

GMCA Audit Committee

Date: 31 July 2024

Subject: Internal Audit Progress Report

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

PURPOSE OF REPORT

The purpose of this report is to inform Members of the Audit Committee of the progress made on the delivery of the Internal Audit Plan for 2024/25. It is also used as a mechanism to seek approval of changes to the internal audit plan.

RECOMMENDATIONS:

Audit Committee is requested to:

- Consider and comment on the Internal Audit progress report.
- Approve any changes to the Audit Plan (Appendix C)

CONTACT OFFICERS:

Sarah Horseman, Deputy Director of Audit and Assurance, GMCA

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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

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 Internal Audit annual plan for GMCA was presented to the Audit Committee in March 2024 and this set out the planned assurance activity to be conducted during 2024/25 based on our understanding of the organisation’s strategic and operational risks.
- 1.2 There are separate audit plans 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 (Police and Crime).
- 1.3 The purpose of this progress report is to provide Members with an update against the GMCA Internal Audit Plan for 2024/25 and summary of final reports presented to Committee.

2 Progress against the Internal Audit Plan 2024/25.

- 2.1 Since the last meeting in March 2024, we have finalised and published two reports and one in draft from the completion of the 2023/24 audit plan. We have also issued three reports from the 2024/25 audit plan (two in draft) and certified eight grants. The Executive Summaries from these reports are shown at **Appendix D**.

Audit Report	Assurance Opinion
2023/24	
GMCA Waste Fleet Assets - Maintenance	Substantial
This report provided a substantial assurance opinion over the controls in place for the inspection, maintenance, and servicing of GM Waste fleet assets. GM Waste Fleet Assets are owned by GMCA, but managed by the contractor, Suez, in accordance with the responsibility outlined in the Waste Management Contract.	

Suez have responsibility for the maintenance and servicing of the assets and are the holder of the Operator's License.

Our testing evidenced a high level of compliance over inspection, maintenance, and servicing of vehicles in line with relevant guidelines. The report did identify some issues with the completeness and accuracy of information held on the asset register and our report recommended periodic physical verification checks be conducted as part of contract monitoring activities.

Corporate Recharge Model	Reasonable
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This report provided a reasonable assurance opinion over the ongoing development and implementation of the Corporate Recharge Model and the mechanism for calculating and applying corporate services overheads across Directorate functions. This is an evolving process, as the model is developing each year and will need to incorporate future changes under Single Settlement from 2025/26.

Whilst most Directorates accepted that there were benefits from being part of a shared service model, the ability to demonstrate value for money for the services received and an inability to influence, control or forecast significant increases in corporate recharge costs, alongside the timing of receiving the final recharge figure remained areas of concern raised with us. There was a reasonable understanding of the basic model, but not in detail.

Our report identified seven improvement actions including, two medium risk actions.

Audit Report	Assurance Opinion
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2024/25

Procurement Waiver Exemptions – Compliance	Broadly Compliant
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This audit examined compliance with the procurement waiver exemption process, which showed general compliance against key controls and criteria for processing. There was some inconsistency over the sign off and approval of waiver exemptions which was the primary area for improvement alongside the adoption of written procedural guidance (waiver code of practice) to promote understanding of waiver usage.

2.2 Scoping discussions have taken place with Management for several planned audits to ensure these are scheduled across the year. Fieldwork start dates have been agreed for quarter 2 & 3 audits. We will continue to flex the plan to take account of changing assurance needs and staff availability and capacity.

2.3 A summary on the status of ongoing audit work during quarter 2 is as follows:

Planning Stage	
New Public Procurement Act – Readiness	Scoping discussions have taken place with the Procurement & Commercial team and agreed start dates for completion during Q2.
Leavers Process - Compliance	This is the second of a series of compliance based transactional audits on key financial processes.
ICT/Digital Asset Management	Scoping discussions have taken place and a terms of reference was agreed with the service to commence this work at the start of Q3.

Fieldwork Stage	
GMFRS - JESIP Operating Principles	The commencement of this work was delayed at the request of the service. Scoping discussions have now taken place and fieldwork commenced during Q2.
Net Zero Achievement	The completion of this work was delayed but will recommence during Q2.

ICT Supplier Management	Fieldwork commenced at the start of Q2 and is ongoing.
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Reporting Stage	
Trainee Firefighter Recruitment and Attraction	These reports are at the draft report stage and will be finalised by the end of July 2024.
Supporting Families Programme - Compliance	
Whistleblowing Case	Internal Audit has completed initial fact-finding work in response to a series of allegations – the full outcome of this work is yet to be concluded.

2.4 **Grant Certifications** – Eight grants were certified during the period.

Grant	Value Signed Off	Assurance Level	Date Completed
GFA: Strategic Project Development (Schools Solar Toolkit)	£50k	Positive	March 2024
GFA: Project Development (Schools Solar Engagement)	£20k	Positive	March 2024
Net Zero Green Retrofit Finance	£39.5k	Positive	March 2024
Net Zero Junior Officer (Y1 Q4)	£7.2k	Positive	April 2024
Net Zero Programme Delivery (Y1 Q4)	£36.8k	Positive	April 2024

Local Energy Advice Demonstrators (LEAD) – Y1 Q4	£666.2k	Positive	April 2024
5G Innovation Regions Programme Grant	£136.2k	Neutral	May 2024
Growth Hub Core Funding	£420k	Positive	May 2024

Details of our progress in respect of the 2023/24 Audit Plan is shown in **Appendix B**.

3 Whistleblowing and Counter Fraud

3.1 Internal Audit has received and logged five new whistleblowing cases since the last Audit Committee.

- One fact-finding investigation has been completed by the Head of Internal Audit, that process is concluding at the time of writing.
- Outcomes have not yet been reached on the other four cases. Internal Audit is working with the relevant departments/teams to monitor and/or assist with the response to these reports.

4 Changes to the Internal Audit Plan

4.1 In line with the Internal Audit Charter, any significant changes to the approved Internal Audit Plan must be agreed by the Audit Committee.

4.2 There are no immediate changes to the audit plan agreed in March 2024, however following initial scoping discussions with Management, there are several audits which remain under consideration for deferment or deprioritisation.

4.3 A cumulative record of changes to the plan for the current financial year, with the rationale for each, is shown as an **Appendix C** to this report.

5 Resourcing

5.1 We appointed to the vacant Principal Auditor post at the end of April 2024 which means we are at our full establishment of staffing. Given the increasing breadth and complexity of GMCA activities, a business case is being considered to add two posts to the Internal Audit team. As in previous years, we utilise external support for our technical ICT/Digital assurance work.

6 Other Internal Audit Activities

6.1 Aside from delivery of the internal audit plan, since the last meeting internal audit have undertaken the following additional activities.

6.2 **GMCA Next Phase** – Internal Audit are involved in several workstreams as the organisation sets out its future ways of working in readiness for the trailblazer devolution deal. Particularly relevant to the Audit Committee is the development of a Single Assurance Framework which will be developed to demonstrate to government that GMCA has robust assurance, project appraisal and value for money processes in place. Further information will be provided to the Audit Committee as the framework is developed to provide clarity on the Committee's role and responsibilities within that.

6.3 **GMCA Business Continuity Planning** – Internal Audit are part of the Business Continuity Steering Group which oversees the full internal review of BC policies, systems and processes. This work remains ongoing and is in the development stage of the work programme.

6.4 **Senior Leadership Team Engagement** – The Deputy Director, Audit and Assurance has joined the SLT, and we continue to hold regular engagement discussions with Directors to understand emerging risks/issues and to help inform future audit planning.

Appendix A - Summary of Internal Audit Reports issued 2024/25

The table below provides a cumulative summary of the internal audit work completed during the year. This will inform the annual Internal Audit opinion for the year 2024/25.

Audit	Assurance Level	Audit Findings					Coverage		
		Critical	High	Medium	Low	Advisory	GMCA	GMFRS	Waste
Procurement Waiver Exemptions – Compliance	Broadly Compliant	We made advisory actions only in this audit.					✓	✓	✓

Grant Certifications					
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	Neutral	✓		
Growth Hub Core Funding	£420k	Positive	✓		

The following tables show definitions for the Assurance Levels provided to each audit report and the ratings attached to individual audit actions.

Assurance levels

	DESCRIPTION	SCORING RANGE	DESCRIPTION
	SUBSTANTIAL ASSURANCE	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.
	REASONABLE ASSURANCE	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.
	LIMITED ASSURANCE	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.

	NO ASSURANCE	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.
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Audit Finding Classification

Risk Rating	Description/characteristics	Score
Critical	<ul style="list-style-type: none"> • Repeated breach of laws or regulations • Significant risk to the achievement of organisational objectives / outcomes for GM residents • Potential for catastrophic impact on the organisation either financially, reputationally, or operationally • Fundamental controls over key risks are not in place, are designed ineffectively or are routinely circumvented. • Critical gaps in/disregard to governance arrangements over activities 	40
High	<ul style="list-style-type: none"> • One or more breaches of laws or regulation • The achievement of organisational objectives is directly challenged, potentially risking the delivery of outcomes to GM residents. • Potential for significant impact on the organisation either financially, reputationally, or operationally • Key controls are not designed effectively, or testing indicates a systemic issue in application across the organisation. • Governance arrangements are ineffective or are not adhered to. • Policies and procedures are not in place 	10
Medium	<ul style="list-style-type: none"> • Minor risk that laws or regulations could be breached but the audit did not identify any instances of breaches. • Indirect impact on the achievement of organisational objectives / outcomes for GM residents • Potential for minor impact on the organisation either financially, reputationally, or operationally 	5

	<ul style="list-style-type: none"> • Key controls are designed to meet objectives but could be improved or the audit identified inconsistent application of controls across the organisation. • Policies and procedures are outdated and are not regularly reviewed 	
Low	<ul style="list-style-type: none"> • Isolated exception relating to the full and complete operation of controls (e.g., timeliness, evidence of operation, retention of documentation) • Little or no impact on the achievement of strategic objectives / outcomes for GM residents • Expected good practice is not adhered to (e.g., regular, documented review of policy/documentation) 	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 2024/25

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

Directorate / Area	Audit Title	Assurance Objective	Timing	Status	Audit Committee
b/f audits from 2023/24 plan					
People Services	Firefighter Attraction and Recruitment b/f	Assurance over the effectiveness of the attraction, recruitment, and selection process for trainee firefighters.	Q1	Draft Report	
Environment Low Carbon	Net Zero Achievement b/f	Assurance over GMCAs arrangements for the delivery of the regional carbon neutrality target by 2038, and its own carbon reduction targets.	Q2	Fieldwork	
Core Controls / Assurance Activity					
Public Sector Reform Programme assurance	Supporting Families Programme	Assurance that local systems and processes designed to support the delivery of the SFP are sufficient to demonstrate compliance with the key requirements of the national programme and the revised GM SFP standards.	Q1	Draft Report	
Corporate Services	Procurement Waiver	A series of transactional audits on core financial processes to assess compliance with GMCA standing orders, financial	Q1	Completed	July 2024

Commercial	Exemptions - Compliance	regulations, and contract procedure rules. These audits will examine key controls in areas such as accounts payable, accounts receivable, payroll, procurement, and contract management.			
People Services	Leavers Process - Compliance		Q2	Planning	
Compliance					
Corporate Services	New Public Procurement Act 2023	Readiness assessment over implementation of key changes due to come into force in October 2024.	Q2	Planning	
Corporate Services	Core Financial Systems BLOCK	Cyclical audits of core financial systems. Scope to be determined in year.	Q3 / Q4	Not Started	
Corporate Services	Grant Certifications	Ongoing certification of grants as required by grant conditions.	Q1 – Q4	Fieldwork	July 2024
Digital / ICT	IT Supplier Management	Assurance on the effectiveness of the organisations IT third party supplier management processes and controls over Cyber security and GDPR for new and existing contracts.	Q2	Fieldwork	
Digital / ICT	IT Asset Management	Assurance over the effectiveness of IT asset management controls operated by the IT team over the organisations computer hardware and software assets (issue/tracking/return/recycle).	Q3	Planning	

Governance	GMCA Business Continuity Planning	Business Continuity Planning - An audit of the revised BCP arrangements implemented across GMCA, with a focus on disruption to ICT and Digital services.	Q3	Under Review	
Information Governance	Critical Data Assets	An audit of processes and controls in place over our critical data assets to ensure that sensitive and personal data is appropriately protected from data breach/loss.	Q4	Not Started	
Follow Up Audits					
Digital / ICT	Threat and Vulnerability Management / Gartan System – Follow Up	Follow up audit to provide an independent assessment of progress toward implementation of actions and risk exposure.	Q3	Planning	
ICT/Digital	GM One Network – Follow Up	GM One Network – Review of ‘delivery’ phase and key project risks.	Q3	Planning	
Place Land and Property	Estates Asset Compliance – Follow Up	Estates Asset Compliance – Building maintenance and compliance with statutory regulations.	Q4	Under Review	

GMFRS Prevention, Detection and Service Delivery					
GMFRS	Joint Emergency Service Interoperability Principles (JESIP)	Assurance over the application of the JESIP Operating Principles and level of embeddedness within GMFRS over its preparedness to respond to major and multi-agency incidents.	Q2	Fieldwork	
GMFRS	Governance Framework	An audit of the GMFRS governance and decision-making processes.	Q2	Under review	
GMFRS	Promotion Pathway (Grey Book)	Grey Book Recruitment (Promotions Pathway) – an audit of the Promotions Pathway and recruitment to Crew, Watch, Group Manager roles - Links to the recruitment & selection audit from 2023/24.	Q3	Not Started	
GMFRS	Equality Impact Assessments	Assurance over the effectiveness of the framework governing Equality Impact Assessments within GMFRS	Q3	Planning	
GMFRS	NFCC Fire Standards	NFCC Fire Standards: Maturity and compliance assessment	Q3	Planning	
GMFRS	North West Fire Control (NWFC)	Scope to be determined	Q4	Under Review	
GMFRS	GMFRS PMO Function	An audit of the programme management office arrangements	Q4	Not Started	

Whistleblowing and Counter Fraud					
Governance	Counter Fraud Policies – annual review	Anti-Money Laundering Policy and Fraud Prosecution Policy review and update.	Q2	Fieldwork	
Whistleblowing	Reactive	Response to whistleblowing reports and management of reactive caseload.	Q1-Q4	Fieldwork	
Other Focus Areas					
Governance	GMCA Next Phase	Leading the Assurance Workstream and input into other programme workstreams as GMCA sets out its future ways of working in readiness for the new trailblazer devolution deal from April 2025.	Q1 – Q4	Fieldwork	
Development	New IIA Standards	Implementation of the 2024 Global IIA standards to ensure PSIAS compliance	Q3 – Q4	Planning	

Other Audit Activity		Quarter
Information Governance	Deputy Director of Audit and Assurance is a member of the Information Governance (IG) Board and the Serious Information Governance Incident (SIGI) Panel. Ongoing advice, and oversight of IG risks is undertaken through these forums.	All
Audit action tracking	Internal audit monitor and report on a quarterly basis the implementation of agreed audit actions.	All
Counter Fraud Activity	Maintenance of counter fraud policies, training and organisational awareness as well as response to reports of fraud.	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	N/A

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 Committee 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 March 2024.

Audit Area	Audit	Change requested	Rationale	Approved by Audit Committee
Governance	Business Continuity Planning	Under Review	A Business Continuity Steering Group has been set up to oversee the full internal review of BC policies, systems and processes. This work remains ongoing.	
GMFRS	Governance Framework	Under Review	Internal Review taking place by Governance and Scrutiny and PMO function – need to consider timing.	
GMFRS	North West Fire Control	Under Review	Need to determine the authority to undertake assurance work and seek agreement of the Partner organisations.	

Audit Area	Audit	Change requested	Rationale	Approved by Audit Committee
Place: Land and Property	Estates Asset Compliance – Follow Up	Under Review	The Head of Estates provided an update to Audit Committee in March 2024 on progress and implementation of a new system – timing of work to be considered.	

Appendix D – Executive Summaries

GMCA WASTE FLEET ASSETS



Internal Audit Report

Waste Fleet Assets

FINAL

Report Issue Date	
Draft Report Issued	28 February 2024
Management Response Received	1 March 2024
Final Report Issued	13 March 2024

Audit Team	
Sarah Horseman	Deputy Director Audit and Assurance
Damian Jarvis	Head of Internal Audit
Stuart Richardson	Principal Auditor

Report Distribution	
For Action	
David Taylor	Executive Director- CA Waste
Paul Morgan	Head of Commercial Services (Waste)
Justin Lomax	Head of Contract Services
For Information	
Audit Committee - Executive Summary Only	
Eamonn Boylan	Chief Executive
Andrew Lightfoot	Deputy Chief Executive
Steve Wilson	GMCA Treasurer
Gillian Duckworth	GMCA Solicitor and Monitoring Officer
Mazars	External Auditor

1. EXECUTIVE SUMMARY							
AUDIT OBJECTIVE		ASSURANCE LEVEL					
The audit objective was to provide assurance over the controls in place for the inspection, maintenance, and servicing of GM Waste fleet assets.		SUBSTANTIAL ASSURANCE					
KEY RISKS IF CONTROLS ARE NOT IN PLACE AND/OR OPERATING			AUDIT FINDINGS				
There is one risk on the corporate risk register relating to the Waste contract with Suez UK		Critical	High	Medium	Low	Advisory	Total
<ul style="list-style-type: none"> • DIR-WR-01- GM Waste and Recycling Contract- Contractor(s) fail to perform core devolved services as required by the contract. 		-	-	1	1	1	3
In addition to this, GMCA is subject to potential reputational risks from incidents arising from incorrect or inadequate maintenance and servicing of equipment.		BASIS OF AUDIT OPINION					
		This is based on the scoring mechanism outlined in Section 5 & 6 of this report.					
AUDIT OPINION AND SUMMARY CONCLUSION							
<p>We provide a Substantial Assurance opinion over the controls in place for the inspection, maintenance, and servicing of GM Waste fleet assets. GM Waste Fleet Assets are owned by GMCA, but managed by the contractor, Suez, in accordance with the responsibility outlined in the Waste Management Contract. Suez have responsibility for the maintenance and servicing of the assets and are the holder of the Operator's License. The primary focus of our audit has been on the maintenance and servicing of fleet vehicles by Suez, operated from the maintenance depot at Higher Swan Lane in Bolton. We have also examined arrangements relating to the maintenance and servicing of Mobile Plant Equipment, which is maintained on individual sites and of Rail Wagons which is undertaken by Freightliner Maintenance Ltd.</p>							

As Suez holds the Operator's license for maintenance and operation of assets, financial and regulatory risk is assumed by Suez in performance of the obligations outlined in the contract. However, as asset owner, GMCA may still retain some potential reputational risk arising from incorrect or inadequate maintenance and servicing of equipment. Suez outsources maintenance of rail wagons primarily to Freightliner Maintenance Ltd due to the requirement to hold ECM certification (Entities in Charge of Maintenance) to maintain and service rail wagons.

Our sample testing over maintenance and servicing of vehicles considered a range of servicing, maintenance and inspection activities required by the DVSA (Driving and Vehicle Standards Agency), such as six weekly servicing, MOT's, Tachograph checks, and compliance checks relating to LOLER (Lifting Operations and Lifting Equipment Regulations). Our testing evidenced a high level of compliance with relevant guidelines and only noted some minor improvement points relating to the management of supporting documentation (**Finding 2**).

Our testing of Mobile Plant Assets and Rail Wagons also identified some areas for improvement. We visited Bredbury Parkway Recycling Centre and considered inspection and maintenance arrangements in place for assets based at the site. Our testing examined servicing, inspection, and planned maintenance arrangements, as well as key regulatory checks such as LOLER, Fire Suppression, Forklift Servicing and Calibration Checks. Our testing did not identify any instances of non-compliance with key checks and established that regular inspection and maintenance activities were performed in line with relevant guidelines. However, the use of manual records made it challenging to provide a complete assessment of this area. We also completed testing over the completeness and accuracy of the asset register, which identified some issues with the accuracy of information held (**Finding 1**).

Our testing of Rail Wagons confirmed that an appropriate scheme of maintenance is performed by a certified ECM provider and documentation is recorded on an appropriate system. However, we found that the asset list we were provided with for Rail Wagons by Suez had not been updated with new Wagons purchased as part of the five-year lifecycle replacement scheme commencing from 2022/23.

GMCA primarily gains assurance that all inspection, servicing, and maintenance activity is completed to required standards through their contract monitoring arrangements. (**Finding 3**). It may be beneficial for GMCA Waste staff to document the sources of assurance available to them which ensures these contractual obligations are being fully met and guard against any potential reputational risks arising if assets are not inspected, serviced, and maintained in line with relevant guidelines.

Limitations of Scope

The audit has primarily focussed on vehicles; however, we have also reviewed arrangements relating to inspection, maintenance and servicing of mobile plant and rail wagons. our testing was not an exhaustive consideration of all activities outlined in the DVSA's guidance for maintaining roadworthiness of commercial goods and public service vehicles.

Our checks have focussed on arrangements relating to the completion of key maintenance, servicing and inspection activities and do not cover all activities undertaken by Suez. We do not provide an opinion on the quality of work performed as this is outside of the scope of this audit.

As records held by Suez relating to inspection, maintenance and servicing of assets are primarily paper based and subsequently scanned and uploaded electronically, we have not reviewed fleet and asset management systems in detail.

The audit was performed on a sample basis and does not give assurance over the entire population of assets.

AREAS OF GOOD PRACTICE

- Our discussions with Suez and testing of maintenance, servicing and inspection of vehicle records identified good practice in place for the scheduling and completion of these activities. Our testing did not note any instances of non-compliance with key requirements and testing required by the DVSA around servicing frequencies, MOT's, LOLER and Tachograph checks. Appropriate systems are in place to record maintenance activities.
- In line with DVSA guidance, daily walkaround checks are performed and documented, there is a system in place to record and report defects identified, and to rectify these to ensure only vehicles in a roadworthy condition are in service.
- We confirmed that policies and procedures are in place for maintenance of vehicles which are available to Suez staff and that records are retained on training and qualifications of staff.
- There are appropriate quality assurance procedures in place around the maintenance of records. Also, a recent visit by the FTA did not identify any issues on the vehicle examined. In addition to this, Suez undertook a fleet internal audit in June 2023, which identified corrective actions which have been subsequently completed.
- We completed existence testing over vehicles in the asset register and were able to obtain photographic evidence to confirm the accuracy of items included within the asset list.
- Arrangements are in place to cover the lifecycle of vehicles and mobile plant assets, with assumed asset lives in place of 8 years for these Category B assets. Per the Waste Contract, based on the value of the contractual payments, Suez are obliged to replace assets per the lifecycle replacement programme. From discussion with staff at GMCA and Suez, this is being carefully managed to mitigate around challenges relating to inflation and supply chains.
- There are appropriate contract monitoring procedures in place, through which GMCA can gain assurance around maintenance, servicing and inspection procedures performed by Suez. There are KPI's in place around maintenance and repairs of assets, which consider some Category B plant assets, which are reported on monthly. There is also monthly reporting on fleet compliance as part of the Monthly Operations Review.

- GMCA obtains assurance that rail wagons are maintained as part of contract monitoring meetings with Suez, where any issues related to maintenance would be discussed. The nature of this oversight by GMCA in this area is limited and issues around maintenance would primarily be addressed through non-performance of key metrics.

AREAS FOR IMPROVEMENT

The principal areas for improvement related to the following:

- Our testing of records for vehicles noted some minor inconsistencies and areas for improvement relating to the completion of paperwork for vehicle servicing and maintenance. However, generally paper records were well maintained and filed.
- For vehicles and mobile plant assets, Suez primarily uses paper-based records to document the results of servicing, maintenance, and inspection of vehicles, although these records are subsequently scanned onto the Fleet Management System, Tranman.
- For Mobile Plant Assets, whilst we found that key inspection, maintenance, and servicing activities were completed, it was difficult to assess the completeness of more routine inspection activities due to the non-standardised filing of records in folders.
- GMCA reported that it has been challenging to obtain supporting documentation from Suez around disposals to enable payments to be made as part of the asset lifecycle replacement programme.
- Our testing of mobile plant assets at Bredbury Parkway found that two items from our sample of five were located on a different site than stated by the asset register. In addition to this, two other items of the sample had the serial number incorrectly recorded on the asset register.
- Our review of the asset list for rail wagons found that this had not been updated with new Wagons purchased as part of the five-year lifecycle replacement scheme commencing from 2022/23.
- Whilst appropriate mechanisms are in place to monitor performance around maintenance, GMCA has not formally documented how they gain assurance over the completion of these activities.

2. SUMMARY OF AGREED ACTIONS

Finding	Risk Rating	Action	Target Date
1 Asset List Update	MEDIUM	<ul style="list-style-type: none"> GMCA Contract Monitors to perform periodic physical verification checks as part of contract monitoring activities to validate updated records and to ensure information held on the asset list is accurate (asset location and serial numbers) GMCA should require Suez to share updated asset lists on a quarterly basis to ensure that new assets and changes in the location of assets have been captured. 	September 2024
2 Maintenance of Records and Documentation	LOW	<ul style="list-style-type: none"> Work with Suez to encourage the move to electronic record keeping improving on the consistency and accessibility of mobile plant records held. Include within the GMCA Contract Monitoring process and specified in notice of change, the provision of documentation relating to fleet asset disposals within agreed timescales. 	March 2025 September 2024
3 Assurance and oversight mechanisms	ADVISORY	<ul style="list-style-type: none"> Document the process by which GMCA gains assurance over inspection, maintenance, and servicing of waste fleet assets, ensuring this is robust. 	September 2024

AUDIT SPONSOR COMMENTS

Executive Director, CA Waste

I am pleased by the audit findings which provide reassurance as to the controls in place for mobile assets. The team has worked hard to improve the processes utilised by the previous contractor and Suez has significantly improved the practices in place. This gives me reassurance that future asset replacement programmes will be smoother and GMCA will have transparency over this.

This audit has been undertaken in conformance with Public Sector Internal Audit Standards

CORPORATE RECHARGE MODEL



Internal Audit Report

Corporate Recharge Model

FINAL

Report Issue Date	
Draft Report Issued	18 March 2024
Management Response Received	2 April 2024
Final Report Issued	3 April 2024

Audit Team	
Sarah Horseman	Deputy Director Audit and Assurance
Damian Jarvis	Head of Internal Audit
Jessica Jordan	Principal Auditor

Report Distribution	
For Action	
Steve Wilson	GMCA Treasurer
Michelle Tsai	Principal Accountant
Susie Bamford	Principal Accountant
Hassan Khan	Senior Finance Manager
For Information	
Audit Committee - Executive Summary Only	
Eamonn Boylan	Chief Executive
Andrew Lightfoot	Deputy Chief Executive
Dave Russel	Chief Fire Officer
Ben Norman	Deputy Chief Fire Officer
Andrea Heffernan	Director of Corporate Support
Gillian Duckworth	GMCA Solicitor and Monitoring Officer
Mazars	External Auditor

1. EXECUTIVE SUMMARY

AUDIT OBJECTIVE	ASSURANCE LEVEL					
The audit objective is to provide assurance over the methodology for applying costs under the Corporate Recharge Model.						
KEY RISKS IF CONTROLS ARE NOT IN PLACE AND/OR OPERATING						
<ul style="list-style-type: none"> The costs of central services are unfairly distributed across the organisation and don't demonstrate value for money. Funding for central resources is not adequately identified and ringfenced. Directorates appointing and funding staff outside of Corporate Services which leads to a decentralised approach and conflicting reporting lines for staff. Inability to retain and recruit sufficient qualified and experienced staff. 	Critical	High	Medium	Low	Advisory	Total
			1	4	2	7
	BASIS OF AUDIT OPINION					
	This is based on the scoring mechanism outlined in Section 5 & 6 of this report.					
BACKGROUND						
<p>GMCA does not receive recurrent core funding to support shared back-office services (Digital/HR/Finance etc). As such, the Corporate Recharge Model was introduced in May 2022, to help provide a fairer and more transparent system for recharging of costs across the organisation. The main objectives of the model were to:</p> <ul style="list-style-type: none"> Have a single cost mechanism for recharging corporate overheads fairly and consistently across all areas of the organisation, and which is explainable to Directorates and functions. Identification of core costs of providing adequate level of service and provide a basis on which corporate functions can seek additional funding to reflect new activity or to increase the level of service. Provide a formula for corporate overheads to be used by Directorates when bidding for external funding. 						

- Demonstrate value for money and benchmarking of costs.

The Recharge Model operated as a shadow system in 2022/23 to ensure Directorates understood the impact on their individual budgets, some changes were made for 2023/24 to reflect the learning outcomes from the previous year and further tweaks are expected to be made for 2024/25 to refine the model further.

AUDIT OPINION AND SUMMARY CONCLUSION

We provide a **Reasonable Assurance Opinion** over the ongoing development and implementation of the Corporate Recharge Model. There is a mechanism in place for calculating and applying corporate services overheads across Directorate functions. This provides a more transparent way of calculating recharges allowing directorates to better understand their contribution. This is an evolving process, as the model is developing each year and going forward it will need to incorporate future changes under Single Settlement from 2025/26.

Our audit sought feedback from Directorates on the corporate recharge mechanism: Most accepted that there were benefits from being part of a shared service model but demonstrating value for money for the services received and an inability to influence, control or forecast significant increases in corporate recharge costs, alongside the timing of receiving the final recharge figure remained areas of concern raised with us. There was a reasonable understanding of the basic model, but not in detail.

We have made several observations and suggested improvement actions, and these are shown at **Section 2**. Our detailed findings are shown at **Section 3**.

AREAS OF GOOD PRACTICE

- The proposed model was introduced to the Senior Leadership Team via presentations made by the Deputy Treasurer and Directors were given the opportunity to comment and feed into how the model would work.
- The model does provide directorates with a basic understanding of what is included in their recharge and how their share of costs has been calculated and the Directors that we spoke to acknowledged this.
- It is an evolving model, which aims to take account of organisational changes as GMCA expands and takes on increased responsibilities.
- The model is being reviewed annually to ensure that it provides the fairest method for allocating costs, and finance staff are beginning to work through how the model will need to adapt following the implementation of single settlement.
- Recharges are being allocated to directorates in line with the model subject to amendments based on actual costs of business partnering charges.

AREAS FOR IMPROVEMENT

There were several identified areas where opportunities for improvement to the model can be considered. These related to the followings:

- The recharges are allocated based on a mix of actual and budgeted costs with no reconciliation of the differences this creates being undertaken, this may lead to some costs that appear to have been covered by the model remaining unfunded at the end of the year.
- The recharge model does not take account of in-year changes to corporate service budgets, for example where a significant service restructure takes place.
- The recharge model applies to revenue and doesn't consider the draw capital funded projects place on corporate services.
- The recharge calculator is only available to finance staff and there are no records of where it is being used or whether overheads are routinely being claimed on grants.
- There is no benchmarking of costs. As such, the ability to demonstrate and evidence value for money for services received is limited. Feedback obtained from Directorates indicated limited influence over structure and resource changes made, their concerns over value for money mainly stemmed from the ability to access services rather than specific issues with quality of service.
- Currently not all directorates have available funds to cover their share of corporate recharges. This is being monitored by Finance staff.
- Corporate recharges are calculated as part of the budget setting process as they cannot be identified until budgets have been set for the corporate services, however this means that the directorates must estimate how much of their budget needs to be set aside to cover corporate recharge costs, this can lead to funding issues when the final figure is confirmed late in the budget process, particularly if there has been a significant increase in the recharge.

2. SUMMARY OF AGREED ACTIONS

Finding		Risk Rating	Action	Target Date / Responsible Officer
1	A combination of actual and budgeted costs is used to apply recharges. This can result in some costs being lost from the model. There is no in-year	MEDIUM	i) Recharge Reconciliation: Undertake periodic reconciliations between budgeted and actual recharges and costs. ii) The reconciliation process should be used to alert Directorates in advance of any significant upcoming changes to corporate service	October 2024 / HK

	<p>rebalancing to reassess the actual costs to be recharged, which may result in some costs being unfunded.</p>		<p>overhead costs or the cost model which will affect future years recharges or funding decisions. E.g. major service restructures.</p> <p>iii) Rebalancing of differences: The methodology should consider how major differences are managed where budgeted recharges, actual recharges and actual costs vary significantly. This may include:</p> <ul style="list-style-type: none"> • Rolling forward differences to be included in future year recharges, year-end adjustments, or consideration of other funding methods. • Other opportunities to reallocate or support recurrent core funding costs including Single settlement or other ringfenced funding. 	<p>October 2024 / SW</p>
<p>2</p>	<p>There are no limits on the amount that corporate recharges can vary year on year, meaning Directorates can be exposed to significant unbudgeted increases.</p> <p>Late notification of recharge costs impacts on the budget planning process for Directorates.</p>	<p>LOW</p>	<p>i) Timely Notification: Directorates should be notified earlier of their estimated cost contribution. Early engagement with Directorates on potential significant increases in recharge costs will allow more accurate assumptions to be made as part of their budget planning process.</p> <p>ii) The process needs to allow the opportunity for challenge on recharge calculations where Directorates don't consider build-up of costs to be fair or equitable.</p> <p>iii) Consideration of caps on increases to avoid certain directorates disproportionately funding increases to central services which may not benefit all directorates proportionally.</p>	<p>April 2025 / SW</p> <p>April 2025 / HK</p>

3	The Corporate recharge model is not documented, meaning some directorates don't have a full understanding on how the model works and costs are allocated.	LOW	<ul style="list-style-type: none"> i) Recharge Model: The recharge methodology used will be documented and made available to staff to aid transparency and understanding. ii) Where necessary, further training sessions with Directors will be provided to provide greater transparency over how the model works and build-up of charges. 	<p>June 2024 / HK</p> <p>September 2024 / HK</p>
4	The reasoning to support some Business Partner (BP) recharges was not recorded or updated.	LOW	<ul style="list-style-type: none"> i) Business Partnering Costs: The reasoning behind all BP costs will be recorded in the working papers. ii) Agreed changes to BP arrangements will be recorded to ensure that they are correctly applied in-year and reflected into future year calculations. 	<p>April 2024 / HK</p> <p>September 2024 / HK</p>
5	The recharge calculator is not widely used when bidding for external grant funding and there are no records of where overheads have been successfully added to a grant claim.	LOW	<ul style="list-style-type: none"> i) Recharge Calculator: A basic recharge calculator should be made available to allow colleagues to calculate the estimated recharge cost to be included in early-stage grant funding applications. ii) Including in the grant register an indicator of where revenue overheads have been included as part of the claim. 	<p>April 2024 / HK</p> <p>April 2024 / SB</p>
6	The recharge model does not allocate any corporate service overheads to capital schemes.	ADVISORY	<ul style="list-style-type: none"> i) Capital Schemes: An understanding of the level of corporate overheads given to support the delivery of capital funded projects and the ability to reclaim overheads on eligible capital grants. This will be used to determine whether an element of the recharge should be allocated based on capital schemes in the future. 	<p>This will follow on from updates to the grant register so we can identify potential for recharging in capital grants.</p>

7	<p>There was no evidence of any benchmarking of costs taking place to assess value for money.</p> <p>Directorates expressed concern that they were not always receiving value for money from services provided. This related to the ability to access services when needed, rather than quality provided.</p>	ADVISORY	<p>i) Benchmarking of Costs / VFM: Consider how to better evidence VFM for the services received – This could include benchmarking exercises, where possible, to determine whether costs are in line with comparable services and organisations. E.g. Fire recharge as a percentage of budget</p> <p>ii) The services themselves ensuring they have and share the right indicators and stakeholder feedback which allow VFM to be assessed. The ongoing GMCA next phase review in readiness for single settlement will consider the capacity to support increased responsibility as part of the Trailblazer devolution deal.</p>	
AUDIT SPONSOR COMMENTS				
<p>This is a really good and very helpful piece of work with some genuinely helpful recommendations. It is also very timely given the 2024/25 budget finalisation and the transition to single settlement.</p>				

This audit has been undertaken in conformance with Public Sector Internal Audit Standards

Procurement Waiver Exemptions



Internal Audit Report

Procurement Waiver Exemptions - Compliance

FINAL

Issue Date 19 July 2024

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Suzanne McCormack	Commercial Services Lead
For Information	
Audit Committee - Executive Summary Only	
Steve Wilson	GMCA Treasurer
Claire Postlethwaite	Director of Operational Finance
Phil Swan	Chief Information Officer / Director Digital
Caroline Simpson	Chief Executive
Dave Russel	Chief Fire Officer
Ben Norman	Deputy Chief Fire Officer
Andrea Heffernan	Director of Corporate Support, GMFRS
Gillian Duckworth	GMCA Solicitor and Monitoring Officer
Mazars	External Auditor

INTRODUCTION

As part of the Internal Audit plan for 2024/25, we agreed to undertake a series of transactional audits on core financial processes to assess compliance with GMCA standing orders, financial regulations, and contract procedure rules. These audits will examine key controls in areas such as accounts payable, accounts receivable, payroll, procurement, and contract management.

Area of Review	Compliance with Procurement Waiver Exemptions
System	N/A recording is via spreadsheets
Previous Full Audit Date and Opinion	23 July 2019 – Moderate Assurance
Previous Compliance Audit and Opinion	N/A- First Compliance Audit for this area

BACKGROUND AND CONTEXT

Our last full audit of procurement waiver exemptions was completed in 2019 financial year. This report provided a **Moderate Assurance opinion** and identified the following key areas for improvement:

- Enhance the documentation and guidance to fully evidence compliance.
- Waiver exemptions to be approved in accordance with requirements.
- Maintain a single consolidated record of all approved or rejected waiver exemptions.

AUDIT OBJECTIVE

The objective of this audit was to undertake testing on a sample of procurement waiver exemptions to assess compliance with corporate policies and procedures.

Limitations:

This is not a full system audit and as such does not include review of the whole system or assess value for money. Our sample testing does not provide assurance over the entire population.

SUMMARY CONCLUSION

Broadly Compliant – Some areas for improvement

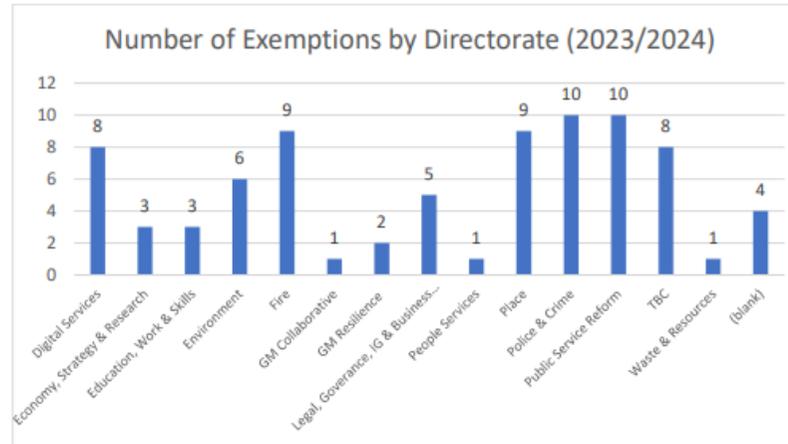
Our sample testing demonstrated a broad level of compliance with the procurement waiver exemption process. The standard exemption approval form template has been improved since our last audit to clearly capture the key information. Justifications for requesting an exemption were documented by the Officers and scrutinised by the Commercial team. The decisions and rationale for approving the exemptions by the Commercial team are evidenced on the forms.

Ensuring all waiver exemptions are properly authorised in accordance with GMCA Constitution and Contract Procurement rules remains the key area for improvement. The adoption of written procedural guidance to support waiver exemption usage and maintaining the completeness and accuracy of the central register were also identified areas for improvement.

SAMPLING INFORMATION

Period Examined	From: 01/04/2023	To: 30/04/2024
Data Source	Procurement’s central contract register	
Sample Size	Sample	Population
Exemptions	20	80
*Annual Contract Value (£)	£760,510.71	£2,293,191.42

*Data is missing for some contract values



IDENTIFIED AREAS FOR IMPROVEMENT FOR MANAGEMENT ACTION

Signing Authority for Approval of Waiver Exemptions	
FINDING	RISK
<p>Our testing showed that some procurement waiver exemptions were not authorised in accordance with the requirements set out in the GMCA Constitution and Contract Procurement Rules.</p> <p>There was some ambiguity over the requirement for a second Chief Officer signature for exemptions above £50k.</p>	<p>The process for sign off is ambiguous, leading to incorrect sign off on waiver exemptions and non-compliance with GMCA Constitution and Contract Procurement Rules.</p> <p>Loss of independent challenge over the appropriateness of individual waiver requests.</p>
	AGREED ACTION
	<p>Review and clarify the requirements for sign off and approval of waiver exemptions and ensure this is consistently applied. This should be incorporated into the written procedural guidance (Waiver Code of Practice) and evident on the waiver exemption form.</p> <p>In principle, the process should include the following signatories:</p> <ul style="list-style-type: none"> • Director – Requesting Officer. • Senior Procurement Business Partner – Compliance with procedures for under 100K / Head of Commercial – for over 100K. • Treasurer – Budget and Compliance with procedures. • Chief Fire Officer/Monitoring Officer (Second Chief Officer if above 50k- EU thresholds) – Contract and Compliance with procedures.
RESPONSIBLE OFFICER	TARGET DATE
Head of Commercial Services (Procurement)	31 July 2024

Procedural Guidance to support Waiver Exemption Usage	
FINDING	RISK
<p>i) There was inconsistency in the completion of individual procurement waiver exemption forms and the quality of supporting information provided on which to base the decision.</p> <p>ii) There were discrepancies in the completeness and accuracy of the information held in the central contracts register, with some key data fields missing and some exemptions processed by Digital which were not recorded on the central register.</p>	<p>Waiver exemptions are only permissible in exceptional circumstances and incomplete information may impact on decisions taken to approve/reject these exemptions.</p> <p>May lead to inaccuracies over performance reporting metrics on procurement waiver usage.</p> <p>Financial, legal and reputational consequences arising from any inappropriate use or non-compliance.</p>
	AGREED ACTION
	<p>i) To implement written procedural guidance to support the use of waiver exemptions. The adoption of the DRAFT Waiver Code of Practice issued in 2019 will help improve understanding amongst the Commercial Team and requesting Officers and enhance overall governance and decision making.</p> <p>ii) Maintenance of the central contracts register as the 'single version of truth' for the award of contracts and exemptions across GMCA, with regular validation over data quality and cross referencing of contract and waiver information held locally in Directorates.</p>
RESPONSIBLE OFFICER	TARGET DATE
Head of Commercial Services (Procurement)	30 September 2024

APPENDIX 1: Compliance Level ratings

Rating	Description
Compliant	May be small number of minor incidents of non-compliance but controls are working effectively with the number of samples evidencing compliance greater than 90%.
Broadly Compliant	Some areas for improvement identified with the number of samples evidencing compliance greater than 70%.
Not compliant	Major improvement needed with the number of samples evidencing compliance less than 70% or lower.

APPENDIX 2: Current EU Thresholds

The Procurement Policy Notice provides a summary of the thresholds from 1 January 2024.

- Supply and service contracts: £214,904
- For light touch regime contracts: £663,540
- Works contracts: £5,372,609