risk Score	Audit frequency	Number of audits		
			23/24	24/25	25/26
Cross Cutting: Risk Management	24	Every 3 years		1	
EWS: Work & Skills	24	Every 3 years	1		
Place: Development	24	Every 3 years		1	
Public Service Reform	24	Every 3 years	1	1	1
Cross cutting: Planning and Performance	21	Every 3 years			1
Corp Services: Comms and Engagement	18	Every 5 years			
Corp Services: Research	18	Every 5 years			
Corp Services: Strategy	18	Every 5 years	1		
Corp Services: Audit	12	Every 5 years			1
		<b>TOTAL</b>	<b>23</b>	<b>22</b>	<b>22</b>

\*Audits for Police, Crime, Fire and Criminal Justice are undertaken by the GMP audit team and reported to the Joint Audit Panel (Police and Crime).\*\* IT Audits are undertaken by an external service provider



## 5. 2023-24 Internal Audit Plan

- 5.1 The emerging Internal Audit Plan for 2023/24 is detailed below. It is stressed that at the time of writing the plan is emerging as the outcome of the Trailblazer devolution deal is not yet known, similarly guidance on the national Waste and Resources Strategy is awaited which may impact the audit plan around Waste. During the year, other such national and local policy issues may impact the plan and as such it will be regularly reviewed, refreshed and reported to Audit Committee.
- 5.2 The extent of work undertaken will inherently be limited by available Internal Audit resource. It is unlikely with current resource levels that the whole of this plan will be able to be delivered. Audits will be therefore be prioritised based on the risk assessment as shown in Section 4 above. An indicative assessment, based on the previous years experience, is that approximately 50-60% of the audits in the plan would be deliverable with current resource levels. As an indication of priority, in the table below, areas with a risk score of >40 have been designated high priority, 31-40 medium priority and 30 or below low priority. Any ad-hoc work (for example fraud or whistleblowing investigations) would further restrict available audit resources.
- 5.3 Progress against the plan will be monitored against available resource and any concerns or limitations reported to the GMCA Treasurer and GMCA Audit Committee.

Directorate / Activity		Audit	Link to Corporate Risk Register	Priority
GMFRS	Front Line Service Delivery	<b>GMFRS BLOCK:</b> Audit work covering Prevention, Detection and Service Delivery. Scope of work will be agreed with the Chief Fire Officer.	GMFRS RR - Multiple risks	High
GMFRS	Governance	<b>Station Standards Framework (b/f)</b> – an audit of the Station Standards framework and its application.	-	High
Cross cutting: Capital Programmes	Programme Monitoring and Evaluation	<b>Deep Dive:</b> Monitoring and evaluation of programme / project deliverables. Focus on the GMFRS Capital Programme.	OR9- Funding and grants not spent in line with timescales or conditions	High
Corporate Services: Procurement and Commercial	Commercial	<b>Social Value Model:</b> Social value aspects for procured and commissioned contracts <b>Subsidy Control Act:</b> Audit of the processes and controls in place to comply with the Act.	DIR-WR-03 – Failure to meet the social value expectations of Members/GM Mayor	Medium
Corporate Services: Finance	Core Financial Systems	<b>BLOCK:</b> Annual requirement to review the effectiveness of key financial processes. Scope areas to be agreed in year.	DIR-FIN-02 – systems and processes do not adequately support compliance with statutory requirement and accounting code of practice	High
Corporate Services: Finance	Core Financial Systems	<b>BWO access rights</b> – An audit to assess processes and controls in place over access to the		High

Directorate / Activity		Audit	Link to Corporate Risk Register	Priority
		finance system (BWO) including a review of current users.		
Corporate Services: Finance	Core Financial Systems	<b>Corporate Recharge Model:</b> A review of the process for recharging of costs to support programme delivery	DIR-PCCJF-11 – Lack of alignment of funding to sufficiently resource strategic priorities	High
Corporate Services: Finance	Grants	<b>Grant Management Process – Follow up Audit</b> – Assessment of the effectiveness and efficiency of the grant management process.	OR9- Funding and grants not spent in line with timescales or conditions	Medium
Corporate Services: Finance	Grants	<b>Grant Certification</b> - Ongoing certification of grants as required by grant conditions.	OR9- Funding and grants not spent in line with timescales or conditions	Medium
Corp Services: Waste and Resources	Contract Compliance	<b>Behavioural Change and Communication Plan-Waste:</b> Assessment of the effectiveness of activities linked to this strategy	DIR-WR-05 – Failure to deliver on the outputs and outcomes of the behavioural change comms strategy	High
Corp Services: Waste and Resources	Contract Compliance	<b>Fleet Assets:</b> Controls in place for Maintenance and testing of GM Waste vehicle fleet and equipment.	-	High

Directorate / Activity		Audit	Link to Corporate Risk Register	Priority
Corp Services: People Services	HR Systems	<b>Attraction and Recruitment:</b> Review of process and controls over the attraction and recruitment of staff <b>Q4</b>	OR3 – Failure to attract and retain equal, diverse and inclusive workforce.	Medium
Corp Services: Information Governance	IG Systems	<b>Information Governance Arrangements:</b> To review IG arrangements for DPA/GDPR /information security.	OR10- Failure to comply with Data Protection Act 2018 (GDPR)	Medium
Education, Work and Skills	Programme Appraisal / Evaluation	<b>BLOCK:</b> Devolved skills programmes including Adult Education Budget. Scope to be agreed in year pending outcome of Trailblazer deal.	DIR-02-EWS – National legislative changes impact on GMCA’s ability to deliver on its devolved skills programmes including AEB	High
Digital: ICT Services	Governance	<b>ICT Audit Needs assessment</b> – a risk-based evaluation of current arrangements which will identify areas of future focus for internal audit resources and the development of a 3year plan.	DIR-DIG03 – Core Service Delivery DIR-DIG04 – Cyber Security	High
Digital: ICT Services	ICT Systems	<b>IT Asset Management</b> – An audit of the processes in place around the management of assets (issue, tracking, return, disposal)	DIR-DIG03 – Core Service Delivery DIR-DIG04 – Cyber Security	High
Digital: ICT Services	ICT Systems	<b>User Acceptance Testing:</b> An audit of the arrangements for User Acceptance Testing when	DIR-DIG03 – Core Service Delivery	High

Directorate / Activity		Audit	Link to Corporate Risk Register	Priority
		new applications are implemented or upgrades applied.	DIR-DIG04 – Cyber Security	
Cross-cutting	Business Continuity	<b>Business Continuity Planning</b> - An audit of BC arrangements across GMCA, with a focus on disruption to ICT and Digital services.	OR6- Failure to have adequate organisational wide BC plan for GMCA to respond to a major incident or low level service disruption  DIG-04 Impact resulting from service disruption	Medium
Mayoral Priorities	Programme Delivery	<b>Bus Franchising:</b> An audit of the arrangements in place between GMCA and TfGM to ensure as the contracting authority, GMCA has appropriate arrangements, governance and oversight in place over Bus Franchising, including assets and performance.	SR7 – Significant financial risk relating to transport network (Metrolink and Bus)	Medium
Environment	Programme Delivery	<b>Net Zero achievement:</b> linked to Climate Change agenda and programme of work.	DIR-PLA-02 Failure to achieve publicly stated strategic environmental targets.	Medium
Place: Land and Estates	Asset Management	<b>Estate Management:</b> Management and maintenance of the GMCA Estate (including	-	Medium

Directorate / Activity		Audit	Link to Corporate Risk Register	Priority
		GMFRS, Bus and Waste responsibilities where relevant).		
Economy and Strategy	Governance	<b>Shared Prosperity Fund:</b> An assessment of programme delivery elements.	SR1 – Devolution/Levelling Up – National politics significantly impacts the devolution agenda, funding, timeline and powers of GMCA.	Low
Economy and Strategy	Governance	<b>Trailblazer Devolution Deal:</b> An assessment of the programme elements and emerging assurance framework (Development).		Low
Public Sector Reform	Programme Management	<b>Supporting Families:</b> As in previous years, GMCA will collate the work undertaken in districts in relation to the Supporting Families programme and report the results.	DIR-PSR-01 – Failure to achieve outcomes across a range of strategies.	Low
Counter Fraud	Governance	<b>Anti-Money Laundering Policy:</b> Review and update of the AML policy and procedures.	-	High
Counter Fraud	Governance	<b>Fraud Response Plan:</b> Development of the procedures for responding to and investigating allegations of fraud and wrongdoing.	DIR-FIN-10 – inadequate counter fraud measures within GMCA to identify, report and investigate fraud and other inappropriate activity.	High

## **6. Other Internal Audit Activities**

6.1 In addition to the audits outlined above, Internal Audit also undertake the following activities.

- Whistleblowing and Counter Fraud Response.
- Counter Fraud Policy maintenance.
- Audit action tracking.
- Assurance mapping.

6.2 Due to the ad-hoc and unpredictable nature of whistleblowing and counter fraud response, there may be a requirement to revisit the rest of the audit plan (or the resourcing model) to allow resource to be dedicated to investigations as required.

## **7. Recommendation**

7.1 The recommendation is set out at the front of the report.

## Appendix 1 – Planning Methodology and Rating Criteria

Risk assessment within the Internal Audit planning process is carried out in a number of steps which are set out as follows:

### Step 1 – Impact

Assess the impact of a risk crystallising in each auditable unit against a number of financial, operational and strategic criteria. The rating mechanism used is set out below:

<b>Impact</b>	<b>1 = Low</b>	<b>2 = Medium</b>	<b>3 - High</b>
Materiality	Not a material financial amount associated with the activity. Revenue AND capital budgets < 10m	Revenue OR Capital budget 10-50m	Revenue or Capital budget > 50m
Pervasiveness or Statutory Function	Impact isolated to specific activity/funding stream Not a statutory function	Risk affects delivery within one or more directorates OR Risk of isolated breach of statutory requirement	Pervasive impact across either all functions of the GMCA that would impact operations OR repeated breach of statutory requirement / failure to deliver function (eg Fire/Waste/AEB)
Corporate Risk Register	Not linked to a risk on corporate risk register (strategic, organisational or escalated risk)	Indirect link to a risk on Corporate Risk Register	Direct link to risk on the Corporate Risk Register
Reputational	None or isolated complaints.	Poor local publicity curtails ability to operate effectively without active stakeholder engagement.	Serious poor publicity. Affects trust in GMCA



## Step 2 - Calculate the Inherent Impact Score.

This is the sum of each of the scores for the four criteria. The range of impact scores is 4 to 12.

## Step 3 – Likelihood

Assess the likelihood of a risk crystallising. This assessment is based on the frequency of transactions, complexity of activity, stability of environment and policy. Rating mechanism is as follows:

Score	Description	% Likelihood
5	Risk is frequently encountered	80-100%
4	Likely to happen in the next year	60-80%
3	Likely to happen in the next two years	40-60%
2	May occur in the next three years	20-40%
1	May occur in exceptional circumstances	0-20%

## Step 4 – Calculate the Inherent Risk Score.

$$\text{Inherent Risk Score} = (\text{Inherent Impact Score}) \times (\text{Likelihood})$$

Inherent Risk Scores range from 4 to 60.

## Step 5 – Assess the Control Environment

Internal Audit may have prior knowledge and experience of the control environment within auditable units. This could be through previous audit work or other sources of assurance. The control environment factor will apply a factor to the risk

score that will increase the risk if it is known that the control environment is weak or reduce the risk score if it is known that the control environment is strong. If there is no knowledge (or no recent knowledge) of the control environment then no factor is applied. The following criteria are used to determine what control environment factor should be applied.

Score	Criteria	Control Environment Factor
1	Evidence that control environment requires improvement through previous audit work and/or issues	2
2	Cumulative Audit Knowledge that CE requires improvement or older evidence where improvements were required	1
3	No recent evidence that would influence knowledge of control environment	0
4	Older evidence supporting adequate control environment OR Recent evidence showing generally OK CE but with some areas for improvement (eg report rating of Major/Significant)	-1
5	Recent (last 12 months) IA evidence supporting adequate control environment OR Recent assurance provided from other sources (eg external sources)	-2

### Step 6 – Calculate the Resultant Risk Score

The resultant risk score applies the Control Environment Factor determined above.

$$\text{Resultant Risk Score} = (\text{Inherent Impact Score}) \times ((\text{Likelihood}) + (\text{Control Environment Factor}))$$

Applying the control environment factor could increase a risk score to a maximum of 84

## Step 7 – Determine the Audit Frequency

Based on the Resultant Risk Score, the audit frequency for each auditable unit can be determined. The following ranges are applied :

<b><i>Resultant Risk score</i></b>	<b><i>Frequency</i></b>
>40	Annual
31-40	Every 2 years
21-30	Every 3 years
0-19	For consideration every 5 years

## Step 8 – Align audit requirements to available resources

Based on the frequency of audits within each auditable unit, an initial assessment of resources can take place. If the audit team does not have sufficient resources to undertake the audit programme then the Audit Frequency range can be flexed. This is achieved by changing the ranges for each frequency, for example instead of annual audits taking place for anything with a score of 45 or more, this could be flexed to anything over 50 or more, which may reduce the number of annual audits.

If this approach is used, in line with PSIAS, the Head of Internal Audit must communicate the impact of resource limitations to senior management and the Audit Committee - as a sub-optimal amount of audit work will be proposed.