Public Document

GMCA GREATER MANCHESTER COMBINED AUTHORITY

GREATER MANCHESTER COMBINED AUTHORITY

AUDIT COMMITTEE

DATE: **Friday, 22nd April, 2022**

TIME: **10.30am**

VENUE: **Boardroom, GMCA Offices, Tootal Buildings, 56 Oxford Street, Manchester**

AGENDA

1.	**Apologies**	
2.	**Chairs Announcements and Urgent Business**	
3.	**Declarations of Interest** 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 at least 48 hours in advance of the meeting.	1 - 4
4.	**Minutes of the GMCA Audit Committee meeting - 21 January 2022** To consider the approval of the minutes of the meeting held 21 January 2022.	5 - 18

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.

16. **Exclusion of the Press and Public**

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

17. **Annual Whistleblowing and Fraud Report** 227 - 242

Report of Sarah Horseman, Head of Audit and Assurance GMCA

18. **Dates and Times of Future Meetings**

To be shared following Local Authority appointments to the Committee for the next municipal year.

Name	Organisation	Political Party
Grenville Page		
Susan Webster		
Councillor Colin McLaren	Oldham Council	Labour
Councillor Sarah Russell	Manchester City Council	Labour
Councillor Mary Whitby	Bury Council	Labour
Councillor Chris Boyes	Trafford Council	Conservative
Gwyn Griffiths		
Catherine Scivier		

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: Nicola Ward

✉ Nicola.ward@greatermanchester-ca.gov.uk

This agenda was issued on 12th April 2022 on behalf of Julie Connor, Secretary to the Greater Manchester Combined Authority, Broadhurst House, 56 Oxford Street, Manchester M1 6EU

Declaration of Councillors' Interests in Items Appearing on the Agenda

Name and Date of Committee..

Agenda Item Number	Type of Interest - PERSONAL AND NON PREJUDICIAL Reason for declaration of interest	NON PREJUDICIAL Reason for declaration of interest Type of Interest – PREJUDICIAL Reason for declaration of interest	Type of Interest – DISCLOSABLE PECUNIARY INTEREST Reason for declaration of interest

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

Quick Guide to Declaring Interests at GMCA Meetings

Please Note: should you have a personal interest that is prejudicial in an item on the agenda, you should leave the meeting for the duration of the discussion and the voting thereon.

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:

1. Bodies to which you have been appointed by the GMCA
2. 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:

1. You, and your partner's business interests (eg employment, trade, profession, contracts, or any company with which you are associated).
2. You and your partner's wider financial interests (eg trust funds, investments, and assets including land and property).
3. 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

1. If the answer to that question is 'No' then that is the end of the matter.
2. 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 is prejudicial

A personal interest becomes a prejudicial interest:

1. where the wellbeing, 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.
2. 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:

1. Notify the governance officer for the meeting as soon as you realise you have an interest.
2. Inform the meeting that you have a personal interest and the nature of the interest.
3. Fill in the declarations of interest form.

To note:

1. You may remain in the room and speak and vote on the matter
2. 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.

For prejudicial interests, you must:

1. Notify the governance officer for the meeting as soon as you realise you have a prejudicial interest (before or during the meeting).
2. Inform the meeting that you have a prejudicial interest and the nature of the interest.
3. Fill in the declarations of interest form.
4. Leave the meeting while that item of business is discussed.
5. 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 FRIDAY 21 JANUARY 2022 AT THE GMCA OFFICES, TOOTAL BUILDINGS, MANCHESTER

PRESENT:

Councillor Mary Whitby	Bury Council	
Tracy Kelly	Salford Council	
Councillor Chris Boyes	Trafford Council	
Gwyn Griffiths	Independent Member	(Chair)
Catherine Scivier	Independent Member	
Susan Webster	Independent Member	
Grenville Page	Independent Member	

ALSO PRESENT:

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

OFFICERS:

Andrew Lightfoot	GMCA Deputy Chief Executive
Steve Wilson	GMCA Treasurer
Rachel Rosewell	GMCA Deputy Treasurer
Sarah Horseman	Head of Audit and Assurance
Lindsey Keech	Head of Finance Capital & Treasury Management
Damian Jarvis	Internal Audit Manager
Nicola Ward	GMCA Governance and Scrutiny
Dave Russel	Chief Fire Officer, GMFRS

AC/73/21 WELCOME, INTRODUCTIONS AND APOLOGIES

RESOLVED /-

Apologies for absence were received and noted from Councillor Colin McLaren, Oldham Council, Councillor Sarah Russell, Manchester and Councillor Christine Roberts (Substitute) Wigan Council.

Apologies were also received from Councillor David Molyneux, GMCA Portfolio Lead Member for Resources and Investment and Daniel Watson (Mazars).

AC/74/21 CHAIR'S ANNOUNCEMENTS AND ITEMS OF URGENT BUSINESS

The Chair informed the Committee that item 14 – HMICFRS GMFRS Inspection Report would be considered as the first substantive item of business.

AC/75/21 DECLARATIONS OF INTEREST

RESOLVED /-

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

AC/76/21 MINUTES OF THE GMCA AUDIT COMMITTEE MEETING HELD ON 30 NOVEMBER 2021

RESOLVED/-

That the minutes of the meeting of the GMCA Audit Committee held on 30 November 2021 be approved as a correct record.

AC/77/21 GMFRS HMICFRS INSPECTION OUTOMES AND ACTIONS

Dave Russel, Chief Fire Officer, GMFRS gave a verbal update on the recent HMICFRS Inspection which was the second inspection undertaken since the initial one in 2019, within which there were two causes for concern which had been closed at this more recent inspection. However, one additional cause for concern was raised at this second inspection in June 2021 in relation to Greater Manchester's preparedness for a marauding terrorist attack.

The inspection undertaken by HMICFRS was constituted through three pillars, efficiency, effectiveness and people, each being given an overall grading between inadequate and outstanding. In 2019, each of the pillars received a 'requires improvement' grading, however at the recent inspection the people pillar received a 'good' grading which recognised the work that had been undertaken to ensure that staff feel considered and that the organisation's values were effectively promoted.

The Chief Fire Officer felt that the inspection report was fair and balanced and reflected an organisation that was improving. GMFRS were already aware of the issues as evidenced by the fifteen areas of improvement that the report identified, and work was already underway to address these through effective change and a priority on the culture within the service. There was confidence within the senior management that the Improvement Action Plan would support the service in moving to a 'good' grading and then an 'outstanding' grading across all pillars as it was felt that all the ingredients were present, they just needed to be brought together more effectively.

The cause for concern as identified in the inspection was in reference to the effectiveness of the short-term rolling agreement in order to respond to a marauding terrorist attack through a deployable team in Merseyside which was recognised as an unsustainable solution. Therefore, this was an immediate priority for the Chief Fire Officer and work was underway in collaboration with the Fire Brigade Union (FBU) to develop a long term sustainable solution that enabled every fire officer to be trained accordingly and appliance in Greater Manchester to be upgraded to allow every area of GM to be covered. This proposal had been considered by the Home Office and GM Mayor and had now been submitted to HMICFRS on the 31 October 2021. It was also subject to a ballot with the FBU which was currently underway and due to complete on the 7 February 2022. As part of this process, every fire station in GM had been visited and conversations regarding the detail of the proposals had been undertaken.

The next stage of the inspection would include a further visit from the HMICFRS during the summer of 2022 to re-assess the cause for concern and whether a solution was now in place to ensure GM was as well protected as possible and the issue could be closed. The other fifteen areas of improvement identified in the report have formed GMFRS' HMIC Improvement Action Plan and would be continually reviewed on a six-weekly basis through the Deputy Mayor's Executive meetings.

The report also highlighted the need for a further tightening of the prevent and prevention focus for the organisation and in response to this, a new Prevention Strategy had been launched, along with a newly designed Home Fire Risk Assessment that would be specifically targeted at those people at risk, rather than the previous universal approach and each intervention would be closely assessed through an evaluation framework. In addition to this, a new Protection Strategy had been produced which was currently awaiting sign off alongside the new Business Engagement Strategy.

Members thanked the Chief Fire Officer for his informative and encouraging verbal update.

In respect of the training for all officers on marauding terrorist attacks, members questioned as to whether this would become ineffective if officers were not required to use this on a regular basis. The Committee were informed that the training would include a wide range of trauma-based skills which could be used at any catastrophic incident and would not solely apply to terrorist attacks. It would be undertaken with other Category One responders and raise the bar for firefighters to provide further assistance to paramedics in relation to patient care. Further to this, there would be no impact on recruitment as the role of the Firefighter was recognised as being much broader than previously, and appointments were now made on values in the knowledge that skill sets could be developed. The proposals for additional training for all fire fighters had been received well amongst officers already within the organisation and through the visits to each fire station, senior officers had been able to provide responses to questions regarding the details of the proposals. The current ballot had already been given to FBU members with a recommendation to accept from the Council of the FBU which was another positive indicator.

Members noted that the Public Inquiry (volume 2) into the Arena attack was scheduled to be published in May 2022 and questioned as to whether there should be a robust plan in advance of this to address the HMICFRS Inspection outcome relating to marauding terrorist attacks. Officers reiterated that this was already being addressed and it was hoped that the cause for concern would be closed following a further inspection in the Summer 2022. Further to this, Members noted that this risk had previously been raised on the GMCA Risk Register and questioned as to why it had been removed as this had resulted in the loss of visibility by the Audit Committee. Officers confirmed that this risk had previously scored above 16 and was escalated through the risk register to the GMCA Audit Committee, it had since been reviewed and scored less than 16 and therefore no longer featured as an escalated risk. It was suggested that going forward there should be some narrative included on the Risk Register regarding those which had been removed to ensure that the Committee could retain observation on their status.

RESOLVED/-

1. That the verbal update be noted.
2. That the GMFRS HIMC Improvement Action Plan be shared with the GMCA Audit Committee for information.
3. That future Risk Registers would include some narrative as to those risks which were no longer classified as ‘escalated’ and had been removed from the register.

AC/78/21 INTERNAL AUDIT PROGRESS REPORT

Sarah Horseman, Head of Audit and Assurance, GMCA provided an update on progress against the Internal Audit Plan since the last report to committee and executive summaries of the internal audit completed within this period in relation to GMCA Programme and Project Governance, Loan Approval Decisions (Core Investment Funds) and Supporting Families Programme, across which, a number of small improvements had been identified.

There had been one Whistleblowing case since the last report which had been closed with no further action required.

In relation to external quality assessment, there had been 24 actions identified, 13 of which had been completed and there was a proposal to extend five of those outstanding.

Members questioned how the recommendations identified in the Supporting Families Programme audit had been alerted to each GM Local Authority who were responsible for their delivery and further to this, how their own Audit Committees had been informed. Officers confirmed that these should be picked up by each Local Authority Audit Team and included in their Internal Audit Action Plan but that this would be re-iterated to the Chief Audit Executive meeting to seek further assurance that this was being done.

It was noted that the internal audit into GMCA Programmes and Projects had looked predominately at the availability of policies and strategies and that there had not been consideration given to compliance against these documents. Officers agreed that the scope of these initial audits had been broad, but that future audits would include in-depth reviews to test compliance. Further to this, the executive summary documents did not include management's response to the audit outcomes or timescales for delivery of improvements. Officers confirmed that this detail was included in the full reports and then transferred to the appropriate action tracker, however consideration would be given as to whether this information could feature in the Executive Summary in addition.

The potential changes to the Audit Plan cited deferrals, Members requested the budgetary controls audit to be undertaken early in 2022/23 in order to address any actions arising as soon as possible as this would be fundamental to the organisation and cut across the work of the Audit Committee. It was also suggested that the performance related actions following the peer review of Internal Audit be included within the Annual Review of Internal Audit report to the next meeting of the Committee.

Members highlighted that there was a significant amount of money externally managed on behalf of the Core Investment Funds and welcomed further interrogation by Internal Audit. Officers confirmed that this work would be included in the plan for 2022/23.

RESOLVED/-

1. That the progress report be noted.
2. That the changes to the Audit Plan be approved.
3. That Sarah Horseman, Head of Audit and Assurance would discuss shared internal audit actions with the Chief Audit Executive meeting and seek some process assurance.
4. That Sarah Horseman, Head of Audit and Assurance would provide Cllr Boyes with a breakdown of the Covid-19 Emergency Active Travel Fund allocations.
5. That future internal audit activity in relation to GMCA Programmes and Projects would include some in-depth reviews to ensure compliance against the policies and strategies in place.
6. That consideration would be given as to whether to include the management response to the identified issues within the Executive Summaries of internal audits.
7. That the audit relating to budgetary control be undertaken early in 2022/23 in order to address any actions as soon as possible.
8. That the performance related actions as identified by the peer review into Internal Audit be included in the Annual Review of Internal Audit.
9. That there would be a further audit of externally managed funds on behalf of the Core Investment Fund undertaken in 2022/23.

AC/79/21 AUDIT ACTION FOLLOW UP

Sarah Horseman, Head of Audit and Assurance, GMCA informed the Committee that 70% of the internal audit actions had already been implemented, which was on track but slightly lower than the 85% target. The graph in section 4 of the report gave further detail of the status of each individual audit. A small number of actions had been extended regarding fleet and performance management to take account of associated ongoing work and officers were assured that these extensions would be beneficial to the ultimate delivery of the action.

RESOLVED/-

That the report be noted.

AC/80/21 PLANNING FOR 2021/22 AUDIT OPINION

Andrew Lightfoot, Deputy Chief Executive of the GMCA reminded the Committee that a limited assurance option was given in 2020/21 from Internal Audit. It highlighted specific concerns regarding corporate governance arrangements relating to performance management and the appointment of Mayoral Advisors, amongst other recommendations. All of which were being actively addressed and the report set out the steps taken to address each audit action.

There had been good progress made in relation to increasing the effectiveness of performance management, integrating a consistent approach across all elements of the business removing any residual silos following previous organisation mergers. A strong framework had been developed that included a wide range of indicators including information governance and legal aspects that was reported to the Chief Executives Management Team on a quarterly basis and would also be reported to the Resources Committee, through an expanded terms of reference, to ensure greater visibility.

In relation to the Mayoral Advisors, the recommendations of the audit had been implemented and any new appointments would now be subject to approval by the Resources Committee, their allowance would appear in the public domain, they would be required to complete an Annual Declaration of Interest and they would not be eligible to bid for any contract with the GMCA.

There was a strong emerging approach to risk management across the GMCA, with a significant amount of work being undertaken at a corporate level in the organisation, the assessment for this quarter was just beginning and officers were confident that it would evidence even greater conformity.

Members of the Committee recognised that there had been substantial progress in relation to risk management and establishing a risk management framework, however as some measures had only been in place for a short period, it was noted that the audit opinion may be challenging. Officers agreed that although there would be challenges with an audit opinion after some controls had only just been implemented, it would clearly be able to demonstrate a change in direction of travel and provide a snapshot of evidence at a specified point.

In relation to this, members of the Committee urged that risk frameworks be a standing agenda item across all management teams within the organisation to further mature the approach to risk management and the guiding of a department's direction. It was suggested that further work be undertaken to encourage regular reviews of specific risks and that the Chief Executives Management Team take a closer look as to how this approach was being embedded across the organisation.

RESOLVED/-

1. That the report be noted.
2. That the framework by which quarterly reports were submitted to the Chief Executives Management Team would be circulated to the Committee.
3. That Andrew Lightfoot, Deputy Chief Executive would review the frequency of risk registers being considered by individual management teams to ensure consistency across the organisation.

AC/81/21 RISK MANAGEMENT UPDATE REPORT

Sarah Horseman, Head of Audit and Assurance, GMCA introduced a report which provided the current position of all strategic and escalated risks. Following a number of risk workshops held across the organisation, departments were now able to see the golden thread from their local risks to corporate risks demonstrating the growing maturity of the GMCA. The team would continue to run workshops, embedding processes across departments and supporting colleagues to calibrate and moderate their risk scoring.

Section 3 of the report highlighted those risks which scored 16 or over and were escalated to the Corporate Risk Register alongside the current strategic risks. Members were keen to ensure that no risks were removed from the Corporate Risk Register without some narrative to explain why it had been removed. In addition, members asked whether changes in risk ratings could also be included in future reports so that their escalation or de-escalation could be monitored.

RESOLVED/-

1. That the report be noted.
2. That the Chair, in conjunction with the Head of Audit and Assurance would review the Corporate Risk Register in order to determine any areas for specific deep dives.
3. That Sarah Horseman, Head of Audit and Assurance would provide reasoning as to the reduction in risk level alongside the climate change carbon reduction risk on the register directly to Grenville Page.
4. That future Risk Registers would detail previous ratings to evidence to the Committee where a risk had been deescalated or escalated.
5. That TfGM be asked to provide Cllr Chris Boyes details on the reliability of the 'touch in – touch out' system for Metrolink ticketing.

AC/82/21 TREASURY MANAGEMENT STRATEGY STATEMENT 2022/23

The GM Treasurer, Steve Wilson took members through the Treasury Management Strategy Statement for the forthcoming year, which was to be considered by the GMCA alongside the budget setting process to determine the potential levels of required borrowing.

This report explained that the current requirement for capital expenditure was £496m, of which some would be grant funded and the other made up from reserves, resulting in a capital financing requirement of £182m. Although cash reserves over previous years had seen no requirement for the GMCA to borrow any further monies, this financing requirement would result in some borrowing for 2022/23. Officers noted that this would be a period of uncertainty in relation to interest rates and inflation, which was expected to increase to a base rate of 1.25% over the year but that there would be minimal impact to the GMCA.

Section 3 of the report explained how there was a proposal for a minimum revenue provision policy to be adopted across all departments of the GMCA which would set out a specific approach to any future borrowing and ensure that re-payments were spread out more evenly. The reference to the private finance initiative for police assets further reiterated the benefits of extending the repayment as the life of the asset was greater than the term of the borrowing. This proposal was currently subject to legal ratification, following which would be submitted for consideration by the GMCA and if approved would be applied to all future borrowing.

RESOLVED/-

1. That the report be noted and recommended for approval by the GMCA.
2. That a training session on Treasury Management would be scheduled between now and the next meeting of the Committee.

AC/83/21 CAPITAL STRATEGY 2022/23

The GM Treasurer, Steve Wilson introduced a report which set out the capital programme for 2022/23, detailing £496m of spend subject to budgetary approval by the GMCA. One of the most significant areas of capital investment was as a result of Greater Manchester being awarded £1.07b through the City Region Sustainable Transport Settlement, however final specifics were to be confirmed.

Members recognised the significant amount of money within the Capital Strategy for the forthcoming year and urged for regular opportunities to review the assurances against its spend. Officers agreed to bring updates as required in addition to the regular Treasury Management reports.

RESOLVED/-

1. That the contents of the report be noted and recommended for approval by the GMCA.
2. That the Committee will be updated should the overall capital programme figure change following the budget setting process by the GMCA.

3. That the Audit Committee be given regular opportunity to review the assurances in relation to capital infrastructure spend, especially in relation to transport development.

AC/84/21 GMCA ACCOUNTS SIGNED OPINION 2020/21

Mark Dalton, External Auditor, Mazars took members through the signed opinion on the GMCA accounts for 2020/21 which was issued on the 20 December 2021. The three areas of outstanding work had been completed and there were no further issues to report.

RESOLVED/-

That the report be noted.

AC/85/21 EXTERNAL AUDIT 2020-21 AUDIT COMPLETION REPORT FOLLOW UP LETTER

Mark Dalton, External Auditor, Mazars presented the follow up letter on the audit completion report which formally closed the accounts for 2020/21.

RESOLVED/-

1. That the letter be noted.
2. That the Committee receive a report on the outcomes of the NAO guidance once the whole of government accounting review is completed.

AC/86/21 OPTIONS FOR APPOINTMENT OF EXTERNAL AUDITOR FROM 2023/24

The GM Treasurer, Steve Wilson introduced a report which presented three choices for public bodies when selecting their approach to external audit for 2023/24. Officers recommended option 3 which would see the GMCA opting into the national process for appointing an external auditor, removing the risk to the organisation as a result of the current challenging market. It was agreed to delegate the submission of the formal decision (before the 11 March 2022) to the GMCA Treasurer.

RESOLVED/-

1. That the recommendation for GMCA and GMP to opt-in to the Public Sector Audit Appointment (PSAA) body for appointment of external auditors be noted.
2. That the proposal to continue with local joint procurement arrangements for the provision of external audit services with TfGM and other Greater Manchester authorities be noted.
3. That authority be delegated to the GMCA Treasurer, in consultation with the Chair of the Audit Committee, to agree the final recommended option to be made to GMCA and Police and Crime Panel.

AC/87/21 GMCA AUDIT COMMITTEE WORK PROGRAMME AND ACTION TRACKER

The Chair presented the Work Programme and Action Tracker for consideration by the Committee. Officers agreed to pick up the one outstanding action, and offered to ensure that the findings from the cyber audit would be incorporated into the Internal Audit Action Tracker.

RESOLVED/-

1. That the work programme and action tracker be noted.
2. That Steve Wilson, Treasurer to the GMCA provide advice to members of the Audit Committee on the implications of the publication of the regulatory guidelines in relation to external audit.

AC/88/21 DATE AND TIME OF FUTURE MEETINGS

RESOLVED/-

That the GMCA Audit Committee would next meet on 22 April 2022.

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GREATER MANCHESTER POLICE

GMCA GREATER MANCHESTER COMBINED AUTHORITY

JOINT AUDIT PANEL

Date	Friday 28th January
Time	10:30 - 12:30
Venue	Online Meeting

Attendees

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

Christopher Kinsella (GMP - Chief Officer - Resources & Chief Financial Officer)
Graeme Openshaw (GMP - Superintendent, Use of Force Lead)
Janet Moores (GMP - Head of Finance)
Sara Ashworth (GMP - Planning & Policy Development Manager)
Candice Simms (GMP - Minutes)

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

Mark Dalton (Mazars - Partner (Public Services))
Amelia Salford (Mazars - Manager (Public Services))

Apologies

Stephen Watson (GMP - Chief Constable)
Rt. Hon Baroness Beverley Hughes (Deputy Mayor of Greater Manchester)
Steve Wilson (GMCA – Treasurer)
Foluke Fajumi (Panel)

M191/JAP Welcome and Apologies for Absence

The Chair welcomed all attendees and noted apologies.

M192/JAP Urgent Business (if any) at the discretion of the Chair

None raised.

M193/JAP Declarations of Interest

None raised.

M194/JAP Approval of October 2021 minutes and actions

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

GMP noted Action A041/JAP has now been completed. The Force has been in contact with South Yorkshire Police and other forces regarding their approach to strategic risk management. Members were advised Internal Audit have recently undertaken a Risk Audit. GMP is currently in the process of reviewing how the Force undertakes risk management going forward, particularly in light of GMP's refreshed governance structure. A full update on risk is due to come to the April Joint Audit Panel.

With regards to Action A042/JAP, Internal Audit advised they have begun validation of completed internal audit actions as highlighted in the Action Tracker Report. Internal Audit will continue to work with the Force to ensure their approach to validation is a meaningful and constructive process.

M195/JAP Panel Members End of Term

On behalf of the GMCA Treasurer, the Chair confirmed that a positive response has been received from all Panel members in terms of an extension to their contract. Members were advised the terms and duration are yet to be agreed and confirmed.

The Chair highlighted his intentions of meeting with the GMCA Treasurer to discuss increasing the membership of the Panel for additional support, particularly to aid the Panel with expertise in cyber and information technology (IT). The Panel expressed their agreement with this proposal and referenced a section of the National Audit Office (NAO) 'Cyber and Information Security: Good practice guide, October 2021' which states "audit committees should be scrutinising cyber security arrangements" (pg. 26 of agenda).

GMP informed members of a proposal covering a major restructuring of IT and information management that will be submitted to the Force's Plan on a Page Board next month, this will include increasing the Force's proficiency in cyber technology. Internal Audit noted their IT audit services are externally contracted and the Panel could consider inviting the IT auditors to the Joint Audit Panel to present audit finding and as a source of IT expertise.

The Chair will keep the Panel apprised with any conversations had around increasing the membership of the Panel and will revisit at the next meeting.

M196/JAP Terms of Reference Review

The Chair advised members will receive training in April on GMP's Medium Term Financial Plan (MTFP). It was noted the Panel will begin to receive budget monitoring reports going forward to assist with understanding of the process.

The Joint Audit Panel Terms of Reference (ToR) have been reviewed by all members and no further amendments are to be made.

M197/JAP 2020/21 Audit Completion Follow Up Letter

Mazars gave an overview of the 2020/21 Audit Completion Follow Up Letter which formally concludes the matters noted as outstanding in the Audit Completion Report presented to the Panel in September 2021. All amendments listed in the letter have been adjusted for in the final set of accounts which were signed off on 17th December 2021.

The Panel sought more information regarding the transfer of funds illustrated in the adjusted misstatements table. Mazars noted this was an accounting adjustment where the funds had been incorrectly accounted for as reducing income instead of expenditure. GMP advised controls have now been put in place to prevent repetition of this adjustment.

M198/JAP External Audit Progress Update and Sector Update

Members were provided with an overview of the report which provides an update on audit progress since the October 2021 meeting. It was highlighted that Mazars are currently in the process of completing their value for money (VfM) work and will share the Auditors Annual Report, including the VfM commentary with the Joint Audit Panel at the next meeting in April.

Mazars noted planning for the 2021/22 audit has commenced and work with GMP's Finance Team is underway. There are no issues at present that require reporting to the Joint Audit Panel.

Mazars highlighted pg. 9 of the report, which sets out a range of measures agreed with key partners to support the timely completion of local government audits and the ongoing stability of the local audit market. The auditing deadline for the 21/22 accounts will be 30th November 2022.

The Panel highlighted pg. 12 of the report and praised Mazars for their latest major local audit quality inspection results.

The Panel noted the report.

M199/JAP Joint Audit Panel Workplan

Internal Audit noted the workplan will come to the Joint Audit Panel as a result of the effectiveness review. It was proposed a questionnaire will be sent to members of the Panel prior to the next meeting which will capture training and agenda items for 2022/23.

The Chair noted his interest in reverting back to face to face meetings from April onwards to improve the quality of training. Members were supportive of moving back to face to face meetings and agreed to monitor Covid-19 guidelines around working arrangements over the next few months. GMP advised the Force is now in a position to support face to face meeting arrangements and can keep an online provision in place for anyone with health and safety concerns.

M200/JAP External Quality Assessment of Internal Audit

Internal Audit gave an overview of the report which outlines the proposed methodology to support the completion of the External Quality Assessment (EQA) of the Internal Audit Service for the Force and the Greater Manchester Mayor’s Police and Crime Commissioner (PCC) functions. It was noted the EQA methodology is the same methodology used in the last peer review in 2017.

It was highlighted there are obvious financial savings to members of the peer group in adopting the agreed approach. In addition, such an approach is in keeping with the promotion of collaborative working arrangements. Internal Audit recognises this work as an ideal opportunity to share good working practices.

The Panel queried the timescales of the EQA. Internal Audit advised the self-assessment and evidence available are to be reviewed April/May 2022. The validation will then take place during May/June 2022 and the outcome of the exercise available during the summer of 2022. It's anticipated the EQA findings will be reported at the June or September Joint Audit Panel.

The Panel noted the report.

M201/JAP Internal Audit Plan Progress Report

Members were provided with an overview of the report which informs of the progress to date of the delivery of the Internal Audit Plan. It was highlighted that two reports have been issued since the last meeting of the Joint Audit Panel; Use of Force Reporting (limited assurance) and PPE Requirements – Usage and Disposal (reasonable assurance).

Superintendent Graeme Openshaw attended the meeting to discuss the Use of Force (UoF) Internal Audit Report. Upon noting the audit findings, the Panel sought further information around:

- types of UoF;
- purpose of recording UoF;
- officer training;
- how GMP use of UoF data; and,

- action taken by the Force when identifying any gaps reporting creates.

Members were advised of the national requirement that came in from the Home Office in 2017 which states that all forces must collect data around UoF, ranging from compliant use of handcuffing through to discharging a firearm. All interactions that the police have with the public where force is used is now collected in a systematic way across the country.

GMP's method of recording and storing UoF data has been recognised as having limitations by both the Force and Internal Audit. Members were assured that GMP are soon moving to a mobile application based solution which should improve the quality and accessibility of UoF data. Collating UoF data is important for GMP's legitimacy when serving the communities of Greater Manchester to demonstrate that when UoF is used, it is necessary and proportionate.

Members were advised there is a mechanism at scrutiny panels that allows local districts to raise any concerns around UoF and provide feedback on body worn video (BWV). In addition, a new ToR has been distributed which standardises how scrutiny panels should operate to ensure consistent and regular scrutiny around UoF.

The Panel raised concern regarding the reporting figures for UoF. GMP acknowledged the level of reporting two years ago was below standard at circa 7,000 UoF per year. However, it was noted that reporting of UoF has improved with a projection of circa 30,000 for 2021/22. In comparison to other forces of a similar size, this data is good and GMP strives to record more UoF going forward. In addition, during the last 12 months, a new comprehensive governance process has been established which sees the assistant chief constable of specialist operations holding districts to account for their performance around UoF.

The Panel noted concern regarding pg.9 of the report which states papers and minutes from independent advisory groups (IAG) requested by Internal Audit were not made available to them. It was noted Internal Audit have access to all documentation under the Internal Audit Charter. Members were assured this is not a regular occurrence for the Force and the absence of this information did not prevent completion of the audit or impact on the audit findings. Internal Audit acknowledged instances of this nature should be flagged with the single point of contact (SPOC) in GMP when it is becoming a hindrance to the audit.

Members were advised Internal Audit are due to meet with GMP to continue conversations around ensuring the internal audit programme is at an appropriate strategic level and focused in the right areas.

Internal Audit highlighted their new output based key performance indicators (KPI) which are to be introduced in 2022/23 to better assess the quality of the internal audit service.

The Panel raised concerns regarding the deferral of two audits within GMP's Public Protection and Serious Crime Branch; High Harm Perpetrators - Sex Offenders Management and Missing from Home. Internal Audit assured members these were deferred due to associated inspection activity and internal scrutiny already underway in GMP. This forms part of Internal Audit's assurance mapping. It was noted that Internal Audit keep record of all historical internal audit activity.

Internal Audit noted an area of development going forward, which would see the Panel being informed of findings from other assurance activities in GMP, not just internal audit.

The Panel approved the changes to the audit plan as detailed in Appendix D.

The Panel noted the report.

ACTION: Internal Audit to assess the most recent Action Tracker in relation to GMP's update provided for establishing scrutiny panels that look at UoF.

M202/JAP Terms of Reference for Governance and Scrutiny Mapping

Members were advised the ToR for Governance and Scrutiny Mapping has been shared in anticipation of an internal audit which aims to map GMP's current governance and performance reporting arrangements. Internal Audit noted there would be consideration with regards to what and how information is shared with the scrutiny and oversight bodies that have been established and how responsibilities for monitoring and reporting performance have been clearly defined. This audit follows on from discussions that took place at previous Joint Audit Panel meetings.

It was noted since the publication of the ToR, Internal Audit have been in discussions with GMP regarding the Force's Corporate Governance Project which is currently underway. This project will conclude with a Corporate Governance Handbook which will map out all routes and mechanisms for governance and scrutiny. As this project supersedes the objectives of this audit, it was proposed the Panel should receive the Corporate Governance Handbook which will provide those answers the audit was aiming to achieve. Whilst the project is ongoing, Internal Audit will look to provide the Panel with assurance around GMP's current governance arrangements by attending various governance meetings. Internal Audit will then examine GMP's new governance arrangements once they have been established.

The Panel sought timeframes for completion of GMP's Corporate Governance Project. It was noted implementation of most changes are already happening in real-time. It's anticipated all project changes should be in place by year end.

The Panel agreed to defer the Governance and Scrutiny Mapping Internal Audit until GMP's Corporate Governance Project has concluded and all changes have been embedded.

ACTION: GMP will share the Corporate Governance Handbook with the Panel once it is finalised.

M203/JAP Action Tracker Updates

Internal Audit provided members with an overview of the report which includes an update on the implementation of previous audit actions. It was highlighted that the overall on-time implementation rate for audit actions agreed in the last 12 months is 83% (target = 85%). This is a reduction from the 100% implementation rate reported in October 2021; however, still reflects good performance.

Going forward, Internal Audit noted they will be considering the most appropriate process for the closure of internal audit actions. Consideration will take place to determine whether actions are closed prior to, or after, further validation has taken place.

Members agreed it would be beneficial to invite GMP representatives to future meetings to provide the latest position regarding any historic and/or high rated outstanding internal audit actions.

The Panel noted the report.

M204/JAP Any other business

The Panel sought an update on iOPS. Members were advised GMP has recently completed a successful update to the ControlWorks command and control system (v17) which includes new functionality and enhanced mapping as well as efficiency improvements.

The next Joint Audit Panel is scheduled to take place at GMP Bury Divisional Headquarters on Friday 29th April. Members will attend training at 10:00am, followed by the main meeting at 11:15am.

GREATER MANCHESTER COMBINED AUTHORITY

GMCA AUDIT COMMITTEE

Date: 22 April 2022

Subject: Internal Audit Progress Report

Report of: Sarah Horseman, 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 Q4 2021/22. 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

<table>
<tr><td colspan="2">TRACKING/PROCESS</td><td colspan="2"></td></tr>
<tr><td colspan="3">Does this report relate to a major strategic decision, as set out in the GMCA Constitution</td><td>No</td></tr>
<tr><td colspan="4">EXEMPTION FROM CALL IN</td></tr>
<tr><td colspan="2">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?</td><td colspan="2">No</td></tr>
<tr><td>TfGMC</td><td>Overview & Scrutiny Committee</td><td colspan="2" rowspan="2"></td></tr>
<tr><td>N/A</td><td>N/A</td></tr>
</table>

1 Introduction

1.1 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.

1.2 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 agreed actions for implementation. Each action has a named responsible officer and a target implementation date.

1.3 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.

1.4 The purpose of this progress report is to provide Members with an update against the GMCA audit plan for 2021/22.

2 Progress against the 2021/22 Internal Audit Plan

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

2.1 Since we last reported to Audit Committee on 21 January 2022, we have issued five audit reports and certified one grant. Three of these reports have been finalised and agreed with Management, with two reports awaiting formal management responses prior to publication. The Executive Summaries from these reports are appended to this report. A summary of the reports issued in final is included below:

2.2 **Accounts Receivable (AR)**: Our audit report provided a **limited assurance opinion** over Accounts Receivable processes and controls. The audit identified a significant control issue relating to user access rights and permissions in the AR process. This fundamental weakness in the design of the control framework means that there is a higher risk of fraud and error within the process.

- The primary area of concern relates to a lack of segregation of duties between key activities of invoice creation and processing of credit notes and those with responsibility for allocating income and processing of refunds. Self-authorisation of these also meant there was also no independent approval in the system.
- Management took immediate interim action to remove overlapping AR role profiles and further work has since been undertaken to review user permissions to ensure these are commensurate with current roles only and allow for critical separation of duties.
- Audit testing did not identify any instances of inappropriate activity.

- In addition to the issue raised above, we identified four other areas for improvement action. Internal Audit will undertake further walkthrough testing to ensure that access permissions are appropriate, and controls are operating as expected.
- In comparison to the total funding received by GMCA, the value of income processed by AR is relatively low, however this still equates to significant values being processed through the system each year. The main source of funding received by the authority is government grant funding and a separate process for administering this was being developed and implemented by the Finance Team in March 2022.

2.3 **ICT Cyber Security:** This audit provided a **Reasonable Assurance opinion** over cyber security arrangements. The audit of GMCA's cyber security identified key areas where controls could be improved in order to improve the level of maturity against the NIST cybersecurity framework. This included the following:

- Documented policies and procedures (all areas)
- IT asset management (Identify)
- Access control (Protect)
- Data loss prevention (Protect)
- Back up (Protect)
- Security event detection, capture and analysis (Protect)
- Network integrity and protection (Protect)
- Disaster recovery (Recover)

2.4 The total number of recommendations (14) is indicative of the wide scope of the audit which covered 22 separate control areas. This includes five priority 1/essential recommendations, seven priority 2/important recommendations and two advisory recommendations.

2.5 **GMFRS Central Stores**: This report provided a **limited assurance opinion** over the controls in place for the operational management of GMFRS Stores. The three main areas that contributed to this opinion are:

- The Stores facility operate a centralised delivery model and whilst the day to day running of Stores appears to meet station requirements for the supply of uniform, consumables and operational equipment, there has been no strategic review of the service to test this against other potential delivery models. This is an area the new LTSC Management are keen to review.
- There are some fundamental stock management controls that we would expect to be in place that are not operating, including full physical stock checks of the Warehouse to stock records.
- In relation to procurement and contract management, there is a lack of understanding and ownership over contract/non-contract spend and whether this represents value for money. Also, delegated authority and formal sign off for procurement decisions is not always clear.

- The audit made five recommended improvement actions and a timetable for implementation of these was agreed.

2.6 **Grant certifications –** These was one grant certification completed during the period for Peer Networks (December 2021 Claim) £108k.

3 Internal Audit work in progress 2021/22

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

Planning Stage	
Grant Funding – Management and Reporting.	We issued an interim position statement in November 2021 and we will seek to revisit and undertake walkthrough testing on the new grant management process in April 2022.
Public Sector Decarbonisation Scheme – Phase1 (Section 31 Grant)	This £78.2m grant provides capital funding across Greater Manchester Public Estate for a variety of low carbon retrofit schemes including Heat Pumps, Insulation, LED Lighting and Solar PV. Grant certification was due in March 2022, but has since been extended to 30 June 2022. Ongoing preparation work alongside 16 partner organisations to certify this funding.
Grant Certifications	BEIS- Core Growth Hub Funding 2021/22 - £780k - This grant is due to be certified.

Fieldwork Stage	
Estates Management – Statutory Premises Safety Checks	The scope of the audit is focussed on providing assurance over the completion of statutory health and safety checks across the GMCA estate in relation to gas, electricity, legionella and fire safety.
GMFRS - Firefighter Training and CPD	Fieldwork commenced in January 2022. Since the commencement of the work we learned that GMFRS are also undertaking a review of training so Internal Audit will ensure that the results and findings of both audits are shared and aligned.

GMFRS – Fire Safety Assessments (72d)	Fieldwork commenced in January 2022 on this audit and remains ongoing.

Reporting Stage	
Procurement – Contract Award	This work is nearing completion and a draft report is being prepared.
Fixed Asset – Data Migration	This is an additional piece of work was requested by management. A draft report has been prepared and shared with Management for comments prior to publication.

3.1 Our overall progress in delivering 2021/22 planned audit work remains reasonable but there have been some delays in the completion of work due to COVID-19 work absence and client availability. We are seeking some changes to the plan which are outlined at Section 3, if approved, we remain confident the remainder of the plan can be achieved. Further details of our progress in respect of the 2021/22 Audit Plan is shown in Appendix B.

4 Changes to the Internal Audit Plan

4.1 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.

4.2 We are proposing some changes to the audit plan, with planned work on Adult Education Budget being deferred and re-evaluated as part of the 2022/23 plan. There has been no additional unplanned work carried out during the last quarter. We will aim to complete outstanding areas of work during April/May and these will be reflected in the Head of Internal Audit Annual Opinion Report in June 2022.

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

5 Other Activities

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

5.2 **Audit Planning for 2022/23:** We have undertaken a series of planning discussions with Directors to inform the audit plan and to understand any new or emerging risks in functional areas.

5.3 **Whistleblowing and Counter Fraud Activities** - One anonymous whistleblowing allegation was received during the quarter but when reviewed was not a qualifying whistleblowing report. It was passed on to another team for progressing through the relevant internal policy. Full details on the outcome of all whistleblowing allegations received during 2021/22 are provided in a sperate report to Audit Committee.

5.4 Additional work has been undertaken during the quarter to develop an Anti-Fraud Strategy and Anti-Bribery Policy. These are currently in draft and will be presented to SLT in April 2022 for approval and launched this year. Both policies will be shared with Audit Committee in June for review and approval.

- **Anti-fraud Strategy 2022-24 (Draft)** - This strategy sets out GMCA's approach to managing the risk of fraud and corruption and how an anti-fraud and corruption culture is established and promoted. The strategy incorporates the best practice guidance for combatting fraud in Local Government. It is based on the key principles set out in the CIPFA Code of Practice on Managing the Risk of Fraud and Corruption in Local Government (the Code) and Fighting Fraud Corruption Locally (FFCL) strategy as these represent best practice and compliance with these measures will enable GMCA to demonstrate effective stewardship of public funds. The strategy also sets out the key priorities and activities for Internal audit and other stakeholders over the next two years.

- **Anti-Bribery and Corruption Policy (Draft) -** This policy and procedural guidance is part of the corporate policy framework and will aim to ensure that Elected Members and Officers have access to the appropriate guidance and GMCA's stance on bribery is widely publicised.

- **Anti-Fraud Development Activities -** In 2022/23 Internal Audit will focus on raising the awareness and understanding of the anti-fraud strategy and anti-fraud principles across the organisation, through the development of communications and training arrangements. We will also investigate the feasibility of on-line reporting tools to allow for easy reporting of fraud concerns.

5.5 **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 Meetings and the Counter Fraud subgroup which 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	Compliant with PSIAS				13	8	✓	✓	✓
Programme and Project Governance	Reasonable			2			✓	✓	✓
Loan Approval Decisions – Core Investment Funds	Reasonable			1	3		✓		
Supporting Families Programme	Positive Overall	We made no recommendations as part of this review					✓		
ICT- Cyber Security	Reasonable						✓	✓	✓
Accounts Receivable	Limited		2	1	2		✓	✓	✓
GMFRS – Stores Management	Limited		1	2	2			✓	

Audit	Assurance Level	Audit Findings					Coverage		
		Critical	High	Medium	Low	Advisory	GMCA	GMFRS	Waste
Grant Funding – Management and Reporting	N/A	An Internal Audit Position Statement was issued following an interim assessment completed in November 2021. Further work to be conducted in April 2022.					✓		
Behavioural Policy Review	Draft Report Issued						✓	✓	✓
Fixed Assets Data Migration	Draft Report Issued						✓	✓	✓
GMFRS 7(2)(d) Fire Safety Risk Assessments								✓	
GMFRS - Firefighter Training and CPD								✓	
Estates Management – Statutory Premises Safety Checks							✓	✓	
Procurement – Contract Award							✓	✓	✓

Grant Certifications				
BEIS Growth Hub Funding	Positive	✓		
Covid-19 Emergency Active Travel Fund 20/21 (31/5099)	Positive	✓		
Green Homes Grant (31/5187)	Positive	✓		
Brownfield Housing Fund 20/21 (31/52990	Positive	✓		
GM Local Energy Market (Oct20-June21)	Positive	✓		
GM Local Energy Market (Oct20-Sept21)	Positive	✓		
BEIS Peer Network Support (Dec 21 Claim)	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	• 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	• 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	• 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	• Isolated exception relating to the full and complete operation of controls (e.g. timeliness, evidence of operation, retention of documentation) • Little or no impact on the achievement of strategic objectives / outcomes for GM residents • Expected good practice is not adhered to (e.g. regular, documented review of policy/documentation)	**1**
Advisory	Finding does not impact the organisation's ability to achieve its objective but represent areas for improvements in process or efficiency.	**0**

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

The table below shows progress made in delivery of the 2021/22 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	●	●	●	●	Sept 2021	IA contributed to the update of the AGS
Corporate Services	Grants	Mandatory Grant Certifications	Q1-Q4	◉	◉	◉	◉		Ongoing
Corporate Services	ICT	Cyber Security	Q1	●	●	●	●	April 2022	Final Report issued
Corporate Services	Grants	BEIS Growth Hub Funding 2020/21	Q1	●	●	●	●	Aug 2021	Completed
Core Investment Team	Loans and Investments	Loan Approval Decisions	Q1	●	●	●	●	Jan 2022	Final Report Issued
Corporate Services	Procurement and Contracting	Contract Award and Finalisation	Q1	●	●	◉	○		Draft Report being prepared
GMFRS	Governance	Whistleblowing / Grievance	Q1	●	●	●	●	Sept 2021	Completed
GMCA	Governance	Whistleblowing	Q2	●	●	●	●	Sept 2021	Completed

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Directorate	Audit Area	Audit	Timing	Planning	Fieldwork	Draft Report	Final Report	Audit Committee	Comments
Corporate Services	Governance	Governance Framework – Behavioural Policies	Q1	●	●	●	○	June 2022	Draft Report Issued
Corporate Services	Governance	Programmes and Project Governance	Q1	●	●	●	●	Jan 2022	Final Report Issued
Education, Work and Skills	Finance	Adult Education Budget	Q1	○	○	○	○		Proposal to Defer to 2022/23
Corporate Services	Finance	Accounts Receivable	Q2	●	●	●	●	April 2022	Final Report Issued
GMFRS	Assets	Stores & Logistics	Q2	●	●	●	●	April 2022	Final Report Issued
Corporate Services	Finance	Grant Funding Management and Reporting	Q2	●	●	●	○	June 2022	Interim Opinion Given
Public Sector Reform	Compliance	Supporting Families Programme	Q2	●	●	●	●	Jan 2022	Final Report Issued
Environment	TBC	Carbon Reduction	Q3	○	○	○	○		Proposal to Defer to 2022/23
Corporate Services	Finance	Budgetary Control	Q3	○	○	○	○		Proposal to Defer to 2022/23

Directorate	Audit Area	Audit	Timing	Planning	Fieldwork	Draft Report	Final Report	Audit Committee	Comments
Placemaking	TBC	Asset Compliance	Q3	●	⦿	○	○		Fieldwork Commenced
GMFRS	Training	Fire Fighter Training and CPD	Q4	●	⦿	○	○		Fieldwork Commenced
Mayoral	Governance	Mayoral Priorities	Q4	○	○	○	○		Proposal to Defer to 2022/23
GMFRS	Protection and Prevention	7(2)(d) Fire Safety Risk Assessments	Q4	●	⦿	○	○		Fieldwork Commenced
Corporate Services	Finance	Fixed Asset Data Migration	Q4	●	●	●	○		Fieldwork Commencing Jan 22

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
Finance	Fixed assets – Data Migration	Q4		Plan addition	A request from Management to undertake this work. To provide assurance over migration of fixed asset data from BWO to the CIPFA fixed asset system.	Jan 22
Finance	Budgetary Control	Q3		Defer	To defer to 22/23 audit plan. A significant amount of development work is being undertaken in finance to improve budget monitoring processes and aligned to the new finance structure. This affects the timing of this work.	Jan 22
Environment	Carbon Reduction	Q4		Defer	To defer to 22/23 audit plan. Unlikely to deliver due to time constraints.	Jan 22
Mayoral	Mayoral Priorities	Q4		Defer	To defer to 22/23 audit plan. Unlikely to deliver due to time constraints.	Jan 22
Work and Skills	Adult Education Budget	Q1		Defer	To defer this audit and reconsider as part of 2022/23 audit plan following planning discussion with Executive Director.	

Appendix E – ACCOUNTS RECEIVABLE

GMCA GREATER MANCHESTER COMBINED AUTHORITY

INTERNAL AUDIT REPORT

Accounts Receivable

FINAL

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

Reference: 2021/22Q2

Draft Report Issued: 18 February 2022

Final Report Issued: 12 April 2022

Audit Sponsor: Steve Wilson, Treasurer

Lead Auditor: Jessica Jordan

EXECUTIVE SUMMARY

1. Background and Context

1.1 The Accounts Receivable (AR) process is the process for controlling income due to GMCA and forms part of the organisations core financial systems which are managed via the Finance System Business World On (BWO). The process begins with the creation of an invoice and ends with the settlement of the debt by the customer. By exception, some debts may need to be cancelled or written off.

1.2 GMCA receives income from a variety sources including Central Government grants, contributions from local authorities and NHS agencies, charges for valuations and other housing-investment related fees, training and facilities charges, loan income and other ad-hoc income such as pension overpayments. Not all these income receipts are controlled through the AR process, including government grant receipts, which is the main source of funding for GMCA.

1.3 The GMCA's Financial Regulations, state that *Chief Officers are responsible for notifying the Treasurer of all income due to GMCA*. The ability to raise invoices generally rests with the Core Finance team, Exchequer Services, and the Core Investment Team. The Capital and Treasury Team are responsible for the receipt and allocation of income received and Exchequer Services manage the debt collection process. The Core Investment Team manage the collection and repayment of investment loans.

1.4 This Internal audit report provides assurance over the effectiveness of controls operating in the AR process.

2. Audit Objective and Scope

2.1 The objective of this audit is to provide assurance that all income due to GMCA is properly identified, collected, and accounted for. To do this, we have sought to

- Provide assurance over the efficiency and effectiveness of controls to ensure the accurate and timely billing of income, and the recording and allocation of income received; and
- Assess the debt recovery and write off processes and controls to ensure monies due are collected as effectively as possible.

2.2 The scope of the work included the following AR processes and controls:

- Written Policies, Procedures and Guidance
- Roles and Responsibilities
- Customer Masterfile Standing Data
- Invoice Creation, Authorisation, and Validation
- Credit Notes

- Settlement of invoices; and
- Debt Recovery and Write Off.

2.3 Sample testing covered the period April 2020 to December 2021. For comparative data purposes Appendix 1 includes data from April 2019 to December 2021 to take into consideration any anomalies due to the Covid Pandemic.

Limitations:

2.4 This audit focussed on invoiced income and did not consider the receipt and allocation of income outside of this process. We did however consider the total volume and value of income received outside of the AR process to determine the validity of having separate processes.

2.5 We did not review the debt recovery procedures undertaken by the Core Investment Team (CIT) for repayment of recyclable loan funds, which is administered outside the normal AR and debt recovery process.

3. Key Metrics

3.1 Full details of comparative data for AR is shown at **Appendix 1**

3.2 As at the end of period 9 (December 2021):

- There were 1,156 invoices raised
- There were 60 credit notes raised
- Aged debt was £3.1m (as at January 2022 - £1.4m related to Core Investment Team and thus excluded from the debt recovery testing in this audit)
- There were 6 invoices written off totalling £102,547 all of which related to Core Investment Team transactions.

3.3 The table below shows a summary breakdown of income types received into GMCA bank accounts since the beginning of 2019/20 financial year (excluding sweeps between accounts). As a guideline income is normally in the range of around £5-7 billion per year and there are around 2-3000 transactions each year.

Type of Income Received into bank (Apr 2019 to Dec 2021)	% of value	% of transactions
Treasury Deals*	64%	14%
Grants and Government Funding	21%	7%
Rates, Precepts and Levies	11%	11%
CIT Transactions	2%	8%
AR Income	1%	30%

VAT Income	1%	0%
Capital Income and Legal Settlements	0%	2%
Misc / Other	0%	27%

*This relates to the return of funding that is loaned out to others at a favourable interest rate when not needed by GMCA, only a small proportion of this income which relates to interest would be additional funding for GMCA.

4. Audit Opinion

4.1 Our audit identified a significant control issue relating to user access rights and permissions in the AR process. This fundamental weakness in the design of the control framework means that there is a higher risk of fraud and error within the process. Audit testing did not however identify any instances of inappropriate activity and action was taken by the Finance team immediately to address the issue. For this reason, a **Limited Assurance** opinion has been provided.

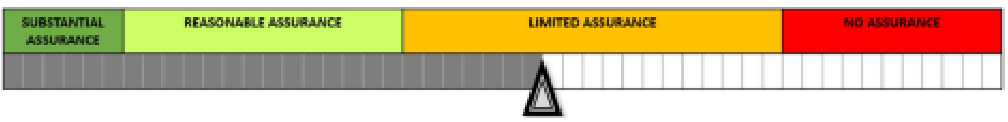
4.2 The primary area of concern relates to a lack of segregation of duties between key activities of invoice creation and processing of credit notes and those with responsibility for allocating income and processing of refunds. All users also have ability to make changes to customer Masterfile data. The self-authorisation of Invoices and Credit Notes regardless of value means there is no independent approval in the system.

4.3 Over time user permissions have evolved relative to changes in staff roles or staff capacity issues. There should be an exercise undertaken to review user permissions to ensure these are commensurate with current roles only and allow for critical separation of duties. A process should be established that allows for a consistent application of this approach between ICT Service Desk and BWO Service Team.

4.4 Management have taken an immediate interim action to remove overlapping AR role profiles.

4.5 In comparison to the total funding received by GMCA, the value of income processed by AR is relatively low, however this still equates to significant values being processed through the system each year. The main source of funding received by the authority is government grant funding and a separate process for administering this is being developed and implemented by the Finance Team in March 2022.

4.6 In addition to the issue raised above, we identified four other areas for improvement which are included in this report.



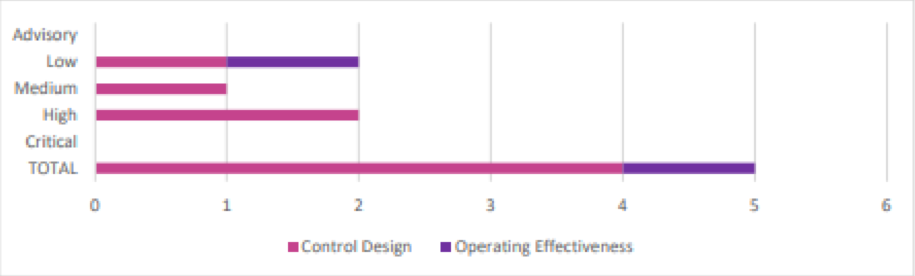
The scoring is based on the rating mechanism provided in **Appendix 2**

5. Summary of Findings and Agreed Actions

Finding	Risk rating	Action	Target Date
1. An appropriate segregation of duties is not in place within the AR system.	High	Review of logical access controls	1/3/2022
		Process for movers/transfers	Cyber Audit
2. Customer Masterfile data is not secure or properly maintained.	High	Review of logical access controls	1/3/2022
		Clarification of documentation required to support changes	1/4/2022
		Review and cleanse Customer Masterfile	1/4/2022
		Develop a Process to review changes to customer Masterfile	1/4/2022
		Review feasibility of recording notes on individual customer records	30/6/2022
3. Regular management Information reporting on invoices raised, aged debt and credit notes is not taking place.	Medium	Define performance metrics and present periodically to management	30/6/2022
4. Uploading of supporting documentary evidence to BWO is not taking place consistently.	Low	Upload of supporting information for all transactions and changes	1/4/2022
5. Declaration of Interest forms are not completed by Finance Staff.	Low	Declarations of interest register for Finance, Commercial and Internal Audit	30/4/2022

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).



6. Organisational implications

6.1 User access controls and granting of permissions for critical business systems requires review. A recent cyber security audit identified that whilst appropriate processes are in place for new starter network account provisioning and removing access for leavers, for any ad hoc changes made for staff that changed jobs/roles, there was no defined process for this area. As such their remains a risk of inappropriate access to systems.

6.2 The cyber security report did recommend the implementation of a standard process for the identification of staff who have changed jobs/role to ensure that account privileges are amended or removed as required.

6.3 While BWO Service Team are actively dealing with the user access issue in the AR system it would be beneficial to review access rights for BWO and other business systems across the organisation to ensure that this issue is not repeated elsewhere.

6.4 In addition to the above, there is a significant proportion of organisational funding that is not controlled through the AR process, meaning there can be inconsistencies over how funding received in advance is approved and accounted for. This risk is being addressed through a revised grant management processes and staff training.

7. Management Response

7.1 The 20-21 Accounts process and External Audit Completion Report recommendation identified two processes in place for raising sales invoices and credit notes across the organisation:

1. Self-review and approval by inputter
2. FIN11 invoice and credit note request processed by inputter with review and approval by a senior officer

This in turn, highlighted the absence of; segregation of duties, and internal controls.

In response to this we put an action plan in place to review the existing Accounts Receivable policies, processes, and procedures, with a resulting development plan to address the audit recommendations.

The review was strengthened by the Internal Audit of the Accounts Receivable process, which expanded on the External Audit Report recommendations.

The implementation of the restructured Finance team during 2021 and maximising the additional staff resources available, has supported the manual and financial system changes and improvements made in relation to the findings in this report (section 5) and the specific areas for improvement (section 9).

The full Management response to this report is included in the published version of the report.

GMCA GREATER MANCHESTER COMBINED AUTHORITY

INTERNAL AUDIT REPORT

Cyber Security

FINAL

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

Reference: SIAS/2122-01

Draft Report Issued: 14 February 2022

Final Report Issued: 10 March 2022

Audit Sponsor: Phil Swan, Director, Digital

Lead Auditor: Salford Internal Audit Service

Circulation:

For Action

Phil Swan	Director, Digital
Paul Wilkinson	Digital Solutions Manager

For Information

Chair and Members of the Audit Committee
Chief Executives Management Team
External Auditors

EXECUTIVE SUMMARY

1. Background and Context

An Internal Audit has been undertaken on behalf of GMCA Internal Audit by Salford IT Audit Service. This Executive Summary document provides an overview of the audit, the findings and opinion of the audit. As different audit providers use different audit opinion rating scales, this document also maps the Salford results onto the GMCA rating scale to aid comparison across audit reports.

The National Institute of Technology (NIST) created the Cyber Security Framework (CSF) as a voluntary framework to provide organisations with guidance on how to prevent, detect, and respond to cyberattacks. The Framework is based on existing standards, guidelines, and practices for organisations to better manage and reduce cybersecurity risk. In addition to helping organisations manage and reduce risks, it was designed to foster risk and cybersecurity management communications amongst both internal and external organisational stakeholders. The framework is seen as a good practice framework to measure and monitor how organisations respond to cyber risks.

2. Audit objective and scope

The objective of the audit was to provide management with a gap analysis comparing current practices to the NIST Cyber Security Framework and to identify any areas for improvement.

The audit covered the following areas of the NIST Framework:

1. Identify: Asset Management, Governance, Business Environment, Risk Assessment, Risk Management Strategy, Supply Chain Risk Management
2. Protect: Identity Management, Authentication and Access Control, Awareness and Training, Data Security, Information Protection Processes and Procedures, Maintenance, Protective Technology
3. Detect: Anomalies and Events, Security Continuous Monitoring, Detection Processes
4. Respond: Response Planning, Analysis, Mitigation, Improvements
5. Recover: Recovery Planning and Improvements

3. Audit Opinion

The audit of GMCA's cyber security has identified key areas where controls could be improved in order to improve the level of maturity against the NIST cybersecurity framework. This includes the following:

- Documented policies and procedures (all areas)
- IT asset management (Identify)
- Access control (Protect)
- Data loss prevention (Protect)

- Back up (Protect)
- Security event detection, capture and analysis (Protect)
- Network integrity and protection (Protect)
- Disaster recovery (Recover)

The total number of recommendations (14) is indicative of the wide scope of the audit which covered 22 separate control areas. This includes five priority 1/essential recommendations, seven priority 2/important recommendations and two advisory recommendations.

SUBSTANTIAL ASSURANCE			REASONABLE ASSURANCE			LIMITED ASSURANCE		NO ASSURANCE	
10	9	8	7	6	5	4	3	2	1

The overall score reflects the assessed opinion over how well the risks are managed with the appropriate control measures in place. The opinion is based on the auditor's judgement and takes in to account the number of recommendations made, the priorities of the recommendations, the impact on the business area under review and the organisation as a whole. No scientific formulae can be applied as some areas/objectives may be considered to have a higher weighting factor over other areas / objective. Key risks that could have a critical impact on the organisation will automatically warrant a lower level assessment.

This activity has not been audited previously by Salford Internal Audit Service who would like to thank the ICT team for their co-operation and support in enabling the audit to take place.

Note from GMCA Head of Audit and Assurance: The audit report provided by the Salford IT Audit Service, reports by exception (i.e. only the areas for improvement) which is reflected in the wording of the opinion. For context, the audit considered 34 areas under the five objectives of the NIST Security Framework. Of those, 12 did not require any further action which indicated processes and controls in place were adequate. Those areas where improvements were identified are covered by the 14 recommendations.

4. Summary of Exceptions/Areas for Improvement

NIST Area	Recommendation	Priority	Target Date
Identify	R1. A full and complete inventory of all hardware and software should be maintained.	1	Q3/4 2022/23
	R2. Review and update of corporate policies to ensure they are up to date and of a consistent format.	2	Q3/4 2022/23
	R3. Records that the Information Security Vendor Requirements (ISVR) Policy has been applied should be retained	2	Q2 2022
Protect	R4. Implementation of standard process for updating user access for staff who mode roles	2	Q3/4 2022/23
	R5. Regular review of the specific users excluded in the conditional access settings	Advisory	Q3/4 2022/23
	R6. Review mechanisms to manage, monitor and prevent data loss.	1	Q3/4 2022/23

	R7. A GMCA-wide back up policy should be put in place	1	Q1/2 2022/23
	R8. The revised Technical Vulnerability Management Policy should be implemented once it has been approved.	2	Q2/3 2022/23
	R9. Remediate operating system vulnerabilities caused by use of unsupported operating systems	2	Q3/4 2022/23
	R10. The current anti-virus solution should be reviewed to ensure it is fit for purpose.	2	Q1/2 2022/23
	R11. All smart devices should be registered and managed on the Microsoft Intune system.	1	Q3/4 2022/23
	R12. GMCA should carry out a review/options exercise for the implementation of a Security Incident & Event Management (SIEM) mechanism/solution	2	Q3/4 2022/23
	R13. GMCA should consider implementing an always on VPN for remote working.	Advisory	Q2/3 2022/23
Respond	R14. IT disaster recovery arrangements should be fully documented and approved.	1	Q3/4 2022/23

5. Management Comment

(Paul Wilkinson, Digital Solutions Manager)

The findings shown in the audit report are, in my opinion, an accurate representation of the audit process that was carried out thoroughly and diligently by the Salford IT Audit Service.
Upon initial engagement with the Salford IT Audit Service, we were able to determine and agree an appropriate scope for the audit, recognising that the NIST framework is considerable in size.

This scope was focussed on several key areas of the framework and the resulting recommendations will form the basis of activities for the IT Security Programme over the next twelve months.

Reassuringly of the 14 recommendations provided in the report, 13 already featured on the GMCA Cyber Action Plan, which is a list of activities that underpin the IT Security Programme and record the status of each item.

Addressing these 14 recommendations will improve the Authority's Cyber Security posture and provide further assurance that the associated risks are being managed appropriately. However, it's worth noting that Digital Services' ability to implement the recommendations is based upon a mix of capacity and capability. In many cases financial investment will be required to provide the capability and other activities will need to be re-prioritised to provide the capacity. This could well be a challenge for GMCA and for the Digital Services' teams who are relatively small in numbers and experiencing a high demand from the organisation. With this in mind the timescales shown in relation to delivery of the recommendations are target dates with assumptions being made around the appropriate levels of capacity and capability.

Overall, and in conclusion, I believe this report to be a good representation of where GMCA are on their Cyber Security journey which is being managed and led by Digital Services, working closely with Information Governance and Audit and Assurance.

GMCA GREATER MANCHESTER COMBINED AUTHORITY

INTERNAL AUDIT REPORT

GMFRS Stores Audit

FINAL

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

Reference: 2021/22Q2

Draft Report Issued: 14 January 2022

Final Report Issued: 12 April 2022

Audit Sponsor: Andrea Heffernan, Director of Corporate Support

Lead Auditor: Jessica Jordan

EXECUTIVE SUMMARY

1. Background and Context

1.1 GMFRS Stores facility is based at Leigh Technical Service Centre (LTSC) and is split into two main areas:

- **Transport Stores** – designed to meet the needs of the Fleet Vehicle Management and Maintenance Team also based at LTSC through the provision of required vehicle parts, service supplies, etc.
- **Main Warehouse Stores** – provides stock to meet the service delivery needs on stations including the provision of uniforms, cleaning equipment, fire extinguishers, and general maintenance, etc.

1.2 The Stores team are responsible for the ordering, management and distribution of stock that is held within the warehouse alongside the purchasing and distribution of items which due to high value / low turnover are only ordered as needed. Stock deliveries are made across the GMCA estate using three dedicated stores delivery vehicles.

1.3 The Stores Team report to the new Fleet and Logistics Manager and are line managed by the Stores and Logistics Manager with a full establishment of 10 staff.

1.4 This audit report provides the outcome of our work and assurance over the arrangements for the management, purchasing, control and distribution of GMFRS stores items.

2. Audit objective and scope

2.1 The objective of this audit was to provide assurance over the effectiveness of systems and processes for stores management. The scope of the audit examined the following control areas:

- Adequacy of systems, policies, procedures, and processes for stores management.
- Roles and responsibilities of stores staff.
- Contract purchasing, management and monitoring.
- Procedures for internal ordering, distribution, and recharging of stock items.
- Stock control and security.

Limitations of scope

2.2 Our audit was limited to the activities undertaken by the Stores Team. The audit did not consider:

- Direct purchasing decisions made by individual teams outside of this process,
- Storage or security of stores items held by client teams outside of LTSC.
- Our testing was performed on a sample basis and therefore does not give absolute assurance over the entire population of records.

2.3 Internal audit was also requested to consider specific issues relating to the effectiveness of the PPE Laundry, repair and maintenance contract following concerns over missing items of uniform. Our initial observations on this have been reported separately to this report.

3. Key Stores Metrics

	Main Warehouse			Transport Stores	Stores Total
	General	Operational Equipment	Uniform	Vehicle Parts	Total
Open Product Lines	412	564	1065	1617	3,658
No. of Stocked Items	64,808	34,070	19,900	28,951	147,729
Value of Stock held	£51,060	£148,845	£473,319	£180,519	£853,743

	2019	2020	2021 (to date)
Total No. of Orders	20,896	20,719	10,711
Total No. of Items Ordered	322,417	220,123	111,792
Total value of Orders	£ 1,183,616	£1,053,519	£681,775

A detailed breakdown is shown at appendix 1

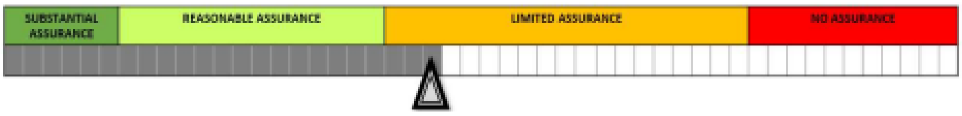
4. Audit Opinion

4.1 We provide a **Limited Assurance opinion** over the controls in place for the operational management of GMFRS Stores. Three main areas that have contributed to this opinion are:

- The Stores facility operate a centralised delivery model and whilst the day to day running of Stores appears to meet station requirements for the supply of uniform, consumables and operational equipment, there has been no strategic review of the service to test this against other potential delivery models. It was not included as part of the scope for Programme for Change, and as such no recent review has taken place over the efficiency and effectiveness of the service including alignment of key service objectives, operational practices, or value for money. This is an area the new LTSC Management are keen to review.
- There are some fundamental stock management controls that we would expect to be in place that are not operating, including full physical stock checks of the Warehouse to stock records.

- In relation to procurement and contract management, there is a lack of understanding and ownership over contract/non-contract spend and whether this represents value for money. Also, delegated authority and formal sign off for procurement decisions is not always clear.
- We also noted areas for improvement in staff training and control of obsolete branded Uniform.

4.2 A previous audit report on LTSC vehicle fleet management and maintenance issued earlier this year made a series of recommendations on related issues around the value and efficiency of the service, performance management and contract governance arrangements. Those actions should be considered alongside the observations made in this report.



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

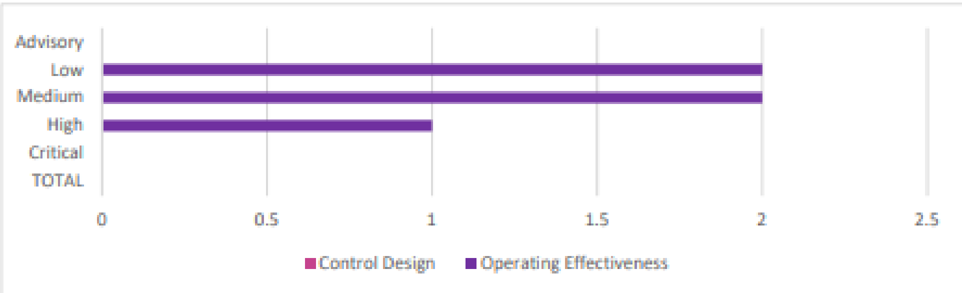
5. Summary of Findings and Agreed Actions

Finding	Risk rating	Action	Target Date
1. Stores Strategy and overarching management requires review.	High	Review of Fleet Delivery Model	TBC
2. Stock control procedures, and the security and access to Warehouse Stock needs to be strengthened.	Medium	Full stock takes to be undertaken	TBC
		Fleet and Logistics Manager to review stock take results going forward	TBC
		With BWO team functionality of current system will be reviewed for potential enhancements.	TBC
		With Access Control team, access control rights and processes for the Stores Warehouses will be reviewed.	TBC
3. Improvements are needed in procurement and contract management activity.	Medium	With Commercial team a full review of contracts and suppliers will be undertaken.	TBC
		Introduce reporting and monitoring of high spend areas including on and off contract spend.	TBC

		Ensure clear ownership and responsibility for contracts and supplier management	TBC
		Increase control over BWO supplier information to ensure accurate and up to date.	TBC
4. There is no formal training/CPD plans in place for the team.	Low	Individual staff training plans will be put in place relevant to roles.	TBC
5. The control and secure disposal of branded firefighter uniform to prevent potential misuse needs to be improved.	Low	Review of use and accuracy of individual uniform records in BWO	TBC
		Trial system to record uniform sent for destruction to determine workload and effectiveness.	TBC

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).



6. Organisational implications

6.1 Systems: One of the key areas for development being considered by LTSC Management is the acquisition of bespoke fleet management software as a replacement for BWO as they believe the existing system does not meet their information needs or support their drive for greater operational efficiency. The scope of this work will consider workshop and stores requirements from a procurement and asset management perspective and how this integrates with existing BWO financial processes, which remains the GMCA Financial Management System.

6.2 Supply Chain: There is a risk of delay or increase in the cost of Uniform, consumables, and operational equipment due to supply chain disruption as a result of BREXIT and the Pandemic. This risk and planned mitigations are shown in the GMFRS Corporate Risk Register.

7. Management Response

7.1 Management to include a brief response to the report to the report findings and actions.

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GMCA GREATER MANCHESTER COMBINED AUTHORITY

Agenda Item 9

GMCA AUDIT COMMITTEE

Date: 22 April 2022

Subject: Internal Audit Effectiveness

Report of: Steve Wilson, Treasurer

PURPOSE OF REPORT

As the Officer responsible for the effective functioning of the Internal Audit Team, the Treasurer must be satisfied that the Internal Audit Service is operating effectively.

The Head of Audit and Assurance conducts an annual review of the effectiveness of its system of internal audit as part of its governance assurance processes and presents this to the Treasurer and Audit Committee. This process is 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.

This report sets out the assessment for 2021/22 and actions proposed to ensure ongoing effectiveness and quality of the GMCA Internal Audit service.

RECOMMENDATIONS:

Members are 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	

Annual Self-Assessment of Internal Audit Effectiveness
Sarah Horseman, Head of Audit and Assurance
March 2021

1. Introduction

Internal Audit is one of the means by which GMCA assesses the adequacy and effectiveness of its governance and risk management arrangements, ensuring that an effective internal control system is in place. It is a key source of independent assurance to management and those charged with governance and its work helps inform the Annual Governance Statement.

It is important that the effectiveness of the internal audit function is regularly assessed to ensure that the service is effective and fulfilling its remit, as defined in the Internal Audit Charter; is adding value to the Authority and complies with the Public Sector Internal Audit Standards (PSIAS).

This report provides the assessment of the effectiveness of the GMCA Internal Audit service for 2021/22 and sets out the plans for monitoring and measuring effectiveness of the service going forwards.

2. Assessment of Internal Audit Effectiveness for 2021/22

The following attributes have been considered when assessing effectiveness of the Internal Audit service:

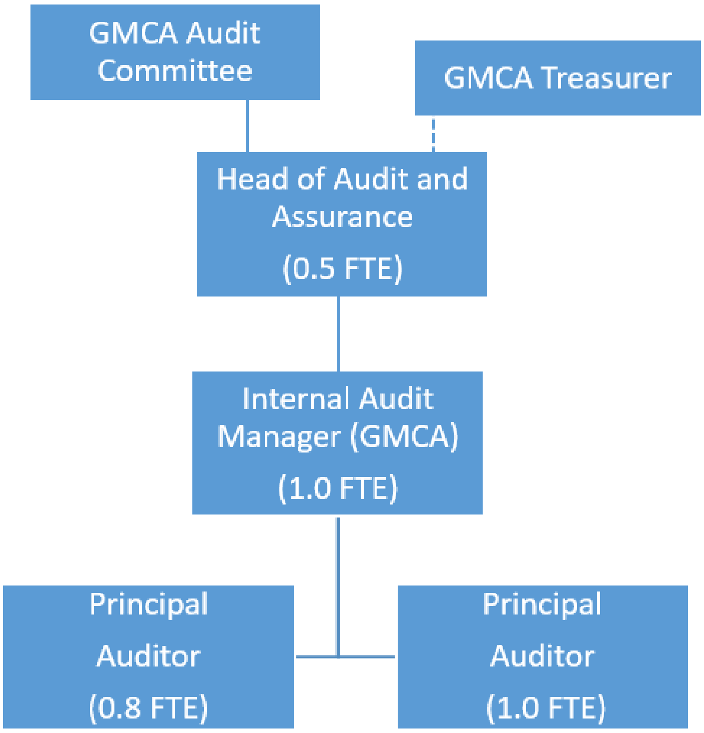
- Structure and resourcing
- The results of the External Quality Assessment (EQA) undertaken to assess conformance with the PSIAS in producing quality work.
- Delivering audit work in the most appropriate areas on a prioritised (risk) basis.
- Audit Committee reporting
- Implementation of Internal Audit recommendations

The conclusion of the assessment is that the work undertaken by internal audit in 2021/22 has been effective insofar that it has focused on key areas of risk and has been undertaken in line with PSIAS.

This conclusion has been derived from the following assessment:

3. Internal Audit Structure and Resourcing

The Structure of the Internal Audit service in 2021/22 is shown below:



The team has been fully resourced for the majority of the year, with a short period of vacancy during the recruitment of one of the Principal Auditors.

4. The extent of conformance with the PSIAS in producing quality work

An external assessment of compliance with PSIAS was undertaken in 2021/22. The conclusion of that work was that the Internal Audit Team conforms with PSIAS.

A number of recommendations were raised, progress with implementing those recommendations is shown below, with the detail of all the recommendations provided in Appendix 1.

5. The extent of conformance with the Internal Audit Quality Assurance and Improvement Plan

A self-assessment of the team's conformance with the QAIP has been undertaken. Each of the types of internal and external assessments specified in the QAIP have been assessed. Areas of conformance are shown below:

Ongoing Reviews

- All engagements are appropriately supervised. Weekly, virtual team meetings attended by the Principal Auditors, IA Manager and Head of Audit and Assurance provide updates on progress of each audit assignment and provide an opportunity to discuss audit findings and subsequent work to be undertaken.
- The Internal Audit Manager reviews the working papers for all engagements
- The Internal Audit Manager and Head of Audit and Assurance review all draft reports before they are issued.
- The Head of Audit and Assurance reviews all final reports, agreed actions and levels of assurance prior to issue.
- Internal Quality Control checklists are used to ensure consistency in process and compliance with standards
- Feedback from audit clients is sought in post-audit questionnaires

Periodic Reviews

- Performance against Internal Audit KPIs is reported annually to the Audit Committee. New KPIs have been developed in 2021/22 that focus on outcomes as opposed to resource inputs. These will be reported on in full in 2022/23.
- Internal Audit regularly reports progress against the Internal Audit plan to SLT and Audit Committee
- Internal Audit undertake a formal risk assessment process annually to develop the Internal Audit Plan.
- The Head of Audit and Assurance undertakes an annual review of the effectiveness of Internal Audit, compliance with the QAIP and a self-assessment of compliance with PSIAS.
- Formal Performance Review process in place for the team where objectives and development activities are identified.
- Feedback on the effectiveness of Internal Audit and of the Head of Audit and Assurance requested from the Treasurer, Chief Executive and Audit Committee Chair.
- Any significant areas of non-compliance with the PSIAS that are identified through internal assessment will be reported in the Head of Audit Assurance's Annual Report and used to inform the Annual Governance Statement (AGS). No significance areas of non-compliance have been identified for 2021/22.

External Assessments

An external quality assessment (EQA) was undertaken in 2021/22. Recommendations arising from the EQA are monitored and progress reported to the GMCA Audit Committee. Of the 24 actions agreed, at the time of writing this report 17 have been implemented, 5 are in progress, 1 has been carried forward into the 2022/23 development plan and one is not yet due.

6. Delivering audit work in the most appropriate areas on a prioritised (risk) basis.

The internal audit plan for 2021/22 was developed in early 2021 after undertaking a detailed risk assessment. Given the ongoing pandemic as well as the significant change programmes underway the plan was kept under review with changes being reported to Audit Committee as required.

7. Audit Committee reporting and KPIs

Internal Audit have provided progress updates to each Audit Committee meeting. The reports include updates on the team structure and resources, work undertaken during the period, a summary of the findings from reports issued and details of any significant changes to the audit plan.

Internal Audit have defined new Key Performance Indicators which were presented to Audit Committee in January 2022. The purpose of these is to focus on audit outcomes as opposed to what had been traditional, input focused KPIs. At the time of writing, whilst the Audit Sponsors for all audits for 21/22 had been reminded to provide feedback, only one survey has been received so the KPIs are based purely on that response. Whilst that response is very positive, it is acknowledged it may not be representative. An action is included in the 2022/23 Development Plan to work with directorates to improve the response rate of post-audit questionnaires.

Activity	#	Performance Indicator	Target	Apr 22	Status	Comments
Delivery of audit plan	1	Completion of audit plan	100% by year end	54%		The forecast completion rate for the audits that were in the original 2021/22 plan is 78%. Since the original plan was approved, three audits have been deferred and one has been added as well as reactive whistleblowing investigations being undertaken.
	2	Elapsed time of audits	<3 months	33%		An action has been included in the Development plan to improve on this in 22/23.
Audit action implementation	3	Quality of agreed audit actions	90%	100%		
	4	Audit actions implemented (rolling 12 months)	85%	75%		As at the time of compiling the KPIs – awaiting updates on a small number of actions which could slightly improve the actual rate.

Audit action implementation	5	Historic open audit actions	0	2		• VAT reclamation process (Low risk) • Reporting on programme performance (Medium risk)
Internal Audit Effectiveness	6	Audit process	80%	100%		
	7	Customer satisfaction	80%	100%		

8. Implementation of Internal Audit recommendations

Internal Audit monitor the implementation of audit actions and report results to the Audit Committee on a quarterly basis.

Processes have been strengthened in 2021/22 through the requirement for Officers responsible for actions that are overdue by more than 6 months to present the reasons for the delayed implementation to Audit Committee.

Internal Audit will continue to monitor and report on the progress of audit actions.

9. Looking ahead – Internal Audit Development Plan 2022/23

The Head of Audit and Assurance has developed an Internal Audit Development Plan (Appendix 2) which identifies areas for improvement, based on this assessment of Internal Audit Effectiveness. The plan will be monitored throughout the year and progress reported to the Audit Committee.

The Internal Audit Development Plan will work in conjunction with the Quality Assurance and Improvement Plan (QAIP) which is designed to provide reasonable assurance to stakeholders that Internal Audit:

- Performs its work in line with the Internal Audit Charter (approved annually by the Audit Committee). The charter incorporates the definition of internal auditing as set out is PSIAS.
- Operates in an effective and efficient manner
- Is perceived by stakeholders as adding value to GMCA

APPENDIX 1

Internal Audit EQA Recommendation Tracking

PSIAS Ref	Rec No.	Action Required	Responsible	Action	Target date	Status
1130	1	In future, assurance arrangements over which the Head of Audit and Assurance also has operational responsibility should be overseen by somebody outside of the internal audit activity. This could be done via a peer review arrangement (NWCAE group members have undertaken these in the past) or external provider.	Head of Audit and Assurance	Assurance over risk management arrangements will be overseen by a party outside of the internal audit function. Consideration will be given to establishing arrangements for peer review from another local or combined authority. No assurance work over risk management is in the scope of the Audit Plan for 2021/22 so these arrangements will be sought to be effective for 2022/23 and beyond.	30/04/2022	Noted for future action when appropriate
1210	2	Consideration should be given to the development of counter fraud arrangements including buying in external resource, specific counter fraud training, or joint reviews.	Head of Audit and Assurance	Agreement with another Local Authority to be able to enter into call off agreement if additional fraud support is required.	31/12/2021	Complete
1220	3	The Internal Audit Manual should be updated to include reference to internal auditors considering and documenting the cost of assurance in relation to potential benefits when undertaking consulting engagements.	Head of Audit and Assurance	Audit Manual will be updated in line with the recommendation.	31/12/2021	Complete
1300	4	The QAIP should be reviewed on an annual basis and presented to the Audit & Governance Committee.	Head of Audit and Assurance	Complete – Review date of QAIP changed to April 2022	30/09/2021	Complete

PSIAS Ref	Rec No.	Action Required	Responsible	Action	Target date	Status
1311	5	Future performance targets should be developed in consultation with appropriate parties and included in any future service level agreement developed.	Head of Audit and Assurance	New outcome focussed KPIs to be developed and approved by Audit Committee.	31/12/2021	Complete
1311	6	As a minimum a formal annual update on performance should be presented to the Audit Committee, with regular updates on a quarterly basis.	Internal Audit Manager	a) Once new KPIs have been agreed (as per 5 above) they will be reported to Audit Committee as part of the regular progress update reports – From December 2021.	31/12/2021 Extended to March 22	Complete
		As a minimum a formal annual update on performance should be presented to the Audit Committee, with regular updates on a quarterly basis.	Internal Audit Manager	b) Annual review of performance in line with KPIs presented as part of the annual review of effectiveness of Internal Audit. Target Date – April 2022.	30/04/2022	Complete
2010	7	A formal assurance framework should be developed in consultation with relevant stakeholders.	Head of Audit and Assurance	Develop and document Assurance framework for GMCA, in line with the “three lines” model	31/12/2021	In progress - Included in 2022/23 work programme
2050	8	An assurance mapping exercise should be undertaken to identify and determine the extent to which the Head of Audit and Assurance can place reliance on other sources of assurance. An exercise is currently being undertaken with the NWCAE group to develop this area around assurance mapping so we would advise tapping into this group to gain	Internal Audit Manager	After the development of the Assurance Framework (7) an assurance mapping exercise will be undertaken. This can be used to inform HoIA opinion for 21/22 as well as the planning process for 22/23.	31/03/2022	In progress- included in 2022/23 work programme

PSIAS Ref	Rec No.	Action Required	Responsible	Action	Target date	Status
		areas of best practice that can be used in the future.				
2120	9	In order to manage fraud risk more effectively, a risk assessment of fraud risks should be undertaken as part of the annual planning process. This will help determine whether resources are needed to provide assurance in any given high-risk fraud area (for example via completion of proactive counter fraud reviews).	Head of Audit and Assurance	Fraud risks will be considered in the annual planning process for 2022/23	31/03/2022	Complete
2210	10	The results of any risk assessments of individual activity should be highlighted in the scoping document. The results of the assessment should feed through to the objectives.	Internal Audit Manager	We will review the planning document templates and incorporate a risk assessment section to ensure that it is clearly documented.	31/12/2021	Complete

PSIAS Ref	Rec No.	Action Required	Responsible	Action	Target date	Status
2210	11	Guidance should be provided to internal auditors in order to ensure that internal auditors use criteria established by management to evaluate governance, risk and control, whether met or inadequate, and formally documented as part of the scoping exercise. This should also form part of management review of auditor documentation.	Head of Audit and Assurance	Audit manual to be updated to include reference to specifying what criteria are being audited against. If criteria don't already exist then guidance around how to develop them will be included.	31/12/2021	Complete
2330	12	The Head of Audit and Assurance should develop and implement a process for the retention of engagement records. This document should be reviewed on a regular basis.	Head of Audit and Assurance	Document retention policy will be drafted in consultation with relevant stakeholders including IG and Legal.	31/12/2021 Revised to 30/6/2022	In progress, drafted and in review by IG team
2340	13	Internal audit procedures should be updated to include the requirement for a consistent approach around highlighting and evidencing supervisory review of working papers.	Internal Audit Manager	A practical and efficient way to consistently evidence review will be determined and included in the IA manual for immediate implementation.	31/12/2021	Complete
2	14	In order to formally demonstrate that Internal Auditors display objectivity whilst performing services in accordance with the PSIAS, a reference should be made to this in every Internal Audit report produced.	Head of Audit and Assurance	Complete: Report template for 2021/22 has been updated to include reference to conformance with PSIAS.	30/09/2021	Complete
1000	15	The Counter Fraud Strategy and Policy should be reviewed and published on the website.	Head of Audit and Assurance,	Counter fraud activities are built into the audit plan for 21/22. The policies will be	31/03/2022	In progress – Policies and Strategy

PSIAS Ref	Rec No.	Action Required	Responsible	Action	Target date	Status
			Internal Audit Manager	reviewed, refreshed, approved by Audit Committee and published		to April Audit Committee. For future publishing
1100	16	A formal process should be introduced to ensure that threats to objectivity are identified and managed at engagement level by highlighting this in the Audit Charter and scoping documentation.	Head of Audit and Assurance	a) Section 9.7 of IA Charter has been updated to reflect engagement level objectivity will be confirmed and documented at the planning stage. Complete - July 2021.	31/07/2021	Complete
			Internal Audit Manager	b) Template planning documents will be updated to allow for objectivity to be confirmed at that stage within each engagement. December 2021.	31/12/2021	Complete
1130	17	A process for the rotation of audit assignments should be introduced and documented within the Internal Audit Charter.	Head of Audit and Assurance	a) Section 9.7 of IA Charter has been updated to refer to rotation of duties. Complete - July 2021.	31/07/2021	Complete
			Internal Audit Manager	b) IA manager will wherever possible ensure rotation of auditor responsibilities within the audit plan.	Ongoing	Complete
1210	18	The use of data analytical tools should be explored and introduced, with relevant training provided.	Head of Audit and Assurance	In line with the action from Recommendation 2 above. Data analytics skills will also be considered for development within the team and budget requested as necessary.	30/04/2022	c/f to 2022/23 development plan
1230	19	A formal process to individually assess internal auditors against pre-determined skills and competencies should be introduced and highlighted in the Audit Manual.	Head of Audit and Assurance, Internal Audit Manager	The PRA process at GMCA will be used to assess performance. By its nature this will assess how auditors are performing against their objectives. IA Manual will be updated to reflect.	31/12/2021	Complete

PSIAS Ref	Rec No.	Action Required	Responsible	Action	Target date	Status
1300	20	The Head of Audit and Assurance should formalise the period assessment for evaluating conformance with the PSIAS, such as highlighting the results in the Head of Audit and Assurance annual opinion.	Head of Audit and Assurance	Complete – the 2020/21 audit opinion summarised the results of the internal audit effectiveness assessment which includes conformance with PSIAS and reference to the QAIP.	30/06/2021	Complete
2450	21	In the annual report and opinion, the Head of Audit and Assurance should include reference to any scope limitations in the opinion, or if there were no scope limitations this should be clearly documented, and clearly identify which audits completed in the year formed part of the originally agreed internal audit plan.	Head of Audit and Assurance	Reference to whether there were any scope limitations will be included in the 2021/22 opinion	30/06/2022	Not yet due

Internal Audit Development Plan 2022/23

This plan has been developed to enhance the effectiveness of the GMCA Internal Audit Function. Regular progress reports will be provided to Audit Committee.

Ref	Action	Source	Responsibility	Measure
1	Policies and Procedures: Keep IA processes and methodology under regular review and refresh as necessary based on current IA guidance, feedback from team and clients.	EQA	HoAA	Evolving and improving audit methodology and supporting documentation.
2	Internal Audit Skills: Assess current skills of the team particularly in relation to data analytics, fraud and treasury management to ensure auditor skills are adequate and allow for development of the service.	IA Effectiveness – resources	HoAA/ IA Manager	Internal Audit Training and Development Plan
3	Apply the document retention policy	EQA	Team	All audit documentation retained is in line with document retention policy.
4	Develop a more formal engagement plan with Directorates to ensure Internal Audit is kept up to date with current activities, priorities and risks	IA Effectiveness Review	HoAA / IA Manager	IA Engagement Activities
5	Work to increase response rates to post audit questionnaires and identify other sources of feedback to inform the new internal audit KPIs which are outcome focused as opposed to input based. The quality and meaningfulness of the new KPIs is largely dependent on feedback received from audit “customers”.	IA Effectiveness Review	HoAA / IA Manager	Quantity of feedback received that informs audit KPIs.
6	Work with Audit Sponsors to reduce the elapsed time of audit work (time between fieldwork commencement and report issue) to be < 3 months.	IA Effectiveness Review	HoAA / IA Manager	Improvement in KPI for 22/23

GMCA GREATER MANCHESTER COMBINED AUTHORITY

GMCA AUDIT COMMITTEE

Date: 22 April 2022

Subject: Internal Audit Effectiveness

Report of: Sarah Horseman, Head of Audit and Assurance

PURPOSE OF REPORT

The purpose of this report is to share with Members of the Audit Committee the three-year internal audit plan and the operational internal audit plan for 2022/23.

RECOMMENDATIONS:

Members are requested to approve the Internal Audit Plan.

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	

GMCA Internal Audit Plan 2022/23

April 2022

Introduction

This document sets out the three-year strategic internal audit plan and the proposed 2022/23 internal audit plan for TfGM. The planning process is based on Internal Audit's understanding of TfGMs current strategic and operational risks and as such is designed to provide assurance over key risk areas.

Approach

Internal Audit services will be provided in line with the Internal Audit Charter.

Our approach to developing the plan is set out below.

Understand Strategic Objectives and Risks	•Understand the operating environment, strategic objectives and priorities and potential future activities •Understand GMCA's strategic risks as well as key operational risks
Identify the Audit Universe	•Identify the auditable units, these can be Directorates, activities, geographies or organisational structures.
Assess risks	•Assess the impact and likelihood of risks occurring within each auditable unit •Using cumulative knowledge and audit evidence, assess the effectiveness of the control environment for each auditable unit
Determine audit frequency	•Based on the total risk score, determine the frequency that each auditable unit should be audited
Develop three-year strategic IA plan	•Based on the calculated audit frequency, determine a strategic internal audit plan for the next three years
Develop annual plan for forthcoming year	•Consult with senior management and other stakeholders to identify audits for the forthcoming year that will address key risks •Determine whether internal audit resources are sufficient to fulfil the audit requirements – if not, flex the audit frequency calculation to match audit resources. Make it clear to stakeholders that the approach has been flexed.

Details of the risk assessment criteria are provided in Appendix 1.

Key planning principles

The process above has been followed in order to undertake a risk-assessment and develop an audit plan. However, the following principles are also applied:

Risk-based approach: Each auditable unit in the Audit Universe has been assessed to determine its Inherent Risk which is determined by assessing the financial and reputational risk of each unit or activity. Cumulative audit knowledge and recent internal audit evidence is also used to assessed the strength of the control environment which may increase or decrease the overall risk score.

This results in a risk score which drives the frequency of audits within each unit, over a 3-5 year period. Scores over 40 are audited annually, 31-40 every two years, 21-30 every three years. Anything 20 or below is considered for inclusion every 5 years.

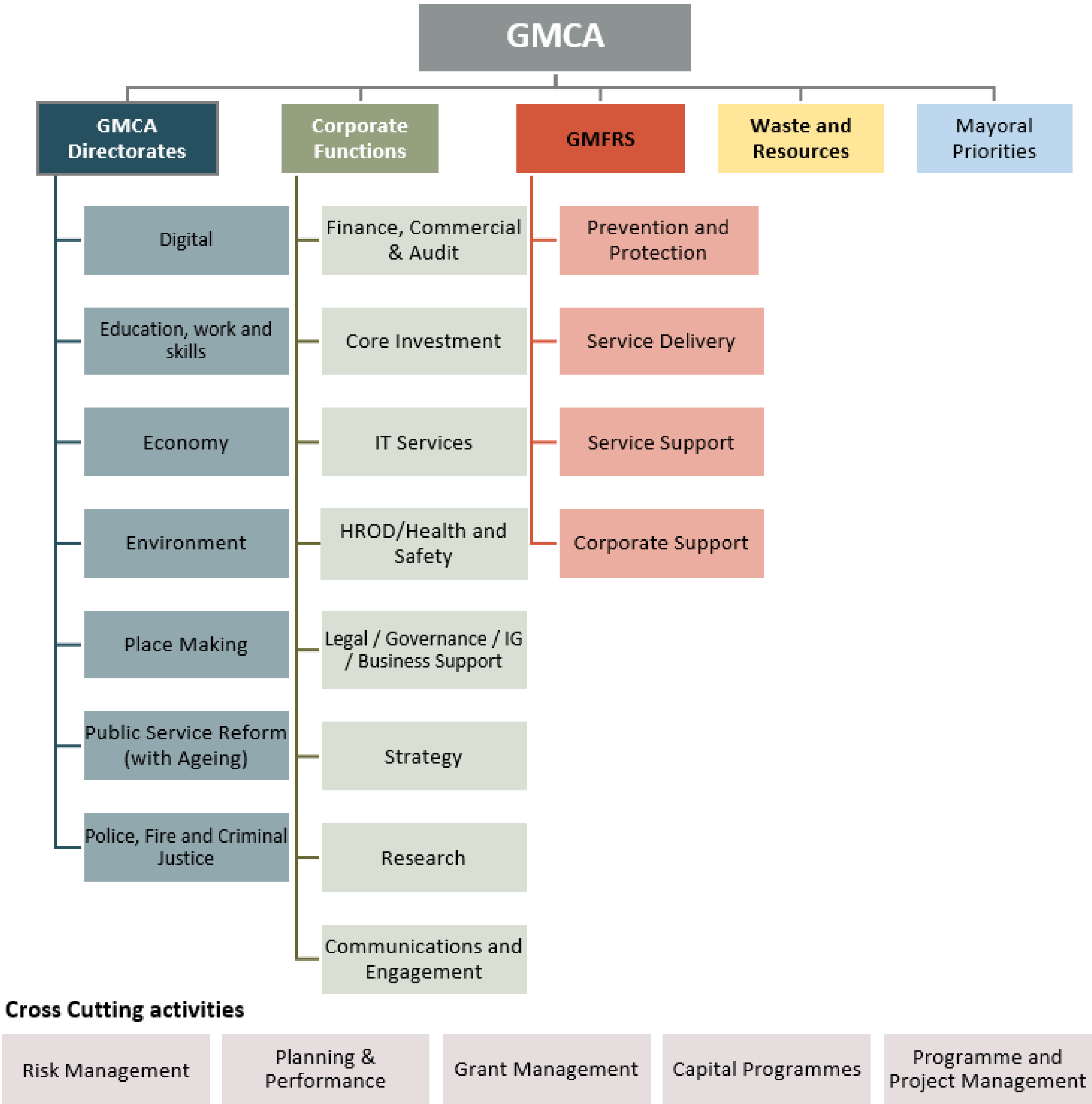
Agility and Relevance: As recent years have demonstrated, the need for regular review of the internal audit plan and risk assessment is essential due to the nature and pace of change. Increasingly, internal audit teams are moving to a rolling audit plan as opposed to setting out a forward look for the next 12 months as so often risks and/or priorities change.

Other sources of assurance: When determining the internal audit plan, the Head of Audit and Assurance considers other sources of assurance available. Assessments undertaken by external parties (eg regulator audits such as HMICFRS or the ICO) as well as the work undertaken by external audit and any Line 2 assurance provided by other internal activity such as the Operational Assurance Team within GMFRS. Continued focus will be maintained on coordinating Line 2 and Line 3 activities to ensure an integrated approach to audit and assurance.

It is important to note that internal audit will not provide assurance over all key risks in any given year, Appendix 2 shows the linkage of the audit plan to GMCA's Strategic Risks and key organisational and operational risks. This demonstrates how over time, assurance over the mitigating activities put in place to manage strategic risks is gathered.

Audit Universe

For planning purposes the Audit Universe has been defined as follows



Risk Assessment and Strategic Internal Audit Plan

The table below shows the result of the risk assessment undertaken by internal audit over the audit universe. This informs the frequency of audit activity. The table has been ordered in descending order of risk and shows the number of audits to be undertaken each year for each Directorate/activity.

Directorate / Activity	Residual Risk Score	Audit frequency	2022/23	2023/24	2024/5
GMFRS	60	Annual	3	3	3
Cross cutting: Capital Programmes	55	Annual	2	2	2
Corp Services: Finance	54	Annual	3	2	2
Police, Crime, Fire & Criminal Justice*	50	Annual	0	0	0
EWS: Education	48	Annual	1	1	1
Waste and Resources	48	Annual	1	1	1
Digital: ICT Services	44	Annual	2	1	1
Corp Services: Information Governance	40	Every 2 years	1	1	
Corp Services: Legal/Governance	40	Every 2 years		1	
Cross cutting: Grant management and reporting	40	Every 2 years	1	1	1
Corp Services: HROD / H&S	36	Every 2 years	1		1
Environment	36	Every 2 years	1		1
Cross cutting: Programmes and Project Management	30	Every 3 years			1
Corp Services: Core Investment	28	Every 3 years	1		
Digital: GM Digital	28	Every 3 years	1		
Economy	28	Every 3 years			1
Cross Cutting: Risk Management	24	Every 3 years			1
EWS: Work & Skills	24	Every 3 years		1	
Place	24	Every 3 years			1
Public Service Reform	24	Every 3 years		1	
Corp Services: Commercial	21	Every 3 years	1		
Cross cutting: Planning and Performance	21	Every 3 years	2		
Mayoral Priorities	20	Every 5 years			
Corp Services: Communications and Engagement	18	Every 5 years			
Corp Services: Research	18	Every 5 years			
Corp Services: Strategy	18	Every 5 years			
Corp Services: Audit	12	Every 5 years			

*Audits for Police, Crime, Fire and Criminal Justice are undertaken by the GMP audit team.

2022-23 Internal Audit Plan

The proposed Internal Audit Plan for 2022/23 is detailed below. There are 19 audits in the plan which may not be deliverable with the level of resources in the team. The plan will be prioritised based on risk and will be agreed with management on a quarterly basis with updates provided to Audit Committee regularly.

Directorate / Activity	Audit
GMFRS	**Maintenance and testing of equipment** – an audit to assess processes and controls in place for routine testing of equipment on appliances and in stations. *Q1
	Road Safety Partnership – in conjunction with GMP and TfGM an audit to review the structure and effectiveness of the Road Safety Partnership
	Station Standards – an audit of the Station Standards framework and its application
	Safeguarding and DBS – an audit of the arrangements in place to ensure appropriate safeguarding arrangements are in place and that DBS checks are undertaken in line with requirements.
Cross cutting: Capital Programmes	**Deep Dive**: An audit of the arrangements in place over a sample of current capital programmes.
Corp Services: Finance	**BWO access rights** – An audit to assess processes and controls in place over access to the finance system (BWO) including a review of current users.
	Non-A/R Income – following on from the A/R audit in 2021/22, an audit of income that does not fall within the A/R process
	Treasury Management – Given the Treasury function is being brought in house in 2022/23, an audit of the arrangements in place to effectively undertake that activity.
EWS: Education	**Adult Education Budget:** Scope to be agreed in-year
Waste and Resources	**Waste Estates:** Scope to be agreed in-year
Digital: ICT Services	**ICT Audit Needs assessment** – a risk based evaluation of current arrangements which will identify areas of future focus for internal audit resources. Q1
	IT Asset Management – An audit of the processes in place around the management of assets (issue, tracking, return, disposal)
	User Acceptance Testing – An audit of the arrangements in place to ensure appropriate User Acceptance Testing is undertaken when new applications are implemented or upgrades are undertaken.
Corp Services: Information Governance	**CCTV**: An audit of the arrangements in place to ensure the GMCA's CCTV estate is fully understood and sufficient Information Governance arrangements are in place.

Cross cutting: Grant management and reporting	**Grant Certifications**: Ongoing certifications of grants as required by grant conditions.
	Grant management process: Assessment of the effectiveness and efficiency of the grant management process. *Q1
Corporate Services – HROD	**Use of contractors:** Review of processes and controls around the appointment and use of consultants/contractors.
	Investigation processes: An audit of the process for receiving, triage, commissioning of investigations, monitoring and reporting outcomes of whistleblowing, grievance and complaints processes.
Environment	**Public Sector Decarbonisation:** Grant certifications for the £78m grant awarded to GM. Q1
Corp Services: Core Investment	**External Loans**: Assurance over monitoring and reporting arrangements for externally managed loans (MGC) and others
Digital: GM Digital	**GM One:** GMCA are responsible for the contract for the operation of the GM One network. This audit will examine the arrangements in place for monitoring the performance of the contract and service provided to other partners.
Corp Services: Commercial	Scope to be agreed in year
Cross cutting: Planning and Performance	**Performance management:** As part of following up on previous audit actions, this will assess the operating effectiveness of the performance management framework.
	Budgetary Control: A review of the budgeting and monitoring process across GMCA *Q1/2
Public Sector Reform	**Supporting Families:** As in previous years, GMCA will collate the work undertaken in districts in relation to the Supporting Families programme and report the results.

Other Internal Audit Activities

In addition to the audits outlined above, Internal Audit also undertake the following activities.

- Whistleblowing and Counter Fraud Response
- Counter Fraud Policy maintenance
- Audit action tracking
- Assurance mapping

Due to the ad-hoc and unpredictable nature of whistleblowing and counter fraud response, there may be a requirement to revisit the rest of the audit plan (or the resourcing model) to allow resource to be dedicated to investigations as required.

Appendix 1 – Planning Methodology and Rating Criteria

Risk assessment within the Internal Audit planning process is carried out in a number of steps which are set out as follows:

Step 1 – Impact

Assess the impact of a risk crystallising in each auditable unit against a number of financial, operational and strategic criteria. The rating mechanism used is set out below

Impact	1 = Low	2 = Medium	3 - High
Materiality	Not a material financial amount associated with the activity. Revenue AND capital budgets < 10m	Revenue OR Capital budget 10-50m	Revenue or Capital budget > 50m
Pervasiveness or Statutory Function	Impact isolated to specific activity/funding stream Not a statutory function	Risk affects delivery within one or more directorates OR Risk of isolated breach of statutory requirement	Pervasive impact across either all functions of the GMCA that would impact operations OR repeated breach of statutory requirement / failure to deliver function (eg Fire/Waste/AEB)
Corporate Risk Register	Not linked to a risk on corporate risk register (strategic or escalated risk)	Indirect link to a risk on Corporate Risk Register	Direct link to risk on the Corporate Risk Register
Reputational	None or isolated complaints.	Poor local publicity curtails ability to operate effectively without active stakeholder engagement.	Serious poor publicity. Affects trust in GMCA

Step 2 - Calculate the Inherent Impact Score.

This is the sum of each of the scores for the four criteria. The range of impact scores is 4 to 12

Step 3 – Likelihood

Assess the likelihood of a risk crystallising. This assessment is based on the frequency of transactions, complexity of activity, stability of environment and policy. Rating mechanism is as follows:

Score	Description	% Likelihood
5	Risk is frequently encountered	80-100%
4	Likely to happen in the next year	60-80%
3	Likely to happen in the next two years	40-60%
2	May occur in the next three years	20-40%
1	May occur in exceptional circumstances	0-20%

Step 4 – Calculate the Inherent Risk Score.

Inherent Risk Score = (Inherent Impact Score) x (Likelihood)

Inherent Risk Scores range from 4 to 60

Step 5 – Assess the Control Environment

Internal Audit may have prior knowledge and experience of the control environment within auditable units. This could be through previous audit work or other sources of assurance. The control environment factor will apply a factor to the risk score that will increase the risk if it is known that the control environment is weak or reduce the risk score if it is known that the control environment is strong. If there is no knowledge (or no recent knowledge) of the control environment then no factor is applied. The following criteria are used to determine what control environment factor should be applied.

Score	Criteria	Control Environment Factor
1	Evidence that control environment requires improvement through previous audit work and/or issues	2
2	Cumulative Audit Knowledge that CE requires improvement or older evidence where improvements were required	1
3	No recent evidence that would influence knowledge of control environment	0

4	Older evidence supporting adequate control environment OR Recent evidence showing generally OK CE but with some areas for improvement (eg report rating of Major/Significant)	-1
5	Recent (last 12 months) IA evidence supporting adequate control environment OR Recent assurance provided from other sources (eg external sources)	-2

Step 6 – Calculate the Resultant Risk Score

The resultant risk score applies the Control Environment Factor determined above.

Resultant Risk Score = (Inherent Impact Score) x ((Likelihood) + (Control Environment Factor))

Applying the control environment factor could increase a risk score to a maximum of 84

Step 7 – Determine the Audit Frequency

Based on the Resultant Risk Score, the audit frequency for each auditable unit can be determined. The following ranges are applied

Resultant Risk score	***Frequency***
>40	Annual
31-40	Every 2 years
21-30	Every 3 years
0-19	For consideration every 5 years

Step 8 – Align audit requirements to available resources

Based on the frequency of audits within each auditable unit, an initial assessment of resources can take place. If the audit team does not have sufficient resources to undertake the audit programme then the Audit Frequency range can be flexed. This is achieved by changing the ranges for each frequency, for example instead of annual audits taking place for anything with a score of 45 or more, this could be flexed to anything over 50 or more, which may reduce the number of annual audits.

If this approach is used, in line with PSIAS, the Head of Internal Audit must communicate the impact of resource limitations to senior management and the Audit Committee - as a sub-optimal amount of audit work will be proposed.

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GMCA Audit Committee

Date: **22 April 2022**

Subject: **Internal Audit Charter**

Report of: **Head of Audit and Assurance, GMCA**

PURPOSE OF REPORT:

The Internal Audit charter establishes the framework within which the Internal Audit Service operates to best serve the independent assurance requirements of the GMCA Audit Committee and also to meet its professional obligations under applicable professional standards.

In line with the Public Sector Internal Audit Standards, the charter is a mandatory document that must be in place and reviewed on a regular basis. It is proposed that this review is undertaken by the Head of Audit and Assurance and the charter presented to the Audit Committee annually for approval.

The Charter was considered by the external reviewers during the External Quality Assessment of the Internal Audit function in May 2021. The assessment concluded that the existing charter conforms to the requirements under the Public Sector Internal Audit Standards (PSIAS).

One minor addition to the charter was recommended to ensure independence and objectivity are managed at an engagement level. Paragraph 9.8 has therefore been added: “At an engagement level, auditor independence and objectivity will be confirmed and documented at the planning stage. Wherever feasible within a small team, rotation of auditors will take place to ensure that objectivity can be maintained”.

RECOMMENDATIONS:

That the Audit Committee approve the Internal Audit Charter.

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

See Section

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	

Greater Manchester Combined Authority (GMCA) Internal Audit Charter 2021/22

1 Introduction

1.1 This charter establishes the framework within which the Internal Audit Service operates to best serve the independent assurance requirements of the GMCA Audit Committee and also to meet its professional obligations under applicable professional standards.

1.2 The charter defines the mission, purpose, authority and principle responsibilities of the Internal Audit Service. It establishes the Internal Audit Service's position within the organisation; authorises access to records, personnel and physical properties relevant to the performance of audit engagements; and defines the scope of internal audit activities.

1.3 The charter will be subject to periodic review by the Head of Audit and Assurance and presented to senior management and the Audit Committee for approval.

2 Mission Statement

2.1 Internal Audit aims to enhance and protect organisational value by providing risk-based and objective assurance, advice and insight.

3 Purpose

3.1 The Internal Audit Service provides independent assurance to the Audit Committee on the effectiveness of the governance, risk management and internal control arrangements in place within GMCA and GM Fire and Rescue Service (GMFRS). It objectively evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources.

4 Definitions

Internal Auditing:	"Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes." – Public Sector Internal Audit Standards 2017.
Board:	Greater Manchester Combined Authority
Senior Management:	Members of the Chief Executive's Management Team (CEMT)
Chief Audit Executive:	Head of Audit and Assurance
Responsible Financial Officer:	GMCA Treasurer

5 Statutory Requirements

5.1 Internal Audit is a statutory service in the context of the Accounts and Audit Regulations 2015, which state "A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance".

5.2 This statutory role is recognised and endorsed in GMCA's Constitution and Financial Regulations.

6 Professional Standards

6.1 The Internal Audit Service adheres to the Public Sector Internal Audit Standards (PSIAS), published by the Chartered Institute of Public Finance and Accountancy (CIPFA), which is the relevant standard setter for internal audit in local government in the United Kingdom.

6.2 The PSIAS encompass the mandatory elements of the Institute of Internal Auditors (IIA) International Professional Practices Framework (IPPF) as follows:

- Definition of Internal Auditing
- Code of Ethics, and
- International Standards for the Professional Practice of Internal Auditing (including interpretations and glossary).

6.3 PSIAS also requires that Internal Auditors who work in the public sector must have regard to the Committee on Standards of Public Life Seven Principles of Public Life.

7 Reporting Lines

7.1 The Internal Audit Service sits within the Corporate Services Directorate. The Head of Audit and Assurance reports to the GMCA Treasurer on all corporate governance, performance matters and on all matters affecting the day to day administration and operation of the service.

7.2 The Head of Audit and Assurance also reports to the Treasurer as GMCA's 'Responsible Financial Officer' on all matters of internal financial control, fraud and irregularity and protection of assets. In recognition of the statutory duties of the 'Responsible Financial Officer' and the views of CIPFA on that person's relationship with internal audit, a formal protocol has been adopted to form the basis for a sound and effective working relationship. The protocol is attached to this Charter at Appendix 1.

8 Access and Authority

8.1 The Head of Audit and Assurance, or their representative, has authority to enter all of GMCA's property at any time and have access to all documents and other records that appear necessary for the purpose of an audit. Such access shall be granted on demand and need not be subject to prior notice. The Head of Audit and Assurance is entitled to such information and explanations as appear necessary. The Head of Audit and Assurance can require any employee to produce any GMCA property under his or her control. This will include access to records relating to services provided by or on behalf of other organisations and management should consult with the Head of Audit and Assurance when contracts are drafted to ensure rights of access are included.

8.2 The Head of Audit and Assurance has free and confidential access to the Chair of the Audit Committee and reports to Audit Committee meetings as set out in the Committee's terms of reference.

8.3 The Head of Audit and Assurance shall have right of access to the Chief Executive Officer.

8.4 Internal Auditors respect the value and ownership of information they receive and the reports they produce, and do not disclose information without appropriate authority unless there is a legal or professional obligation to do so. They are prudent in the use and protection of information acquired in the course of their duties and shall not use information for any personal gain or in any manner that would be contrary to the law or detrimental to GMCA's legitimate and ethical objectives.

9 Independence and Objectivity

9.1 The PSIAS define independence as "freedom from conditions that threaten the ability of the Internal Audit Service to carry out its responsibilities in an unbiased manner". To assist Internal Audit to carry out the role and constructively challenge senior managers of GMCA, the Head of Audit and Assurance holds a sufficiently senior position.

9.2 The Internal Audit Service remains independent of other functions of GMCA, and with the exception of its support to management in relation to counter fraud and risk management work, no member of the Internal Audit Service has any executive or operational responsibilities.

9.3 Auditors are expected to deploy impartial and objective professional judgement in all their work, whether on audit work or investigations.

9.4 The Internal Audit Service's work programme and priorities are determined in consultation with senior management and the Board, but remain a decision for the Head of Audit and Assurance. The Head of Audit and Assurance has direct access to and freedom to report in their own name and without fear or favour.

9.5 The independence of the Head of Audit and Assurance is further safeguarded by ensuring that their remuneration and performance assessment are not inappropriately influenced by those subject to audit.

9.6 All auditors make an annual declaration of their interests and update this during the year as necessary, and where any auditor has a real or perceived conflict of interest this is managed to maintain the operational independence of the service as a whole. If independence or objectivity are impaired in fact or appearance, then the nature of the impairment is disclosed as appropriate.

9.7 Internal Audit team members who have transferred into the department will not be asked to review any aspects of their previous work within 12 months of them having left that area.

9.8 At an engagement level, auditor independence and objectivity will be confirmed and documented at the planning stage. Wherever feasible within a small team, rotation of auditors will take place to ensure that objectivity can be maintained.

9.9 The Head of Audit and Assurance makes an annual declaration that the internal audit function is operationally independent.

10 Internal Audit Responsibilities

10.1 The scope for internal audit is “the control environment comprising risk management, control and governance”. The scope of internal audit therefore includes all of GMCA and GMFRS operations, resources, services and responsibilities in relation to other bodies. This description shows the very wide potential scope of internal audit work. In order to prioritise the allocation of internal audit coverage a risk-based approach is used.

10.2 Internal Audit responsibilities include the following:

- Examining and evaluating the adequacy of GMCA's system of internal control;
- Reviewing the procedures in place for ensuring that projects are properly managed and that decision making processes are robust;
- Reviewing the integrity and reliability of financial and operating information and the means to identify, measure, classify and report such information;
- Reviewing the systems established by management to ensure compliance with those policies, procedures, laws and regulations which could have a significant impact on operations and reports and determining whether GMCA is compliant;
- Reviewing the extent to which GMCA’s assets and interests are accounted for and safeguarded against loss of all kinds arising from fraud and other offences. Where appropriate verifying the existence of assets;
- Appraising the economy, efficiency and effectiveness with which resources are employed;
- Reviewing operations, projects or programmes to ascertain whether results are consistent with established objectives and whether the operations, projects or programmes are being carried out as planned;
- Reviewing the extent to which risks to GMCA’s key objectives and fraud and corruption risks are assessed and appropriately mitigated and managed; and
- Providing assurance to other parties in relation to grant funding certifications.

10.3 Directors are responsible for ensuring that internal control arrangements are sufficient to address the risks facing their Directorate, and for responding to Internal Audit requests and reports within agreed timescales.

11 Consultancy Services

11.1 The Internal Audit Service provide independent and objective advice to help management improve their risk management, governance and internal control arrangements. This is primarily achieved by the planned programme of assurance assignments. Consultancy work driven by risk-based planning may typically be on those areas of the organisation's business where risk and control are not in existence or not well established. This could relate to new systems or areas undergoing significant change where there is no system of risk management or control framework to assure. Consultancy work adds to Internal Audit's knowledge base and can contribute to the overall Internal Audit opinion and/or assurance rating.

11.2 In relation to consultancy services, the Head of Audit and Assurance must:

- consider the effect on the opinion work before accepting consultancy services over and above any already agreed as part of the Internal Audit plan. Approval will be sought from the Audit Committee for any significant additional consultancy services not already included in the Internal Audit Plan if it is deemed that taking on the work could impact the delivery of the agreed Internal Audit Plan or annual opinion.
- decline the consulting engagement or obtain competent advice and assistance if the Internal Auditors lack the knowledge, skills, or other competencies needed to perform all or part of the engagement.
- consider if consultancy work contributes to the overall annual opinion.

11.3 The standard of work that is delivered in consultancy services will be the same as that in assurance work. The mandatory requirements of the PSIAS relate to standard of performance in both assurance and consultancy activities.

12 Fraud and Corruption

12.1 The responsibility for the prevention and detection of fraud and corruption lies with management. Audit procedures alone cannot guarantee that fraud or corruption will be detected. Internal Audit will however be alert in all of their work to risks and exposures that could allow fraud or corruption.

12.2 The role of Internal Audit with regard to fraud investigation is detailed in GMCA's Anti-Fraud and Corruption Policy Statement. Any suspected fraud or irregularities will be reported to the Head of Audit and Assurance so that investigation work can be carried out and the adequacy of relevant controls considered.

13 Risk Management

13.1 The Head of Audit and Assurance has taken on responsibility for the development and roll out of the Risk Management Framework within GMCA. Whilst the Head of Audit and Assurance may have some part (directly or indirectly through the management of others) in the facilitation of the ongoing maintenance of risk registers within GMCA it is clearly established within the Risk Management Framework that management and Officers own the risks both within Directorates and at a Strategic Risk level. Internal Audit do not own risks, neither do they make decisions relating to risk.

13.2 Management accept that these arrangements present an impairment to the independence of Internal Audit in relation to the assessment of risk management arrangements. Periodic, independent external assurance of risk management arrangements will be required.

14 Resourcing

14.1 Internal Audit should be appropriately resourced in terms of numbers, grades, qualification levels and experience, having regard to its objectives and to the Standards. Internal Auditors should be properly trained to fulfil their responsibilities and should maintain their professional competence through an appropriate on-going development programme.

14.2 The Head of Audit and Assurance is responsible for ensuring that the resources of the Internal Audit Service are sufficient to meet its responsibilities and achieve its objectives. If the Head of Audit and Assurance concludes that resources were insufficient they would report this to the GMCA Treasurer and the Audit Committee. The Head of Audit and Assurance is responsible for appointing staff to the Internal Audit Service and ensuring that there is the appropriate mix of qualifications, experience and audit skills.

15 Reporting

15.1 The Head of Audit and Assurance will issue to the Audit Committee:

- An annual Strategic Internal Audit Plan – This will be a risk-based plan prepared in conjunction with management that will take into consideration:
    - Strategic risks
    - Key operational risks
    - Previous audit opinions
    - Other sources of assurance
    - Internal Audit resources
- For each meeting of the Audit Committee, reports on progress of the Internal Audit work, encompassing:
    - Progress on delivery of the agreed Internal Audit Plan.

    - Any significant resourcing issues affecting the delivery of Internal Audit Objectives.
    - Key findings from Internal Audit work performed.
    - Progress on the implementation of Internal Audit recommendations.
    - Progress on the delivery of any additional consulting services not included in the Internal Audit Plan.
    - Proposed changes to the Internal Audit Plan for approval by the Audit Committee.
    - Counter fraud and investigation activity.
- An annual report which will include:
    - A summary of the work undertaken in the period.
    - The Head of Audit and Assurance's overall assurance opinion.
    - A statement of conformity with PSIAS.
    - The results of the quality assurance and improvement programme (QAIP).

15.2 All audit engagements will be the subject of formal Internal Audit reports. Copies of all final reports will be shared with:

- Audit Sponsor
- Key Audit Contacts
- Chief Executive Officer
- Treasurer
- External Auditor

15.3 Executive Summaries will be shared with Audit Committee members, with full reports being made available to Members on request.

16 External Audit

16.1 The work of External Audit is factored into the Internal Audit work plan, and Internal Audit and External Audit meet formally and informally during the year in order to share key audit findings and/or areas of potential focus. Whilst GMCA's current External Auditors do not place any reliance on Internal Audit's work all internal audit reports are shared with the External Auditors to provide visibility of audit conclusions and findings.

17 Other Sources of Assurance

17.1 Internal Audit is one source of assurance but there are also other sources of assurance that are either routinely provided or are provided on an ad-hoc basis due to specific circumstances. The "Lines of Defence" model helps understand where and how assurance is achieved:

- First line – Day to day operational activities that establish systems, processes and controls across all activities.
- Second line – Oversight and management review. It is separate from those people who undertake those responsibilities on a day to day basis, as part of their normal duties.
- Third line – This relates to independent, objective assurance obtained through Internal Audit, which, through an approved programme of work, is able to provide an objective opinion on the effectiveness of governance, risk management and internal control arrangements.
- Fourth line – This relates to other external sources of assurance that are independent and removed from the chain of command. Examples include the Health and Safety Executive (HSE), HMICFRS, and other external sources of assurance.

17.2 The Head of Audit and Assurance will work with management to understand sources of assurance across all lines of defence in order to ensure that an effective, integrated assurance framework is established. This will assist in the efficient and effective deployment of Internal Audit resource and reduce duplication of assurance provision.

18 Quality Assurance and Improvement

18.1 The Head of Audit and Assurance operates a Quality Assurance and Improvement Programme (QAIP) that both monitors the on-going performance of Internal Audit activity and periodically assesses the Internal Audit Service's compliance with PSIAS. This includes both internal and external assessments.

18.2 The results of the QAIP, including any areas of non-conformance with PSIAS, are reported annually to senior management and the Audit Committee.

APPENDIX 1: Protocol governing the Relationship between the Section 73 Officer (the Chief Financial Officer) and Internal Audit at GMCA.

In recognition of the statutory duties of the 'Chief Financial Officer' (CFO) and the view of CIPFA on his relationship with Internal Audit, the following protocol has been adopted at GMCA to form the basis for a sound and effective working relationship:

The Head of Audit and Assurance will seek to maintain a positive and effective working relationship with GMCA's CFO (GMCA Treasurer).

Internal Audit will review the effectiveness of GMCA's system of internal controls and report on whether the controls operate effectively in practice.

The Treasurer will be asked to comment on those elements of the Internal Audit Service's programme of work that relate to the discharge of his statutory duties. In devising the Audit Plan and in carrying out internal audit work, the Head of Audit and Assurance will give full regard to the comments of the Treasurer.

The Head of Audit and Assurance will regularly monitor the performance of the Internal Audit Service against the Audit Plan and will notify the Treasurer if there are any major deviations.

The Treasurer will, on request, be provided with appropriate assurance that the audit staff are competent, well trained and effective in their work.

The Treasurer will be specifically informed by the Head of Audit and Assurance where any matter is identified that impacts on his Section 73 role.

The Treasurer will specifically make the Head of Audit and Assurance aware of any concerns that he has about internal control that might lead to the need for an internal audit investigation or review.

The Internal Audit Service will operate in accordance with the March 2017 Public Sector Internal Audit Standards.

GMCA GREATER MANCHESTER COMBINED AUTHORITY

GMCA AUDIT COMMITTEE

Date: 22 April 2022

Subject: Accounting Policies and Critical Accounting Judgements 2021/22

Report of: Steve Wilson, Treasurer, GMCA

PURPOSE OF REPORT

This report requests approval by the Audit Committee of the accounting policies and critical accounting judgements that the Authority proposes to adopt in the preparation of the Annual Statement of Accounts 2021/22.

The report also outlines the impact of changes to the Code of Practice on Local Government
Accounting and the production of the 2021/22 Annual Statement of Accounts.

RECOMMENDATIONS:

The Audit Committee is requested to:

1. Approve the Accounting Policies detailed at Appendix 1 (page 4) to this report.

2. Approve the Critical Accounting Judgements detailed at Appendix 2 (page 24) to this report.

3. Note that any subsequent amendments or changes to these policies and the associated financial implications will be reported back to this Committee.

CONTACT OFFICERS:

Steve Wilson, Treasurer, GMCA
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FINANCIAL CONSEQUENCES

There are no direct financial implications arising from this report.

1. INTRODUCTION

1.1 The Accounting Policies adopted by the Authority determine the accounting treatment that is applied to transactions during the financial year and in the preparation of the Annual Statement of Accounts. They determine the specific principles, bases, conventions, rules, and practices that will be applied by the Authority in preparing and presenting its financial statements. The accounting policies themselves are published within the Annual Statement of Accounts in accordance with International Financial Reporting Standards (IFRS) and International Accounting Standards (IAB), as adopted by the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Local Authority Accounting ('the Code').

1.2 The approval of the accounting policies to be applied by the Authority demonstrates that due consideration is being given to which policies to adopt and apply and that those charged with corporate governance are informed of the policies that are being adopted, prior to the commencement of the preparation of the Annual Statement of Accounts.

1.3 As per the practice adopted in previous years, the Committee are requested to endorse the use of the policies underpinning the financial statements within the Annual Statement of Accounts.

2. UPDATES TO THE 2021/22 CODE OF PRACTICE ON LOCAL AUTHORITY ACCOUNTING

2.1 The accounting policies are reviewed each year by officers to ensure all accounting policies previously approved are still relevant and are in accordance with the latest version of the Code of Practice and IFRS requirements. Any new requirements are added and any policies which are no longer relevant or have no material effect to the Statement of Accounts are removed.

2.2 The following international accounting standards (IAB's) have been amended by the Code of Practice in 2021/22:

- Definition of a Business: Amendments to IFRS 3.
- Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7) issued in September 2019.
- Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16) issued in August 2020.

2.3 The amendments make changes to the wording of existing accounting standards to add clarity to interpretation and understanding of the standards. They are not new accounting standards. They do not have any material effect and have not resulted in any changes to Authority's accounting policies.

3. LEASES (IFRS 16)

3.1 The revised accounting standard IFRS 16 relates to the treatment of assets that are used under lease arrangements. The CIPFA/LASAAC Board had proposed to adopt the principles of IFRS 16 Leases in 2022/23, however as of 11 April 2022 this has been deferred until 2024/25, although early adoption will be permitted in either 2022/23 or 2023/24.

3.2 IFRS 16 will replace the existing leasing standard, IAS 17, and will introduce significant changes to the way the Authority accounts for leases. The most significant changes will be in respect of lessee accounting (where a body leases property or equipment from another entity). The existing distinction between operating and finance leases will be removed and instead, the new standard will require a right of use asset and an associated lease liability to be recognised on the lessee's Balance Sheet.

3.3 In order to meet the requirements of IFRS 16, work has already been undertaken to identify lease arrangements in place within the Authority and to source a software package to record and manage this information. The information gathered will be reviewed and updated during the 2022/23 financial year, and a decision made whether the Authority chooses to adopt IFRS 16 early or not.

Appendix 1

1 Accounting Concepts and Policies

1.1. General Principles

The Statement of Accounts summarises the Authority's transactions for the 2021/22 financial year and its position at the year-end of 31 March 2022. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015. These regulations require the Accounts to be prepared in accordance with proper accounting practices.

These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2021/22, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the Local Government Act 2003.

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

1.2. Accounting Concepts

The accounts are prepared on a going concern basis. This assumes that the functions of the authority will continue in operational existence for the foreseeable future.

As a combined authority, the GMCA has to operate within its powers. The services provided by the GMCA include waste disposal functions, fire and rescue functions, police and crime commissioner, transport, economic development and regeneration. These services are funded by levies paid by the 10 Greater Manchester authorities, precepts collected by the 10 Greater Manchester authorities and grants provided by central government. The Authority does not anticipate that these levies, precepts or grants will cease in the foreseeable future given the statutory requirements placed on the GMCA to provide these services.

The group includes TfGM, which provides the transport network across Greater Manchester, and although transport related borrowing sits on the GMCA balance sheet, all the transport assets sit on TFGM's balance sheet. GMCA carries sufficient reserves in respect of each of its functions to provide resilience in the event of volatility in its various funding sources.

1.3. Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Supplies are recorded as expenditure when they are consumed. Where there is a gap between the date supplies are received and their consumption they are carried as inventories on the Balance Sheet;

- Expenses relating to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made;
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than on the basis of the cash flows fixed or determined by the contract;
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance sheet.

1.4. Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions and local authorities, repayable without penalty on notice of no more than 24 hours.

Cash equivalents are highly liquid investments that mature in no more than three months from the balance sheet date and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Authority's cash management.

1.5. Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policies, or to correct a material error. Changes in accounting estimates are accounted for prospectively, in other words, in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Authority's financial position or financial performance.

Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied. If material errors are discovered in a prior period, figures are corrected retrospectively, by amending opening balances and comparative amounts for the prior period.

1.6. Charges to Revenue for Non-Current Assets

The Comprehensive Income and Expenditure Statement is debited with the following amounts to record the cost of holding non-current assets during the year:

- Depreciation attributable to the assets used by the relevant service;

- Revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off;
- Amortisation of intangible non-current assets attributable to the service.

The Authority is not required to raise precepts, levies or GM authority contributions to fund depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to a minimum revenue provision (MRP) amount calculated on a prudent basis determined by the Authority in accordance with statutory guidance.

Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the MRP contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

1.7. Termination Benefits

Termination benefits are amounts payable, as a result of a decision by the Authority, to terminate an Officer's employment or an Officer's decision to accept voluntary redundancy in exchange for those benefits and are charged on an accruals basis to the appropriate service in the Comprehensive Income and Expenditure Statement when the Authority is demonstrably committed to the termination of the employment of an Officer or group of Officers or making an offer to encourage voluntary redundancy.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund Balance to be charged with the amount payable by the Authority to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are made to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

1.8. Post-Employment Benefits – Pensions

Employees of the Authority are divided between two separate pension schemes: The Firefighters' Pension Scheme for its uniformed firefighters and the Local Government Pension Scheme for all other staff.

In accordance with proper practices the Authority has fully complied with the International Accounting Standard IAS19 (Employee Benefits). All Pension schemes are classified as 'defined benefit' schemes under IAS19 and the accounting principles and their effect on the financial statements are explained below.

1.8.1. The Firefighters' Pension Scheme

This is a defined benefit scheme, the rules of which are set out in the Firefighters' Pension Regulations. The scheme is wholly unfunded. No investment assets have been built up to meet liabilities and cash has to be generated from employee and employer contributions to meet actual pension payments as they fall due.

The Combined Authority as an employer, and firefighters as members, pay pension contributions based on a percentage of pensionable pay into the Firefighters' Pension Fund Account. Pension benefits are paid out of the Pension Fund Account.

The amounts payable into and out of the Pension Fund Account are specified by regulations. Any surplus or deficit on the Pension Fund Account must be transferred to or from the Authority and ultimately repaid to or received from the Home Office.

Injury awards are not part of the pension scheme and are charged directly to the Comprehensive Income and Expenditure Statement. However, liabilities in respect of injury awards are disclosed as part of the overall pensions liability.

Other than references to assets, these schemes are accounted for in the same way as the Local Government Pension Scheme set out below.

1.8.2. Local Government Pension Scheme

The Local Government Pension Scheme is accounted for as a defined benefits scheme. Both employer and employees pay pension contributions based on a percentage of pensionable pay into the scheme.

- The liabilities of the Greater Manchester Pension Fund attributable to the authority are included in the balance sheet on an actuarial basis using the projected unit credit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc. and projected earnings for current employees
- Liabilities are discounted to their value at current prices, using a discount rate based on the rate of return on high quality corporate bonds constructed on the constituents of the iBoxx AA corporate bond index. The discount rate reflects the weighted average duration of the benefit obligation
- The assets of Greater Manchester Pension Fund attributable to the authority are included in the balance sheet at their fair value:
    - quoted securities – current bid price
    - unquoted securities – professional estimate
    - unitised securities – current bid price
    - property – market value.

1.8.3. Net Pensions Liability

The change in the net pensions liability is analysed into the following components:

1.8.3.1. Service cost comprising:

- Current service cost – the increase in liabilities as a result of years of service earned this year, allocated in the comprehensive income and expenditure statement to the services for which the employees worked;
- Past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years, debited to the surplus or deficit on the provision of services in the comprehensive income and expenditure statement; and
- Net interest on the net defined benefit liability, i.e. net interest expense for the authority, – the change during the period in the net defined benefit liability that arises from the passage of time charged to the financing and investment income and expenditure line of the comprehensive income and expenditure statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability at the beginning of the period – taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments.

1.8.3.2. Remeasurements comprising:

- Return on plan assets – excluding amounts included in net interest on the net defined benefit liability – charged to the pensions reserve as other comprehensive income and expenditure;
- Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the pensions reserve as other comprehensive income and expenditure; and
- Contributions paid to the Greater Manchester Pension Fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the general fund balance to be charged with the amount payable by the Authority to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the movement in reserves statement, this means that there are transfers to and from the pensions reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the pensions reserve thereby measures the beneficial impact to the general fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

1.8.4. Discretionary benefits

The authority also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

1.9. Property, Plant and Equipment and Assets under Construction

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as property, plant and equipment.

1.9.1. Recognition

Expenditure on the acquisition, creation or enhancement of property, plant and equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the authority and the cost of the item can be measured reliably. The authority has a £20,000 de minimis level for the recognition of property, plant and equipment. Exceptions to this are traffic signals and vehicles, which are capitalised with no minimum level.

Expenditure that maintains but does not add to an asset’s potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

1.9.2. Measurement

Assets are initially measured at cost, comprising:

- the purchase price;
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management; and
- the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

The authority does not capitalise borrowing costs incurred while assets are under construction.

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the authority). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the authority.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the taxation and non-specific grant income line of the comprehensive income and expenditure statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the donated assets account. Where gains are credited to the comprehensive income and expenditure statement, they are reversed out of the general fund balance to the capital adjustment account in the movement in reserves statement

Assets are then carried in the balance sheet using the following measurement bases:

- assets under construction and infrastructure assets – depreciated historical cost;

- surplus assets – fair value, estimated at highest and best use from a market participants perspective; and

- all other assets – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

Where there is no market-based evidence of current value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of current value.

Where non-property assets have short useful lives or low values (or both), the depreciated historical cost basis is used as a proxy for current value.

Assets included in the balance sheet at current value are revalued sufficiently regularly, as a minimum every five years, to ensure that their carrying amount is not materially different from their current value at the year-end. Increases in valuations are matched by credits to the revaluation reserve to recognise unrealised gains. Exceptionally, gains might be credited to the surplus or deficit on the provision of services where they arise from the reversal of a loss previously charged to a service.

Where decreases in value are identified, they are accounted for as follows:

- where there is a balance of revaluation gains for the asset in the revaluation reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains);

- where there is no balance in the revaluation reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the comprehensive income and expenditure statement.

The revaluation reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the capital adjustment account.

1.9.3. Impairment

Assets are assessed at each year-end as to whether there are indications that an asset may be impaired. Where reliable indications exist and differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall. Where impairment losses are identified, they are accounted for as follows:

- where there is a balance of revaluation gains for the asset in the revaluation reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains);

- where there is no balance in the revaluation reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the comprehensive income and expenditure statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the comprehensive income and expenditure statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

1.9.4. Depreciation

Depreciation is provided for on all property, plant and equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land) and assets that are not yet available for use (i.e. assets under construction).

Depreciation is calculated on the following bases:

- infrastructure assets – straight-line allocation over the useful life of the assets (11 years) as estimated by Transport for Greater Manchester;

- buildings – straight-line allocation over the useful life of the property (5 to 100 years) as estimated by the valuer; and

- vehicles, plant and equipment – straight-line allocation over the useful life of the asset (5 to 30 years) as advised by a suitably qualified officer.

Where an item of property, plant and equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately. Where there is more than one significant part of the same asset that has the same useful life and depreciation method, such parts may be grouped in determining the depreciation charge. In practice, this can be achieved by only separately accounting for significant components that have different useful lives. The requirement for componentisation for depreciation purposes is applicable to enhancement and acquisition expenditure incurred and revaluations carried out from 1 April 2010.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the revaluation reserve to the capital adjustment account.

1.9.5. Non-current assets held for sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an asset held for sale. The asset is re-valued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the other operating expenditure line in the comprehensive income and expenditure statement. Gains in fair value are recognised only up to the amount of any previously recognised losses in the surplus or deficit on provision of services. Depreciation is not charged on assets held for sale.

If assets no longer meet the criteria to be classified as assets held for sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as held for sale, and their recoverable amount at the date of the decision not to sell.

Assets that are to be abandoned or scrapped are not reclassified as assets held for sale.

1.9.6. Disposals

When an asset is disposed of or decommissioned, the carrying amount of the asset in the balance sheet (whether property, plant and equipment or assets held for sale) is written off to the other operating expenditure line in the comprehensive income and expenditure statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the comprehensive income and expenditure statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the revaluation reserve are transferred to the capital adjustment account.

Amounts received for a disposal of £10,000 or more are categorised as capital receipts and credited to the Capital Receipts Reserve (CRR). They can then only be used for new capital investment or set aside to reduce the Authority's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Mayoral or GMCA CRR from the relevant Mayoral or GMCA balances in the movement in reserves statement.

The written-off value of disposals is not a charge against statutory funding, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the capital adjustment account from the relevant general fund balance in the movement in reserves statement.

1.10. Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Authority as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Authority.

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Authority will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research expenditure cannot be capitalised). Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the Authority's goods or services.

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Authority can be determined by reference to an active market. In practice, no intangible asset held by the Authority meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant area in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant area in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

1.11. Fair Value

The Authority measures some of its non-financial assets, such as Investment Properties and Surplus Assets, and some of its financial instruments at fair value at each reporting date, if material. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset; or
- In the absence of a principal market, in the most advantageous market for the asset.

The Authority uses valuers to provide a valuation of its assets and liabilities in line with the highest and best use definition within the accounting standard. The highest and best use of the asset or liability being valued is considered from the perspective of a market participant in terms of pricing (assuming those market participants were acting in their economic best interest).

When measuring the fair value of a non-financial asset, the Authority takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

Unquoted Equity Investments are recognised on the trade date, i.e. the date the Authority becomes committed to the purchase and would not be able to avoid acquiring it without breaking the contract, rather than the date the settlement takes place, if this is a later date.

If there is no quoted market price for the asset, then a reliable valuation technique should be applied. This could be a discounted cash flow analysis of dividends received or a valuation of the Authority's share of the company.

Where financial liabilities and financial assets are carried in the balance sheet at amortised cost, they are shown below. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

- For loans from the PWLB, new borrowing rates from the PWLB have been applied to provide the fair value;
- For non-PWLB loans payable, prevailing market rates have been applied to provide the fair value;
- The fair value of trade and other receivables and creditors is taken to be the invoiced or billed amount;

The Authority uses appropriate valuation techniques for each circumstance, maximising the use of relevant known data and minimising the use of estimates or unknowns. This takes into account the three levels of categories for inputs to valuations for fair value assets:

- Level 1 inputs – quoted prices in active markets for identical assets that the Authority can access at the measurement date;
- Level 2 inputs – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly;
- Level 3 inputs – unobservable inputs for the asset or liability where market data is not available.

1.12. Revenue Expenditure Funded by Capital Under Statute

Revenue Expenditure Funded by Capital under Statute (REFCUS) is expenditure of a capital nature that does not result in the creation of a non-current asset on the Balance Sheet. Expenditure is charged to the Deficit / (Surplus) on the Provision of Services as the expenditure is incurred. This is reversed out through the Movement in Reserves Statement and a transfer made to the Capital Adjustment Account.

1.13. Minimum Revenue Provision

The Authority is required to make a provision for the repayment of an element of the accumulated capital expenditure each year, financed by borrowing, through a revenue charge, in accordance with the Minimum Revenue Provision (MRP) requirements. Regulations have replaced the detailed formula for calculating MRP with a requirement to be prudent. The MRP policy is included within the annual Treasury Management Strategy agreed by the Authority, which details the guidance and options for the basis of the provision. The GMCA has adopted the following policy:

- For capital expenditure incurred before 1 April 2008 or which in the future will be Supported Capital Expenditure, MRP will be calculated using an Asset Life annuity basis over 50 years.
- For capital expenditure incurred from 1 April 2008 for all unsupported borrowing (including PFI and finance leases), MRP will be calculated on an Asset Life annuity basis. The interest rate applied will be linked to PWLB interest rates and the useful life of the asset.
- MRP will generally commence in the financial year following the one in which the expenditure was incurred. However, for long life assets, the Authority will postpone the commencement of MRP until the financial year following the one in which the asset becomes operational.

1.14. Capital and Revenue Grants and Contributions

1.14.1. Revenue Grants and Contributions

Revenue grants and contributions received by the Authority can either be classified as non-specific for general purposes or specific for use in relation to a service and/or function. Where conditions have been met, specific revenue grants and contributions are credited to the relevant service line within Cost of Services; non-specific grants are credited to Taxation and Non-Specific Grant Income.

When the expenditure relating to specific grants has not been incurred, the Authority has elected to make a contribution equivalent to the unspent amount of grant to an earmarked reserve. This reserve will be released in future financial years when the expenditure to which the grant relates is incurred.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as receipts in advance. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ringfenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

1.14.2. Capital Grants and Contributions

Where conditions have been met, capital grants and contributions are credited to Taxation and Non-Specific Grant Income in the Comprehensive Income and Expenditure Statement. The balance of the grant or contribution that has not been used to finance expenditure is transferred to the Capital Grants Unapplied Account via the Movement in Reserves Statement. The amount of grant or contribution that has been used to finance expenditure is transferred to the Capital Adjustment Account via the Movement in Reserves Statement. Amounts in the Capital Grants Unapplied Account are transferred to the Capital Adjustment Account when they have been applied to fund capital expenditure.

1.14.3. Grants and Contributions relating to Revenue Expenditure funded by Capital under Statute (REFCUS)

Where conditions have been met, grants and contributions to fund expenditure not attributable to assets owned by the Authority (Revenue Expenditure Funded by Capital Under Statute) are credited to the non-specific income line within the Cost of Services. They are then transferred to the Capital Adjustment Account when the related expenditure has been incurred via the Movement in Reserves Statement. If the grant is not spent it goes to the Capital Grants Unapplied Reserve via the Movement in Reserves Statement. When spent, it is transferred from the Capital Grants Unapplied Reserve to the Capital Adjustment Account.

1.15. Local Taxation

1.15.1. Council Tax

Following the abolishment of GM Fire and Rescue Authority and GM Office for the Police and Crime Commissioner, the Mayor now collects funds via the Mayoral General Fund and the Mayoral Police Fund respectively.

In their capacity as billing authorities the 10 GM Authorities act as agents: they collect and distribute council tax income on behalf of the major preceptors and themselves. The cash collected by the billing authorities from council tax debtors belongs proportionately to the billing authorities and the major preceptors. There will therefore be a debtor/creditor position between the billing authorities and GMCA to be recognised since the net cash paid to GMCA in the year will not be its share of cash collected from council taxpayers.

1.15.2. Business Rates

From 1 April 2013 the 10 GM Authorities as billing authorities of Greater Manchester have acted as agents; they have collected business rates income on behalf of Central Government, the GMCA and themselves.

The business rates income distributed to each of the parties is the amount after deducting an allowance for the GM Authorities' cost of collection. The business rates cash collected by the billing authorities through the national scheme belongs proportionately to Central Government, the GM Authorities and GMCA; there will therefore be a debtor/creditor position between these parties to be recognised since the net cash paid in the year to each party will not be their share of the cash collected from business ratepayers.

In 2021/22 Greater Manchester continues to be a pilot area for the 100% Business Rates Retention Scheme and the relevant shares of business rates income for 2021/22 are Central Government (0%), GM Authorities (99%) and GMCA (1%).

For both council tax and business rates, the income reflected in the CIES in 2021/22 is the GMCA's share of the income relating to that year. However, the amount of council tax / business rates income that can be credited to the General Fund for the year is determined by statute and may be different from the accrued income position shown in the CIES. An adjustment is made via the Movement in Reserves Statement for the difference between the income due under proper accounting practice and the income per statute.

1.16. Financial Assets

Financial Assets such as investments (excluding those in companies included in the Authority's group accounts) and debtors are classified into three types; amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVPL).

The categorisation of financial assets into these types is dependent on the reason for holding the assets, which can be to collect cash flows, to sell assets or achieve objectives by other means.

Financial assets are introduced onto the balance sheet at fair value when the Authority becomes a party to any contractual provision.

<u>1.16.1. Amortised Cost</u>

These assets relate to financial instruments where the amounts received are solely principal and interest and they are held in a hold to collect business model (e.g. investments of surplus cash with the government's debt management office or loans to third parties).

The interest received on these assets is measured using the Effective Interest Rate model.

<u>1.16.2. Fair Value through Other Comprehensive Income (FVOCI)</u>

These assets relate to financial instruments where the amounts received are solely principal and interest but they are held to collect cash and have the ability sell the assets (e.g. money market funds).

The interest received on these assets is measured using the Effective Interest Rate model.

All gains and losses due to changes in the fair value of these assets are accounted for through an unusable reserve (the Financial Instruments Revaluation Reserve) and charged to Other Comprehensive Income and Expenditure.

The cumulative gain or loss is debited or credited to the surplus/deficit on provision of services when an asset is disposed of.

1.16.3. Fair Value through Profit and Loss (FVPL)

These assets relate to financial instruments where the amounts received are not principal and interest (e.g. equity investments).

Changes in fair value are charged to the surplus / deficit on the net provision of services as they occur.

Under capital accounting regulations where these assets were treated as capital expenditure the gain or loss is reversed through the Movement in Reserves Statement and charged to the Capital Adjustment Account, which is an unusable reserve.

An equity instrument that has been classed as FVPL can be designated as FVOCI if it is not held for trading (e.g. a strategic investment). Once this designation has been made it cannot be reversed. This designation would mean that any gains and losses would be held in the Financial Instruments Revaluation Reserve.

1.16.4. Credit loss

The Authority will recognise a loss allowance for expected credit losses, if applicable, on assets where cash flows are solely principal and interest (i.e. financial instruments measured at amortised cost or FVOCI). This does not apply where the counterparty is central government or another local authority.

At each year end, the loss allowance for a financial instrument is calculated as equal to the lifetime expected credit losses if the credit risk on that financial instrument has increased significantly since initial recognition.

If at the year end, the credit risk has not increased significantly since initial recognition the loss allowance is measured at an amount equal to twelve month expected credit losses.

The Authority has chosen not to adopt a simplified approach for impairment loss allowances on loan related trade receivables, including interest due. At each year end these loss allowances are calculated using the expected credit loss approach, and an assessment of changes in credit risk.

Where the financial asset was treated as capital expenditure, any losses will be reversed via the Movement in Reserves Statement to the Capital Adjustment Account.

1.17. Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For most of the borrowings that the Authority has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable plus accrued interest. The interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

For Lender Option Borrower Option (LOBO) loans, the effective interest rate has been calculated over the life of the loan. This is an average and differs from the amounts actually paid in the year. The difference between the calculated interest charge and interest paid has been adjusted in the carrying amount of the loan and the amount charged in the Comprehensive Income and Expenditure Statement is the effective interest rate for the life of the loan rather than the amount payable per the loan agreement. A statutory over-ride allows the reversal of this difference through the Movement in Reserves Statement in order to charge the actual interest payable to the General Fund.

1.18. Impairment of non-financial assets

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for as follows:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is subsequently reversed, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

1.19. Value Added Tax (VAT)

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

1.20. Reserves and Balances

The Authority sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus and Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments and retirement and employee benefits and they do not represent usable resources for the Authority.

The Authority produces memorandum accounts to hold the ring fenced reserves and balances relating to the Mayoral General Fund and the Mayoral Police Fund.

1.21. Revenue

Revenue is a sub-set of income and is defined as the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net worth.

Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract. Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

Where revenue has been recognised but cash has not been received or paid, a debtor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

Rentals receivable under operating leases and secondary rentals received and retained by the group under finance leases are credited to income as they arise. Any premia or incentives within the lease are recognised within income on an equal basis over the term of the lease.

1.22. Contingent assets

A contingent asset arises where an event has taken place that gives the Authority a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Authority.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

1.23. Contingent liabilities

A contingent liability arises where an event has taken place that gives the Authority a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Authority. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

1.24. Provisions

Provisions are made where an event has taken place that gives the Authority a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Authority may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the authority becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the authority settles the obligation.

1.25. Events after the Reporting Period

Events after the reporting period are those events that occur between the balance sheet date and the date when the Statement of Accounts is authorised for issue.

Where these provide evidence of conditions in existence at the balance sheet date, the amounts recognised in the accounts are adjusted.

Where these are indicative of conditions that arose after the balance sheet date the amounts in the accounts are not adjusted. This is known as a non-adjusting event and is disclosed as a note to the accounts.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

1.26. Interests in Companies and Other Entities - Group Accounts

The Authority is required to produce group accounts where it has interests in subsidiaries, associates and/or joint ventures unless interest is considered not material. The group boundary is dependent upon the extent of the Authority's control or significant influence over the entity, which is based on the requirements of IFRS10, IFRS11 and IAS 28.

Inclusion in the group is dependent upon the extent of the Authority's interest and power to influence an entity. The Authority is considered to control an entity if it has power over the entity, exposure or rights to variable returns from its interest with the entity and the ability to use its power to affect the level of returns. The determining factor for assessing the extent of interest and power to influence is either through ownership of an entity, or representation on an entity's board of directors/trustees.

An assessment of all the Authority's interests has been carried out during the year, in accordance with the Code of Practice, to determine the relationships that exist and whether they should be included within the Authority's group accounts. As such, group accounts have been prepared for the Authority to include Transport for Greater Manchester, Greater Manchester Police, NW Evergreen Holdings LP and GM Fund of Funds LP.

1.27. Discretionary Benefits

The Authority also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff are accrued in the year of the decision to make the award and accounted for using the same policies that are applied to the Local Government Pension Scheme.

1.28. Benefits Payable During Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees, and are recognised as an expense for services in the year in which employees render service to the Authority.

In 2018/19, the Authority adopted a policy of not accruing for employee benefits if the value of the adjustment was considered immaterial. An annual assessment will be made each year and should this result in an adjustment that would be material then these benefits will be accrued. In the 2021/22 accounts the employee benefit accrual was calculated and considered not to be material, therefore the accounts have not been adjusted.

1.29. Private Finance Initiative (PFI)

PFI and similar contracts are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services passes to the PFI contractor. As the Authority is deemed to control the services that are provided under these PFI schemes, and as ownership of the property, plant and equipment will pass to the Authority at the end of the contracts for no additional charge, the Authority carries the assets used under the contracts on the Balance Sheet as part of Property, Plant and Equipment.

The original recognition of these assets at fair value (based on the cost to purchase the property, plant and equipment) is balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment. When establishing the recognition point of an asset, the Authority considers when probable and future benefits of the asset will flow to it and the extent to which the cost of the asset can be reliably measured.

PFI and similar contracts recognised on the Balance Sheet are revalued and depreciated in the same way as property, plant and equipment owned by the Authority.

The amounts payable to the PFI operators each year are analysed into the following elements:

- **Fair value of the services received during the year** – debited to the relevant service in the Comprehensive Income and Expenditure Statement;
- **Finance costs** – an interest charge on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement;
- **Contingent Rents** – Increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement;
- **Payment towards liability** – applied to write down the Balance Sheet liability towards the PFI operator (the profile of write-downs is calculated using the same principles as for a finance lease);
- **Lifecycle replacement costs** – proportion of the amounts payable is posted to the Balance Sheet as a prepayment and then recognised as additions to Property, Plant and Equipment when the relevant works are eventually carried out.

The Authority is deemed to control the services provided under its PFI arrangement for the Stretford Fire Station site. The Authority also has a PFI contract for the construction and maintenance of 17 police stations across Greater Manchester whereby the contractor will operate and service the stations for 25 years after which ownership will revert to the Mayor of Greater Manchester for nil consideration. The accounting policy for PFIs and similar arrangements has been applied to these arrangements and the assets are recognised as Property, Plant and Equipment in the Balance Sheet.

Appendix 2

2 Critical Accounting Judgements

In applying the accounting policies set out in the notes to the accounts, the Authority has had to make certain judgements about complex in year transactions or those involving uncertainty about future events. The following are significant management judgements made in applying the accounting policies of the Authority that have the most significant effect on the Statement of Accounts. Material estimation uncertainties are described in the notes to the accounts.

Government Funding

There is an inherent degree of uncertainty about future levels of funding for major Government programmes devolved to GMCA and Local Government funding as a whole. As part of the going concern assessment, the Authority has had to consider a range of options on how to continue to provide some elements of its services with a reduced level of funding.

The asset base across Police and Crime, Fire and Rescue and Transport functions is considered as part of the financial planning process and there is not currently a sufficient indication that the assets of the Authority might be impaired as a result of a need to close facilities and reduce levels of service provision.

Private Finance Initiative (PFI)

The Authority has entered into Private Finance Initiative (PFI) agreements for the Stretford Fire Station and 17 new Police Stations across 16 sites. The ownership of the buildings is determined by who holds the balance of control in line with accounting standards. The Authority considers the buildings and equipment associated with these sites should be included on its Balance Sheet because:

- The reversion clause within the PFI agreement results in the Authority having a residual interest in the buildings at the end of the agreement;
- The services provided and the use of the building is controlled by the Authority through the PFI agreement; and
- The PFI agreement is between the PFI contractor and the Authority.

Group Accounts Considerations

A review of the entities related to the Authority in 2021/22 has taken place and the conclusions are provided below:

Chief Constable of Greater Manchester Police (GMP)

GMP is included in the Authority’s group accounts from 8 May 2017. The Mayor is responsible for the formal oversight of GMP, including provision of all funding, budget setting, performance scrutiny and strategic policy development, and for ensuring GMP is run efficiently and effectively. Operational decision-making on day-to-day policing including the employment of police staff remains the responsibility of the Chief Constable.

Under the legislative framework and local arrangements, the Authority under sole instruction from the Mayor, is responsible for the finances of the Mayoral Police Fund including assets, liabilities and reserves. The Authority has responsibility for entering into contracts and establishing the contractual framework under which the Chief Constable's officers and staff operate. The Authority receives all income and funding and makes all the payments for the policing activity from the Mayoral Police Fund. Details of the Mayoral Police Fund are disclosed in the notes to the accounts.

Transport for Greater Manchester (TfGM)

TfGM will continue to be included in the Authority's group accounts. The Authority and/or the Mayor sets local public transport policy and is responsible for deciding how funds are spent on supporting and improving Greater Manchester's public transport network. The decisions of the Authority and/or the Mayor are implemented by TfGM and TfGM is responsible for implementing the policies of the Authority. TfGM's net expenditure after taking into account all sources of income and expenditure is financed by way of a Revenue Grant from the Authority. TfGM's corporate objectives are derived from the Authority's policy priorities, stakeholder consultation and its principal statutory obligations. Strategic objectives and targets are set out in the Authority/TfGM Business and Performance Plan.

For information, details of transactions with TfGM will be included within the related parties note.

Greater Manchester Fund of Funds Limited Partnership (FoFLP)

In November 2016 the Authority established FoFLP to act as a holding fund for ERDF funding. As at 31 March 2022, the fund had drawn down £30m of ERDF funding from Department for Levelling Up, Housing and Communities, and £0.6m from the Authority. FoFLP invest in sub-funds that seek to support the shift towards a low carbon economy and for research and innovation workspace. The fund has a further £30m of ERDF funding awarded which can be drawn down upon the achievement of certain milestones. On the grounds of materiality, **FoFLP will continue to be included** in the group accounts.

NW Evergreen Holdings Limited Partnership (NWEH)

In September 2016 the Authority established NWEH to act as a holding fund for the ERDF funding attributed to the North West Evergreen Fund, an urban development fund established under the 2007-13 European Operational Programme. NWEH received over £60m of funding from ERDF and matched funding sources and invests via its sub-fund in commercial development projects in the North West of England. **NWEH will continue to be included** in the Authority's group accounts.

NW Fire Control Company

The NW Fire Control Limited Company (NWFCC) operates a regional control centre based in Warrington. The company has four equal partners namely: Greater Manchester Combined Authority, Cheshire, Cumbria County Council and Lancashire Fire and Rescue Authorities.

NWFCC became operational during 2014/15 and it meets with the definition of a joint operation for group accounts purposes. However, on the grounds of immateriality it has been decided that **NWFCC will not be included** in the group accounts.

Greater Manchester Accessible Transport Limited (GMATL)

GMATL is a private company limited by guarantee without share capital. The Authority is the person with significant control and has previously included GMATL in its group accounts. The balance sheet value is approximately £2.6m. On the grounds of immateriality, it has been decided that **GMATL will not be included** in the group accounts.

Manchester Investment and Development Agency Service (MIDAS)

MIDAS is a private company limited by guarantee without share capital. The Authority is the person with significant control and has previously included MIDAS in its group accounts. The balance sheet value is approximately £3.3m. On the grounds of immateriality, it has been decided that **MIDAS will not be included** in the group accounts.

HIVE Homes

HIVE Homes is a joint venture with 10 Registered Housing providers and has been incorporated to acquire sites in Greater Manchester and then develop them for sale as residential use. From March 2019 the Authority has a 20% share within the company, and £2m has been invested to date. On the grounds of immateriality, it has been decided that **HIVE Homes will not be included** in the group accounts.

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GMCA GREATER MANCHESTER COMBINED AUTHORITY

GMCA AUDIT COMMITTEE

Date: 22 April 2022

Subject: Treasury Management Practices

Report of: Steve Wilson, Treasurer

Purpose of Report

The Authority is required to comply with the Chartered Institute of Public Finance and Accountancy (CIPFA) Treasury Management in the Public Services (the Code) as revised in 2021.

In order to comply with the key requirements of the Code, the Authority should create and keep under review

a) A Treasury Management Policy Statement, stating the policies and objectives of its treasury management activities, as approved by Authority.

b) Suitable Treasury Management Practices (TMPs) setting out the manner in which the Authority will seek to achieve those policies and objectives and prescribing how it will manage and control those activities.

The Audit Committee is responsible for ensuring effective scrutiny of the treasury management arrangements.

This report contains updated TMPs to reflect service structure changes from 1 April 2022.

Recommendations:

The Committee is requested to:

1. Note the Treasury Management Practices for the financial year of 2022/23

Contact Officers

Name: Steve Wilson

Position: Treasurer, GMCA

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Name: Rachel Rosewell

Position: Deputy Treasurer, GMCA

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Report authors must identify which paragraph relating to the following issues:

Equalities Impact, Carbon and Sustainability Assessment:

N/A

Risk Management

Risks are covered within the Treasury Management Practices

Legal Considerations

This report fulfils the requirement to comply with the Chartered Institute of Public Finance and Accountancy (CIPFA) Treasury Management in the Public Services (The Code).

Financial Consequences – Revenue

None

Financial Consequences – Capital

None

Number of attachments to the report: 2

Comments/recommendations from Overview & Scrutiny Committee

N/A

Background Papers

None

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

1. Background

1.1 The Local Government Act 2003 requires local authorities to have regard to such guidance as the Secretary of State may by regulations specify. The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 specify the Chartered Institute of Public Finance and Accountancy (CIPFA) Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance (The Code) as such guidance.

1.2 CIPFA has adopted the following as its definition of treasury management activities:

"The management of the local authority's borrowing, 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."

1.3 The high level objectives of the Authority's treasury management activities are set out in the Treasury Management Policy Statement (Appendix 1).

1.4 The Code also requires the Authority to maintain suitable Treasury Management Practices (TMPs), setting out the manner in which the organisation will seek to achieve its Treasury Management policies and objectives, and prescribing how it will manage and control those activities. The Treasury Management Practices (Appendix 2) adopted by the Authority are reviewed on a regular basis.

1.5 The review of the TMPs incorporates the transition of the treasury service from Manchester City Council.

Appendix 1 Treasury Management Policy Statement

CIPFA recommends that an organisation's treasury management policy statement adopts the following forms of words to define the policies and objective of its treasury management activities:

1 This organisation defines its treasury management activities as the management of the organisation's borrowing, investments and cash flows, including 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.

2 This organisation regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly. The analysis and reporting of treasury management activities will focus on their risk implications for the organisation and any financial instruments entered into to manage these risks.

3 This organisation acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management, and to employing suitable, comprehensive performance measurement techniques within the context of effective risk management.

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GMCA GREATER MANCHESTER COMBINED AUTHORITY

Appendix 2

Treasury Management Practices 2022/23

TMP1 Risk Management

1.1 This organisation regards a key objective of its treasury management and other investment activities to be the security of the principal sums it invests. Accordingly, it will ensure that robust due diligence procedures covering all external investment including investment properties.

1.2 The responsible officer will design, implement and monitor all arrangements for the identification, management and control of treasury management risk, will report at least annually on the adequacy/suitability thereof, and will report, as a matter of urgency, the circumstances of any actual or likely difficulty in achieving the organisation's objectives in this respect, all in accordance with the procedures set out in TMP6. In respect of each of the following risks, the arrangements which seek to ensure compliance with these objectives are set out in the schedule to this document.

1.3 Credit and Counterparty Risk Management

1.3.1 Credit and counter-party risk is the risk of failure by a counterparty to meet its contractual obligations to the organisation under an investment, borrowing, capital project or partnership financing, particularly as a result of the counterparty's diminished creditworthiness, and the resulting detrimental effect on the organisation's capital or current (revenue) resources.

1.3.2 This organisation regards a key objective of its treasury management activities to be the security of the principal sums it invests. Accordingly, it will ensure that its counterparty lists and limits reflect a prudent attitude towards organisations with which funds may be deposited, and will limit its investment activities to the instruments, methods and techniques referred to in TMP4 and listed in the schedule to this document. It also recognises the need to have, and will therefore maintain, a formal counterparty policy in respect of those organisations from which it may borrow, or with whom it may enter into other financing arrangements.

1.3.3 Policy on the use of credit risk analysis techniques

This organisation will use the Link Treasury solutions creditworthiness service based on using colours determined by minimum combinations of ratings to derive maturity limits as follows:

Yellow	5 years
Dark pink	5 years for Ultra-Short Dated Bond Funds with a credit score of 1.25
Light pink	5 years for Ultra-Short Dated Bond Funds with a credit score of 1.5
Purple	2 years
Blue	1 year (only applies to nationalised or semi nationalised UK Banks)
Orange	1 year
Red	6 months

Green	100 days
No colour	Not to be used

In addition, a credit default swap overlay is used as a further safeguard to give early warning of potential creditworthiness problems which may only belatedly lead to actual changes in credit ratings.

a) The Authority will use credit criteria in order to select creditworthy counterparties for placing investments with.

b) Credit ratings will be used as supplied from all three rating agencies - Fitch, Moodys and Standard & Poors

c) Treasury Management Consultants will provide regular updates of changes to all ratings relevant to the Authority.

d) The responsible officer will formulate suitable criteria for assessing and monitoring the credit risk of investment counterparties and shall construct a lending list comprising maturity periods, type, group, sector, country and counterparty limits.

e) Credit ratings for individual counterparties can change at any time. The Senior Finance Manager is responsible for applying approved credit rating criteria for selecting approved counterparties. Treasury management staff will add or delete counterparties to/from the approved counterparty list in line with the policy on criteria for selection of counterparties.

f) This organisation will not rely solely on credit ratings in order to select and monitor the creditworthiness of counterparties. In addition to credit ratings, it will therefore use other sources of information including: -

   i. The quality financial press

   ii. Market data

   iii. Information on government support for banks

   iv. The credit ratings of that government support

g) maximum maturity periods and amounts to be placed in different types of investment instrument can be found in the Treasury Management Strategy Statement (TMSS)

h) Diversification: this organisation will avoid concentrations of lending and borrowing by adopting a policy of diversification. It will therefore use the following:

   i. Maximum amount to be placed with any one institution - £25m

   ii. Group limits where a number of institutions are under one ownership – maximum of £25m

i) Country limits – a minimum sovereign rating of AA- is required for an institution to be placed on our approved lending list. The list of countries which currently meet this criterion is in the TMSS.

1.3.4 Policy on environmental, social and governance (ESG) considerations

The organisation's credit and counterparty policies should set out its policy and practices relating to environmental, social and governance (ESG) investment considerations. This is a developing area, and it is not implied that the organisation's ESG policy will currently include ESG scoring or other real-time ESG criteria at individual investment level. See Appendix 1 for further detail.

1.4 Liquidity Risk Management

1.4.1 This is the risk that cash will not be available when it is needed, that ineffective management of liquidity creates additional unbudgeted costs, and that the organisation's business/service objectives will be thereby compromised.

1.4.2 This organisation will ensure it has adequate, though not excessive, cash resources, borrowing arrangements, overdraft or standby facilities to enable it at all times to have the level of funds available to it which are necessary for the achievement of its business/service objectives.

1.4.3 This organisation will only **borrow in advance of need** where there is a clear business case for doing so and will only do so for the following reasons: -

a) to fund the current capital programme

b) to finance future debt maturities, or

c) to ensure an adequate level of short-term investments to provide liquidity for the organisation.

1.4.4 Amounts of approved minimum cash balances and short-term investments

The Treasury Management section shall seek to minimise the balance held in the Authority's main bank accounts at the close of each working day. Borrowing or lending shall be arranged in order to achieve this aim.

1.4.5 Details of:

a) Standby facilities

At the end of each financial day any unexpected surplus funds are transferred to the call deposit account which is available from the Authority's main bank. The balance on this account is instantly accessible if the group bank account becomes overdrawn.

b) Bank overdraft arrangements

An overdraft at 4% over base rate has been agreed as part of the banking services contract. The overdraft is assessed on a group basis for the Authority's accounts.

c) Short-term borrowing facilities

The Authority accesses temporary loans through approved brokers on the London money market or other local authorities.

d) Insurance/guarantee facilities

There are no specific insurance or guarantee facilities as the above arrangements are regarded as being adequate to cover all unforeseen occurrences.

1.5 Interest Rate Risk Management

1.5.1 The risk that fluctuations in the levels of interest rates create an unexpected or unbudgeted burden on the organisation’s finances, against which the organisation has failed to protect itself adequately.

1.5.2 This organisation will manage its exposure to fluctuations in interest rates with a view to containing its interest costs, or securing its interest revenues, in accordance with the amounts provided in its budgetary arrangements as amended in accordance with TMP6.

1.5.3 It will achieve this by the prudent use of its approved financing and investment instruments, methods and techniques, primarily to create stability and certainty of costs and revenues, but at the same time retaining a sufficient degree of flexibility to take advantage of unexpected, potentially advantageous changes in the level or structure of interest rates. This should be the subject to the consideration and, if required, approval of any policy or budgetary implications.

1.5.4 Details of approved interest rate exposure limits

1.5.5 Trigger points and other guidelines for managing changes to interest rate levels

1.5.6 Upper limit for fixed interest rate exposure and Upper limit for variable interest rate exposure - refer to the annual Treasury Management Strategy Statement

1.5.7 Policies concerning the use of instruments for interest rate management**.**

a) forward dealing

Consideration will be given to dealing from forward periods dependent upon market conditions. When forward dealing is more than 30 days forward then the approval of the Head of Finance, Capital and Treasury is required.

b) callable deposits

The Authority can use callable deposits as part as of its Annual Investment Strategy (AIS). The credit criteria and maximum periods are set out in the Schedule of Specified and Non-Specified Investments appended to the AIS.

c) LOBOS (borrowing under lender's option/borrower's option)

Use of LOBOs are not currently considered as part of the annual borrowing strategy. All borrowing for periods in excess of 364 days must be approved by the Treasurer.

1.6 Exchange Rate Risk Management

1.6.1 The risk that fluctuations in foreign exchange rates create an unexpected or unbudgeted burden on the organisation's finances, against which the organisation has failed to protect itself adequately.

1.6.2 It will manage its exposure to fluctuations in exchange rates so as to minimise any detrimental impact on its budgeted income/expenditure levels.

1.7 Inflation Risk Management

1.7.1 The organisation will keep under review the sensitivity of its treasury assets and liabilities to inflation and will seek to manage the risk accordingly in the context of the whole organisation's inflation exposures.

1.8 Refinancing Risk Management

1.8.1 The risk that maturing borrowings, capital, project or partnership financings cannot be refinanced on terms that reflect the provisions made by the organisation for those refinancing, both capital and current (revenue), and/or that the terms are inconsistent with prevailing market conditions at the time.

1.8.2 This organisation will ensure that its borrowing, private financing and partnership arrangements are negotiated, structured and documented, and the maturity profile of the monies so raised are managed, with a view to obtaining offer terms for renewal or refinancing, if required, which are competitive and as favourable to the organisation as can reasonably be achieved in the light of market conditions prevailing at the time.

1.8.3 It will actively manage its relationships with its counterparties in these transactions in such a manner as to secure this objective and will avoid overreliance on any one source of funding if this might jeopardise achievement of the above.

1.8.4 Debt/Other Capital Financing, Maturity Profiling, Policies and Practices

The Authority will establish through its Prudential and Treasury Indicators the amount of debt maturing in any year/period.

Any debt rescheduling will be considered when the difference between the refinancing rate and the redemption rate is most advantageous, and the situation will be continually monitored in order to take advantage of any perceived anomalies in the yield curve. The reasons for any rescheduling to take place will include:

a) the generation of cash savings at minimum risk;

b) to reduce the average interest rate;

c) to amend the maturity profile and /or the balance of volatility of the debt portfolio.

Rescheduling will be reported to the Audit Committee in the annual Review Report.

1.8.5 Projected Capital Investment Requirements

The responsible officer will prepare a three-year plan for capital expenditure for the Authority. The capital plan will be used to prepare a three-year revenue budget for all forms of financing charges.

In addition, the responsible officer will draw up a capital strategy report which will give a longer-term view.

The definition of capital expenditure and long-term liabilities used in the Code will follow recommended accounting practice as per the Code of Practice on Local Authority Accounting.

1.8.6 Policy Concerning Limits on Affordability and Revenue Consequences of Capital Financing

In considering the affordability of its capital plans, the Authority will consider all the resources currently available/estimated for the future together with the totality of its capital plans, revenue income and revenue expenditure forecasts for the forthcoming year and the two following years and the impact these will have on Authority tax levels.

It will also consider affordability in the longer term beyond this three-year period and assess the risks and rewards of significant investments to ensure the long-term financial sustainability of the authority.

The Authority will also undertake an annual review of commercial, (debt for yield), investments with a view to divest, where appropriate, so as to avoid or minimise additional external borrowing.

The Authority will use the definitions provided in the Prudential Code for borrowing (88), capital expenditure (89), capital financing requirement (90), commercial property (91), debt (92), financing costs (93), investments (95), net revenue stream (96), other long-term liabilities (97), treasury management (98) and transferred debt (99).

1.8.7 Private Finance Initiative (PFI), Partnerships, Arm's Length Management Operation (ALMO) and guarantees

The Authority has entered into the PFI's as below:

a) Construction, maintenance and provision of a Fire station at Stretford ending October 2024
b) Construction and maintenance of seventeen Police stations ending in 2030.

1.9 Legal and Regulatory Risk Management

1.9.1 The risk that the organisation itself, or an organisation with which it is dealing in its treasury management activities, fails to act in accordance with its legal powers or regulatory requirements, and that the organisation suffers losses accordingly.

1.9.2 This organisation will ensure that all of its treasury management activities comply with its statutory powers and regulatory requirements. It will demonstrate such compliance, if required to do so, to all parties with whom it deals in such activities. In framing its credit and counterparty policy under TMP1[1] credit and counterparty risk management, it will ensure that there is evidence of counterparties' powers, authority and compliance in respect of the transactions they may effect with the organisation, particularly with regard to duty of care and fees charged.

1.9.3 This organisation recognises that future legislative or regulatory changes may impact on its treasury management activities and, so far as it is reasonably able to do so, will seek to minimise the risk of these impacting adversely on the organisation.

1.9.4 References to Relevant Statutes and Regulations

The treasury management activities of the Authority shall comply fully with legal statute, guidance, Codes of Practice and the regulations of the Authority. These are:

Statutes

a) Local Government Finance Act 1988 section 114 – duty on the responsible officer to issue a report if the Authority is likely to get into a financially unviable position.

b) Requirement to set a balanced budget - Local Government Finance Act 1992 section 32 for billing authorities and section 43 for major precepting authorities.

c) Local Government Act 2003

d) S.I. 2003 No.2938 Local Government Act 2003 (Commencement No.1 and Transitional Provisions and Savings) Order 2003 13.11.03

e) S.I. 2003 No.3146 Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 and associated commentary 10.12.03

f) S.I. 2004 No.533 Local Authorities (Capital Finance) (Consequential, Transitional and Savings Provisions) Order 2004 8.3.04

g) S.I. 2004 No.534 Local Authorities (Capital Finance and Accounting) (Amendment) (England) Regulations 2004 8.3.04

h) S.I. 2004 no. 3055 The Local Authorities (Capital Finance and Accounting) (Amendment) (England) (No. 2) Regulations 2004

i) S.I. 2006 no. 521 Local Authorities (Capital Finance and Accounting) (Amendment) (England) Regulations 2006

j) S.I. 2007 no. 573 Local Authorities (Capital Finance and Accounting) (Amendment) (England) Regulations 2007

k) Local Government and Public Involvement in Health Act 2007 s238(2) – power to issue guidance; to be used re: MRP

l) S.I. 2008 no. 414 Local Authorities (Capital Finance and Accounting) (Amendment) (England) Regulations 2008

m) S.I. 2009 no. 321 Local Authorities (Capital Finance and Accounting) (Amendment) (England) Regulations 2009

n) S.I. 2009 no. 2272 The Local Authorities (Capital Finance and Accounting) (England) (Amendment) (No.2) Regulations 2009

o) S.I. 2009 no. 3093 The Local Government Pension Fund Scheme (Management and Investment of Funds) Regulations 2009

p) S.I. 2010 no. 454 (Capital Finance and Accounting) (Amendment) (England) Regulations 2010

q) Localism Act 2011

r) S.I. 2012 no. 265 Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2012

s) S.I. 2012 No. 711 The Local Authorities (Capital Finance and Accounting) (England) (Amendment) (No. 2) Regulations 2012

t) S.I. 2012 No. 1324 The Local Authorities (Capital Finance and Accounting) (England) (Amendment) (No.3) Regulations 2012

u) S.I. 2012 No. 2269 The Local Authorities (Capital Finance and Accounting) (England) (Amendment) (No. 4) Regulations 2012

v) S.I. 2013 no. 476 The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2013

w) S.I. 2015 no. 234 Accounts and Audit Regulations 2015

x) There has not been an issue of a Local Authorities (Capital Finance and Accounting) (England) Regulations statutory instrument in 2005, 2011 and 2016

y) S.I. 2017 no. 536 The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2017

z) S.I. 2018 no. 1207 The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2018

aa) Statutory Guidance on Investments 2018

bb) Statutory Guidance on MRP 2018

cc) 2019 No. 394 Exiting the European Union financial services: The Money Market Funds (Amendment) (EU Exit) Regulations 2019

dd) S.I. 2019 no. 396 The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2019

ee) S.I. 2020 no. 1212 The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2020 ff) S.I. 2021 no. 611 The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2021

Guidance and codes of practice

a) CIPFA Local Authority Capital Accounting - a reference manual for practitioners' latest year Edition

b) CIPFA Guide for Chief Financial Officers on Treasury Management in Local Authorities 1996

c) CIPFA Standard of Professional Practice on Treasury Management 2002

d) CIPFA Standard of Professional Practice on Continuous professional Development 2005

e) CIPFA Standard of Professional Practice on Ethics 2006

f) The Good Governance Standard for Public Services 2004

g) CIPFA's Treasury Management Codes of Practice and Guidance Notes 2021,

h) CIPFA Prudential Code for Capital Finance in Local Authorities and Guidance Notes revised 2021

Others

a) LAAP Bulletins

b) IFRS - Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of recommended Practice

c) PWLB circulars on Lending Policy

d) The UK Money Markets Code (issued by the Bank of England – it was formerly known as the Code of Market Conduct issued by the Financial Conduct Authority.)

e) The Authority's Standing Orders relating to Contracts

f) The Authority's Financial Regulations

g) The Authority's Scheme of Delegated Functions

1.9.5 Procedures for Evidencing the Authority's Powers/Authorities to Counterparties

The Authority's powers to borrow and invest are contained in legislation.

Investing: Local Government Act 2003, section 12

Borrowing: Local Government Act 2003, section 1

In addition, it will make available on request the following:

a) the scheme of delegation of treasury management activities which is contained in <<name of document>> which states which officers carry out these duties

b) the document which sets which officers are the authorised signatories.

1.9.6 Required Information on Counterparties

Lending shall only be made to counterparties on the Approved Lending list. This list has been compiled using advice from the Authority's treasury advisers based upon credit ratings supplied by Fitch, Moodys and Standard & Poors.

1.9.7 Statement on the Authority's Political Risks and Management of Same

The responsible officer shall take appropriate action with the Authority, the Chief Executive and the Mayor to respond to and manage appropriately political risks such as change of Leaders in the constituent Districts, leadership in the Authority, change of Government etc.

1.9.8 Monitoring Officer

The monitoring officer is the Solicitor. The duty of this officer is to ensure that the treasury management activities of the Authority are lawful.

1.9.9 Chief Financial Officer

The Chief Financial Officer is the Treasurer; the duty of this officer is to ensure that the financial affairs of the Authority are conducted in a prudent manner and to make a report to the Authority if he has concerns as to the financial prudence of its actions or its expected financial position.

1.10 Operational risk, including fraud, error and corruption

1.10.1 The risk that an organisation fails to identify the circumstances in which it may be exposed to the risk of loss through fraud, error, corruption or other eventualities in its treasury management dealings, and fails to employ suitable systems and procedures and maintain effective contingency management arrangements to these ends. It includes the area of risk commonly referred to as operational risk.

1.10.2 This organisation will ensure that it has identified the circumstances which may expose it to the risk of loss through fraud, error, corruption or other eventualities in its treasury management dealings. Accordingly, it will employ suitable systems and procedures, and will maintain effective contingency management arrangements, to these ends.

1.10.3 The Authority will therefore:

a) seek to ensure an adequate division of responsibilities and maintenance at all times of an adequate level of internal check which minimises such risks.

b) Fully document all its treasury management activities so that there can be no possible confusion as to what proper procedures are.

c) Staff will not be allowed to take up treasury management activities until they have had proper training in procedures and are then subject to an adequate and appropriate level of supervision.

d) Records will be maintained of all treasury management transactions so that there is a full audit trail and evidence of the appropriate checks being carried out.

1.10.4 Details of Systems and Procedures to be Followed, Including Internet Services

a) Authority

- The Scheme of Delegation to Officers sets out the delegation of duties to officers.
- All loans and investments are negotiated by the responsible officer or authorised persons.
- Loan procedures are defined in the Authority's Financial Regulations.

b) Procedures

- CHAPS request form completed with supporting evidence and independently verified Settlement Instructions; this is then approved by 2 bank mandates before being processed on the bank for payment

c) Investment and borrowing transactions

- A detailed register of all loans and investments is maintained in the Logotech system.
- A written acknowledgement of each deal is sent promptly to the lending or borrowing institution where transactions are done directly with the organisation.
- Written confirmation is received and checked against the dealer's records for the transaction.
- Any discrepancies are immediately reported to the Senior Finance Manager for resolution.
- All transactions placed through brokers are confirmed by a broker note showing details of the loan arranged. Written confirmation is received and checked against the dealer's records for the transaction. Any discrepancies are immediately reported to the Senior Finance Manager for resolution.

d) Regularity and security

- Lending is only made to institutions on the Approved List of Counterparties.
- The Logotech system prompts the Finance Manager that money borrowed, or lent is due to be repaid.
- All loans raised and repayments made go directly to and from the bank account of approved counterparties.

- Counterparty limits are set for every institution that the Authority invests with.
- Brokers have a list of named officials authorised to agree deals.
- There is a separation of duties in the section between dealers and the checking and authorisation of all deals.
- The Authority's bank holds a list of Authority officials who are authorised signatories for treasury management transactions.
- No member of the treasury management team is an authorised signatory.
- The Logotech system can only be accessed by a password.

e) Checks

- The bank reconciliation is carried out monthly from the bank statement to the financial ledger.
- The Logotech system balances are proved to the balance sheet ledger codes at the end of each month and at the financial year end.

f) Calculations

- The calculation of repayment of principal and interest notified by the lender or borrower is checked for accuracy against the amount calculated by the Logotech system.
- The Logotech system automatically calculates periodic interest payments of PWLB and other long-term loans. This is used to check the amount paid to lenders.

1.10.5 Emergency and Contingency Planning Arrangements

Disaster Recovery Plan

The treasury management team are able to work remotely. If the Logotech system was unavailable, the download from the previous day would be used to assess the cashflow needs for the day.

There are procedures in place with Barclays for payments to be made should the electronic system not be available.

All members of the treasury management team are familiar with this plan and new members will be briefed on it.

All computer files are backed up on the server to enable files to be accessed from remote sites.

1.10.6 Insurance Cover Details

a) Fidelity Insurance

The Authority has 'Fidelity' insurance cover with Zurich Municipal. This covers the loss of cash by fraud or dishonesty of employees.

This cover is limited to £10m for any one event with an excess of £5,000 for any one event

b) Professional Indemnity Insurance

The Authority also has a ‘Professional Indemnity’ insurance policy with Zurich Municipal which covers loss to the Authority from the actions and advice of its officers which are negligent and without due care. This cover is limited to £10m for any one event with an excess of £10,000 for any one event.

c) Business Interruption

The Authority also has a ‘Business Interruption’ cover as part of its property insurance with Zurich Municipal.

1.11 Price Risk Management

1.11.1 The risk that, through adverse market fluctuations in the value of the principal sums an organisation borrows and invests, its stated treasury management policies and objectives are compromised, against which effects it has failed to protect itself adequately.

1.11.2 This organisation will seek to ensure that its stated treasury management policies and objectives will not be compromised by adverse market fluctuations in the value of the principal sums it invests and will accordingly seek to protect itself from the effects of such fluctuations.

1.11.3 Approved procedures and limits for controlling exposure to investments whose capital value may fluctuate (Gilts, CDs, Etc.)

These are controlled through setting limits on investment instruments where the principal value can fluctuate. The limits are determined and set through the Annual Investment Strategy.

TMP 2 PERFORMANCE MEASUREMENT

2.1 Evaluation and Review of Treasury Management Decisions

2.1.1 The Authority has a number of approaches to evaluating treasury management decisions: -

a) reviews are carried out by the treasury management team

b) reviews with our treasury management consultants

c) annual review after the end of the year as reported to full Authority

d) half yearly monitoring reports to the Audit Committee

e) comparative reviews

f) strategic, scrutiny and efficiency value for money reviews

2.1.2 Periodic reviews during the financial year

The Head of Finance, Capital and Treasury, holds a treasury management review meeting with the treasury management team every quarter to review actual activity against the Treasury Management Strategy Statement and cash flow forecasts.

This will include:

a) Total debt (both on- and off-balance sheet) including average rate and maturity profile

b) Total investments including average rate and maturity profile and changes to the above from the previous review and against the TMSS.

2.1.3 Reviews with our treasury management consultants

The treasury management team holds reviews with our consultants to review the performance of the investment and debt portfolios.

2.1.4 Review reports on treasury management

An Annual Treasury Report is submitted to the Authority each year after the close of the financial year which reviews the performance of the debt / investment portfolios. This report contains the following: -

a) total external debt (gross external borrowing plus other long-term liabilities such as finance leases) and average interest rates at the beginning and close of the financial year compared to the Capital Financing Requirement

b) borrowing strategy for the year compared to actual strategy

c) whether or not a decision was made to defer borrowing or to borrow in advance

d) comment on the level of internal borrowing and how it has changed during the year

e) assumptions made about interest rates

f) investment strategy for the year compared to actual strategy

g) explanations for variance between original borrowing and investment strategies and actual

h) debt rescheduling done in the year

i) actual borrowing and investment rates available through the year

j) the performance and return of all investments by type of investment, evaluated against the stated investment objectives

k) the Report shall identify investments where any specific risks have materialised during the year and report on any financial consequences of that risk; together will details of any remedial action take. This includes reporting any short-term borrowing costs incurred to remediate any liquidity problem.

l) the Report shall include details of any review of long-term investments, held by the authority, which was undertaken in the year in accordance with the Annual Investment Strategy.

m) compliance with Prudential and Treasury Indicators

In addition, half yearly reports will be submitted to the Audit Committee each year to provide updates on the above.

2.1.5 Comparative reviews

When data becomes available, comparative reviews are undertaken to see how the performance of the Authority on debt and investments compares to other authorities with similar size portfolios (but allowing for the fact that Prudential and Treasury Indicators are locally set). Data used will be sourced from:

a) CIPFA Treasury Management statistics published each year for the last complete financial year

b) CIPFA Benchmarking Club

c) other

2.2 Benchmarks and Calculation Methodology:

2.2.1 Debt management

a) Average rate on all external debt

b) Average rate on external debt borrowed in previous financial year

c) Average rate on internal borrowing

d) Average period to maturity of external debt

e) Average period to maturity of new loans in previous year

f) Debt portfolio compared to the debt liability benchmark

2.2.2 Investment

The performance of investment earnings will be measured using an appropriate benchmark:

2.3 Policy Concerning Methods for Testing Value for money in Treasury Management

2.3.1 Frequency and processes for tendering

The process for advertising and awarding contracts will be in line with the Authority's Contract Standing Orders.

2.3.2 Banking services

The Authority's banking arrangements are to be subject to competitive tender as part of an AGMA wide framework.

If tendering is not considered appropriate a specialist banking company must be appointed to ensure that the terms offered represent value for money.

2.3.3 Money-broking services

The Authority will use money broking services in order to make deposits or to borrow and will establish charges for all services prior to using them.

An approved list of brokers will be established which takes account of both prices and quality of services.

TMP 3 DECISION-MAKING AND ANALYSIS

3.1 Records to be kept

The Treasury section has a computerised cash management system in which all investment and loan transactions are recorded. Full details of the system are covered in the user manual. The following records will be retained:

a) Daily cash balance forecasts

b) Money market rates obtained by telephone from brokers

c) Dealing slips for all money market transactions

d) Brokers' confirmations for investment and temporary borrowing transactions

e) Confirmations from borrowing /lending institutions where deals are done directly

f) PWLB loan confirmations

g) PWLB debt portfolio schedules.

h) Certificates for market loans, local bonds and other loans

3.2 Processes to be pursued

a) Cash flow analysis.

b) Debt and investment maturity analysis

c) Ledger reconciliation

d) Review of opportunities for debt restructuring

e) Review of borrowing requirement to finance capital expenditure (and other forms of financing where those offer value for money)

f) Performance information (e.g., monitoring of actuals against budget for debt charges, interest earned, debt management; also monitoring of average pool rate, investment returns, etc).

3.3 Issues to be addressed.

3.3.1 In respect of every treasury management decision made the Authority will:

a) Above all be clear about the nature and extent of the risks to which the Authority may become exposed

b) Be certain about the legality of the decision reached and the nature of the transaction, and that all authorities to proceed have been obtained

c) Be content that the documentation is adequate both to deliver the Authority's objectives and protect the Authority's interests, and to deliver good housekeeping

d) Ensure that third parties are judged satisfactory in the context of the Authority's creditworthiness policies, and that limits have not been exceeded

e) Be content that the terms of any transactions have been fully checked against the market and have been found to be competitive.

3.3.2 In respect of borrowing and other funding decisions, the Authority will:

a) consider the ongoing revenue liabilities created, and the implications for the organisation's future plans and budgets to ensure that Its capital plans and investment plans are affordable, proportionate to the Authority's overall financial capacity, and are within prudent and sustainable levels. This evaluation will be carried out in detail for three budget years ahead.

b) not borrow to invest primarily for financial return.

c) not borrow earlier than required to meet cash flow needs unless there is a clear business case for doing so.

d) not borrow unless it is to finance the current capital programme or to fund future debt maturities, or to ensure an adequate level of short-term investments to provide liquidity for the Authority.

e) increase its CFR and borrowing solely for purposes directly and primarily related to the functions of the authority and where any financial returns are either related to the financial viability of the project in question or otherwise incidental to the primary purpose.

f) undertake an annual review of any investments in commercial (debt for yield) schemes with a view to identify whether such assets should be sold to provide resources to finance capital expenditure plans or refinance maturing debt.

g) evaluate the economic and market factors that might influence the manner and timing of any decision to fund.

h) consider the merits and demerits of alternative forms of funding, including funding from revenue, leasing and private partnerships.

i) consider the alternative interest rate bases available, the most appropriate periods to fund and repayment profiles to use and, if relevant, the opportunities for foreign currency funding.

j) ensure that treasury management decisions are made in accordance with good professional practice.

3.3.3 In respect of investment decisions, the Authority will:

a) Consider the optimum period, in the light of cash flow availability and prevailing market conditions;

b) Consider the alternative investment products and techniques available, especially the implications of using any which may expose the Authority to changes in the value of its capital;

c) ensure that any long-term treasury investment is supported by a business case.

TMP 4 APPROVED INSTRUMENTS, METHODS AND TECHNIQUES

4.1 Approved Activities of the Treasury Management Operation

a) borrowing;

b) lending;

c) debt repayment and rescheduling;

d) consideration, approval and use of new financial instruments and treasury management techniques;

e) managing the underlying risk associated with the Authority's capital financing and surplus funds activities;

f) managing cash flow;

g) banking activities;

h) leasing.

4.2 Approved Instruments for Investments

Please see the Annual Investment Strategy.

4.3 Implementation of MIFID II requirements

4.3.1 Since 3 January 2018, UK public sector bodies have been defaulted to "retail" status under the requirements of MiFID II. However, for each counterparty it is looking to transact with, (e.g., financial institution, fund management operator, broker), there remains the option to opt up to "professional" status, subject to meeting certain requirements specified by MIFID II and that it has the appropriate level of knowledge and experience and decision-making processes in place in order to use regulated investment products.

4.3.2 MIFID II does not cover term deposits so local authorities should not be required to opt up to professional status. However, some non-UK banks do not have the necessary regulatory permissions to deal with retail clients, so opting up to professional status would be required.

4.3.3 For investing in negotiable investment instruments, (e.g., certificates of deposit, gilts, corporate bonds), money market funds and other types of investment funds, which are covered by MIFID II, a schedule is maintained of all counterparties that the treasury management team are authorised to place investments with. This specifies for each investment instrument and for each counterparty, whether the authority has been opted up to professional status. (N.B. some money markets funds will deal with both retail and professional clients.)

4.4 Approved Techniques

a) Forward dealing

b) LOBOs – lenders option, borrower's option borrowing instrument

c) The use of structured products such as callable deposits

4.5 Approved Methods and Sources of Raising Capital Finance

4.5.1 Finance will only be raised in accordance with the Local Government Act 2003), and within this limit the Authority has a number of approved methods and sources of raising capital finance. These are:

On Balance Sheet	**Fixed**	**Variable**
PWLB	✓	✓
Municipal Bond Agency	✓	✓
UK Infrastructure Bank	✓	✓
Market (long-term)	✓	✓
Market (temporary)	✓	✓
Market (LOBOs)	✓	✓
Stock Issues	✓	✓
Local temporary	✓	✓
Local Bonds	✓	
Local authority bills	✓	✓
Overdraft	✓	✓
Negotiable Bonds		✓
Internal (capital receipts * revenue balances)	✓	✓
Commercial Paper	✓	
Medium Term Notes	✓	
Leasing (not operating leases)	✓	✓
Deferred Purchase	✓	✓

Other Methods of Financing

a) Government and EC Capital Grants

b) Lottery monies

c) PFI/PPP

d) Operating leases

4.5.2 Borrowing will only be done in Sterling. All forms of funding will be considered dependent on the prevailing economic climate, regulations and local considerations. The responsible officer has delegated powers in accordance with Financial Regulations, Standing Orders, the Scheme of Delegation to Officers Policy and the Treasury Management Strategy to take the most appropriate form of borrowing from the approved sources.

4.6 Investment Limits

4.6.1 The Annual Investment Strategy sets out the limits and the guidelines for use of each type of investment instrument.

4.7 Borrowing Limits

4.7.1 See the Treasury Management Strategy Statement and Prudential and Treasury Indicators.

TMP 5 Organisation, Clarity and Segregation of Responsibilities, and Dealing Arrangements

5.1 Allocation of responsibilities

5.1.1 Full Authority

a) receiving and reviewing reports on treasury management policies, practices and activities

b) approval of annual treasury management strategy

c) approval of capital strategy

5.1.2 Audit Committee

a) approval of amendments to the organisation's adopted clauses, treasury management policy statement and treasury management practices

b) budget consideration and approval

c) approval of the division of responsibilities

d) receiving and reviewing regular monitoring reports and acting on recommendation

5.1.3 Body/person(s) with responsibility for scrutiny

a) reviewing the treasury management policy and procedures and making recommendations to the responsible body.

5.2 Principles and Practices Concerning Segregation of Duties

5.2.1 The following duties must be undertaken by separate officers: -

Dealing	Negotiation and approval of deal.
	Receipt and checking of brokers confirmation note against loans diary.
	Reconciliation of cash control account.
	Bank reconciliation
Accounting Entry	Production of transfer note.
	Processing of accounting entry
Authorisation/Payment of Deal	Entry onto system.
	Approval and payment.

5.3 Treasury Management Organisation Chart

Treasurer

I

Deputy Treasurer

I

Head of Finance, Capital and Treasury Management

I

Principal Accountant

I

Treasury Management Team

Finance Manager ______________ Senior Finance Manager ____________ Finance Officer

5.4 Statement of the treasury management duties/responsibilities of each treasury post

5.4.1. The responsible officer

The responsible officer is the person charged with professional responsibility for the treasury management function and in this Authority is the Treasurer. This person will carry out the following duties:

a) recommending clauses, treasury management policy/practices for approval, reviewing the same regularly, and monitoring compliance

b) submitting regular treasury management policy reports

c) submitting budgets and budget variations

d) receiving and reviewing management information reports

e) reviewing the performance of the treasury management function

f) ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function

g) ensuring the adequacy of internal audit, and liaising with external audit

h) recommending the appointment of external service providers.

i) The responsible officer has delegated powers through this policy to take the most appropriate form of borrowing from the approved sources, and to make the most appropriate form of investments in approved instruments.

j) The responsible officer may delegate his power to borrow and invest to members of his staff. The Treasury Management Team must conduct all dealing transactions, or staff authorised by the responsible officer to act as temporary cover for leave/sickness.

k) The responsible officer will ensure that treasury management policy is adhered to, and if not will bring the matter to the attention of elected members as soon as possible.

l) Prior to entering into any capital financing, lending or investment transaction, it is the responsibility of the responsible officer to be satisfied, by reference to the Authority's legal department and external advisors as appropriate, that the proposed transaction does not breach any statute, external regulation or the Authority's Financial Regulations

m) It is also the responsibility of the responsible officer to ensure that the Authority complies with the requirements of the UK Money Markets Code (formerly known as the Non-Investment Products Code) for principals and broking firms in the wholesale markets.

5.4.2. The Treasury Management Team

The responsibilities of the Senior Finance Manager will be: -

a) execution of transactions

b) adherence to agreed policies and practices on a day-to-day basis

c) maintaining relationships with counterparties and external service providers

d) supervising treasury management staff

e) monitoring performance on a day-to-day basis

f) submitting management information reports to the responsible officer

g) identifying and recommending opportunities for improved practices

h) opportunities for improved practices

5.4.3 The treasury management team includes the following persons:

Position	**Qualifications**	**Experience**
Senior Finance Manager	ACCA part qualified	7 years
Finance Manager	AAT qualified	5 years
Finance Officer	AAT part qualified	3 years

5.4.4 The Head of the Paid Service – the Chief Executive

The responsibilities of this post will be:

a) Ensuring that the system is specified and implemented

b) Ensuring that the responsible officer reports regularly on treasury policy, activity and performance.

5.4.5 The Monitoring Officer – the Head of Legal Services

The responsibilities of this post will be: -

a) Ensuring compliance by the responsible officer with the treasury management policy statement and treasury management practices and that they comply with the law.

b) Being satisfied that any proposal to vary treasury policy or practice complies with law or any code of practice.

c) Giving advice to the responsible officer when advice is sought.

5.4.6 Internal Audit

The responsibilities of Internal Audit will be:

a) Reviewing compliance with approved policy and treasury management practices.

b) Reviewing division of duties and operational practice.

c) Assessing value for money from treasury activities.

d) Undertaking probity audit of treasury function.

5.5 Absence Cover Arrangements

The Principal Accountant and the Head of Finance, Capital and Treasury Management, have the appropriate authorisations in place to be able to cover during periods of absence.

5.6 Dealing Limits

The following posts are authorised to deal: -

- Head of Finance, Capital and Treasury
- Principal Accountant
- Senior Finance Manager
- Finance Manager

5.7 List of Approved Brokers

5.7.1 A list of approved brokers is maintained within the Treasury Team and a record of all transactions recorded against them. See TMP 11.

5.8 Policy on Brokers' Services

5.8.1 It is this Authority's policy to rotate business between brokers.

5.9 Policy on Taping of Conversations

5.9.1 It is not this Authority's policy to tape brokers conversations

5.10 Direct Dealing Practices

5.10.1 The Authority will consider dealing directly with counterparties if it is appropriate and the Authority believes that better terms will be available. At present, most deals are arranged through brokers. There are certain types of accounts and facilities, however, where direct dealing is required, as follows:

a) Business Reserve Accounts:

b) Call Accounts:

c) Money Market Funds.

5.11 Documentation Requirements

5.11.1 For each deal undertaken a record should be prepared giving details of dealer, amount, period, counterparty, interest rate, dealing date, payment date(s), broker.

TMP 6 Reporting Requirements and Management Information Arrangements

6.1 Annual programme of reporting

6.1.1 Annual reporting requirements before the start of the year:

a) review of the organisation's approved clauses, treasury management policy statement and practices

b) **treasury management strategy report** on proposed treasury management activities for the year comprising of the Treasury management strategy statement, Annual Investment Strategy and Minimum Revenue Provision Policy Statement

c) **capital strategy** to cover the following: -

i. give a long-term view of the capital programme and treasury management implications thereof beyond the three-year time horizon for detailed planning.

ii. an overview of treasury and non-treasury investments to highlight the risks and returns involved in each and the balance, (proportionality), between both types of investments.

iii. The authorities risk appetite and specific policies and arrangements for non-treasury investments

6.1.2 Mid-year review

6.1.3 Quarterly monitoring or review

6.1.4 Annual review report after the end of the year

6.2 Annual Treasury Management Strategy Statement

6.2.1 The Treasury Management Strategy Statement sets out the specific expected treasury activities for the forthcoming financial year. This strategy will be submitted Audit Committee and then the full Authority for approval before the commencement of each financial year.

6.2.2 The formulation of the annual Treasury Management Strategy Statement involves determining the appropriate borrowing and investment decisions in the light of the anticipated movement in both fixed and shorter -term variable interest rates. For instance, this Authority may decide to postpone borrowing if fixed interest rates are expected to fall or borrow early if fixed interest rates are expected to rise.

6.2.3 The Treasury Management Strategy Statement is concerned with the following elements:

a) Prudential and Treasury Indicators

b) current Treasury portfolio position

c) borrowing requirement

d) prospects for interest rates

e) borrowing strategy

f) policy on borrowing in advance of need

g) debt rescheduling

h) investment strategy

i) creditworthiness policy

j) policy on the use of external service providers

k) any extraordinary treasury issues

l) the MRP strategy

6.2.4 The Treasury Management Strategy Statement will establish the expected move in interest rates against alternatives (using all available information such as published interest rate forecasts where applicable), and highlight sensitivities to different scenarios.

6.3 The Annual Investment Strategy Statement

6.3.1 At the same time as the Authority receives the Treasury Management Strategy Statement it will also receive a report on the Annual Investment Strategy which will set out the following: -

a) The Authority's risk appetite in respect of security, liquidity and optimum performance

b) The definition of high credit quality to determine what are specified investments as distinct from non-specified investments

c) Which specified and non-specified instruments the Authority will use

d) Whether they will be used by the in-house team, external managers or both (if applicable)

e) The Authority's policy on the use of credit ratings and other credit risk analysis techniques to determine creditworthy counterparties for its approved lending list

f) Which credit rating agencies the Authority will use

g) How the Authority will deal with changes in ratings, rating watches and rating outlooks

h) Limits of value and time for individual counterparties and groups

i) Country limits

j) Maximum value and maximum periods for which funds may be prudently invested

k) Levels of cash balances and investments over the same time period (as a minimum) as the authority's capital investment plans and how the use of internal borrowing and borrowing in advance will influence those levels

l) Interest rate outlook

m) Budget for investment earnings

n) A review of the holding of longer-term investments

o) Policy on the use of external service providers

6.4 The Annual Minimum Revenue Provision Statement

6.4.1 This statement will set out how the Authority will make revenue provision for repayment of its borrowing using the four options for so doing and will be submitted at the same time as the Annual Treasury Management Strategy Statement.

6.5 Policy on Prudential and Treasury Indicators

6.5.1 The Authority approves before the beginning of each financial year a number of treasury limits which are set through Prudential and Treasury Indicators.

6.5.2 The responsible officer is responsible for incorporating these limits into the Annual Treasury Management Strategy Statement, and for ensuring compliance with the limits. Should it prove necessary to amend these limits, the responsible officer shall submit the changes for approval to the full Authority

6.6 Quarterly and Mid-year reviews

6.6.1 The Authority will review its treasury management activities and strategy on a quarterly basis. The mid-year review will be presented to the Audit Committee. This review will consider the following: -

a) activities undertaken

b) variations (if any) from agreed policies/practices

c) interim performance report

d) regular monitoring

e) monitoring of treasury management and prudential indicators

6.6.2 The quarterly review will monitor the treasury management and prudential indicators as part of the Authority's general revenue and capital monitoring.

6.7 Annual Review Report on Treasury Management Activity

6.7.1 An annual report will be presented to the Audit Committee and then to the full Authority at the earliest practicable meeting after the end of the financial year, but in any case, by the end of September. This report will include the following:

a) transactions executed and their revenue (current) effects

b) report on risk implications of decisions taken and transactions executed

c) compliance report on agreed policies and practices, and on statutory/regulatory requirements

d) performance report

e) report on compliance with CIPFA Code recommendations, approved policies and practices, the member approved treasury management strategy and on statutory/regulatory requirements

f) monitoring of treasury management indicators

6.8 Management Information Reports

6.8.1 Management information reports will be prepared every month by the Senior Finance Manager and will be presented to the Head of Finance, Capital and Treasury Management.

6.8.2 These reports will contain the following information: -

a) a summary of transactions executed (may want to add brokers used and fees paid) and their revenue (current effects);

b) measurements of performance including effect on loan charges/ investment income;

c) degree of compliance with original strategy and explanation of variances.

d) any non-compliance with Prudential limits or other treasury management limits.

TMP 7 BUDGETING, ACCOUNTING AND AUDIT ARRANGEMENTS

7.1 Statutory/Regulatory Requirements

7.1.1 The accounts are drawn up in accordance with the Code of Practice on Local Authority Accounting in Great Britain that is recognised by statute as representing proper accounting practices.

7.1.2 The Authority has also adopted in full the principles set out in CIPFA's 'Treasury Management in the Public Services - Code of Practice' (the 'CIPFA Code'), together with those of its specific recommendations that are relevant to this Authority's treasury management activities.

7.2 Sample Budgets / Accounts / Prudential and Treasury Indicators

7.2.1 The Head of Finance, Capital and Treasury Management, will prepare a three-year medium term financial plan with Prudential and Treasury Indicators for treasury management which will incorporate the budget for the forthcoming year and provisional estimates for the following two years. This will bring together all the costs involved in running the function, together with associated income. The Head of Finance, Capital and Treasury Management, will exercise effective controls over this budget and monitoring of performance against Prudential and Treasury Indicators and will report upon and recommend any changes required in accordance with TMP6.

7.3 List of Information Requirements of External Auditors.

a) Reconciliation of loans outstanding in the financial ledger to treasury management records

b) Maturity analysis of loans outstanding

c) Certificates for new long-term loans taken out in the year

d) Reconciliation of loan interest, discounts received, and premiums paid to financial ledger by loan type

e) Calculation of loans fund interest and debt management expenses

f) Details of interest rates applied to internal investments

g) Calculation of interest on working balances

h) Interest accrual calculation

i) Principal and interest charges reports from the Logotech system

j) Analysis of any deferred charges

k) Calculation of loans fund creditors and debtors

l) Annual Treasury Report

m) Treasury Management Strategy Statement and Prudential and Treasury Indicators

n) Review of observance of limits set by Prudential and Treasury Indicators

o) Calculation of the Minimum Revenue Provision

7.4 Monthly Budget Monitoring Report

7.4.1 A quarterly budget monitoring report goes to the Authority. The report is intended to highlight any variances between budgets and spend in order that the Authority can assess its financial position.

TMP 8 Cash and Cash Flow Management

8.1 Arrangements for Preparing/Submitting Cash Flow Statements

8.1.1 Cash flow projections are prepared annually, monthly and daily. The annual and monthly cash flow projections are prepared from the previous years' cash flow records, adjusted for known changes in levels of income and expenditure and also changes in payments and receipts dates. These details are supplemented on an ongoing basis by information received of new or revised amounts to be paid or received as and when they are known.

8.1.2 A debt liability benchmark will be created and monitored on a quarterly basis to inform a long-term view of liquidity requirements.

8.2 Bank Statements Procedures

8.2.1 The Authority receives a daily download of data from its bank. All amounts on the statement are checked to source data from Payroll, Creditors etc.

8.2.2 A formal bank reconciliation is undertaken on a monthly basis by the Finance Officer.

8.3 Payment Scheduling and Agreed Terms of Trade with Creditors

8.3.1 Our policy is to pay creditors within 30 days of the invoice date, and this effectively schedules the payments.

8.4 Arrangements for Monitoring Debtors / Creditors Levels

8.4.1 The Exchequer Manager is responsible for monitoring the levels of debtors and creditors. Details are passed to the treasury team on a weekly basis to assist in updating the cash flow models.

8.5 Procedures for Banking of Funds

8.5.1 All money received by an officer on behalf of the Authority will without unreasonable delay be deposited in the Authority's banking accounts. This will be incorporated into the daily cashflow.

8.6 Practices Concerning Prepayments to Obtain Benefits

8.6.1 The Authority has no formal arrangement in place. Where such opportunities arise, the prepayment would be sought and authorised by the responsible officer.

TMP 9 Money Laundering

9.1 Proceeds of Crime Act 2002

9.1.1 Money laundering has the objective of concealing the origin of money generated through criminal activity. Legislation has given a higher profile to the need to report suspicions of money laundering. The Proceeds of Crime Act (POCA) 2002 established the main offences relating to money laundering. In summary, these are:

a) concealing, disguising, converting, transferring or removing criminal property from England and Wales, from Scotland or from Northern Ireland

b) being concerned in an arrangement which a person knows, or suspects facilitates the acquisition, retention, use or control of criminal property

c) acquiring, using or possessing criminal property.

9.1.2 These apply to all persons in the UK in a personal and professional capacity. Any person involved in any known or suspected money-laundering activity in the UK risks a criminal conviction. Other offences under the POCA include:

a) failure to disclose money-laundering offences

b) tipping off a suspect, either directly or indirectly

c) doing something that might prejudice an investigation – for example, falsifying a document.

9.2 The Terrorism Act 2000

9.2.1 This act made it an offence of money laundering to become concerned in an arrangement relating to the retention or control of property likely to be used for the purposes of terrorism or resulting from acts of terrorism. All individuals and businesses in the UK have an obligation to report knowledge, reasonable grounds for belief or suspicion about the proceeds from, or finance likely to be used for, terrorism or its laundering, where it relates to information that comes to them in the course of their business or employment

9.3 The Money Laundering Regulations 2012, 2015 and 2017

9.3.1 Organisations pursuing relevant business (especially those in the financial services industry regulated by the FCA) are required to do the following: -

a) identify and assess the risks of money laundering and terrorist financing

b) have policies, controls and procedures to mitigate and manage effectively the risks of money laundering and terrorist financing identified through the risk assessments

c) appoint a nominated officer

d) implement internal reporting procedures

e) train relevant staff in the subject

f) obtain, verify and maintain evidence and records of the identity of new clients and transactions undertaken

g) report their suspicions.

9.4 Local authorities

9.4.1 Public service organisations and their staff are subject to the full provisions of the Terrorism Act 2000 and subsequent Terrorism Acts and may commit most of the principal offences under the POCA but are not legally obliged to apply the provisions of the Money Laundering Regulations 2012, 2015 and 2017. However, as responsible public bodies, they should employ policies and procedures which reflect the essence of the UK's anti-terrorist financing, and anti-money laundering, regimes. Accordingly, this Authority will do the following:

a) evaluate the prospect of laundered monies being handled by them

b) determine the appropriate safeguards to be put in place

c) require every person engaged in treasury management to make themselves aware of their personal and legal responsibilities for money laundering awareness

d) make all its staff aware of their responsibilities under POCA

e) appoint a member of staff to whom they can report any suspicions. This person is the Head of Audit and Assurance.

f) in order to ensure compliance is appropriately managed, this Authority will require senior management to give appropriate oversight, analysis and assessment of the risks of clients and work/product types, systems for monitoring compliance with procedures and methods of communicating procedures and other information to personnel.

g) The officer responsible for the creation and monitoring the implementation of a corporate anti money laundering policy and procedures is Head of Audit and Assurance and it shall be a requirement that all services and departments implement this corporate policy and procedures.

9.5 Procedures for Establishing Identity / Authenticity of Lenders

9.5.1 It is not a requirement under POCA for local authorities to require identification from every person or organisation it deals with. However, in respect of treasury management transactions, there is a need for due diligence. However, the Authority does not accept loans from individuals.

9.5.2 All loans are obtained from the PWLB, other local authorities or from authorised institutions under the Financial Services and Markets Act 2000. This register can be accessed through the FCA website on www.fca.gov.uk.

9.5.3 When repaying loans, the procedures in 9.6.1 will be followed to check the bank details of the recipient.

9.6 Methodologies for Identifying Deposit Takers

9.6.1 In the course of its Treasury activities, the Authority will only lend money to or invest with those counterparties that are on its approved lending list. These will be local authorities, the PWLB, Bank of England and authorised deposit takers under the Financial Services and Markets Act 2000. The FCA register can be accessed through their website on www.fca.gov.uk).

9.6.2 All transactions will be carried out by CHAPS for making deposits or repaying loans.

TMP 10 Training and Qualifications

10.1 This organisation recognises the importance of ensuring that all staff involved in the treasury management function are fully equipped to undertake the duties and responsibilities allocated to them. It will therefore seek to appoint individuals who are both capable and experienced and will provide training for staff to enable them to acquire and maintain an appropriate level of expertise, knowledge and skills. The responsible officer will recommend and implement the necessary arrangements, including the specification of the expertise, knowledge and skills required by each role or member of staff.

10.2 The responsible officer will ensure that those tasked with treasury management responsibilities, including those responsible for scrutiny, have access to training relevant to their needs and those responsibilities.

10.3 Those charged with governance recognise their individual responsibility to ensure that they have the necessary skills to complete their role effectively.

10.4 All treasury management staff should receive appropriate training relevant to the requirements of their duties at the appropriate time. The Authority operates a Professional Development Review system which identifies the training requirements of individual members of staff engaged on treasury related activities.

10.5 Additionally, training may also be provided on the job, and it will be the responsibility of the Senor Finance Manager to ensure that all staff under his / her authority receive the level of training appropriate to their duties. This will also apply to those staff who from time-to-time cover for absences from the treasury management team.

10.6 Details of Approved Training Courses

10.6.1 Treasury management staff and members will go on courses provided by our treasury management consultants, CIPFA, money brokers etc.

10.7 Records of Training Received by Treasury Staff

10.7.1 The Senior Finance Manager will maintain records on all staff and the training they receive.

10.8 Record of Secondment of Senior Management

10.8.1 Records will be kept of senior management who are seconded into the treasury management section in order to gain first-hand experience of treasury management operations.

10.9 Statement of Professional Practice (SOPP)

10.9.1 Where the Chief Financial Officer is a member of CIPFA, there is a professional need for the CFO to be seen to be committed to professional responsibilities through both personal compliance and by ensuring that relevant staff are appropriately trained.

10.9.2 Other staff involved in treasury management activities who are members of CIPFA must also comply with the SOPP.

10.10 Member training records

10.10.1 Records will be kept of all training in treasury management provided to Members.

10.11 Members charged with governance

10.11.1 Members charged with diligence also have a personal responsibility to ensure that they have the appropriate skills and training for their role.

TMP 11 Use of External Service Providers

11.1 Details of Contracts with Service Providers, Including Bankers, Brokers, Consultants, Advisers

11.1.1 This Authority will employ the services of other organisations to assist it in the field of treasury management. It will use external consultants to provide specialist advice in this ever more complex area. However, it will ensure that it fully understands what services are being provided and that they meet the needs of this organisation, especially in terms of being objective and free from conflicts of interest.

11.1.2 It will also ensure that the skills of the in-house treasury management team are maintained to a high enough level whereby they can provide appropriate challenge to external advice and can avoid undue reliance on such advice.

11.1.3 Treasury management staff and their senior management will therefore be required to allocate appropriate levels of time to using the following sources of information so that they are able to develop suitable levels of understanding to carry out their duties, especially in challenge and avoiding undue reliance.

a) The quality financial press

b) Market data

c) Information on government support for banks an

d) The credit ratings of that government support

11.2 Banking Services

11.2.1 Name of supplier of service is the Barclays Bank PLC.

11.2.2 Regulatory status – banking institution authorised to undertake banking activities by the FCA

11.2.3 The branch address is:

51 Mosley Street

Manchester

M2 3HQ

Tel :- 0845 755 5555

11.2.4 Contract runs until 30 September 2025.

11.2.5 Cost of service is variable depending on schedule of tariffs and volumes

11.2.6 Payments due monthly

11.3 Money-Broking Services

11.3.1 The Authority will use money brokers for temporary borrowing and investment and long-term borrowing. It will seek to give an even spread of business amongst the approved brokers.

11.4 Consultants'/Advisers' Services

11.4.1 Treasury Consultancy Services

The Authority will seek to take expert advice on interest rate forecasts, annual treasury management strategy, timing for borrowing and lending, debt rescheduling, use of various borrowing and investment instruments, how to select credit worthy counterparties to put on its approved lending list etc.

The performance of consultants will be reviewed to check whether performance has met expectations.

a) Name of supplier of service is Link Group, Treasury solutions. Their address is 65 Gresham Street London EC2V 7NQ

b) Regulatory status: investment adviser authorised by the FCA

c) Contract commenced 1 April 2021 and runs for 3 years.

11.5 Credit Rating Agency

11.5.1 The Authority receives a credit rating service through its treasury management consultants, the costs of which is included in the consultant's annual fee.

11.6 Procedures and Frequency for Tendering Services

See TMP2

TMP 12 Corporate Governance

12.1 List of Documents to be Made Available for Public Inspection

12.1.1 The Authority is committed to the principle of openness and transparency in its treasury management function and in all its functions.

12.1.2 It has adopted the CIPFA Code of Practice on Treasury Management and implemented key recommendations on developing Treasury Management Practices, formulating a Treasury Management Policy Statement and implementing the other principles of the Code.

12.1.3 The following documents are available for public inspection: -

- a) Treasury Management Policy Statement
- b) Treasury Management Strategy Statement
- c) Annual Investment Strategy
- d) Minimum Revenue provision policy statement
- e) Annual Treasury Review Report
- f) Treasury Management monitoring reports (e.g. half yearly, quarterly)
- g) Annual accounts and financial instruments disclosure notes
- h) Annual budget
- i) Year Capital Plan
- j) Capital Strategy
- k) Minutes of Authority / Committee meetings
- l) Schedule of all external funds managed by the Authority on behalf of others and the basis of attributing interest earned and costs of these investments.

Appendix 1. Environmental, Social and Governance (ESG) risk management

Policy on ESG issues

ESG is an area that CIPFA is still working on after the 2022 revised codes. In particular, work will be needed to coordinate the priority which needs to be given to issues of security, liquidity and yield (SLY) while also accommodating ESG principles as a fourth priority and principle to apply.

The assessment and implementation of ESG considerations are better developed in equity and bond markets than for short-term cash deposits, primarily due to the wider scope of potential investment opportunities. Furthermore, there is a diversity of market approaches to ESG classification, analysis and integration. This means that a consistent and developed approach to ESG for public service organisations, focussed on more typical Treasury-type investments, is currently difficult to achieve. CIPFA, therefore, recommends authorities to consider their credit and counterparty policies in light of ESG information and develop their own ESG investment policies and treasury management practices consistent with their organisation's own relevant policies, such as environmental and climate change policies.

CIPFA does not expect that the organisation's ESG policy will currently include ESG scoring or other real-time ESG criteria at individual investment level.

When drafting an ESG policy, authorities will need to understand that anything too "broad" in its approach could have a material impact on potential counterparties, which could then limit diversification and / or security considerations in investment processes. Furthermore, Authority's will also need to be clear that when choosing between two counterparties that pass all relevant "security" tests, that the additional implementation of an ESG policy may mean that a lower investment rate is achieved by choosing the counterparty that passes the authorities ESG requirements.

Typical ESG considerations are shown below. Please note that these are examples of ESG factors that are considered by Credit Rating Agencies, such as Fitch, Moody's and Standard & Poor's when assigning credit ratings to counterparties. The credit ratings provided by these agencies are also used as the basis for selecting suitable counterparties by Authority's.

- ***Environmental:*** *Emissions and air quality, energy and waste management, waste and hazardous material, exposure to environmental impact.*
- ***Social:*** *Human rights, community relations, customer welfare, labour relations, employee wellbeing, exposure to social impacts.*
- ***Governance:*** *Management structure, governance structure, group structure, financial transparency.*

This Authority is supportive of the Principles for Responsible Investment (www.unpri.org) and will seek to bring ESG (environmental, social and governance) factors into the decision-making process for investments. Within this, the Authority is also appreciative of the Statement on ESG in Credit Risk and Ratings which commits signatories to incorporating ESG into credit ratings and analysis in a systemic and transparent way. The Authority uses ratings from Fitch, Moody's and Standard & Poor's to support its assessment of suitable counterparties. Each of these rating agencies is a signatory to the ESG in credit risk and ratings statement, which is as follows:

"We, the undersigned, recognise that environmental, social and governance (ESG) factors can affect borrowers' cash flows and the likelihood that they will default on their debt obligations. ESG factors are therefore important elements in assessing the creditworthiness of borrowers. For corporates, concerns such as stranded assets linked to climate change, labour relations challenges or lack of transparency around accounting practices can cause unexpected losses, expenditure, inefficiencies, litigation, regulatory pressure and reputational impacts.

At a sovereign level, risks related to, inter alia, natural resource management, public health standards and corruption can all affect tax revenues, trade balance and foreign investment. The same is true for local governments and special purpose vehicles issuing project bonds. Such events can result in bond price volatility and increase the risk of defaults.

In order to more fully address major market and idiosyncratic risk in debt capital markets, underwriters, credit rating agencies and investors should consider the potential financial materiality of ESG factors in a strategic and systematic way. Transparency on which ESG factors are considered, how these are integrated, and the extent to which they are deemed material in credit assessments will enable better alignment of key stakeholders.

In doing this the stakeholders should recognise that credit ratings reflect exclusively an assessment of an issuer's creditworthiness. Credit rating agencies must be allowed to maintain full independence in determining which criteria may be material to their ratings. While issuer ESG analysis may be considered an important part of a credit rating, the two assessments should not be confused or seen as interchangeable.

*With this in mind, we share a common vision **to enhance systematic and transparent consideration of ESG factors in the assessment of creditworthiness**."*

For short term investments with counterparties, this Authority utilises the ratings provided by Fitch, Moody's and Standard & Poor's to assess creditworthiness, which do include analysis of ESG factors when assigning ratings. The Authority will continue to evaluate additional ESG-related metrics and assessment processes that it could incorporate into its investment process and will update accordingly.

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Audit Strategy Memorandum

Greater Manchester Combined Authority

Year ending 31 March 2022

mazars

Contents

mazars

Members of the Audit Committee
Greater Manchester Combined Authority
Churchgate House
56 Oxford Street
Manchester
M1 6EU

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

29 March 2022

Dear Sirs / Madams

Audit Strategy Memorandum – Year ending 31 March 2022

We are pleased to present our Audit Strategy Memorandum for Greater Manchester Combined Authority for the year ending 31 March 2022. The purpose of this document is to summarise our audit approach, highlight significant audit risks and areas of key judgements and provide you with the details of our audit team. As it is a fundamental requirement that an auditor is, and is seen to be, independent of its clients, section 7 of this document also summarises our considerations and conclusions on our independence as auditors. We consider two-way communication with you to be key to a successful audit and important in:

- reaching a mutual understanding of the scope of the audit and the responsibilities of each of us;
- sharing information to assist each of us to fulfil our respective responsibilities;
- providing you with constructive observations arising from the audit process; and
- ensuring that we, as external auditors, gain an understanding of your attitude and views in respect of the internal and external operational, financial, compliance and other risks facing Greater Manchester Combined Authority which may affect the audit, including the likelihood of those risks materialising and how they are monitored and managed.

With that in mind, we see this document, which has been prepared following our initial planning discussions with management, as being the basis for a discussion around our audit approach, any questions, concerns or input you may have on our approach or role as auditor. This document also contains an appendix that outlines our key communications with you during the course of the audit,

Client service is extremely important to us and we strive to provide technical excellence with the highest level of service quality, together with continuous improvement to exceed your expectations so, if you have any concerns or comments about this document or audit approach, please contact me on 07795 506766.

Yours faithfully

Mark Dalton
Mazars LLP

01

Section 01:

Engagement and responsibilities summary

1. Engagement and responsibilities summary

Overview of engagement

We are appointed to perform the external audit of Greater Manchester Combined Authority (the Authority) for the year to 31 March 2022. The scope of our engagement is set out in the Statement of Responsibilities of Auditors and Audited Bodies, issued by Public Sector Audit Appointments Ltd (PSAA) available from the PSAA website: https://www.psaa.co.uk/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/. Our responsibilities are principally derived from the Local Audit and Accountability Act 2014 (the 2014 Act) and the Code of Audit Practice issued by the National Audit Office (NAO), as outlined below.

Audit opinion

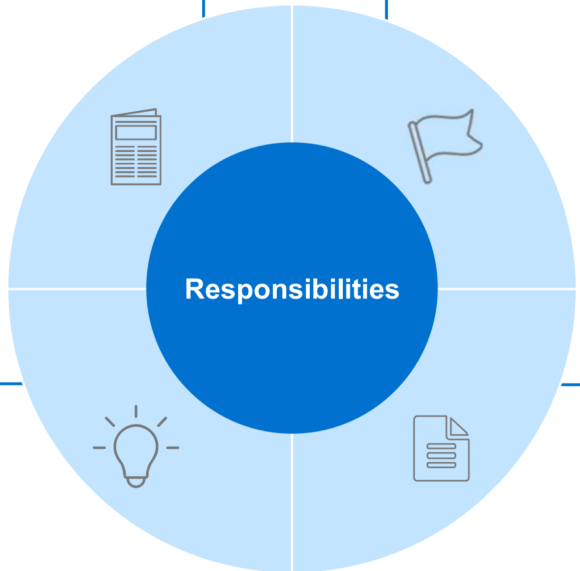
We are responsible for forming and expressing an opinion on the financial statements. Our audit does not relieve management or the Audit Committee, as those charged with governance, of their responsibilities.

The Chief Finance Officer is responsible for the assessment of whether is it appropriate for the Authority to prepare its accounts on a going concern basis. As auditors, we are required to obtain sufficient appropriate audit evidence regarding, and conclude on: a) whether a material uncertainty related to going concern exists; and b) consider the appropriateness of the Chief Finance Officer's use of the going concern basis of accounting in the preparation of the financial statements.

Fraud

The responsibility for safeguarding assets and for the prevention and detection of fraud, error and non-compliance with law or regulations rests with both those charged with governance and management. This includes establishing and maintaining internal controls over reliability of financial reporting.

As part of our audit procedures in relation to fraud we are required to enquire of those charged with governance, including key management as to their knowledge of instances of fraud, the risk of fraud and their views on internal controls that mitigate the fraud risks. In accordance with International Standards on Auditing (UK), we plan and perform our audit so as to obtain reasonable assurance that the financial statements taken as a whole are free from material misstatement, whether caused by fraud or error. However our audit should not be relied upon to identify all such misstatements.



Value for money

We are also responsible for forming a commentary on the arrangements that the Authority has in place to secure economy, efficiency and effectiveness in its use of resources. We discuss our approach to Value for Money work further in section 5 of this report.

Wider reporting and electors' rights

We report to the NAO on the consistency of the Authority's financial statements with its Whole of Government Accounts (WGA) submission.

The 2014 Act requires us to give an elector, or any representative of the elector, the opportunity to question us about the accounting records of the Authority and consider any objection made to the accounts. We also have a broad range of reporting responsibilities and powers that are unique to the audit of local authorities in the United Kingdom

02

Section 02:

Your audit engagement team

2. Your audit engagement team

Your external audit service continues to be led by Mark Dalton. A summary of key team members are detailed below:

Who	Role	E-mail
Mark Dalton	Engagement Lead	mark.dalton@mazars.co.uk
Daniel Watson	Engagement Senior Manager	daniel.watson@mazars.co.uk
Joe Broom	Audit Senior	Joe.broom@mazars.co.uk

As the Authority meets the criteria of a Major Local Audit under the Local Audit Act 2014, per the firm's quality management arrangements, an engagement quality control reviewer (EQCR) has been appointed. They will work with the engagement lead and the team, but have no direct engagement with the Authority.

03

Section 03:

Audit scope, approach and timeline

3. Audit scope, approach and timeline

Audit scope

Our audit approach is designed to provide an audit that complies with all professional requirements.

Our audit of the financial statements will be conducted in accordance with International Standards on Auditing (UK), relevant ethical and professional standards, our own audit approach and in accordance with the terms of our engagement. Our work is focused on those aspects of your activities which we consider to have a higher risk of material misstatement, such as those impacted by management judgement and estimation, application of new accounting standards, changes of accounting policy, changes to operations or areas which have been found to contain material errors in the past.

Audit approach

Our audit approach is risk-based and primarily driven by the issues that we consider lead to a higher risk of material misstatement of the accounts. Once we have completed our risk assessment, we develop our audit strategy and design audit procedures in response to this assessment.

If we conclude that appropriately-designed controls are in place then we may plan to test and rely upon these controls. If we decide controls are not appropriately designed, or we decide it would be more efficient to do so, we may take a wholly substantive approach to our audit testing. Substantive procedures are audit procedures designed to detect material misstatements at the assertion level and comprise: tests of details (of classes of transactions, account balances, and disclosures); and substantive analytical procedures. Irrespective of the assessed risks of material misstatement, which take into account our evaluation of the operating effectiveness of controls, we are required to design and perform substantive procedures for each material class of transactions, account balance, and disclosure.

Our audit will be planned and performed so as to provide reasonable assurance that the financial statements are free from material misstatement and give a true and fair view. The concept of materiality and how we define a misstatement is explained in more detail in section 8.

The diagram on the next page outlines the procedures we perform at the different stages of the audit.

3. Audit scope, approach and timeline

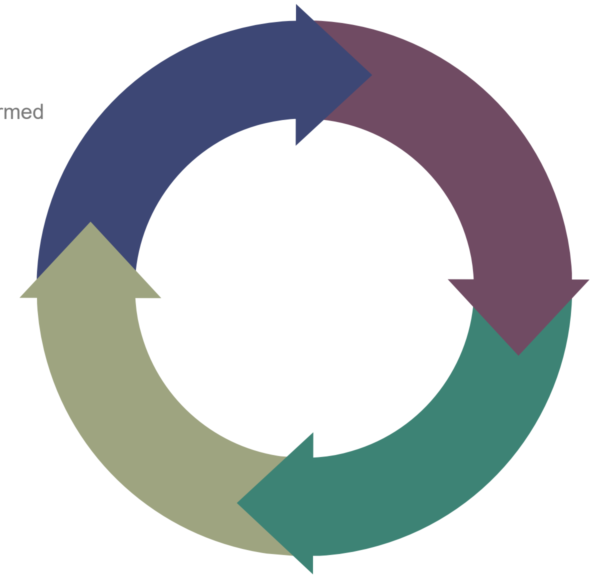
DLUHC have confirmed that audited accounts for local authorities for 2021/22 are required by 30 November 2022, however they have yet to confirm the final financial reporting timeline for 2021/22 in respect of draft accounts submission. It is expected that they will be required by 31 July 2022. We will work with the Authority to agree a detailed plan to help ensure that it can meet the submission dates

Planning- February 22

- Planning visit and developing our understanding of the Authority.
- Initial opinion and value for money risk assessments
- Considering proposed accounting treatments and accounting policies
- Developing the audit strategy and planning the audit work to be performed
- Agreeing timetable and deadlines
- Preliminary analytical review

Interim- March 22

- Documenting systems and controls
- Performing walkthroughs
- Early substantive testing of transactions
- Reassessment of audit plan and revision if necessary



Completion- October 22

- Final partner and Engagement Quality Control Reviewer review
- Final review and disclosure checklist of financial statements
- Agreeing content of letter of representation
- Reporting to the Audit Committee
- Reviewing subsequent events
- Signing the auditor's report

Fieldwork- September and October 22

- Receiving and reviewing draft financial statements, including review by our technical accounting team
- Reassessment of audit plan and revision if necessary
- Executing the strategy starting with significant risks and high risk areas
- Communicating progress and issues
- Clearance meeting

Value for Money

We plan to complete and report our Value for Money arrangements work within three months of our audit opinion, per National Audit Office (NAO) guidance. See section 5 of this report for more details of our work in this area.

3. Audit scope, approach and timeline

Reliance on internal audit

Where possible we will seek to utilise the work performed by internal audit to modify the nature, extent and timing of our audit procedures. We will meet with internal audit to discuss the progress and findings of their work prior to the commencement of our controls evaluation procedures.

Where we intend to rely on the work on internal audit, we will evaluate the work performed by your internal audit team and perform our own audit procedures to determine its adequacy for our audit.

Management's and our experts

Management makes use of experts in specific areas when preparing the Authority's financial statements. We also use experts to assist us to obtain sufficient appropriate audit evidence on specific items of account.

Items of account	Management's expert	Our expert
Defined benefit liability	Hymans Robertson (Greater Manchester Pension Fund) and the Government Actuary Department (Firefighters' Pension Scheme)	PwC as NAO's consulting actuary.
Property, plant and equipment valuation	Salford City Council, Avison Young and Hilco Valuation Services	We will use available third party information to challenge the valuer's key assumptions. For the valuation of the Authority's waste assets we will engage a valuations specialist as an auditor's expert to review the underlying assumptions for a sample of valuations.
Financial instrument disclosures	Link Asset Services	We will review the expert's methodology in calculating the fair value disclosures to confirm the reasonableness of assumptions used.

Service organisations

International Auditing Standards (UK) (ISAs) define service organisations as third party organisations that provide services to the Authority that are part of its information systems relevant to financial reporting. We are required to obtain an understanding of the services provided by service organisations as well as evaluating the design and implementation of controls over those services. The table below summarises the service organisations used by the Authority and our planned audit approach.

Items of account	Service organisation	Audit approach
Treasury Management	Manchester City Council	We have access to all the relevant data we need in order to gain assurance over the Authority's treasury management balances.
BACS bureau	Wigan Metropolitan Borough Council	We have access to all the relevant data we need in order to gain assurance over the Authority's BACS payments.

3. Audit scope, approach and timeline

Group audit approach

The Authority prepares Group accounts and consolidates the following bodies:

- Chief Constable of Greater Manchester Police (GMP) – under public sector accounting treatment consolidated into the GMCA Group
- Transport for Greater Manchester (TfGM) – consolidated into the GMCA Group as the Authority's executive body for delivery of transport services
- NW Evergreen Holdings Limited Partnership (NWEH)
- Greater Manchester Fund of Funds (FoF) Limited Partnership

Mazars UK are the appointed auditor for the Chief Constable and Transport for Greater Manchester. As such we are the appointed auditor for 99% of the Group's total expenditure.

The approach to the Group audit is set out below:

Entity	Auditor	Scope	Planned audit approach
Chief Constable of Greater Manchester Police	Mazars LLP	Full-scope audit procedures	We will: • complete full-scope audit procedures on the Chief Constable of Greater Manchester's financial statements; • review the consolidation process and adjustments made by GMCA in preparing group financial statements.
Transport for Greater Manchester	Mazars LLP	Full-scope audit procedures	We will: • complete full-scope audit procedures on Transport for Greater Manchester's financial statements; • review the consolidation process and adjustments made by GMCA in preparing group financial statements.
NW Evergreen Holdings Limited Partnership	Kreston Reeves	Targeted procedures	Our work will be focused on the material elements of NW Evergreen Holdings Limited Partnership's financial statements. We will: • complete analytical procedures on NW Evergreen Holdings Limited Partnership's financial statements; • request third party confirmation of the company's debtor balance; and • review the consolidation process and adjustments made by GMCA in preparing group financial statements.
Greater Manchester FoF Limited Partnership	Kreston Reeves	Targeted procedures	Our work will be focused on the material elements of Greater Manchester FoF Limited Partnership's financial statements. We will: • complete analytical procedures on Greater Manchester FoF Limited Partnership's financial statements; • request third party confirmation of the company's bank balance; and • review the consolidation process and adjustments made by GMCA in preparing group financial statements.

3. Audit scope, approach and timeline

Group audit approach continued

We apply a separate materiality for the audit of the Group accounts as set out in Section 8.

The Authority also holds investments and interests in other bodies. Management carry out an annual assessment to see if these bodies have become sufficiently material to warrant consolidation into the Group accounts. NW Fire Control Company, Commission for New Economy Limited, Greater Manchester Accessible Transport Limited and Manchester Investment and Development Agency Service were not consolidated in 2020/21 because their inclusion would not materially alter the accounts. We will revisit management's assessment of the Group for 2021/22.

We have not identified any significant risks for Group accounts purposes in relation to the components. The significant risks and areas of audit focus for the Authority as a single-entity are set out in section 4.

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04

Section 04:

Significant risks and other key judgement areas

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4. Significant risks and other key judgement areas

Following the risk assessment approach discussed in section 3 of this document, we have identified risks relevant to the audit of financial statements. The risks that we identify are categorised as significant, enhanced or standard. The definitions of the level of risk rating are given below:

Significant risk

A significant risk is an identified and assessed risk of material misstatement that, in the auditor's judgment, requires special audit consideration. For any significant risk, the auditor shall obtain an understanding of the entity's controls, including control activities relevant to that risk.

Enhanced risk

An enhanced risk is an area of higher assessed risk of material misstatement at audit assertion level other than a significant risk. Enhanced risks require additional consideration but does not rise to the level of a significant risk, these include but may not be limited to:

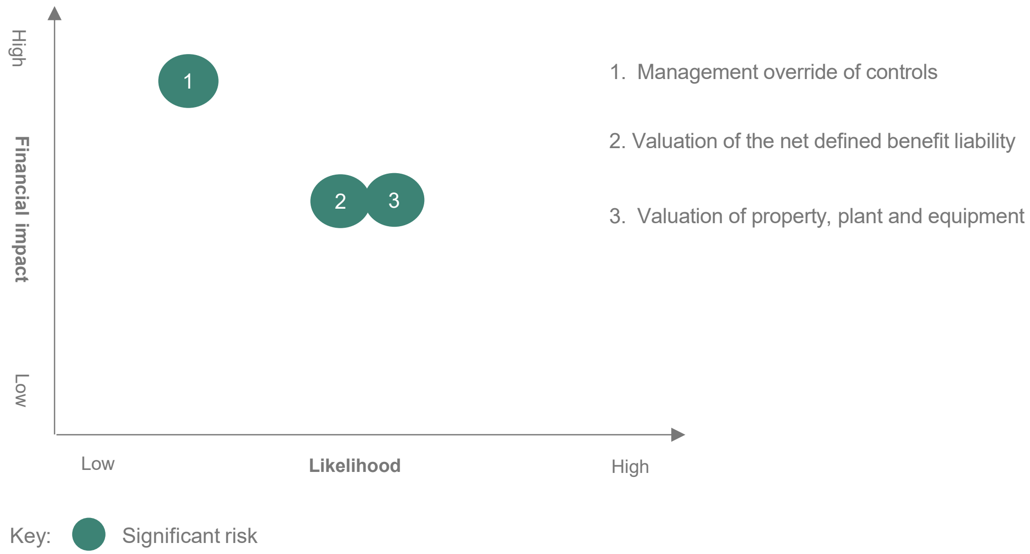
- key areas of management judgement, including accounting estimates which are material but are not considered to give rise to a significant risk of material misstatement; and
- other audit assertion risks arising from significant events or transactions that occurred during the period.

Standard risk

This is related to relatively routine, non-complex transactions that tend to be subject to systematic processing and require little management judgement. Although it is considered that there is a risk of material misstatement (RMM), there are no elevated or special factors related to the nature, the likely magnitude of the potential misstatements or the likelihood of the risk occurring.

Summary risk assessment

The summary risk assessment, illustrated in the table below, highlights those risks which we deem to be significant in respect of the Authority. We have summarised our audit response to these risks on the next page.



4. Significant risks and other key judgement areas

Specific identified audit risks and planned testing strategy

We have presented below in more detail the reasons for the risk assessment highlighted above, and also our testing approach with respect to significant risks. An audit is a dynamic process, should we change our view of risk or approach to address the identified risks during the course of our audit, we will report this to the Audit Committee

Significant risks

	Description	Fraud	Error	Judgement	Planned response
1	**Management override of controls** This is a mandatory significant risk on all audits due to the unpredictable way in which such override could occur. Management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur there is a risk of material misstatement due to fraud on all audits.	●	○	○	We plan to address the management override of controls risk through performing audit work over material accounting estimates, journal entries and significant transactions outside the normal course of business or otherwise unusual.

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4. Significant risks and other key judgement areas

Significant risks

	Description	Fraud	Error	Judgement	Planned response
2	**Net defined benefit liability valuation** The net pension liability represents a material element of the Authority's balance sheet. The Authority's liability is split between the Greater Manchester Pension Scheme and the Fire Fighters Pension Scheme. The valuation of the pension scheme liabilities relies on a number of assumptions, most notably around the actuarial assumptions, and actuarial methodology which results in the Authority's overall valuation. There are financial assumptions and demographic assumptions used in the calculation of the Authority's valuation, such as the discount rate, inflation rates and mortality rates. The assumptions should reflect the profile of the Authority's employees, and should be based on appropriate data. The basis of the assumptions is derived on a consistent basis year to year, or updated to reflect any changes. There is a risk that the assumptions and methodology used in valuing the Authority's pension obligations are not reasonable or appropriate to the Authority's circumstances. This could have a material impact to the net pension liability in 2021/22.	○	●	●	In relation to the valuation of the Authority's defined benefit pension liability we will: • Critically assess the competency, objectivity and independence of the Greater Manchester Pension Fund's Actuary, Hymans Robertson and the Fire Fighters Pension Scheme Actuary, the Government Actuary Department (GAD); • Liaise with the auditors of the Greater Manchester Pension Fund to gain assurance that the controls in place at the Pension Fund are operating effectively. This will include the processes and controls in place to ensure data provided to the actuary by the Pension Fund for the purposes of the IAS19 valuation is complete and accurate; • Review the appropriateness of the Pension Asset and Liability valuation methodologies applied by the Pension Fund actuaries, and the key assumptions included within the valuations. This will include comparing them to expected ranges, utilising information provided by PWC, consulting actuary engaged by the National Audit Office; • Agree the data in the IAS 19 valuation reports provided by the Funds' actuaries for accounting purposes to the pension accounting entries and disclosures in the Authority's financial statements.

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4. Significant risks and other key judgement areas

Significant risks

	Description	Fraud	Error	Judgement	Planned response
3 Page 202	**Valuation of property, plant and equipment** The CIPFA Code requires that where assets are subject to revaluation, their year end carrying value should reflect the fair value at that date. The Authority has adopted a rolling revaluation model which sees all land and buildings revalued in a five year cycle. The valuation of Property, Plant & Equipment involves the use of a management expert (the valuers), and incorporates assumptions and estimates which impact materially on the reported value. There are risks relating to the valuation process. As a result of the rolling programme of revaluations, there is a risk that individual assets which have not been revalued for up to four years are not valued at their materially correct fair value. In addition, as the valuations are undertaken through the year there is a risk that the fair value as the assets is materially different at the year end.	○	●	●	In relation to the valuation of property, plant & equipment we will: • Critically assess the Authority's valuer's scope of work, qualifications, objectivity and independence to carry out the Authority's programme of revaluations; • Consider whether the overall revaluation methodology used by the Authority's valuers is in line with industry practice, the CIPFA Code of Practice and the Authority's accounting policies; • Reconcile the valuer's report to the fixed asset register and ensure that the values per the report have been correctly input, in total, to the asset register; • Critically assess the appropriateness of the underlying data and the key assumptions used in the valuer's report, using available third party evidence; • Engage a valuations specialist to review the underlying assumptions in the Authority's valuations for a sample of waste assets; • Review the basis of valuation and confirm that this is appropriate and agrees to the asset register; • Critically assess the treatment of the upward and downward revaluations in the Authority's financial statements with regards to the requirements of the CIPFA Code of Practice; and • As Fire and Police assets are revalued before 31/03/22 we will assess the movement in market indices between the revaluation dates and the year end to determine whether there have been material movements over that time; • Critically assess the approach that the Authority adopts to ensure that assets not subject to revaluation in 2021/22 are materially correct, including considering the robustness of that approach in light of the valuation information reported by the Authority's valuers.

4. Significant risks and other key judgement areas

Other key areas of management judgement and enhanced risks

Enhanced risks

	Description	Fraud	Error	Judgement	Planned response
1	**Property Plant and Equipment system change** In 2021/22 the Authority has implemented a new asset register, having previously used four different asset registers for waste, fire, police and traffic signal assets. The transfer of data between systems increases the risk of material misstatement in the Authority's accounts, as there is potential for data to be transferred incorrectly during the migration to the new system.	○	●	○	In relation to the transfer of property, plant & equipment data we will complete the following: - Review GMCA's reconciliations between the old and new systems. - For a sample of assets we will ensure that that data is consistent between the old and new systems. We will test a sample from the new to the old system and vice versa.

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05

Section 05:

Value for money

5. Value for money

The framework for Value for Money work

We are required to form a view as to whether the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The NAO issues guidance to auditors that underpins the work we are required to carry out in order to form our view, and sets out the overall criterion and sub-criteria that we are required to consider.

2021/22 will be the second audit year where we are undertaking our value for money (VFM) work under the 2020 Code of Audit Practice (the Code). Our responsibility remains to be satisfied that the Authority has proper arrangements in place and to report in the audit report and/or the audit completion certificate where we identify significant weaknesses in arrangements. Separately we provide a commentary on the Authority's arrangements in the Auditor's Annual Report.

Specified reporting criteria

The Code requires us to structure our commentary to report under three specified criteria:

1. **Financial sustainability** – how the Authority plans and manages its resources to ensure it can continue to deliver its services
2. **Governance** – how the Authority ensures that it makes informed decisions and properly manages its risks
3. **Improving economy, efficiency and effectiveness** – how the Authority uses information about its costs and performance to improve the way it manages and delivers its services

Our approach

Our work falls into three primary phases as outlined opposite. We need to gather sufficient evidence to support our commentary on the Authority's arrangements and to identify and report on any significant weaknesses in arrangements. Where significant weaknesses are identified we are required to report these to the Authority and make recommendations for improvement. Such recommendations can be made at any point during the audit cycle and we are not expected to wait until issuing our overall commentary to do so.

At the point of preparing the 2021/22 Audit Strategy Memorandum we have yet to finalise our work in respect of the 2020/21 value for money work. Once this is finalised, we will commence our planning for the 2021/22 value for money work. Our work in 2021/22 will include the follow up of any VFM recommendations made in 2020/21.

Planning and risk assessment	Obtaining an understanding of the Authority's arrangements for each specified reporting criteria. Relevant information sources will include: • NAO guidance and supporting information • Information from internal and external sources including regulators • Knowledge from previous audits and other audit work undertaken in the year • Interviews and discussions with staff and members
Additional risk based procedures and evaluation	Where our planning work identifies risks of significant weaknesses, we will undertake additional procedures to determine whether there is a significant weakness.
Reporting	We will provide a summary of the work we have undertaken and our judgements against each of the specified reporting criteria as part of our commentary on arrangements. This will form part of the Auditor's Annual Report. Our commentary will also highlight: • Significant weaknesses identified and our recommendations for improvement • Emerging issues or other matters that do not represent significant weaknesses but still require attention from the Authority.

06

Section 06:

Fees for audit and other services

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6. Fees for audit and other services

Fees for work as the Authority's appointed auditor

Details of the proposed 2020/21 and 2021/22 fees are set out below. Our work in respect of 2020/21's Value for Money arrangements and Whole of Government Accounts return remains in progress. We will update the Committee of the final agreed 2020/21 fee in our Auditor's Annual Report.

Area of work	2021/22 Proposed Fee	2020/21 Proposed Fee
Scale Audit Fee	£70,000	£70,000
Fee Variations		
Additional Testing on Defined Benefit Pensions Schemes and Property, Plant and Equipment	£10,000[1]	£10,000[1]
Additional testing as a result of the implementation of new auditing standards: ISA 220 (Revised): Quality control of an audit of financial statements; ISA 540 (Revised): Auditing accounting estimates and related disclosures; and ISA570 (Revised) Going Concern;	£2,000 [2]	£2,000 [2]
Other additional costs	TBC	TBC[3]
Sub-total	**£82,000**	**£82,000**
Additional work arising from the change in the Code of Audit Practice	TBC[4]	TBC
Total	**£82,000[5]**	**£82,000**

[1] As previously reported to you, the scale fee requires adjusting to take into account the additional work required as a result of increased regulatory expectations in these areas.

[2] New auditing standards were introduced in 2020/21 which lead to additional audit work not reflected in the scale fee.

[3] The additional audit cost in 2020/21 is to be disclosed within our Auditor's Annual Report. This mainly relates to additional testing and reporting of uncertainties in key estimates as a result of Covid-19.

[4] The new Code of Audit Practice and associated changes to the way in which we undertake and report our value for money work from 2020/21 requires additional audit input.

[5] This is a proposed fee for 2021/22 at the point of the issue of our ASM. This figure is subject to change and any additional costs will be discussed with management.

6. Fees for audit and other services

Services provided to other entities within the Authority's group

Area of work	2021/22 Proposed Fee	2020/21 Proposed Fee
Chief Constable of Greater Manchester Police audit	£46,498	£46,498[1]
Transport for Greater Manchester audit	£43,670	£46,170
Total	**£90,168**	**£92,668**

[1] As with the GMCA audit fee, our work on the GM Police value for money arrangements remains in progress at this stage.

07

Section 07:

Our commitment to independence

7. Our commitment to independence

We are committed to independence and are required by the Financial Reporting Council to confirm to you at least annually in writing that we comply with the FRC's Ethical Standard. In addition, we communicate any matters or relationship which we believe may have a bearing on our independence or the objectivity of the audit team.

Based on the information provided by you and our own internal procedures to safeguard our independence as auditors, we confirm that in our professional judgement there are no relationships between us and any of our related or subsidiary entities, and you and your related entities creating any unacceptable threats to our independence within the regulatory or professional requirements governing us as your auditors.

We have policies and procedures in place which are designed to ensure that we carry out our work with integrity, objectivity and independence. These policies include:

- all partners and staff are required to complete an annual independence declaration;
- all new partners and staff are required to complete an independence confirmation and also complete computer based ethical training;
- rotation policies covering audit engagement partners and other key members of the audit team; and
- use by managers and partners of our client and engagement acceptance system which requires all non-audit services to be approved in advance by the audit engagement partner.

We confirm, as at the date of this document, that the engagement team and others in the firm as appropriate, Mazars LLP are independent and comply with relevant ethical requirements. However, if at any time you have concerns or questions about our integrity, objectivity or independence please discuss these with Mark Dalton in the first instance.

Prior to the provision of any non-audit services Mark Dalton will undertake appropriate procedures to consider and fully assess the impact that providing the service may have on our auditor independence.

Any emerging independence threats and associated identified safeguards will be communicated in our Audit Completion Report.

08

Section 08:

Materiality and misstatements

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8. Materiality and misstatements

Summary of initial materiality thresholds

Threshold	GMCA initial threshold £'000s	Group initial threshold £'000s
Overall materiality	35,000	41,000
Performance materiality	19,250	22,550
Specific materiality – Senior officer remuneration disclosures including any associated exit packages	5	5
Specific materiality – Related party transactions	50	50
Trivial threshold for errors to be reported to the Audit Committee	1,050	1,230

Materiality

Materiality is an expression of the relative significance or importance of a particular matter in the context of financial statements as a whole.

Misstatements in financial statements are considered to be material if they, individually or in aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Judgements on materiality are made in light of surrounding circumstances and are affected by the size and nature of a misstatement, or a combination of both. Judgements about materiality are based on consideration of the common financial information needs of users as a group and not on specific individual users.

The assessment of what is material is a matter of professional judgement and is affected by our perception of the financial information needs of the users of the financial statements. In making our assessment we assume that users:

- have a reasonable knowledge of business, economic activities and accounts;
- have a willingness to study the information in the financial statements with reasonable diligence;
- understand that financial statements are prepared, presented and audited to levels of materiality;
- recognise the uncertainties inherent in the measurement of amounts based on the use of estimates, judgement and the consideration of future events; and
- will make reasonable economic decisions on the basis of the information in the financial statements.

We consider materiality whilst planning and performing our audit based on quantitative and qualitative factors.

Whilst planning, we make judgements about the size of misstatements which we consider to be material and which provides a basis for determining the nature, timing and extent of risk assessment procedures, identifying and assessing the risk of material misstatement and determining the nature, timing and extent of further audit procedures.

The materiality determined at the planning stage does not necessarily establish an amount below which uncorrected misstatements, either individually or in aggregate, will be considered as immaterial.

We revise materiality for the financial statements as our audit progresses should we become aware of information that would have caused us to determine a different amount had we been aware of that information at the planning stage.

Our provisional materiality is set based on a benchmark of gross expenditure at the surplus/deficit on provision of services level. We will identify a figure for materiality but identify separate levels for procedures designed to detect individual errors, and also a level above which all identified errors will be reported to the Audit Committee.

We consider that the gross expenditure at the surplus/deficit on provision of services remains the key focus of users of the financial statements and, as such, we base our materiality levels around this benchmark.

8. Materiality and misstatements

Materiality (continued)

We expect to set a materiality threshold at 1.8% of gross expenditure at the surplus/deficit on provision of services. Based on the prior year audited accounts we anticipate the overall materiality for the year ending 31 March 2022 to be in the region of £35m (£30m in the prior year) for the single entity accounts and £41m (£35m in the prior year) for the group accounts.

After setting initial materiality, we continue to monitor materiality throughout the audit to ensure that it is set at an appropriate level.

Performance Materiality

Performance materiality is the amount or amounts set by the auditor at less than materiality for the financial statements as a whole to reduce, to an appropriately low level, the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole. Due to the improvement made in the quality of the financial statements in 2020/21, evidenced by the lower number of identified errors, we have applied 55% of overall materiality as performance materiality which is an increase from the 50% we applied in the prior year.

Misstatements

We accumulate misstatements identified during the audit that are other than clearly trivial. We set a level of triviality for individual errors identified (a reporting threshold) for reporting to the Audit Committee that is consistent with the level of triviality that we consider would not need to be accumulated because we expect that the accumulation of such amounts would not have a material effect on the financial statements. Based on our preliminary assessment of overall materiality, our proposed triviality threshold is £1.05m for the single entity accounts and £1.23m for the group accounts based on 3% of overall materiality. If you have any queries about this please do not hesitate to raise these with Mark Dalton.

Reporting to the Audit Committee

The following three types of audit differences above the trivial threshold will be presented to the Audit Committee:

- summary of adjusted audit differences;
- summary of unadjusted audit differences; and
- summary of disclosure differences (adjusted and unadjusted).

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Appendix: Key communication points

Appendix: Key communication points

We value communication with Those Charged With Governance as a two way feedback process at the heart of our client service commitment. ISA 260 (UK) ‘Communication with Those Charged with Governance’ and ISA 265 (UK) ‘Communicating Deficiencies In Internal Control To Those Charged With Governance And Management’ specifically require us to communicate a number of points with you.

Relevant points that need to be communicated with you at each stage of the audit are outlined below.

Form, timing and content of our communications

We will present the following reports:

- Audit Strategy Memorandum;
- Audit Completion Report; and
- Auditor’s Annual Report

These documents will be discussed with management prior to being presented to yourselves and their comments will be incorporated as appropriate.

Key communication points at the planning stage as included in this Audit Strategy Memorandum

- Our responsibilities in relation to the audit of the financial statements;
- The planned scope and timing of the audit;
- Significant audit risks and areas of management judgement;
- Our commitment to independence;
- Responsibilities for preventing and detecting errors;
- Materiality and misstatements; and
- Fees for audit and other services.

Key communication points at the completion stage to be included in our Audit Completion Report

- Significant deficiencies in internal control;
- Significant findings from the audit;
- Significant matters discussed with management;
- Our conclusions on the significant audit risks and areas of management judgement;
- Summary of misstatements;
- Management representation letter;
- Our proposed draft audit report; and
- Independence.

Appendix: Key communication points

ISA (UK) 260 'Communication with Those Charged with Governance', ISA (UK) 265 'Communicating Deficiencies In Internal Control To Those Charged With Governance And Management' and other ISAs (UK) specifically require us to communicate the following:

Required communication	Where addressed
Our responsibilities in relation to the financial statement audit and those of management and those charged with governance.	Audit Strategy Memorandum
The planned scope and timing of the audit including any limitations, specifically including with respect to significant risks.	Audit Strategy Memorandum
With respect to misstatements: • uncorrected misstatements and their effect on our audit opinion; • the effect of uncorrected misstatements related to prior periods; • a request that any uncorrected misstatement is corrected; and • in writing, corrected misstatements that are significant.	Audit Completion Report
With respect to fraud communications: • enquiries of the Audit Committee to determine whether they have a knowledge of any actual, suspected or alleged fraud affecting the entity; • any fraud that we have identified or information we have obtained that indicates that fraud may exist; and • a discussion of any other matters related to fraud.	Audit Completion Report and discussion at Audit Committee, Audit planning and clearance meetings

Appendix: Key communication points

Required communication	Where addressed
Significant matters arising during the audit in connection with the entity's related parties including, when applicable: • non-disclosure by management; • inappropriate authorisation and approval of transactions; • disagreement over disclosures; • non-compliance with laws and regulations; and • difficulty in identifying the party that ultimately controls the entity.	Audit Completion Report
Significant findings from the audit including: • our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures; • significant difficulties, if any, encountered during the audit; • significant matters, if any, arising from the audit that were discussed with management or were the subject of correspondence with management; • written representations that we are seeking; • expected modifications to the audit report; and • other matters, if any, significant to the oversight of the financial reporting process or otherwise identified in the course of the audit that we believe will be relevant to the Audit Committee in the context of fulfilling their responsibilities.	Audit Completion Report
Significant deficiencies in internal controls identified during the audit.	Audit Completion Report
Where relevant, any issues identified with respect to authority to obtain external confirmations or inability to obtain relevant and reliable audit evidence from other procedures.	Audit Completion Report

Appendix: Key communication points

Required communication	Where addressed
Audit findings regarding non-compliance with laws and regulations where the non-compliance is material and believed to be intentional (subject to compliance with legislation on tipping off) and enquiry of the Audit Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Audit Committee may be aware of.	Audit Completion Report and Audit Committee meetings
With respect to going concern, events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including: • whether the events or conditions constitute a material uncertainty; • whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements; and • the adequacy of related disclosures in the financial statements.	Audit Completion Report
Reporting on the valuation methods applied to the various items in the consolidated financial statements including any impact of changes of such methods	Audit Completion Report
Explanation of the scope of consolidation and the exclusion criteria applied by the entity to the non-consolidated entities, if any, and whether those criteria applied are in accordance with the relevant financial reporting framework.	Audit Strategy Memorandum and/or Audit Completion Report as appropriate
Where applicable, identification of any audit work performed by component auditors in relation to the audit of the consolidated financial statements other than by Mazars' member firms	Audit Strategy Memorandum and/or Audit Completion Report as appropriate
Indication of whether all requested explanations and documents were provided by the entity	Audit Completion Report

Mark Dalton, Director – Public Services

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Mazars is an internationally integrated partnership, specialising in audit, accountancy, advisory, tax and legal services*. Operating in over 90 countries and territories around the world, we draw on the expertise of 40,400 professionals – 24,400 in Mazars' integrated partnership and 16,000 via the Mazars North America Alliance – to assist clients of all sizes at every stage in their development.

*where permitted under applicable country laws.

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GMCA Audit Committee Action Tracker

21 January 2022

Minute Number	Agenda item	Action	By whom	Completed
Meeting Date 27 August 2021				
AC/37/21	ASSESSMENT OF ONGOING CONCERN STATEMENT	That a further update be presented to the 30 September 2021	Steve Wilson	No further update at this stage. Revised Going Concern Statement will be provided for 2021/22 accounts
AC/38/21	TREASURY MANAGEMENT ANNUAL REPORT 2020/21	That it be noted that a further update on LOBO be brought to the next meeting of the Committee.	Steve Wilson	Completed
AC/42/21	INTERNAL AUDIT PROGRESS REPORT	That the report be noted and that a further update will be provided to the next meeting of the Committee in September 2021.	Sarah Horseman	Completed
Meeting Date 30 September 2021				
AC/49/21	MINUTES OF THE GMCA AUDIT COMMITTEE MEETING HELD ON 27 AUGUST 2021	That officers agree to update Members in relation to Metrolink matters.	Steve Wilson	Completed
AC/52/21	2020/2021 STATEMENT OF AUDITED ACCOUNTS	That the GMCA 2020/2021 Statement of Audited Accounts be submitted to the meeting of the Audit Committee in November 2021	Steve Wilson	Completed
AC/53/21			Mazars	Completed

	ANNUAL AUDIT LETTER	That it be noted that the Annual Audit Letter be deferred to the next meeting of the Audit Committee.		
AC/55/21	RISK MANAGEMENT UPDATE	That it be noted that comparative data on staffing absence and updates on staff survey responses and the Skills Bill be brought to a future meeting of the Committee.	Sarah Horseman	Completed
AC/57/21	AUDIT ACTION FOLLOW UP REPORT	That a further update be provided to the next meeting of the Committee.	Sarah Horseman	Completed
AC/58/21	WORK PROGRAMME 2021/22	That officers undertake to convene a joint meeting with the Police and Crime Audit Panel at an appropriate time and to liaise with GMCA Waste and Resources to seek a visit to a GM Recycling Centre.	Nicola Ward	TBC
Meeting Date 30 November 2021				
AC/67/21	STATEMENT OF ACCOUNTS 2020/21	That Mazars and GMCA Finance Team would review the wording of the amendment in the group accounts relating to the Northwest Evergreen Holding Debtor to ensure it did not result in a double entry to the accounts.	Daniel Watson	Completed
AC/67/21	STATEMENT OF ACCOUNTS 2020/21	That authority be delegated to the Chair of the Audit Committee to approve the final accounts should there be any further changes.	Steve Wilson	Completed
AC/68/21	AUDIT COMPLETION REPORT AND	That officers would check with the ICT team regarding the level of confidence in attaining the March	Sarah Horseman	Will be incorporated into the results /

	ANNUAL AUDIT LETTER	2022 deadline for delivery of the organisation's cyber security software and report back to the Committee.		actions of the Cyber internal audit
AC/68/21	AUDIT COMPLETION REPORT AND ANNUAL AUDIT LETTER	That the GMCA would work with external audit to determine what a 'good' ICT Change Management Policy should look like in advance of next year's audit.	Sarah Horseman	Will be incorporated into the results / actions of the Cyber internal audit
AC/68/21	AUDIT COMPLETION REPORT AND ANNUAL AUDIT LETTER	That any ongoing external audit recommendations be integrated with the internal audit recommendation monitoring to ensure their delivery.	Sarah Horseman	Completed
AC/68/21	AUDIT COMPLETION REPORT AND ANNUAL AUDIT LETTER	That the GMCA be informed of the implications to the Independent Members of the Audit Committee following the publication of the regulatory guidelines in relation to external audit.	Steve Wilson	To follow up
AC/68/21	AUDIT COMPLETION REPORT AND ANNUAL AUDIT LETTER	That linked to this, a future report be brought to the Committee following the PSAA's national procurement exercise in relation to external auditors.	Steve Wilson	Completed
AC/69/21	AUDIT OUTCOMES – GMCA CORPORATE SERVICES	That Andrew Lightfoot, Deputy Chief Executive be invited to attend Audit Committee meetings going forward to address non-finance issues.	Nicola Ward	Completed
AC/69/21	AUDIT OUTCOMES – GMCA CORPORATE SERVICES	That officers would check that those actions with due dates that have passed, specifically in relation to policy development and spend reporting, have been completed and provide an update to Members.	Andrew Lightfoot	Completed
AC/71/21	WORK PROGRAMME 2021/22	That training sessions be arranged for Members of the Committee in due course.	Nicola Ward	TBC
Meeting Date 21 January 2022				
AC/77/21	GMFRS HMICFRS INSPECTION OUTOMES AND ACTIONS	That the GMFRS HIMC Improvement Action Plan be shared with the GMCA Audit Committee for information.	CFO Russel	

AC/77/21	GMFRS HMICFRS INSPECTION OUTOMES AND ACTIONS	That future risk registers would include some narrative as to those risk which were no longer classified as 'escalated' and had been removed from the register.	Sarah Horseman	Completed
AC/78/21	INTERNAL AUDIT PROGRESS REPORT	That Sarah Horseman, Head of Audit and Assurance would discuss shared internal audit actions with the Chief Audit Executive meeting and seek some process assurance.	Sarah Horseman	Completed
AC/78/21	INTERNAL AUDIT PROGRESS REPORT	That Sarah Horseman, Head of Audit and Assurance would provide Cllr Boyes with a breakdown of the Covid-19 Emergency Active Travel Fund allocations.	Sarah Horseman	
AC/78/21	INTERNAL AUDIT PROGRESS REPORT	That future internal audit activity in relation to GMCA Programmes and Projects would include some in-depth reviews to ensure compliance against the policies and strategies in place.	Sarah Horseman	Completed - included in 22/23 IA plan
AC/78/21	INTERNAL AUDIT PROGRESS REPORT	That consideration would be given as to whether to include the management response to the identified issues within the Executive Summaries of internal audits.	Sarah Horseman	Completed
AC/78/21	INTERNAL AUDIT PROGRESS REPORT	That the Committee be given early sight of any budgetary control changes in order to address as soon as possible.	Sarah Horseman	Completed
AC/78/21	INTERNAL AUDIT PROGRESS REPORT	That the performance related actions as identified by the peer review into Internal Audit be included in the Annual Review of Internal Audit.	Sarah Horseman	Completed
AC/78/21	INTERNAL AUDIT PROGRESS REPORT	That there would be a further audit of externally managed funds on behalf of the Core Investment Fund undertaken in 2022/23.	Sarah Horseman	Completed – included in 22/23 IA plan
AC/80/21	Planning for 2021/22 Audit Opinion	That the framework by which quarterly reports were submitted to the Chief Executives Management Team would be circulated to the Committee.	Steve Wilson	
AC/80/21	Planning for 2021/22 Audit Opinion	That Andrew Lightfoot, Deputy Chief Executive would review the frequency of risk registers being considered by individual	Andrew Lightfoot / Steve Wilson	

		management teams to ensure consistency across the organisation.		
Ac/81/21	RISK MANAGEMENT UPDATE REPORT	That the Chair, in conjunction with the Head of Audit and Assurance would review the Corporate Risk Register in order to determine any areas for specific deep dives.	Chair / Sarah Horseman	Will be done on an ongoing basis.
Ac/81/21	RISK MANAGEMENT UPDATE REPORT	That Sarah Horseman, Head of Audit and Assurance would provide reasoning as to the reduction in risk level alongside the climate change carbon reduction risk on the register directly to Grenville Page.	Sarah Horseman	
Ac/81/21	RISK MANAGEMENT UPDATE REPORT	That future Risk Registers would detail previous ratings to evidence to the Committee where a risk had been deescalated or escalated.	Sarah Horseman	
Ac/81/21	RISK MANAGEMENT UPDATE REPORT	That TfGM be asked to provide Cllr Chris Boyes details on the reliability of the 'touch in – touch out' system for Metrolink ticketing.		
AC/82/21	TREASURY MANAGEMENT STRATEGY STATEMENT 2022/23	That a training session on Treasury Management would be scheduled between now and the next meeting of the Committee.	Chair/ Nicola Ward	This has been rescheduled for the next municipal year.
AC/83/21	CAPITAL STRATEGY 2022/23	That the Committee will be updated should the overall capital programme figure change following the budget setting process by the GMCA.	Rachel Rosewell	
AC/83/21	CAPITAL STRATEGY 2022/23	That the Audit Committee be given regular opportunity to review the assurances in relation to capital infrastructure spend, especially in relation to transport development.	Rachel Rosewell	
AC/85/21	External Audit 2020-21 Audit Completion Report FOLLOW UP Letter	That the Committee receive a report on the outcomes of the NEO guidance once the whole of government accounting review is completed.	Rachel Rosewell	
AC/87/21	GMCA Audit Committee Work Programme and action tracker	That Steve Wilson, Treasurer to the GMCA provide advice to members of the Audit Committee on the implications of the publication of the regulatory guidelines in relation to external audit.	Steve Wilson	

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By virtue of paragraph(s) 2 of Part 1 of Schedule 12A
of the Local Government Act 1972.

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