

GREATER MANCHESTER AUDIT COMMITTEE

ANNUAL MEETING

DATE: Friday, 27th August, 2021

TIME: 10.30 am

VENUE: Manchester City Council, Council Chamber, Level 3,
Town Hall Extension, M60 2LA

AGENDA

- 1. WELCOME AND INTRODUCTIONS**
- 2. COMMITTEE MEMBERSHIP FOR 2021/22**

To note the membership of the Committee for the Municipal Year 2021/22:

Councillor Mary Whitby	Bury Council
Councillor Colin McLaren	Oldham Council
Councillor Chris Boyes	Trafford Council
Councillor Sarah Russell	Manchester City Council
*Councillor Tracy Kelly	Salford Council
*Councillor Christine Roberts	Rochdale Council
Gwyn Griffiths	Independent Member
Grenville Page	Independent Member
Catherine Scivier	Independent Member
Susan Webster	Independent Member

*Substitute Members

- 3. CHAIR'S ANNOUNCEMENTS AND ITEMS OF URGENT BUSINESS**

BOLTON	MANCHESTER	ROCHDALE	STOCKPORT	TRAFFORD
BURY	OLDHAM	SALFORD	TAMESIDE	WIGAN

Please note that this meeting will be livestreamed via www.greatermanchester-ca.gov.uk, please speak to a Governance Officer before the meeting should you not wish to consent to being included in this recording.

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	Annual report of the Chair of the Audit Committee.	
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	To note the Terms of Reference of the GM Audit Committee 2021/22	
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	To receive declarations of interest in any item for discussion at the meeting. A blank form for declaring interests has been circulated with the agenda; please ensure that this is returned to the Governance & Scrutiny Officer 48 hours before the meeting.	
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	Report of the GMCA Treasurer. A link to the Unaudited Group Accounts 2020/21 can be found as follows: https://www.greatermanchester-ca.gov.uk/who-we-are/accounts-transparency-and-governance/annual-statement-of-accounts/	
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| 20. | APPOINTMENT OF CHAIR AND VICE CHAIR | |
| | To appoint a Chair and Vice-Chair for the Municipal Year 2021/22 | |

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: Governance & Scrutiny



This agenda was issued on Thursday 19 August 2021 on behalf of Julie Connor, Secretary
 to the
 Greater Manchester Combined Authority, Broadhurst House, 56 Oxford Street,
 Manchester M1 6EU

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Audit Committee

Date: 19 August 2021
Subject: Annual report of the Audit Committee Chair 2020/21
Report of: Audit Committee Chair

PURPOSE OF REPORT:

Annual Report of the Audit Committee Chair.

RECOMMENDATIONS:

There are no recommendations in the report

The GMCA Audit Committee is requested to:

Note the content of the report.

CONTACT OFFICERS:

Gwyn Griffiths. Email c/o Steve.Annette@greatermanchester-ca.gov.uk

Equalities Impact, Carbon and Sustainability Assessment:

N/A

Risk Management:

There are no risk management considerations

Legal Considerations:

No legal impact

Financial Consequences – Revenue:

N/A

Financial Consequences – Capital:

N/A

Number of attachments to the report:

Nil

Comments/recommendations from Overview & Scrutiny Committee:

N/A

BACKGROUND PAPERS:

The author has relied on reports to the audit committee for the period 1 April 2020 to 31 July 2021.

TRACKING/PROCESS	
Does this report relate to a major strategic decision, as set out in the GMCA Constitution?	Yes / No [Delete as appropriate]
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
GM Transport Committee	N/A
Overview & Scrutiny Committee	N/A

Annual Report of the Audit Committee Chair 2020/21

1. Introduction

I am pleased to present the report of the Audit Committee Chair for the year 2020/21. This covers the period from 1 April 2020 to 31 July 2021.

I thank and commend all the officers and staff of GMCA who have maintained delivery of essential services to the people of Greater Manchester during a most challenging year. I also thank the members of this Committee for their continued enthusiasm and commitment to scrutinise and support the GMCA through their participation in Audit Committee meetings both virtually and in person. I also wish to thank the Governance and Scrutiny team, in particular Steve Annette, for their dedication and tenacity which allowed us to hold effective meetings despite numerous challenges with the technology.

2. The Audit Committee

The Audit Committee is a key component of GMCA's corporate governance, providing an independent, high-level focus on the audit, assurance and reporting framework underpinning financial management and governance arrangements. Its purpose is to provide independent review and assurance to Members of GMCA on governance, risk management and control frameworks. It has delegated power to approve the annual accounts and it oversees year-end financial reporting, the Annual Governance Statement process and internal and external audit, to ensure efficient and effective assurance arrangements are in place. Committee minutes are presented to meetings of the GMCA.

3. Membership

The Audit Committee comprises 8 members: four elected members proposed by districts and four independent members appointed by GMCA. Quorum for meetings is six members. In the year the membership comprised the following:

Cllr Chris Boyes (Trafford Council)

Gwyn Griffiths (independent, Chair)

Grenville Page (independent)

Cllr Colin McLaren (Oldham Council)

Cathy Scivier (independent)

Cllr Sarah Russell (Manchester City Council, deputy chair)

Susan Webster (independent)

Cllr Mary Whitby (Bury Council)

I am pleased that the districts proposed and GMCA appointed those councillors who had served on the Committee previously. This delivered continuity of Committee membership, which has been particularly important over the period.

4. Meetings

The Audit Committee met virtually, under temporary provisions introduced by statute, on 30 June 2020, 8 September 2020, 20 November 2020, 22 January 2021 and 27 April 2021. The meeting scheduled for 8 July 2021 was cancelled as it was inquorate due to travel disruption affecting two members and NHS track and trace causing one member to self-isolate. The July meeting has been rescheduled for 27 August 2021.

5. Review of the year

During 2019/20 the Audit Committee had a full agenda for meetings and had training and deep dive sessions outside the formal meetings. The deep dives enabled members to maintain a high level of understanding of the complexities of the GMCA, and to inform the agenda for the formal meetings.

It had been my intention for provision to be made for training to be arranged for the members of the Committee to obtain still deeper knowledge and understanding of GMCA's operations. That provision was to have included longer sessions with senior officers from across the GMCA and focus by individual members on particular areas of GMCA.

In the early part of 2020, the Committee was particularly concerned with the integration of new areas of responsibility into the continuing activities of the GMCA and the preparations for Brexit. The Committee was pleased with the effective integration of new activities and areas of responsibility, which have marked the past four years of GMCA's history.

As regards Brexit, the Committee noted significant preparations made by GMCA in conjunction with other agencies across Greater Manchester. The Brexit preparations looked at both the immediate logistical concerns of separation from the EU, but also potential longer-term impacts on jobs and financial hardship. The Brexit planning exemplifies the GMCA's capability to coalesce cross-agency co-operation to great effect.

In March 2020 the country was faced with the SARS-CoV-2 (COVID-19) pandemic impacting on all activity. One impact of that was to cause much of GMCA's activities to be reshaped to deliver services remotely, with reduced workforce, with severe limitations. In April 2020 I initiated conversations with the Treasurer and Head of Audit and Assurance to ensure that finance, risk and key assurance activities were being maintained in the face of this significant disruption. During the evolution of the pandemic, the Treasurer and Head of Audit and Assurance have made frequent reports to me and to the Audit Committee to ensure we maintain our scrutiny of the GMCA's risks and finances.

Another impact of the pandemic has been the suspension of in-person meetings of the Audit Committee. Following a hiatus, during which we were unable to hold a meeting in April 2020, legislation was passed allowing public meetings to be held remotely using Microsoft Teams. There were accessibility problems associated with the Teams platform throughout the year, but formal meetings were able to be held from June 2020 onwards. Regrettably, it was not possible to carry out the previously successful programme of training sessions and deep dives or to extend the training as had been envisaged. However, meetings have been attended by senior officers from, inter alia, GMFRS, to address external reports and areas of concern to the Committee.

It has been a challenging period for the emergency service arms of GMCA. GMFRS has been addressing issues raised by the Kerslake Report into the Manchester Arena terror

attack and HMICFRS's report – Effectiveness, efficiency and people 2018/19; GMP has had to address issues raised by HMICFRS's Victim Services Assessment Inspection Report from December 2020. It is unfortunate that the Committee has not had the opportunity to engage on a deep level with senior officers in GM Police and GM Fire & Rescue Service, but we note the endeavours being made by those two bodies to respond to the concerns raised. The Joint Audit Panel examines the risk, finance and governance of GMP and reports to the Committee. I am pleased with the engagement between the Joint Audit Panel, the Deputy Mayor and senior police officers to address the various concerns. Recent appointments of a new Chief Constable and Chief Fire Officer are welcomed by the Audit Committee. We wish them every success in their new roles and look forward to meeting with them in coming months.

Financially, the period has been exceptionally challenging for all local authorities. However, except for transport (delivered by TfGM), GMCA is in a much better position than the average authority. TfGM has seen a massive fall in revenues during the lockdowns and has yet to return to normal levels. GMCA has negotiated deals to sustain TfGM with central government, but these are all short term. Accordingly, TfGM remains an area of financial risk to GMCA and this is addressed in the Treasurer's paper(s) on going concern in respect of the annual accounts and audit.

The risk framework for GMCA has continued to develop, guided by Head of Assurance and Audit, Sarah Horseman. In large part because of the rapid expansion in the scope of GMCA, some areas of the GMCA have made good progress on the continuum of risk maturity, whilst others lag. An organisational risk management maturity assessment was undertaken in late 2020, the results of which show that the organisation falls within the "emerging" phase of risk management maturity. Work is ongoing across the organisation to increase the maturity level to a minimum of "conforming" in 2021/22.

Internal Audit activity during the period has been redirected to areas in need of urgent support. This has provided additional capability in front-line areas and much-needed assurance on GMCA's Covid-19 response, but it has meant that the audit plan has fallen behind schedule. Recruitment into the internal audit function has continued and the team is now up to its planned strength. The Committee recognises the dedication and professionalism of the internal audit team and its crucial role across GMCA. We will continue to support the Head of Audit and Assurance and will pay close attention to resourcing of the audit function, levels of significant findings and officers' response to internal audit recommendations.

The production of GMCA's Accounts and Annual Governance Statement was in accordance with the timetable laid down by statutory instrument¹, and these were made available to the Committee for the (cancelled) July meeting. They will be considered formally at the 27 August meeting, with a view to the audited accounts being approved in a meeting of the Audit Committee in September 2021 and published in line with the statutory timetable.

Gwyn Griffiths
Independent Member and Chair
August 2021

¹ The Accounts and Audit (Amendment) Regulations 2021

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Audit Committee – Terms of Reference

This GMCA Audit Committee oversees all aspects of GMCA including Mayoral functions. The Mayor has also established an Audit Panel which oversees the control environment of the Chief Constable.

1. Statement of purpose

1.1 The Audit Committee is a key component of corporate governance providing an independent, high-level focus on the audit, assurance and reporting framework underpinning financial management and governance arrangements. Its purpose is to provide independent review and assurance to Members on governance, risk management and control frameworks. It has delegated power to approve the annual accounts and it oversees year-end financial reporting, the Annual Governance Statement process and internal and external audit, to ensure efficient and effective assurance arrangements are in place.

1.2 The Constitution makes the GMCA's Treasurer responsible for discharging the functions of the 'responsible financial officer' under the Accounts and Audit Regulations 2015, including ensuring risk is appropriately managed.

2. Composition and Procedure

2.1 Membership

The Audit Committee shall be appointed by the GMCA and shall have a total of **eight** members, comprising:

- Four co-opted elected members of the Constituent Councils of the GMCA (who are not also Members or Substitute Members of the GMCA or Assistant Portfolio Holders);
- The GMCA will also appoint two substitute co-opted elected members who may be invited to attend as full members of the Audit Committee when apologies have been received. Substitute members will be appointed from the nominations received from constituent councils following their annual meetings and will be politically inclusive.
- Four co-opted members, who are Independent Persons.

All members of the Committee will have voting rights.

2.2 Independent Person

For the purposes of paragraph 2.1 above an individual is an Independent Person if that person:

- (i) is not a member, substitute member, co-opted member or officer of the GMCA;

(ii) is not a relative, or close friend, of a person within (i) above; and

(iii) was not at any time during the 5 years ending with their appointment to the Audit Committee a member, substitute member, co-opted member or officer of the GMCA.

[For the purposes of paragraph 2.2(ii) above 'relative' has the meaning contained in Article 2(2) of the Combined Authorities (Overview and Scrutiny Committees, Access to Information and Audit Committees) Order 2017.]

2.3 Political Balance

In appointing co-opted elected members to the Audit Committee the GMCA must ensure that the members of the committee taken as a whole reflect so far as reasonably practicable the balance of political parties for the time being prevailing among members of the Constituent Councils when taken together, in accordance with Rule 15.3 of the GMCA Procedure Rules set out in Section A of Part 5 of this Constitution.

2.4 Chairing the Committee

The Audit Committee will be chaired as determined by the Committee.

2.5 Quorum

At least two-thirds of the total number of members of the Audit Committee (i.e. **six** members) must be present at a meeting of the Audit Committee before any business may be transacted, as required by the Scrutiny Order.

2.6 Voting

Each member to have one vote, no member is to have a casting vote.

3. Role and Function

The overarching functions of the GMCA's Audit Committee are:

3.1 Reviewing and scrutinising the GMCA's accounting framework.

3.2 Reviewing and assessing the GMCA's risk management, internal control and corporate governance arrangements.

3.3 Reviewing and assessing the economy, efficiency and effectiveness with which resources have been used in discharging the GMCA's functions.

3.4 Making reports and recommendations to the GMCA in relation to reviews conducted under paragraphs 3.1 to 3.3 above.

3.5 To require Members, including the Mayor, of the GMCA or Transport for Greater Manchester Committee, or senior officers of the GMCA, Transport for

Greater Manchester to attend before the Audit committee to answer questions on relevant items.

In particular the functions of the GMCA's Audit Committee are:

4. Approval of Accounts

4.1. Approve under delegated powers the annual statement of accounts for GMCA including consolidated figures for Transport for Greater Manchester (TfGM), **NW Evergreen Holdings Limited, Greater Manchester Fund of Funds Limited**, Commission for New Economy **and** Chief Constable of Greater Manchester Police.

5. Governance, risk and control

5.1 Review corporate governance arrangements against the Code of Corporate Governance and the good governance framework.

5.2 Review the Annual Governance Statement (AGS) prior to approval to ensure it properly reflects the risk environment and supporting assurances.

5.3 Review the effectiveness of arrangements to secure value for money.

5.4 Ensure the assurance framework adequately addresses risks and priorities including governance arrangements in significant partnerships.

5.5 Monitor the GMCA's risk and performance management arrangements including review of the risk register, progress with mitigating action and the assurance map.

5.6 Consider reports on the effectiveness of internal controls.

5.7 Monitor the anti-fraud strategy, risk-assessment and any actions.

6. Internal audit

6.1 Approve the Internal Audit Charter.

6.2 Oversee Internal Audit's effectiveness including strategy, planning and process and ensure conformance with Public Sector Internal Audit Standards (PSIAS).

6.3 Approve (but not direct) the risk-based internal audit plan including resources, the reliability of other sources of assurance and any significant in-year changes.

6.4 Consider reports and assurances from the **Head of Audit and Assurance** in relation to:-

- Internal Audit performance including key findings and actions from audit assignments, significant non-conformance with

PSIAS and the Quality Assurance and Improvement Programme.

- Annual Assurance Opinion on the adequacy and effectiveness of the framework of governance, risk management and control.
- Risk management and assurance mapping arrangements.
- Progress to implement recommendations including concerns or where managers have accepted risks.
- Provision of assurances over the effectiveness of internal audit functions assuring the internal control environments of TfGM, Chief Constable for Greater Manchester Police, **NW Evergreen Holdings Limited and Greater Manchester Fund of Funds Limited.**

6.5 Contribute to the Internal Audit Quality Assurance and Improvement Programme, including the external quality assessment of internal audit.

6.6 Consider and comment on the Treasurer's Annual Review of the Effectiveness of the System of Internal Audit.

6.7 Develop effective communication with the **Head of Audit and Assurance** and senior audit staff.

7. External audit

7.1 Consider reports including the Annual Audit Letter, assess the implications and monitor managers' response to concerns.

7.2 Comment on the nature and scope of work to ensure it gives value for money.

7.3 Advise on the effectiveness of relationships between external and internal audit and other inspection agencies or relevant bodies.

8. Financial reporting

8.1 Consider whether accounting policies were appropriately followed and any need to report concerns to the GMCA.

8.2 Consider the Treasurers arrangements for the maintenance of the Police Fund and the Mayoral General Fund

8.3 Consider any issues arising from external audit's audit of the accounts.

8.4 Ensure there is effective scrutiny of the treasury management strategy and policies in accordance with CIPFA's Code of Practice.

8.5 Make recommendations to the Treasurer and Monitoring Officer in respect of Part 6 of the GMCA's Constitution (Financial Procedures).

9. Accountability arrangements

9.1 Report the Committee's findings, conclusions and recommendations to the GMCA and the Mayor, as appropriate, on the effectiveness of governance, risk management and internal controls, financial reporting and internal and external audit functions.

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AUDIT COMMITTEE – 27 AUGUST 2021

Declaration of Councillors' Interests in Items Appearing on the Agenda

NAME: _____

DATE: _____

Minute Item No. / Agenda Item No.	Nature of Interest	Type of Interest
		Personal / Prejudicial / Disclosable Pecuniary
		Personal / Prejudicial / Disclosable Pecuniary
		Personal / Prejudicial / Disclosable Pecuniary
		Personal / Prejudicial / Disclosable Pecuniary
		Personal / Prejudicial / Disclosable Pecuniary
		Personal / Prejudicial / Disclosable Pecuniary

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Please see overleaf for a quick guide to declaring interests at GMCA meetings.

Agenda Item 6

QUICK GUIDE TO DECLARING INTERESTS AT GMCA MEETINGS

This is a summary of the rules around declaring interests at meetings. It does not replace the Member's Code of Conduct, the full description can be found in the GMCA's constitution Part 7A.

Your personal interests must be registered on the GMCA's Annual Register within 28 days of your appointment onto a GMCA committee and any changes to these interests must notified within 28 days. Personal interests that should be on the register include:

- Bodies to which you have been appointed by the GMCA
- Your membership of bodies exercising functions of a public nature, including charities, societies, political parties or trade unions.

You are also legally bound to disclose the following information called DISCLOSABLE PERSONAL INTERESTS which includes:

- You, and your partner's business interests (eg employment, trade, profession, contracts, or any company with which you are associated)
- You and your partner's wider financial interests (eg trust funds, investments, and assets including land and property).
- Any sponsorship you receive.

FAILURE TO DISCLOSE THIS INFORMATION IS A CRIMINAL OFFENCE

STEP ONE: ESTABLISH WHETHER YOU HAVE AN INTEREST IN THE BUSINESS OF THE AGENDA

If the answer to that question is 'No' – then that is the end of the matter. If the answer is 'Yes' or 'Very Likely' then you must go on to consider if that personal interest can be construed as being a prejudicial interest.

STEP TWO: DETERMINING IF YOUR INTEREST PREJUDICIAL?

A personal interest becomes a prejudicial interest:

- where the well being, or financial position of you, your partner, members of your family, or people with whom you have a close association (people who are more than just an acquaintance) are likely to be affected by the business of the meeting more than it would affect most people in the area.
- the interest is one which a member of the public with knowledge of the relevant facts would reasonably regard as so significant that it is likely to prejudice your judgement of the public interest.

FOR A NON PREJUDICIAL INTEREST

YOU MUST

- Notify the governance officer for the meeting as soon as you realise you

FOR PREJUDICIAL INTERESTS

YOU MUST

- Notify the governance officer for the meeting as soon as you realise you

have an interest

- Inform the meeting that you have a personal interest and the nature of the interest
- Fill in the declarations of interest form

TO NOTE:

- You may remain in the room and speak and vote on the matter
- If your interest relates to a body to which the GMCA has appointed you to you only have to inform the meeting of that interest if you speak on the matter.

have a prejudicial interest (before or during the meeting)

- Inform the meeting that you have a prejudicial interest and the nature of the interest
- Fill in the declarations of interest form
- Leave the meeting while that item of business is discussed
- Make sure the interest is recorded on your annual register of interests form if it relates to you or your partner's business or financial affairs. If it is not on the Register update it within 28 days of the interest becoming apparent.

YOU MUST NOT:

- participate in any discussion of the business at the meeting, or if you become aware of your disclosable pecuniary interest during the meeting participate further in any discussion of the business,
- participate in any vote or further vote taken on the matter at the meeting

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**MINUTES OF THE GREATER MANCHESTER COMBINED AUTHORITY
AUDIT COMMITTEE, HELD ON TUESDAY 27 APRIL 2021
AT 10.00 AM VIA MICROSOFT TEAMS LIVE**

PRESENT:

Gwyn Griffiths	Independent Member (Chair)
Councillor Sarah Russell	Manchester City Council
Councillor Mary Whitby	Bury Council
Councillor Chris Boyes	Trafford Council
Councillor Tom McGee	Stockport Council
Catherine Scivier	Independent Member
Grenville Page	Independent Member
Susan Webster	Independent Member

ALSO PRESENT:

Daniel Watson	Mazars External Auditor
Mark Dalton	Mazars External Auditor

OFFICERS:

Steve Wilson	GMCA Treasurer
Rachel Rosewell	GMCA Deputy Treasurer
Sarah Horseman	Head of Audit and Assurance
Damian Jarvis	GMCA Internal Audit
Helen Fountain	Principal Finance Manager, GMCA
Karen Macrae	Finance Lead, GMCA
Jenny Hollamby	GMCA Governance and Scrutiny
Lee Teasdale	GMCA Governance and Scrutiny

AC/11/21 WELCOME, INTRODUCTIONS AND APOLOGIES

The Chair opened the meeting and welcomed everyone present. It was explained how the virtual meeting would be conducted and the procedure and protocols to be adopted throughout the meeting.

It was reported that the next meeting on 8 July 2021 could potentially be a face to face or hybrid meeting. Members would be kept updated. Any Member with concerns was asked to contact the Governance and Scrutiny Officer.

Apologies for absence were received on behalf of Councillor Colin McLaren, Oldham Council.

AC/12/21 DECLARATIONS OF INTEREST

There were no declarations of interest received at the meeting.

**AC/13/21 MINUTES OF THE AUDIT COMMITTEE MEETING HELD ON
22 JANUARY 2021**

Consideration was given to the minutes of the Audit Committee held on 22 January 2021.

Arising from minute AC/05/21 – 2019/20 Statement of Accounts, the Chair confirmed that the accounts were signed off following the meeting.

RESOLVED/-

That the minutes of the meeting of the Audit Committee held on 22 January 2021, be approved as a correct record.

**AC/14/21 MINUTES OF THE GMCA/GMP JOINT AUDIT PANEL HELD ON 12
FEBRUARY 2021**

The Audit Committee was asked to note the minutes of the GMCA/GMP Joint Audit Panel held on 12 February 2021.

The main points referred:

1. There had been another panel meeting on 16 April 2021, the minutes were awaited. The agenda pack was available on the GMP website [Greater Manchester Joint Audit Panel | Greater Manchester Police \(gmp.police.uk\)](#).
2. It was noted that the new Chief Constable would take up his position on 24 May 2021. In the meantime, an interim Chief Constable had been appointed.
3. The Chair had met with the Chair of the Joint Audit Panel and the Deputy Mayor of Greater Manchester to discuss arrangements to oversee police matters. It was envisaged that the relationship with the Joint Audit Panel and new Chief Constable would be stronger, more open, and transparent. Governance arrangements were complicated. However, they were robust and suitable but further transparency was needed. A joint workshop would be organised with the Joint Audit Panel to discuss how committees would work together in the future taking on board the new Chief Constable's views.
4. Members raised concerns that the agenda and minutes from the Joint Audit Panel on 16 April 2021, the PriceWaterhouseCoopers (PWC) report or Her Majesty's Inspectorate of Constabulary and Fire & Rescue Services (HMICFRS) report were unavailable for evaluation; which was not transparent. The GMCA's Treasurer noted the comments and agreed to investigate. It was explained that the PWC report had not been finalised and was still in its draft format awaiting sign off from the Chief Constable. The GMCA's Treasurer would ensure that feedback from the Joint Audit Panel and the Audit Committee were fed into the report.

5. Members asked that the Joint Audit Panel minute production be accelerated.
6. A Member suggested that a timescale for review and how governance would work was needed. The GMCA's Treasurer agreed to progress this work.
7. A recent newspaper article had referred to a GMP overspend. However, as Members did not have the PWC report, it could not be evaluated. Members asked if the budget had been extended and if there was any change from the original spend to the ultimate spend. The GMCA's Treasurer advised that there was no overspend and the Integrated Operational Policing System (iOPS) was on budget but could not comment further as he had not had sight of the report.
8. Regardless of the PWC report, the Chair requested that a report about what had been budgeted for, what had been delivered and what that had cost be considered. There was a need to understand issues around implementation, timings, and costs. The GMCA's Treasurer agreed to take this on board.
9. Members were concerned about the publicity surrounding the newspaper article and how this would be clarified.

RESOLVED/-

That the minutes of the Joint Audit Panel held on 12 February 2021 be noted.

AC/15/21 ACCOUNTING POLICIES AND CRITICAL JUDGEMENTS

The GMCA Treasurer introduced a report that requested the Committee's approval of the Accounting Policies and Critical Accounting Judgements that the GMCA proposed to adopt in the preparation of the Annual Statement of Accounts 2020/21.

The report also outlined the impact of changes to the Code of Practice on Local Government Accounting and the production of the 2020/21 Annual Statement of Accounts.

RESOLVED/-

1. That the Audit Committee approved the Accounting Policies detailed at Appendix 1 (page 4) of the report.
2. That the Audit Committee approved the Critical Accounting Judgements detailed at Appendix 2 (page 26) of the report.
3. It was noted that any subsequent amendments or changes to the policies and the associated financial implications would be reported back to the Audit Committee.

AC/16/21 AUDIT STRATEGY MEMORANDUM 2020/2021

The GMCA's external audit partner presented the Audit Strategy Memorandum 2020/21 for consideration. Attention was drawn to the significant risks and other key judgement areas within the report.

The main points referred:

1. The Chair asked a question about performance materiality and the applied 50%. It was explained that due to the number of errors identified during the 2019/20 audit process a 50% of overall materiality had been applied as performance materiality. The figure would be revised if there were fewer errors in this year's audit.
2. A Member enquired if the Audit Committee would have an opportunity to review the accounts given the revised deadline of September 2021. Members were reassured they would be given ample opportunity. The draft accounts would be considered at the next meeting and the final accounts in September 2021.
3. Officers were asked how deadlines would be met given the issues last year. The risk around this was recognised by Officers; work would take place earlier. However, some work was dependant on partners such as the pension fund assurance. A valuer had already been commissioned, which would minimise issues around the valuation of assets. Officers would keep the Chair and the Committee updated on progress.
4. A move to a narrative report in terms of value for money was welcomed. It was envisaged that it would be a helpful tool rather than be provided after the event. The new approach would recognise the pandemic and that commentary would be developed in future years. The Chair asked that the report provided a view on how the GMCA had responded to the pandemic.
5. The GMCA's external audit partners were thanked for their informative report.

RESOLVED/-

That the report be received and noted.

AC/17/21 CORPORATE RISK REGISTER UPDATE

The GMCA's Head of Audit and Assurance, introduced a report that informed Members of the risk management activities undertaken since the last meeting.

The main points referred:

1. A discussion took place about what risks were strategic, which risks were not and what would be considered by the Committee. It was agreed that deep dives and periodic consideration of the full register would be adopted as a way forward. The Chair suggested that more meetings throughout the year might be required.

2. A Member asked about the maturity model and timelines. It was explained that further work is underway to determine where each directorate of the GMCA needs to sit on the maturity scale, but that the GMCA as a whole needed to be “compliant” within a year.
3. A Member asked for more information the about common risks across directorates. It was very important that there was a holistic approach to overall risks and communal impact. It was reported that in terms of common risks and the impact, the Senior Leadership Team had an important role to play in agreeing risks and how they were monitored at a single point at an organisational level.
4. A discussion took place about tolerating risks. It was clear that some risks could not be prevented but the risk framework should reflect resilience to minimise the impact of the risk.
5. The Chair asked about risk OR9 as there was an increasing trend on funding and grants not spent in line with timescales/conditions. It was explained that the register would be presented to the Senior Leadership Team to focus on mitigating actions.
6. It was suggested and agreed that following validation work, mitigating actions would be considered at the next meeting.
7. The Chair asked and Officers agreed that the GMCA’s Chief Executive be invited to a meeting in the near future to explain the GMCA’s approach to the management of risks and how the risk agenda was being developed and utilised.
8. Information technology was an area of concern raised by the Committee. The Chair suggested and Members agreed that a status update report would be considered and presented by the GMCA’s Director of Digital at a future meeting.
9. A Member was concerned about underspend and the Housing Investment Fund relationship; what was the level of risk. It was agreed that the Core Investment Team would provide a report for consideration at the next meeting.

RESOLVED/-

That the Committee noted the report and the progress being made.

AC/18/21 INTERNAL AUDIT PROGRESS REPORT

A report was introduced, which informed Members of the progress to date in the delivery of the Internal Audit Plan for 2020/21, which also acted as a mechanism to approve and provide a record of changes to the Internal Audit Plan.

The main points referred:

1. A discussion took place about the internal audit structure and resourcing. The Committee was very supportive that the additional resources needed were obtain this financial year.

2. The Chair commented that the peer review was valuable and would lead to improvements.

RESOLVED/-

That the report be noted and the changes to the Audit Plan as detailed in Section 3 of the report be approved.

AC/19/21 AUDIT ACTION TRACKER

The Head of Audit and Assurance, GMCA, introduced a report on the progress to date in implementing the agreed actions from internal audit assignments.

It was asked if there was any resistance from the Senior Leadership Team to deal with outstanding actions. It was reported that there was no resistance and there was a systematic process to identify progress on actions.

RESOLVED/-

That the Committee noted the report and welcomed the progress being made.

AC/20/21 ANNUAL OUTCOME OF THE WHISTLEBLOWING REFERRALS

The GMCA Treasurer introduced a report, which provided a summary of the outcomes of the whistleblowing referrals received in 2020/2021, as required under Section G of the GMCA Constitution - Complaints and Whistleblowing.

The main points referred:

1. Members asked for more detail in the report. It was agreed that a confidential report would be provided at the next meeting.
2. Officers were asked if any complaints had identified any systematic weaknesses. It was confirmed that no weaknesses had been identified.
3. The GMCA's Head of Audit and Assurance agreed to share a response to a whistleblowing Freedom of Information (FOI) with Members that provided more information on the nature of reports. More detail would be provided in future.

RESOLVED/-

That the report be received and noted.

AC/21/21 REVIEW OF EFFECTIVENESS OF INTERNAL AUDIT

It was explained that the GMCA's Head of Audit and Assurance conducted an annual review of the effectiveness of its system of internal audit as part of its governance assurance processes. The process was designed to provide assurance to the Audit Committee over the system of internal audit including the role, function, and performance of the internal audit service. The report set out the assessment for 2020/21 and actions proposed to ensure ongoing effectiveness and quality of the GMCA Internal Audit service.

Since the last Audit Committee held on 22 January 2021, four final reports had been published:

1. Greater Manchester Fire and Rescue Service – Fleet Services
2. GMCA Payments
3. GMCA Risk Management Maturity
4. Grant Certification

Several changes to the Internal Audit Plan were proposed at Section 3 of the report.

The main points referred:

1. A Member enquired about the fleet services report and asked if there was any conflict with senior management. It was explained that the audit looked at both A and B fleet but focused on the "A fleet" (i.e. *not* front-line fire and rescue appliances). The report was by exception and it was hoped that the opinion reflected there were no issues with the A fleet. It was a wide-ranging audit and to include all the content around all the areas of scope would have been exhaustive. Members were reassured that all actions and steps to address had been agreed.
2. In terms of identifying fraudulent transactions, a Member commented that retrospective purchase orders and little evidence of goods could be masking fraud and supplier bank changes not being actioned should be a higher than medium risk given this was an issue that numerous organisations had experienced. Officers would take the comments on board.

RESOLVED/-

1. That the Committee noted the review of the effectiveness for 2020/21.
2. That Members endorsed the Quality Assurance and Improvement Programme.
3. That the Audit Committee approved the scope of the external assessment of the GMCA Internal Audit service.

AC/22/21 INTERNAL AUDIT PLAN 2021/2022

Members considered a report that detailed the three-year Internal Audit Plan and the Operational Internal Audit Plan for 2021/2022.

The main points referred:

1. A reference was made to the audit universe. It was asked how large GMCA projects were included in the long-term plan. It was explained that the 2021/22 Audit Plan included a section on cross cutting themes (page 127 of the agenda). However, further consideration would be given to how cross cutting actions were reported. It was essential there was an overarching collective view.
2. A Member asked how Greater Manchester strategic risks and projects were being dealt with. It was reported that the appendices of the report provided some of that information. However, thought would be given to how this could be done more clearly and explicitly.
3. The Chair agreed with the plan but asked if there was any flexibility. Members were informed there were not any contingency arrangements. The plan would be revisited, and the Audit Committee would be informed of any movement.
4. Regarding the extra resource discussed earlier in the meeting, a Member asked if the plan took that into account. The plan was based on current resource and the lack of contingency was being discussed. The GMCA's Treasurer supported the recommendation for a further post.

RESOLVED/-

That the Internal Audit Plan be approved.

AC/23/21 INTERNAL AUDIT CHARTER

The Internal Audit Charter established the framework within which the Internal Audit Service operated to best serve the independent assurance requirements of the GMCA Audit Committee and to meet its professional obligations under applicable professional standards. In line with the Public Sector Internal Audit Standards, the Charter was a mandatory document that must be in place and reviewed on a regular basis. It was proposed that this review was undertaken by the GMCA's Head of Audit and Assurance and the Charter presented to the Audit Committee annually for approval.

It was noted that the only changes to the Charter in 2021/2022 were to clarify Internal Audit's role in relation to its support of Risk Management activities, which had been added in Section 13 of the report.

The Chair asked that Section 13 of the report be expanded to explain that the Senior Leadership Team owned the Risk Management Framework and Internal Audit was responsible for supporting the Senior Leadership Team and for rolling it out.

RESOLVED/-

That the Internal Audit Charter be approved subject to the change noted above.

AC/24/21 2021/2022 AUDIT COMMITTEE SCHEDULE OF BUSINESS

RESOLVED/-

That the 2011/2022 Audit Committee Schedule of Business be received and noted.

AC/25/21 DATES OF FUTURE MEETINGS

The dates and times of future meetings were noted as:

- 8 July 2021 at 10.00 am
- 30 September 2021 at 10.00 am

To provide time for deep dives, training, and briefings it was agreed that the dates of meetings were suitable, but timings would need to be considered. The Governance and Scrutiny Officer was asked to liaise with Members.

RESOLVED/-

That the Governance and Scrutiny Officer liaise with Members about timings of meetings.

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JOINT AUDIT PANEL

Date: Wednesday 23rd June 2021

Time: 14:00 – 16:00

Venue: Online Meeting

Attendees Peter Morris (Chair)
Foluke Fajumi (Panel)
Hilary Pogson (Panel)
Ian Cayton (Panel)
John Starkey (Panel)

Chief Constable Stephen Watson (GMP)
Assistant Chief Officer Christopher Kinsella (GMP)
Janet Moores (GMP - Head of Finance)
Matt Innes (GMP - Deputy Head of Finance)
Detective Chief Inspector Karen Ryan (GMP - Anti-Corruption Unit, Professional Standards Branch)
Candice Simms (GMP - Minutes)

Steve Wilson (GMCA – Treasurer)
Sarah Horseman (GMCA & GMP - Head of Audit and Assurance)
Cath Folan (GMCA - Audit Manager (Police and Crime))

Mark Dalton (Mazars - Partner (Public Services))
Amelia Payton (Mazars – Engagement Manager)

Apologies Rt. Hon Baroness Beverley Hughes (Deputy Mayor of Greater Manchester)

M150/JAP Welcome and Apologies for Absence

The Chair opened the meeting by welcoming those attending the Joint Audit Panel for the first time; Chief Constable (CC) Stephen Watson, Assistant Chief Officer (ACO) Christopher Kinsella and Detective Chief Inspector (DCI) Karen Ryan. The Panel, Internal Audit, Mazars and the Treasurer of the GMCA introduced themselves to GMP's new members.

M151/JAP Urgent Business (if any) at the discretion of the Chair

It was noted three Panel members, including the Chair, are coming up to the end of their three year term (December 2021). Discussions on this will take place in coming months to determine a way forward.

The Chair noted his aspirations on getting back to a near normal format and meeting in person.

M152/JAP Declarations of Interest

None raised.

M153/JAP Approval of April 2021 minutes and actions

The Panel approved the previous minutes as a true and accurate record.

M154/JAP Chief Constable's Update

CC Stephen Watson introduced himself to members and noted the significant value in the role of independent audit to test the workings of GMP.

It was noted CC Watson intends to publish the PricewaterhouseCoopers LLP (PwC) Report in the upcoming weeks. Members were informed of the Force's deficiencies identified by PwC, which coincide with those that have been reported by Her Majesty's Inspectorate of Constabulary and Fire & Rescue Services (HMICFRS) in the preceding year. The PwC report will be published together with GMP's 16 initiatives, which are intended to provide solutions to the deficiencies identified by PwC, HMICFRS and other sources.

CC Watson provided members with a summary of GMP's 16 initiatives which include, but are not limited to:

- Providing a clear and sustainable Force Strategic Delivery Plan in place of GMP's Target Operating Model (TOM) that will give clarity of strategic direction. This will culminate by the end of July and make way for a comprehensive Performance Management Framework.
- Strengthening the Force executive by; recruiting an additional Assistant Chief Constable (ACC) to facilitate a reform of portfolios; recruiting a new Deputy Chief Constable (DCC); reappointing at the level of chief superintendent district commanders in each of the districts of Greater Manchester; and appointing a Chief of Corporate Services to achieve greater balance between corporate and operational activity.
- Conducting a review of Force Headquarters based posts to identify senior officers who are currently undertaking roles where suitably qualified staff would be a better fit. This review will enable senior officers to be moved back into forward facing operational leadership positions. These posts will be undertaken by suitably qualified staff or the function will be subsumed into broader organisational reform.
- Beneath the newly constructed Local Policing portfolio there will be a new strategic demand management function to shape demand.
- Appointing a new Head of Strategic Communications to develop the neighbourhood interface with the public and improve the quality of internal communications.
- Pausing the Force Strategic Change Programme. This has enabled a review to take place to recalibrate the essence of the programme against the new Force Strategic Delivery Plan.
- The Citizens Contract will not be progressed and will be replaced by a public consultation as to what it is the public want from their local neighbourhood policing teams.
- Undertaking a review on the Force's corporate governance arrangements, whereby GMP's committee meetings will be replaced by a much simpler and effective performance and governance set of arrangements that are better understood and better reflected by way of future success.
- Recording and investigating more crime by investing in middle office posts in areas such as Prisoner Processing Units, Desk Based Investigation, Volume Crime Teams and Crime File Build Capacity. This will reduce pressure on the frontline and create posts for restricted officers.
- Implementing a new Leadership Programme, led by CC Watson, which will incorporate the development, communication and delivery of leadership objectives for all leaders in the organisation.
- Introducing an Organisational Justice Model into the wider organisation, this will underpin issues of organisational justice and procedural fairness.
- Addressing issues of welfare and wellbeing to retain staff.
- Conducting an independently evaluated options appraisal of GMP's Integrated Operational Policing System (iOPS).

The Chair noted Internal Audit, together with senior officers; need to give thought to the Internal Audit Work Plan which may be affected by CC Watson's changes.

CC Watson advised tangible improvements regarding the changes in Force will be measured using Durham's cultural staff survey. This specific survey links public service motivation to outcomes in terms of extra mile behaviours, which can help identify a change in attitude and happiness. GMP will be committed to running the survey in the coming weeks and again at a later stage. It was noted this survey is too anonymised to identify staff and officers.

The Panel queried if GMP have a process in place for training and assessing restricted officers that are deployed to middle office posts. CC Watson advised there is a training requirement for such posts. Acculturation will be required; however, the restricted officers will be in roles that are more meaningful to them. GMP noted the Force needs to be robust regarding reasonable adjustments to ensure a job can be made readily performed by each individual, dependent on their own circumstances.

M155/JAP Chief Constables - Draft Statement of Accounts 2020/21

ACO Kinsella introduced himself to members as GMP's Chief Financial Officer (CFO). This role carries a broad portfolio which includes; finance, strategic and operational human resources, training and organisational development, estates, fleet, procurement and a number of other corporate functions.

Members were advised the narrative for the Chief Constable's Statement of Accounts (SoA) has not yet been made available to members. It is of great importance that the narrative is updated to ensure it's aligned with the proposed changes in Force and how they fit within GMP's Financial Strategy. Going forward, there will be implications regarding GMP's Financial Strategy, and this will need to be amended to coincide with CC Watson's objectives; this will be noted in the narrative of the 2020/21 SoA. It was noted this should not; however, impact on any questions the Panel may have on financial sustainability and going concern.

ACO Kinsella advised GMP's Annual Governance Statement (AGS) requires a significant update before publishing with the SoA. This document does not currently reflect changes made to address HMICFRS's findings and how the Force has improved and streamlined its overall governance.

The narrative, along with GMP's AGS, will feature in the July 2021 Joint Audit Panel. The SoA will then include; responsibilities, expenditure and funding analysis, accounting policies, reference to the Police Pension Fund and the AGS.

GMP's Head of Finance presented the statutory statements to members. It was noted these are still draft statements that have not yet been audited and are subject to change.

The Panel considered the Comprehensive Income and Expenditure Statement. GMP advised the movement of the deficit is due to changes in the retirement benefits, employer's pension contributions and GMP's accumulated balances; this is illustrated further in the adjustments to the accounts section. From last year, the remeasurement of pension assets / liabilities has increased significantly; however, this is determined by the actuarial assessment that happens each year; this is illustrated further in the SoA.

GMP noted the figure for 'Accumulated Absences' reported on the balance sheet (pg. 5) is mainly a result of Covid-19, whereby officers had leave cancelled due to an increase in enforcement measures.

The Treasurer of the GMCA noted close partnership working with GMP will ensure complete transparency throughout delivering CC Watson's ambitious plan and objectives for the Force. It's anticipated there will be some difficult discussions and decisions to make going forward; however, ultimately they will culminate in discussions around the police precept 2022/23.

M156/JAP External Audit Progress Report and Sector Update

Members were provided with an overview of the report, which details the work that has been carried out since Mazars last reported on audit progress to the Joint Audit Panel. From the audit work completed to date, it was noted there are no issues to report at this time.

Mazars are currently working towards the timeline as presented to the Joint Audit Panel in April 2021, whereby audit completion is planned for September 2021. This proposed date is dependent on obtaining the required pension assurances.

The Panel queried how GMP keeps up to date with all new publications and how they affect the organisation. GMP advised it is part of the role for the Finance Team to keep up to date and is a constant discussion in governance meetings. It is also incumbent on GMP's Chief Finance Officer to ensure the relevant people are sighting on new publications. GMP is also reliant on auditors to bring such documents to attention.

M157/JAP Head of Internal Audit Annual Opinion and Annual Report

Internal Audit provided an overview of the report to members, which provides the Joint Audit Panel with the Head of Internal Audit Opinion and explains the basis of that opinion. It was noted a separate opinion has been given for GMP and the Greater Manchester Mayor's Police and Crime Functions, as their risk management arrangements are dissimilar.

The report notes there is limited assurance over the adequacy and effectiveness of the framework of governance, risk management and internal control in GMP. Internal Audit advised this was a challenging opinion to write as the individual internal audits conducted during 2020/21 often gave a reasonable assurance outcome; however, the wider context of what has occurred for GMP over the past year has to be taken into consideration.

The Panel queried whether Internal Audit have considered delays, as a result of Covid-19, in the timing of their future audits and when proposing actions. Internal Audit advised consideration has been made and extra time has been built into audits when taking into account staff working remotely.

Internal Audit noted there are ongoing discussions around key performance indicators (KPI) which are currently input focused, for example; days spent on audit. Members were advised that it may be more beneficial to look at output KPIs for the performance of Internal Audit. Further consideration will be made to determine what can be classed as an output based KPI.

The Panel noted and endorsed the report.

M158/JAP Anti-Fraud Bi-annual Report

DCI Ryan gave an overview of the report which includes a summary of the processes in place and an overview of investigations of allegations into fraud and financial impropriety.

It was noted the Anti-Fraud, Bribery and Corruption Policy has not yet been published and is still in consultation phase. GMP is working with the GMCA to get this published as soon as possible with the addition of GMP's Reporting Concerns Policy.

The Panel requested further clarity regarding Internal Audit's reporting of whistleblowing, which needs to be reflective of their responsibility to provide the Joint Audit Panel with periodic reports on the outcome of whistleblowing referrals received through the GMCA whistleblowing arrangements.

The Panel queried whether police officer pensions can be forfeited if officers are convicted of a crime. It was noted that this is possible and the Home Office have recently updated their guidance on this matter, which includes the legislative basis for such a sanction.

M159/JAP Internal Audit Charter

The Panel reviewed and approved the internal audit charter which establishes the internal audit activity's position within the organisation, including the nature of the Head of Audit and Assurance's functional

reporting relationship with the board; authorises access to records, personnel and physical properties relevant to the performance of engagements; and defines the scope of internal audit activities.

M160/JAP Annual Report of the Joint Audit Panel

The Panel noted and endorsed the report which covers the work conducted during the period 1st April 2020 to 31st March 2021 and sets out the priorities for 2021/22.

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Chair's Introduction

This is our second report of the Greater Manchester Combined Authority and GMP Joint Audit Panel.

There are 5 members of the Panel. All are independent appointments, and they were made following an advert and interview process. Training opportunities have been less than I hoped this year because the practicalities of delivering training have been hampered by COVID rules, but the depth and breadth of our meeting agendas has helped our development during an exceptionally challenging period for GMP.

This report covers our work during the period 1st April 2020 to 31st March 2021. The focus of the Audit Panel is Greater Manchester Police activities and their accounts. The value of an Audit Panel to an organisation is that it aims to provide independent assurance and advice on its governance processes. The Panel oversees the preparation of the Annual Report and Accounts, regular reports are received from the external auditors, Mazars during the year. The recent appointment of a new Chief Constable means that the timetable for the Governance and narrative elements of the Annual Report will be tight, but the expectation is that the external audit will conclude in line with the timetable.

The Panel also provides a forum to receive the reports of both the Internal and External Auditors and GMP officers on risk management, control, value for money and governance issues. It is also keen to see that senior management take appropriate action to implement the agreed actions contained in these reports.

In December, HMICFRS published its Victim Services Assessment (VSA) Inspection Report. This was a critical report of the service provided by GMP in this area. We are monitoring progress at our meetings and receive regular updates on progress in responding to the Inspectorate's recommendations. This provides an example of the breadth of the Audit Panel's activities.

I thank the Panel members for their enthusiasm, commitment and willingness to learn during this difficult year and the support we have received from GMP and GMCA.

Peter Morris
Chair of the Joint Audit Panel
17 June 2021

Introduction

The Joint Audit Panel is a key component of the Deputy Mayor for Policing and Crime (the Deputy Mayor) and the Chief Constable's for Greater Manchester corporate governance framework. It provides an independent and high-level focus on the audit, assurance and reporting arrangements that underpin good governance and financial standards.

The purpose of the Panel is to provide independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of the financial reporting and annual governance processes in operation within the Chief Constable's Corporation Sole and the GM Mayor's PCC functions.

Membership

The following individuals were appointed as independent Members of the Panel following an open recruitment exercise and interviews.

The Committee met five times during 2020/21. The April 2020 meeting was cancelled due to the Covid-19 pandemic whilst arrangements for virtual meetings were formalised. Papers for the meeting were issued and any questions/comments provided to the Chair who shared with Officers for action as necessary. Attendance at the meetings has been good demonstrating a commitment to the role and the function of independent challenge and assurance.

Member	Apr 20 Cancelled	June 2020	July 2020	Sept 2020	Oct 2020	Feb 2021	%
Mr Peter Morris (Chair)	-	✓	✓	✓	✓	✓	100%
Mr Ian Cayton	-	✓	✓	✓	✓	✓	100%
Mr John Starkey	-	✓	✓	✓	✓	✓	100%
Ms Foluke Fajumi	-	✓	✓	A	A	✓	60%
Ms Hilary Pogson	-	✓	✓	A	✓	✓	80%

Accountability Arrangements

The minutes of the Joint Audit Panel meetings are provided to the Deputy Mayor and the Chief Constable as well as to the GMCA Audit Committee in relation to Police Fund activity and assurance.

The Panel reviews its performance against its terms of reference, the result of which are included in this annual report.

Effectiveness of the Joint Audit Panel

The Joint Audit Panel effectiveness survey has been completed for the second year using the same questions as the 2019/20 self-assessment which allows the Panel to monitor progress against previous responses. The self assessment considered the following attributes of Audit Panel effectiveness:

- Membership, independence, objectivity and understanding
- Skills
- The role and scope of the Panel
- Communication and reporting

Generally the assessment results in 2020/21 showed an improvement compared to the 2019/20 results. Some areas showed a split where compared to last year there were some more positive and some more negative responses.

The development plan that was created as a result of last year's assessment has been updated and refreshed to incorporate the results of this year's assessment. This is provided in Appendix 1.

There were 11 actions arising from the 2019/20 assessment. Of these, eight have been implemented with the other three in progress which are:

- Incorporating an annual update on the Standing Together Plan into the training agenda for the Panel
- Resuming visits to operational branches to familiarise Members with aspects of police work
- Incorporate risk deep dives into the training sessions for the Panel, inviting risk owners to discuss strategic and/or operational risks and how they are managed

Two new actions were added as a result of this most recent assessment in relation to:

- Stakeholder mapping exercise to be undertaken as part of the Panel's training sessions
- Review of member induction to be undertaken and feedback gathered on the current process to enable improvements to be made where necessary

Key Areas of Focus for the the Panel in 2020/21

Governance, Risk and Control

- The Panel reviewed the Annual Governance Statement which is contained within the Chief Constable's Statement of Accounts.
- The Panel has received regular updates on GMP's risk management process. The Panel notes the efforts undertaken to refresh and strengthen risk management arrangements. The Panel was keen to understand the Strategic Risk Register which has been provided and will regularly review the register as part of the normal course of business for the Panel.
- Particular attention has been paid to the progress made in addressing issues with the iOps system. With continued significant media attention, the Panel has sought regular updates from GMP into the progress, status and plans for the project.
- The Panel reviewed the effectiveness of the system of internal control, taking account of the findings from internal and external audit reviews. The Panel sought assurance throughout the year from management that control issues identified are being addressed.
- The Panel received quarterly updates on the implementation of internal audit actions. The Panel have paid particular attention to outstanding audit actions in order to satisfy themselves appropriate action is being taken to implement agreed actions. Refreshed reporting mechanisms allow progress of the implementation of audit actions to be reviewed distinguishing progress made on high, medium and low priority actions.
- In January 2021 the Panel received a briefing from GMP on the findings from HMICFRS Victim Services Assessment (VSA) Inspection Report. The Panel continues to receive regular updates on the mechanisms put in place to address the findings of the inspection.
- The Deputy Mayor and Chief Constable are invited to all Audit Panel meetings. The Chair has also held meetings with the Deputy Mayor in between the formal Audit Panel meeting schedule.

Internal Audit:

- The Panel approved the 2020/21 internal audit plan in July 2020. At each meeting the Panel received progress reports for the delivery of the internal audit plan. These reports have been reviewed and scrutinised by Members.
- Members enquired whether the level of internal audit resource is sufficient to provide an appropriate level of assurance. Internal audit provided a benchmark of GMP Internal Audit resource against other forces which indicates resources are within the range of other forces.

ANNUAL REPORT OF THE JOINT AUDIT PANEL 2020/21

The panel will keep this under review during the annual planning process.

- The Panel reviewed the Internal Audit Charter for 2020/21.
- The Chair of the Audit Panel provided feedback to contribute to the Head of Audit and Assurance's annual performance appraisal.

External Audit

- The Panel oversaw the work of external audit including the scope and approach to their work, their fees, and independence.
- Throughout the year the external auditors outline the significant risks and key judgement areas identified within the planning process and subsequently in the work they do.
- The Panel received the External Audit Annual Letter for the year ended 31st March 2020. The external auditor issued an unqualified opinion on the Chief Constable's financial statements and also a clean, unqualified Value for Money conclusion in respect of the Chief Constable's arrangements.
- The Panel noted that the Annual Audit Letter will be replaced by the Auditor's Annual Report for 2020/21. It also noted the External Auditor's response to the HMICFRS VSA Inspection Report which constitutes significant weaknesses in GMP's arrangements against the criteria in the Code of Audit Practice.

Financial Reporting

- The Panel reviewed the Chief Constable's Statement of Accounts for 2019/20. To assist this review the Panel considered overviews of the key financial statements from management and reports regarding compliance with accounting standards, key judgements made in the preparation of the financial statements and compliance with legal and regulatory requirements.

Conclusion

The Panel has considered a broad range of issues within its agreed terms of reference throughout the year and where appropriate has called for additional information or action to be taken.

As part of its overall responsibility for providing assurance to the Deputy Mayor and the Chief Constable on the internal control environment, it has monitored the work of internal audit and the response to internal audit findings.

Priorities for 2021/22

ANNUAL REPORT OF THE JOINT AUDIT PANEL 2020/21

The Panel will continue to meet regularly throughout 2021/22 in order to review, scrutinise, challenge and provide reassurance over the governance, risk management and internal control arrangements across the Force and Mayoral PCC functions in order to ensure the whole system of governance is effective whilst focus is inevitably placed on addressing the HMICFRS recommendations.

Within this context, the priorities for 2021/22 will be:

- In relation to the HMICFRS VSA Inspection, the Panel will seek regular updates on progress with its response but will request internal audit continue their risk-based plan of work to provide assurance that other activities and programmes continue to operate effectively whilst focus and resource may be diverted to the HMICFRS response
- Continued focus on iOPS to monitor the progress of improvements, upgrades and performance of the system
- Receive internal audit reports on the risk management arrangements in place within the Force
- Recommencing Audit Panel training sessions to improve familiarisation of operational activities, the operating environment and strategic risks and to develop where necessary Members' skills
- To review and scrutinise reports arising from each of the internal Audit reviews undertaken during the year and ensure that appropriate action is taken to address any weaknesses identified
- Review of GMPs anti-fraud arrangements
- Ensure that the Panel supports the External Audit team in its application of the new Audit Code of Practice

Appendix 1 – Joint Audit Panel Development Plan – Actions

Description	Rationale	Action	Owner	Status
Standing Together Plan Objectives	In response to the questions around membership, independence, objectivity and understanding only 2/5 respondents stated that they were fully aware of the objectives of the organisation. 2/5 stated they were aware of most of the objectives, and 1/5 stated they were aware of some of the objectives.	Include within the training schedule for the Joint Audit Panel an annual update on the Standing Together Plan / GMP Target Operating Model.	Joint responsibility between PCC and GMP to provide an annual update to the Panel.	In Progress: Included in proposed annual training plan. Originally included for April 21 but given impending new GMP leadership and mayoral election, propose this is undertaken later in the year
Continued training on operational areas of GMP/PCC	The Panel visited OCB in 2019/20 to get an understanding of the operation of OCB. This was felt to be beneficial and further site visits had been planned pre-COVID-19.	When it is feasible to accommodate visits from Panel members, these will resume.	GMP Governance	In Progress: Included within annual training plan.
Internal Audit alignment to GMP	Discussion around the arrangements for internal audit feeling like it is a GMCA internal audit function when in fact it is a shared service and is as much a GMP function as it is GMCA.	Head of Audit and Assurance to work with ACO Potts and Force leadership to raise the profile of Internal Audit and to ensure alignment of internal work to GMP priorities.	Head of Audit and Assurance (HoAA)	Actioned and ongoing: HoAA now attends Victims Services Gold Group meetings, DME, HMICFRS Oversight Board (G-HOB) and quarterly ExecCo meetings.

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ANNUAL REPORT OF THE JOINT AUDIT PANEL 2020/21

Description	Rationale	Action	Owner	Status
Joint Audit Panel alignment to GMCA Audit Committee	In order to provide assurance to the GMCA Audit Committee that the Joint Audit Panel is undertaking its responsibilities around the Police Fund there needs to be clearer linkage from the Panel to the Committee	Head of Audit and Assurance to ensure that the annual report of the Joint Audit Panel is provided to the GMCA Audit Committee.	Head of Audit and Assurance (HoAA)	Complete: Proposed as new GMCA Audit Committee Agenda Item for 21/22 and subsequently each June (ie post year end as soon as annual report is produced).
Walkthrough of an Internal Audit engagement	This is in direct response to a comment within the "Skills" section of the effectiveness questionnaire.	Internal Audit team to develop a training session to walk the Panel through an internal audit assignment, explaining how the scope is determined, how fieldwork and testing is undertaken and how the conclusions and assurance opinion are arrived at.	Head of Audit and Assurance (HoAA)	Complete: Included in training session April 21
Ascertain the Chief Constable, Deputy Mayor and GMCA Audit Committee's view on what they would like from the Joint Audit Panel.	In response to the question "To what extent does the Audit Panel's work programme cover the assurance needs of the Chief Constable, Deputy Mayor and GMCA (in relation to the Police Fund) through a balance of agenda items?"	Invite Chief Constable to one or more Audit Panel meetings during the year and request his views.	GMP Governance	Actioned and ongoing: A/CC Pilling attended Feb 2021 Panel Meeting. Open invitation for the CC to attend all Panel meetings. Will seek to ensure new Chief Constable attends as soon as possible in 21/22.

ANNUAL REPORT OF THE JOINT AUDIT PANEL 2020/21

Description	Rationale	Action	Owner	Status
		Meet at least annually with the Deputy Mayor to ascertain her views on what she would like from the Panel.	HoAA / Director of Police, Crime, Criminal Justice and Fire	Actioned and ongoing: Chair met Deputy Mayor Feb 2021 and she attended the Feb 21 Panel meeting. Deputy Mayor now receives invitations to all Audit Panel meetings.
		Meet at least annually with the Chair of the GMCA Audit Committee to ascertain their requirements of the Panel in relation to the Police Fund.	Treasurer / HoAA	Actioned and ongoing: Chair met with Chair of Audit Committee at the same time as Deputy Mayor in Feb 21.
Ensure anti-fraud and corruption arrangements are appropriately considered	In response to the question within the "Role and scope of the Panel" section around regularly reviewing anti-fraud and corruption arrangements.	Ensure anti-fraud and corruption arrangements are included at least annually in the Panel work schedule	HoAA	Complete: included in JAP schedule of business
Understand other sources of assurance	In response to the questions regarding commissioning additional assurance work where a risk or control issue which is not subject to sufficient review.	Training session by the Planning and Policy Development Manager (Sara Ashworth) on the new HMICFRS methodology and inclusion in work programme of HMICFRS results.	Planning and Policy Development Manager (ERP)	Complete: Included bi-annually in the proposed schedule of business for main Audit Panel meetings. An ad-hoc training session also included for changes to HMICFRS methodology.

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ANNUAL REPORT OF THE JOINT AUDIT PANEL 2020/21

Description	Rationale	Action	Owner	Status
Risk deep dives	As a mechanism for the Joint Audit Panel to get an in-depth understanding of the risks faced by the Force risk deep dives are a discussion with risk owners to get an understanding of risks, mitigating actions and assurance over key risks.	Include risk deep dives 3-4 times per year within training sessions. Panel chooses which risks to focus on at the next training session at/after their previous meeting.	ERPB / GMP Governance	In Progress: Included in proposed training plan but as yet have not commenced.
Stakeholder mapping	In response to the 2020/21 responses around effective communications	One of the Panel training sessions to include a session on stakeholder mapping	Facilitated by Internal Audit	New
Member induction	Mixed responses received in 2020/21 around the effectiveness of member induction training	Review and gather feedback on current induction processes. Update as needed	GMP Governance	New

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GMCA AUDIT COMMITTEE

Date: 27 August 2021

Subject: GMCA – Draft 2020/21 Annual Governance Statement

Report of: Liz Treacy, GMCA Monitoring Officer and Steve Wilson, GMCA
Treasurer

PURPOSE OF REPORT

To provide the Committee with the draft 2020/21 Annual Governance Statement (attached as appendix A) for comment, prior to coming back to the Committee as a finalised version for approval in September.

RECOMMENDATIONS:

The Audit Committee is requested to:

- (1) consider and comment on the draft Annual Governance Statement; and
- (2) endorse the Annual Governance Statement for submission to the September 2021 meeting for approval.

CONTACT OFFICERS:

Liz Treacy, Monitoring Officer, GMCA,
l.treacy@greatermanchester-ca.gov.uk

Steve Wilson, Treasurer to GMCA,
Steve.wilson@greatermanchester-ca.gov.uk

Gwynne Williams, Deputy Monitoring Officer, GMCA,
williamsg@manchesterfire.gov.uk

Equalities Implications: N/A

Climate Change Impact Assessment and Mitigation Measures: N/A

Risk Management – The AGS forms part of GMCA’s risk management arrangements.

Legal Considerations – Legal requirements are referred to throughout the AGS.

Financial Consequences – Revenue – There are no specific revenue considerations contained within the report.

Financial Consequences – Capital – There are no specific capital considerations contained within the report.

Number of attachments included in the report: One (Annual Governance Statement)

BACKGROUND PAPERS: GMCA Constitution – [FinalConstitution2020formattedHyperlinksAdded.docx.pdf \(greatermanchester-ca.gov.uk\)](#)

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	

ANNUAL GOVERNANCE STATEMENT 2020-21

CONTENTS

1. Introduction & Purpose of the Annual Governance Statement
 2. GMCA Legislative, Strategic and Policy Context
 3. Legislative Arrangements during Covid-19 Pandemic
 4. HMICFRS Inspection of Greater Manchester Police – December 2020
 5. Scope of Responsibility
 6. Governance Review Activity 2020/2021
 7. Progress in Addressing the Challenges Identified in the 2019/2020 Annual Governance Statement
 8. Areas for Focus in 2021/2022
 9. Summary
- Appendix - CIPFA SOLACE – Good Governance Principles

INTRODUCTION

1.1 The Annual Governance Statement sets out how the Greater Manchester Combined Authority (GMCA) meets its governance standards detailed in the [Code of Corporate Governance](#). It also describes how it meets the requirements of regulation 6(1) of the Accounts and Audit Regulations 2015 in relation to the publication of an Annual Governance Statement to accompany the Annual Accounts. It is a document which looks back retrospectively over the past year and identifies where the GMCA has demonstrated good governance and looks forward as to areas where focus should be given in relation to governance over the coming year. The GMCA's corporate governance framework is structured around the seven good governance principles set out in the 2016 CIPFA guidance (see fig.1):

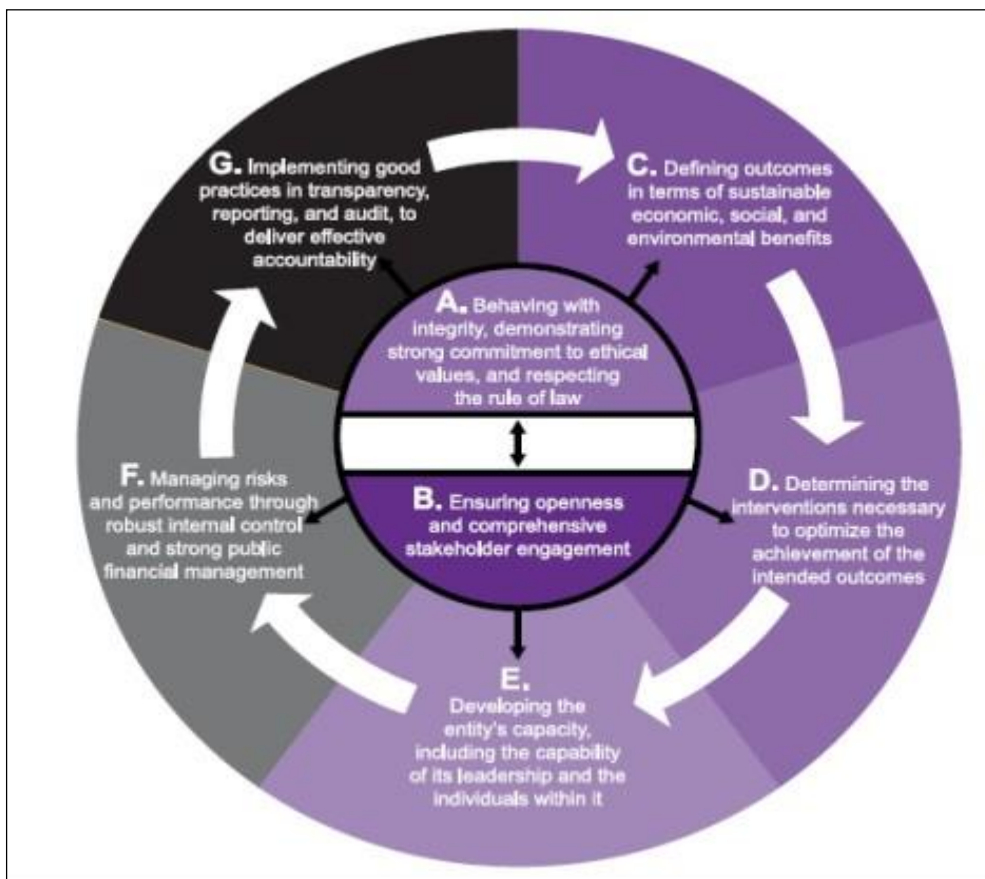


Fig.1 Seven Principles of Good Governance

LEGISLATIVE, STRATEGIC AND POLICY CONTEXT

2.1 The GMCA was established on 1 April 2011 by the Greater Manchester Combined Authority Order 2011 and comprised of ten members, being the Leaders of the constituent councils. The GM Mayor was re-elected on 10th May 2021 and will remain in office until May 2024. The Mayor is the chair and 11th member of the GMCA. The Mayor also appoints the Deputy Mayor for Policing and Crime who has substantial delegated authority covering policing and crime. All members have clear portfolio responsibilities as listed below:

Member	Representing	Portfolio Responsibility
Mayor Andy Burnham	GM Mayor	Policy & Reform, Transport
Baroness Beverley Hughes	Deputy Mayor	Safe & Strong Communities (Police and Fire)
Cllr David Greenhalgh	Bolton	Culture
Cllr Eamonn O'Brien	Bury	Young People & Cohesion
Sir Richard Leese	Manchester	Healthy Lives & Quality Care
Cllr Arooj Shah	Oldham	Community, Co-operatives & Inclusion
Cllr Neil Emmott	Rochdale	Green City Region
Mayor Paul Dennett	Salford	Housing, Homelessness & Infrastructure
Cllr Elise Wilson	Stockport	Economy & Business
Cllr Brenda Warrington	Tameside	Equalities
Cllr Andrew Western	Trafford	Digital, Clean Air, Education, Skills, Work & Apprenticeships
Cllr David Molyneux	Wigan	Resources & Investment

2.2 Each GMCA member appointed by a constituent council may appoint an elected member of another constituent council to act as an assistant portfolio

holder whose duties will be to provide support and assistance to the GMCA member in the carrying out of that member's duties in respect of the portfolio responsibilities allocated by the Mayor. Portfolio Assistants also have the right to attend meetings of the GMCA and speak but they have no voting rights. This is set out in the constitution.

2.3 On public service issues the GMCA members and the Mayor each have one vote, and generally questions are decided by a majority vote. Questions on matters requiring a vote of more than a simple majority are set out in the 2011 Order. The Mayor is required to consult members of the GMCA on his strategies. The GMCA also examines the Mayor's (non-Police and Crime) spending plans and is able to amend those plans if two-thirds of members agree to do so.

2.4 The GM Local Enterprise Partnership (LEP) is a private sector-led voluntary partnership, with a core function to provide strategic leadership and private sector insight (alongside the GMCA) to help deliver the city region's growth ambitions. The GM LEP jointly owns (along with the GMCA and voluntary sector) the Greater Manchester Strategy (GMS) and is responsible for providing strategic direction to ensure that the strategy is successfully delivered.

2.5 The GMCA and the Constituent Councils are members of the Association of Greater Manchester Authorities (AGMA). They have entered into joint arrangements, including an Operating Agreement, and the establishment of a joint committee called the AGMA Executive Board, which oversees the work and strategic direction of AGMA, leads on policy, and has delegated decision-making powers from the 10 Greater Manchester councils. AGMA has the same membership at the GMCA.

2.6 A range of statutory and non-statutory member-led committees and boards sit below the GMCA and LEP, with responsibility for overseeing work in relation to the various portfolios. The three Overview and Scrutiny Committees each have 15 members and responsibility for Corporate Issues and Reform;

Economy, Business Growth and Skills; and Housing, Planning and Environment. The GMCA Audit Committee, as a statutory body, plays a key role in overseeing risk management; governance systems and financial management. The GM Transport Committee oversees the travel services provided by Transport for Greater Manchester (TfGM).

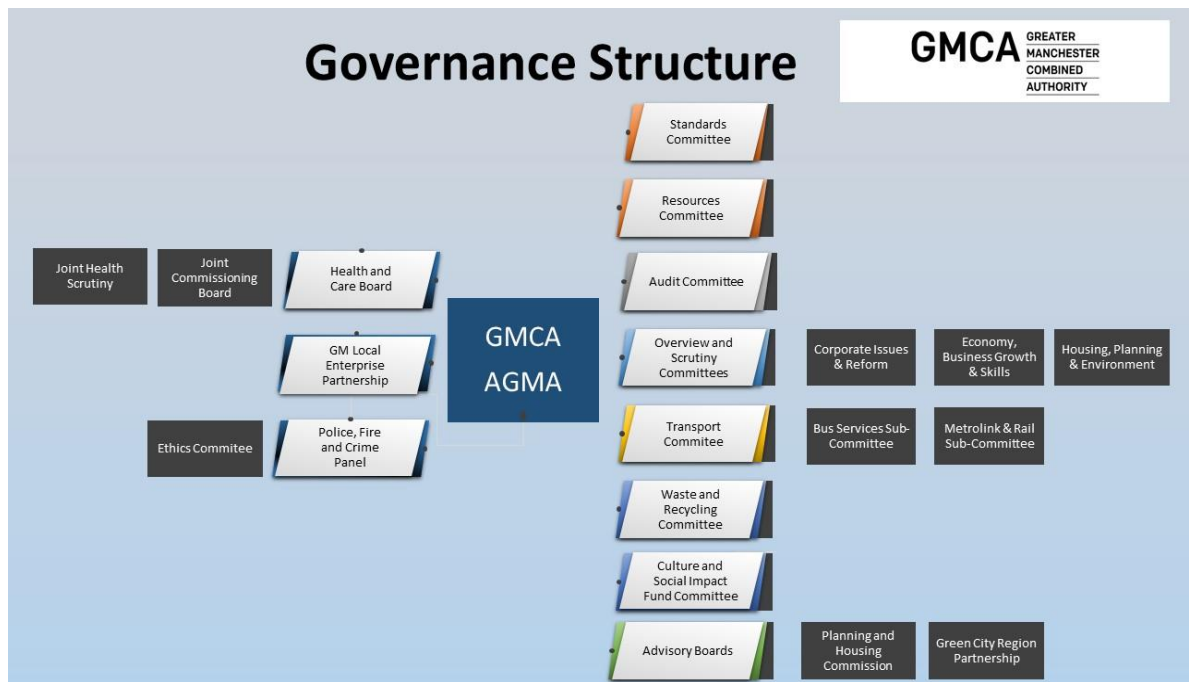


Fig.2 Governance Structure

LEGISLATIVE ARRANGEMENTS DURING COVID-19 PANDEMIC

3.1 Within the UK, a disaster response system exists, underpinned by the Civil Contingencies Act 2004. The system helps to support the coherent and integrated emergency response and recovery between national and local levels. At a local level, the backbone of this system is partnership working through a Strategic Coordinating Group and its associated structures, together with a Recovery Coordinating Group and appropriate sub-groups. These, in turn, are recognised and supported by MHCLG and other Government Departments, assisting a two-way dialogue in the emergency that is additional to more normal day-to-day arrangements.

3.2 Although GM is well practised in working in this way across a wide range of emergencies, the current Covid-19 emergency has a range of specific characteristics that has required GM to keep the emergency structures under review and to ensure that they link across into established governance and decision-making arrangements. The emergency structures are designed to support and not replace local 'business-as-usual' systems.

3.3 Contrary to the majority of emergencies experienced since the introduction of the current UK framework, the Covid-19 emergency required a whole system response, affecting the whole of society and requiring sustained effort over at least the next year based on current projections. Work is underway to review transition into a longer-term recovery, and there may be a need for recurrent response activity during the recovery period. Therefore, it is likely to require flexibility in future structures and approaches to facilitate the reinstatement of business as usual as Government legislation and regulations change and the UK moves to a new normality.

3.4 In response to the Covid-19 emergency, GM had established a multi-agency response structures that dovetailed with the national emergency response framework, whilst also being adapted to address local need. A C19 Executive Group, co-chaired by the Chief Constable of GMP and the Chief Executive of GMCA, has been sitting since early March 2020 with districts strongly engaged through Chief Executive portfolio leads and a local authority Chief Officers Group. A GM Strategic Coordinating Group (SCG) chaired by the Assistant Chief Constable, supports the C19 Executive and had in turn, established a number of thematic sub-groups, emergency operation cells and sector coordination groups. In line with UK doctrine, a Recovery Coordinating Group (RCG) was set up in the early stages of the response and has been running in parallel with the C19 Executive. The C19 Executive and RCG work closely together, with the Chair of the RCG sitting on the C19 Executive.

3.5 The structures have worked well over the last year and continue to meet. Recently the SCG has reviewed its arrangements with a view to stepping down into recovery in step with the national roadmap. Part of this will look to

how we can retain the benefits gained from collaborative working between stakeholders across GM as well as integrating the work into core business. However at the current time GM structures remain in response phase.

3.6 With regard to GMCA decision making during the Covid-19 Emergency, the GMCA Constitution gives delegated authority to the Head of Paid Service, to take any action which is required as a matter of urgency in the interests of the GMCA, in consultation (where practicable) with the Chair of the GMCA.

These decisions have been published in accordance with usual practice.

3.7 The Local Authorities and Police and Crime Panels (Coronavirus) (Flexibility of Local Authority and Police and Crime Panel Meetings) (England and Wales) Regulations 2020 came into effect on the 4 April 2020. These Regulations remove the requirement for local authorities to only hold meetings in person, make provision for members of local authorities to attend meetings remotely and for public and press access to these meetings.

3.8 Following the development of a technical solution and the required procedures and protocols, virtual meetings of the GMCA and its committees have been held. The regulations applied to local authority meetings held before 7th May 2021.

3.9 The regulations in 3.7 above expired on 7th May 2021 Which has required a move back to in person meetings for the GMCA and its formal committees. The in-person meeting requirements still have to comply with Covid safety requirements meaning work has been undertaken to ensure appropriate venues are used, enabling members to participate in meetings safely and for members of the public to attend in they so wish. GMCA meetings and committee meetings are still livestreamed live to enable access to members of the public and to assist with transparency.

HMICFRS INSPECTION OF GREATER MANCHESTER POLICE – DECEMBER 2020

- 4.1 In December 2021 HMICFRS published 'An inspection of the service provided to Victims of crime by Greater Manchester Police (GMP)'. The focus of this assessment was to understand the experience of the victim; this is known as a Victim Service Assessment. The report highlighted a number of causes for concern and made a number of recommendations for Greater Manchester Police with specific timeframes for completion. The force, in response to these recommendations initiated a comprehensive action plan to support and intensify ongoing activity. The action plan had specific focus on the immediate recommendations, recommendations to be completed within three months and recommendations to be completed within six months.
- 4.2 The appointment of the permanent Chief Constable Stephen Watson in May 2021 was a critical step in responding to the issues outlined by HMICFRS. Stephen is amongst the most experienced senior officers in the country and has a track record of improving police forces.
- 4.3 In response to the Victims Service Assessment remedial action has been taken by GMP to drive up crime recording standards, identify crime at the earliest point and to increase the quality of investigation standards and supervisory oversight. Comprehensive quality assurance checks of all emergency, priority, and routine incidents reported to GMP have taken place and this has enabled GMP to record crimes that would have otherwise been missed. The Mayor and Deputy Mayor continue to monitor this closely until GMP reaches a level of crime recording that is comparable with other good police forces.
- 4.4 PwC undertook a root and branch review of structures, culture, practices, and processes on behalf of the Mayor and the Deputy Mayor. This has included a review of the police target operating model. These recommendations are now with the new Chief Constable who will publish his plan to respond to the issues raised in this report.

- 4.5 The Police Works part of the iOPS systems remains an area of focus, and we continue to monitor this closely. A senior ICT resource from the GMCA was seconded to help GMP in this area. The new Chief Constable has commissioned his own analysis which will determine the future of the Police Works product.
- 4.6 GMP have put in place a programme of training for staff, officers, and supervisors to embed a 'Think Victim' ethos. 8,870 identified officers and staff have completed the 'Think Victim' training, and this is now being rolled out force wide. The Operational Command Branch (OCB) have adopted the nationally recognised THRIVE methodology to enable a 'Think Victim' approach at the first point of contact. As a GMCA we have also taken steps to ensure the voice of the victim is heard through the commissioning of a Victims survey.
- 4.7 Progress continues to be monitored via the Gold Group, chaired by the Deputy Chief Constable. This meeting also includes representatives from the Home Office and Mayor's office. The force has also been engaged as part of the Police Performance Oversight Group process, which will bring further scrutiny and support from across policing.

SCOPE OF RESPONSIBILITY

5.1 The GMCA's Code of Corporate Governance sets out how the GMCA operates, how decisions are made and the procedures that are followed to ensure that these are efficient, transparent and accountable to local people. The Code of Corporate Governance can be found in Part 7 (Section E) of the [GMCA Constitution](#).¹

5.2 The Annual Governance Statement demonstrates how the GMCA is delivering its services in the right way in a timely, inclusive and accountable manner and will be certified by the GMCA Chief Executive and the Mayor,

¹ <https://www.greatermanchester-ca.gov.uk/who-we-are/accounts-transparency-and-governance/>

after consideration of the draft by the GMCA Audit Committee. GMCA's external auditor reviews the Annual Governance Statement as part of the assessment of their value for money conclusion.

5.3 The GMCA's governance framework comprises the legislative requirements, principles, management systems and processes – including the GMCA's Constitution, Operating Agreement and Protocols – and cultures and values through which the Authority exercises its leadership, fulfils its functions, and by which it is held accountable for its decisions and activities.

5.4 The following sections of this document describe how the GMCA fulfils the requirements set out in the seven principles of good governance.

GOVERNANCE REVIEW ACTIVITY 2020/21

GMCA Audit Committee and GM Joint Audit Panel

6.1 The GMCA Audit Committee is responsible for overseeing the effective operation of the systems of governance including risk management, internal control, and treasury management. It is a legal requirement for the GMCA to have an Audit Committee as this also ensures a high standard of openness and transparency. The Committee met five times during 2020/21 and discussed a range of matters including the Risk Strategy & Register, the Treasury Management Strategy Statement & Activities and the Statement of Accounts for the GMCA and associate bodies.

6.2 The GMCA Audit Committee oversees all aspects of GMCA including Mayoral functions. In line with the Home Office Financial Management Code of Practice. The Mayor has also established a Greater Manchester Joint Audit Panel which oversees the control environment of the Chief Constable and the GMCA (Police and Crime) functions, performing the functionality of an Audit Committee. The Panel assists the Mayor in discharging his statutory responsibilities to hold the Chief Constable to account and to help deliver an

effective policing service. To minimise duplication and bureaucracy and to maximise value for money shared internal audit arrangements are in place to support the Mayor and the Chief Constable. The GMCA Audit Committee receives the minutes of the Audit Panel as part of its agenda and receives the annual report of the Chair of the Joint Audit Panel.

Head of Audit and Assurance Annual Opinion 2020/21

6.3 Based on the work undertaken by Internal Audit in respect of 2020/21 the opinion of the Head of Internal Audit is that limited 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. The opinions issued generally provided assurance over the operation of internal controls within the activities being audited. The opinion is reflective of the fact that as GMCA is still a relatively new organisation, some of the wider governance and organisational risk management arrangements yet to develop to a mature and consistent state. It should be noted however that GMFRS, does have mature risk management arrangements and all audits undertaken on GMFRS activities provided a reasonable level of assurance.

Annual Review of the System of Internal Audit 2020/21

6.4 An assessment of the effectiveness of the Internal Audit Function has been undertaken by the Head of Audit and Assurance and considered and endorsed by the Audit Committee. That assessment concluded that the work that was performed in 2020/21 was in conformance with PSIAS.

A Quality Assurance and Improvement Programme has been implemented within the Internal Audit Team and an Internal Audit Effectiveness Plan for 2021/22 developed as a result of the assessment, which will assist in the monitoring and evaluation of the effectiveness of the team moving forwards.

The GMCA Audit Committee reviewed the assessment at its meeting on 27 April 2021 and endorsed the actions proposed to ensure ongoing effectiveness and quality of the GMCA Internal Audit service.

An External Quality Assessment (EQA) of the Internal Audit Service will be undertaken in 2021/22 with the findings of that reported to the Audit Committee, any resulting recommendations will be included within the Internal Audit Effectiveness Plan.

GMCA Standards Committee

6.5 The GMCA has a Standards Committee to deal with matters of conduct and ethical standards regarding members of the Greater Manchester Combined Authority and its committees should they arise. It also provides a reviewing function for key policies in relation to the behaviour and actions of elected members whilst serving in their Greater Manchester capacities. The Committee has considered whistleblowing, anti-fraud & anti-piracy policies, reviewed the GMCA Members Code of Conduct, and looked at fraud in the age of Covid-19 at their meetings this year.

PROGRESS IN ADDRESSING THE CHALLENGES IDENTIFIED IN THE 2019/20 ANNUAL GOVERNANCE STATEMENT

Action Identified in 2019/20	Progress Made
<p>That the revised Whistleblowing Policy and Procedure be agreed and finalised; and that awareness of the policy and how to access it be embedded throughout the organisation</p>	<p>The revised Whistleblowing Policy was agreed by the Standards Committee in November 2020 – and immediately incorporated into the Inside GMCA Whistleblowing page for all staff to access.</p> <p>The Whistleblowing Policy is accessible through the Key Information hub which is linked on the home page of GMCA Intranet.</p>
<p>The revised Complaints Procedure to be developed, produced and published; and that awareness of the procedure and how to access it be embedded throughout the organisation.</p>	<p>The revised Complaints Procedure was agreed by the Standards Committee in November 2020.</p> <p>The Complaints Procedure is accessible through the Key Information hub which is linked on the home page of GMCA Intranet.</p>
<p>Following the introduction of the Local Authorities and Police and Crime Panels (Coronavirus) (Flexibility of Local Authority and Police and Crime Panel Meetings) (England and Wales) Regulations 2020 – ensure</p>	<p>Following the introduction of the regulations – the GMCA Governance Team secured use of the Microsoft Teams ‘Live Events’ portal to allow for all public facing meetings to be broadcast live to the</p>

<p>that transparency of decision-making is maintained, and that online tools for meetings are made as accessible to all as possible.</p>	<p>public via the GMCA website and made clear and accessible through a link at the top of each relevant meeting page.</p> <p>The meetings were also recorded and then subsequently uploaded to the website – allowing them to be viewed back in full at any time for full transparency.</p>
<p>That the organisational challenges raised in terms of new working environments/ways of working continue to be subject to ongoing review throughout the pandemic period.</p>	<p>A task group led by the Monitoring Officer Resetting the Way We Work Group was established in summer 2020, membership drawn from across the CA plus TU & Health & Safety reps has met frequently to oversee arrangements for a Covid safe working environment both in the office and at home. The Group reports to the Chief Executives Management Team.</p> <p>During 2021 the work continues to develop a new hybrid operational working model for the organisation ensuring the safety of staff working arrangements and delivery of the business. This work is ongoing with a new model due to be in place by September 2021.</p>

<p>GMFRS to ensure that the progress against the areas identified for improvement is completed as part of the Service Improvement Programme ahead of HMICFRS re-inspection in late 2021.</p>	<p>Effective progress has been made on the internal improvement action plan, with the majority of actions now completed, in particular those relating to Cause of Concerns. Outstanding actions have been reviewed and linked to priority change projects detailed within the Annual Delivery Plan and Directorate Action Plans, and progress will be monitored through the internal governance framework.</p> <p>A self-assessment on our progress has been provided to HMICFRS, ahead of our second inspection, which commenced on 7th June 2021. The inspection activities will take place over six weeks, concluding with a hot de-brief on 19th July. The findings report is expected to be published towards the end of Q3 2021.</p>
<p>That the ongoing integration of resources between TfGM and the CA continues to develop – including the development and introduction of relevant GM Transport Sub-Committees.</p>	<p>2020 saw the successful introduction of the Bus Services and the Metrolink & Rail Transport Sub-Committees, each chaired by the Vice-Chairs of the Transport Committee and with membership drawn from the Transport Committee.</p>

	<p>This has allowed for regular in-depth and detailed scrutiny of the specifics of each area.</p>
<p>That Member status be achieved on the GM Good Employment Charter through excellent employment practices</p>	<p>Member status of the GM Good Employment Charter was conferred upon The Greater Manchester Combined Authority in the December 2020 tranche of announcements, having been able to clearly demonstrate excellence in the required key characteristics of employment practice.</p>
<p>Following the launching of a health and wellbeing area on the CA intranet. Ensure that knowledge of the area is embedded throughout the organisation</p>	<p>The redevelopment and expansion of the internal Health and Wellbeing area had taken place in response to Covid-19. It forms a hub of relevant resources and is accessible through HROD on the home page of the intranet.</p> <p>Staff are regularly reminded of its availability and it is regularly referenced in weekly video updates to staff from the Chief Executive and Senior Management colleagues.</p> <p>People Services have also established Health and Wellbeing workshops for managers and those</p>

	wanting to develop. The workshops focussed on introducing Wellness Action Plans and Stress Risk Assessments, their benefits to individuals and line managers, as well as how to conduct the Stress Risk Assessment.
Establishment of a GMCA-wide risk management framework to embed consistent risk management policy and practice throughout the organisation, at an operational and strategic risk level. The Head of Audit and Assurance will take responsibility for development and implementation of the framework	The GMCA Risk Management Framework has been developed and approved. It is in the process of being rolled out and embedded across GMCA. The Corporate Risk Register has been refreshed in line with the new Framework and Directorate risk workshops will take place in Q1/Q2 2021/22 to develop operational risk registers.
Continued monitoring of the implementation of external audit actions through the new audit action tracking process being implemented by Internal Audit in 2020/21.	Internal Audit will work with external audit to coordinate follow up work on follow up of recommendations raised as part of the external audit.

AREAS FOR FOCUS IN 2021/22

Good Governance Principle	Action	Lead(s)/GMCA Officer Lead
B. Ensuring Openness and Comprehensive Stakeholder Engagement	Following the agreement of the Greater Manchester Franchising Scheme for Buses 2021 – ensure that appropriately robust governance oversight is in place throughout the transition process.	Deputy Monitoring Officer <i>Monitoring Officer</i>
E. Developing the Entity's Capacity, Including the Capability of its Leadership and the Individuals Within It	The establishment of new ways of working in the post-Covid environment. Resetting the way we work as an organisation to ensure that hybrid ways of working are adaptable to the needs of all staff within the organisation.	Assistant Director of Governance & Scrutiny <i>Monitoring Officer</i>
F. Managing Risks and Performance Through Robust Internal Control and Strong Public Financial Management	Robust arrangements to put in place to monitor delivery, performance and risk – ensuring the successful delivery of the Greater Manchester Strategy	Assistant Director of Governance & Scrutiny <i>Monitoring Officer</i>
F. Managing Risks and Performance Through Robust Internal Control and Strong Public Financial Management	Implementation of the CIPFA Financial Management Code of Practice by: <ul style="list-style-type: none"> • Undertaking full self-assessment against the code to identify areas for improvement. • Reviewing the constitution to ensure right governance in place. • Assess links to Capital Strategy and Prudential Code. • Implementing greater transparency of financial reporting to scrutiny committee. 	GMCA Treasurer

	<ul style="list-style-type: none"> • Review of business processes and management accountability. • External comparisons to identify areas to review. • Determining the approach to longer term strategy to manage resources, reserves, and risk. • Reflecting the code in update to AGS. 	
G. Implementing good practices in transparency, reporting and audit to delivery effective accountability.	Development of a protocol to improve the consistency and transparency of arrangements for Mayoral Advisors.	Deputy Chief Executive

SUMMARY

9.1 The GMCA has demonstrated an ongoing commitment to best practice and good corporate governance within the principles of the framework, demonstrated by a pro-active adoption of this framework and delivery of improvements suggested in the Annual Governance Statement 2019/20.

9.2 As the organisation moves forward in 2021, the Greater Manchester Strategy will be refreshed and finalised by September 2021. The refreshed Strategy will incorporate the objectives and actions from the Living with Covid 1 year Plan and also the Mayoral Manifesto commitments – in particular relating to Transport. There will be a strong focus on delivery with robust arrangements put in place to monitor delivery, performance and risk. These arrangements are being developed and will be in place alongside the refreshed Strategy in September 2021. there will be a continued focus on ensuring the effective delivery of the GMS priorities through strong governance arrangements, which are designed to support this delivery.

Signed by.....

Signed by.....

Andy Burnham, Mayor of Greater Manchester and Eamonn Boylan, Chief Executive on behalf of Members and Senior Officers of Greater Manchester Combined Authority.

Date.....

Glossary of terms

GMCA	Greater Manchester Combined Authority
GMS	Greater Manchester Strategy
GMP	Greater Manchester Police
LEP	Local Enterprise Partnership
GMFRA	GM Fire and Rescue Authority
GMFRS	GM Fire and Rescue Service
GMWDA	Greater Manchester Waste Disposal Authority
AGMA	Association of Greater Manchester Authorities
PfC	GMFRS Programme for Change
SIP	GMCA Service Review and Integration Programme
SMT	The Senior Management Team
ELT	Extended Leadership Team

Appendix – CIPFA SOLACE – Good Governance Principles

A. BEHAVING WITH INTEGRITY, DEMONSTRATING STRONG COMMITMENT TO ETHICAL VALUES, AND RESPECTING THE RULE OF LAW

The GMCA reviewed and updated its Constitution during 2021, and was agreed by the CA in June 2021, to ensure it remains relevant and appropriate. The Constitution incorporates an Operating Agreement between the GMCA and the ten Constituent Councils, which governs the exercise of concurrent functions.

The GMCA Standards Committee meets twice annually and deals with matters of conduct and ethical standards of GMCA Members.

A Code of Conduct for Officers and for Members form part of the GMCA Constitution. The Code of Conduct for Members is reviewed annually by the Standards Committee, most recently in November 2020. The GMCA Standards Committee has the ability to undertake a review should any member of the GMCA or its committees fail to adhere to the Code. Each member receives an annual reminder of their duties under the Code.

A Whistleblowing Policy and Procedure is in place, last reviewed and updated in November 2020, a revised draft was presented to Standards Committee in line with the review period in March 2020. Information on how to report concerns are easily located on both the external facing website and the staff intranet. An Anti-Fraud and Corruption Policy forms part of the Constitution.

The Complaints Procedure was updated in November 2020 to ensure that it remains fit for purpose going forward. Information on how to submit complaints, the process, and relevant FAQs are provided on the external website.

Declarations of Interest is a standard agenda item on all GMCA meetings, minutes of which are published on the external website, and members are asked to complete a register of their personal and pecuniary interests on an annual basis. These are uploaded to each councillor's individual portfolio via the GMCA's governance portal and are also viewable on the website.

A Greater Manchester [Independent Ethics Committee](#) is now fully established in order to help build trust and public confidence in policing. The Committee advises the Deputy Mayor for Policing and Crime, and Greater Manchester Police on the complex dilemmas that policing faces in the modern world. The committee has been given a wide remit, with GMP pledging to give access to the service's systems and people. When established, it was the first of its type in the country. The committee decides which issues it wants to consider, as well as having issues referred in by both GMP and the Deputy Mayor. Members of the public can raise issues with the committee - but it does not consider individual complaints about police. The committee considers both broad thematic issues - such as discrimination, safe drug use, and surveillance - and practical day-to-day issues, such as the use of body-worn cameras by police officers.

'Role of the Monitoring Officer' is a statutory role under section 5 of the Local Government and Housing Act 1989. The Monitoring Officer is to report on matters they believe are, or are likely to be, illegal or amount to maladministration; to be responsible for matters relating to the conduct of members; and to be responsible for the operation of the Constitution.

B. ENSURING OPENNESS AND COMPREHENSIVE STAKEHOLDER ENGAGEMENT

Meetings of the GMCA and its committees are live-streamed and retained for later viewing by all members of the public via the GMCA's YouTube channel/Public-I portal. GMCA Committee agendas, reports, and minutes are published on the GMCA website. Inspection Copies of papers for each meeting are kept in reception at the GMCA's offices at Churchgate House.

The GMCA website includes publication of all Key Decisions, Officer and Mayoral Decisions, and Forthcoming Decisions. Reports for GMCA Committees are released into the public domain unless specifically excluded for items that are private and confidential; such reports must be marked Part B, and justification for keeping a decision confidential must be provided.

The GMCA is committed to ensuring that public meetings are DDA compliant, and all venues have now been confirmed as compliant – this includes the use of hearing loops and the ability to produce agenda papers in alternative formats if requested.

The GMCA runs a Consultation Hub website to ensure that local residents are able to actively engage with decisions and projects. Recent consultations included topics such as the Homelessness Prevention Strategy, the Gender-Based Violence Strategy, and Active Travel Fund Schemes, among others.

The GMCA is founded on a long-term relationship between local authorities through the previous arrangements under the Association of Greater Manchester Authorities. The GM Health and Social Care Partnership Board brings together over 70 health service providers and through its unique relationship has secured devolution of health and social care budgets. In addition, the GMCA maintains formal and informal partnerships through committees such as the Transport Committee; Planning and Housing Commission; Police, Fire and Crime Panel; GM

Culture and Social Impact Fund Committee; GM Green City Region Partnership; and the GM Local Enterprise Board.

The GM VCSE Accord ensures that there is a shared commitment and close partnership working with Greater Manchester's 16,000 VCSE organisations.

Community engagement events regularly take place (including the GM Youth Combined Authority; the Mayor's Disabled Peoples Panel; LGBTQ+ Panel; and the Faith, Race & Women's Panel). Regular feedback mechanisms are offered through the proactive use of social media platforms and the supporting of surveys such as the 'GM Big Disability Survey' – which provided important insight into the issues faced by disabled people across GM during the Covid-19 pandemic.

Areas for Focus in 2021/22:

- Following the agreement of the Greater Manchester Franchising Scheme for Buses 2021 – ensure that appropriately robust governance oversight is in place throughout the transition process.

C. DEFINING OUTCOMES IN TERMS OF SUSTAINABLE ECONOMIC, SOCIAL AND ENVIRONMENTAL BENEFITS

The coronavirus pandemic has highlighted more than ever the importance of securing Greater Manchester's long-term ambition to create a green and prosperous city-region. The Clean Air Plan, Spatial Framework and Minimum Licensing Standards plans form part of this vision, looking to offer a better quality of life for everyone living and working in the city-region.

The GM Strategy and Implementation Plan have been agreed as the overarching Strategy for all GM work. Performance against the Strategy's priorities and performance is reported to three Overview and Scrutiny Committees on a 6-monthly basis. The GM Strategy and information graphics used in the GM performance report describe the anticipated impacts of the delivery of the GM Strategy.

The GMCA Business Plan further defines GMCA's vision, objectives and outcomes in relation to economic, social and environmental developments within GM. The GMCA Business Plan and subsequent publications have been developed with stakeholders to ensure the organisational priorities and objectives are in line with shared ambitions.

As the organisation moves forward in 2021, the Greater Manchester Strategy will be refreshed and finalised by September 2021. The refreshed Strategy will incorporate the objectives and actions from the Living with Covid 1 year Plan and also the Mayoral Manifesto commitments – in particular relating to Transport. There will be a strong focus on delivery with robust arrangements put in place to monitor delivery, performance and risk. These arrangements are being developed and will be in place alongside the refreshed Strategy in September 2021. there will be a continued focus on ensuring the effective delivery of the GMS priorities through strong governance arrangements, which are designed to support this delivery.

Despite its significant detrimental impact, the pandemic has highlighted the importance of securing Greater Manchester's long-term ambition to create a green and prosperous city region. Brought together, the developing Greater Manchester Spatial Framework, Clean Air Plan and Minimum Licensing Standards provide a holistic view of the city region's economic, social and environmental ambitions, looking to offer a better quality of life for everyone living and working in the city-region. Greater Manchester's Five-Year Environment Plan sets out a further suite of actions that will support the conurbation's goal of carbon neutrality by 2038.

Capital programmes for both transport and economic development schemes are assessed using a fully rounded appraisal mechanism which includes deliverability alongside social, economic and environmental considerations.

The GMCA Social Value Policy is actively applied in commissioning and procurement activities. This Policy has been updated to reflect the revised objectives in the Greater Manchester Strategy Our People, Our Place and will support commissioners to set out their procurement and contract management requirements to maximise relevant social value, and providers to develop and submit proposals.

D. DETERMINING THE INTERVENTIONS NECESSARY TO OPTIMISE THE ACHIEVEMENT OF THE INTENDED OUTCOMES

The strategic, crosscutting nature of much of the GMCA's work means that delivery is often achieved through collaboration with GM partners including GMP, TfGM, the GM Health & Social Care Partnership and GM Councils.

A strong evidence base is developed to underpin all decisions of the GMCA, including a robust evaluation of service delivery. One example of this is the devolved Working Well: Work and Health Programme, which helped approximately one in five of its clients into a job and the principles of which are now being used in nationally commissioned programmes.

Internal and external stakeholders are engaged through consultation on key strategies and plans – for instance the GM Strategy, Culture Strategy, and the GM Spatial Framework – to help determine how services and other courses of action are planned and delivered. The Our Pass concessionary scheme for young people which successfully launched in September 2019 was developed with the GM Youth Combined Authority, whilst the GM Good Employment Charter which launched in January 2020 was co-designed with employers, trade unions, professional bodies and academics.

To ensure robust planning that covers strategy, plans, priorities and targets, the GMCA operates a Budget Timetable including peer scrutiny from Leaders and Treasurers on each of the GMCA budgets.

The GMCA seeks to achieve 'social value' through service planning and commissioning. A Procurement Strategy is part of the GMCA Constitution, and this is supported by a GMCA Social Value in Procurement Policy. The GM Procurement Hub offers a centralised procurement service that can support joint commissioning across GM organisations. A recent example of this could be seen in the securing of a world-class digital infrastructure, in which GMCA have appointed Virgin Media Business to deliver up to 2,700km of new fibre-optic

broadband infrastructure across the region, allowing businesses and residents across the region to benefit from next generation connectivity – supporting economic growth and jobs.

An updated social value policy has been developed, with closer links to the Greater Manchester Strategy. The new policy will ensure social value plays a key role in the city region's public procurement and wider priorities, sitting at the heart of work to tackle inequalities and build a better, fairer and greener economy in Greater Manchester. The updated framework will guide delivery of social value within public sector contracts across the GMCA, individual local authorities and NHS organisations. It will support commissioners to set out their procurement and contract management requirements to maximise relevant social value, and providers to develop and submit proposals.

E. DEVELOPING THE ENTITY'S CAPACITY, INCLUDING THE CAPABILITY OF ITS LEADERSHIP AND THE INDIVIDUALS WITHIN IT

Each Member has a clear role profile in relation to their portfolio. The assigned portfolios are published through the GMCA website, so members of the public are aware of which member of the GMCA has strategic responsibility for which area. Leaders meet regularly with senior officers in relation to their portfolio.

Member Induction Sessions are held at the beginning of each year, and Member capabilities and skills are supported through the Member development programmes. Informal briefings are provided to Members in advance of all Audit Committee and Overview and Scrutiny Committees.

The Chief Executive Officer's role has been widened to include oversight of Transport for Greater Manchester. Part 3 of the GMCA Constitution sets out a Scheme of Functions Delegated to Chief Officers and those exercisable only by the GMCA to ensure clarity over the types of decisions that are delegated and those that are reserved for collective decision making of the Board.

Strategic management oversight and direction is provided through the Chief Executives Management Team, which is also the Incident management Group for emergencies, the Senior Leadership Team. The wider Leadership Team, Senior Leadership Team and Extended Leadership Teams meet regularly to discuss and share knowledge.

An increased focus on leading the delivery of system change through the Greater Manchester Strategy with improved co-ordination the GMCA and with Place has required:

- A wider range of Directors coming together to pull the 'professional specialisms' from across the CA together to lead/drive the organisation as a whole to meet agreed priorities. No one team can deliver system change
- A generic 'Director' role with a specialist portfolio – to show role is about working cross the organisation with 'blocks of activity' grouped under

Directors. By definition these 'Directorates' will rely on each other to deliver 'whole system change'.

- Corporate/Enabling Services are integral part of driving forward overall outcomes of the CA and the work of individual Directorates

These renewed directorates have been based on what the CA is trying to achieve:

- We want everyone to be Life Ready with the skills needed throughout live to succeed (Edn/Skills block)
- We want people to have good jobs in a prosperous economy (Economy block)
- We want people to live in vibrant and safe places (Place Making and Police/Fire/Criminal Justice blocks)
- We want GM to be a Low Carbon city region at the forefront of the 4th Industrial Revolution (Green and Digital blocks)
- We want joined-up public services that support individuals' holistically, focussing on prevention and the promotion of the best life chances (Public Service Reform block)

A comprehensive GMCA business plan is in place and can be found on the GMCA's [website](#)². This includes a set of performance targets. All the actions are drawn from the GMS and monitoring performance against the GMS is delivered through the Implementation Plan whose performance dashboard is reported through the Scrutiny Committees, and to the GMCA, on a six-monthly basis.

The GMCA has developed a GM Good Employment Charter and the GMCA itself has now achieved Member status through its own excellent employment practices.

The integrated staff Personal Development Plans first developed through 2017/18 as part of enhanced HR and organisational development service for overall GMCA continue to take place. Further recent initiatives include:

² https://www.greatermanchester-ca.gov.uk/media/2242/gmca_business_plan_2019_full_public.pdf

- The launching of a health and wellbeing area on the intranet that includes a comprehensive suite of online support, virtual learning and opportunities to have face to face support
- An expanded portfolio of e-learning modules for staff and manager including equality and diversity awareness
- The launch of Mi Learning with a suite of new and improved managerial support tools to help people managers improve their knowledge and skills
- Leadership Development Programme procured and being rolled out across GMFRS
- Specialist recruitment strategies - Firefighter and Senior Recruitment - utilising Digital Technology

In addition to staff engagement surveys – regular monthly ‘pulse checks’ were now embedded within the organisation. These pulse checks were particularly important in helping to gauge how staff were feeling in terms of the move to a ‘new normal’ in ways of working and a hybrid mix of office and homeworking across the organisation.

Areas for Focus in 2021/22:

- The establishment of new ways of working in the post-Covid environment. Resetting the way we work as an organisation to ensure that hybrid ways of working are adaptable to the needs of all staff within the organisation.

F. MANAGING RISKS AND PERFORMANCE THROUGH ROBUST INTERNAL CONTROL AND STRONG PUBLIC FINANCIAL MANAGEMENT

The GMCA Corporate Risk Register (CRR) was reviewed and updated on a quarterly basis throughout during 2020/21. The CRR identifies risk ownership for specific risks and is owned by the Governance and Risk Group. The GMCA Audit Committee receives quarterly updates on the CRR. Given the Covid-19 pandemic, a Covid-19 risk register was developed in April 2020 which will continue to be monitored in 2021/22.

The Audit Committee is responsible for overseeing the effective operation of the systems of governance, risk and Internal control arrangements. New Internal Audit arrangements were implemented in 2019/20 with the appointment of a new in-house Head of Audit and Assurance and the establishment of an in-house GMCA Internal Audit team. The Internal Audit Plan is approved by Audit Committee, and Internal Audit provide quarterly progress reports to Audit Committee. The Head of Audit and Assurance produces an Annual Assurance opinion.

There is an established Scrutiny process comprised of three themed committees (Corporate Issues & Reform; Economy, Business Growth & Skills; and Housing, Planning & Environment) with each being subject to the scrutiny / call-in process whereby any Member of Constituent Councils can refer items for possible scrutiny. Areas for each scrutiny committee to are also proposed by the Chair and other members of the committees who are the owners of each committee's work programme.

GMCA's Revenue and Capital Budget and Monitoring Reports; Mayoral General Revenue and Capital Budget and Monitoring Reports; Mayoral Police and Crime Revenue and Capital Budget and Monitoring Reports; Treasury Management Strategy and Treasury Management Outturn Reports are all subject to appropriate reviewing, scrutiny and challenge where appropriate through the Corporate Issues & Reform Scrutiny Committee and via the Audit Committee.

Areas for Focus in 2021/22:

- Continuing to embed the GMCA Risk Management Framework across all Directorates within GMCA
- Robust arrangements to put in place to monitor delivery, performance and risk – ensuring the successful delivery of the Greater Manchester Strategy
- Implementation of the CIPFA Financial Management Code of Practice

G. IMPLEMENTING GOOD PRACTICES IN TRANSPARENCY, REPORTING, AND AUDIT, TO DELIVER EFFECTIVE ACCOUNTABILITY

Transparency of decision-making is achieved through live streaming of key meetings, a centralised FOI process, and through the GMCA Communications Strategy.

In terms of reporting: the annual accounts with narrative introduction; GMCA Annual Performance Report; Police and Crime Annual Report; Head of IA Annual Assurance Opinion; Annual Governance Statement; and Statement of Accounts are considered by the GMCA Audit Committee and the GMCA and contained within publicly viewable agendas.

New External Auditors (Mazars) were appointed from 1 April 2018, and they have produced an external audit findings report. The Audit Committee has oversight on the final accounts process. Actions taken to implement External Audit Recommendations will be reported as part of a combined audit recommendations tracker for 2021/22 as part of a revised audit action tracking process.

The Annual Internal Audit Opinion sets out compliance with the Public Sector Internal Audit Standards (PSIAS) and for 2020/21 confirmed that work had been undertaken in line with PSIAS. As the Internal Audit service was brought in-house in 2019/20, it was agreed with Audit Committee that the service would be subject to an external quality assessment within the next two years.

Areas for Focus in 2020/21:

- Development of a protocol to improve the consistency and transparency of arrangements for Mayoral Advisors.

Date: **27th August 2021**

Subject: **Unaudited GMCA Statement of Accounts 2020/21**

Report of: **Steve Wilson, Treasurer of the GMCA**

PURPOSE OF REPORT

This report provides a copy of the Greater Manchester Combined Authority (GMCA) unaudited single entity Statement of Accounts for 2020/21. The unaudited group Statement of Accounts for 2020/21 were signed off by the Treasurer and published on the GMCA website during July to meet the statutory deadline for publication of 1st August 2021, link below:

<https://www.greatermanchester-ca.gov.uk/who-we-are/accounts-transparency-and-governance/annual-statement-of-accounts/>

RECOMMENDATIONS:

Audit Committee members are requested to note the unaudited statement of accounts 2020/21 for GMCA and deadline for the audited statement of accounts to be published by 30th September 2021.

CONTACT OFFICERS:

Name: Steve Wilson
Position: Treasurer, GMCA
Tel: 07725 481067
E-mail: steve.wilson@greatermanchester-ca.gov.uk

Name: Rachel Rosewell
Position: Deputy Treasurer, GMCA
Tel: 07725 482865
E-mail: rachel.rosewell@greatermanchester-ca.gov.uk

Risk Management – the risk from setting unsuitable accounting policies and determining critical accounting judgments is that the External Auditor could qualify the GMCA Accounts and require adjustments which may have an impact on the Authority and Mayoral General / PCC reserves.

Legal Considerations – included in Section 3

Financial Consequences – Revenue – N/A

Financial Consequences – Capital – N/A

Number of attachments included in the report: 3

BACKGROUND PAPERS:

None

GMCA, Churchgate House, 56 Oxford Street, Manchester, M1 6EU

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
N/A	N/A	N/A

1. INTRODUCTION

- 1.1 This report provides a copy of the GMCA unaudited single entity statement of accounts and sets out the process for the approval of the audited group statement of accounts by 30th September 2021. The unaudited group Statement of Accounts for 2020/21 were signed off by the Treasurer and published on the GMCA website during July to meet the statutory deadline for publication of 1st August 2021, link below:

<https://www.greatermanchester-ca.gov.uk/who-we-are/accounts-transparency-and-governance/annual-statement-of-accounts/>

- 1.2 The Accounts and Audit Regulations issued by the Ministry for Housing, Communities and Local Government (MHCLG) set out the requirements for the production and publication of the annual statement of accounts. The regulations set out that the unaudited accounts are to be certified by the Treasurer as providing a true and fair view of the financial position of the authority as at 31 March 2021 and its income and expenditure for the year ended 31 March 2021.

2. 2020/21 ACCOUNTS TIMESCALES

- 2.1 The authority is normally required by *The Local Audit and Accountability Act 2014* and the *Accounts and Audit Regulations 2015* to present its Statement of Accounts (and associated documents) for public inspection for a period of 30 days which must include the first 10 working days of June.
- 2.2 MHCLG has again extended the statutory deadlines for local authorities to approve and publish their accounts for 2020/21 due to the Coronavirus (COVID-19) pandemic. The government has also accepted the recommendation of the Independent Review of Local Authority Financial Reporting and Audit (the Redmond Review) for the audit deadline to be extended to 30th September for local authority accounts.
- 2.3 The *Accounts and Audit (Coronavirus) (Amendment) Regulations 2021* have implemented these new deadlines by amending the *Accounts and Audit Regulations 2015* and came into force on 31st March 2021. The revised deadlines applicable to local authorities for 2020/21 are as follows:
- Unaudited group accounts to be signed off by the Treasurer by 31st July 2021 (amended from 31st May)
 - Public inspection period for unaudited group accounts to start on or before first working day of August 2021 (amended from 1st June)
 - Publish final audited group accounts by 30th September 2021 (amended from 31st July)
- 2.3 The unaudited accounts for Transport for Greater Manchester and the Police Fund have been reported to their respective Audit Committees during June 2021. These accounts form part of the GMCA group statement of accounts which were published for public inspection during July with the external audit commencing during August. It is the responsibility of the Audit Committee to approve the audited accounts on or before 30th September 2021.

3. PRESENTATION OF THE ANNUAL ACCOUNTS

- 3.1 The GMCA single entity accounts contain the following sections:

3.2 The Treasurers Narrative sets out the background to the financial year including a summary of the Authority's outturn position. The Statement of Responsibilities for the Statement of Accounts which details the responsibilities of the Authority and the Treasurer.

3.3 The single entity statements and comprising:

- The Comprehensive Income and Expenditure Statement (CIES) which shows the accounting cost of the Authority's activities rather than the amount to be funded from grants, precepts the share of business rates, district contributions and the transport levy.
- The Movement in Reserves Statement (MIRS) which explains the movement in the Authority's usable and unusable reserves during the financial year.
- The Balance Sheet which shows the total assets, liabilities and reserves of the Authority as at the end of the financial year.
- The Cash Flow Statement which shows the reasons for the change in cash and cash equivalents during the financial year.

3.4 Each statement is preceded by a note explaining its purpose and followed by comprehensive notes explaining the statements.

4. RECOMMENDATIONS

4.1 Recommendations are set out at the front of the report.

Gwyn Griffiths, Audit Committee Chair
c/o Steve Wilson, Treasurer
1st Floor, Tootal Buildings
56 Oxford Street
Manchester M1 6EU
steve.wilson@greatermanchester-ca.gov.uk

Mark Dalton
Mazars LLP
One St Peter's Square
Manchester
M2 3DE

2 July 2021

Dear Mark

Audit 2020/21 – understanding those charged with governance processes and arrangements

Please see attached responses to your letter dated 12 May 2021.

Yours sincerely

Gwyn Griffiths
Chair and Independent Member of the Audit Committee

<p>How do you exercise oversight of management's responses in relation to undertaking an assessment of the risk that the financial statements may be materially misstated due to fraud or error (including the nature, extent and frequency of these assessments)?</p>	<p>There are a number of controls in place to mitigate fraud risks associated with GMCA financial statements. Draft accounts are produced by the GMCA Finance Team under current accounting conventions. The team comprises qualified, experienced accountants with experience of working across (<i>inter alia</i>) Manchester City Council, Greater Manchester Combined Authority (GMCA), Office of the Police and Crime Commissioner for Greater Manchester (OPCC) and Greater Manchester Fire and Rescue Service (GMFRS).</p> <p>The Audit Committee has meetings throughout the year at which the work of internal audit and the finance function is reviewed. Further, senior officers in key functional areas of the Combined Authority appear in front of the audit committee and/or provide detailed reports of their operations on a regular basis.</p> <p>The Audit Committee pays close attention to GMCA's risk frameworks and the internal audit and assurance programme designed to mitigate fraud and error within functional areas of GMCA. Where the Audit Committee is concerned about risk it makes this known to the Treasurer and requires further reporting.</p> <p>The accounting policies and key accounting issues, and subsequently the annual accounts, are submitted to the Audit Committee for review; this affords the Audit Committee the opportunity to consider risk of fraud and error.</p> <p>As Audit Committee Chair, I make time outside Audit Committee meetings to discuss and understand GMCA's risk profile, risk of fraud, accounting policies, complex transactions, etc. with the Treasurer and Head of Audit and Assurance.</p>
<p>How do you exercise oversight of management's responses in relation to identifying and responding to risks of fraud, including any specific risks of fraud which management have identified or that have been brought to its attention, or classes of transactions, account balances or disclosure for which risk of fraud is likely to exist?</p>	<p>A Corporate Risk Register has been developed and populated by the Senior Leadership Team and Chief Executive's Management Team. This is intended to include such fraud risks as have been identified. At present, fraud risk is not an explicit risk on the register. The Head of Audit and Assurance ensures that senior officers from GMCA, including those from policing, fire & rescue and waste management are involved in the development of the risk register.</p> <p>The programme for internal audit and assurance work is reviewed by the Audit Committee to ensure that it</p>

	<p>includes appropriate focus on the risks associated with fraud.</p> <p>The Head of Audit and Assurance has responsibility to report any specific cases of fraud and irregularity at the Audit Committee meetings as part of their regular update process. In 2020/21 no such instances were reported.</p>
<p>How do you exercise oversight of management's responses in relation to communicating to employees its view on business practice and ethical behaviour (for example by updating, communicating and monitoring against the Authority's code of conduct)?</p>	<p>The GMCA anti-fraud and corruption policy states that the GMCA is committed to ensuring that the people of Greater Manchester can have complete confidence that the affairs of the GMCA are conducted in accordance with the highest standards of probity and accountability. The policies have been reviewed by the audit committee and the committee regularly reiterates to officers its commitment to support them in this area.</p> <p>The policy is available publicly, along with the whistleblowing policy that explains the mechanism for escalating concerns over practices taking place. The Head of Audit and Assurance reports to the Audit Committee steps taken to publicise GMCA's policies internally, and the Audit Committee has been satisfied that appropriate steps were taken in the period.</p>
<p>How do you exercise oversight of management's responses in relation to communicating to you the process for identifying and responding to fraud or error?</p>	<p>Through the continued reporting of Risk Management updates to the Audit Committee by the Head of Audit and Assurance.</p>
<p>How do you oversee management processes for identifying and responding to the risk of fraud and possible breaches of internal control? Are you aware of any breaches of internal control during 2020/21? If so, please provide details.</p>	<p>See above response in relation to oversight of management processes for identifying and responding to the risk of fraud.</p> <p>In relation to internal control, I take assurance from the work of the internal and external auditors, as well as the GMCA Treasurer and the Police and Crime Joint Audit Panel over the systems of internal control and assurance opinions given over the year.</p> <p>The Mayor and Greater Manchester Police (GMP) have in place a Joint Audit Panel which is effectively the Audit Committee for the joint Mayoral Police and Crime Functions and GMP. The GMCA Audit Committee receives the minutes of the Joint Audit Panel meetings which has oversight of internal audit activity.</p>

	<p>For both GMCA and GMP/PCC actions have been agreed to address all of the internal audit finding which are subsequently monitored by Internal Audit.</p> <p>Other than the findings raised by internal audit through their work in 2020/21 I am not aware of any other instances where breaches of internal control occurred.</p>
<p>How do you gain assurance that all relevant laws and regulations have been complied with? Are you aware of any instances of non-compliance during 2020/21? If so, please provide details.</p>	<p>The Code of Governance and the Annual Governance Statement (AGS) describes managers' understanding of the key systems and processes comprising the governance framework and provides their commentary on how they work in practice, including identifying any need for improvement.</p> <p>Compliance with laws and regulations is also a consideration of Internal Audit in their scoping and delivery of audit work.</p> <p>The Whistleblowing Policy that is in place encourages employees to report any instances of fraud or illegal activity.</p> <p>No instances of non-compliance were brought to the attention of the Audit Committee in the period.</p>

Responses to questions in Appendix 1

Question	Response
Are you aware of any actual, suspected or alleged instances of fraud during the period 1 April 2020 to 31 March 2021 (<i>if 'yes', please provide details</i>)?	I am not aware of any actual, suspected or alleged instances of fraud during the period.
Do you suspect fraud may be occurring within the organisation?	The potential for fraud exists in any organisation, but I have no suspicion that fraud is occurring within GMCA.
Have you identified any specific fraud risks within GMCA?	<p>In 2020/21 there were no specific fraud risks identified on the Corporate Risk Register. All functions and divisions in GMCA are responsible for identifying their operational risks, including risks associated with fraud.</p> <p>The internal controls examined and reported upon have not indicated any areas where I consider fraud risk is not appropriately addressed.</p>
Are you satisfied that internal controls, including segregation of duties, exist and work effectively (<i>if 'yes', please provide details</i>)?	<p>Other than the findings reported by the internal and external auditors I am satisfied that internal controls exist and work effectively within GMCA.</p> <p>Covid-19 has caused major upheavals to the country and to every organisation in 2020/21. There was a risk that, with a move to remote working and other changes made in response to the virus, internal controls could be compromised. During the year, internal audit continued to deliver the internal audit plan, including testing key controls that could have been impacted by remote working (such as accounts payable). Internal Audit reported that there were no issues identified that indicated systemic non-adherence to internal controls during the year.</p>
If not where are the risk areas?	Not applicable.
How do you encourage staff to report their concerns about fraud?	There is a whistleblowing policy in place which applies to GMCA (including GMFRS and Local Enterprise Partnership). The GMCA Policy is publicly available and is referred to in induction training materials to make all staff aware of it. There are periodic communications from leadership reminding staff of their responsibilities. GMP also has whistleblowing arrangements in place which are reviewed by the Joint Audit Panel.

What concerns about fraud are staff expected to report?	As per the Whistleblowing Policy, staff are encouraged to report concerns about suspected wrongdoing, malpractice, illegality or risk in the workplace – including (but not limited to) fraud and corruption, failure to comply with legal duty, abuse of authority or breach of authority or procedure.
Are you aware of any related party relationships or transactions that could give rise to instances of fraud?	None have been brought to my attention.
How do you mitigate the risks associated with fraud related to related party relationships and transactions?	I rely on the system of internal control, the policies and procedures in place relating to fraud and internal and external audit to mitigate the risks. GMCA insists on full disclosure by officers, members and the independent members of the audit committee of potential conflicts of interest and related party transactions. Such interests as are declared are reviewed and addressed as necessary.
Are you aware of any entries made in the accounting records that you believe or suspect are false or intentionally misleading?	I am not aware of any such entries.
Are there particular balances in the accounts where fraud is more likely to occur?	I do not have any concerns of fraud in respect of any particular balances.
Are you aware of any assets, liabilities or transactions that you believe have been improperly included or omitted from the accounts of the organisation?	I am not aware of any assets, liabilities or transactions that have been improperly included or omitted from the accounts. I am aware that GMCA does not consolidate certain immaterial subsidiaries, and that the scope of these is discussed with and agreed by you.
Could a false accounting entry escape detection? If so, how?	I take assurance from the internal and external audit work undertaken that there are appropriate systems of control in place to detect false accounting entries. As with any organisation, that is not to say that a false accounting entry could not escape detection.
Are there any external fraud risk factors, such as collection of revenues?	I rely on the risk management process in place to identify at a corporate and functional level any risks relating to fraud. The GMCA Treasurer maintains close oversight of the annual accounts process but does not play a part in the operation of day-to-day systems. I am not aware of any external fraud risk factors.

<p>Are you aware of any organisational or management pressure to meet financial or operating targets?</p>	<p>Whilst GMCA and its various divisions have financial targets and constraints, as a public authority, I am not aware of any pressure within the organisation to achieve particular financial outcomes.</p>
<p>Are you aware of any inappropriate organisational or management pressure being applied, or incentives offered, to you or colleagues to meet financial or operating targets?</p>	<p>No.</p>
<p>What arrangements has the GMCA put in place in response to the Bribery Act 2010?</p>	<p>There is in place an Anti-Bribery Policy. Members and Staff are required to comply with the GMCA Codes of Conduct and must not invite or accept any gift or reward in respect of the award or performance of any Contract. There is a register of interests maintained for members of the GMCA and its committees.</p>

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Date: 27th August 2021
Subject: Assessment of Going Concern Statement
Report of: Steve Wilson, GMCA Treasurer

PURPOSE OF REPORT

Further to the report to Audit Committee in January 2021 this is an updated report which informs members of an assessment of the Greater Manchester Combined Authority (GMCA) as a going concern with a forward look at the position for the next 12-18 months.

RECOMMENDATIONS:

Audit Committee is requested to:

1. Note the outcome of the assessment made of the GMCA's going concern position and the conclusion that there is no material risk to going concern

CONTACT OFFICERS:

Name: Steve Wilson
Position: Treasurer, GMCA
Tel: 07725 481067
E-mail: steve.wilson@greatermanchester-ca.gov.uk

Name: Rachel Rosewell
Position: Deputy Treasurer, GMCA
Tel: 07725 482865
E-mail: Rachel.rosewell@greatermanchester-ca.gov.uk

BACKGROUND PAPERS:

- Greater Manchester Combined Authority – COVID-19 update reports:
 - 29th May 2020 - Financial Update
 - 24th June 2020 - Financial Implications of COVID-19 Across Greater Manchester Authorities
 - 31st July 2020 - GMCA COVID-19 Finances and Reserves
 - 25th Sept 2020 – GMCA COVID-19 Finances Update

- 27th Nov 2020 – GMCA COVID-19 Finances Update 2020/21
- Audit Committee, 22nd January 2021 – GMCA Assessment of Going Concern Statement
- Greater Manchester Combined Authority 12th February 2021 - GMCA Revenue and Capital Budgets 2021/22

TRACKING/PROCESS		[All sections to be completed]
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
GM Transport Committee	Overview & Scrutiny Committee	

1. INTRODUCTION

- 1.1 Further to the report to Audit Committee in January 2021 this is an updated report which informs members of an assessment of the Greater Manchester Combined Authority (GMCA) as a going concern with a forward look at the position for the next 12-18 months.
- 1.2 GMCA is required to demonstrate that it is a going concern and remains financially sound. The concept of a 'going concern' assumes that an authority, its functions and services will continue in operational existence for the foreseeable future. This assumption underpins the accounts drawn up under the Local Authority Code of Accounting Practice and is made because local authorities carry out functions essential to the local community and are themselves revenue-raising bodies (with limits on their revenue-raising powers arising only at the discretion of central government). If an authority were in financial difficulty, the prospects are that alternative arrangements might be made by central government either for the continuation of the services it provides or for assistance with the recovery of a deficit over more than one financial year.
- 1.3 As with all principal local authorities, the GMCA is required to compile its Statement of Accounts in accordance with the Code of Practice on Local Authority Accounting (the Code) as published by the Chartered Institute of Public Finance and Accountancy (CIPFA). In accordance with the Code the GMCA's Statement of Accounts is prepared assuming that the GMCA will continue to operate in the foreseeable future and that it is able to do so within the current and anticipated resources available. By this, it is meant that the GMCA will realise its assets and settle its obligations in the normal course of business.

2. GOING CONCERN ASSESSMENT

- 2.1 The main factors which underpin the assessment of GMCA as a going concern are outlined below and include:
- GMCA's financial position
 - GMCA's strategic planning and budget framework
 - The regulatory and control environment applicable to the GMCA as a local authority.
 - Economic climate reflecting impact of COVID-19

3. GMCA FINANCIAL POSITION

- 3.1 The revenue outturn for the year ending 31 March 2021 is categorised across defined areas of the authority. All areas remained within the approved budget in 2020/21, supported by government grants for the COVID-19 pandemic. The position is shown in the table below:

Summary 2020/21	Approved Budget			Outturn			Variance		
	Exp	Income	Total	Exp	Income	Total	Exp	Income	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Mayoral Budget	127,072	-127,072	0	123,774	-123,774	0	-3,298	3,298	0
GMCA General	209,115	-209,115	0	209,115	-209,115	0	0	0	0
GMFRS	109,245	-109,245	0	109,054	-109,531	-477	-191	-286	-477
Waste	167,242	-167,242	0	167,242	-167,242	0	0	0	0
Transport	242,089	-242,089	0	236,842	-236,842	0	-5,247	5,247	0
Police Fund	645,106	-645,106		665,899	-666,106	-207	-20,793	21,000	-207
<u>Memorandum</u>									
TfGM	170,430	-170,430	0	168,367	-168,367	0	-2,063	2,063	0

- 3.2 GMCA's capital programme includes Greater Manchester Fire and Rescue Services, Economic Development and Regeneration programmes and the continuation of the programme of activity currently being delivered by Transport for Greater Manchester (TfGM) and Local Authorities. The GMCA approves the Capital Programme at its meeting to approve the budget for the following year in February and updated forecast outturns are provided on a quarterly basis. The actual capital expenditure for 2020/21 was £420.3m compared to forecast for 2020/21 presented to GMCA on 12 February 2021 of £427.6m. The Police Fund capital programme is recorded separately in accordance with legislation and was a further £16.8m of spend in 2020/21 compared to forecast in February 2021 of £17.9m.

Budget 2021/22

- 3.3 The 2020 Spending Review provided a one year settlement for the GMCA functions in 2021/22. The GMCA budgets were approved by GMCA on the 12 February 2021 and Police and Crime Commissioner precept agreed by Police and Crime Panel on 29th January 2021 with revenue budgets summarised below:

Budget	20/21 budget	21/22 budget
Mayoral General Budget	£127.1 million	£126.8 million
GMCA General Budget	£209.1 million	£224 million
GM Fire and Rescue Service (net as per budget report)	£109.2 million	£110.6 million
GMCA Transport Revenue Budget	£242.1 million	£246.4 million
Waste	£167.2 million	£162.4 million
Police and Crime Commissioner	£645.1 million	£674.4 million

- 3.4 The 2021/22 Mayoral General revenue budget of £126.8m includes funding from the transport statutory charge on GM local authorities and the council tax precept which was unchanged from 2020/21. The 2021/22 budget included the continuation of priorities such as 'A Bed Every Night' scheme, the 'Opportunity Pass' scheme and preparation for a decision on Bus Reform.
- 3.5 The 2021/22 GMCA revenue budget 2021/22 of £224m includes the core costs of the authority and its central programmes funded from the following sources:
- GM local authority contributions of £8.6m to the core running costs of GMCA, this reflects a reduction of £437k compared to contribution for 2020/21. Included in this is £3.3m cultural funding and £1.4m for MIDAS and Marketing Manchester.
 - Central government grants of £153m including £94m funding for Adult Education;
 - The 2021/22 budget reflects the decisions made by the GMCA at the meeting on 27th November 2020 on use of planned investment of the remaining Business Rates reserve held by GMCA of £25m;
 - Funding from reserves, other income sources and recharges of £39m.

- 3.6 The GM Fire and Rescue Service budget for 2021/22 of £110.6m reflects government funding and the council tax precept unchanged from 2020/21. GMFRS Programme for Change (PfC) which commenced in April 2018 to design and implement a new target operating model to refocus on core functions and improve frontline service delivery. PfC was formally closed from the end of March 2021 with transition to a new improvement programme from April 2021. Efficiencies savings from PfC of £5.8m were delivered to end of March 2021 with further savings of £1.4m to be delivered in 2021/22.
- 3.7 The funding for core Transport Revenue Budget remained unchanged for 2021/22 with the levy and statutory charge on GM Councils remaining at the same overall cash level as 2020/21. The financial impact of COVID-19 has been reflected TfGM's 2021/22 budget including loss of farebox revenue, higher operational costs and support for pandemic. The 2021/22 budget maximises income from available grants and makes savings in the TfGM cost base, whilst ensuring capacity to deliver on priority programmes of work.
- 3.8 The 2021/22 Police and Crime Commissioner total revenue budget is £674.4m. For 2021/22 the Government grant for police included an additional £23.9 million for Greater Manchester Police. The grant funding increase was expected to deliver the second year of the national expansion programme of 20,000 police officers over three years, which equates to 325 in 2021/22 across Greater Manchester, plus 16 to support the Regional Organised Crime Unit (ROCU). Following consultation, a precept increase of £10 to the current band D precept was supported by the Police and Crime Panel. This was a reduced precept compared to the maximum of £15 included as part of the 2020 Spending Review.
- 3.9 The waste budget for 2021/22 is funded from a levy on for the nine GM local authorities who are part of the GM waste contract. The levy requirement for 2021/22 of £162.4m represents an average 2.9% decrease over 2020/21.
- 3.10 GMCA capital programme for 2020-2024 includes Economic Development and Regeneration programmes, Waste and the continuation of the programme of activity currently being delivered by GMCA, Transport for Greater Manchester and Local Authorities. The capital programme over the three year period (2021-2024) requires long term borrowing requirement of £342.5m. Provision has been made in the revenue budgets for the associated financing costs.

GMCA Balances and Reserves

- 3.11 GMCA General Reserves were £44.5m as at 31/03/20 and were at £45.1m as at 31/03/21. Given the current scale of activities falling on the General Budget, the level of General Reserves held is felt to be appropriate. In total the Authority held £519.1m of Usable Reserves as at 31/03/21 compared to £555.5m at 31/03/20. The major change in earmarked reserves relates to use of Business Rates Retention where reserves of £55m have been applied to meet priorities agreed with GMCA in 2020/21.

GMCA Cash flow Model

- 3.12 The constitution states that the GMCA must have in place an approved treasury management strategy, investment strategy and the borrowing limits. This includes a scheme of delegation and responsibilities of member groups and officers in relation to treasury management and the role of the Treasurer in relation to treasury management.
- 3.13 Currently the GMCA's Treasury Management functions are operated under a service level agreement by Manchester City Council Treasury Management which reports directly to the GMCA Treasurer. The GMCA uses Link Asset Services as its external treasury management

advisors. The GMCA recognises that responsibility for treasury management decisions remains with the organisation at all times and will ensure that undue reliance is not placed upon the services of our external service providers. All decisions will be undertaken with regards to all available information, including, but not solely, the treasury advisers.

- 3.14 It also recognises that there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources. The GMCA will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented, and subjected to regular review.
- 3.15 The treasury portfolio position for the GMCA is managed at a group level, including Transport for Greater Manchester (TfGM), which means that the combined cash flows of all the consolidated organisations will be taken into account when investing temporary surplus funds or making arrangements to meet borrowing needs. Each financial year an annual cash flow model is set up that establishes the significant items of income and expense, together with dates of these items. This gives an overview of the potential borrowing or short and long-term investment decisions that may be required. This is then updated on a daily basis and reported to the Treasurer.

4. GMCA STRATEGIC PLANNING AND BUDGET FRAMEWORK

- 4.1 The GMCA budgets form part of the Authority's overall strategic planning framework. They focus on delivery of the priorities of the Greater Manchester Strategy and its implementation plan in partnership with GM local authorities, businesses, the voluntary and community sector and other stakeholders.

Budget Process

- 4.2 GMCA has in place an annual budget setting process that culminates in the approval of the budget by the GMCA at its meeting in February. The reports during the budget process provide an overview of the proposed GMCA budgets for the following year and subsequent years where appropriate. The reports bring together the position on the Mayoral General Budget and precept proposals, the GMCA General Budget, GMCA Transport budgets including transport levy and statutory charge and the GM Waste Services levy. The reports set out the implications of the proposed budgets and the resultant charges on GM local authorities and the Mayoral precept.
- 4.3 The GMCA is required to operate a balanced budget which broadly means that income received during the year will meet expenditure. Quarterly budget progress update reports are provided on a quarterly basis to GMCA during the year.

Treasury Management

- 4.4 In 2018 CIPFA published both an updated Prudential Code and Treasury Management Code, the key change of which came into force for 2019-20 with the introduction of a formally reported capital strategy to provide full council (or equivalent) with a concise, accessible view of the authority's approach to borrowing, investment and treasury management, with a focus on risk management, this underpins the Authority's position in regards to the level of risk it is willing to take in the management of its Funds and is therefore key to GMCA's strategic planning process.
- 4.5 The GMCA has a Capital Strategy which provides the medium to long term context in which capital investment decisions are made and the governance for those decisions. It also

gives a summary of the GMCA approach to investments and the Treasury Management Strategy and the Treasury Management Strategy Statement for 2020/21.

5. REGULATORY AND CONTROL

5.1 The Annual Governance Statement sets out the detailed arrangements within GMCA.

Governance Arrangements

5.2 The GMCA's corporate governance structures and scrutiny arrangements ensure that they are sufficient to meet the expanding role of GMCA and the delivery of its core functions and services. GMCA has established a number of boards, panels and committees including three Corporate Overview and Scrutiny Committees which receive regular reports on transport, housing, economy and investment matters. The Authority has the statutory posts of Head of Paid Service, Monitoring Officer and the Treasurer (Chief Financial Officer) who form part of the Senior Management Team in addition to the current political arrangements.

5.3 An overview of this governance framework is provided within the GMCA Annual Governance Statement and Code of Corporate Governance 2020/21. This includes a detailed review of the effectiveness of the council's governance arrangements which concludes that the existing arrangements remain fit for purposes and provides assurance of their effectiveness. The Authority is required to operate within a highly legislated and controlled environment and particular emphasis of this can be exemplified and demonstrated with the financial controls in place. Examples of controls include the requirement of full authority to approve a balanced annual budget, but within that to consider and have regard via assurance from the Treasurer as to the robustness of the budget, its estimates and the adequacy of reserves held.

5.4 The control environment is supported by the role of External Audit in auditing of the financial statements, the review of value for money and financial resilience and Internal Audit in reviewing controls and processes across the authority.

6. ECONOMIC CLIMATE

6.1 The COVID-19 pandemic continues to have a significant economic impact on GM residents, businesses and public services. Regular financial update reports to GMCA have been provided throughout 2020/21 with a detailed analysis of areas affected, an analysis of government financial support and a review of the local impact on resources with agreement for managing financial risk across GMCA and GM Councils. Where appropriate this has been reflected in the approved budgets for 2021/22 as set out in section 3 above.

6.2 The pandemic has had a significant impact on the finances of TfGM. In particular this includes passenger revenue from Metrolink. Patronage fell to circa 5% of pre pandemic levels in the first lockdown before recovering back to circa 50% and then reducing again in subsequent lockdowns. Current Metrolink patronage is circa 45%. Funding has been provided during 2020/21 by Department for Transport (DfT) to support the loss in farebox revenues and to enable the continued operation of these essential services which, along with the other modes, have been key to providing transport to key workers.

6.3 Although patronage and revenues have started to recover, farebox income is still well below pre pandemic levels. The Government has recently confirmed funding up to 5th April 2022 and it is estimated by TfGM that this would leave a shortfall compared to estimated farebox income in 2021/22 of c£5m. There are ongoing discussions with DfT on options to meet the shortfall in 2021/22 and the position beyond April 2022 for ongoing revenue and capital funding. TfGM has been developing a recovery plan for Metrolink, as part of supporting the

development of the future funding strategy and to support the discussions with government on ongoing funding for Metrolink.

- 6.4 TfGM has also suffered reduced levels of income and additional costs in other areas of activity, including loss of bus service related incomes and loss of commercial revenues. DfT has been providing grant funding to bus operators throughout the pandemic through its COVID-19 Bus Service Support Grant (CBSSG) which will come to an end in August 2021. Funding for the period September 2021 to March 2022 will be through the Bus Recovery and Maintenance Grant, with Bus Service Improvement Plan funding being in place from April 2022.
- 6.5 TfGM performed a review of the cashflow projections and reserves to support the preparation of the accounts on the 'Going Concern' basis. It is concluded that the risk for the next 12-18 months is manageable in the context of the mitigations which would be possible and the reserves balance held.

7. CONCLUSION

- 7.1 The assessment of the GMCA's status as a "going concern" for the purposes of the Statement of Accounts 2020/21 demonstrates that the Authority is performing effectively and is in a strong position to respond to the current and emerging challenges and risks and there is no material risk to going concern for the next 12-18 months.

Date: **27th August 2021**
Subject: **Treasury Management Outturn Report 2020/2021**
Report of: **Steve Wilson, Treasurer of the GMCA**

PURPOSE OF REPORT

To report the Treasury Management activities of the Greater Manchester Combined Authority, (GMCA) during the 2020/21 financial year.

RECOMMENDATIONS:

The Audit Committee is asked to note the contents of the report.

CONTACT OFFICERS:

Steve Wilson

Treasurer
07725 481067
Steve.Wilson@greatermanchester-ca.gov.uk

Rachel Rosewell

Deputy Treasurer
07976 571973
Rachel.Rosewell@greatermanchester-ca.gov.uk

BACKGROUND PAPERS:

- GMCA Treasury Management Strategy Statement, Borrowing Limits and Annual Investment Strategy 2020/21, Audit Committee 21st January 2020.
GMCA Interim Treasury Management Report 2020/21, Audit Committee 20th November 2020.

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
N/A	N/A	N/A

1 INTRODUCTION AND BACKGROUND

1.1 Treasury Management in Local Government is regulated by the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Treasury Management in Local Authorities (the Code). The Authority has adopted the Code and complies with its requirements. A primary requirement of the Code is the formulation and agreement by the Authority of a Treasury Policy Statement which sets out Authority, Committee and Chief Financial Officer responsibilities, and delegation and reporting arrangements. This was approved by the Authority on the 27 April 2012, as part of the revised Treasury Management Strategy Statement for 2012/13.

1.2 CIPFA amended the CIPFA Treasury Management in the Public Services Code of Practice in late 2011, and the revised Code recommended that local authorities include, as part of their Treasury Management Strategy Statement, the requirement to report to members at least twice a year on the activities of the Treasury Management function. This report, along with the interim Treasury Management report received by the Audit Committee of the GMCA on the 27 November 2020, therefore ensures that the Authority meets the requirements of the Strategy, and therefore the Code.

1.3 Treasury Management in this context is defined as:

‘The management of the organisation’s investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks’.

1.4 This annual report covers:

Section 1: Introduction and Background
Section 2: Key Considerations Update
Section 3: The Authority’s Portfolio Position as at 31 March 2021
Section 4: Review of Economic Conditions 2020/21
Section 5: Public Works Loans Board (PWLB) Consultation
Section 6: External Borrowing for 2020/21
Section 7: Compliance with Prudential Indicators and Treasury Limits
Section 8: Investment Strategy for 2020/21
Section 9: Temporary Borrowing and Investment Outturn for 2020/21
Section 10: Conclusion

Appendix A: Public Works Loans Board (PWLB) Interest Rates
Appendix B: Treasury Management Prudential Indicators
Appendix C: Review of Economic Conditions, provided by advisors
Appendix D: Glossary of Terms

2 KEY CONSIDERATIONS UPDATE

Outstanding considerations which have been presented to the Audit Committee on 20th November 2020, are detailed below:

- European Investment Bank (EIB)
- Lender Option Borrower Options (LOBOs)
- Negative Rates

2.1 European Investment Bank (EIB)

Discussions are continuing regarding a new loan for the Trafford Park Metrolink Scheme and a draft contract has been received by GMCA for a loan. To allow the signing of the loan agreement in a timely manner the Audit Committee previously delegated to the Treasurer, in conjunction with the Monitoring Officer, authority to finalise the loan agreement. Currently EIB rates are being monitored to determine whether this provides a competitive source of long term borrowing.

2.2 Lender Option Borrower Options (LOBOs)

Within the portfolio there were originally two Lender Option Borrower Option loans with Barclays which were taken out in 2005 and 2006 for a period of 60 years. At Barclays' initiative in 2018 these were converted to standard vanilla loans. Along with a number of Local Authorities, GMCA continues to engage with specialist legal support to pursue a claim against Barclays in relation to the historic elements of their LOBO loans. This claim remains ongoing.

2.3 Negative Rates

In February 2021, the Bank of England made clear it did not intend to set a negative bank rate, however it asked firms to be ready for the implementation of negative rates as it remains a viable option of its Monetary Policy Toolkit. No investments at a negative rate were undertaken in 2020/21.

There is still a risk the market will enter an environment where the conditions do not allow for a positive return in the short term. If this were to happen, the investment strategy of the Authority would shift focus onto minimising costs albeit maintaining security and liquidity of cash. Officers are continuing to assess the impact negative rates could have on the Authority's debt and investment strategies.

3 THE GMCA's PORTFOLIO POSITION AS AT 31 MARCH 2021

- 3.1 The approved Treasury Management Strategy for 2020/21 forecast a borrowing requirement of £163.6m for permanent borrowing in 2020/21 to fund the capital programme. It was noted in the reports that should some of the forecast cash flows alter in scale or timing the requirement might be materially different.
- 3.2 Cash balances during the year remained relatively high and no new borrowing was required. The Authority continues to face exceptional circumstances during COVID-19, which is expected to put additional longer term pressure on the need to borrow in the next financial year.

3.3 The GMCA's debt position at the beginning and end of year was as follows:

	31 st March 2020		31 st March 2021	
	Principal £m	Average Rate %	Principal £m	Average Rate %
PWLB	583.4	4.51	562.5	4.57
EIB	581.9	3.64	570.7	3.63
Market	105.0	4.20	105.0	4.20
Temporary	80.0	0.68	0.0	0.00
TfGM	10.7	0.00	61.8	0.00
	1,361.0	3.85	1,300.0	3.91
Housing Invest. Fund	181.3	0.00	181.3	0.00
Housing Comm. Agency	29.2	0.00	29.2	0.00
Gross debt	1,571.5	3.34	1,510.5	3.37
Deposits	(58.9)	0.24	(139.4)	0.05
Net Debt	1,512.6	-	1,371.1	-

- 3.4 When reviewing the table above it is important to note that the temporary borrowing and deposit figures fluctuate daily to meet the daily cash flow requirements of the Authority. The temporary figures in the table above are therefore only a snapshot at a particular point in time.
- 3.5 Total gross debt has decreased by £61m throughout the financial year 2020/21. The details of these changes are described below.
- 3.6 PWLB funding decreased by £20.9m throughout the year. This was as a result of a £5m loan maturity on the 7 May 2020 as well as a £1.9m loan on the 10 August 2020. The remaining £14m decrease was due to principal repayments under the annuity debt structure arrangements.
- 3.7 EIB funding of £11.2m was also repaid in the first half of the year in the form of principal repayments as part of the annuity debt structures.
- 3.8 Temporary borrowing of £80m carried forward was repaid by the end of May 2020. No further temporary borrowing was required.
- 3.9 The Authority has pooling arrangements in place with Transport for Greater Manchester (TfGM) where the surplus funds are invested alongside GMCA's surplus. The TfGM balance has increased by £51.1m since the beginning of the financial year.
- 3.10 The Authority has the statutory powers necessary to operate the Greater Manchester Housing Investment Loan Fund (GMHILF) and the City Deal Receipts from the Homes

and Communities Agency (HCA). The total outstanding balance remains at £210.5m on the 31 March 2021.

4 REVIEW OF ECONOMIC CONDITIONS 2020/21

- 4.1 The Bank of England maintained the lending rate at 0.10% throughout the financial year since March 2020 when the key lending rate was dropped initially from 0.75% to 0.25% followed by a further reduction to 0.10% on the 19 March 2020.
- 4.2 Appendix C provides a more detailed review of the economic situation.

5 PUBLIC WORK LOANS BOARD (PWLB) CONSULTATION

- 5.1 As originally reported in the previous Outturn Report 2019/20, the PWLB changed its policy to increase the margin on Gilts to Gilts plus 200 basis points, and therefore the margin on the Certainty Rate, which authorities can apply for, to Gilts plus 180 basis points. The government launched a consultation to work with authorities to develop a targeted intervention to stop ‘debt-for-yield’ activity while protecting the crucial work the authorities perform on service delivery, housing, and regeneration.
- 5.2 Following the consultation, on 26 November 2020, the rates have reversed back to Gilts plus 100 basis points with additional requirements. Each authority that wishes to borrow from the PWLB is required to submit a high-level description of their capital spending and financing plans for the following three years, including their expected use of the PWLB. Any investment assets bought primarily for yield will not be supported by PWLB and could lead to access to the PWLB being limited to refinancing existing debt only.

Authorities are asked to:

- i. Categorise Capital Spending into: Service Spending, Housing, Regeneration, Preventative Action, Treasury Management, and Debt for Yield activity.
- ii. Provide a short description covering at least 75% of the spending in each category.
- iii. Provide assurance from the section 151 officer or equivalent that the Authority is not borrowing in advance of need and does not intend to buy investment assets primarily for yield.

6 EXTERNAL BORROWING IN 2020/21

- 6.1 GMCA continues to be on the approved list of authorities that can access the PWLB Certainty Rate, giving the Authority access to a 20 basis points reduction on the published PWLB rates.
- 6.2 PWLB interest rates have fluctuated during the year as shown in the summary table below and in the graph on Appendix A.

Published PWLB Borrowing Rates 2020/21 for 1 to 50 years					
	1 Year	5 Year	10 Year	25 Year	50 Year

Low	0.85%	0.92%	1.20%	1.73%	1.52%
Date	04/01/2021	14/12/2020	11/12/2020	11/12/2020	11/12/2020
High	2.14%	2.19%	2.48%	3.06%	2.91%
Date	08/04/2020	08/04/2020	11/11/2020	11/11/2020	11/11/2020
Average	1.63%	1.70%	2.01%	2.53%	2.34%

- 6.3 No additional new borrowing was taken in 2020/21. Current cash flow forecast suggests the need for additional borrowing by the end of the next financial year 2021/22. Officers continue to monitor both the short and long term debt options.

7. COMPLIANCE WITH PRUDENTIAL INDICATORS AND TREASURY LIMITS

- 7.1 The Authority operated within the prudential indicators outlined in the Treasury Management Strategy Statement. Performance against these targets is shown in Appendix B.

8. INVESTMENT STRATEGY FOR 2020/21

- 8.1 A revised Treasury Management Strategy Statement (TMSS) for 2020/21 was approved by the Authority on the 29 May 2020. The GMCA's Annual Investment Strategy, which is incorporated in the TMSS, outlines the Authority's investment priorities as, a) the security of capital and b) liquidity of investments.
- 8.2 The Authority's temporary cash balances are managed by Manchester City Council's Treasury Management team and are invested with those institutions listed in the Authority's Approved Lending List. Officers can confirm these institutions meet the security criteria set out in the Annual Investment Strategy and the approved limits were not breached in 2020/21.

9. TEMPORARY BORROWING AND INVESTMENT OUTTURN FOR 2020/21

- 9.1 Investment rates available in the market continue to be at an historical low point. The average level of funds available for investment purposes in 2020/21 was just over £215.5m. These funds were available on a temporary basis and the level of funds available was mainly dependent on the timing of levy receipts, receipt of grants, and progress on the capital programme.
- 9.2 As shown below, the Authority's return was higher than the benchmark return. The relatively high level of cash balances held by the Authority has provided an opportunity to optimise the number of investments with other local authorities and Money Market Funds (MMFs), returning a higher level of yield.
- 9.3 The temporary borrowing portfolio consisted of loans which were carried forward from the previous financial year and matured before the end of May 2020. The average benchmark return from the start of the financial year to the date when the temporary

borrowing was repaid equated to 0.79%. The average benchmark rate continued to decrease throughout the remainder of the financial year resulting with an average of 0.29% as shown in the table below.

	Average temporary Investment/ borrowing	Net Return/Cost	Benchmark Return / Cost
Temporary Investments	£215.5	0.09%	-0.07 %*
Temporary Borrowing	£5.3m	0.66%	0.29%**

* Yearly average 7-day LIBID rate sourced from Link

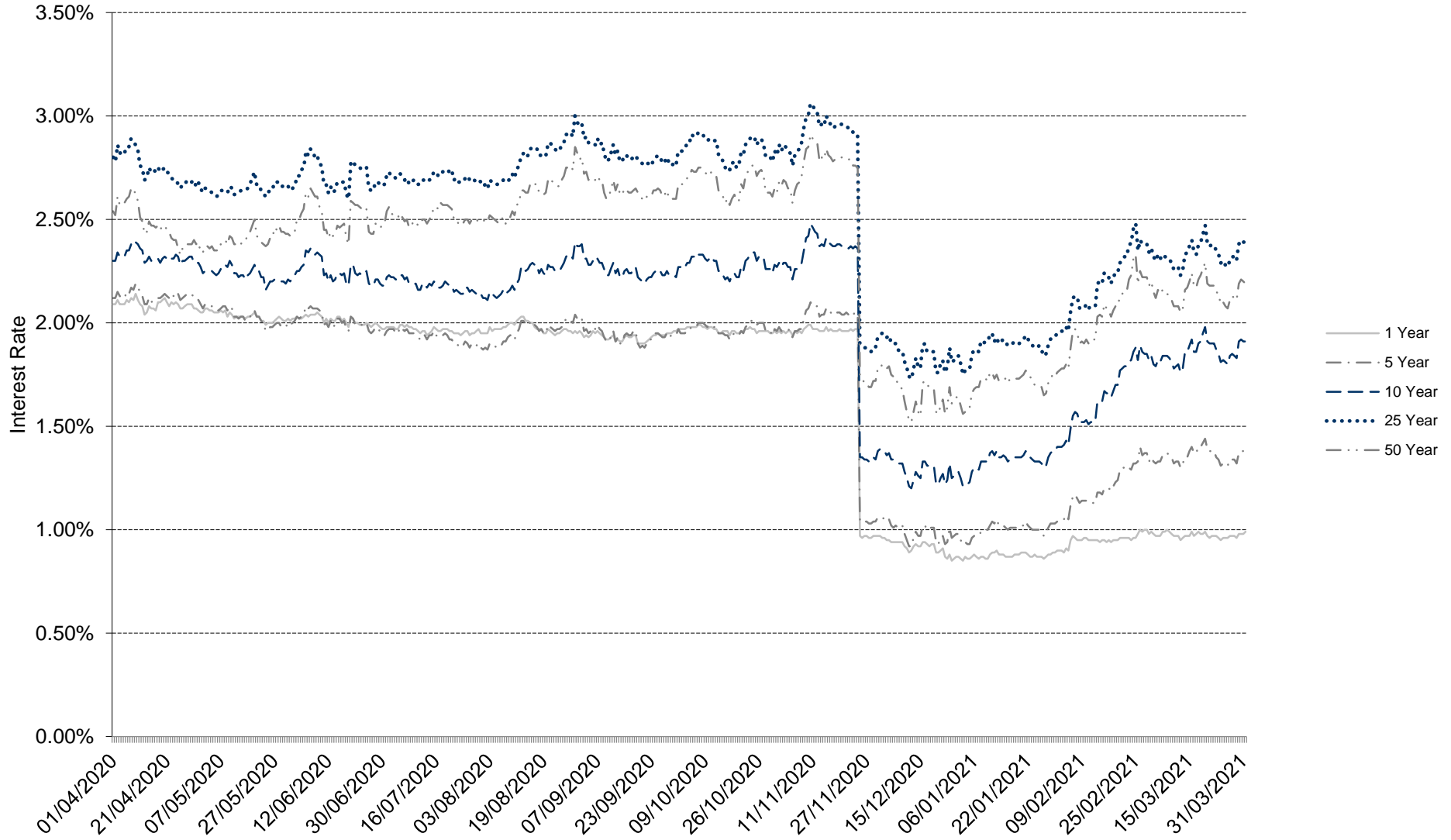
** Yearly average 12-month LIBOR rate sourced from Link

9.4 None of the institutions in which investments were made, such as banks, local authorities and MMFs, showed any difficulty in repaying investments and interest during the year. The list of institutions in which the Authority invests is kept under continuous review.

10 CONCLUSION

- 10.1 Carried forward temporary borrowing to help with the liquidity pressures the Authority faced at the start of the Covid-19 Pandemic, has been repaid. No additional temporary borrowing was required in 2020/21. Cash resources have increased at the start of the financial year and remained relatively high throughout the year reflecting the strong balance sheet position.
- 10.2 The Authority exceeded the benchmark rate of return on temporary investments during the 2020/21. Work will continue to review all investment options, to see if a greater rate of return could be attracted without compromising the Authority's strong risk management position.
- 10.3 In the second half of the year, the Authority welcomed the conclusion of the PWLB consultation where additional requirements were introduced, and the rates were reversed by 100bps as outlined in section 5.
- 10.4 The Authority is likely to face challenging market conditions in the coming years, resulting from long term Covid-19 implications, end of UK's transition period after Brexit, and the possibility that market rates will go negative. These factors are likely to have a negative impact on the costs and income resulting with further cash flow instability. Officers will continue monitoring the market, and engage with market participants including banks, investment firms, brokers and advisors to review the investment and debt opportunities available to the Authority.

**Appendix A – PWLB
Interest Rates 2020/21**



APPENDIX B

TREASURY MANAGEMENT PRUDENTIAL INDICATORS: 2020/21

	Original	Minimum In	Maximum In
	£m	Year	Year
		£m	£m
Operational Boundary for External Debt:			
Borrowing	2,477.3	1,448.7	1,560.5
Other Long Term Liabilities	50.0	44.4	47.7
Authorised Limit for External Debt:			
Borrowing	2,595.3	1,448.7	1,560.5
Other Long Term Liabilities	52.4	44.4	47.7
	Original	Actual as at 31 March 2021	
Authority has adopted CIPFA's Code of Practice for Treasury Management in the Public Services	Yes	Yes	
Upper Limit for Principal Sums Invested for over 364 days	£0	£0	

	Lower Limit	Upper Limit	
	2020/21	2020/21	Actual as at
	Original	Original	31 March 2021
Maturity structure of Fixed Rate Borrowing			
under 12 months	0%	50%	1%
12 months and within 24 months	0%	50%	3%
24 months and within 5 years	0%	50%	15%
5 years and within 10 years	0%	50%	19 %
10 years and above	0%	100%	62%

REVIEW OF ECONOMIC CONDITIONS FROM APRIL 2020 TO MARCH 2021 AND FUTURE OUTLOOK

This section has been prepared by the Authority's Treasury Advisors, Link Asset Services, and includes their forecast for future interest rates after the PWLB policy change referenced in the report.

1. Economics update 31.03.2021

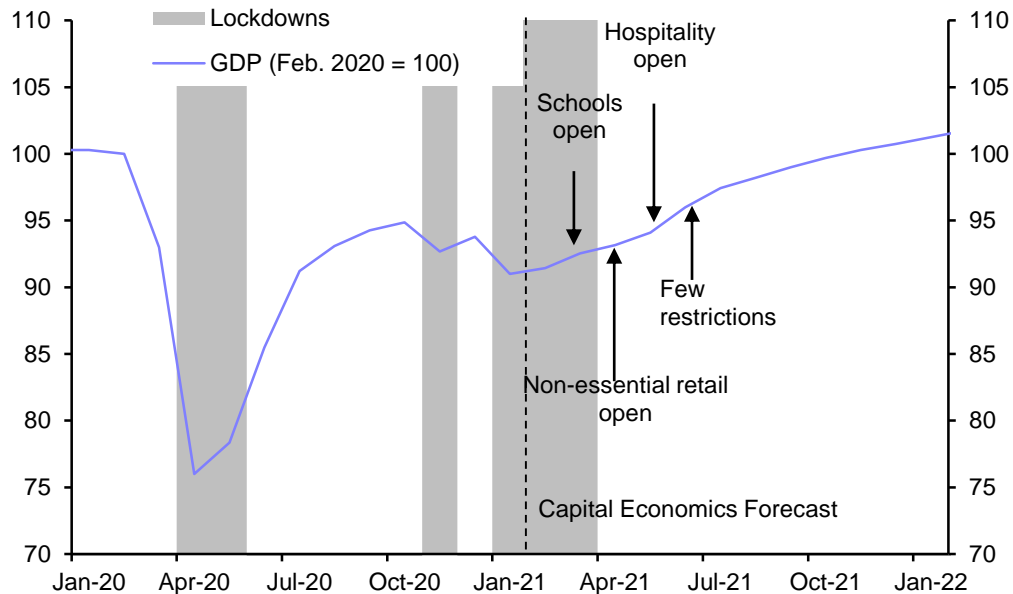
UK. The key quarterly Monetary Policy Report meeting of the Bank of England's Monetary Policy Committee kept **Bank Rate** and quantitative easing (QE) unchanged on 4th February, (as it also did at its 18th March meeting). However, it revised its economic forecasts to take account of a third national lockdown which started on 5th January, which is going to further delay economic recovery and do further damage to the economy. Although its short-term forecasts were cut for 2021 due to the start of a third lockdown in early January, the medium-term forecasts were more optimistic than in November, based on an assumption that the current lockdown will be gradually eased after Q1 as vaccines are gradually rolled out and life can then start to go back to some sort of normality. The Bank's main assumptions were:

- The economy would start to recover strongly from Q3 2021 although it acknowledged there were downside risks from virus mutations etc.
- £125bn of savings made by consumers during the pandemic will give a big boost to the pace of economic recovery once lockdown restrictions are eased and consumers can resume high street shopping, going to pubs and restaurants and taking holidays.
- The economy would still recover to reach its pre-pandemic level by Q1 2022 despite a long lockdown in Q1 2021. **Spare capacity** in the economy would be eliminated in Q1 2022 and there would be **excess demand** in the economy by Q4 2022.
- **CPI inflation** was forecast to rise quite sharply towards the 2% target in the first half of 2021 due to some temporary factors, (e.g. the reduction in VAT for certain services comes to an end) and given developments in energy prices. CPI inflation was projected to be close to 2% in 2022 and 2023.
- The MPC reiterated its previous guidance that Bank Rate would not rise until inflation was sustainably above 2%. This means that it will tolerate inflation running above 2% from time to time to balance out periods during which inflation is below 2%. This is termed **average inflation targeting**. While financial markets are pricing in Bank Rate starting to rise by the end of 2022, this policy could mean that Bank Rate does not rise until as late as 2026.
- The Bank of England removed **negative interest rates** as a possibility for at least six months as financial institutions were not ready to implement them. As in six months' time the economy should be starting to grow strongly, this effectively means that negative rates occurring were unlikely during the current downturn. (**Gilt yields and PWLB rates** jumped upwards after the removal of negative rates as a key risk in the short-term.)

There are two views in respect of Bank Rate beyond our three-year time horizon:

- a. The MPC will be keen to raise Bank Rate as soon as possible in order for it to be a usable tool when the next economic downturn comes along. This is in line with thinking on Bank Rate over the last 20 years; financial markets are currently pricing in Bank Rate starting to rise by the end of 2022.
- b. Conversely, that we need to adjust to the new post-pandemic era that we are now in. In this new era, **the shift to average inflation targeting** has set a high bar for raising Bank Rate i.e. only when inflation has demonstrated that it has risen sustainably above 2%. In addition, many governments around the world have been saddled with high levels of debt. When central bank rates are low, and below the average GDP growth rate, the debt to GDP ratio will gradually fall each year without having to use fiscal tools such as raising taxes or austerity programmes, (which would depress economic growth and recovery). This could therefore result in governments revising the setting of mandates to their national central

banks to allow a higher rate of inflation linked to other economic targets. This is the Capital Economics view – that Bank Rate will not rise for the next five years and could then struggle to get to 1% within 10 years.



- **COVID-19 vaccines.** These have been the game changer which have enormously boosted confidence that **life in the UK could largely return to normal during the second half of 2021** after a third wave of the virus threatened to overwhelm hospitals around the start of the year. With the household saving rate having been exceptionally high since the first lockdown in March 2020, there is plenty of pent-up demand and purchasing power stored up for services in the still-depressed sectors like restaurants, travel and hotels. The UK has made fast progress with giving a first job to half of all adults and this programme should be completed in the second half of the year. The big question is whether mutations of the virus could develop which render current vaccines ineffective, as opposed to how quickly can vaccines be modified to deal with them and enhanced testing programmes be implemented to contain their spread.
- **The Budget on 3rd March** increased fiscal support to the economy and employment during 2021 and 2022 followed by substantial tax rises in the following three years to help to pay the cost for the pandemic. This will help further to strengthen the economic recovery from the pandemic and to return the government's finances to a balanced budget on a current expenditure and income basis in 2025/26. This will stop the Debt to GDP ratio rising further from 100%. An area of concern, though, is that the government's debt is now twice as sensitive to interest rate rises as before the pandemic due to QE operations substituting fixed long-term debt for floating rate debt; there is, therefore, much incentive for the Government to promote Bank Rate staying low e.g. by using fiscal policy in conjunction with the monetary policy action by the Bank of England to keep inflation from rising too high, and / or by amending the Bank's policy mandate to allow for a higher target for inflation.
- **Brexit.** The final agreement on 24th December 2020 eliminated a significant downside risk for the UK economy. The initial agreement only covered trade so there is further work to be done on the services sector where temporary equivalence has been granted in both directions between the UK and EU; that now needs to be formalised on a permanent basis. There was much disruption to trade in January as form filling has proved to be a formidable barrier to trade. This appears to have eased somewhat since then but is an area that needs further work to ease difficulties, which are still acute in some areas.

- **US.** The Democrats won the presidential election in November 2020 and have control of both Congress and the Senate, although power is more limited in the latter. This enabled the Democrats to pass a \$1.9trn (8.8% of GDP) stimulus package in March on top of the \$900bn fiscal stimulus deal passed by Congress in late December. These, together with the vaccine rollout proceeding swiftly to hit the target of giving a first jab to over half of the population within the President's first 100 days, will promote a rapid easing of restrictions and strong economic recovery during 2021. The Democrats are also planning to pass a \$2trn fiscal stimulus package aimed at renewing infrastructure over the next decade. Although this package is longer-term, if passed, it would also help economic recovery in the near-term.
- After Chair Jerome Powell unveiled the **Fed's adoption of a flexible average inflation target** in his Jackson Hole speech in late August 2020, the mid-September meeting of the Fed agreed by a majority to a toned down version of the new inflation target in his speech - that *"it would likely be appropriate to maintain the current target range until labour market conditions were judged to be consistent with the Committee's assessments of maximum employment and inflation had risen to 2% and was on track to moderately exceed 2% for some time."* This change was aimed to provide more stimulus for economic growth and higher levels of employment and to avoid the danger of getting caught in a deflationary "trap" like Japan. It is to be noted that inflation has actually been under-shooting the 2% target significantly for most of the last decade, (and this year), so financial markets took note that higher levels of inflation are likely to be in the pipeline; long-term bond yields duly rose after the meeting. There is now some expectation that where the Fed has led in changing its policy towards implementing its inflation and full employment mandate, other major central banks will follow, as indeed the Bank of England has done so already. The Fed expects strong economic growth this year to have only a transitory impact on inflation, which explains why the majority of Fed officials project US interest rates to remain near-zero through to the end of 2023. The key message is still that policy will remain unusually accommodative – with near-zero rates and asset purchases – continuing for several more years. This is likely to result in keeping treasury yields at historically low levels – **which will also have an influence on gilt yields in this country.**
- **EU.** Both the roll out and take up of vaccines has been disappointingly slow in the EU, at a time when many countries are experiencing a sharp rise in cases which are threatening to overwhelm hospitals in some major countries; this has led to renewed severe restrictions or lockdowns during March. This will inevitably put back economic recovery after the economy had staged a rapid rebound from the first lockdowns in Q3 but contracted slightly in Q4 to end 2020 only 4.9% below its pre-pandemic level. Recovery will now be delayed until Q3 of 2021 and a return to pre-pandemic levels is expected in the second half of 2022.
- Inflation is likely to rise sharply to around 2% during 2021 for a short period, but as this will be transitory due to one-off factors, it will cause **the ECB** little concern. It is currently unlikely that it will cut its central rate even further into negative territory from -0.5%, although the ECB has stated that it retains this as a possible tool to use. The ECB's December 2020 meeting added a further €500bn to the PEPP scheme, (purchase of government and other bonds), and extended the duration of the programme to March 2022 and re-investing maturities for an additional year until December 2023. Three additional tranches of TLTRO, (cheap loans to banks), were approved, indicating that support will last beyond the impact of the pandemic, implying indirect yield curve control for government bonds for some time ahead. The total PEPP scheme of €1,850bn of QE which started in March 2020 is providing protection to the sovereign bond yields of weaker countries like Italy. There is, therefore, **unlikely to be a euro crisis** while the ECB is able to maintain this level of support. The March ECB meeting also took action to suppress the rise in long bond yields by stepping up its monthly PEPP purchases.

- **China.** After a concerted effort to get on top of the virus outbreak in Q1, economic recovery was strong in Q2 and then into Q3 and Q4; this has enabled China to recover all of the contraction in Q1. Policy makers have both quashed the virus and implemented a programme of monetary and fiscal support that has been particularly effective at stimulating short-term growth. After making a rapid recovery in 20/21, growth is likely to be tepid in 21/22.
- **Japan.** A third round of fiscal stimulus in early December took total fresh fiscal spending in 2020 in response to the virus close to 12% of pre-virus GDP. That is huge by past standards, and one of the largest national fiscal responses. The budget deficit is now likely to reach 16% of GDP in 2020/21. Coupled with Japan's relative success in containing the virus without draconian measures so far, and the roll out of vaccines gathering momentum, the government's latest fiscal effort should help to ensure a strong recovery and to get back to pre-virus levels by Q3 2021 – around the same time as the US and much sooner than the Eurozone.
- **World growth.** World growth was in recession in 2020. Inflation is unlikely to be a problem in most countries for some years due to the creation of excess production capacity and depressed demand caused by the coronavirus crisis.
- **Impact on gilt yields and PWLB rates in 2021.** Since the start of 2021 gilt yields and PWLB rates have risen sharply. What has unsettled financial markets has been a \$1.9trn (equivalent to 8.8% of GDP) fiscal boost for the US economy as a recovery package from the Covid pandemic, in addition to the \$900bn support package passed in December. Financial markets have been alarmed that the two packages could cause an excess of demand in the economy which could **unleash inflationary pressures** and force the FOMC to take much earlier action to start increasing the Fed rate from near zero, despite their stated policy being to target average inflation and saying that increases were unlikely in the next few years.
- A further concern in financial markets is **when will the Fed end quantitative easing (QE) purchases of treasuries** and how they will gradually wind it down. These ongoing monthly purchases are currently acting as downward pressure on treasury yields. Nonetheless, during late February and in March, yields rose sharply. As the US financial markets are, by far, the biggest financial markets in the world, any trend upwards there will invariably impact and influence financial markets in other countries. It is noticeable that gilt yields moved higher after the MPC meeting in early February as a result of both developments in the US, and financial markets also expecting a **similarly rapid recovery of the UK economy as in the US**; both countries were expected to make similarly rapid progress with vaccinating their citizens and easing Covid restrictions. They are therefore, expecting inflation to also increase more quickly in the UK and cause the MPC to respond by raising Bank Rate more quickly than had previously been expected.
- **Deglobalisation.** Until recent years, world growth has been boosted by increasing globalisation i.e. countries specialising in producing goods and commodities in which they have an economic advantage and which they then trade with the rest of the world. This has boosted worldwide productivity and growth, and, by lowering costs, has also depressed inflation. However, the rise of China as an economic superpower over the last 30 years, which now accounts for nearly 20% of total world GDP, has unbalanced the world economy. In March 2021, western democracies implemented limited sanctions against a few officials in charge of government policy on the Uighurs in Xinjiang; this led to a much bigger retaliation by China and is likely to mean that the China / EU investment deal then being negotiated, will be torn up. After the pandemic exposed how frail extended supply lines were around the world, both factors are now likely to lead to a sharp retrenchment of economies into two blocs of western democracies v. autocracies. It is, therefore, likely that we are heading into a period where there will be a reversal of world globalisation and a decoupling of western countries from dependence on China to supply products and vice versa. This is likely to reduce world growth rates.

- **Central banks' monetary policy.** During the pandemic, the governments of western countries have provided massive fiscal support to their economies which has resulted in a big increase in total government debt in each country. It is therefore very important that bond yields stay low while debt to GDP ratios slowly subside under the impact of economic growth. This provides governments with a good reason to amend the mandates given to central banks to allow higher average levels of inflation than we have generally seen over the last couple of decades. Both the Fed and Bank of England have already changed their policy towards implementing their existing mandates on inflation, (and full employment), to hitting an average level of inflation. Greater emphasis could also be placed on hitting subsidiary targets e.g. full employment before raising rates. Higher average rates of inflation would also help to erode the real value of government debt more quickly.

2. Interest rate forecasts

The Authority has appointed Link Group as its treasury advisor and part of their service is to assist the Authority to formulate a view on interest rates. The PWLB rate forecasts below are based on the Certainty Rate (the standard rate minus 20 bps) which has been accessible to most authorities since 1st November 2012.

Link Group Interest Rate 8.3.21												
	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24
BANK RATE	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
3 month ave earnings	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
6 month ave earnings	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
12 month ave earnings	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20
5 yr PWLB	1.20	1.20	1.20	1.20	1.20	1.20	1.30	1.30	1.40	1.40	1.40	1.40
10 yr PWLB	1.60	1.60	1.60	1.70	1.70	1.70	1.80	1.80	1.90	1.90	1.90	1.90
25 yr PWLB	2.10	2.10	2.20	2.30	2.30	2.30	2.40	2.40	2.50	2.50	2.50	2.50
50 yr PWLB	1.90	1.90	2.00	2.10	2.10	2.10	2.20	2.20	2.30	2.30	2.30	2.30

Additional notes by Link on this forecast table: -

- *LIBOR and LIBID rates will cease from the end of 2021. Work is currently progressing to replace LIBOR with a rate based on SONIA (Sterling Overnight Index Average). In the meantime, our forecasts are based on expected average earnings by local authorities for 3 to 12 months.*
- *Our forecasts for average earnings are averages i.e., rates offered by individual banks may differ significantly from these averages, reflecting their different needs for borrowing short term cash at any one point in time.*
- *We will maintain continuity by providing clients with LIBID investment benchmark rates on the current basis.*

The coronavirus outbreak has done huge economic damage to the UK and to economies around the world. After the Bank of England took emergency action in March 2020 to cut Bank Rate to first 0.25%, and then to 0.10%, it left Bank Rate unchanged at its subsequent meetings, although some forecasters had suggested that a cut into negative territory could happen. However, the minutes of the Monetary Policy Committee in February 2021 made it clear that commercial banks could not implement negative rates within six months, and by that time the economy would be expected to be recovering strongly and so there would be no requirement for negative rates. As shown in the forecast table above, no increase in Bank Rate is expected within the forecast horizon ending on 31st March 2024.

GILT YIELDS / PWLB RATES. There was much speculation during the second half of 2019 that bond markets were in a bubble which was driving bond prices up and yields down to historically very low levels. The context for that was heightened expectations that the US could have been heading for a recession in 2020. In addition, there were growing expectations of a downturn in world economic growth,

especially due to fears around the impact of the trade war between the US and China, together with inflation generally at low levels in most countries and expected to remain subdued. Combined, these conditions were conducive to very low bond yields. While inflation targeting by the major central banks has been successful over the last 30 years in lowering inflation expectations, the real equilibrium rate for central rates has fallen considerably due to the high level of borrowing by consumers. This means that central banks do not need to raise rates as much now to have a major impact on consumer spending, inflation, etc. The consequence of this has been **the gradual lowering of the overall level of interest rates and bond yields in financial markets**. Over the year prior to the coronavirus crisis, this resulted in many bond yields up to 10 years turning negative in the Eurozone. In addition, there was, at times, an inversion of bond yields in the US whereby 10 year yields fell below shorter-term yields. In the past, this has been a precursor of a recession.

Gilt yields had, therefore, already been on a generally falling trend up until the coronavirus crisis hit western economies during March 2020. After gilt yields initially spiked upwards in March, yields fell sharply in response to major western central banks taking rapid policy action to deal with excessive stress in financial markets during March, and starting massive quantitative easing driven purchases of government bonds: these actions also acted to put downward pressure on government bond yields at a time when there was a huge and quick expansion of government expenditure financed by issuing government bonds. Such unprecedented levels of issuance in “normal” times would have caused bond yields to rise sharply.

As at 31st December 2020, all gilt yields from 1 to 8 years were still in negative territory: however, since then all gilt yields have now become positive and have risen sharply, especially medium and longer-term yields.

- HM Treasury imposed **two changes of margins over gilt yields for PWLB rates in 2019/20** without any prior warning. The first took place on 9th October 2019, adding an additional 1% margin over gilts to all PWLB period rates. That increase was then, at least partially, reversed for some forms of borrowing on 11th March 2020, but not for mainstream non-HRA capital schemes. A consultation was then held with local authorities and **on 25th November 2020, the Chancellor announced the conclusion to the review of margins over gilt yields for PWLB rates**; the standard and certainty margins were reduced by 1% but a prohibition was introduced to deny access to borrowing from the PWLB for any local authority which had purchase of assets for yield in its three year capital programme. The new margins over gilt yields are as follows: -
 - **PWLB Standard Rate** is gilt plus 100 basis points (G+100bps)
 - **PWLB Certainty Rate** is gilt plus 80 basis points (G+80bps)
 - **PWLB HRA Standard Rate** is gilt plus 100 basis points (G+100bps)
 - **PWLB HRA Certainty Rate** is gilt plus 80bps (G+80bps)
 - **Local Infrastructure Rate** is gilt plus 60bps (G+60bps)

As the interest forecast table for PWLB certainty rates, (gilts plus 80bps), above shows, there is likely to be little upward movement in PWLB rates over the next three years as the Bank of England is not expected to raise Bank Rate during that period as inflation is not expected to be sustainably over 2%.

Glossary of Terms

Authorised Limit - This Prudential Indicator represents the limit beyond which borrowing is prohibited, and needs to be set and revised by Members. It reflects the level of borrowing which, while not desired, could be afforded in the short term, but is not sustainable. It is the expected maximum borrowing need, with some headroom for unexpected movements.

Bank Rate – the rate at which the Bank of England offers loans to the wholesale banks, thereby controlling general interest rates in the economy.

Counterparty – one of the opposing parties involved in a borrowing or investment transaction

Credit Rating – A qualified assessment and formal evaluation of an institution's (bank or building society) credit history and capability of repaying obligations. It measures the probability of the borrower defaulting on its financial obligations, and its ability to repay these fully and on time.

Discount – Where the prevailing interest rate is higher than the fixed rate of a long-term loan, which is being repaid early, the lender can refund the borrower a discount, the calculation being based on the difference between the two interest rates over the remaining years of the loan, discounted back to present value. The lender is able to offer the discount, as their investment will now earn more than when the original loan was taken out.

Fixed Rate Funding - A fixed rate of interest throughout the time of the loan. The rate is fixed at the start of the loan and therefore does not affect the volatility of the portfolio, until the debt matures and requires replacing at the interest rates relevant at that time.

Gilts - The loan instruments by which the Government borrows. Interest rates will reflect the level of demand shown by investors when the Government auctions Gilts.

High/Low Coupon – High/Low interest rate

LIBID (London Interbank Bid Rate) – This is an average rate, calculated from the rates at which individual major banks in London are willing to borrow from other banks for a particular time period. For example, 6 month LIBID is the average rate at which banks are willing to pay to borrow for 6 months.

LIBOR (London Interbank Offer Rate) – This is an average rate, calculated from the rates which major banks in London estimate they would be charged if they borrowed from other banks for a particular time period. For example, 6 month LIBOR is the average rate which banks believe they will be charged for borrowing for 6 months.

Liquidity – The ability of an asset to be converted into cash quickly and without any price discount. The more liquid a business is, the better able it is to meet short-term financial obligations.

LOBO (Lender Option Borrower Option) – This is a type of loan where, at various periods known as call dates, the lender has the option to alter the interest rate on the loan. Should the lender exercise this option, the borrower has a corresponding option to repay the loan in full without penalty.

Market - The private sector institutions - Banks, Building Societies etc.

Maturity Profile/Structure - an illustration of when debts are due to mature, and either have to be renewed or money found to pay off the debt. A high concentration in one year will make the Authority vulnerable to current interest rates in that year.

Monetary Policy Committee – the independent body that determines Bank Rate.

Operational Boundary – This Prudential Indicator is based on the probable external debt during the course of the year. It is not a limit and actual borrowing could vary around this boundary for short times during the year. It should act as an indicator to ensure the Authorised Limit is not breached.

Premium – Where the prevailing current interest rate is lower than the fixed rate of a long-term loan, which is being repaid early, the lender can charge the borrower a premium, the calculation being based on the difference between the two interest rates over the remaining years of the loan, discounted back to present value. The lender may charge the premium, as their investment will now earn less than when the original loan was taken out.

Prudential Code - The Local Government Act 2003 requires the Authority to 'have regard to the Prudential Code and to set Prudential Indicators for the next three years to ensure that the Authority's capital investment plans are affordable, prudent and sustainable.

PWLB - Public Works Loan Board. Part of the Government's Debt Management Office, which provides loans to public bodies at rates reflecting those at which the Government is able to sell Gilts.

Specified Investments - Sterling investments of not more than one-year maturity. These are considered low risk assets, where the possibility of loss of principal or investment income is very low.

Non-specified investments - Investments not in the above, specified category, e.g., foreign currency, exceeding one year or outside our minimum credit rating criteria.

Variable Rate Funding - The rate of interest either continually moves reflecting interest rates of the day, or can be tied to specific dates during the loan period. Rates may be updated on a monthly, quarterly or annual basis.

Volatility - The degree to which the debt portfolio is affected by current interest rate movements. The more debt maturing within the coming year and needing replacement, and the more debt subject to variable interest rates, the greater the volatility.

Yield Curve - A graph of the relationship of interest rates to the length of the loan. A normal yield curve will show interest rates relatively low for short-term loans compared to long-term loans. An inverted Yield Curve is the opposite of this.

GMCA Audit Committee

Date: 27th August 2021

Subject: Head of Internal Audit Annual Opinion 2020/21

Report of: Sarah Horseman, Head of Audit and Assurance

PURPOSE OF REPORT

The Internal Audit team delivers an annual programme of audit work designed to raise standards of governance, risk management and internal control across the Greater Manchester Combined Authority (GMCA). In accordance with Public Sector Internal Audit Standard 2450 this work is required to culminate in “an annual internal audit opinion and report that can be used by the organisation to inform its governance statement. The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the organisation’s framework of governance, risk management and control.”

This report provides Members of the Audit Committee with the Head of Internal Audit Opinion on the effectiveness of the framework of governance, risk management and internal control at Greater Manchester Combined Authority (GMCA) for the year ended 31 March 2021.

RECOMMENDATIONS:

Members are requested to consider and comment on the Head of Internal Audit Opinion 2020/21.

CONTACT OFFICERS:

Sarah Horseman, Head of Audit and Assurance

Equalities Impact, Carbon and Sustainability Assessment:

N/A

Risk Management:

N/A

Legal Considerations:

N/A

Financial Consequences – Revenue:

N/A

Financial Consequences – Capital:

N/A

Number of attachments to the report:0

Comments/recommendations from Overview & Scrutiny Committee:

N/A

BACKGROUND PAPERS:

Papers previously presented to Audit Committee

- Internal Audit Plan 2020/21
- Internal Audit progress reports
- GMCA Corporate Risk Register

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?	N/A	
TfGMC	Overview & Scrutiny Committee	
N/A	N/A	

Head of Internal Audit Opinion 2020/21

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 2020/21. 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;
- 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. Opinion

Based on the work undertaken by Internal Audit in respect of 2020/21 the opinion of the Head of Internal Audit is that limited 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. The opinions issued generally provided assurance over the operation of internal controls within the activities being audited. The opinion is reflective of the fact that as GMCA is still a relatively new organisation, some of the wider governance and organisational risk management arrangements yet to develop to a mature and consistent state. It should be noted however that GMFRS, does have mature risk management arrangements and all audits undertaken on GMFRS activities provided a reasonable level of assurance.

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

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.

3.2. Corporate Governance

GMCA has in place a Code of Corporate Governance as part of its Constitution. The Code sets out GMCA's governance standards and is aligned to the CIPFA/Solace Framework "*Delivering Good Governance in Local Government: Framework*".

Through the audit work undertaken and the role that Internal Audit plays in the governance framework, for 2020/21 it can be confirmed that

- GMCA's whistleblowing policy was updated in November 2020 and is available on the GMCA intranet and the GMCA website. Whistleblowing reports are made to the Head of Audit and Assurance and oversight is provided by the Treasurer. The Audit Committee receives an annual report on the outcomes of whistleblowing reports.
- The Standards Committee met in November 2020, the Head of Audit and Assurance attends Standards Committee meetings and therefore has assurance that the Committee acts in line with its Terms of Reference.
- Counter fraud policies were last reviewed by the Audit Committee in 2019, these policies will be reviewed and refreshed in 2021/22.

Two audits were undertaken during the year specifically relating to Corporate Governance. Both these audits gave limited assurance opinions. The Mayoral Advisors audit found that improvements to transparency and governance arrangements over the roles are needed. An audit of the performance framework was also undertaken and found that whilst some performance management arrangements are in place within Directorates, there isn't a formally defined corporate process for reporting on organisational delivery and performance beyond the GMS outcomes framework, which is much wider than GMCA as an organisation.

3.3. Risk Management

In 2020/21 the Head of Audit and Assurance assumed responsibility for developing a risk management framework for GMCA. It is clear within GMCA through the framework and the Internal Audit Charter that although development of the framework was undertaken by Internal Audit, 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).

In the first half of 2020/21 a Covid-19 risk register was established. This was in direct response to the pandemic and contained all new risks that emerged as a result as well as any ongoing existing risks. This risk register was periodically reviewed by CEMT.

A new Risk Management Framework was developed by Internal Audit and approved by Audit Committee in November 2020. Roll out of the framework is ongoing, with SLT risk workshops and regular updates now taking place and organisation-wide training and

communications planned for 2021/22. Progress has been made in evolving the Corporate Risk Register. It was reviewed and restructured during the year which led to clarification of strategic, organisational and directorate level risks based on the new risk framework. There is now clear delineation within the GMCA Corporate risk register of the types of risk that appear on it.

An organisational risk management maturity assessment was undertaken in late 2020. The results of this show that the organisation as a whole, falls within the “Emerging” phase of risk management maturity. There are some formalised approaches in place within directorates and GMFRS have a mature risk management framework and processes in place; but other directorates need support to evolve their risk management activities. Work is ongoing across the organisation to increase the maturity level to a minimum of “conforming” in 2021/22.

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.

3.4. Internal Control

From the audit work undertaken in the year there were no issues identified that indicated systemic non-adherence to internal controls in place. Audits over GMFRS pension administration, payments made during the initial lockdown period, GMFRS fleet services and Waste payments all provided reasonable assurance opinions over the control environment.

It was reported in the previous opinion that 2019/20 audit findings identified the need for the availability of single, clearly defined, organisation-wide policies for processes such as expenses and car mileage claims as opposed to the use of historic GMFRS policies for example. Internal Audit has found this year that progress to develop and implement new policies has been slow with audit actions relating to these actions not being implemented in line with originally planned timescales.

3.5. Impact of Covid-19 on the Head of Internal Audit Opinion

In March 2020 during the initial stages of the lockdown, internal audit fieldwork was paused whilst the organisation adapted to new ways of working. The team continued to complete the remaining audits of the 2019/20 plan which were at reporting stage. The emergent internal audit plan was revisited in light of the pandemic and approved by the Audit Committee in June 2020.

Internal Audit fieldwork resumed remotely from Q2 onwards for the rest of the financial year. There has been sufficient audit work undertaken for an opinion to be reached.

4. Basis of the Opinion

4.1. Internal Audit work performed

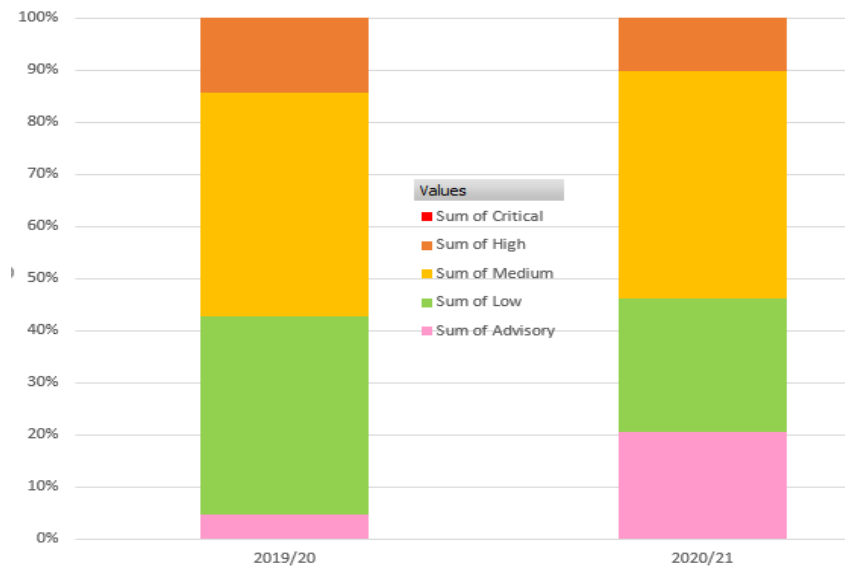
The Internal Audit Plan for 2020/21 was presented to and approved by the Audit Committee in June 2020.

A summary of the internal audit reports issued in 2020/21 is provided here:

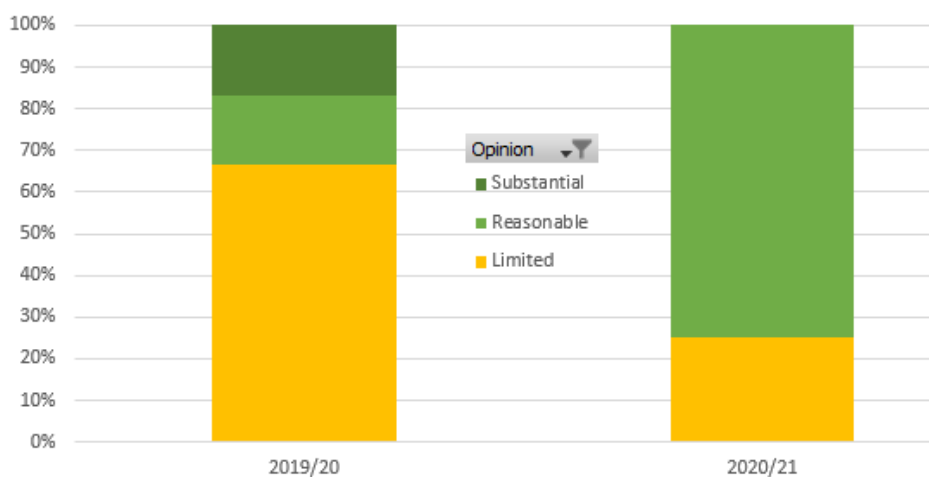
Audit	Assurance Level
GM Housing Investment Loan Fund	Reasonable
GMFRS Pension Scheme Administration	Reasonable
Covid workplace arrangements	Reasonable
GMFRS Fleet Services	Reasonable
Payments during lockdown	Reasonable
Mayoral Advisors	Limited
Waste Payments	Reasonable
Performance Management	Limited

Analysis of 2020/21 audit findings and audit opinions

- More audit findings were raised in 2020/21 compared to 2019/20 as more audit work was undertaken. A similar pattern can be seen in the distribution of finding ratings across the two years, although 2020 showed a slight reduction in the proportion of findings rated High and Medium risk, with more Low risk and Advisory findings being reported



With regards to audit opinions for each year, the distribution of report opinion ratings showed that whilst no “substantial assurance” opinions were issued in 2020/21, a greater proportion of “Reasonable” audit opinions were issued than in 2019/20. It should however be noted that rating mechanism changed in 2020/21 moving from 5 possible assurance opinions that were used previously (Full, Positive, Moderate, Limited, Non) to 4 (Substantial, Reasonable, Limited, None).



4.2. Grant certification work

A Summary of the grant certification work undertaken in 2020/21 is provided below:

Grant	Amount certified	Assurance level
BEIS Grant Certification	£512.5k	Positive
GM EU Exit Preparedness Funding	£300k	Positive
Local Energy Market	16k	Positive
Home to School and College Transport (tranche 1)	£2.249m	Positive
Additional Home to School and College Transport (tranches 2 & 3)	£2.2m	Positive
Peer Network Funding to Local Enterprise Partnership	£1.m	Positive

4.3. 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. During 2020/21 Internal Audit assumed responsibility for tracking and validating the implementation of audit actions and report regularly on this to management and Audit Committee.

At the end of March 2021, the audit action implementation rate was 77%. This represents significant improvement from a position of 42% earlier in the year. The target on-time implementation rate is 85% so there is scope for continued improvement. Internal Audit will continue to work with management to support further improvement.

4.4. Effectiveness of Internal Audit during the period

An assessment of the effectiveness of the Internal Audit Function has been undertaken by the Head of 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
- Implementation of Internal Audit recommendations

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

An external quality assessment (EQA) of the Internal Audit Function is being undertaken in 2021/22. At the time of writing this opinion, the assessment had been undertaken but the formal report arising from the assessment had not been received. However, it has been initially communicated to the Head of Audit and Assurance that, subject to verification, the conclusion would be that overall the service complies with PSIAS. There are areas for improvement but that these had already been identified in the internal effectiveness exercise. When finalised, the findings and recommendations of that assessment will be incorporated into the Quality Assurance and Improvement Programme for 2021/22.

5. Other Sources of Assurance

5.1. GMCA - Data Security Protection Toolkit (DSPT) Submission 2020/21

The Data Security Protection Toolkit (DSPT) is a requirement of organisations who access health data. In response to the COVID pandemic it was crucial for the GMCA to access health data for key interventions such as track and trace and so in 2020, the GMCA undertook the exercise to complete the DSPT assessment.

The assessment measures performance against the National Data Guardian's 10 data security standards which are:

People	Process	Technology
Ensure staff are equipped to handle information respectfully and safely, according to the Caldicott Principles.	Ensure the organisation proactively prevents data security breaches and responds appropriately to incidents or near misses.	Ensure technology is secure and up to date.
1. All staff ensure that personal confidential data is handled, stored and transmitted securely, whether in electronic or paper form. Personal confidential data is only shared for lawful and appropriate purposes.	4. Personal confidential data is only accessible to staff who need it for their current role and access is removed as soon as it is no longer required. All access data to personal confidential data on IT systems can be attributed to individuals.	8. No unsupported operating systems, software or internet browsers are used within the IT estate.
2. All staff understand their responsibilities under the National Data Guardian's Data Security Standards including their obligation to handle information responsibly and their personal accountability for deliberate or avoidable breaches.	5. Processes are reviewed at least annually to identify and improve processes which have caused breaches or near misses, or which force staff to use workarounds which compromise data security.	9. A strategy is in place for protecting IT systems from cyber threats which is based on a proven cyber security framework such as Cyber Essentials. This is reviewed at least annually.
3. All staff complete appropriate annual data security training and pass a mandatory test, provided through the revised Information Governance Toolkit	6. Cyber attacks against services are identified and resisted and CareCERT security advice is responded to. Action is taken immediately following a data breach or a near miss, with a report made to senior management within 12 hours of detection.	10. IT suppliers are held accountable via contracts for protecting the personal confidential data they process and meeting the National Data Guardian's Data Security Standards.
	7. A continuity plan is in place to respond to threats to data security, including significant data breaches or near misses, and it is tested once a year as a minimum, with a report to senior management.	

GMCA submitted its assessment against each of these standards which were then subsequently audited by NHS Digital. In August 2020 the results of the assessment were classified as “Standards Met”.

Whilst the purpose of the assessment was to provide assurance around health-related data, there is some wider assurance provided by the assessment over the wider GMCA data security activities and policies.

5.2. GMFRS - HMICFRS Inspections

In August 2020, HMICFRS were commissioned by the Home Secretary to inspect how fire and rescue services in England were responding to the COVID-19 pandemic. HMICFRS were asked to consider what is working well and what is being learned; how the fire sector was responding to the COVID-19 crisis; how fire services were dealing with the problems they face; and what changes are likely as a result of the COVID-19 pandemic. GMFRS was inspected between 2 and 13 November 2020.

A letter was received on 22 January 2021 with the results of that inspection. The letter confirmed:

- GMFRS maintained its statutory functions of prevention, protection and response during the pandemic
- GMFRS provided some additional support to the community during the first phase of the pandemic, predominantly using non-operational staff, retired firefighters and

community volunteers. Wholetime firefighters were used solely to respond to emergencies.

- The service's financial position was largely unaffected
- The service was able to respond quickly to staff absences and acted to improve resilience at fire stations
- The service has a plan in place to address the backlog in training that arose as a result of training being suspended in the initial stages of the pandemic
- The service communicated well with its staff throughout the pandemic, including on issues relating to wellbeing. It made sure all staff had the resources they needed to do their jobs effectively.

A number of areas of focus were identified in order to manage the pandemic on an ongoing basis.

The full letter can be found at [COVID-19 inspection: Greater Manchester Fire and Rescue Service \(justiceinspectorates.gov.uk\)](https://www.justiceinspectorates.gov.uk/covid-19/inspection-reports/gmfrs/)

5.3. GMFRS - Operational Assurance Activity

Greater Manchester Fire and Rescue Service (GMFRS) maintains an Operational Assurance (OA) team to undertake proactive and reactive monitoring across a range of operationally focused activities. The OA Team are supported by an extended team of Area based Officers to deliver a wide range of operational assurance activities. The OA team has defined its responsibilities as:

- A service that provides an effective balance of support and 'independent check and challenge', that is aligned to the expected service standards; and ensures all systems and internal controls are fit for purpose.
- Embedding a learning culture in the Service that supports and encourages both individuals and the Service to increase knowledge, competence and performance levels on an ongoing basis to promote continuous improvement.
- A new assurance approach to focus on self-assessment and validation that encourages self-awareness, and ensures high standards are met and maintained.

This "second line" assurance is a valuable source of assurance for GMFRS over operational activities. The 2020/21 annual outturn report was obtained and reviewed by Internal Audit. It details the scope and results of the OA work undertaken during the year and provides another source of assurance. A summary of the work undertaken, as detailed in the Operational Assurance Annual Outturn Report 2020-21 is as follows:

Capturing and reporting of safety critical events

All safety critical events are challenged and where possible rectified immediately. Incidents are recorded via the Active Monitoring System (AMS) highlighting a 'Safety Critical' event occurrence and create the associated individual learning point (ILP) and action plan. The safety critical events are monitored by the OA Team and also discussed at the Joint Health and Safety Committee. There were **93** AMS Action plans raised within the reporting year

2020/21 that have been deemed Safety Critical by the report or debrief author. This compares to **129** from the previous year 2019/20. Internal Audit reviewed a sample of minutes from the Joint Health and Safety Committee and confirmed that the Operational Assurance updates featured within the meetings including a summary of safety critical events.

Station Inspections

38 out of the 41 stations received a Station Inspection in 2020-21. OA noted some inconsistency in the quality of each SI report, in terms of format and grammar. The OA Team have shared a template, example of a 'good' report as well as a guidance note for SMs to utilise. There were several areas of good practice identified. A number of areas for improvement have also been identified. These are generally areas that could be rectified with a little more cognisance of issues found and diligence by Station Management Teams. The condition of GMFRS premises and buildings was reported as a concern, however a programme of investment has started and it is expected an improvement will be recorded in forthcoming Inspections.

Breathing Apparatus data downloads and analysis

The OA Team completed **15** of the planned **20** Breathing Apparatus (BA) data downloads within the 12 month period, randomly selecting one operational BA set per station for data analysis. Three stations data downloads were unable to be analysed due to defective software which gave the OA team a defective download. The two further outstanding downloads were not completed due to other workloads supporting the pandemic response and BCM activity. The results showed across the range of the 20 BA downloads analysed a correct completion rate of between **88% to 99%**, with 14 of the 15 tests achieving **over 90%**. There were **no** safety critical issues found across all tests analysed.

Incident Monitoring

In accordance with National Operational Guidance and the Fire and Rescue National Framework for England, the OA Team actively attends and monitors operational activity and complete incident monitoring reports. These are designed to assure the Service that emergency incidents are dealt with safely and in a highly effective manner. During the reporting period the OA core and extended team have completed **82** reports in the reporting year of 2020-21, which compares to and **64** reports in 2019-20. Action plans were created for either areas for improvement or notable practice.

Thematic reviews

Thematic reviews are based upon specific areas of operational risk and / or opportunity identified within the areas of operational preparedness, operational response and operational learning. At their conclusion, SLT will be provided with an informed report for due consideration and subsequent action, as appropriate.

The OA Team delivered two thematic audits in the reporting year. These were:

- Risk Assessment on Fire Stations - This audit looked at the current process and procedures of risk assessments for operational and training activity conducted on fire stations. The report was offered to SLT with key findings producing 6 recommendations.
- Operational Training – Phase 1 practical training - This audit looked at the elements of practical training conducted on phase one of the initial Firefighter training course. The report was offered to the Head of Operational Training with 17 key findings producing 11 recommendations.

Operational debriefing

Hot and formal debriefs are undertaken by each area and borough after incidents. Strategic debriefs are instigated following larger incidents, generally incidents involving a major incident, incidents involving eight pumps and above or unusual or protracted incidents.

They are arranged and facilitated by the OA Team and chaired by a Principal Officer. Incident Commanders along with functional officers are invited to formally discuss the incident in a constructive, supportive and confidential environment.

The debrief follows the nationally recognised 'structured debrief model', promoted as best practice by the College of Policing and Fire and Rescue guidance for National Operational Learning, that aims to highlight what went well, what did not go well and what can we learn.

During this reporting period OA have planned and facilitated **5** strategic debriefs for the year 2020-21 (compared to **13** in 2020-21). The debriefs produced **53** individual recommendations which were uploaded to AMS with action plans allocated.

Fatal and possible fatal and “2 in 24” incidents

23 fatal or possible fatal incidents have been attended and subsequent 'OA1' reports completed by OA Officers in 2020-21. This compares to **29** the previous reporting year. 8 “2 calls in 24 hours” investigations have been reported in 2020-21. Fatal and possible fatal (OA1) reports and “2 in 24” reports have been quality assured by the GMOA to ensure any issues relating to operational response or performance is offered for consideration to senior management.

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	<p>There is a sound system of governance, risk management and internal control in place. Internal controls are designed to achieve the system objectives and controls tested during the course of internal audit work were being consistently applied.</p>	<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
Moderate	<p>While there is an established system of governance, risk management and internal control in place, there are weaknesses, which put some of the system objectives at risk.</p> <p>There is evidence that the level of non-compliance with some of the controls may put some of the system objectives at risk.</p>	<ul style="list-style-type: none"> • The number of internal audit reports rated as “Limited Assurance” is small in comparison to those rated as “Reasonable”, “Substantial” Assurance • 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 over a number of key corporate risks.</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
	<p>b) <u>Limited by results</u></p> <p>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</p> <p>and/or</p> <p>The level of non-compliance with internal controls puts the systems objectives at risk.</p>	<ul style="list-style-type: none"> • 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 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.
<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</p> <p>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. • Audit actions are consistently not implemented in line with agreed timescales.

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 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.

GMCA Audit Committee

Date: 27 August 2021
Subject: Audit Action Follow up
Report of: Sarah Horseman, Head of Audit and Assurance

PURPOSE OF REPORT

This report advises Audit Committee of the progress to date in implementing the agreed actions from internal audit assignments.

This report was prepared for the July 2021 Audit Committee that was rescheduled to August 2021. A further quarterly update will be provided at the next Audit Committee meeting.

RECOMMENDATIONS:

Members are asked to review the progress of the implementation of Internal Audit recommended actions.

CONTACT OFFICERS:

Sarah Horseman, Head of Audit and Assurance - GMCA,
sarah.horseman@greatermanchester-ca.gov.uk

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 GMCA Internal Audit Plan comprises a range of audits agreed by Senior Leadership Team and Audit Committee. Each audit assignment concludes with the issue of an audit report and a number of agreed actions for implementation. Each action has a named responsible officer and an agreed target implementation date.
- 1.2 Internal Audit has responsibility for the follow up of agreed actions and reporting to Audit Committee on progress made.
- 1.3 This report provides an overview on the latest position of Internal Audit actions which were outstanding prior to this meeting.

2 Agreed Process

- 2.1 It is the responsibility of management to implement audit actions on time and provide updates for the tracker. To aid facilitation of this, Internal Audit maintains the action tracker which is shared with risk owners to capture updates on progress of outstanding actions.
- 2.2 GMCA Senior Leadership Team retains responsibility for overseeing the timely implementation of all audit actions and assessing the impact on risk.

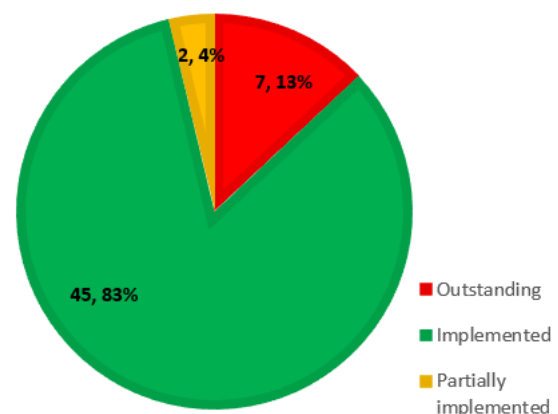
3 Current Status

- 3.1 Since the last report in April 2021, we are pleased to report an improved position on implementation of audit actions.

As at July 2021, **83%** of audit actions have been implemented. This represents an improvement from the Q4 position of 77%.

The target implementation rate is 85% so there is still progress to be made. Internal Audit continue to monitor action implementation and now report progress to SLT on a regular basis.

IMPLEMENTATION RATES



4 Analysis of Audit Actions – by Audit

4.1 The chart below shows the status of implementation of audit actions by audit.



4.2 Looking across the audits undertaken in 2019/20 and 2020/21, outstanding actions in relation to two reports (Employee Expenses and Car User and Mileage) are attributed to ongoing delays in the agreement and roll out of revised policy frameworks with unions for operational staff which have taken them beyond previously agreed target dates. We have recently been informed that these policies were initially launched but have been withdrawn over an operational issue raised by the unions, implementation of these actions will be held until the policy is in use across the organisation.

5 Analysis of Audit Actions – by Risk Rating

5.1 The table below shows the status of audit actions by the risk rating of the associated audit finding.

Action Status	Total	Critical (Major)	High (Significant)	Medium (Moderate)	Low (Minor)
Implemented	44	2	25	16	1
Partially Implemented	2	2	0	0	0
Outstanding	7	0	2	4	1
Not Yet Due	10	0	1	7	2
Total	63	4	28	27	4

Note: The terms in brackets relate to the legacy finding rating methodology. Those have been mapped to the current methodology of Critical, High, Medium and Low.

Status of Overdue Actions

Audit Title	Risk Rating	Audit Finding (taken from Audit Report)	Agreed Management Action	Target Date	Responsible Officer	Internal Audit Implementation Status	Audit Committee Update (June 2021)
Employee Expenses - Probity and Compliance 31/7/2019	Major	Policy and Procedures: The priority should be the establishment and roll out the HR policy framework for employee expenses, car user mileage and other related policies including purchase cards. This will require consultation and clearance with the Trades Unions.	Agreed - Actions will be the responsibility of the new Payroll and Pensions Manager (Recruitment process is ongoing)	March 2020	Payroll and Pensions Manager	Partially implemented	The Grey / Gold book policy was initially launched 11 May 2021 however it has been temporarily withdrawn due to an issue over insurance cover for those on detached duties. Work is ongoing to resolve this issue.
Employee Expenses - Probity and Compliance 31/7/2019	Moderate	Monitoring and Reporting: There should be at least 6 monthly reporting to SMT/CLT of spend across various expense types to ensure this remained consistent with policy expectations.	Agreed	March 2020	Payroll and Pensions Manager	Outstanding	Reporting processes are now in place with some initial reports being produced and monitored ahead of the first SLT reports to be produced over the summer.

Audit Title	Risk Rating	Audit Finding (taken from Audit Report)	Agreed Management Action	Target Date	Responsible Officer	Internal Audit Implementation Status	Audit Committee Update (June 2021)
Employee Expenses - Probity and Compliance 31/7/2019	Minor	VAT: Consideration should be given to the process for reclaiming VAT on relevant VAT expense claim transactions.	Agreed	March 2020	Payroll and Pensions Manager	Outstanding	VAT considerations will be addressed following the full launch of both policies.
Car User and Mileage 10/6/2020	Major	Policies and Procedures: The priority should be the agreement and roll out of a single, up to date GMCA Car User Mileage Policy and procedural framework.	An Employee Travel, Mileage & Expenses Policy which details claims which can be made through Payroll, to be drafted for consultation.	June 2020	Payroll and Pensions Manager	Partially implemented	This has been combined with the expenses policy and the Grey/Gold policy and was initially launched at the beginning of May however it has subsequently been withdrawn while an issue raised by the unions is resolved.

Audit Title	Risk Rating	Audit Finding (taken from Audit Report)	Agreed Management Action	Target Date	Responsible Officer	Internal Audit Implementation Status	Audit Committee Update (June 2021)
Car User and Mileage 10/6/2020	Significant	Policy Revisions: A full review of Car user mileage policy and procedural framework is required to ensure that it meets HMRC guidance, keeps business mileage costs to a minimum and reflects the flexibility of workforce activity and requirement to work across several work locations. Any agreed circumstances where exception to normal rules are applied should be reflected in the policy.	Details of the proposed policy to be submitted to SMT/CLT for approval. FAQs to be drafted once policy agreed	August 2020	Assistant Director of Workforce Operations	Outstanding	This will be included as part of the launch of the new policies.
Car User and Mileage 10/6/2020	Moderate	Monitoring and Reporting: There should be at least annual reporting to GMCA SMT/ GMFRS CLT of spend across the various mileage scheme types to ensure this remains consistent with policy expectations. High value individual claims	iTrent to provide bi-annual reports to SMT/CLT with effect from October 2020 onwards	September 2020	Assistant Director of Workforce Operations	Outstanding	Reporting processes are now in place with some initial reports being produced and monitored ahead of the first SLT reports to be produced in the summer.

Audit Title	Risk Rating	Audit Finding (taken from Audit Report)	Agreed Management Action	Target Date	Responsible Officer	Internal Audit Implementation Status	Audit Committee Update (June 2021)
		should be monitored by Payroll.					

Audit Title	Risk Rating	Audit Finding (taken from Audit Report)	Agreed Management Action	Target Date	Responsible Officer	Internal Audit Implementation Status	Audit Committee Update (June 2021)
Car User and Mileage 10/6/2020	Significant	<p>Private Vehicle Insurance and Document Validation: Clarification should be sought from the GMCA Corporate Insurance Manager and GMCA Insurers over the level of cover extended to staff using private vehicles for business purposes and any exceptions to levels of cover based on existing operational practices. Scanned copies of user documents should be retained by Line Managers for all staff using private vehicles for business purposes. There should be a requirement to resubmit this information at least annually. A longer term objective should be to look at the opportunity for users to upload a copy of documentation to MiPlace and the availability of reports</p>	Discussions to take place with Director of Corporate Services to identify business insurance needs required by employees. When the MiPlace Self Service is launched we will reiterate to Managers that they must request relevant documents before a claim is approved and retained by the Manager. Discussions with iTrent will follow after launch to enable the download of documents onto iTrent.	September 2020	Assistant Director of Workforce Operations	Outstanding	Discussions around this are ongoing.

Audit Title	Risk Rating	Audit Finding (taken from Audit Report)	Agreed Management Action	Target Date	Responsible Officer	Internal Audit Implementation Status	Audit Committee Update (June 2021)
		from MiPlace to show. - Where information has not been submitted - Where dates have expired (insurance / MOT end dates)					

Audit Title	Risk Rating	Audit Finding (taken from Audit Report)	Agreed Management Action	Target Date	Responsible Officer	Internal Audit Implementation Status	Audit Committee Update (June 2021)
GMFRS Pension Administration 18/9/2020	Medium	Documented process and procedure notes are not complete.	Detailed procedure and process notes will be put in place prioritising key transactions and those at most risk of challenge. The notes will include all key requirements such as requirements for supporting evidence and necessary approvals. These will be accessible to appropriate staff and regularly reviewed and updated.	April 2021	Payroll and Pensions Manager	Outstanding	Work is ongoing around this and most key procedures are now documented, work is ongoing to ensure all procedures have been documented.

Audit Title	Risk Rating	Audit Finding (taken from Audit Report)	Agreed Management Action	Target Date	Responsible Officer	Internal Audit Implementation Status	Audit Committee Update (June 2021)
Payments and Payroll Controls 20/4/2021	Medium	GMFRS Cheque Book Account: A cheque book Fire imprest account is used, but controls over the use of this account require review.	a) The cheque book account will be closed, unless there is a business need for the continued operation of this account. The decision to close the account or not should consider alternative payment routes and processes for any 'miscellaneous' payments types for which the account is ordinarily used which don't fit existing creditor or employee expenses payment procedures. b) If the continued operation of the cheque book account remains, written procedures for the control of the account should be put in place. Expected controls include	June 2021	Head of Finance (Management Accountancy) & Associate Partner, Transaction Finance	Outstanding	There has been no cheque activity since the start of the financial year, however there is a linked petty cash account and it is currently being confirmed that there are alternative methods for these claims in place. Once this has been confirmed discussions will be held with GMFRS to confirm that the account can be closed.

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GMCA Audit Committee

Date: 27th August 2021
Subject: Risk Management Update Report
Report of: Head of Audit and Assurance, GMCA

PURPOSE OF REPORT:

The purpose of this report is to inform Members of the Audit Committee of the risk management activities undertaken since the last Meeting and to present responses to specific questions raised by the Audit Committee around risk. A further update will be provided at the next Audit Committee meeting on progress made in Q2 of 2021/22.

RECOMMENDATIONS:

Audit Committee is requested to note the report.

CONTACT OFFICERS:

Sarah Horseman, Head of Audit and Assurance - GMCA,
sarah.horseman@greatermanchester-ca.gov.uk

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

This report provides an update on progress with the implementation of the GMCA Risk Management Framework since the last update to the Committee in April 2021.

2 Risk Management Framework Implementation

A number of phases for the roll out of the Risk Management Framework are included in the implementation plan that has previously been presented:

1. Develop the Risk Management Framework (Complete)

2

2. Undertake a Risk Management Maturity Audit (Complete – See Section 3)
3. Raise awareness and understanding across GMCA (In progress)
4. Align the Corporate Risk register to the new framework (Complete – See Section 4)
5. Develop departmental risk registers (In progress)

Since the last update, progress has been made in starting to roll out the framework so directorates can start to develop their own directorate risk registers. Risk workshops are being planned for July and August for Environment; Police, Crime, Fire and Criminal Justice; HROD; Finance and Communications. Further workshops will be arranged with the other directorates in Q2.

Progress with the agreed implementation plan for the Risk Management Framework is shown in Appendix A.

3 GMCA Corporate Risk Register – June 2021

The current GMCA Corporate Risk Register is provided overleaf. This contains:

- GMCA Strategic Risks – these are the risks that could impact the achievement of GMCAs objectives as set out in the Greater Manchester Strategy
- Escalated Organisational and Directorate – the purpose of including these risks is to provide oversight of those risks within the organisation with the highest potential (or actual) risk scores (>16) and an overview of the mitigating actions that are in place.

The Corporate Risk Register was reviewed by SLT and CEMT in June 2021. The following changes were made:

- Review and update of mitigating actions, and inclusion in the risk snapshot included below
- Removal of the strategic risk around the Mayoral Election, risk is not a current risk but will re-emerge when future elections are held
- Addition of a risk around Greater Manchester Police
- A new risk was added to the organisational risk register around catastrophic events (eg power cuts, flooding etc) impacting core services impacting such as ICT services. This risk does not fall within the escalation procedure as it scores <16 however it did demonstrate robust discussion at SLT level regarding the landscape of organisational risks and a useful discussion around the difference between directorate and organisational risks and how to differentiate the two so that they are represented and reported in the most appropriate way.

Strategic Risks (June 2021)

Type	Ref	Risk Title	Description	Cause	Consequence	Owner	Likelihood	Impact	Score	Mitigating Controls	Likelihood	Impact	Score	Trend
National political and economic environment	SR1	Levelling up/ devolution	National politics significantly impact the devolution agenda, funding and powers of GMCA.	National political agenda and priorities differ from GM priorities Poor relationships with central government	Devolved powers are reduced Access to funding is restricted Ability to influence devolution agenda is reduced	Eamonn Boylan, CEO	4	5	20	Stakeholder engagement - particularly building new narrative with Government and new Levelling Up Unit in No.10	3	5	15	↔
	SR3	Brexit	The implications of Britain's future trading relationship with the EU will take time to emerge - with both threats and potential opportunities	The Trade and Co-operation Agreement was signed in late December. The implications of this will only become clear as people start to 'trade' under these new terms. Also there are a number of 'phasing' clauses with certain aspects only coming into effect after a further period. In the main the document covers 'goods' rather than 'services'	GM strategy (GMS) and GMCA business planning assumptions are impacted. Loss of future funding streams. Impact on future GM business growth.	Simon Nokes, Executive Director Policy & Strategy	5	3	15	Ongoing work to examine the consequences/opportunities) of the new trading relationship with Europe on the GM Economy via the Economic Resilience Group. International Strategy to be refreshed Ongoing Mayoral, Leaders and Chief Officer engagement with Government Departments - about implications on GM economy. Ongoing work with Government on future funding via UKSPF. CRF is a forerunner with GMCA managing the bidding process in GM. UKSPF details to follow in late 2021/early 2022	5	3	15	↔

Type	Ref	Risk Title	Description	Cause	Consequence	Owner	Likelihood	Impact	Score	Mitigating Controls	Likelihood	Impact	Score	Trend
	SR8	Climate Change and Carbon Reduction	Failure to deliver on GM climate change initiatives within the required timescales with consequent impacts on achieving GM's long term carbon reduction targets.	The scale of the task (to reach the ambitious carbon targets set) is such that there are a number of potential causes of failure: lack of funding; lack of change levers; lack of partner support; lack of sufficient engagement with GM organisations, businesses and citizens; a change in political priorities; failure to successfully lobby national government and global oil, gas and electricity price changes.	Long term climate change risks to population, business and infrastructure. Systemic and complex nature of the issue results in delayed decision making & action. Reputational damage to CA. Risk of disruption from climate protests.	Mark Atherton, Environment Director	4	4	16	1. GM 5 Year Environment Plan (March19) – which includes immediate mitigation and adaptation measures and further innovation measures needed to meet the challenge. 2. Mission based approach being adopted to gain broad cross sectoral support and action. 3. Commitment of funding from Retained Business Rates to support initial delivery against the agenda and external funding opportunities to support substantial change initiatives. 4. Media activity and annual Green Summit to share progress, encourage change and demonstrate Mayoral commitment. 5. Engagement with activist groups to share progress and raise awareness of constraints. 6. ELT group established to assist in embedding our response to the climate emergency across all directorates	3	3	9	↑

Type	Ref	Risk Title	Description	Cause	Consequence	Owner	Likelihood	Impact	Score	Mitigating Controls	Likelihood	Impact	Score	Trend
GM Operating Environment	SR2	GM operating environment	Failure to develop trust, cohesion and credibility with and between local GM system and partners	Ineffective stakeholder engagement Inability to effectively facilitate effective and transparent decision making across GM	Failure to effectively deliver outcomes of GMS due to lack of collaboration across GM network and partners.	Andrew Lightfoot, Deputy CEO	4	5	20	CEMT engagement with districts and partners ELT Group established Feb 21 "Working better as a GM family" - strengthen the impact and efficiency of GMCA, GMFRS and TfGM and enhancing relationships with other GM organisations.	3	3	9	↕
	SR5	Wider Impact on GMCA and GM District Finances of Covid-19	The financial implications on GMCA and GM Districts from the measures put in place to support residents and businesses through the Covid-19 crisis put at risk funding available for ongoing services as well as future ambitions.	Detrimental impact on Business Rates growth which will reduce the 50% element subsequently retained by the CA. Significant financial impact on GM Districts and GMCA budgets,	Likely deficit on Local Authority collection funds and a reduction in the overall Council Tax base which will reduce income from GMFRS, Mayoral and PCC precepts in cash terms from 2021/22.	Steve Wilson, Treasurer	4	5	20	The Covid-19 pandemic continues to have a significant economic impact on GM residents, businesses and public services. Regular financial update reports to GMCA have been provided during the pandemic with a detailed analysis of areas affected, an analysis of government financial support and a review of the local impact on resources with agreement for managing financial risk across GMCA and GM Councils. Where appropriate this has been reflected in the approved budgets for 2021/22. GM Treasurers continue to meet fortnightly. A quarterly report providing an update on activity and system	3	3	9	↕

Type	Ref	Risk Title	Description	Cause	Consequence	Owner	Likelihood	Impact	Score	Mitigating Controls	Likelihood	Impact	Score	Trend
										developments in support of the implementation of the Living with Covid Resilience Plan.				
	SR6	GMS does not deliver desired outcomes for GM	Outcomes defined within GMS are less achievable given COVID	Social, behavioural and financial impacts of COVID affect the timescales of delivery of GMS outcomes	GMS does not meet the changed needs of GM now or in the future.	Simon Nokes, Executive Director Policy & Strategy	4	5	20	GMS to be refreshed during Summer 2021 to reflect long term strategy learning from Covid, IIC etc with a stronger focus on wellbeing. This will include 3 year delivery focus and be developed with a wide range of stakeholders/community via existing mechanisms. It will also include some 'community data/targets' to reflect a more granular view of issues across GM	2	4	8	↔
	SR7	Transport - Metrolink	Significant loss of transport revenue due to Covid-19 and reduced patronage levels; uncertainty over longer term government funding support beyond 2020/21.	Reduced patronage levels since the first wave of Covid-19 and further lockdown restrictions imposed. Patronage fails to reach previous levels as people continue to work from home longer term.	Shortfall for 2021/22 estimated at £46m. Funding will not be available for a renewals programme.	Steve Wilson, Treasurer	4	4	16	Department for Transport (DfT) funding has mitigated impact of revenue losses with funding confirmed to 19 th July 2021. TfGM has been developing a recovery plan for Metrolink, as part of supporting the development of the future funding strategy and to support the discussions with government on ongoing funding for Metrolink. TfGM performed a review of the cashflow projections and reserves. It is concluded that the risk in the short term is manageable in the context of the	4	4	16	↔

Type	Ref	Risk Title	Description	Cause	Consequence	Owner	Likelihood	Impact	Score	Mitigating Controls	Likelihood	Impact	Score	Trend
										mitigations and the reserves balance held				
	SR8	Greater Manchester Police - governance, leadership and performance	Failure of leadership and/or governance to ensure that the force provides the desired level of service to GM residents and communities	Inadequate governance, leadership and control within GMP	The service provided to victims of crime is inadequate. The service provided to GM residents and communities by GMP is not at the desired level Resources are not used effectively and efficiently to achieve the strategic objectives of GMP.	Clare Monaghan - Director of Police, Crime, Fire and Criminal Justice.	4	5	20	New Chief Constable (CC) joined May 2021. CC is developing a plan of 16 key initiatives for presentation at Deputy Mayor's Executive and the Policing Performance Oversight Group (PPOG) both in July 2021. This includes (but is not limited to) the development of a new performance management and outcomes framework, development of a Strategic Delivery Plan as well as reviews of processes, structures and systems.	4	5	20	↔

Escalated Risks (June 2021)

Type	Ref	Risk Title	Description	Cause	Consequence	Owner	Likelihood	Impact	Score	Mitigating Controls	Likelihood	Impact	Score	Trend
Organisational	OR1	Covid-19 reduces staff availability through absence, sickness, self-isolation.	Increased risk of staff absence in GMCA/GMFRS due to Covid-19 and/or caring responsibilities due to ongoing lockdown restrictions.	Increased levels of sickness across the organisation due to contracting the Covid-19, self isolating and/or mental health and stress	GMFRS: Inability to deliver statutory functions (GMFRS), potential impact on fire cover GMCA: Inability to deliver core services and progress desired outcomes	DCFO, Dawn Docx (GMFRS) SLT (GMCA)	4	5	20	GMFRS: Key policies and processes in place to support operational resilience, staff and signpost to EAP Programmes: Regular and timely communication messages to all staff providing updates on key messages - internally and externally on. Guidance provided to Line Manager regarding supporting colleagues during this period. Degradation Policy COVID-19 Strategy & Response Plan Overtime Arrangements (agreed with FBU) Manager's Handbook Inc. Cleaning Procedures	2	4	8	↔

	OR4 Staff Mental and Physical Wellbeing	Prolonged lockdown restrictions and altered working arrangements may affect staff health, wellbeing and morale.	lockdown restrictions and increased isolation.	<p>Childcare & home schooling are meaning staff are worrying about not getting their work done and also not providing the right support for their family.</p> <p>Physical and mental health negatively impacted due to extended home working and isolated working.</p> <p>Increased levels of sickness due to mental health and stress.</p> <p>Prolonged absence from the work environment affect staff development and learning and induction of new staff.</p>	SLT, GMFRS ET	4	4	16	<p>Tootal Building and GMFRS HQ remain open for the most vulnerable staff and those unable to work from home.</p> <p>~ Wellbeing initiatives and resources available for staff - OH support available as required for further support ~ Weekly online briefings from the Mayor, Chief Executive and SLT Members</p> <p>GMFRS - Health and Wellbeing team undertake range of initiatives to support employee mental health and well-being. This capability has been enhanced as a result of the covid crisis. Reasons for absence are monitored and tracked. General and specific wellbeing support is in place across the service</p>	2	3	6	↓
	OR9 Funding and grants not spent in line with	Capital programme: Regeneration, infrastructure and investment funding	Delays in progressing schemes/activities due to Covid-19 and challenging	Failure to deliver the capital programme and delays in delivery of schemes by	SLT	4	5	20	Performance reporting and oversight by SLT	3	3	9	↑

	timescales / conditions	(Growth Deal, Transport Grant etc.) awarded to GMCA is not spent in line with spending profile and this impacts future year financial awards. Grant Funding: Funding not spent in time/ in line with grant conditions	economic conditions..	districts and TfGM could result in reductions to future funding allocations and increased risk of clawback. Impact on the ability to secure value for money and achievable outcomes set out in the GMS. Underspend of grant funding Lack of confidence from key partners and funders could impact future funding awards							
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OR10	Data Protection Act 2018 compliance	Failure to comply with the requirements of the Data Protection Act 2018 (Inc. GDPR).	Arrangements are insufficiently developed in GMCA to meet obligations placed upon the organisation by Information legislation. Inclusive of Data Protection and transparency laws. Including expected organisational standards in respect of information management and governance. New ways of working increase the risk of failing to comply with GDPR requirements through poor data privacy controls in home working arrangements. Roll out of innovative technology to support new ways of working not properly assessed and no information management	Breach of information security through data loss or increased risk of Public Sector susceptibility to cyber crime including phishing attempts, hacking and denial of service attempts from external parties. There is an inability to demonstrate GDPR compliance and ensure effective information management and governance arrangements could result in: • Breaches of legislation • Judicial review • Litigation • Claims • Reduced transparency and visibility of information and data • Reputational	Phillipa Nazari, Data Protection Officer	4	5	20	GMCA Information Governance Board and Serious Information Governance Incident Panel chaired by SIRO. Mandatory IG training for all staff	3	4	12	↔
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			strategy in place to manage this.	<p>damage arising from breaches</p> <ul style="list-style-type: none"> • Loss of public Trust • Inability to secure data sharing agreements with partners / Government. • Detrimental impact on GM wide programmes of work 									
OR12	Information Security	Organisational arrangements are insufficient to deter, detect and prevent unauthorised access to ICT systems and to respond effectively as and when breaches do occur.	Loss of skilled and trained staff to lead on IS security resulting in insufficient focus on risks, identification of issues and outdated policies. Lack of a comprehensive and clear view of ICT security risks and	<p>Inability to deliver statutory, legal, workforce, financial and blue light services.</p> <p>Potential loss/misuse of information or data, ICT downtime and costs of remediation.</p>	Phil Swan, Director of Digital	4	5	20	<p>1. Governance created to support the strategic direction of ICT/Digital and, separately, IG to improve cyber security.</p> <p>2. Majority of ICT infrastructure is based on mature GMFRS network, systems and applications. Further investment being made in technology to secure the network and enable secure multi-agency working, however we have some vulnerabilities. Short, medium and long term plan in</p>	3	5	15	↑

				<p>the means of keeping this up to date.</p> <p>Lack of access to an effective ICT security alerting mechanism similar to CareCERT capability in the NHS.</p> <p>Regular requests to to rapidly stand up new digital capabilities at whole organisation scale e.g. to support remote working.</p>	<p>Reputational damage.</p> <p>Financial costs of full ICT recovery if needed (est. over £10M).</p> <p>Partner and wider public confidence could be impacted should security issues arise.</p> <p>Ability to pool/share data with third parties could be impacted if the GMCA cannot demonstrate compliance with requirements of the Public Service Network or other security accreditation.</p>				<p>development.</p> <p>3. Investment in tools to scan the infrastructure to ensure that vulnerabilities are identified and addressed.</p> <p>4. Support provided through mandatory IS training online (LMS) and information on the GMCA intranet. Training on information security is monitored and tracked through SMT.</p> <p>5. As discussed at the Oct 2020 Information Governance Board, additional ICT security features are available but will require organisational engagement and they will change practices. Proposals for further tightening security progressing.</p> <p>6. ICT security responsibilities being clarified through re-assignment of Deputy CIO responsibilities, and honoraria relating to the unfilled ICT Security Lead role which GMCA has been unable to recruit despite multiple attempts as grading is too low.</p>				
Directorate	DIR-EWS-01	Covid 19 - Delivery of Work & Skills Externally Funded Programmes supporting GM Residents	Work & Skills Directorate currently manage in excess of £200m of external funding that support GM Residents to improve their skills	Lockdown and further local restriction have meant that work and skills provider delivering contracts in GM are unable to deliver the face to face provision to	Those GM residents in most need may be unable to access support at time when many require additional support in developing	Gemma Marsh, Director, Work and Skills,	4	5	20	A covid contingency plan to support Greater Manchester Work & Skills Programme was agreed in March 20. The plan built was built around the emergency policy government put in place - PPN 02/20 in relation to supplier relief. The plan was based around a 12 month period with quartely reviews. This allowed most providers to move	3	5	15

<p>and progress into employment, which include AEB and Working Well programmes.</p> <p>The national and local restrictions in place in relation to Covid-19 have a major impact on how Work and Skills contract continue to be delivered in GM.</p> <p>Potential financial instability of the providers base in GM.</p> <p>Potential underspend in grant funding and lower than expected performance against targets set by of funders.</p>	<p>GM residents that are key element of their contracts.</p> <p>Most contracts are delivered on a PBR basis therefore providers ability to draw down funding could be seriously impacted upon, thus creating some financial instability, particularly for smaller providers.</p>	<p>transferable skills to support them in the labour market or support addressing health or other related barriers into employment.</p> <p>GM would not have a provider base that was strong enough to respond to demand, at a time of greater need to support GM residents and businesses who have been hit by immediate impact, as well as longer-term implications for the local economy.</p>			<p>over to cost payment model in order to address financial instability issues.</p> <p>Maybe a need for further consideration post March 21, depending on how the position with the pandemic progresses.</p> <p>Providers have tasked with developing alternative methods of delivery during this period to ensure that those in need, could access the services and these are review as part of the ongoing contract management.</p> <p>Robust contract management processes are in place, along with open book contract management.</p> <p>Working closely with DWP and other government department to align our approach to contract mangement during the pandemic</p> <p>Working with finance/procurement colleagues in the use of Company Watch - a due diligence system designed to assess the financial standing of companies.</p>
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<p>DIR- EWS- 02</p>	<p>Skills Bill - legislative changes linked to Skills for Jobs White Paper and impact on devolved skills functions via AEB</p>	<p>The Skills for Jobs further education reform White Paper introduced new employer-led local skills planning functions which will be placed on a statutory footing, meaning that colleges and training providers will be legally obliged to respond to these new Local Skills Improvement Plans (LSIPs) which has potential to disrupt/undermine the exercise of the CA's devolved skills functions.</p>	<p>Two areas of concern in the legislation: 1) There is no requirement on the employer representative bodies (ERBs) that will be leading the Local Skills Improvement Plans (LSIPs) to consult with GMCA or the LAs in relation to the geographic footprint of the LSIP or strategic priorities for the area identified. The Secretary of State will have the power to designate/remove ERBs without consultation with GMCA and, whilst MCA agreement to the proposed LSIP would assist SoS approval, DfE has ruled out rejecting proposals that are not supported/actively opposed by MCAs..</p>	<p>1. If ERBs focus on particular elements of employers' skills needs without taking account of the wider skills and employment 'supply chain' in its entirety, colleges and training providers will be obliged to respond to those plans, potentially leaving some areas of need unmet, particularly at lower skills levels. 2. Despite GM being a well-recognised functional economic area, there is no guarantee that new LSIP proposals will follow the GM footprint. This would impact the coherence of the GM-wide approach to the labour market and could introduce real</p>	<p>Gemma Marsh, Director, Work and Skills,</p>	<p>4</p>	<p>4</p>	<p>16</p>	<p>1. Work with Legal colleagues to review draft legislation, assess risk from both legal and policy perspective and develop proposals for amendments. 2. Work with Public Affairs colleagues to identify ideal outcome, tactics for securing potential amendments to the draft legislation, and identifying influencers (political and sector) who might support our approach. 3. Work collectively with MCAs to develop a collective M10 position, as well as other organisations which have an interest in achieving a more collaborative/consultative approach within the legislation.</p>	<p>3</p>	<p>4</p>	<p>12</p>
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<p>2) The SoS will also be given new powers to establish a register of approved training providers; funding authorities, including MCAs, would be prohibited from contracting with non-approved providers outside of that national register.</p>	<p>complexity in terms of both GM's labour market strategy and associated AEB funding policy, and operational delivery.</p> <p>3. If required to commission education and training from providers on a national register, it both undermines GMCA's ability to exercise devolved functions (which include a range of statutory obligations) as it sees fit and could impact the responsiveness of the provider base. Given GMCA's robust due diligence in developing our flexible procurement system, a national register might also impact the quality and stability of the providers with</p>
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				whom we can contract.								
DIR-WR-01	GM Waste & Recycling Contract	(a) Contractor(s) fails to perform as required by the Contract. (b) Construction of new facilities are	Causes generated by Brexit and changes to Government policy.	The Contracts do not achieve intended financial, service, social and environmental outcomes	David Taylor, Executive Director Waste	4	4	16	Robust performance management framework in place to incentivise performance Transfer of knowledge from advisory team to core Waste team. Experienced contract management team in place	3	3	9

		<p>delayed.</p> <p>(c) Recyclable materials value reduce as a result of global commodity trends or the quality of the material collected is not high enough</p> <p>(d) National Waste and Resources Strategy results in change to collection, treatment or disposal requirements</p> <p>(e) A no-delay Brexit affects services (e.g. fuel shortages, supplies import delays, loss of drivers etc.)</p>	<p>Income from commodities decreases and/or costs of processing increase and/or costs of rejection increase and/or materials are managed in a less environmentally favourable manner and/or recycling performance decreases</p> <p>Additional collection costs and/or claims from disposal contractor for changes in waste flows or composition; potential redundancy of facilities and/or procurement of new contracts due to imposed requirements of National Strategy.</p> <p>Brexit: some services may have to be reduced</p>			<p>utilising existing contract management systems.</p> <p>Core GMWDA team transferred to GMCA provides continuity and knowledge transfer. Additional contract management resources being recruited.</p> <p>Management of progress through project planning and contractor liaison. Operational risk register in place. Oversight by Waste Committee.</p> <p>Tracking of global commodity prices to give transparency, 2 year communications and engagement plan with focus on contamination and improve quality of recyclables collected.</p> <p>Joint group with WCAs to develop responses to consultation documents.</p> <p>Brexit contingency plan provided by Suez and other contractors' advise of their mitigations.</p>	
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APPENDIX A – RISK MANAGEMENT FRAMEWORK IMPLEMENTATION PLAN

In order to effectively embed this risk management framework within GMCA there need to be a number of actions that initially take place to raise awareness and understanding of risk management but in the longer term to ensure GMCAs culture around risk management continues to evolve and mature so that it is an efficient and effective process within the organisation.

This implementation plan sets out the short, medium and long term action needed to implement the framework.

Activity	Responsibility	Original Timescale	Status
1. Develop the Risk Management Framework			
a) Define the risk management framework	HoAA	October 2020	Complete
b) Obtain SLT buy-in and support for the risk framework	HoAA	November 2020	Complete
c) CEMT approval of framework	HoAA	Prior to 13 November 2020	Complete
d) Audit Committee review and comment	HoAA	20 November 2020 (papers by 13 November)	Complete
a) Draft Terms of Reference for Risk Management Maturity audit	HoAA	October 2020	Complete
b) Approve Terms of Reference	SLT	November 2020	Complete
c) Undertake Internal Audit	Internal Audit	November – December 2020	Complete
d) Report results to SLT	Internal Audit	January 2021	Complete
a) Develop training and awareness materials	Risk resource	Q1 2021/22	Q2 2021/22
b) Develop internal communications launching the risk framework	HoAA / Internal Comms	Q1 2021/22	In Progress
c) Launch risk management framework	CEMT	Q1 2021/22	Q2 2021/22
d) Roll out training and awareness activities	Risk resource	Q1 2021/22	Q2 2021/22
2. Corporate Risk Register			
a) Quarterly update of [existing] Corporate Risk Register	SLT/CEMT	November 2020	Complete
b) Quarterly review of Corporate Risk Register	Audit Committee	20 November 2020	Complete

c) Move Corporate Risk Register to new risk management framework	SLT/CEMT/Internal Audit	March 2021	Complete
d) Audit Committee review of revised Corporate Risk Register	Audit Committee	April 2021	In progress
e) Ongoing review of strategic and escalated risks as part of BAU for SLT and CEMT	SLT / CEMT	April 2021 onwards	Ongoing
3. Develop risk registers			
a) SLT Risk workshop	Risk resource	February 2021	Complete
b) Directorate risk workshops	Risk resource	Q1 2021/22	In Progress
c) Develop directorate risk registers	Directorates / Risk resource	Q1 2021/22	In Progress
d) Ongoing review of risks as part of BAU for all directorates	Directorates / Risk resource	Q2 2021/22 onwards	

GMCA Audit Committee

Date: 27 August 2021

Subject: Internal Audit Progress Report

Report of: Sarah Horsman, Head 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 Q1 2021/22 and the finalisation of outstanding reports from 2020/21. It is also used as a mechanism to approve and provide a record of changes to the internal audit plan.

RECOMMENDATIONS:

Audit Committee is requested to:

- Consider and comment on the progress report
- Approve the changes to the Audit Plan (Section 3)

CONTACT OFFICERS:

Sarah Horseman, Head of Audit and Assurance - GMCA,
sarah.horseman@greatermanchester-ca.gov.uk

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

The Internal Audit strategic three-year plan for GMCA was presented to the Audit Committee in April 2021 and this set out the planned assurance activity to be conducted during 2021/22 based on our understanding of the organisation's strategic and operational risks.

Separate plans are 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.

The purpose of this progress report is to provide Members with an update against the GMCA audit plan for 2021/22 and to report on the conclusion of outstanding work from the previous year.

2 Progress against the 2020/21 Internal Audit Plan

2.1 Internal Audit work completed since the last meeting of the Audit Committee

Since the last Audit Committee held on 27 April 2021, we have issued five published final reports as noted below. These outstanding audits have been considered as part of the Head of Audit's annual assurance opinion for 2020/21.

- **Waste and Recycling Contracts - Payment and Verification Processes:** This audit sought to provide assurance over core payment processes for the Waste and Recycling contracts including cost control arrangements, invoicing, payment structures and deductions. The audit provided a **reasonable assurance opinion** on the overall controls in place to calculate, verify and pay invoices for the Waste and Recycling contracts with a small number of agreed actions for improved control which were agreed by management.
- **GMCA Performance Management Arrangements:** This report provided a **limited assurance opinion** over the design and effectiveness of the existing performance management and reporting framework. The report highlighted the lack of a formally defined process for reporting on progress against delivery with a desire for more consistency over how we report and evidence progress on delivery of key priorities. At Directorate level, there was some good practice in place to define, measure, monitor and report on performance. Our report made two high and two medium risk actions, and we have agreed a timetable for implementation of these by the end of September 2021.
- **Mayoral Advisors:** Internal Audit were requested by the Chief Executive to undertake a review of the governance arrangements in place around Mayoral Advisors and to confirm that GMCA does not remunerate Mayoral Advisors either directly or indirectly. Our report provided a **limited assurance opinion** and the findings were discussed with the Chief Executive and Mayors office. The audit concluded that there was a lack of transparency and governance around the appointment of Advisors but did confirm that none of the advisors had been

directly remunerated by GMCA specifically for their advisory role. Two Advisors had been appointed into paid consultancy roles with a further Advisor being paid from grant funding awarded to an outside organisation.

Our report made four recommended actions including one high risk action. The Deputy Chief Executive is leading on developing a protocol by September 2021 to address the findings from the report which will include a review of arrangements for the appointment to Advisor roles and the establishment of panels for the second term of office.

Internal Audit will continue to monitor progress against the formal action plan once this is agreed.

- **Peer Network Funding to Local Enterprise Partnerships 2020/21** - Two certifications supporting claims of just over £1million were completed in May 2021 and signed reports returned to the Department for Business, Energy and Industrial Strategy (BEIS).
- **Grant Certification: Additional Dedicated Home to School and College transport (tranches 2&3)** - This £2.2m grant certification was completed, and a signed certification returned to the Department of Education in June 2021.

Details of the number and priority of agreed actions in respect of these audits are attached in **Appendix A** and the Executive Summaries from Final reports is included at **Appendix D**.

Our progress in delivering the audit plan is broadly on track, with the completion of outstanding work from 2020/21 being a priority during quarter 1. Several planned quarter 1 audits are under way together with some unplanned grants and responsive investigation work. The resourcing position for the service remains under review alongside any impact on the client side based on COVID restrictions and working arrangements.

2.2 Internal Audit work in progress 2021/22

A summary on the status of ongoing audit work is as follows:

Planning Stage	
ICT Security Audit (Q1) – Outsourced Work	Salford Internal Audit Service have been engaged to undertake a cyber security which will commence in July 2021.
CIT - Loan Funding and Approval (Q1)	An initial client discussion meeting has taken place in June to ascertain areas to be included in scope with a formal terms of reference for the assurance work to be agreed.
Supporting Families (Q2)	Planning has commenced on the audit of the Supporting Families programme (formally Troubled

	Families) with a meeting of District audit teams and Early Help Leads held in June
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Fieldwork Stage	
Procurement – Contract Award (Q1)	This work has commenced and is focused on the processes for the approval and formal ‘sign off’ of contracts and compliance with the GMCA constitution and finance procedural rules.
Programme and Project Governance (Q1)	This work has commenced to examine the arrangements in place for the delivery of programmes and projects, including the level of corporate resource and support available.

Reporting Stage	
BEIS Growth Hub Funding Grant Certification 2020/21 (Q1)	Work is complete to certify expenditure in relation to three BEIS grants and certification is being prepared prior to sign off.

Details of our progress in respect of the 2021/22 Audit Plan is shown in **Appendix B**.

3 Changes to the Internal Audit Plan

The internal audit plan is regularly reviewed and can be amended to reflect changing risks and/or objectives. In line with the Internal Audit Charter, any significant changes to the plan must be approved by the Audit Committee.

The audit plan is agile and can be flexed to meet current risk requirements. At this stage there are no proposed changes to the audit plan for 2021/22 other than in year timing of work. The plan will be reviewed again when the additional resources for the team have been appointed and the number of additional days for the year that resource will be able to deliver can be confirmed.

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

4 Other Activities

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

4.1 **External Quality Assessment (EQA) of GMCA Internal Audit Service:** During May an external peer review of compliance against the Public Sector Internal Audit Standards (PSIAS) standards was carried out by Heads of Audit from

Stockport and St Helens. We are awaiting the formal outcome of this work and this will be shared with Audit Committee members at a future meeting. Initial communications back from the assessment team indicate that the overall conclusion will be that the service conforms with PSIAS with some areas for improvement that had been identified during the 2020/21 self assessment of Internal Audit Effectiveness.

4.2 Extended Leadership Team (ELT) Development Sessions: There are several organisational development areas being progressed through ELT sub-groups to which Internal Audit are actively engaged and contributing. These include an update of the GMCA Constitution, a review of corporate processes, PPM review, refresh of GMCA Business plans and Greater Manchester Strategy.

4.3 Risk Management update – See separate paper

4.4 Whistleblowing and Counter Fraud activities – See separate paper

- The Head of Audit and Assurance has been appointed as Investigating Officer to a Formal Grievance that has been received which does have a whistleblowing element to it. That element will be reported through to Audit Committee in line with whistleblowing arrangements.

4.5 Boards and subgroups

- The Head of Audit and Assurance is a member of the Information Governance Board and of the Serious Information Governance Incident (SIGI) Panel both of which are chaired by the Senior Information Risk Owner. The Board meets on a regular basis. Progress has been made in identifying and managing IG risks and in developing formal mechanisms to record decisions made by SIGI in relation to specific incidents.
- Internal Audit also attend the Freedom of Information (FOI/EIR) and Transparency User Group to feed into the development of processes around statutory duties under the Freedom of Information and Environment Information Regulations. This group will provide assurance to the Information Governance Board
- Internal audit attends the North West Chief Audit Executive Counter Fraud subgroup which generally meets quarterly on fraud matters affecting the region, knowledge sharing and good practice.

Appendix A - Summary of Internal Audit Reports issued 2021/22

The table below provides a summary of the internal audit work completed. This will inform the annual Internal Audit opinion for the year 2021/22.

Audit	Assurance Level	Audit Findings					Coverage		
		Critical	High	Medium	Low	Advisory	GMCA	GMFRS	Waste
External Quality Assessment of Internal Audit (Q1)	TBC - Reporting						✓	✓	✓
Procurement – Contract Award (Q1)	TBC – In progress						✓	✓	✓
Programme and Project Governance (Q1)	TBC – In progress						✓	✓	✓

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Grant Certifications				
BEIS Growth Hub Funding			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.

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 • 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 	5
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
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Appendix B – Progress against the Internal Audit Plan 2021/22

The table below shows progress made in delivery of the 2020/21 Internal Audit Plan.

Key: ○ Not Yet started ⊙ Scheduled ● In progress ● Complete

Directorate	Audit Area	Audit	Timing	Planning	Fieldwork	Draft Report	Final Report	Audit Committee	Comments
Corporate Services	Governance	Annual Governance Statement 2020/21	Q1	●	●	●	○		IA contributing to the update of the AGS
Corporate Services	Grants	Mandatory Grant Certifications	Q1-Q4	○	○	○	○		There are several grants requiring certification
Corporate Services	ICT	Cyber Security	Q1	●	⊙	○	○		Commencing July 2021
Corporate Services	Grants	BEIS Growth Hub Funding 2020/21	Q1	●	●	●	○		Three separate BEIS grants administered by the Growth Co.

Directorate	Audit Area	Audit	Timing	Planning	Fieldwork	Draft Report	Final Report	Audit Committee	Comments
Core Investment Team	Loans and Investments	Loan Approval Decisions	Q1	●	○	○	○		
Corporate Services	Procurement and Contracting	Contract Award and Finalisation	Q1	●	●	○	○		Fieldwork ongoing
GMFRS	Governance	Whistleblowing	Q1	●	●	○	○		Ongoing investigation
Corporate Services	Governance	Governance Framework	Q1	○	○	○	○		
Corporate Services	Governance	Programmes and Project Governance	Q1	●	●	○	○		Fieldwork ongoing
Education, Work and Skills	Finance	Adult Education Budget	Q1	○	○	○	○		
Corporate Services	Finance	Accounts Receivable	Q2	●	○	○	○		
GMFRS	GMFRS	Stores	Q2	○	○	○	○		
Corporate Services	Finance	Grant Funding Management and Reporting	Q2	○	○	○	○		

Directorate	Audit Area	Audit	Timing	Planning	Fieldwork	Draft Report	Final Report	Audit Committee	Comments
Public Sector Reform	Compliance	Supporting Families	Q2	●	○	○	○		Planning underway
Environment	TBC	Carbon Reduction	Q3	○	○	○	○		
Corporate Services	Finance	Budgetary Control	Q3	○	○	○	○		
Placemaking	TBC	Asset Compliance	Q3	○	○	○	○		
GMFRS	Training	Continuing Professional Development	Q4	○	○	○	○		
Mayoral	Governance	Mayoral Priorities	Q4	○	○	○	○		

Other Audit Activity		Quarter
Information Governance	Head of IA is a member of the IG Board, ongoing advice and oversight of IG risks through this forum.	All
Risk Management	Internal audit facilitates quarterly strategic risk register updates through the Senior Leadership Team and the ongoing development and implementation of a GMCA-wide risk management framework.	All

Audit action tracking	Internal audit will monitor and report on a quarterly basis the implementation of agreed audit actions	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	As needed

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 board 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 April 2021.

Audit Area	Audit	Timing	Days	Change requested	Rationale	Approved by Audit Committee
					There are no planned changes to the audit plan	

Appendix D - Executive Summaries for Final Issued Reports

Additional Home to School and College Transport Grant Certification



Department for Education
Sanctuary Buildings
Great Smith Street
London
SW1P 3BT

15 June 2021

To Whom it May Concern,

CERTIFICATE OF COMPLIANCE

Re: Grant Determination Letter for Additional Dedicated Home to School and College Transport under section 31 of the Local Government Act 2003 GRANT DETERMINATION 2020: No 31/5137

This declaration covers both the second Autumn term and the first Spring term, the respective funding received being £2,474,016 and £2,642,222.

To the best of our knowledge and belief, and having carried out appropriate investigations and checks, in our opinion, in all significant respects, the conditions attached to the Additional Dedicated Home to School and College Section 31 Grant S31/5137 have been complied with.

Notes

The following points should be noted in respect of the utilisation of the grant awarded of £5,116,238 and the unspent balance of the first Autumn term funding of £145,229.75

- (i) Revenue losses of £18,359.92 and survey costs of £462.50 were retrospectively allocated to the first Autumn term and unspent balance brought forward, reducing this balance to £126,407.33. This balance of funding being used up in the second part of the Autumn term.
- (ii) £2,181,578.96 was paid to local bus operators to provide duplicate commercial services for use by children and young people from home to their place of education.
- (iii) £345,127.00 was paid to 5 GM Local Authorities in respect of Special Education Needs and Disabilities transport support. Audit testing confirmed that payments were made based on email requests setting out how the funding would be applied by each Local Authority. TfGM did not ask for evidence of spend incurred so this was not tested.

- (iv) £6,165.50 was utilised in funding the internal staff costs of TfGM survey staff in monitoring the duplicate services.
- (v) £445,548.00 was utilised to fund TfGM revenue losses on school contracts where TfGM takes the revenue risk and fares income belongs to TfGM.
- (vi) £2,264,225.87 was not utilised in the period and was carried forward to be utilised in "Tranche 4" as permitted by the grant award letter for Tranche 4 dated 15 February 2021.

Signed:



Chief Executive



Head of Internal Audit

INTERNAL AUDIT REPORT

Arrangements for Mayoral Advisors

FINAL

Based on the audit work performed, this audit has been classified as LIMITED ASSURANCE.

**LIMITED
ASSURANCE**

Reference: 2020/21

Draft Report Issued: 30 November 2020

Final Report Issued: 24 June 2021

Audit Sponsor: Eamonn Boylan, GMCA Chief Executive Officer

Lead Auditors: Phoebe Scheel and Damian Jarvis

EXECUTIVE SUMMARY

1.1 Background and Context

The Constitution of the GMCA allows the Mayor to appoint one paid political advisor. The Mayor at their discretion can identify other individuals to provide advice on particular themes or topics. These individuals are referred to as "Mayoral Advisors".

The Mayor has also established advisory panels to help progress certain initiatives or provide collective advice from a diverse set of participants. Some of the panels are hosted by external organisations that receive grant funding to help administer and support the panel's activities. Not all panels have a Mayoral Advisor associated with them, and vice versa.

The appointment of Mayoral Advisors is entirely at the discretion of the Mayor and the GMCA has no involvement in their selection or appointment or in the oversight over their activities, though each Advisor is supported to some degree by a member of the GMCA Strategy and Policy Team.

1.2 Audit Objective

Internal Audit were requested by the Chief Executive to undertake a review of the arrangements in place around Mayoral Advisors and to confirm that GMCA does not remunerate Mayoral Advisors either directly or indirectly.

1.3 Scope

The scope of the audit was to assess whether:

- there are appropriate governance/transparency arrangements in place in relation to Mayoral Advisors that clearly establish the relationships between Mayoral Advisors, GMCA (or TfGM/subsidiaries as appropriate) and advisory panels.
- payments to Mayoral Advisors have been made from GMCA, TfGM or subsidiaries and if so, that proper processes have been followed in making any such payments; and
- any or any part of grant payments made to advisory panels is used to pay any of the Mayoral Advisors.

Limitations:

This audit is limited to the arrangements in place between Mayoral Advisors and GMCA, TfGM and/or subsidiaries. It will not seek to examine the Mayor's decision to designate an individual as a Mayoral Advisor or the nature of the advice provided to the Mayor.

We have not engaged directly with any of the Advisors as part of this review.

We do not provide any assurance over contracts awarded to Advisors or their companies and whether these were subject to any competitive process and met contract and procurement rules.

1.4 Audit Opinion

Overall, we provide a **limited assurance** opinion over the arrangements in place around Mayoral Advisors. This is primarily due to the lack of transparency and governance arrangements over the roles. The audit confirmed that none of the Mayoral Advisors have been directly remunerated by GMCA specifically for their advisory role, though two Advisors have also been appointed into paid consultancy roles. The payment arrangements in place for one Advisor, and possible conflicts of interest for another Advisor are also reflected in this opinion.

Our work looked at the arrangements around the appointment and remuneration of the following individuals:

- [REDACTED], appointed by the Mayor as the LGBT Advisor. Is a member of the LGBT Advisory Panel.
- [REDACTED] appointed by the Mayor as the Night-time Economy Advisor. Chairs the Night-time Economy Panel; co-Chairs the Night-time Economy Covid-19 Taskforce.
- [REDACTED] appointed by the Mayor as Cycling & Walking Commissioner, which is a paid consultancy role within GMCA, working across TfGM.
- [REDACTED] appointed by the Mayor to lead the Our Pass initiative, which involved a paid consultancy role within TfGM. Subsequently appointed as Chair of the Social Enterprise Advisory Group.
- [REDACTED] appointed by the Mayor to Chair the Young Person’s Taskforce, responsible for developing the ‘Young Person’s Guarantee’.

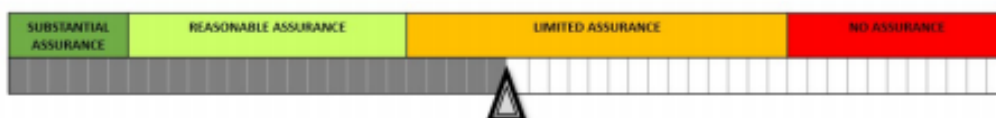
Appendix 1 to this report outlines our detailed findings for each of the above individuals within the areas of consideration.

There are a number of benefits and advantages to be gained from the appointment of Mayoral Advisors, advisory panels and groups to help influence and shape local policy and strategy, and to engage business leaders and other stakeholders. This is a model that a number of Mayoral Combined Authorities, and in particular the London Mayoral Office, have utilised.

The Strategy and Policy Team within GMCA drafted a discussion paper earlier in 2020 on the subject of Mayoral Advisors and advisory groups, with the purpose of standardising the Advisor/panel process. The remit of this review was wider than this audit, but identified many of the same issues, such as lack of consistency in the terminology (‘advisor’ versus ‘commissioner’), lack of transparency, and unclear governance. Unfortunately, due to the outbreak of the COVID pandemic and shifting priorities, this paper was not progressed as planned. A summary of the key recommendations included in that paper are set out below. We recommend that this be picked up again and actioned:

- Having a clear definition of the terms used (Mayoral Advisor; advisory panel; advisory group etc).
- Having a set of principles and protocols which establish the minimum standards for the operation of Advisors and advisory panels (including ‘role descriptions’ for Advisors, and operational standards such as written accounts of meetings, annual reports, etc).
- That Advisors and panels have a clear line of accountability and engagement to the formal governance arrangements of the GMCA.
- Better collaboration and coordination between Mayoral Advisors and panels.

We understand there is also work taking place within the Growth Company to implement a process which will allow greater transparency and due diligence over Advisors’ business interests and in particular where they engage with businesses directly as part of their advisory role. This will be a positive step forward in seeking to ensure these relationships are managed appropriately. This work is also seeking to facilitate regular meetings between the Advisors to better coordinate their activities and objectives.



The scoring is based on the rating mechanism provided in Appendix 2.

1.5 Summary of Exceptions/Areas for Improvement

Finding	Risk Rating				
	Critical	High	Medium	Low	Advisory
1. The appointment process and governance arrangements over Mayoral Advisors is informal and inconsistent		X			
2. Payments to Mayoral Advisors and use of grant funding for Mayoral panels			X		
3. The award of contracts or loans to organisations linked to Mayoral Advisors could be perceived to be as a result of their personal relationship with the Mayor			X		
4. There is a lack of transparency over the work of the Mayoral Advisors and advisory panels			X		
TOTAL		1	3		

Control design vs Operating effectiveness

All of the audit findings relate to issues in the design of controls (Control Design) rather than as a result of controls not being applied effectively (Operating effectiveness).

1.6 Organisational Implications

The appointment of unelected and unpaid Advisors to the Mayor may lead to political sensitivities and objections from Districts over the nature and purpose of the appointments. Lack of an appropriate control and accountability framework for these key appointments to operate within may lead to inconsistent practices and unclear expectations.

This could also lead to the potential for perceived conflicts of interest, particularly around business engagement, and a failure to manage this could lead to reputational damage for the Mayor and GMCA.

There have previously been FOIA requests in respect of payments made to Mayoral Advisors and our ability to respond promptly and accurately is dependent on having greater governance and transparency.

1.7 Management Response

The Deputy Chief Executive will lead on the development of a protocol to address the issues raised in the audit review by September 2021.

Waste and Recycling Contracts – Payment and Verification Processes



INTERNAL AUDIT REPORT

Waste and Recycling Contracts – Payment and Verification Processes

FINAL

Based on the audit work performed, this audit has been classified as REASONABLE ASSURANCE .	REASONABLE ASSURANCE
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Reference: 2020/21

Draft Report Issued: 21 May 2021

Final Report Issued: 25 June 2021

Audit Sponsor: David Taylor, Executive Director Waste and Resources

Lead Auditor: Jessica Jordan

Head of Audit and Assurance: Sarah Horseman

EXECUTIVE SUMMARY

1. Background and Context

- 1.1 The two main GM Waste and Recycling Contracts came into operation on 1 June 2019, with Suez Recycling and Recovery UK (Suez) the contractor: (1) Waste and Resource Management Services (WRMS); and (2) Household Waste Recycling Centre Management Services (HWRCMS). The third element is for the treatment of biowaste which is partly managed through the WRMS contract and partly through a framework agreement.
- 1.2 The Greater Manchester Combined Authority (GMCA) is responsible for the Waste Disposal Functions for nine of the ten GM districts (with the exception of Wigan) and is the accountable body for the management of the contracts.
- 1.3 The estimated contract value for WRMS and HWRCMS contracts over the initial agreed period is approximately £453million (there is an option to extend these contracts for a further period of up to 8 years at an estimated value of £586m), and the agreed budget for the waste service for 2021/22 is £167.2m. The costs of the contracts are met through recharges made to the nine districts and from income generated by the recycling element of the waste service.
- 1.4 The COVID-19 pandemic and impact of lockdown did affect service delivery with the temporary closure of Household Waste Recycling Centres during 2020 and cost pressures to GM districts. To assist with this a refund of levy to districts for 2019/20 and adjustment to the levy for 2020/21 was agreed. The UK also agreed the terms of its exit from the European Union, and any potential commercial risks linked to the structure of the contracts have been kept under review.
- 1.5 This audit sought to provide assurance over Waste and Recycling contract(s) payment processes.

2. Audit objective and scope

- 2.1 The objective of this audit was to provide independent assurance over the core payment processes in place for the Waste and Recycling contracts, ensuring there are adequate cost control arrangements, invoicing and payment structures and deductions.
- 2.2 In line with the audit objective, our testing focused on the following areas:
 - Monthly Supplier invoice calculations, verification, and payment processes for WRMS, HWRCMS and Biowaste contracts.
 - Capital programme payment processes for major projects.

Limitations:

2.3 We have not provided assurance over the following areas:

- District funding requirement calculations, agreement, and receipt processes.
- Budget management and monitoring processes, including cash flow forecasts or levy adjustments.

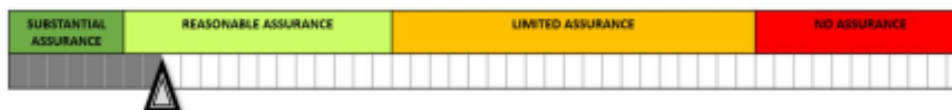
2.4 The generation of supplier invoices is dependent on the results of performance monitoring activity undertaken by GMCA; however, it was not our intention to fully audit these processes as part of this work beyond how agreed performance activity is converted into penalties within the monthly invoice process.

2.5 Whilst we did review the process used to verify tonnage claimed within the invoice process, the complexity of waste categories meant it was not possible for us to fully verify the contents of each tonnage category. We did provide logical checks to ensure that tonnage is not double counted within categories and that none of the categories include types of waste that would appear as obvious errors (e.g. glass waste in a biowaste category).

3. Audit Opinion

3.1 We provide a **reasonable assurance opinion** over the controls in place to calculate, verify and pay invoices for the Waste and Recycling contracts. Our findings relate to minor control issues or omissions as opposed to anything significant. A considerable amount of effort goes into ensuring that payments made are accurate and properly validated however, the complexity and size of the pay mechanisms for the two Suez contracts means there is the opportunity for small input errors to be missed. Dependent on where in the mechanism these are made and the timing of these during the year, there is a potential risk that errors can quickly escalate into large value overpayments if not promptly rectified.

3.2 The actions agreed in section 3.5 should help to ensure that going forward such errors can be quickly identified and corrected before any escalation occurs.



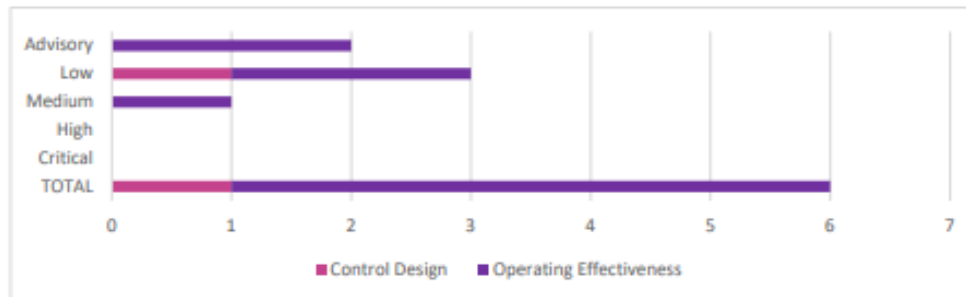
The scoring is based on the rating mechanism provided in Appendix 1

3.3 Summary of Exceptions/Areas for Improvement

Finding	Risk Rating				
	Critical	High	Medium	Low	Advisory
1. Final version of the finance spreadsheet for each month is not matched to the pay certificate values to ensure continuity of billing calculation.			X		
2. Double counting of some tonnage elements was not identified by tonnage checks until notified by Suez at the end of quarter 1.				X	
3. Verification checks are not undertaken on the percentage recycling rates provided by Suez and used in the payment mechanism.				X	
4. Small value overpayments have been made for a two of the 'other' amounts included in the invoice.				X	
5. A record of capital payment approvals given by the Head of Engineering and Asset Management not retained on file.					X
6. Minor differences in the Finance calculations spreadsheet to the Suez spreadsheet and contract methodology.					X
TOTAL			1	3	2

Control design vs Operating effectiveness

The table below shows how many of the audit findings relate to issues in the design of controls (Control Design) and how many are as a result of controls not being applied effectively (Operating effectiveness).



4

3.4 Organisational implications

As at April 2021, there are no strategic risks recorded on the GMCA Strategic Risk Register which are in direct relation to the scope of this work and management of the Waste and Recycling Contracts. In our discussions with Management they were assured that the monthly reconciliation process generally worked well with no major differences being identified during this process and the Suez payment model was considered to be much improved compared to the model used under the previous contract.

Performance Management and Reporting Framework



INTERNAL AUDIT REPORT

Governance – GMCA Performance Management and Reporting Framework

FINAL

Based on the audit work performed, this audit has been classified as LIMITED ASSURANCE.	LIMITED ASSURANCE
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Reference: 2020/21

Draft Report Issued: 19 May 2021

Final Report Issued: 28 June 2021

Audit Sponsor: Andrew Lightfoot, Deputy Chief Executive

Lead Auditors: Damian Jarvis and Phoebe Scheel

EXECUTIVE SUMMARY

1. Background and Context

- 1.1. The GMCA's Code of Corporate Governance sets out the organisation's governance standards and the framework for carrying out its functions with accountability, transparency, effectiveness, integrity, and inclusivity. The Annual Governance Statement (AGS) sets out how well the GMCA has met its own governance standards, with an action plan for continuing to improve governance over the coming years.
- 1.2. Governance is defined as "the arrangements put in place to ensure that the intended outcomes for stakeholders are defined and achieved" (*CIPFA, International Framework: Good Governance in the Public Sector*). To achieve intended outcomes, a robust system of performance monitoring is necessary.
- 1.3. The Greater Manchester Strategy (GMS) sets out a vision and overall ambition for the region, structured around 10 priorities. Achievement of these priorities guides decisions around allocation of resources, investment, commissioning, and financial strategies, and thus, understanding how the organisation is performing is key. Underpinning the GMS is an Outcomes framework, which sets targets and measures for each of the priorities, and performance against these targets is published in a six-monthly dashboard.
- 1.4. As a result of the COVID-19 pandemic, a revised one year 'Living with Covid Resilience Plan' was produced as a short-term strategy for GMCA prior to the full GMS being revised in 2021. This in turn led to changes to Directorate business plan priorities and delivery targets.
- 1.5. The 2020/21 Internal Audit Plan included a rolling programme of work over various aspects of the Code of Corporate Governance. This review will focus on the GMCA performance management and reporting framework.

2. Audit objective and scope

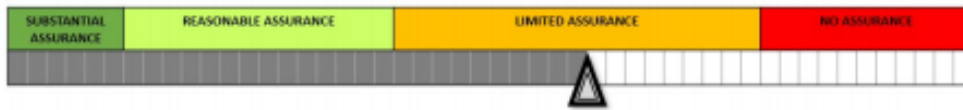
- 2.1. The audit assessed the effectiveness of the organisation's performance management and reporting framework operating at both strategic and directorate level.
- 2.2. This audit focussed on the following activities:
 - Performance monitoring and reporting arrangements: ensuring processes are clearly defined, including reporting expectations at Directorate, ELT, SLT and CEMT level.
 - Reporting at Board level, including oversight and scrutiny arrangements.
 - GMS priorities alignment with GMCA business plans demonstrating a 'golden thread' of priorities and activities at all levels and supported by relevant measures and targets.
 - Mechanisms for ensuring data feeding into the performance reports is accurate, timely, and relevant, and reports are produced and scrutinised as per expectations.
 - Consideration of 1:1 employee appraisal process on individual performance management.
- 2.3. **Limitations:** The audit will consider the activities of GMCA but will exclude GMFRS, and Police and Crime.

3. Audit Opinion

- 3.1. Overall, we can provide a limited assurance opinion over the design and effectiveness of the organisation's performance management and reporting framework. This is primarily due to the

lack of a formally defined corporate process for reporting on organisational delivery beyond the GMS outcomes framework, which is much wider than GMCA as an organisation.

- 3.2. Our discussions with Directors and other senior staff from across GMCA were designed to understand what forums and mechanisms they use to monitor performance within their own areas of responsibility, and how they feed upwards into wider performance monitoring reports. It was largely considered a “work in progress” area with a desire for greater consistency over how we report and evidence progress on delivery of key priorities. Whilst it is acknowledged that there are areas of good practice operating – for example, the Work & Skills Contract Performance dashboard, Waste & Recycling Contract Reporting and Digital Programme governance – overall there is no consistent approach and limited GMCA-wide visibility of performance of the organisation as a whole against its aims and objectives. This may present a risk that the organisation is unable to demonstrate to stakeholders that it is delivering what it has been tasked with.
- 3.3. Though financial reporting was not the main focus for this audit, ideally the performance and financial reporting frameworks would be closely aligned. However, it was noted that there is also lack of rigour over financial reporting, and that the budget setting process is not as informed by the organisational strategy as it ought to be.
- 3.4. We have made two high and two medium risk level recommendations with the intention of providing overarching principles of what a robust Performance Management Framework for GMCA should look like. We have aimed to avoid being too prescriptive, understanding that this is a developing area that requires reflection and input from across the organisation to ensure that whatever framework is ultimately agreed upon is both workable and practical and provides the necessary level of assurance over organisational performance and delivery.
- 3.5. Firstly, the principles for a GMCA-wide performance management framework should be set out in a report to the GMCA Board for approval. This should be developed in consultation with CEMT /SLT and ELT to ensure full engagement and agreement with the principles. As a minimum, this should include: an agreement of the need for a succinct but comprehensive set of KPIs / measures / outcomes (to be defined within the annual Business Plan and linked to organisational delivery); the frequency at which these KPIs will be calculated and reported; and the forums / groups (both internal and external) that will have sight of and scrutiny/challenge over the reported figures.
- 3.6. Secondly, the refreshed GMS and implementation plan should clearly identify those actions/activities that are the responsibility of the GMCA to deliver (either wholly or as a partner/influencer). All such actions/activities should be included in the GMCA Business Plan to ensure that there is a direct and explicit link between Business Plan priorities and GMS priorities. The GMCA Business Plan should, wherever possible, include defined and measurable targets and timescales for the delivery of planned activities.
- 3.7. Directorates should report actual performance against the targets and timescales of activities as defined in the Business Plan on at least a quarterly basis. This could be presented in a dashboard / RAG-rated format with brief supporting narrative; this should link to, or incorporate, financial reporting.
- 3.8. Finally, there is no clear corporate oversight of all planned/active programmes and projects being undertaken across GMCA which is a key part of organisational delivery, so we have proposed creating a register to track and monitor the details of funding terms, responsibility, and delivery outcomes.
- 3.9. The ongoing development and roll out of the GMCA Risk Management framework and supporting processes remains the route for escalating any significant concerns which may affect the achievement of GMCA strategic objectives.



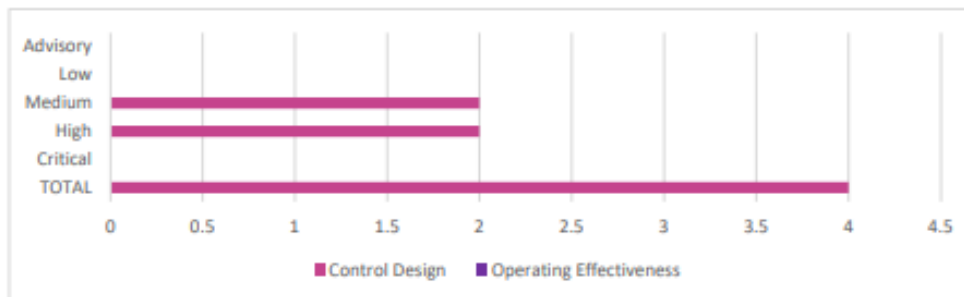
The scoring is based on the rating mechanism provided in Appendix 1

4. Summary of Exceptions/Areas for Improvement

Finding	Risk Rating				
	Critical	High	Medium	Low	Advisory
1. Develop and agree a GMCA Performance Management Framework		X			
2. Ensure alignment between the GMS and GMCA Business Plan priorities, including specific and measurable targets and timescales			X		
3. Report on actual delivery against the KPIs and Business Plan activities		X			
4. Development of a corporate register of all planned and active programmes and projects			X		
TOTAL		2	2		

Control Design vs Operating Effectiveness

The table below shows that all of the audit findings relate to issues in the design of controls (Control Design), as opposed to controls not being applied effectively (Operating effectiveness).



5. Organisational implications

The efficient design and effective operation of a performance management framework will have an impact on all areas of the organisation. Ability to demonstrate actual delivery of key aims and objectives against targets and expectations is fundamental to ensure the organisation is successful.

Audit Progress Report

Greater Manchester Combined Authority

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2. National publications

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01

Section 01:
Audit progress

Audit progress

Purpose of this report

This report provides the Audit Committee with an update on progress in delivering our responsibilities as your external auditors and also includes, at Section 2, for your information, a summary of recent national reports and publications.

2019/20 audit

We have received a revised Whole of Government Accounts (WGA) return from the Authority and we are in the process of confirming the changes made are as expected. Once this work is finalised we will issue our audit certificate which formally concludes the 2019-20 audit process.

2020/21 audit

We completed our planning visit in March and April and issued our Audit Strategy Memorandum to the last meeting of the Audit Committee. MHCLG has again extended the reporting timetable for 2020/21. GMCA is required to publish draft financial statements by 31 July 2021 and audited financial statements by 30 September 2021. Based on discussions with the Authority's Finance team we expect to receive draft financial statements in mid July 2021. We will commence our fieldwork in August 2021 and plan to complete our audit by 30 September 2021 (subject to receipt of appropriate assurances from pension fund auditors).

Our work on GMCA's value-for-money arrangements remains in progress. As set out in section 2 of this report, the National Audit Office has updated its Auditor Guidance Note to take account of the impact of the Covid-19 pandemic. This extends the deadline for issuing our VFM commentary and Auditor's Annual Report to no later than three months after issuing our audit opinion. We will continue our work on value for money arrangements throughout the audit and discuss the timing of reporting with management in due course.

02

Section 02:

National publications

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National Publications

	Publication/update	Key points
Chartered Institute of Public Finance and Accountability (CIPFA)		
1.	Consultation on stronger Prudential Code	CIPFA is consulting on the Prudential Code, including proposals to strengthen the requirements for commercial investments.
2.	Fraud and Corruption Tracker	CIPFA's latest information has been published.
3.	CIPFA Bulletin 06 – Application of the Good Governance Framework 2020/21	Provides updated guidance and takes into account the introduction of the CIPFA Financial Management Code 2019 during 2020/21.
4.	CIPFA Bulletin 09: Closure of the 2020-21 Financial Statements, 30 April 2021	This bulletin provides guidance for local government bodies on a range of issues that may need to be considered as part of their 2020-21 accounts preparation.
Ministry of Housing, Communities and Local Government (MHCLG)		
5.	MHCLG's Consultation on amendments to the Accounts and Audit Regulations 2015	Consultation closed on the 1 st March 2021; the Accounts deadline was set as 31 July 2021 and Audit deadline of 30 September 2021.
6.	MHCLG - Methodology for allocating £15 million to local bodies and review of Appointing Person regulations, 20 April 2021	£15 million in additional funding is available in 2021/22 towards external audit fees. Consultation on amending the timescale for setting fee scales.
7.	MHCLG - Local authority financial reporting and external audit: Spring update, 19 May 2021	A new regulator, the Audit, Reporting and Governance Authority (ARGA), to replace the FRC, preferred system leader. Public Sector Audit Appointments (PSAA) role to continue into next national procurement.
National Audit Office (NAO)		
8.	Local government finance in the pandemic, March 2021	The report found that the Department's successful monthly collection of data and continued intensive engagement with the sector provided a good evidence base to underpin the financial and other support provided by government.

National Publications

	Publication/update	Key points
National Audit Office (NAO)		
9.	Timeliness of local auditor reporting in England, 2020	The report is based on published data, the views of local authority finance directors, key stakeholders in the audit landscape, and audit firms.
10.	Public service pensions	This report outlines how the public service pensions landscape has changed since the Hutton Review and highlights key challenges for the future.
11.	NAO Updated Guidance for Auditors, April 2021	Revised guidance for VFM arrangements work under the new Code of Audit Practice, including extended deadlines, and updated guidance on consideration of going concern in the public sector context.
12.	NAO Report – <i>Initial learning from the government’s response to the COVID-19 pandemic, May 2021</i>	Latest NAO report on learning from the government response to the pandemic.

NATIONAL PUBLICATIONS

CIPFA

1. CIPFA consults on a stronger Prudential Code, January 2021

CIPFA has launched a consultation on proposals to strengthen the Prudential Code, following growing concerns over local government commercial property investments. The Prudential Code is a professional code of practice that aims to ensure local authorities' financial plans are affordable, prudent and sustainable. To date, the provisions in the Code have not prevented a minority of councils from taking on disproportionate levels of commercial debt to generate yield. The proposed changes are intended to prevent future misinterpretations of the Code and strengthen the necessary regard to its provisions to protect local decision making and innovation. The consultation will be open for 10 weeks and responses must be submitted by 12 April 2021.

<https://www.cipfa.org/about-cipfa/press-office/latest-press-releases/cipfa-consults-on-stronger-local-government-prudential-code>

2. Fraud and corruption Tracker, February 2021

The latest CIPFA Fraud and Corruption Tracker (CFaCT), which includes local government data between 1 April 2019 and 31 March 2020, provides a baseline illustration about the prevalence of grant fraud in the public sector, just before unprecedented levels of COVID-19 grant funding for councils were released by the government in March of last year. The report follows previous warnings from the National Crime Agency and other law enforcement bodies of an increase in cases related to suspected COVID-19 grant fraud. Valued at an estimated loss of £36.6m, the report reveals only 161 instances of grant fraud occurred in 2019/20.

The report also shows that council tax continued to be the largest area of identified fraud for councils, with more than 30,600 cases totalling £35.9m in 2019/20. This year, 32% of respondents also stated their organisation had been a victim of a Distributed Denial-of-Service (DDoS)/hacking attack in the last 12 months, a 5% increase from the previous year. Survey respondents also expressed concern about councils' inability to tackle usual areas of fraud due to resource being re-directed into the processing and review of COVID-19 business grants.

<https://www.cipfa.org/about-cipfa/press-office/latest-press-releases/grant-fraud-represented-less-than-of-uk-public-sector-fraud-pre-pandemic>

NATIONAL PUBLICATIONS

CIPFA

3. CIPFA Bulletin 06, Application of the Good Governance Framework 2020/21, February 2021

This bulletin covers the impact of the continuing COVID-19 pandemic on governance in local government bodies and the requirements of the Delivering Good Governance in Local Government Framework 2016 CIPFA and Solace (the Framework). It also takes into account the introduction of the CIPFA Financial Management Code 2019 (FM Code) during 2020/21.

<https://www.cipfa.org/policy-and-guidance/cipfa-bulletins/cipfa-bulletin-06-application-of-the-good-governance-framework-202021>

4. CIPFA Bulletin 09: Closure of the 2020-21 Financial Statements, 30 April 2021

Auditors will wish to be aware that CIPFA have published Bulletin 09: Closure of the 2020-21 Financial Statements. This bulletin provides guidance for local government bodies on a range of issues that may need to be considered as part of their 2020-21 accounts preparation.

Hot topics include accounting for grant funding in the pandemic, accounting for dedicated schools grant deficits and accounting for collection fund surpluses and deficits in 2020/21.

<https://www.cipfa.org/policy-and-guidance/cipfa-bulletins/cipfa-bulletin-09-closure-of-the-202021-financial-statements>

NATIONAL PUBLICATIONS

MHCLG

5. MHCLG's Consultation on amendments to the Accounts and Audit Regulations 2015, February 2021

MCHLG has consulted on its proposed changes to the accounts publication deadline for 2020/21 and 2021/22.

The draft regulations includes provisions, at regulation 2 to change the publication deadline for principal authorities from 31 July to 30 September as proposed in recommendation 10 by the Redmond review, but for 2 years - 2020/21 and 2021/22. The intention is for the amended deadline to be reviewed after that period when it will be clearer as to whether the audit completion rate has improved.

The draft regulations also enable principal bodies to publish their draft accounts for inspection, linked to the later publication deadline, by removing the fixed period for public inspection, to say instead that the draft accounts must be published on or before the first working day of August. This will allow authorities and audit firms more flexibility to schedule their audits in line with the later publication deadline but, importantly, will not prevent them from being signed off earlier. This mirrors the approach taken in the Accounts and Audit (Amendment) (Coronavirus) Regulations 2020.

MCHLG's consultation closed on 1 March 2021.

6. MHCLG - Methodology for allocating £15 million to local bodies and review of Appointing Person regulations, 20 April 2021

The Ministry of Housing, Communities & Local Government (MHCLG) announced as part of its response to the Redmond Review, that it would provide £15 million in additional funding in 2021/22 towards external audit fees and the development of the proposed new standardised statement of service information and costs. The department has now launched a short, four-week consultation, seeking views on the on the methodology for allocating these funds to local bodies.

<https://www.gov.uk/government/consultations/consultation-on-allocation-of-15-million-to-local-bodies-for-audit/redmond-review-response-changes-to-the-audit-fees-methodology-for-allocating-15-million-to-local-bodies>

Running alongside this, the department has also launched a separate six-week consultation on the implementation of changes to the fee setting process for principal bodies set out in the Local Audit (Appointing Person) Regulations 2015. The consultation primarily seeks views on amending the timescale for setting fee scales, enabling the appointing person to consult on and approve a standardised additional fee, and for such payments to be made in year rather than at the completion of the audit.

<https://www.gov.uk/government/consultations/amendments-to-local-audit-fee-setting-arrangements>

NATIONAL PUBLICATIONS

MHCLG

7. MHCLG - Local authority financial reporting and external audit: Spring update, 19 May 2021

In December 2020, MHCLG delivered its response to the Redmond Review. This report details the actions already taken to implement the Redmond Review recommendations, and also sets out the government's thinking on the recommendations relating to systems leadership.

In March 2021 the government published a White Paper setting out its plans to reform corporate audit, reporting and governance. The White Paper set out details of how the government proposes to establish a new regulator, the Audit, Reporting and Governance Authority (ARGA), to replace the FRC. It also set out government plans to create a new audit profession that is distinct from the accountancy profession, and to encourage competition in the market for audit of large listed companies. We have looked at options for local audit in the context of these wider reforms.

In this context, it is our view that ARGA, the new regulator being established to replace the FRC, would be best placed to take on the local audit system leader role.

The Department welcomes the changes made in the latest Code of Audit Practice in relation to VFM reporting. Until recently, the Code required auditors to give a binary opinion on whether the proper arrangements were in place. However, this was revised in the recent update to the Code, which now requires auditors to provide a narrative statement on the arrangements in place. The department welcomes this change, as it is our view that the binary value for money judgement required under the previous Code did not provide sufficient information for taxpayers or local bodies, particularly in a context where the complexity and commercialisation of local authority finances has increased. The new value for money requirements in the updated Code including a new commentary on governance, arrangements for achieving financial sustainability, and improving economy, efficiency and effectiveness - should help to address this.

MHCLG has confirmed that PSAA is the organisation best placed to act as the appointing body, including overseeing the next procurement of audit contracts. There is a balance to be struck between cost and quality. Historically, there were concerns that fees were too high and it was right that real savings were delivered for the taxpayer following the abolition of the Audit Commission. However, the context has changed since 2014, including the structure of the market, plus new obligations and the complexity of the work. It is striking that local audit scale fees reduced by 40% between 2014/15 and 2018/19, while central government and FTSE100 fees have increased by 20%. We have been working closely with PSAA in recent months to develop our plans for allowing greater flexibility to reflect additional costs in audit fees, and are allocating £15m to local bodies to help with this and the additional requirements associated with implementing Redmond's recommendations.

<https://www.gov.uk/government/publications/local-authority-financial-reporting-and-external-audit-spring-update/local-authority-financial-reporting-and-external-audit-spring-update>

NATIONAL PUBLICATIONS

National Audit Office

8. Local government finance in the pandemic, March 2021

The NAO published its report *Local government finance in the pandemic* in March 2021. Local authorities in England have made a major contribution to the national response to the pandemic. This has in turn placed significant pressure on finances, which in many cases were already under strain. The report examines if MHCLG's approach to local government finance in the COVID-19 pandemic enabled the Department to assess and fund the costs of the new services which local authorities have been asked to deliver. It also examines whether the Department fulfilled its responsibilities in securing financial sustainability across the sector. The report focuses on:

- the financial health of the sector before the pandemic and the financial impact of the pandemic in 2020/21;
- action taken by the government to support the sector in 2020/21, including its effectiveness; and
- action taken by government to support the sector's financial sustainability in 2021/22.

The report found that the Department's successful monthly collection of data and continued intensive engagement with the sector provided a good evidence base to underpin the financial and other support provided by government. Action by the Department and wider government to support the sector averted system-wide financial failure at a very challenging time and means that the Department managed the most severe risks to value for money in the short term.

However, the financial position of local government remains a cause for concern. Many authorities will be relying on reserves to balance their 2020/21 year-end budgets. Despite continuing support into 2021/22, the outlook for next year is uncertain. Many authorities are setting budgets for 2021/22 in which they have limited confidence, and which are balanced through cuts to service budgets and the use of reserves.

<https://www.nao.org.uk/report/local-government-finance-in-the-pandemic/>

NATIONAL PUBLICATIONS

National Audit Office

9. NAO Report – Timeliness of local auditor reporting in England, 2020

On 16 March, the NAO published its report Timeliness of local auditor reporting on local government in England, 2020. Since 2015, the Comptroller and Auditor General (C&AG) has been responsible for setting the standards for local public audit in England, through maintaining a Code of Audit Practice and issuing associated guidance to local auditors. This report sets out the:

- roles and responsibilities of local auditors and national bodies to the local audit framework in England; and
- facts relating to the decline in the timeliness of delivering audit opinions on local government in England and the main factors contributing to that decline in timeliness.

The report is based on published data, the views of local authority finance directors, key stakeholders in the audit landscape, and audit firms. The report also considers the impact on central government. Given the increasing financial challenge and service pressures on local authorities since 2010, local councils need strong arrangements to manage finances and secure value for money.

The report concludes that the position for 2019/20, with 55% of local authorities failing to publish audited accounts by 30 November, is concerning, given the important part that external audit plays in assurance over taxpayers' money both centrally and locally.

Since the NAO reported on local authority governance and audit in 2019, and despite efforts by the various organisations involved in the local audit system and by the Ministry of Housing, Communities and Local Government, the report concludes that the situation has worsened. The increase in late audit opinions, concerns about audit quality and doubts over audit firms' willingness to continue to audit local authorities all highlight that the situation needs urgent attention, which will require co-operation and collaboration by all bodies involved in the local audit system, together with clear leadership from government.

<https://www.nao.org.uk/report/timeliness-of-local-auditor-reporting-on-local-government-in-england-2020/?slide=1>

NATIONAL PUBLICATIONS

National Audit Office

10. NAO Report – public service pensions, March 2021

As an employer, the government provides public service employees with access to occupational pension schemes. As at 31 March 2020, there were more than 8 million members of four of the largest public service pension schemes (the armed forces, civil service, NHS and teachers' pension schemes), of which 2.8 million were retired and receiving pension benefits and 5.2 million were either current or former employees. Around 25% of pensioners and 16% of the working-age population are members of a public service pension scheme.

In general, public service pensions have become more expensive over time as the number of people receiving them has increased, owing to more members entering retirement and living longer. This trend applies across public and private pensions and is consistent with international experience. In 2010 the government established the Independent Public Service Pensions Commission, chaired by Lord Hutton (the Hutton Review) to undertake a fundamental structural review of public service pensions. Following the Hutton Review final report in March 2011, and a period of negotiations with trade unions representing public service employees, the government introduced reforms intended to manage the future costs of providing pensions.

Public service pensions are a notable benefit to public servants. HM Treasury focuses on the affordability of these pensions and who pays for them. The total costs of providing pensions have been increasing over time, reflecting increasing numbers of pensioners. The government's pension reforms over recent years have contained the rise in future taxpayer costs by making pensions less generous and by increasing contributions from employees. However, taxpayer funding has increased and it will take decades for the full effects of the 2011/2015 reforms to be seen in the government's affordability measure. The balance of taxpayer funding has shifted from central payments by HM Treasury to employer contributions by departments and organisations to ensure that employers bear the consequences of their employment decisions.

However, HM Treasury needs to monitor more than just affordability. Government's approach to protecting those nearest retirement has been ruled unlawful and will cost time and money to resolve. The government's reforms also take no account of pensions as a recruitment and retention tool, with pensions continuing to be relatively inflexible; the only real choice for most employees is to stay in the scheme or opt out altogether.

<https://www.nao.org.uk/report/public-service-pensions/>

NATIONAL PUBLICATIONS

National Audit Office

11. NAO Updated Guidance for Auditors, April 2021

In April 2021, the Comptroller and Auditor General (C&AG) approved and published updated auditor guidance:

Auditor Guidance Note 03 (AGN 03) - Auditors' Work on Value for Money Arrangements. This has been updated to enable auditors to give their opinion on the financial statements if they have not yet completed all their VFM arrangements work (where there is no material impact on the opinion), including the approach to reporting any further issues if necessary by exception when auditors issue their certificate. The AGN also introduced revised deadlines for the Auditor's Annual Report, which includes the new commentary on VFM arrangements, of up to 3 months after issuing the audit opinion.

Auditor Guidance Note 07 (AGN 07) – Auditor Reporting. This was updated to bring it into line with AGN 03 as above.

Supplementary Guidance Note 01 (SGN 01) - Going Concern – Auditors' responsibilities for local public bodies. The SGN focus is primarily on *Practice Note (PN) 10: Audit of financial statements and regularity of public sector bodies in the United Kingdom, (Revised 2020)*, setting an expectation that auditors will follow the approach it sets out. This recognises that going concern in the public sector context includes the concept of the 'continued provision of services' and the legislative basis for public services, which means that the circumstances that will give rise to a material uncertainty in going concern are relatively limited and rare, and would normally require legislative changes. This view is also reflected in the CIPFA Code, which recognises that the financial statements are prepared on a going concern basis.

The NAO guidance does, however, highlight the wider issue of financial sustainability and funding for public services. Management will still need to undertake a going concern assessment, and disclose an appropriate narrative within its financial statements in relation to the impact of the pandemic and pressures on funding, and disclose any potential material uncertainties should they exist.

All of the NAO auditor guidance is publicly available at this link: <https://www.nao.org.uk/code-audit-practice/guidance-and-information-for-auditors/>

NATIONAL PUBLICATIONS

National Audit Office

12. NAO Report – *Initial learning from the government’s response to the COVID-19 pandemic, May 2021*

The NAO has recently published its *Initial learning from the government’s response to the COVID-19 pandemic* report, which is part of a programme of work the NAO is undertaking to support Parliament in its scrutiny of government’s response to COVID-19. The report finds that the COVID-19 pandemic has stress-tested the government’s ability to deal with unforeseen events and potential shocks. Government has often acted at unprecedented speed to respond to a virus which has caused dramatic disruption to people’s lives, public service provision and society as a whole. Government had to continue to deliver essential public services, while reprioritising resources to deliver its response to the COVID-19 pandemic and supporting staff to work from home. In its response, government has had to streamline decision-making, work across departments and public bodies and use a range of delivery structures.

Departments will need to reflect on the lessons learned to ensure that they capitalise on the benefits and opportunities these new ways of working have brought.

The report draws out learning from the reports that we have published to date, as well as other work we have published that covered the COVID-19 pandemic. It sets out this learning across six themes:

- risk management;
- transparency and public trust;
- data and evidence;
- coordination and delivery models;
- supporting and protecting people; and
- financial and workforce pressures.

The NAO will continue to draw out learning from the government’s response to the pandemic from our future work.

The full report is available from the NAO website. <https://www.nao.org.uk/wp-content/uploads/2021/05/Initial-learning-from-the-governments-response-to-the-COVID-19-pandemic.pdf>

Contact

Mazars

Director: Mark Dalton

Email: mark.dalton@mazars.co.uk

Senior Manager: Daniel Watson

Email: daniel.watson@mazars.co.uk

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