

**GREATER MANCHESTER COMBINED AUTHORITY AUDIT
COMMITTEE**

DATE: Wednesday, 27th July, 2022

TIME: 10.30 am

VENUE: GMCA Offices, Broadhurst House, 56 Oxford Street,
Manchester M1 6EU

SUPPLEMENTAL AGENDA SECOND ISSUE

9. MINUTES OF THE PREVIOUS AUDIT COMMITTEE MEETING 1 - 14

To consider the approval of the minutes of the previous meeting of the committee, held on 22nd April 2022, as a correct record.

For copies of papers and further information on this meeting please refer to the website www.greatermanchester-ca.gov.uk. Alternatively, contact the following Governance & Scrutiny Officer: paul.harris@greatermanchester-ca.gov.uk

This agenda was issued on Monday 25th July 2022 on behalf of Julie Connor, Secretary to the Greater Manchester Combined Authority, Broadhurst House, 56 Oxford Street, Manchester M1 6EU

BOLTON	MANCHESTER	ROCHDALE	STOCKPORT	TRAFFORD
BURY	OLDHAM	SALFORD	TAMESIDE	WIGAN

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Agenda Item 9

**MINUTES OF THE GREATER MANCHESTER COMBINED AUTHORITY
AUDIT COMMITTEE, HELD ON FRIDAY 22 APRIL 2022
AT THE GMCA OFFICES, TOOTAL BUILDINGS, MANCHESTER**

PRESENT:

Councillor Mary Whitby	Bury Council
Councillor Colin McLaren	Oldham MBC
Councillor Sarah Russell	Manchester CC (Chair)
Councillor Chris Boyes	Trafford Council
Gwyn Griffiths	Independent Member
Catherine Scivier	Independent Member
Susan Webster	Independent Member
Grenville Page	Independent Member

ALSO PRESENT:

Councillor Tom McGee	Stockport Council and Deputy GMCA Portfolio Lead Member for Resources and Investment
Mark Dalton	Mazars

OFFICERS:

Andrew Lightfoot	GMCA Deputy Chief Executive
Steve Wilson	GMCA Treasurer
Rachel Rosewell	GMCA Deputy Treasurer
Sarah Horseman	GMCA Head of Audit and Assurance
Damian Jarvis	GMCA Internal Audit Manager
Nicola Ward	GMCA Senior Governance and Scrutiny Officer
Paul Wilkinson	GMCA Digital Solutions Manager

AC/89/21 WELCOME, INTRODUCTIONS AND APOLOGIES

RESOLVED /-

Apologies were received from Daniel Watson (Mazars).

AC/90/21 CHAIR'S ANNOUNCEMENTS AND ITEMS OF URGENT BUSINESS

There were no announcements or urgent business.

AC/91/21 DECLARATIONS OF INTEREST

RESOLVED /-

There were no interests declared in relation to any item on the agenda, by any Member of the Committee.

**AC/92/21 MINUTES OF THE GMCA AUDIT COMMITTEE MEETING HELD ON 21
JANUARY 2022**

RESOLVED/-

That the minutes of the meeting of the GMCA Audit Committee held on 21 January 2022 be approved as a correct record.

**AC/93/21 MINUTES OF THE JOINT AUDIT PANEL MEETING HELD ON 28
JANUARY 2022**

RESOLVED/-

That the minutes of the meeting of the Joint Audit Panel held on the 28 January 2022 be noted.

AC/94/21 INTERNAL AUDIT PROGRESS REPORT

Sarah Horseman, Head of Audit and Assurance, GMCA provided an update on progress against the Internal Audit Plan since the last report to committee and three

executive summaries of the internal audit completed within this period in relation to Accounts Receivable, ICT Cyber Security and GMFRS Central Stores.

In relation to the Accounts Receivable audit, there had been a limited assurance given as there were potential areas for an increased risk in fraud that required tighter controls. Members questioned as to how the segregation of duties had arisen and been permitted. Officers responded that this had happened overtime as roles had changed and access rights had been increased. This had been highlighted as one of the key findings of the audit and as a result there was a planned specific audit next year regarding the allocation of access rights on financial systems. The new resourcing structure would also now ensure that the risk of this is mitigated.

The ICT Cyber Security audit received reasonable assurance, however there had been an agreed set of actions to follow up.

The GMFRS Central Stores audit had also received limited assurance as there had not been a review of the function since 2019 and again there were a set of actions to follow up the audit's findings. In relation to this, Members asked that further assurance be brought back to the Committee following the stock take. Members also asked whether it was clear what had been procured and what was included within a current contract within the stores. It was felt that this area needed some further investigation, but officers were confident that this would be more effectively managed under the control of the new GMCA Head of Commercial . It was suggested that the totality of GMFRS spend be subject to internal audit at the end of this financial year, including procurement arrangements to ensure that they actively support the GMCA's aspirations regarding real living wage and supporting contract arrangements with SMEs.

Members sought some perspective on the fact that of those reasonable assurance audits, many were close to being limited and whether there was a reason for a more significant number of limited assurance audits within this period. Officers acknowledged this but assured the Committee that all audit actions would be re-visited before the Audit Opinion is given, to ensure there had been time to address these.

Officers also confirmed that the Behavioural Policy Review was currently being considered by management and would be brought back to the next meeting of the Committee along with the Fixed Asset Data Migration report.

RESOLVED/-

1. That the progress report be noted.
2. That the changes to the Audit Plan be approved.
3. That further assurance be brought to the Committee following the stock take at the GMFRS stores.
4. That Internal Audit consider a review of GMFRS spend at the end of this financial year.
5. That the Behavioural Policy Internal Audit report would be brought to the next meeting.

AC/95/21 INTERNAL AUDIT ACTION TRACKING

Sarah Horseman, Head of Audit and Assurance, GMCA introduced a report which advised the Audit Committee of the progress made to date in implementing the agreed actions from internal audit assignments. Current implementation rates were 80% which was an increase on the last quarter and positive in relation to the internal target of 85%. Section four of the report provided a status update against all actions and an explanation on each outstanding action. There had been a couple of extensions provided to both the Fleet Management and Loan Approval internal audit actions due to other factors, however it was agreed to bring an update to the Committee on both areas in September 2022.

RESOLVED/-

1. That the report be noted.
2. That an update on the Fleet Management and Loan Approval internal audit actions at the meeting of the Committee in September 2022.

AC/96/21 RISK MANAGEMENT UPDATE

Sarah Horseman, Head of Audit and Assurance, GMCA provided a report which informed Members of the Audit Committee of the risk management activities undertaken since the last meeting. As a result of improved processes there had been an increase in escalated risks and a change to the overall risk profile of the organisation. A maturity assessment had been completed which showed that the GMCA was now scoring 3.57 (conforming) compared to its original score of 2.64 (emerging). The report also contained a risk action plan for the next municipal year which focussed on areas to address.

Members were encouraged to see the development of risk management across the organisation in which a real sense of change could be sensed. Officers agreed that this was due to both behavioural change and more proactive work to highlight risks at a departmental level and through regular reports to the Chief Executives Management Team meetings.

It was suggested that the risks should always be assigned to the role rather than named individual to ensure that this was clear to the Committee and members of the public. Furthermore, that all abbreviations should be expanded for full transparency.

In relation to the current global inflation issues, members questioned as to why this did not feature specifically within the risk register. It was confirmed that there was an ongoing dialogue regarding the potential risk to the GMCA as a result of the increased inflation rate, however at present the organisation was less exposed than a Local Authority and so it had not been highlighted as a separate risk from those already on the risk register to which it influences, this would, however, be kept under review.

Members questioned by what process were new risks identified for the risk register, such as the current global supply chain issues. Officers reported that GMFRS had a strong process in place to identify growing risks and that widening this process across the GMCA would be considered.

In relation to the risk surrounding transport recovery funding, Members asked whether there had been any further announcements regarding this. Officers confirmed that a Light Rail Recovery Grant for the first six months of 2022/23 had been confirmed for Metrolink,

which would allow for some more longer-term sustainable planning and modelling against current levels of patronage and anticipated growth. However, in relation to bus services, although the quantum of the Bus Recovery Grant had been agreed, the details of the provision to Greater Manchester was still to be determined, which had some associated risks.

Members felt that the legal challenge risk detailed within the report was too hypothetical and further detail was needed to ensure that it was more substantiated.

With regards to the imminent governance changes across the integrated care system, Members urged that the register contained some reference to the risk for not taking the opportunities for effective joint working. It was confirmed that Greater Manchester had just appointed their Chief Executive Designate who was due to start in July 2022, however had already been invited to join in conversations regarding the devolution trailblazer for Greater Manchester to ensure that health continue to be an essential partner in the devolution agenda. Officers agreed that missed opportunities for more effective joint systems was the most significant risk, whether this be regarding joint procurement, public health commissioning or the wider pursuit of public service reform.

RESOLVED/-

1. That the report be noted.
2. That in future reports, risks be assigned to a role rather than an individual and all abbreviations expanded.
3. That consideration would be given to the widening of the GMFRS process for identifying new and growing risks across the whole of the GMCA.
4. That further detail would be added to the legal challenge risk to ensure that it was more substantiated and not phrased hypothetically.

AC/97/21 REVIEW OF THE EFFECTIVENESS OF INTERNAL AUDIT

Steve Wilson, GMCA Treasurer introduced a report which set out the assessment for 2021/22 and actions proposed to ensure ongoing effectiveness and quality of the GMCA Internal Audit service. Assurance was confirmed, in addition to the evidential

growth of the function across the organisation, significant added value and respect for the positive influence of Internal Audit activity was also recognised.

Members echoed this assessment in relation to the significant strides made by the Internal Audit function and remarked on their tremendous journey to date and clear gained respect. However, in recognition of the £2b of funding that comes through the GMCA, further questions were raised as to whether the function was able to extend comfortably across the breadth of complex dynamics of the GMCA. Officers remarked that the current balance felt about right to provide full assurance at the end of this municipal year and was comparable to other Combined Authorities across the North of England, however further resources would always enable an increased level of audit activity to be undertaken. The Treasurer added that with the most substantial changes for the GMCA have been completed, there were more subtle changes ahead, however through further devolution it was anticipated that the role of audit may be strengthened.

RESOLVED/-

That the report be noted.

AC/98/21 INTERNAL AUDIT PLAN 2022/23

Sarah Horseman, Head of Audit and Assurance, GMCA shared with Members of the Audit Committee the three-year internal audit plan and the operational internal audit plan for 2022/23.

Members queried as to why the report did not provide a figure for the number of total audit days required as per previous reports. Officers confirmed that as numbers fluctuate it was felt that any benchmarking against individual audits may be inaccurate, however there had been some averaging undertaken and the total number of days would be available to share with the Committee.

There were some concerns from Members that the GMCA Scrutiny Committees had been inquorate on several occasions, and it was suggested that an internal audit on the determining factors could assist with this evidential challenge. It was reported that

there was currently an externally led scrutiny review underway which will be making its recommendations to the GMCA in due course. It was suggested that it may be useful for the Audit Committee to look at the outcomes of this review and seek assurance that there are no further areas to review.

In relation to the planned deep dive into the Capital Programme, Members asked how the sample would be chosen. It was confirmed that officers planned to look at the complexity and materiality of the programmes and seek to review those where the GMCA is both a partner organisation and those where it has oversight and control. The Committee welcomed this approach, and further questioned whether in every case there was clarity as to the level of control required by the GMCA and how robust the established processes were. Officers confirmed that this deep dive would highlight whether there was a consistent approach to this, or whether there was a case for an assurance map of the whole organisation to be developed to ensure there were no gaps.

The Committee asked whether the level of detail within the Internal Audit Plan was sufficient enough to provide a record of assurance across each sub section of the organisation. Officers reported that this level of detail had been deemed to be too complex for the formal documentation to Committee however the engagement was taking place and the assurance was being provided to the Head of Audit and Assurance. Further to this, it was suggested that a second line of assurance could be considered by Directors for functions under their control which were not due for a full internal audit inspection to provide them with the assurances needed to self-certify. This would be considered in more detail and picked up as the GMCA reaches the required level of maturity.

In relation to the Mayoral Priorities, Members urged that an internal review on these took place more frequently than every five years as these represented the priorities of the electorate. Although the mayoral budget was relatively small in monetary terms, it was recognised that the reputational risk of these areas of work was significant and therefore the elements would be listed out and audited on a more frequent basis.

RESOLVED/-

1. That the report be noted.
2. That the total number of audit days required to deliver the Audit Plan for 2022/23 be shared with the Committee.
3. That the outcomes of the GMCA Scrutiny review be share with the Audit Committee prior to approval.
4. That the option for self-certification by Directors and a second line of assurance be considered by the GMCA for those areas not currently subject to internal audit.
5. That the elements of the Mayoral Priorities be listed out and scoped for more frequent internal audit activity.

AC/99/21 INTERNAL AUDIT CHARTER

Sarah Horseman, Head of Audit and Assurance, GMCA introduced the Internal Audit Charter which establishes the framework within which the Internal Audit Service operates to best serve the independent assurance requirements of the GMCA Audit Committee and also to meet its professional obligations under applicable professional standards.

RESOLVED/-

That the Internal Audit Charter be approved.

AC/100/21 ACCOUNTING POLICIES AND CRITICAL JUDGEMENTS

Steve Wilson, GMCA Treasurer introduced a report which requested approval by the Audit Committee of the accounting policies and critical accounting judgements that the Authority proposed to adopt in the preparation of the Annual Statement of Accounts 2021/22. There had been no significant changes to accounting policies throughout the year, and although the delay to the IFRS16 had been confirmed until the 2024 accounts, preparations were already underway. There had been no changes to judgements from previous years.

Members asked whether those companies excluded due to the lack of financial materiality could not be included based on their potential political or reputational risk to

the organisation. The Treasurer confirmed that exclusions were not solely based on materiality and were also subject to external audit as to any potential exclusions, that would be published within the accounts. Further to this, Members asked why subsidiaries were automatically excluded. It was confirmed that this was not automatic, but based on a number of factors including materiality, the benefit to the account reader and the required resource to include them within the group accounts.

A Member asked which group accounts included the North West Fire Control Centre, Mazars External Auditors agreed to confirm this direct to Gwyn Griffiths.

RESOLVED/-

1. That the report be noted.
2. That Mazars would confirm to Gwyn Griffiths which group accounts included the North West Fire Control Centre.

AC/101/21 TREASURY MANAGEMENT PRACTICES

Steve Wilson, GMCA Treasurer introduced a report which contained updated Treasury Management Practices to reflect service structure changes from 1 April 2022 and to reflect the latest CIPFA (Chartered Institute of Public Finance and Accountancy) expectations. As a significant element relates to investment decisions, advice was sought from external advisors, however the majority of the service was undertaken in house which allowed for more direct control.

Members asked whether there were an internal set of KPIs (key performance indicators) to provide assurance that the treasury management practices meet requirements. Officers confirmed that there were a number of internal KPIs set out in the Treasury Management Strategy monitored for assurance, however there were further plans to look at additional monitoring, for example target returns from deposits. Further to this, the Committee questioned whether there had been any mapping undertaken regarding the covenants on loans etc. It was confirmed that there were not the same level of covenants as a housing association for example, and that the majority of borrowing was through the Public Loans Board and therefore monitored against their external targets.

RESOLVED/-

1. That the Treasury Management Practices for the financial year of 2022/23 be noted.
2. That a future training session on Treasury Management will be organised in due course.

AC/102/21 EXTERNAL AUDIT – AUDIT STRATEGY MEMORANDUM

Mark Dalton, Mazars presented the key elements of the Audit Strategy Memorandum which set out the responsibilities of the External Auditors, the planned audit approach, timeline and proposed testing strategy to address the audit risks against the financial statements and value for money statement. It also set out that the year-end audit activity was planned for September/October, reporting to the Audit Committee in November and planned a full sign off by the statutory deadline of 30 November 2022.

Common risks had been identified in relation to the financial statements and a new enhanced risk regarding the new asset register (implemented by the GMCA in 2021/22) had been highlighted. The response to these risks would be reported to the Committee in November alongside the audit completion report.

In relation to value for money (VFM), the work for 2021 was yet to be finalised and then work could begin on the 2022 value for money statement to pick up any actions from this year. The Committee were asked to note that there had been a further extended deadline from NAO (National Audit Office), whereby the VFM commentary was not required until three months following the publication of the opinion on the financial statements resulting in the 2021 VFM potentially being published in early 2023.

Section 6 of the report detailed the planned audit fees for 2021/22, which were consistent of those from the previous year and supported by funding from Government in recognition of the required additional audit activity, of which the GMCA received £37,085.

Members sought clarification whether there were any outstanding actions from last year's audited accounts, it was confirmed that there were two outstanding elements including the VFM commentary and the submission to the Whole of Governments Accounts as further clarity on their request was still awaited. It was concerning to the Committee that this clarity had still not been received and as a result last year's accounts could not be formally closed despite having been signed off by the External Auditors.

Mazars confirmed that the VFM commentary was nearing completion and would be presented to the Committee at their next meeting.

In reflecting the maturity of the organisation, Members of the Committee anticipated that there would be no delay to the 2022/23 accounts. External Audit confirmed that it would be highly likely that the GMCA would meet their end of July deadline, however delays could potentially arise due to the capacity of external audit. Officers added that the GMCA met their submission for the 2021/22 accounts, however the challenge came about through an elongated audit process this year.

RESOLVED/-

1. That the Audit Strategy Memorandum be noted.
2. That it be noted that the VFM money commentary would be presented to the Committee by Mazars at their next meeting.

AC/103/21 GMCA AUDIT COMMITTEE ACTION TRACKER

The Chair presented the Audit Committee Action Tracker for consideration, it was agreed to include the Work Programme under this item at the next meeting.

The Committee raised some concerns regarding the oversight of the Police and Crime budget and relationship with the Police Audit Panel. It was suggested that further clarity be given to this through the current Constitution review.

RESOLVED/-

1. That the action tracker be noted.
2. That the Work Programme would also be included in this item on the next agenda.
3. That further consideration be given as to how best bring together the work of the GMCA and GMP Audit Committees to provide robust assurances.

AC/104/21 EXCLUSION OF THE PRESS AND PUBLIC

RESOLVED/-

That, under section 100 (A)(4) of the Local Government Act 1972 the press and public should be excluded from the meeting for the following items on business on the grounds that this involved the likely disclosure of exempt information, as set out in the relevant paragraphs of Part 1, Schedule 12A of the Local Government Act 1972 and that the public interest in maintaining the exemption outweighed the public interest in disclosing the information.

AC/105/21 ANNUAL WHISTLEBLOWING AND FRAUD REPORT

RESOLVED/-

That the report be noted.

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