GMCA Audit Committee

Date: 19 April 2017
Subject: Emergent Internal Audit Annual Plan 2017/18
Report Of Treasurer to the Greater Manchester Combined Authority and the Head of Audit and Risk Management

PURPOSE OF REPORT

The Public Sector Internal Audit Standards (PSIAS) state that a risk-based plan of Internal Audit activity should be prepared to support an annual opinion on the effectiveness of the Authority’s systems of governance, risk management and internal control. The PSIAS emphasises the need for a strong working relationship between Internal Audit and the Audit Committee which should include arrangements for Audit Committee to “review and assess the annual internal audit work plan”.

RECOMMENDATION

Members are requested to comment on the proposed direction and process for development of the Internal Audit Plan.

PRIORITY

This report is produced in compliance with the PSIAS requirements to submit an annual plan of internal audit activity to Audit Committee.

BACKGROUND DOCUMENTS

Internal Audit Strategy 2013-2016
Internal Audit Plan 2016/17
Greater Manchester Strategy and Greater Manchester Growth and Reform Plan

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RISKS/IMPLICATIONS

Financial: Cost of Internal Audit Services within GMCA budget.
Staffing: No impact
Policy: No impact
Equal Opportunities – Has a Diversity Impact Assessment been conducted? No

TRACKING/PROCESS

Does this report relate to a Key Decision, as set out in the GMCA Constitution or in the process agreed by the AGMA Executive Board? 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 AGMA Scrutiny Pool on the grounds of urgency? No

AGMA Commission | TfGMC | Scrutiny Pool
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N/A | N/A | N/A
1 Background to the Report

1.1 The purpose of this report is to advise Audit Committee of the development of the 2017/18 Internal Audit Annual Plan for the GM Combined Authority (the Authority) to facilitate Member input to the planning process by reporting on the approach, key characteristics and proposed audits. The Public Sector Internal Audit Standards (PSIAS) include the development of the annual plan which should:

- Outline the audit areas for focus in the year;
- Their respective priorities and estimated resource requirements; and
- Differentiate between audit and other work.

1.2 This is an emergent plan, pending the transfer of Greater Manchester Fire and Rescue Service (“GMFRS”) and the Greater Manchester Police and Crime Commissioner’s Office functions (“GMPCC”) to the GMCA and GM Mayor from 8 May 2017. As such the emergent plan does not reflect the audit work proposed for GMP and GMFRS functions, which in 2016/17 was approximately 700 days.

1.3 After 8 May, an updated plan including audit activity in respect of GMP and GMFRS will be provided to the next meeting of the Audit Committee.

2 Strategic Context

2.1 The key strategic context for the Authority in 2017/18 is the transition to new powers and duties arising from legislative change and the consolidation of New Economy, GMFRS and GMPCC functions from 8 May 2017. The transition to these new arrangements has been undertaken throughout 2016/17 and will continue through 2017/18.

2.2 To 8 May the GMCA will continue to have powers and duties in the following areas: Transport; Economic Development and Regeneration; Planning and Housing; Worklessness and Skills; Business Support and Investment; and Reform. From 8 May these powers and duties will be extended alongside the powers and duties of the Greater Manchester Mayor to include fire and rescue and the functions of the current GM Police and Crime Commissioner. The Authority also has a role supporting and working with the Local Enterprise Partnership (LEP) and other key partners, including NHS bodies, in the development and delivery of the Greater Manchester Strategy and the Growth and Reform Plan.

2.3 Transition and the consolidation of functions has resulted in major change including staff transferring to the GMCA, new office accommodation, changes in ICT, changes in roles, responsibilities, policies and procedures and new governance arrangements. This change is ongoing and will continue post-election of the GM Mayor.

2.4 This scale of ongoing change throughout the year means that from an Internal Audit perspective there is a need for a flexible approach to audit planning and assurance work. There will be a need for assurance over key aspects of transition as well as assurance over core strategies, systems and processes and the GMCA systems of governance, risk management and control. There will also be a more flexible approach to resourcing of the audit service for 2017/18 as set out below.
Role of Internal Audit

3.1 Proper internal audit practices are recognised as those in the PSIAS. Manchester City Council has delivered the Authority’s internal audit service in compliance with the PSIAS, providing an independent opinion on the adequacy and effectiveness of systems of governance, risk management and internal control, based on an annual programme of audit, assurance and advice work. The Authority’s Constitution delegates responsibility for the internal audit function to the Treasurer. The Head of Audit and Risk Management agrees the annual audit plan with, and reports to, the Treasurer and Audit Committee. Internal Audit also act to investigate reported financial or other irregularity, advising and supporting managers and advising on the prevention and detection of fraud and corruption. Internal Audit’s Charter complies with the PSIAS and sets out its authority, role, responsibilities and relationships.

3.2 From 8 May 2017 the GMCA Head of Audit and Risk Management will be responsible to the GMCA Treasurer and Audit Committee for providing assurance over the governance, risk management and internal control functions of the GMCA and the current GMPCC and GMFRS.

3.3 The Internal Audit Service for the GMCA will continue to be provided by the Head of Audit and Risk Management and Lead Auditor from Manchester City Council but Internal Audit staff from the Office of the GM Police and Crime Commissioner (GMPCC) will transfer to the GMCA on 8 May and will lead the provision of audit services to the Chief Constable and GMP Audit Committee. The GMCA and police audit teams will each report to the GMCA Head of Audit and Risk Management. Additional specialist resources in respect of the audit of financial systems and development of counter fraud arrangements will be provided by Manchester City Council and additional, external resources will be secured to support the delivery of the audit plan and the development of risk management and assurance frameworks across the new GMCA.

3.4 The Head of Audit and Risk Management will continue to meet regularly with the Chief Audit Executives of the Greater Manchester Councils. This focus facilitates the sharing of issues and assurances arising from GMCA audit work and helps ensure the coordination any relevant assurance activity that districts are undertaking in relation to GMCA priorities, themes or functions.

Annual Plan Approach

4.1 As in previous years the plan is designed to be flexible, supportive, prioritised and timely and these characteristics are endorsed in the PSIAS. This approach will be critical for 2017/18 so that the Internal Audit Service can provide assurance, advice, guidance and support during a period of transition and substantial change.

4.2 At this stage, the plan does not include specific activities in respect of GMP or GMFRS. The respective Audit Committees of these authorities will consider and approve emergent internal audit plans for 2017/18 which will be re-presented to the GMCA Audit Committee for comment at the next Audit Committee.

4.3 Planning for the emergent GMCA internal audit plan has been informed by:

- Transition plans and transition risk registers
- Draft Annual Governance Statement 2016/17
- Business plans and GMCA priorities.
• Budgets and financial plans.
• GMCA risk register
• Reports to the GMCA and Committees, including external audit reports
• Engagement with relevant officers
• Engagement with TfGM, GMPCC and GMFRS Heads of Internal Audit
• Cumulative audit knowledge and experience

4.4 The approach for 2017/18 will include phases of support and assurance to reflect the needs of the Authority with the outline emergent plan of activity as follows:

Quarter One-Two (April-August):
• Assurance over the consolidation of financial strategies, systems, processes and procedures, including the general ledger and payroll systems.
• Assurance over the consolidation of HR strategies, systems, processes and procedures.
• Assurance over financial systems data migration.
• Assurance and certification of GMCA grant claims.
• Support in the development of GMCA governance arrangements.
• Consolidation of counter fraud strategies, systems, processes and procedures.
• Review and confirmation of audit strategy, arrangements and plans for the GMCA and former GMPCC and GMFRS functions.
• Development of risk and assurance governance framework for the GMCA incorporating new functions and to reflect ongoing risk and assurance activities within GMP, GMFRS and Transport for Greater Manchester.

Quarter Three-Four (September 2017- March 2018)
• Assurance and certification of GMCA grant claims.
• Working Well Programme - System and Process Review
• GM Connect – Governance and Project Review
• Housing and Planning – Housing Investment Fund Review
• Procurement and payments – System and Process Review
• Loans and Investments – Risk Based Review
• Support in development of the Annual Governance Statement

4.5 Detailed audit assignment scopes will be agreed with the GMCA Treasurer and other relevant officers as appropriate.

5 Annual Internal Audit Plan 2016/17

5.1 This emergent plan allocates 275 days of audit support for 2017/18, an increase of 81 days over the 2016/17 resource allocation which is to reflect some work carried from 2016/17 and support required in the first half of the year in the coordination and development of counter fraud, risk management and assurance activities and providing assurance over the consolidation of financial systems and processes.

5.2 There remains a need for flexibility in the plan to respond to risks or issues emerging in the year and to reflect areas of potential efficiency, overlap or omission
between the GMCA audit plan and the emergent plans that will be approved for the GMPCC and GMFRS.

6 **Reporting Against the Annual Plan**

*Assignments*

6.1 A written report will be issued by the Head of Audit and Risk Management following the conclusion of internal audit assignments. The report will include audit findings and recommendations and management’s response to them.

*Progress Reports*

6.2 Through the year the Head of Audit and Risk Management will report to Audit Committee on:

- Progress with delivery against plan including any necessary changes;
- Findings and assurances from specific audits including any significant control issues identified; and
- Progress made to implement recommendations from previous audit reports.

*Annual Head of Internal Audit Assurance Opinion*

6.3 The Head of Audit and Risk Management will submit an annual report to Audit Committee which contains his annual assurance opinion and the outturn report against the annual plan. This report:

- Summarises audit assignments carried out in the year and assurances provided;
- Reports achievement against the annual plan; and
- Gives an assurance opinion on the adequacy and effectiveness of the internal control system which informs the Authority’s Annual Governance Statement.

7 **Wider Assurance Framework**

7.1 While Internal Audit’s annual plan provides essential independent assurance over governance, risk management and internal control arrangements other sources of assurance include:

- Member assurance from committee review, scrutiny and approval of key decisions, policies, governance arrangements etc.
- Management assurance through day to day management review and self-assessment of governance arrangements and financial controls.
- Assurances obtained by financial, legal, HR, procurement and other officers across the GMCA.
- Assurances provided to the Chief Constable, County Fire Officer and Chief Executive of TfGM
- Assurances provided to the Audit Committees of TfGM and Chief Constable.
- Reports of External Audit and Inspectors.

8 **Recommendations**

8.1 Members are requested to consider and approve the emergent Internal Audit Annual Plan and initial resource allocation for 2017/18.

8.2 Members are requested to receive an updated audit plan at the next Audit Committee