

GMCA Audit Committee

Date: 31 July 2024

Subject: Head of Internal Audit Annual Opinion 2023/24

Report of: Sarah Horseman, Deputy Director, Audit and Assurance

PURPOSE OF REPORT

The “Head of Internal Audit”, in GMCA’s case the Deputy Director, Audit and Assurance, is obliged, under the Public Sector Internal Audit Standards (PSIAS), to provide an annual report summarising the work undertaken by internal audit during the financial year and to provide an overall opinion of the adequacy and effectiveness of the organisation’s framework of governance, risk management and internal control, derived from this work.

The purpose of this report is to provide the GMCA Audit Committee with the Head of Internal Audit Opinion and to explain the basis of that opinion.

RECOMMENDATIONS:

Members are requested to receive the Head of Internal Audit Opinion 2023/24.

CONTACT OFFICERS:

Sarah Horseman - Deputy Director, Audit and Assurance

Risk Management – see paragraph 3.3

Legal Considerations – N/A

Financial Consequences – Revenue – N/A

Financial Consequences – Capital – N/A

Number of attachments included in the report: N/A

BACKGROUND PAPERS:

Papers previously presented to Audit Committee

- Internal Audit Plan 2023/24
- Internal Audit progress reports
- GMCA Corporate Risk Register

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|--|-----|
| 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 | N/A |

| | | |
|---|-------------------------------|--|
| exempt from call in by the relevant Scrutiny Committee on the grounds of urgency? | | |
| TfGMC | Overview & Scrutiny Committee | |
| N/A | N/A | |

Head of Internal Audit Opinion 2023/24

1. Introduction

The Head of Internal Audit is obliged, under the Public Sector Internal Audit Standards (PSIAS), to provide an annual report summarising the work undertaken by internal audit during the financial year and to provide an overall opinion of the adequacy and effectiveness of the organisation's framework of governance, risk management and internal control, derived from this work.

2. Scope

The Head of Internal Audit opinion is substantially derived from the results of the risk-based audits contained within the Internal Audit Plan for 2023/24. In addition, the following are also considered:

- Grant Assurance work undertaken by Internal Audit;
- The implementation of actions agreed as part of internal audit work;
- The results of any investigation work undertaken by Internal Audit;
- Other sources of assurance, for example external inspections/reviews as well as internal "line 2" assurance activities;
- The quality and performance of the internal audit service and level of compliance with Public Sector Internal Audit Standards (PSIAS)

The opinion does not imply that Internal Audit has reviewed all risks and assurances relating to GMCA. The opinion is one component that is taken into consideration within the Annual Governance Statement.

3. Head of Internal Audit Opinion

3.1. Overall Opinion

Based on the work undertaken by Internal Audit in respect of 2023/24, the opinion of the Head of Internal Audit is that **reasonable assurance** is provided on the overall adequacy and effectiveness of GMCA's framework of governance, risk management and internal control.

This opinion is based upon the findings of the audit work undertaken during the year as well as other sources of assurance that can be relied upon.

It is reflective of the continued progress made in relation to the evolving maturity of risk management arrangements in place within GMCA and in the continued development of the performance management framework. Internal Audit work undertaken during the year reported proportionately more reasonable and substantial assurance opinions than limited opinions. Implementation of audit actions continued to improve throughout the year, finishing at 84% against a target of 85%.

The basis for this opinion is provided in Section 4 of this report. Details of the possible audit opinions is provided in Appendix A.

Internal Audit work has been carried out in line with the requirements of Public Sector Internal Audit Standards (PSIAS).

The Internal Audit team has maintained its independence and objectivity throughout the year and there have been no instances identified of non-conformance with PSIAS.

4. Basis of the Opinion

4.1. Corporate Governance

Through the internal audit work undertaken and review evidence to support the application of the governance framework, for 2023/24 it can be confirmed that the following are in place:

4.1.1. Governance and Scrutiny

- The Overview and Scrutiny Committee met 11 times in 2023/24. The meetings are held in public and recordings and papers made available on the GMCA website.
- The Audit Committee meets regularly, in public and all papers are also publicly available.
- Meeting papers and webcasts for GMCA, Committee and Scrutiny meetings are available on the GMCA website for a period of six months after the meeting date.
- The Police, Fire and Crime Panel is also in place, and met regularly, in public, throughout the year.
- Registers of key decisions (upcoming and made) for GMCA and the Bee Network Committee are available on the GMCA website
- The Standards Committee is in place and met in 23/24

4.1.2. Policies and Codes

- GMCA has within its Constitution a Code of Conduct for both Officers and Members which set out the key expectations around personal behaviour and professional conduct.
- There are generally robust policies and procedures in place for gathering and collating declarations of interest from Members which are available on the

GMCA website. Declarations of Interest is a standing agenda item at all Committee and Scrutiny meetings.

- New processes have been introduced to collect and store Declarations of Interest from senior Officers within GMCA.
- GMCA's Whistleblowing Policy was last approved in February 2023. Whistleblowing reports are made to Internal Audit and oversight is provided by the Treasurer. The Audit Committee receives an annual report on the outcomes of whistleblowing reports.
- GMCA publishes quarterly information in line with 2.1 of the Local Government Transparency Code. Not all of the annual information required in section 2.2 of the Code was available on the GMCA website in 2023/24 (for example land and assets data and GMCA organisation chart)

4.1.3. Objectives and Performance Measurement

- GMCA has a Corporate Plan which covers a five year period, supported by annual business plans.
- Quarterly performance reviews take place by the Senior Leadership Team. These reviews encompass performance against the business plan commitments as well as a number of corporate health indicators. These meetings took place throughout 2023/24.

4.2. Risk Management

The Deputy Director, Audit and Assurance has responsibility for the risk management framework for GMCA, supported by a part-time Corporate Risk Manager. It is clear within GMCA through the framework and the Internal Audit Charter that although development of the framework is overseen by the Deputy Director, Audit and Assurance, ownership of the risk management activities and risks lie absolutely with management, via the Chief Executive's Management Team (CEMT) and Senior Leadership Team (SLT).

GMCA Organisational Risks were reviewed during the year by the Senior Leadership Team and aligned to the Corporate Plan priorities. The risk profile (Strategic risks + high scoring organisational and directorate risks) are included in the Quarterly Performance Report. The Corporate Risk Manager works with all directorates to ensure risk registers are kept up to date and risks are appropriately escalated.

Greater Manchester Police (GMP), Transport for Greater Manchester (TfGM) and Greater Manchester Fire and Rescue Service (GMFRS) maintain their own risk management arrangements and risk registers are owned by the Chief Constable, Chief Executive of TfGM and Chief Fire Officer respectively. Risks from these registers are escalated to the GMCA risk register where appropriate.

4.3. Internal Control

In comparison to previous years, the proportion of limited assurance opinions has continued to decline, being 15% in 2023/24 compared to 31% in 2022/23 and 36% in 2021/22.

An area to monitor is that both limited assurance opinions issued in 2023/24 related to IT audits. The threat and vulnerability audit provided a limited assurance opinion but a significant remediation programme has been put in place to address the issues raised, this will be revisited in 2023/24. The other IT audit related to a specific application system, so whilst not pervasive across the organisation nonetheless needs remediation. However, an external penetration test of the GMCA estate in 2023 concluded that overall the security of an estate of the size of GMCA was good.

The risk-based IT Audit programme will continue to be delivered in future years and reassess any areas where previously limited assurance opinions have been issued.

All the grant work certification work undertaken by Internal Audit in 2023/24 provides assurance that the required controls are in place to ensure grant conditions are met.

Implementation of audit actions has improved during the year, building on the good performance that had been made by the end of the previous year.

4.4. Internal Audit work performed

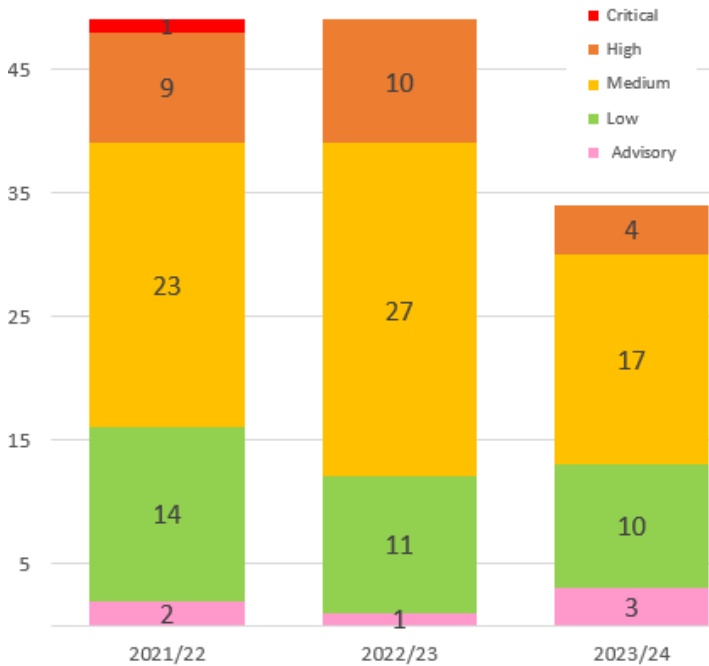
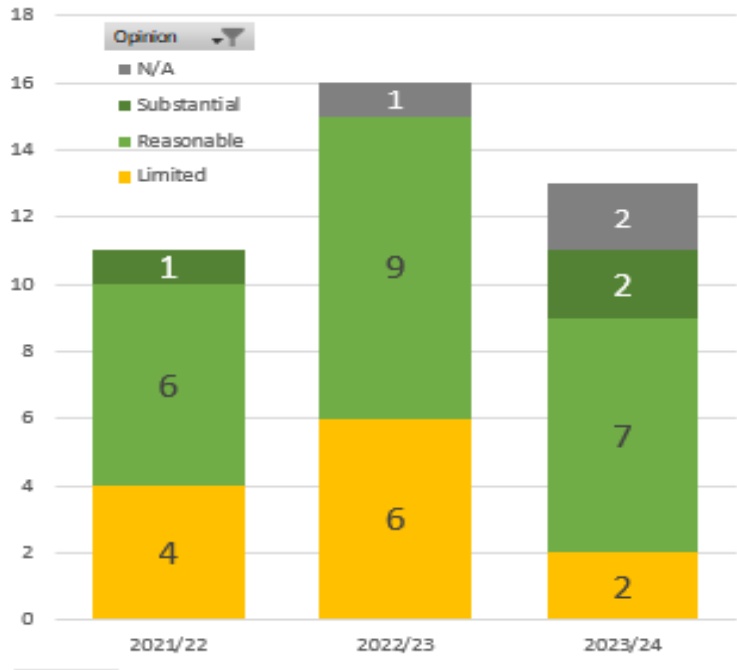
The Internal Audit Plan for 2023/24 was presented to and approved by the Audit Committee in March 2023. A summary of the internal audit reports issued in 2023/24 is provided below:

| Assurance level | Governance | Risk | Control |
|---|------------|------|---------|
| Substantial Assurance (15%) Controls are designed effectively, operate consistently with no evidence of systemic control failures and no high or critical risk audit findings reported | | | |
| Waste Fleet Assets | ✓ | ✓ | ✓ |
| Payroll | | | ✓ |
| Reasonable Assurance (50%) Generally an appropriate framework for governance, risk management and/or internal control was found to be in place and controls are operating but there are areas for improvement in terms of design and/or consistent execution of controls. | | | |
| GMFRS Station Standards Framework | ✓ | | ✓ |
| Effectiveness of the Occupational Health Provision | | | ✓ |
| Purchase Cards | ✓ | ✓ | ✓ |
| Corporate Recharge Model | ✓ | | ✓ |
| Freedom of Information Requests / SARs | ✓ | ✓ | ✓ |
| Firefighter recruitment (2024/25) | ✓ | | ✓ |
| Procurement waivers (2024/25) | ✓ | | |
| Limited Assurance (15%) Significant improvements are required in the governance, risk management and/or control environment. | | | |
| Critical IT Application Review | | | ✓ |
| IT Threat and Vulnerability Management | | | ✓ |
| No Assurance (0%) The framework for governance, risk management or the system of internal control is ineffective or is absent. | | | |
| N/A | | | |
| Advisory reports / Other (15%) An assurance opinion was not provided due to the nature of the engagement | | | |
| Organisational Learning Framework/Operational Assurance | | | |
| GMCA Next Phase Programme | | | |

4.5 Analysis of 2023/24 audit findings and audit opinions

The chart to the right shows the number of audit opinions issued in each of the last three years, and the number of limited, reasonable and substantial opinions.

In 2023/24, fewer limited assurance opinions were issued than in prior years and more substantial assurance opinions.



The chart to the left shows the number of audit findings and their associated risk rating across the last three years.

There have been fewer audit findings than in previous years.

4.5. Grant certification work

A Summary of the grant certification work undertaken in 2023/24 is provided below:

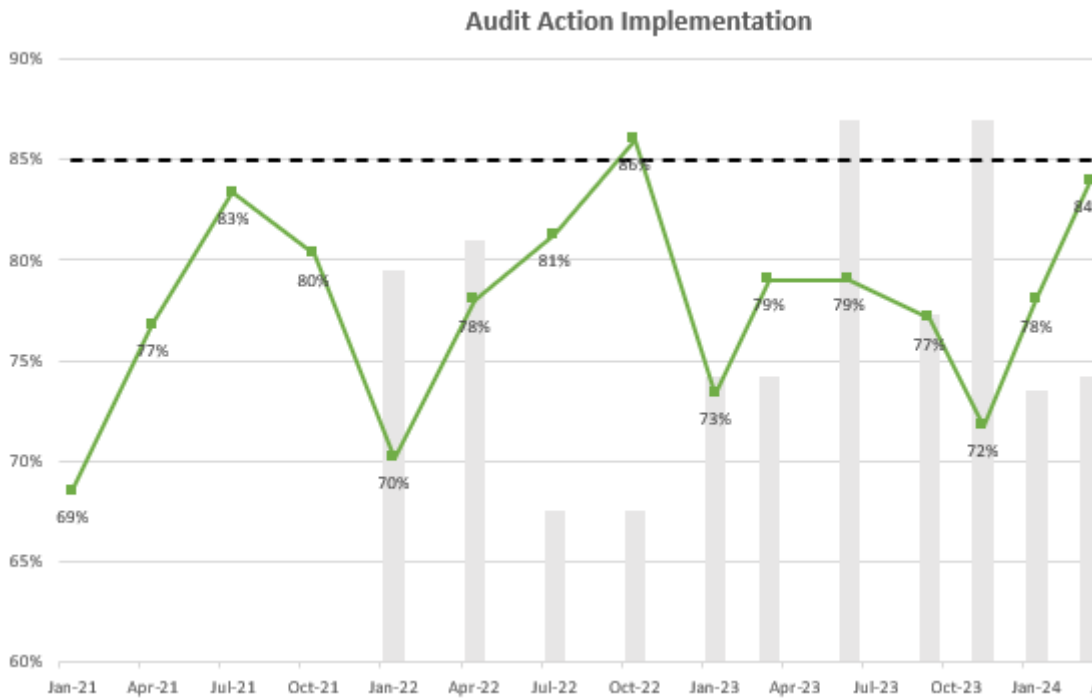
| Grant | Amount certified | Assurance level |
|--|------------------|--------------------------------|
| GFA: Strategic Project Development (Schools Solar Toolkit) | £50k | Positive |
| GFA: Project Development (Schools Solar Engagement) | £20k | Positive |
| Net Zero Green Retrofit Finance | £39.5k | Positive |
| Net Zero Junior Officer (Y1 Q4) | £7.2k | Positive |
| Net Zero Programme Delivery (Y1 Q4) | £36.8k | Positive |
| Local Energy Advice Demonstrators (LEAD) – Y1 Q4 | £666.2k | Positive |
| 5G Innovation Regions Programme Grant | £136.2k | Certified with recommendations |
| Growth Hub Core Funding | £420k | Positive |

4.6. Implementation of audit actions

As part of PSIAS, we are required to consider the appropriateness of the organisation's response to the implementation of audit recommendations. GMCA Senior Leadership Team have responsibility ensuring the timely implementation of audit actions and the impact of risk. Internal Audit track and validate the implementation of audit actions and report regularly on this to the Senior Leadership Team and Audit Committee.

At the end of March 2024, the audit action implementation rate was 84%. The target on time implementation rate is 85% so there is real progress in working towards that target. Internal Audit will continue to work with management to support continued improvement.

The chart below shows the performance of implementation of audit actions for the last three financial years, which apart from some seasonal variation typically at the end of each calendar year, shows consistent performance.



4.7. Whistleblowing Outcomes

In 2023/24 sixteen whistleblowing reports were received either directly or indirectly by Internal Audit. Nine were assessed as not being relevant to GMCA as they related to other parties or were more appropriately routed through the grievance process.

Of the seven that were considered as whistleblowing:

- Two were closed after initial fact-finding was undertaken, due to the validity of the reports not being evidenced
- Following investigation, disciplinary action was taken in two cases
- Organisational improvements were determined as a result of one case
- Two cases are ongoing.

Of the seven cases investigated, there was no trending theme in relation to the nature of the concerns raised. The reports related to different parts of the organisation, more were received relating to GMFRS (5/7) but this may be expected given the relative size of GMFRS as part of the GMCA organisation.

The volume and nature of the reports received do not point to systemic or widespread fraud, corruption or wrongdoing.

4.8. Effectiveness of Internal Audit during the period

An external quality assessment (EQA) of the Internal Audit Function was undertaken in 2021/22. The conclusion was that overall the service complies with PSIAS with a number of recommendations for improvement which were built into subsequent Internal Audit Improvement Plans.

A self assessment of the effectiveness of the Internal Audit Function was undertaken in 2023/24 by the Deputy Director, Audit and Assurance. The assessment considered:

- IA team structure and resourcing
- The extent of conformance with the PSIAS in producing quality work.
- Delivering audit work in the most appropriate areas on a prioritised (risk) basis.
- Audit Committee reporting
- Progress in implementing the actions arising from the EQA
- Implementation of Internal Audit recommendations

The assessment concluded that the internal audit Function is effective and has operated in compliance with PSIAS.

5. Other Sources of Assurance

5.1. GMFRS - HMICFRS Inspection

HMICFRS undertook an inspection of GMFRS in late 2023, publishing their report on 8th March 2024. The inspection assessed how well GMFRS has performed in 11 areas.

GMFRS was awarded “Good” judgements in 10 of the 11 areas:

- Understanding fire and risk
- Preventing fire and risk
- Public safety through fire regulation
- Best use of resources
- Promoting values and culture
- Right people, right skills
- Promoting fairness and diversity
- Managing performance and developing leaders

It was rated “Adequate” in Responding to major incidents.

An excerpt of the report, containing the Inspector’s summary findings is included below:

My principal findings from our assessments of the service over the past year are as follows:

- The service continues to identify risk well and has an effective community risk management process.
- The service’s fire plan plus its annual delivery plan (ADP) make up its [community risk management plan \(CRMP\)](#). We found this to be based on a comprehensive understanding of risk. Since our last inspection, the service has developed prevention, protection and response strategies and several frameworks to support improvement.
- The service has effective programme and project management processes in place and has achieved consistent improvement through effective governance and performance processes.
- The service has successfully implemented its new terrorist response capability.
- All its stations and fire engines are now equipped and ready to respond to marauding terrorist attacks (MTAs) and other incidents involving large numbers of casualties.
- The service continues to prioritise the improvement of its organisational culture.
- The service has adopted a culture-first approach and considers its values in everything it does.

Overall, I commend the service on the changes it has made and expect it to continue working to resolve the further areas for improvement we have identified.

The [full report](#) can be found on the HMICFRS website. The Inspector's conclusions, particularly around risk management, programme and project management and culture provide further, independent assurance over GMFRS.

5.2. External Penetration Testing

In late 2023 a CREST (Council of Registered Ethical Security Testers) registered external provider was engaged to assess GMCA's IT estate. The scope included external perimeter testing, internal vulnerability assessments, web application reviews and configuration/build reviews to against NCSC (National Cyber Security Centre) guidance.

The conclusion of the report was “the overall level of security of systems assessed was considered good for a domain of this size, however testing identified a number of high-risk vulnerabilities which should be addressed to reduce the risks to GMCA data”.

Appendix A – Annual Opinion Types

The table below sets out the four types of annual opinion that the Head of Internal Audit considers, along with an indication of the characteristics for each type of opinion. The Head of Internal Audit will apply judgement when determining the appropriate opinion so the guide given below is indicative rather than definitive.

| Opinion | Description | Indicators |
|-------------|--|---|
| Substantial | There is a sound system of governance, risk management and internal control in place. Internal controls are designed to achieve objectives and the controls tested during the course of internal audit work were being consistently applied. | <ul style="list-style-type: none"> • Through internal audit work undertaken and/or other sources of assurance the arrangements for governance and risk management were deemed to be robust and consistently applied. • No individual assignment reports were rated as “No Assurance” • No critical or high risk rated findings were identified • A limited number of medium and low risk rated findings were identified within the audit work undertaken and were isolated to specific instances. • Management demonstrate good progress in the implementation of previous audit actions |
| Reasonable | There is an established system of governance, risk management and internal control in place that is generally operating effectively. Some areas for | <ul style="list-style-type: none"> • The number of internal audit reports rated as “Limited Assurance” does not outweigh those with “Reasonable”, “Substantial” Assurance • Assurance over systems of control that are pervasive across the organisation (for |

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| | <p>improvement were identified.</p> <p>Internal Controls are generally operating effectively. Audit testing found some areas for improvement although not indicative of systemic failure in the control environment.</p> | <p>example corporate functions) was generally positive (ie reasonable or substantial assurance opinions).</p> <ul style="list-style-type: none"> • Frameworks for governance and risk management are in place and generally operating effectively • No critical risk rated findings were identified in the audit work undertaken • Any high risk rated findings were isolated to specific activities and were implemented in line with agreed timescales • Medium risk rated findings do not indicate a systemic or pervasive weakness in governance, risk management or internal control • Management demonstrate reasonable progress in the implementation of previous audit actions. |
| <p>Limited</p> | <p>a) <u>Limited by volume</u></p> <p>Internal Audit undertook a limited number of audits. The work undertaken combined with other sources of assurance considered the arrangements for governance, risk management and control</p> | <ul style="list-style-type: none"> • No individual assignment reports were rated as “No Assurance” • No critical risk findings were identified • Work undertaken covered a range of the key risks within the organisation • Any major or significant risk rated findings were isolated to specific activities and were implemented in line with agreed timescales |

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| | <p>over a number of key corporate risks.</p> | |
| | <p>b) <u>Limited by results</u> There are gaps in the arrangements for governance and risk management and/or those arrangements have not been applied consistently and robustly through the year and/or The level of non-compliance with internal controls puts the systems objectives at risk.</p> | <ul style="list-style-type: none"> • There are significant gaps in the arrangements for governance and/or risk management or the arrangements had not been effectively executed during the year. • The number of internal audit reports rated as “Limited” or “No Assurance” outweighs those rated as “Reasonable” or “Substantial”. • Critical and High risk findings were identified in the audit work undertaken • Internal Audit findings indicated that improvements were needed to the design and/or operating effectiveness of the wider frameworks of governance and/or risk management • No more than two critical risk findings were identified and they were in relation to specific activities as opposed to indicating systemic failures and were rectified quickly. • Management do not demonstrate good performance in implementing audit actions. |

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| <p>No Assurance</p> | <p>The arrangements for governance, risk management and internal control is generally weak, leaving the system open to significant error or abuse and/or Significant non-compliance with basic controls leaves the system open to error or abuse.</p> | <ul style="list-style-type: none"> • Audit reports are generally rated as “Limited” or “No” assurance. • Findings rated Critical and High outweigh those rated as Medium or Low. • Audit findings indicate systemic non-adherence to control procedures, indicating a poor control environment. • Frameworks for governance and risk management are not in place • Audit actions are consistently not implemented in line with agreed timescales. |
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Appendix B

Below are the definitions of the assurance opinions used by Internal Audit. These opinion ratings have been defined for the GMCA Internal Audit and are consistent with the recommended definitions for engagement opinions published by CIPFA in April 2020.

| | DESCRIPTION | DESCRIPTION |
|--|------------------------------|--|
| | SUBSTANTIAL ASSURANCE | 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. |
| | REASONABLE ASSURANCE | 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. |
| | LIMITED ASSURANCE | 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. |
| | NO ASSURANCE | 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 |

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| | | <p>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.</p> |
|--|--|---|