

**GREATER MANCHESTER COMBINED AUTHORITY AUDIT  
COMMITTEE**

**DATE:** Wednesday, 25th January, 2023

**TIME:** 10.00 am

**VENUE:** GMCA, Tootal Buildings, 56 Oxford Street, Manchester  
M1 6EU

**AGENDA**

1. **APOLOGIES FOR ABSENCE**
2. **CHAIR'S ANNOUNCEMENTS AND URGENT BUSINESS**
3. **DECLARATIONS OF INTEREST** 1 - 4

To receive declarations of interest in any item for discussion at the meeting. A blank form for declaring interests has been circulated with the agenda; please ensure that this is returned to the Governance & Scrutiny Officer 48 Hours before the start of the meeting.

<b>BOLTON</b>	<b>MANCHESTER</b>	<b>ROCHDALE</b>	<b>STOCKPORT</b>	<b>TRAFFORD</b>
<b>BURY</b>	<b>OLDHAM</b>	<b>SALFORD</b>	<b>TAMESIDE</b>	<b>WIGAN</b>

Please note that this meeting will be livestreamed via [www.greatermanchester-ca.gov.uk](http://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.

- 4. MINUTES OF THE MEETING HELD ON 19 OCTOBER 2022** 5 - 18
- To consider the approval of the minutes of the meeting held on 19 October 2022.
- 5. JOINT AUDIT PANEL MINUTES 28 NOVEMBER 2022** 19 - 24
- To note the minutes of the Joint Audit Panel meeting held on 28 November 2022.
- 6. AUDIT COMMITTEE RESPONSIBILITIES**
- Report of Gillian Duckworth, GMCA Monitoring Officer, to follow.
- 7. RISK MANAGEMENT UPDATE** 25 - 36
- Report of Sarah Horseman, Head of Audit and Assurance, GMCA attached.
- 8. RISK DEEP DIVE - GRANTS** 37 - 58
- Report of Steve Wilson, GMCA Treasurer attached.
- 9. AUDIT COMMITTEE EFFECTIVENESS SURVEY PROPOSAL** 59 - 66
- Report of Sarah Horseman, Head of Audit and Assurance, GMCA attached.
- 10. INTERNAL AUDIT PROGRESS REPORT** 67 - 116
- Report of Sarah Horseman, Head of Audit and Assurance, GMCA attached.

**11. AUDIT ACTION TRACKING**

Report of Sarah Horseman, Head of Audit and Assurance, GMCA to follow.

**12. MID-YEAR TREASURY MANAGEMENT REPORT 117 - 136**

Report of Steve Wilson, GMCA Treasurer attached.

**13. EXTERNAL AUDIT PROGRESS REPORT 137 - 148**

Report of Mark Dalton, Director, Mazars attached.

**14. AUDIT COMMITTEE WORK PROGRAMME 149 – 150**

To note the Audit Committee Work Programme.

**15. DATE AND TIME OF NEXT MEETING**

To note that the next meeting of the GMCA Audit Committee will take place on Wednesday 15<sup>th</sup> March 2023, commencing at 10:00 am.

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

This agenda was issued on 17 January 2023 on behalf of Julie Connor, Secretary to the Greater Manchester Combined Authority, Broadhurst House, 56 Oxford Street, Manchester M1 6EU



**AUDIT COMMITTEE – 25<sup>th</sup> JANUARY 2023**

Declaration of Members' Interests in Items Appearing on the Agenda

NAME: \_\_\_\_\_

DATE: \_\_\_\_\_

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

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

## QUICK GUIDE TO DECLARING INTERESTS AT GMCA MEETINGS

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

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

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

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

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

### FAILURE TO DISCLOSE THIS INFORMATION IS A CRIMINAL OFFENCE

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

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

#### STEP TWO: DETERMINING IF YOUR INTEREST PREJUDICIAL?

A personal interest becomes a prejudicial interest:

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

#### FOR A NON PREJUDICIAL INTEREST

##### YOU MUST

- Notify the governance officer for the meeting as soon as you realise you have an interest

#### FOR PREJUDICIAL INTERESTS

##### YOU MUST

- Notify the governance officer for the meeting as soon as you realise you have a prejudicial interest (before or during the meeting)

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

**TO NOTE:**

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

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

**YOU MUST NOT:**

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

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**MINUTES OF THE GREATER MANCHESTER COMBINED AUTHORITY  
AUDIT COMMITTEE, HELD ON WEDNESDAY 19<sup>th</sup> OCTOBER 2022 AT THE GMCA  
OFFICES, TOOTAL BUILDINGS, MANCHESTER M1 6EU**

**PRESENT:**

Councillor Sarah Russell	Manchester City Council (Chair)
Councillor Christine Roberts	Wigan Council (substitute Member)
Councillor John Walsh	Bolton Council
Councillor Tom McGee	Stockport Council (substitute Member)
Gwyn Griffiths	Independent Member
Grenville Page	Independent Member
Catherine Scivier	Independent Member

**ALSO PRESENT:**

Andy Burnham	GM Mayor
Mark Dalton	Mazars
Daniel Watson	Mazars
Steve Warrener	TfGM
Simon Warburton	TfGM

**OFFICERS:**

Eamonn Boylan	GMCA Chief Executive
Gillian Duckworth	GMCA Solicitor and Monitoring Officer
Andrew Lightfoot	GMCA Deputy Chief Executive
Steve Wilson	GMCA Treasurer
Sarah Horseman	GMCA Head of Audit and Assurance
Andrea Heffernan	Director of Corporate Support, GMF&RS
Kris Smedley	Head of Fleet, GMF&RS
Paul Harris	GMCA Senior Governance and Scrutiny Officer

## **AC/25/22 WELCOME, INTRODUCTIONS AND APOLOGIES**

Apologies for absence were received and noted from Councillor Peter Williams (Rochdale), Councillor Mary Whitby (Bury) and Susan Webster (Independent Member).

## **AC/26/22 CHAIR'S ANNOUNCEMENTS AND ITEMS OF URGENT BUSINESS**

### **a) UPDATE FROM THE JOINT AUDIT PANEL**

The Chair advised the Committee that the update from the Joint Audit Panel item will be deferred to the next meeting of the Committee.

## **AC/27/22 MEMBERSHIP OF THE COMMITTEE 2022/2023**

Members noted that at the recent Greater Manchester combined Authority meeting, Councillor Tom McGee, Stockport (Lab) was appointed as a substitute member on the GMCA Audit Committee for the remainder of the 2022/2023 municipal year.

Members noted that Councillor McGee had replaced Councillor Tracy Kelly, Salford (Lab).

### **RESOLVED/-**

That the appointment of Councillor Tom McGee, Stockport (Lab) as a substitute member on the Committee for the remainder of the 2022/2023 municipal year, be noted.

## **AC/28/22 DECLARATIONS OF INTEREST**

### **RESOLVED /-**

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

## **AC/29/22 MINUTES OF THE PREVIOUS AUDIT COMMITTEE MEETING**

The minutes of the previous Audit Committee meeting, held on 27th July 2022, were submitted.

### **RESOLVED/-**

That the minutes of the previous meeting of the Audit committee, held on 27<sup>th</sup> July 2022, be agreed as a correct record.

## **AC/30/22 UPDATE FROM THE JOINT AUDIT PANEL**

This item was deferred to the next meeting of the Committee.

## **AC/31/22 RISK DEEP DIVE - TRANSPORT**

Andy Burnham, GM Mayor, Steve Warrener, Director of Finance and Corporate Services and Simon Warburton, Strategy Director, Transport for Greater Manchester presented an update on transport matters.

It was noted that this item had been brought in order for members to look deeper in to strategic risks that are included within the risk register, particularly the financial risk in respect of the Metrolink.

The update included the current position in respect of patronage level across all transport modes, energy costs, government funding for transport modes, capital programme costs and borrowing costs. The update also highlighted the impact of poor rail performance on passengers, rail subsidies for train operating companies and the high costs of rail fares.

In terms of funding sources from Government, Members noted that funding support was scheduled to end at the end of March 2023. Discussions were needed with Government in relation to a strategic approach to recovery funding support.

In response to an enquiry from a Member, it was noted that for Metrolink, patronage was in the region of 83% of pre-pandemic levels, with some morning peak journey demand close to the pre-pandemic levels. Rail patronage was estimated at around 80% of pre-pandemic levels, with bus patronage at 84%.

Following a question in relation to staffing costs for Metrolink, Members were advised that details would be shared after the meeting. It was noted that in terms of increases to these costs, this was linked to RPI data and that any pay offer increase for staff will be paid by the operating company.

Following a comment from a Member, officers noted that the potential for industrial action would be classed as a risk.

A Member sought information on any long-term modelling on the real reduction to annual Metrolink patronage due to changes in work patterns. In response, it was noted that modelling continues to take place. Officers highlighted the mix in commuter activity across the network and noted that hybrid working now means that commuters were less likely to purchase weekly travel products. For this reason, ticketing products have been developed to cater for this new working approach and offer flexibility in the ticket offer.

The update also highlighted that demand on Metrolink on Tuesdays and Thursdays were like that of pre-pandemic levels, Mondays and Wednesdays were at 85% and demand on Fridays was around 65%. A Member suggested that the new ticketing offers should be promoted wider. A new website has been developed to help travelling people to identify the best fare for them.

In response to an enquiry in respect of local events and private, personal travel, it was noted that TfGM continues to work with local authorities regarding any local events and also with major leisure providers in the city region.

Members noted that the introduction of new bus fares has had a positive impact on patronage and was also helping to support the cost of living agenda.

In response to an enquiry from a Member, officers explained how the use of reserves would be treated to support the transport network. It was expected that there will also be pressures on existing budgets, outside of the specific issues discussed today, but these pressures would be dealt with within the respective budgets through the



identification of efficiencies. It was confirmed GMCA works jointly with TfGM in respect of the overall transport reserves position.

Following an enquiry from a Member, it was noted that the core use of public transport was for retail and leisure. Details of the household survey were highlighted.

The GM Mayor, GM Portfolio Lead for Transport, also provided an update on transport matters, highlighting that the poor performance of the regions rail operators is impacting on the number of visitors that would be expected. This lack of trust in rail services in the north west has had a negative impact on businesses, events and the night-time economy. The update also noted that the complex, existing funding system for rail is very expensive for both the country and the taxpayer.

It was noted that changes to the bus franchising system and the opportunity to set the fare box for GM will reduce the risk in respect of concessions and allow for multi-modal travel products to be developed.

A Member highlighted the need for good, efficient public transport services to attract people from cars and help improve air quality in the city region.

#### **RESOLVED/-**

1. That the update on Transport risk be received with thanks and noted.
2. That it be agreed for transport risk to continue to be reviewed as part of the Committee's work programme.
3. In terms of staffing costs for Metrolink members were advised that details would be shared after the meeting.

#### **AC/32/22 CONSTITUTION AND GOVERNANCE UPDATE - POLICE AND CRIME**

Gillian Duckworth, GMCA Solicitor & Monitoring Officer, introduced a report which set out the legislative and constitutional framework in relation to the Audit Committee and the Joint Audit Panel – Police and Crime.

The report outlined the responsibilities of the GM Mayor as the Police and Crime Commissioner and the Chief Constable, GMP and the roles of the GMCA Audit Committee and the Joint Audit Panel and their respective accountabilities.

In considering the report, Members were also asked, where appropriate, to consider a recommendation to the GM Combined Authority for the Combined Authority to adopt an amendment to the Audit Committee's Terms of Reference as follows:-

“ That the Audit committee receives the annual report of the Chair of the Joint Audit Panel – Police and Crime and the minutes of meetings of the Panel as, amongst other things, a means of providing assurance with regard to GMP's internal control environment and risk management framework for the management of operational risk.”

It was noted that the situation in GM was relatively unique, and that the legislation had been adapted to cater for those arrangements. The Joint Audit Panel provides a mechanism for all aspects of GMP to be considered and reported through to the GMCA Audit Committee. The proposed reporting mechanisms for the Joint Audit Panel was highlighted.

Members suggested that clarity in the process will provide assurance and is fundamental to the probity of the audit process so that the statutory responsibilities of the committee can be undertaken without duplication of work. Further work on this clarity and transparency should be explored.

Following a comment from a Member, it was noted that the Joint Audit Panel is an independent overview of the policing function. Any change would need an amendment to either primary or secondary legislation.

A Member was concerned that there is a lack of transparency in the current arrangements. It was suggested that the Chair could approach the Chair of the Joint Audit Panel to discuss how the Panel can provide assurance on their work.

Following an enquiry from a Member, officers highlighted that the responsibility of the Committee is to be assured that the Joint Audit Panel has processes in place to deal with issues as they arise. In the event of disagreement regarding assurance between the Audit Committee and the Joint Audit Panel the Audit Committee's view would prevail.

A Member suggested that the Chair of the Joint Audit Panel be invited to the meeting of the GMCA Audit Committee at a point when the Statement of Internal Control is to be discussed.

Representatives from the External Auditors explained that they had raised this matter as part of their Annual Report, in respect the Value for Money of GMCA's oversight arrangements of GMP. This role is discharged if the Audit Committee has appropriate checks and balances in place. The proposed amendment to the constitution provides further clarity on how the Committee can hold the Joint Audit Panel to account.

A Member suggested that a deeper dive was needed on this matter to receive clarity on issues at GMP and the way the Joint Audit Panel is holding GMP and the Mayor as Police and Crime Commissioner to account. In response it was noted that when the Joint Audit Panel's Annual Report is submitted to this Committee there would be an opportunity for the deep dive on the arrangements for the Joint Audit Panel.

The Chair undertook to speak to the Chair of the Joint Audit Panel in respect of the proposed recommendation. It would also be helpful if Audit Committee members receive background papers to accompany the minutes to support the Joint Audit Panel update. It was suggested that the Internal Audit Summary Findings and Action Tracker be also provided.

A further report was to be submitted which will revisit this discussion.

Finally a member commented that a review of the approach for recruitment of new Members including any possible remuneration proposals was needed.

## **RESOLVED/-**

1. That the report be noted.
2. That it be agreed that the Committee agrees to delay recommending to GMCA the adoption of the suggested amendment to the Audit Committee's Terms of Reference, as set out in the recommendation in the report, until the Chair of the Audit Committee had met with the Chair of the Joint Audit Panel.
3. That a further report be brought back to a future meeting of the Committee.

## **AC/33/22 GMCA OFSTED INSPECTION OUTCOME - APPRENTICESHIP EMPLOYER-PROVIDER**

Su Matthews, GMCA introduced a report which provided an update on the outcomes from recent Ofsted Inspection of the Operational Firefighter Apprenticeship delivery at Greater Manchester Fire and Rescue Service, as part of the GMCA.

In welcoming the report, a Member highlighted the benefits of the approach of training the trainer.

In response to an enquiry from a Member regarding the apprentice approach to the previous trainee Fire Fighter recruitment, it was noted that there was now more robust quality assurance and there are work place tutors appointed.

The new process allows to analyse underrepresented groups and to identify and support any student that is falling behind.

## **RESOLVED/- :**

1. That the update and the Ofsted report, as set out at Appendix 1 to the report be noted.
2. That the areas highlighted for improvement and the actions being taken to address these, as set out in the report, be noted.

## **AC/34/22 RISK MANAGEMENT UPDATE**

Sarah Horseman, Head of Audit and Assurance, introduced a report which informed Members of the Audit Committee of changes in the GMCA strategic and key operational risks and provided an update on the risk management activities undertaken since the last meeting of the Committee. Details of emerging future risks was also presented.

In response to an enquiry from a Member in respect of SR7 – Metrolink significant losses, officers confirmed that this remained a risk.

A Member asked that in respect of OR9 Finance- Funding and grants not spent in line with timescales / conditions, if there were reserve project pipelines where funding may be allocated. In response, officers confirmed the reserve list of projects and noted that in GM, the track record for delivering projects within funding deadlines is very good. Officers also noted that there is an enhanced risk for funding clawback of unspent money given the likely requirement for reductions in Government spending, however, the impact of inflation will also impact on the number of projects that the capital grant funding provided may be able to deliver.

A Member suggested that in light of recent economic events that have been influenced by Brexit, the pandemic and the war in Ukraine, there was a need to look further ahead to explore potential future risks and the impact that they may have. It was noted that a workshop was to take place to explore strategic risks.

### **RESOLVED/-**

That the Risk update, as set out in the report, be noted.

## **AC/36/22 REVIEWING THE EFFECTIVENESS OF THE GMCA AUDIT COMMITTEE**

Sarah Horseman, Head of Audit and Assurance, GMCA provided verbal update on proposals to seek the views of members in reviewing the effectiveness of the GMCA Audit Committee.

It was noted that CIPFA has produced guidance for local authorities, which includes a self-assessment tool, which will be shared with members. It was also suggested that a Members' online discussion on this matter would be helpful.

It was also noted that officers were liaising with CIPFA in respect of costs for the guidance document and the ability to share this guidance.

**RESOLVED/-**

1. That the update be noted.
2. That an informal teams discussion be convened with Committee members in the upcoming weeks.
3. That the CIPFA Guidance and training document will be shared with Members at an appropriate time.

**AC/37/22 INTERNAL AUDIT PROGRESS REPORT**

Sarah Horseman, Head of Audit and Assurance, GMCA, introduced a report which informed Members of the Audit Committee of the progress made on the delivery of the Internal Audit Plan for Q2 2022/23. It is also used as a mechanism to approve and provide a record of changes to the internal audit plan, as set out in section 3 to the report.

**RESOLVED/-**

1. That the Internal Audit progress report, be noted.
2. That the changes to the Audit Plan, as set out in Section 3 to the report, be approved.

## **AC/38/22    AUDIT ACTION TRACKING (INCLUDING HISTORIC AUDIT ACTIONS)**

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

Andrea Heffernan, GMF&RS was in attendance to discuss with Members a number of outstanding actions relating to fleet and store matters in GM Fire and Rescue Service (GMF&RS). It was noted that work is progressing well, and it was anticipated that all actions will be completed by December 2022.

Work on the procurement actions is also underway.

### **RESOLVED/-**

That the progress of the implementation of Internal Audit actions, as set out in the report be noted.

## **AC/39/22    REPORT OF THE EXTERNAL AUDITOR**

Members received a report from the External Auditor, Mazars LLP which provided an update on progress in relation to the external auditor's responsibilities and also provided an update on the progress of the external auditors work to assess the authority's arrangements to deliver value for money in the financial year ended 31<sup>st</sup> March 2021 (2020/21). The report also provided an update on the progress of the 2021/22 audit.

In respect of the 20/21 Audit, particularly in relation to infrastructure assets, the External Auditor noted that a Statutory Override was anticipated to be issued. Once this

override had been implemented, it was anticipated that the statutory accounts will be updated in early January 2023.

A Member suggested that the Statutory Accounts be considered at the programmed Audit committee in January 2023. In response, officers undertook to discuss the matter further with the Chair.

In respect to National Publications, Levelling Up Housing and Communities, referenced in the report, in respect of the use of capital receipts for service improvements, a Member asked if there was a requirement of the Committee to seek assurance that the requirements were being delivered. In response, officers noted that there were currently no areas or activities in place where this would occur.

#### **RESOLVED/-**

That the report be noted.

#### **AC/40/22 AUDITOR'S ANNUAL REPORT 2020/21**

Members considered the Auditor's Annual Report 2020/21 from External Auditor, Mazars LLP, which summarised the work undertaken by the Authority's external auditors (Mazars LLP) for the year ended 31st March 2021 (2020/21).

The report included the following key elements:

- The Auditor's opinion on the financial statement for 2020/21 – This is an Unqualified opinion
- The Auditor's views on the authority's arrangements for delivering value for money that were in place in the year ended 31st March 2021

Members noted that Annual Report relates to the 2021 financial year and therefore references matters from some 17 months ago. It was also noted that work to assess the arrangements in place for the 2021/22 financial year is currently underway and will be reported to the audit committee following the completion of the audit of the 2021/22 financial statements.



Members highlighted that the Committee was being asked to consider the Value For Money (VfM) Statement some months after the year end period. Consideration was needed on how future reports may be received in a timely manner in order for any concerns to be raised by Members at the earliest opportunity.

**RESOLVED/-**

That the Auditor's Annual report be noted.

**AC/40/22 FORWARD PLANNING - AUDIT COMMITTEE WORK PROGRAMME**

Members considered the Committee Work Programme of proposed items, for the remainder of the year.

**RESOLVED/-**

That the Work Programme be noted.

**AC/41/22 DATE AND TIME OF THE NEXT MEETING**

**RESOLVED/-**

1. That the next meetings of the Audit Committee meetings take place on Wednesday 25<sup>th</sup> January 2023, and Wednesday 15<sup>th</sup> March 2023, both commencing at 10:00 am
2. That a meeting in November 2022 will not now take place.

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## JOINT AUDIT PANEL

<b>Date</b>	Monday 28 <sup>th</sup> November 2022
<b>Time</b>	13:45 – 15:30
<b>Venue</b>	Room 515, Fifth Floor, GMP Force Headquarters, Central Park, Northampton Road, Manchester, M40 5BP
<b>Attendees</b>	<p>Peter Morris (Chair)            Ian Cayton (Panel Member)            John Starkey (Panel Member)            Foluke Fajumi (Panel Member)            Hilary Pogson (Panel Member)</p> <p>Ian Cosh (GMP - Assistant Chief Officer)            Janet Moores (GMP - Head of Finance)            Terence Bradley (GMP – Information Security and Risk Lead)            Richard Mcnamara (GMP - Superintendent - Inspectorate and Strategic Performance)            Phil Duffy (GMP – Superintendent - Professional Standards Branch / Investigations)            Hannah Gamage (GMP - Minutes)            Lauren Smith (GMP - Minutes)</p> <p>Sarah Horseman (GMCA - Head of Internal Audit)</p> <p>Mark Dalton (Mazars - Partner (Public Services))</p>
<b>Apologies</b>	<p>Stephen Watson (GMP - Chief Constable)            Steve Wilson (GMCA – Treasurer)            Rt. Hon Baroness Beverley Hughes (Deputy Mayor of Greater Manchester)            Cath Folan (GMCA - Audit Manager (Police and Crime))</p>

**M245/JAP      Welcome and Apologies for Absence**

The Chair welcomed all attendees and noted apologies.

**M246/JAP      Urgent Business (if any) at the discretion of the Chair**

The Chair requested for the new Deputy Mayor to be invited to the Panel once in post.

**M247/JAP      Declarations of Interest**

GMP provided an update on the work which has taken place since the Data Centres Internal Audit.

The Panel were also informed of GMP's progress regarding the Police Uplift Programme (PUP). The Force is confident the target will be met as control mechanisms are now in place. It was agreed this would be discussed in greater depth at a future meeting.

The Chair requested the His Majesty's Inspectorate of Constabulary and Fire & Rescue Services (HMICFRS) Report 'An inspection of vetting, misconduct, and misogyny in the police service' is on the agenda for January 2023. A meeting is scheduled with the GMCA to discuss how Internal Audit can provide assurance on this subject matter.

Members were advised of a multi-agency activity currently taking place in Cheetham Hill, Operation Vulcan. This is to address the criminality occurring which impacts the community, with the aim to disrupt criminal activity and replace it with positive outcomes for the area. Significant investment has been outlined to assist with this.

It was noted GMP's attrition of staff is within the national average, which is an improvement from previous years.

In relation to the stop search data (pg. 23), the Panel sought a breakdown of vehicle only searches, what percentage were not recorded, and why they were not recorded. GMP advised the absence of data is due to IT systems and officer error. However, work is ongoing to correct this through officer training and the Force's new computer system. Also requested was a comparison of the stop search data from the previous year and the complaints withheld data. It was agreed GMP would send this data to the Panel following the meeting.

Establishment of Independent Scrutiny Panels was raised, in line with the Police Race Action Plan. GMP has an action plan in place to address this. The Force's Diversity, Equality, and Inclusion (DEI) Lead can attend a future meeting to provide an overview.

**ACTION:** GMP to provide an update regarding the HMICFRS 'An inspection of vetting, misconduct, and misogyny in the police service' report at the January 2023 meeting.

**ACTION:** GMP to provide Panel members with a data comparison of stop searches from the previous year to the current year, along with the data regarding complaints which are withheld.

**ACTION:** GMP to outline the plans to address the establishment of Independent Scrutiny Panels, in line with the Police Race Action Plan at a future meeting.

#### **M248/JAP      Approval of September 2022 minutes and actions**

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

A correction was raised by the Chair, that the minutes read 'Approval of June 2021 minutes and actions', which should have been 'Approval of July 2022 minutes and actions'.

A044/JAP – The GMP Governance Handbook will be shared with the Panel, however, it is a draft version as two of the boards are yet to be established, alongside their Terms of Reference (ToR).

A048/JAP - The Chair discussed a meeting he had attended with GMP and GMCA to propose an increase in the number of internal audit days, and a mechanism for gaining support if needed for IT related matters. The concept of Value for Money (VfM) was discussed in regard to internal audit. The Chair noted the arrangements would be agreed for the next Panel meeting. GMP advised this would be linked to the Force's business planning arrangements, ahead of a decision being made. GMP has recruited a new Assistant Chief Officer (ACO) for IT, and the Chair requested that he attends the next meeting to discuss the challenges and priorities.

A052/JAP – GMP advised there has been an uplift in police officer and staff numbers in 2021/22 and an increase in overtime to assist with the need to cover workforce absences and the ability to meet demand. For 2022/23, a narrative section will be included on the Income and Expenditure Analysis to demonstrate the

change from one year to the next. It was noted the PUP has increased officer overtime due to double crewing whilst officers are trained, and overtime will be reduced once performance is at an acceptable level. There is a recruitment plan for the Force Contact Centre (FCC), however, until this is established, overtime is assisting with the need to meet demand.

A053/JAP - GMP advised the next pension evaluation is due in 2024. The 2020 and 2016 evaluations are not where they should be due to issues with the implementation of the pension remedy and the cost cap.

ACTION: GMP to ensure ACO Dougie Henderson attends the January 2023 meeting.

#### **M249/JAP      Current GMP issues, including Force progress map**

As HMICFRS formally removed GMP from the 'engage' phase of force monitoring, it was noted there is still the need to maintain the momentum of work as further HMICFRS inspections are planned for the new year.

The Chair asked how the Force are gauging the morale of its staff. GMP recognises there are improvements to be made and work has been undertaken to address this. The Force aims to embed a new structure in 2023/24 to measure staff morale, which will incorporate a staff engagement mechanism.

The second Manchester Inquiry Report has now been published, which sets out the findings and recommendations on the emergency response to the attack. The Force set up a Gold structure to run throughout the inquiry to prepare for the outcome of the report. The Chair queried if the same event occurred again, how the Force would respond. GMP noted the aim of embedding a Gold structure is to evaluate business continuity plans and ensure measures are in place, including personnel training. Testing of these measures will also take place regularly. Members were advised the fire service now links in with the FCC Hub, and the Manchester Arena scenario is modelled to assist with preparations for future events. GMP advised this will be visited in more detail at the January 2023 meeting.

#### **M250/JAP      Current Financial Position**

Members were provided with an overview of the financial challenges for GMP in 2022/23, such as:

- Areas of spending which GMP cannot control, including energy and the cost-of-living increases.
- Fuel costs.
- The police staff pay award, which creates costs and funding pressure.
- Overtime.

Mazars advised financial sustainability will be looked at as part of VfM responsibilities, and the arrangements that are in place for this. This will be discussed in the January 2023 meeting. Mazars will evaluate the level of reserves, the medium-term financial plan, and its sustainability over a three to five year time scale.

#### **M251/JAP      Chief Constable's Final Statement of Accounts 2021/22**

GMP's Head of Finance provided an overview of the accounts and highlighted the accounts will not be signed off within the usual timeframe.

The accounts are substantially completed, and no major changes have been made. Reference to the Manchester Arena Inquiry has also now been included, along with the final Annual Governance Statement.

#### **M252/JAP      External Audit Progress Report**

Mazars noted their audit is substantially complete, and provided a summary of the work ongoing:

- Assurance has been provided by the Greater Manchester Pension Fund, and the work regarding the assurance letter will be completed by the end of the week.

- There are national sector-wide issues with accounting for infrastructure assets. This does not directly affect GMP, however, this does affect the GMCA and may impact upon the outstanding work regarding GMP. This is aimed to be resolved by 25<sup>th</sup> December 2022. Mazars intends to update the Panel in January. The GMCA and GMP accounts cannot be signed off until the national issues are resolved, and other local authorities will not have their audited accounts submitted by the deadline of 30<sup>th</sup> November.

It was highlighted the issues preventing the sign off of GMP's accounts are outside of GMP's and Mazars' control.

When asked by the Chair, GMP's Head of Finance confirmed this was a satisfactory outcome.

### **M253/JAP His Majesty's Inspectorate of Constabulary and Fire & Rescue Services Update**

An overview of the progress made in regard to HMICFRS recommendations and areas for improvement was delivered to the Panel.

Members were advised standards and supervision of investigation is still a focus for the Force; there is an Investigation Improvements Plan and a Crime Data Integrity Improvement Plan in place. This links to capacity and capability of detectives and is an area of focus for many forces. There is detailed plan regarding detective resilience, including recruiting ex-police officers and agency staff to GMP to assist with improving investigation standards.

GMP advised there are several inspections due to take place within GMP in early 2023, including the 2023/24 police effectiveness, efficiency, and legitimacy (PEEL) programme (GMP specific) and Homicide Prevention Thematic Inspection. In preparation for the inspections, GMP agreed that work would be undertaken with Internal Audit.

GMP's fifth Force Management Statement (FMS) is underway, and there are plans in place to ensure this is completed ahead of the deadline. An external party will then review the FMS to ensure clarity and consistency.

The Panel queried how GMP is bringing ex-officers back to the Force, and what support GMP has available for disabled officers. GMP advised there is a Force Inclusion Strategy and a DEI Strategy in place, which can be covered by the DEI Lead at the January meeting. The Force also has a plan in place regarding retention and bringing disabled and those on long-term sickness back to other non-operational duties. This incorporates the Occupational Health and HR branches.

HMICFRS and Care Quality Commission have concluded their inspection of police custody in GMP, and the Deputy Mayor has been briefed on the outcome. Factual accuracy checks have been undertaken and it's anticipated the report will be published in January 2023.

### **M254/JAP GMP Performance Management Framework**

Superintendent Richard Mcnamara was introduced to the Panel.

A presentation was delivered on GMP's Performance Management Framework (PMF), which provided a snapshot of how performance is managed in GMP, and how individuals are held to account. The presentation will be circulated to Panel members following the meeting. The key points of note were:

- The PMF has been created to ensure there is an effective plan, leadership, and effective means to deliver the plan. The PMF covers all areas of work within GMP.
- Detail of incidents, crime queues and trends and patterns are identified.
- There has been a focus for the Force to move towards positive action, creating an increase in arrest numbers.

- Collaboration has taken place to improve the storing of data centrally. This has included working with independent experts, the National Force Crime Registrar, and the College of Policing regarding the central collation of data.

The Panel queried the frequency of the Professional Development Review (PDR) process. It was noted this process occurs twice a year, however, sergeants may meet weekly with members of their team to assist with the management of crime caseloads.

GMP assured members there are processes and products in place to measure improvements in performance data. GMP collaborates with forces and external partners to undertake horizon scanning and share best practice and ideas.

The Panel queried whether an electronic burglary map for Greater Manchester was still accessible for the public. It was noted this was previously owned by the Home Office, however, GMP will enquire whether the Home Office has plans to reintroduce this.

Mazars queried if there is an independent validation of the framework and the governance structures, to test whether the plans are achieving the aim. Members were advised there is an internal audit scheduled regarding this. There was also assurance to the Panel that HMICFRS are satisfied with the PMF.

**ACTION:** GMP to enquire whether the Home Office has plans to reintroduce the electronic burglary map.

#### **M255/JAP      Anti-fraud, Corruption and Bribery Policy**

GMP introduced the Policy to the Panel as a strategic overview of work which already occurs within the Force. The policy works alongside GMP's Confidential Reporting Policy, and other policies already published by the Force.

Members were advised the Policy is available for all levels of management, and the focus is on prevention, detection, and prosecution. There are police regulations and misconduct included in the policy, with an outline of a low-tolerance approach to misconduct. All misconduct cases are publicised by the Force internally. The workforce has a duty to report misconduct, and if an individual is aware but does not report the case, they are also liable for misconduct. As part of an individual's training, they will be made aware of the policy and content.

Robust investigations systems and processes are also outlined, learning needs are identified from cases, and this is taken forward to develop processes or training. The recovery or proceeds of crime and how this is managed is reflected in the policy. Financial spending of departments is also reviewed when budgets are exceeded.

Internal Audit review internal controls and highlight where weaknesses are found. There are also mechanisms for Internal Audit or other organisations to be notified of issues, which ensures transparency.

In line with the Policy, GMP is to ensure the Anti-Fraud, Corruption And Bribery Work Plan is sighted by the Panel on an annual basis.

As this Policy has taken a number of years to be finalised and published, the Panel requested a detailed update regarding what work has taken place on the Policy, and the process and anticipated date for approval.

**ACTION:** GMP to provide a detailed update regarding what work has taken place on the Anti-fraud, Corruption and Bribery Policy over the years, and the process and anticipated date for approval.

## **M256/JAP      Joint Audit Panel and GMCA Audit Committee Responsibilities**

Members were sighted on the paper which outlined the GMCA Audit Committee's responsibility to GMP, and their functions to GMP versus GMCA responsibilities. The paper sets out the legislation of the GMCA Audit Committee and the Joint Audit Panel.

The GMCA Audit Committee discussed the paper at their October meeting, with the aim to gain some clarity on expectations. No conclusion was made at the meeting, as the Committee agreed they still hold some responsibilities for GMP; and how the Committee effectively and efficiently satisfies their responsibilities through the Joint Audit Panel was uncertain.

At present, the understanding is the GMCA Audit Committee places reliance on the Joint Audit Panel to satisfy their responsibilities. There are challenges if the Committee is not satisfied, as there may be questions where there is an uncertainty of how they will be resolved. The Chair agreed to meet with the Chair of GMCA Audit Committee to discuss this and how they can both work together.

Internal Audit advised they are currently liaising with the Committee regarding their receipt of GMP's internal audit reports. GMCA will also carry out a benchmarking exercise to understand how this is managed in other areas.

Members agreed that as the legislation of the GMCA Audit Committee and the Joint Audit Panel is unclear, this will be raised and discussed when briefing the new Deputy Mayor.

## **M257/JAP      Any Other Business**

The Information Security and Risk Lead provided an overview to the Panel of the development regarding the recommendations from the Vulnerability Management Internal Audit. As a result, relevant risks have been reduced, however, there is still further work to be undertaken.

Internal Audit will bring the updates regarding this and other audit recommendations to the January meeting, as part of the Internal Audit Action Tracker Report.



## GMCA Audit Committee

Date: 25<sup>th</sup> January 2023

Subject: Risk Management Update Report

Report of: Sarah Horseman, Head of Audit and Assurance

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### PURPOSE OF REPORT:

The purpose of this report is to inform Members of the Audit Committee of changes in the GMCA Strategic and key operational risks and to provide an update on the risk management activities undertaken since the last Meeting.

### RECOMMENDATIONS:

Audit Committee is requested to note the report.

### CONTACT OFFICERS:

Sarah Horseman, Head of Audit and Assurance - GMCA,  
[sarah.horseman@greatermanchester-ca.gov.uk](mailto:sarah.horseman@greatermanchester-ca.gov.uk)

### 1.1 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

<b>TRACKING/PROCESS</b>		
Does this report relate to a major strategic decision, as set out in the GMCA Constitution?		No
<b>EXEMPTION FROM CALL IN</b>		
Are there any aspects in this report which means it should be considered to be exempt from call in by the relevant Scrutiny Committee on the grounds of urgency?		No
TfGMC	Overview & Scrutiny Committee	
N/A	N/A	

## **1 Introduction**

This report provides an overview of GMCAs Strategic Risks and its highest scoring Organisational and Operational risks. It also provides an update on progress with the implementation of the GMCA Risk Management Framework since the last update to the Committee in October 2022.

## **2 Activity in the period**

A Risk Workshop was held in November 2022 with the Chief Executive's Management Team to review the Strategic Risk Register. The objective of the workshop was to provide review and challenge of the strategic risks and scoring and to identify potential emerging risks. Follow up meetings were subsequently held with individual risk owners to complete the updates to the risks.

One notable change to this version of the risk register is that it has been reformatted to organise the Strategic Risks around GMCAs Corporate Objectives, as defined in the GMCA Corporate Plan 2022-25.

Work has begun with risk owners to set a target risk score for each strategic risk. By monitoring progress in managing a risk down from its current 'residual' (i.e. Current) score to a target score we will encourage a realistic assessment of the true level of risk we are having to tolerate and whether our risk actions are being effective. The target scores will continue to be refined further in future reporting. Actions needed to reduce risk to the target scores have also been identified and again, these will be monitored and refined at each review of the risk register to include target dates etc.

Previously, the impact of Covid had been a major theme within the strategic risk register. This is predominantly reflective of the timing of the last substantive review of the strategic risks. After this recent review, the focus of a number of risks has been refreshed and now reflects factors such as inflation, rising energy prices, industrial relations and supply chain issues.

The scope of the risks has been reviewed to ensure they focus on those activities and outcomes that GMCA has specific responsibility for delivering. This will avoid trying to manage outside our control.

### **3 Movements in risks**

This section provides a summary of the movements in the strategic and escalated risks in the last quarter.

#### **Strategic risk scoring changes**

- *SR8 Climate Change*: the risk description has been updated to focus more on the delivery of climate change initiatives led by the Combined Authority. The residual score has been raised from 9 to 12 to better reflect continuing challenges such as volatility in energy prices and securing corporate and citizen behavioural change.
- *SR9 Scrutiny over improvements in GMP performance*: following the removal of GMP from special measures this risk has been amended to focus on the effectiveness of continuing scrutiny over improvement actions and preparing for future internal and external HMICFRS reviews. The residual score of 15 remains the same.

#### **Significant updates to risk definitions and/or risk actions**

- *SR2 GM operating environment*: the importance of strong internal performance using Corporate Health Indicators and performance frameworks have been added as risk actions.
- *SR3 Volatile economic climate*: additional economic factors affecting both strategic and operational objectives have been added to the scope of this risk

together with use of a dynamic cost of living dashboard to track the impact on GM citizens particularly important.

- *SR5 Wider Impact on GMCA and GM District finances from multiple economic factors*: the risk title and description have been amended to reflect a wider series of factors than just COVID that included inflationary pressures and uncertainty over future levels of government funding.
- *SR6 GMCA delivery of outcomes within the GMS*: with the risk now focusing on threats to the delivery of outcomes that the Authority has responsibility for, rather than the outcomes from all GM stakeholders.
- *SR7 Transport finances from bus and Metrolink*: this risk has been extended to cover bus as well as Metrolink patronage together with the impact of higher operating costs.

## **Top Organisational and Operational Risks**

In line with previous reports, Appendix 2 provides an overview of the highest rated risks at an organisational and directorate level.

Notable changes:

- Previously, risks with an *inherent* score of 16 or more have been included in this listing. On the advice of the Corporate Risk Manager, going forward, risks with a *residual* (i.e. current) score of 16 or more are included. This reflects the effect of existing risk mitigations is taken into consideration.
- Reflecting the same trend seen at the strategic risk level, a number of escalated 'directorate' risks also reflect uncertainty over current and future funding together with the impact of multiple economic factors.

- GMFRS now have three risks with residual scores of 16 or more. The escalated risks are:
  - RR11 - Industrial Action;
  - RR38 - Spending Review and funding; and
  - RR22 - Supply Chain and Cost of Living Crisis.

#### 4 Risk Management Action Plan 2022/23

The risk management action plan continues to be implemented, with the following activities to be undertaken this quarter:

- Review of PCCJF risk register to identify which are GMCA and which are GMP risks and ensure that they fall within the appropriate governance and oversight arrangements;
- Identify risk management awareness training that can be rolled out to staff;
- Work with any Directorates that do not currently fall within the “Conforming” range to develop their risk management arrangements; and
- Support all directorates in the ongoing maintenance and development of risk registers and associated risk management activities, including ensuring their risk actions are SMART.

**Appendix 1 - Summary of Strategic Risks (January 2023)**

Ref	Risk	Current Score	Target Score	Risk Actions
<b>Corporate Objective 1: Deliver Core/ Devolved services for the public</b>				
SR3	Economic factors such as energy prices, inflation, interest rates and supply chain issues impact the Combined Authority's ability to deliver planned services and programmes for the public.	15	10	Use of a dynamic cost-of-living dashboard to inform decision-making, for example on service provision.  Economic insight anticipates and informs practical strategies to support continuity within programmes and challenge within contracting.
SR7	Significant financial risk to transport (bus and Metrolink) resulting from reduced patronage levels (caused by behaviour changes as a legacy of the pandemic), increases in operating costs and uncertainty over longer term government funding support.	16	12	Department for Transport (DfT) funding has mitigated impact of revenue losses with funding confirmed into Quarter 4 2022.

				<p>TfGM Recovery Plan for Metrolink with ongoing lobbying with Government encompassing market renewal and efficiency work to support request for additional funding.</p> <p>Seeking cost saving measures within overall transport budgets.</p> <p>Rephasing of capital spend, to fund renewals programme.</p>
SR9	Insufficient and/ or ineffective governance and scrutiny over Greater Manchester Police fails to identify and address areas of underperformance in the service provided to victims of crime, residents and communities.	15	10	<p>Continuing work with GMP to monitor implementation of outstanding improvement actions.</p> <p>Plan / prepare any necessary work ahead of the next HMICFRS inspection. For example, by engaging with city-region and national bodies to anticipate and understand potential areas of focus.</p>
<b>Corporate Objective 2: Secure, and manage, funding and investment at a Greater Manchester level for agreed activity</b>				
SR1	Changes in central government affects the devolution agenda meaning that devolved powers (including those from being a trailblazer city region) are not further developed or are reduced, access to funding is	15	10	Continuous discussions with departments - lobbying to develop a Memorandum of Understanding for a devolution agreement.



	reduced and/or our ability to influence the devolution agenda is reduced.			
SR5	Factors such including inflation, energy costs, covid legacy and uncertainty around government funding have a major impact on districts ability to deliver public services.	12	9	CA continues to lobby government for more District funding. Creating a bigger voice with Government.  Complete 2023/24 budget position through close engagement with all stakeholders.
<b>Corporate Objective 3: Work with the ten local authorities to drive collective activity that puts Greater Manchester at the forefront of tackling social, economic and environmental issues</b>				
SR6	Economic, social, behavioural and financial impacts such as COVID and the cost of living affect the timescales of delivery of GMS outcomes.	8	6	GMS has been refreshed, as a 10-year strategy, to reflect long term strategy learning from Covid, IIC etc with a strong focus on the system wide actions needed to achieve a greener, fairer, more prosperous GM in all parts of the conurbation. This includes 3-year commitments, targets and ways of working, with some neighbourhood floor targets.  Monitored by a cross agency/sector Delivery Support Group to ensure the GM system as a whole is delivering

				the changes needed to achieve GM's social, economic and environmental aspirations.
SR8	GMCA is unable to deliver its responsibilities in relation to climate change initiatives due to insufficient funding, capacity, support and behaviour change as well as supply chain issues. This results in long term climate change risks to population, business, biodiversity and infrastructure.	12	9	<p>Mission based approach - Challenge Groups and T&amp;F groups reviewed and re-constituted – responsible for driving increased scale of the challenge and ensuring appropriate joined up actions by all partners</p> <p>Bids submitted for external funding to deliver programmes at scale and development of innovative policy and finance mechanisms.</p> <p>Progress towards targets regularly reviewed through Green City Region Partnership</p> <p>6 monthly updates on GMCA actions in response to its declared Climate Emergency to be reported to CA</p> <p>Review and upscale our communications strategy with districts - to drive stimulate behaviour change, e.g. Bee Net Zero.</p>

				Development of Strategic Outline Business Case to increase level of private sector investment
<b>Corporate Objective 4: Ensure Greater Manchester is speaking with one voice – developing, leading &amp; implementing our evidence-based strategies, building our networks and partnerships and influencing policy</b>				
SR2	GMCA fails to further develop trust, cohesion and credibility with and between local GM systems and partners due to ineffective stakeholder engagement, poor GMCA performance or ineffective decision making resulting in failure to deliver outcomes of GMS and failure to develop and share good practice.	9	6	GMCA Performance Framework uses corporate health indicators to monitor and enhance performance.  Best practice in the Assurance Framework helps mitigate against adverse inspections by the likes of the ORR and HMICFRS and maintains strong relationships with the 10 districts.

## Appendix 2 - Escalated Risks (January 2023)

### Organisational Risks

There are no organisational risks with a residual risk score of 16 or more.

## Escalated / “Top” Directorate Risks

There are a number of directorate risks with residual risk scores of 16 or more. Many of these link directly to GMCA’s strategic risks, be it insufficient funding, devolution agenda, cyber threats or the cost of living crisis. A mapping showing the linkage of high scoring directorate risks to Strategic risks is shown below:

Strategic Risk	Linked Directorate Risks with Score (16 or above)
SR1 – Devolution Agenda impacts available funding and future ambition	DIR-EWS-03: Uncertainty around the devolution/levelling up of Education, Work and Skills responsibilities at the national level may negatively impact GMs ambitions and priorities
	DIR-GMD0-02: Digital inclusion ambition is unfunded and therefore fails to deliver manifesto ambitions
	GMFRS-RR38 : Significant risk that future funding will be affected, and also that one off funding (Protection) will not continue beyond 2022/23. New round of austerity expected with anticipated need for spending reductions as part of Spending Plans for 2023/24 budget year.
	DIR-EWS-05: Uncertainty around future Devolution / Levelling Up agendas translates to uncertainty to whether current provision will be sufficiently supported into and beyond 2023.
SR2 – Failure to work effectively with GM Partners	DIR-EWS-04: Lack of sufficient GMCA / LA capacity to support EWS' commissioning, procurement, and implementation requirements

SR3 - Economic factors impact GMCA's ability to deliver planned services and programmes for the public.	GMFRS-RR22: Significant delay or increase the cost of goods in GMFRS' supply chain, which may result in a pressure on contracts due to end and / or currently held (Fire & supplier) stock leading to a restricted ability to deliver on a number of emergency response objectives (equipment maintenance spares, emergency response consumables, fire gear for recruits).
SR6 – Covid legacy and cost of living crisis impact deliverability of GMS outcomes	DIR-GMD-03: Covid related impacts on local finances impacting deliverability of key initiatives
SR8 – Unable to deliver responsibilities in relation to climate change	DIR-ENV-19: Unable to deliver Public Sector Decarbonisation Scheme Phase 3a within timescales set out in grant conditions.
SR9 – Underperformance of GMP	DIR-PCCJF-08: Reporting, investigation and prosecution of RASSO (rape and serious sexual offences) do not meet the standards expected for victims
	DIR-PCCJF-12: Police complaints are not appropriately actioned
	DIR-PCCJF-13: Failures in the historical investigations relating to reports of CSE

There are a small number of discrete, high scoring directorate risks that do not have direct links to strategic risks. These are:

Directorate	Ref	Risk Title	Description	Residual Score (Current)
HROD	DIR-HR-05	Pension Detriment	Risk of legal action arising relating to remedy benefits for retired members and serving members due to retire. There are a number of financial risks to individuals and GMFRS which are currently being considered by LGA/ FBU/Home Office to amend previously agreed MoU.	25
GMFRS	RR11	Industrial Action	Potential of future strike action by operational staff over proposed changes to firefighter's terms and conditions, fire fighter pension schemes and the current status of the national pay negotiations.	20
Digital	DIR-DIG-04	Cyber Security	GMCA is subject to a Cyber attach	20

## GMCA Audit Committee

Date: 25 January 2023  
Subject: Risk Deep Dive - Grants  
Report of: Steve Wilson, GMCA Treasurer

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### Purpose of Report

The report provides the Audit Committee with an opportunity to review the work done to improve processes associated with grant management with the authority and address risks raised by external and internal auditors

### Recommendations:

The GMCA Audit Committee is requested to:

1. Note the presentation and discuss key issues

### Contact Officers

Steve Wilson

[Steve.wilson@greatermanchester-ca.gov.uk](mailto:Steve.wilson@greatermanchester-ca.gov.uk)

## **Equalities Impact, Carbon and Sustainability Assessment:**

n/a

## **Risk Management**

n/a

## **Legal Considerations**

n/a

## **Financial Consequences – Revenue**

n/a

## **Financial Consequences – Capital**

n/a

## **Number of attachments to the report: 0**

## **Comments/recommendations from Overview & Scrutiny Committee**

n/a

## **Background Papers**

- Previous external audit updates to GMCA Audit Committee

## **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

## **GM Transport Committee**

n/a

## **Overview and Scrutiny Committee**

n/a



# Deep Dive - Grants

*GMCA Audit Committee*

*25<sup>th</sup> January 2023*

Steve Wilson

GMCA Treasurer

# Contents

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- 2021/22 External Audit Feedback
- Background to issues
- Grants Checklist Introduction
- Grants Register
- Latest Grant List
- Case Studies
  - Housing Investment Loan Fund
  - Brownfield Housing Fund
  - Stockport Interchange

# 2020/21 External Audit Feedback:

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## Problem Areas 2020-21

- Recognising and coding Revenue grants as Capital grants received
- Recognising and coding Capital grants as Revenue grants received
- Do we have copies of either Grant Offer Letters or Grant Conditions?
- Are Grant conditions complied with
- Is accounting treatment complied with

# Background

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- Grants make up 60% of the total annual income of GMCA (£1.1b in 20/21)
- Grants are often for one year rather than multi-year settlements, preventing long term planning and increasing risks to the CA
- In response to audit recommendations, we reviewed the Grant Register Procedure, to provide more meaningful information
- Previously the Grant register was produced at year-end and there was no clear process for recognising and recording grant awards received in year
- Grant income and expenditure should form part of the quarterly monitoring process as it will inform our forecast position for the year and flag up any potential funding shortfall or the need to move the unspent grant to Reserves or Receipts in Advance
- We need to ensure the grant conditions are fully understood by all involved including any required to commit and/or spend funds by a year end or risk having to return the funding

# Government Grants & Non Government Grants

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- Follow the guidelines set by the [CIPFA Code of Practice](#) Para 2.3 in accordance with **IAS 20** *Accounting for Government Grants and Disclosure of Government Assistance*
- Key Messages:
  - Accounting treatment of grants and contributions is based on the type of grant (Cap/Rev) & the **CONDITIONS & RESTRICTIONS** attached to the funding
  - Grants and contributions must be recognised Immediately as income, unless any conditions have not been met.
  - Grants and contributions must be shown as liabilities on the Balance Sheet until outstanding conditions are satisfied.

# Conditions & Restrictions

Live Condition	Dormant Condition	Restriction
<p>A live condition requires the grant/contribution to be returned to the grantor if it is not used in a specified way</p>	<p>A dormant condition requires the grant/contribution to be returned to the grantor if a specified future event does (or doesn't) take place.</p>	<p>A restriction is a stipulation that does <b>NOT</b> require the grant/contribution to be returned to the grantor if not used as specified.</p>
<p><b>Example</b> The Authority receives a grant from Central Gov of £1m that must be used to improve unemployment levels in Greater Manchester and spent by 31/03/22. Within the terms of the grant it is specified that the grant <b>MUST</b> be returned if it is NOT used to improve unemployment levels in Greater Manchester.</p>	<p><b>Example</b> The Authority receives a contribution from a local charity of £2m that is used to purchase a property. Within the terms of the contribution it is specified that the contribution <b>MUST</b> be returned if the property is sold in the future.</p>	<p><b>Example</b> Authority receives a grant from Central Gov of £5.5m which it <b>wishes</b> the Authority to use to fund regeneration projects. Within the terms of the grant it is <b>NOT</b> specified that the grant <b>MUST</b> be used in this way or that the grant <b>MUST</b> be returned. The Authority could use this grant to fund other expenditure without the requirement to return the grant.</p>

# Conditions & Restrictions

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- Is the grant Ringfenced/Unringfenced
  - Each of the grant conditions will need to be checked to determine if it is ring-fenced or unringfenced, as this will affect how we treat and use the funding.

Ringfenced Grants	Unringfenced Grants
Ringfenced grants are aimed at specific services or priorities and have restrictions put on them, so they can only be used for a particular purpose	Unringfenced grants are 'targeted grants' directed at named categories of expenditure but without any 'formal restrictions' on what the money can be spent on
The nature of these grant awards often means they have repayment and other conditions attached	The nature of these grant awards often contain no repayment conditions <u>BUT</u> not always
<b>Example:</b> Public Health Grant	<b>Example:</b> Covid 19 Emergency Funding

# Grants Checklist

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- GMCA have now introduced a comprehensive checklist
- All new grant awards **must** now have a complete Grant Checklist
- Staff who perform Budget Monitoring will be responsible for ensuring checklists are compiled, reviewed and signed off by Principal Accountants and Heads of Finance before the Treasurer can approve.

## Purpose

- Acts as source document for the grant register
- Ensures grant awards are reviewed in detail
- Helps to identify any Key information
- Identifies any attached T's & C's



# Grants Checklist

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## Considerations

- Source of Grant (Government/European Union/Private Sector/Voluntary Sector/LA)
- Frequency of Grant
- Is it:
  - Revenue Grant?
  - Capital Grant ?
- Accounting treatment of grants and contributions.
- Impacts: Revenue budget monitoring & main statements in the final accounts
- Impacts: Capital budget monitoring & main statements in the final accounts

## Considerations for Budget Monitoring/Year End?

- Terms & Conditions
- Cash flow impact
- Time Limit? Risk of claw back?
- Future cost pressure to GMCA after grant period?
- Interpreting & Understanding condition's?

# Revenue Checklist

Revenue Grant Checklist			
Grant Name	Clean Air Fund - Revenue (Bus Replacement) - NO2 Plan Clean Air Fund 2021 (No31/5761)		
Awarding Body	DEFRA/DfT - Joint Air Quality Unit (JAQU) – Andrew Jackson		
Date of grant award letter	15/10/2021		
Value £	£162,400		
Financial year of award	2021/22		
Estimated date for receipt of cash	Not known		
Grant Conditions			
Spend deadline	Indicative 31/12/21 – to be confirmed by GM as part of final business case (FBC)		
Specific purpose	Bus Replacement - This will provide support for the admin of a scheme for the replacement of buses by SMEs under the GM plan.		
Section 31 Grant	Y	Repay unspent grant?	Y
Audit certification required	None specified		
Submission/claims process	Quarterly monitoring reports detailing progress with the implementation of the local plan.		
Monitoring			
Lead Directorate:	Transport	Lead Service:	TfGM
Named project lead:	Jamie Finnegan	Named Finance Lead	Allia Barkatali
Cost centre	TBC	Project Code	TBC
Grant documentation saved	Filepath		
Approvals			
Key decision (GMCA approval)	N	To be included in Quarter 2 revenue update report in November 2021	
Other approvals	None		
Grant register updated	Y/N	Completed by	
Sign off: Senior Finance Officer		Date:	
Sign off: Head of Finance		Date:	
Treasurer Certification			
Signature:	_____		
Date:	_____		

# Capital Checklist

Capital Grant Checklist			
Grant Name	Clean Air Fund - Capital - NO2 Plan Clean Air Fund 2021 (No31/5762)		
Awarding Body	Joint Air Quality Unit (JAQU) - Andrew Jackson		
Date of grant award letter	15/10/2021		
Value £	£3,248,000		
Financial year of award	2021/22		
Estimated date for receipt of cash	Not known		
Grant Conditions			
Spend deadline	Indicative 31/12/21		
Specific purpose - For what is the grant award to be used for?	Bus Replacement by SME's under the GM Plan - how can also be used to deliver air quality improvements or individuals/businesses affected by local air quality plans		
Requirement to repay unspent grant?	Y		
Section 31 Grant	Y		
Audit certification required	Declaration from Chief Executive & Chief Internal Auditor by 31/12/22		
Submission/claims process (Provide details)	First Submission 31/12/21 followed by subsequent quarterly submissions		
Monitoring			
Lead Directorate:	Transport	Lead Service:	
Named project lead:	Jamie Finnegan	Named Finance Lead	Allia Barkatali
Cost centre	TBC	Account Code	7000
Grant documentation saved	(Filepath)	Project Code	TBC
Approvals			
Key decision (GMCA approval)	Y	To be included in update to Qtr 2 update to Capital Programme in Nov 2021	
Other approvals	None		
Grant register updated	Y/N	Completed by	(Name)
Sign off: Senior Finance Officer	(Name)	Date:	
Sign off: Head of Finance	(Name)	Date:	
Treasurer Certification			
Signature:	_____		
Date:	_____		

# New Grants Process - Checklist

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## Checklist

- Each Grant checklist must be compiled at the time of award
- Reviewed and signed off by Principal Accountant
- Reviewed and signed off by Head of Finance
- Reviewed and signed off by Treasurer (**Treasurer will not sign off grants without a checklist**)

## Grant Register

- Must be reviewed and updated on a regular basis – Review of cost centres for any new grant awards should form part of quarterly budget monitoring reports

# Grants Register Overview

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**Record of all Capital and Revenue grants awarded in year.**

**Provides a snap shot of Key information:**

- Award Amounts and Conditions
- Spend in year
- Receipts in Advance (RIA)
- Reserves Balance

**Benefits – Why is it important**

- Used to finalise the rev/cap outturn position and inform the preparation of the year-end notes
  - Note 13 Grants and Contributions Income / Note 14 Grants and Contributions Received in Advance / Note 16 Tax and Non-Specific grant Income
- Understanding T's & C's, updates on the current grant position, records any changes, extensions and other important information
- Ensures all supporting evidence is efficiency compiled
- Supports Budget monitoring / setting – helping to identify and forecast multiple grant income streams

# Latest Grants List

Auth	Type	Purpose	Grant Name	Awarding Body	Award £m
GMCA	Revenue	Other	Rough Sleeper Accommodation Programme	MHCLG	£0.226m
GMCA	Revenue	Other	UKSPF	DLUHC	£69.523m
GMCA	Revenue	Skills	Multiply	DLUHC	£14.385m
GMCA	Revenue	Other	Rough Sleeping Initiative	MHCLG	£1.107m
GMCA	Revenue	Other	Growth Hub	BEIS	£0.780m
GMCA	Revenue	Other	Homelessness – Out of Hospital Care	MHCLG & Dept of Health & Social C:	£0.523m
GMCA	Revenue	Other	Housing First Pilot Grant	MHCLG	£1.120m
GMCA	Revenue	Other	Innovation & Reform Funding	DfE	£7.430m
GMCA	Revenue	Other	LRF Funding Pilot Programme	MHCLG	£0.222m
GMCA	Revenue	Other	GM Community Accommodation Services	HMPPS	£2.962m
GMCA	Revenue	Other	Rough Sleepers Initiative	MHCLG	£1.000m
GMCA	Revenue	Other	LRF Pilot Innovation Fund	DLUHC	£0.085m
GMCA	Revenue	Other	Local Data Accelerator Fund	DLUHC	£0.440m
GMCA	Revenue	Other	Local Data Accelerator Fund RG110b	DLUHC	£0.025m
GMCA	Revenue	Other	Local Data Accelerator Fund RG110c	DLUHC	£0.030m
GMCA	Revenue	Other	UK Community Renewal Fund	DLUHC	£4.326m
GMCA	Revenue	Retrofit	Biodiversity Net Gain	DEFRA	£0.010m
GMCA	Revenue	Retrofit	Local Nature Recovery Strategy Local Capacity Seed Funding Gr2	DEFRA	£0.016m
GMCA	Revenue	Skills	Adult Education Budget 1b	DfE	£97.696m
GMCA	Revenue	Skills	AEB -National Skills Fund Level 3 Adult Offer	DfE	£8.378m
GMCA	Revenue	Skills	Changing Futures Development Grant	MHCLG	£4.775m
GMCA	Revenue	Skills	Digital Bootcamp	DfE	£0.500m
GMCA	Revenue	Skills	Digital Skills Academy Fund	DCMS	£3.000m
GMCA	Revenue	Skills	Future Workforce Fund	DfE	£7.000m
GMCA	Revenue	Skills	Self Employment Pilot Programme	DfE	£10.000m
GMCA	Revenue	Skills	Skills Analysis Panel Grant	DfE	£0.075m
GMCA	Revenue	Skills	Kickstart Scheme	DWP	£0.035m
GMCA	Revenue	Skills	ESF NEET	DWP	£11.850m
GMCA	Revenue	Skills	Construction Retrofit Bootcamp	DfE	£0.475m

# Grants List (Cont.)

Auth	Type	Purpose	Grant Name	Awarding Body	Award
					<b>£m</b>
GMCA	Revenue	Transport	Better Deal for Bus Users	DfT	£1.590m
GMCA	Revenue	Transport	Bus Service Operators Grant	DfT	£13.151m
GMCA	Revenue	Other	Gainshare / Earnback (p.a.)	MHCLG & HM Treasury	£30.000m
GMCA	Revenue	Transport	GM Clean Air Plan (Bus replacement)	DEFRA	£0.162m
GMCA	Revenue	Transport	Enhanced Partnership Scheme Grant	DfT	£0.100m
GMCA	Revenue	Transport	Mini-Holland Feasibility Funding	DfT	£0.079m
GMCA	Revenue	Transport	City Region Sustainable Transport Settlement	DfT	£8.445m
GMCA	Revenue	Transport	City Region Sustainable Transport Settlement	DfT	£35.000m
GMCA	Revenue	Transport	Bus Service Improvement Plan	DfT	£95.000m
					<b>£431.521m</b>
GMCA	Capital	Housing	Brownfield Fund	DCLG	£97.000m
GMCA	Capital	Transport	GM Clean Air Fund	DfT	£83.600m
GMCA	Capital	Transport	GM Clean Air Fund	DfT	£3.248m
GMCA	Capital	Transport	Pothole Action Fund	DfT	£15.526m
GMCA	Capital	Retrofit	Public Sector Decarbonisation	BEIS	£19.000m
GMCA	Capital	Retrofit	GM Unlocking Public Decarbonisation 3	BEIS	£15.534m
GMCA	Capital	Transport	ZEBRA	DfT	£35.730m
GMCA	Capital	Transport	City Region Sustainable Transport Settlement	DfT	£173.000m
GMCA	Capital	Other	Gainshare / Earnback (30 Yrs)	MHCLG & HM Treasury	£300.000m
GMCA	Capital	Other	UKSPF	DLUHC	£14.328m
					<b>£756.966m</b>
					<b>£1,188.487m</b>

# Examples



# Housing Investment Loan Fund (HILF)

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## Background

- HILF is a £300m loan from government which was provided in 2015 for the establishment of a Housing Fund – the key requirements being: i) that the funding provided to developments is considered an investment through either debt or equity (rather than a grant) and; ii) that the funding is used to deliver new homes.

Page 57 The investment period is 10 years, through to 2025 with a subsequent 3 years for repayment of the loan.

- 80% of the £300m loan is underwritten by the GMCA.

# Housing Investment Loan Fund (HILF)

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## Statistics on the Fund

- £682.4m of funding committed to date - £656m of debt and £26.4m of equity.
- 8,465 homes created to date and therefore on track to achieve the target of 10,000 homes.
- £69m provided to support SME developers, for delivery of 691 homes.
- £15m invested into social impact housing.
- £14m surpluses generated to date which have been used to fund:
  - Dedicated delivery team
  - Good Landlord Charter
  - Local Authority support
  - Progressing initiatives such as Net Zero Homes, Modern Methods of Construction and Green Finance for Retrofit

# Brownfield Housing Fund

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- £135.4m of funding received across 5 tranches from DLUCH.
- £66m deployed to date into 95 schemes.
- Contracted spend for FY 22/23 is £39.8m, latest forecasts show an underspend (principally due to project delays) of £13.4m.
- There is also a carried forward underspend from FY 21/22 of £9.5m (agreed with DLUCH) - cumulative projected underspend is therefore £22.9m.
- The underspend is to be deployed:
  - Into existing Brownfield schemes which also have HILF debt, in order to absorb the HILF over commitment
  - The balance into Stockport Interchange (an existing Brownfield scheme)
  - Underspend will be deployed as debt and recycled to be used for the originally intended schemes

# Case study – Stockport Interchange

## Stockport Interchange

In order to support the expansion and regeneration of Stockport, GMCA has approved up to £9.3m of patient equity investment and £21.5m senior debt funding, alongside a £3m allocation from the Brownfield Housing Fund.

The scheme includes a residential development alongside a multi-million-pound transformation of Stockport's existing bus station into a modern transport interchange. The project includes the creation of a public park, enhanced connectivity to the railway station, Mersey shopping centre and the River Mersey frontage.

The residential development will deliver 196 well needed new homes by 2024. It is a key component of plans to regenerate 130 acres of brownfield land to the west of the town centre, anticipated to be a catalyst for further private sector investment in the town.



## GMCA AUDIT COMMITTEE

**DATE:** 25<sup>th</sup> January 2023

**SUBJECT:** Audit Committee Effectiveness Survey Proposal

**REPORT OF:** Sarah Horseman, Deputy Director – Audit and Assurance, GMCA

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### PURPOSE OF REPORT

This report sets out a proposed process for undertaking an Effectiveness Review of the Audit Committee. It is based on guidance issued by CIPFA in the recently published “The Audit Committee Member in a Local Authority” guidance.

### RECOMMENDATIONS:

1. The Committee agree the approach to and timing of the Audit Committee effectiveness survey

### CONTACT OFFICER

Name: Sarah Horseman

Position: Deputy Director, Audit and Assurance

E-mail: sarah.horseman@greatermanchester-ca.gov.uk

## BACKGROUND DOCUMENTS

Equalities Implications – none arising directly out of this report

Climate Change Impact Assessment and Mitigation Measures - none arising directly out of this report

Risk Management – none arising directly out of this report

Legal Considerations – none arising directly out of this report

Financial Consequences – none arising directly out of this report

Financial Consequences – none arising directly out of this report

Number of attachments included in the report: none

<b>TRACKING/PROCESS</b>		
Does this report relate to a major strategic decision, as set out in the GMCA Constitution		Yes/ No
<b>EXEMPTION FROM CALL IN</b>		
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	

## INTRODUCTION

In October 2022, CIPFA issued revised guidance for Audit Committee Members, entitled “The Audit Committee Member in a Local Authority”. This guidance explains the purpose of the Audit Committee, core functions, additional functions, independence and accountability considerations and guidance around membership and effectiveness.

Within the guidance, CIPFA recommends that an annual effectiveness review of Audit Committees is undertaken with the results being reflected in any annual report produced by the Committee.

Assessing the effectiveness of the committee should consider the following:

- An assessment of whether the committee is operating in accordance with the practices recommended in the guidance and complies with legislation (where appropriate).
- How the committee has fulfilled its terms of reference, including the core functions of the committee.
- The operation of the committee, including the support and training provided and how members have developed their knowledge and experience.
- The committee’s effectiveness in terms of impact on the quality of governance, risk management and internal control, together with satisfactory audit arrangements.
- Feedback from those interacting with the committee.

It also states that in other sectors for the chair of the audit committee to provide feedback to individual members but acknowledges that in the political environment of an authority, this is more difficult to do. The guidance states that consideration should be given to facilitating general feedback as part of a wider committee self assessment.

The last GMCA Audit Committee Effectiveness survey was undertaken in July 2019.

## **PROPOSAL FOR GMCA AUDIT COMMITTEE**

As part of the guidance, CIPFA provided a suggested self-assessment questionnaire for Audit Committee members to complete. The survey covers the key principles of the guidance. A copy of the questionnaire is attached in Appendix 1.

It is proposed that prior to the next Audit Committee meeting, that Audit Committee Members are requested to complete an on-line self-assessment questionnaire which will be based upon the CIPFA suggested tool.

Results will be compiled and shared for review and consideration at the next Audit Committee meeting. From this any areas for further development of the Committee can be identified and actions agreed.

The survey can then be used annually to undertake an effectiveness review of the Committee.



## APPENDIX 1 – CIPFA Self-Assessment of Good Practice

# Self-assessment of good practice

This appendix provides a high-level review that incorporates the key principles set out in CIPFA's Position Statement and this publication. Where an audit committee has a high degree of performance against the good practice principles, it is an indicator that the committee is soundly based and has in place a knowledgeable membership. These are the essential factors in developing an effective audit committee.

A regular self-assessment should be used to support the planning of the audit committee work programme and training plans. It will also inform the annual report.

Good practice questions	Does not comply	Partially complies and extent of improvement needed*			Fully complies
	Major improvement	Significant improvement	Moderate improvement	Minor improvement	No further improvement
Weighting of answers	0	1	2	3	5
<b>Audit committee purpose and governance</b>					
1 Does the authority have a dedicated audit committee that is not combined with other functions (eg standards, ethics, scrutiny)?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2 Does the audit committee report directly to the governing body (PCC and chief constable/full council/full fire authority, etc)?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3 Has the committee maintained its advisory role by not taking on any decision-making powers?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4 Do the terms of reference clearly set out the purpose of the committee in accordance with CIPFA's 2022 Position Statement?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5 Do all those charged with governance and in leadership roles have a good understanding of the role and purpose of the committee?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6 Does the audit committee escalate issues and concerns promptly to those in governance and leadership roles?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7 Does the governing body hold the audit committee to account for its performance at least annually?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Good practice questions	Does not comply	Partially complies and extent of improvement needed			Fully complies
	Major improvement	Significant improvement	Moderate improvement	Minor improvement	No further improvement
Weighting of answers	0	1	2	3	5
<b>8</b> Does the committee publish an annual report in accordance with the 2022 guidance, including:					
<ul style="list-style-type: none"> <li>• compliance with the CIPFA Position Statement 2022</li> </ul>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<ul style="list-style-type: none"> <li>• results of the annual evaluation, development work undertaken and planned improvements</li> </ul>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<ul style="list-style-type: none"> <li>• how it has fulfilled its terms of reference and the key issues escalated in the year?</li> </ul>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Functions of the committee</b>					
<b>9</b> Do the committee's terms of reference explicitly address all the core areas identified in CIPFA's Position Statement as follows?					
Governance arrangements	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Risk management arrangements	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Internal control arrangements, including: <ul style="list-style-type: none"> <li>• financial management</li> <li>• value for money</li> <li>• ethics and standards</li> <li>• counter fraud and corruption</li> </ul>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Annual governance statement	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Financial reporting	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Assurance framework	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Internal audit	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
External audit	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>10</b> Over the last year, has adequate consideration been given to all core areas?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>11</b> Over the last year, has the committee only considered agenda items that align with its core functions or selected wider functions, as set out in the 2022 guidance?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>12</b> Has the committee met privately with the external auditors and head of internal audit in the last year?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Good practice questions	Does not comply	Partially complies and extent of improvement needed			Fully complies
	Major improvement	Significant improvement	Moderate improvement	Minor improvement	No further improvement
Weighting of answers	0	1	2	3	5

### Membership and support

<b>13</b> Has the committee been established in accordance with the 2022 guidance as follows?					
<ul style="list-style-type: none"> <li>• Separation from executive</li> </ul>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<ul style="list-style-type: none"> <li>• A size that is not unwieldy and avoids use of substitutes</li> </ul>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<ul style="list-style-type: none"> <li>• Inclusion of lay/co-opted independent members in accordance with legislation or CIPFA's recommendation</li> </ul>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>14</b> Have all committee members been appointed or selected to ensure a committee membership that is knowledgeable and skilled?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>15</b> Has an evaluation of knowledge, skills and the training needs of the chair and committee members been carried out within the last two years?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>16</b> Have regular training and support arrangements been put in place covering the areas set out in the 2022 guidance?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>17</b> Across the committee membership, is there a satisfactory level of knowledge, as set out in the 2022 guidance?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>18</b> Is adequate secretariat and administrative support provided to the committee?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>19</b> Does the committee have good working relations with key people and organisations, including external audit, internal audit and the CFO?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

### Effectiveness of the committee

<b>20</b> Has the committee obtained positive feedback on its performance from those interacting with the committee or relying on its work?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>21</b> Are meetings well chaired, ensuring key agenda items are addressed with a focus on improvement?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>22</b> Are meetings effective with a good level of discussion and engagement from all the members?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>23</b> Has the committee maintained a non-political approach to discussions throughout?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Good practice questions	Does not comply	Partially complies and extent of improvement needed			Fully complies
	Major improvement	Significant improvement	Moderate improvement	Minor improvement	No further improvement
Weighting of answers	0	1	2	3	5
24 Does the committee engage with a wide range of leaders and managers, including discussion of audit findings, risks and action plans with the responsible officers?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
25 Does the committee make recommendations for the improvement of governance, risk and control arrangements?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
26 Do audit committee recommendations have traction with those in leadership roles?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
27 Has the committee evaluated whether and how it is adding value to the organisation?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
28 Does the committee have an action plan to improve any areas of weakness?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
29 Has this assessment been undertaken collaboratively with the audit committee members?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Subtotal score</b>					
<b>Total score</b>					
<b>Maximum possible score</b>					<b>200**</b>

## **GMCA Audit Committee**

Date: 25 January 2023

Subject: Internal Audit Progress Report

Report of: Sarah Horseman, Head of Audit and Assurance, GMCA

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### **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 Q3 2022/23. 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](mailto: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

<b>TRACKING/PROCESS</b>		
Does this report relate to a major strategic decision, as set out in the GMCA Constitution?		No
<b>EXEMPTION FROM CALL IN</b>		
Are there any aspects in this report which means it should be considered to be exempt from call in by the relevant Scrutiny Committee on the grounds of urgency?		No
TfGMC	Overview & Scrutiny Committee	
N/A	N/A	

## 1 Introduction

- 1.1 The Internal Audit strategic three-year plan for GMCA was presented to the Audit Committee in April 2022 and this set out the planned assurance activity to be conducted during 2022/23 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 the 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 2022/23.

## 2 Progress against the 2022/23 Internal Audit Plan

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

- 2.1 Since we last reported to Audit Committee in October 2022, we have issued five audit reports (one at draft report stage) and certified three grants. The Executive Summaries from the published audits are appended to this report.
- 2.2 **Budgetary Control:** We provided a **Reasonable Assurance opinion** on the overall budgetary control process operating within GMCA. Budgets are set and formally approved, and cost centres are regularly managed and monitored against budgets, with quarterly budget reports provided to the GMCA Board. Our report identified four

areas for improved control relating to procedures for managing and monitoring Capital programme budgets; the level of financial oversight provided by the Senior Leadership Team; and improved training and guidance for Directorate staff involved in financial management.

- 2.3 **Treasury Management:** We provided a **Reasonable Assurance opinion** over the Authority's arrangements for Treasury Management following the establishment of the in-house function from 1 April 2022. Our review of the design of the control framework identified that key controls were in place to manage treasury management activities and provided for segregation of duties in transactions and bank reconciliations and these controls were found to be operating effectively.
- 2.4 The Treasury Management function remains a development area for the Finance team and the key operational risks identified in the risk register need to be kept under review to ensure the function delivers a financially beneficial strategy to secure the best possible returns from investing cash funds, to avoid any adverse impact on the funding and delivery of services.
- 2.5 **Maintenance and Testing of Operational Equipment (GMFRS):** We provided a **Limited Assurance opinion** over controls in place for the maintenance and testing of operational equipment. This opinion was substantially driven by difficulty in linking individual physical assets to corresponding maintenance records to evidence compliance. General on-Station compliance with maintenance routines was found to be high and staff showed good understanding of the requirements for maintenance testing. Improvements are required to the systems and processes that underpin the whole programme of inspection, maintenance, and testing. We understand that a project to identify and implement a new asset tracking system for the service is in progress and in the longer term this will address most of the issues found in this audit. The agreed actions therefore focus on shorter term improvement measures prior to implementation of any new system



2.6 **Performance Management and Reporting:** We provided a **Reasonable Assurance opinion** over the policy, procedure and processes which underpins the GMCA Performance Management and Reporting Framework. Since our last report in 2020, the organisation has made good progress in establishing a formal mechanism for reporting on progress at Greater Manchester Strategy (GMS) level and GMCA Business Plan level which was the key action from our previous audit. Given that the process is relatively new it was difficult to draw a full conclusion on the overall effectiveness of the performance framework as the process is still evolving and the organisation seeks to refine the structure and content of the corporate plan and business plan for 2023/24.

2.7 We made four recommendations for improved control and these will be considered by Management as part of the Directorate input and development of the 2023/24 Business Plan and staff engagement session.

2.8 **Grant Certifications** – Three grants were certified during the period with a further one ongoing.

- **Green Homes Grant Phase 1b 31/5336.** A written certification was issued in November 2022.
- **Green Homes Grant Phase 2 20/21 31/5337.** A written certification was issued in December 2022.
- **LOCAL TRANSPORT CAPITAL BLOCK FUNDING (CITY DEALS FUND) £22.3m 31/5675.** A written certification of compliance was issued to DfT in December 2022.

### 3 Internal Audit work in progress 2022/23

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

<b>Planning Stage</b>	
Road Safety Partnership	Planning discussions underway for a joint review in conjunction with TfGM and GMP.
Supporting Families Framework	Terms of reference agreed with work due to commence in February 2023 in conjunction with the 10 GM Districts.
Non-AR Income	Planning is underway for these audits.
Safeguarding and DBS	
CCTV	

<b>Fieldwork Stage</b>	
Brownfield Housing Fund Grant	Initial discussions and assessment has taken place to facilitate the sign off of this grant in March 2023
Waste Estates Management	Fieldwork has commenced on these audits.
Use of Contractors and Temporary Staff	
GM One Network	

<b>Reporting Stage</b>	
Adult Education Budget – Provider Contract Monitoring	A draft report has been issued and we are awaiting a management response prior to finalisation.

Details of our progress in respect of the 2022/23 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 Other than rescheduling the timing of planned work, we are not proposing any major changes to the plan at this time. There are several audits which are under review with Management and whilst at this stage we aim to complete the majority of planned work it is likely that some audits will be descoped or may extend into quarter 1 2023/24.
- 4.3 We are pleased to report that we have recently concluded a procurement exercise to engage an IT Audit provider to complete planned IT/IS related audit work across GMCA/TfGM and GMP. Introductory meetings have taken place and we will work with the provider to schedule the delivery of this audit work across the three organisations. We aim to commission at least one IT audit at GMCA before the end of the financial year.
- 4.4 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 **Whistleblowing and Counter Fraud Activities** – There were no new whistleblowing reports received by Internal Audit during the period.

5.3 **Anti-Fraud Policies** presented to Audit Committee in July have been published on the GMCA intranet pages and made available to staff. Fraud awareness guidance and e-learning training will also be accessible to staff. The GMCA Whistleblowing Policy has been reviewed and refreshed and will be recommended for approval by the GMCA Standards Committee on 10<sup>th</sup> February 2023. There have been no significant changes to the Policy.

5.4 **National Fraud Initiative (NFI) 2022/23** - Datasets for Payroll, Pensions and trade Creditors were uploaded in line with the timetable and we are awaiting the results of this data matching exercise which are due to be released in January 2023.

5.5 We have held a round of quarterly engagement discussions with Directors to understand emerging risks/issues and help inform audit planning for 2023/24.

## 6 Internal Audit Performance and Development

### Internal Audit Improvement Plan

6.1 As the internal audit function within GMCA matures, areas for future development are identified through our internal and external quality assessments, the work we undertake and feedback from audit sponsors and the Committee. Areas for future development are included in the Internal Audit Improvement Plan.

The current status of the Plan is noted in **Appendix D**

### 6.2 Internal Audit Performance – Plan Delivery 2022/23

Activity	#	Performance Indicator	Target	Oct 22 – Dec 22 (Qtr3)	Trend	Comments

<b>Delivery of 2022/23 audit plan</b>	1	Completion of 2022/23 audit plan	100% by year end	45%	↔	Includes fifteen completed audits (inc grant certifications) from the 2022/23 plan. (figures include draft reports issued)
	2a	Elapsed time of audits (fieldwork to draft report)	<3 months	12.5%	↓	Completed within timescales (not including grants)
	2b	Elapsed time of audits (draft report to final)	< 1 month	25%	↓	Completed within timescales
<b>Audit action implementation</b>	3	Quality of agreed audit actions	90%			No feedback responses have been received this quarter to measure this KPI.
	4	Audit actions implemented (rolling 12 months)	85%	73%	↓	Slight reduction in audit action implementation rate since October 2022.
	5	Historic open audit actions	0	1	↔	There remains one historic audit actions relating to VAT treatment of employee expenses.
<b>Internal Audit Effectiveness</b>	6	Audit process	80%			No feedback responses have been received this quarter to measure this KPI.
	7	Customer satisfaction	80%			

**Appendix A - Summary of Internal Audit Reports issued 2022/23**

The table below provides a summary of the internal audit work completed. This will inform the annual Internal Audit opinion for the year 2022/23.

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Audit	Assurance Level	Audit Findings					Coverage		
		Critical	High	Medium	Low	Advisory	GMCA	GMFRS	Waste
Mandatory Firefighter Training and CPD (b/f)	Reasonable	-	-	3	-	-	-	✓	-
Grant Funding Management and Reporting	Reasonable	We made no recommendations in this audit.					✓	✓	✓
Public Sector Decarbonisation (Phase 1) Summary Report	Positive	-	-	-	-	1	✓	✓	-
Budgetary Control	Reasonable	-	-	3	1	-	✓	✓	-

Audit	Assurance Level	Audit Findings					Coverage		
		Critical	High	Medium	Low	Advisory	GMCA	GMFRS	Waste
Treasury Management	Reasonable	-	-	3	2	-	✓	-	-
GMFRS Maintenance and Testing of Operational Equipment	Limited	-	4	-	-	-	-	✓	-
GMCA Performance Management and Reporting – Follow Up	Reasonable	-	-	4	-	-	✓	-	✓
Adult Education Budget – Provider Contract Management (DRAFT)	Reasonable	-	-	1	2	-	✓	-	-

Grant Certifications				
BEIS Growth Hub Funding 2021/22	Positive	✓		
Peer Networks March 2022 Claim	Positive	✓		
Peer Networks Grant – Annual Sign Off 2021/22 £607k	Positive	✓		
Public Sector Decarbonisation Scheme – Phase1 (Section 31) 31/3535	Positive	✓	✓	
Local Transport Capital Block Funding (Pothole Fund) Specific Grant Determination (2021/22) (Section 31) 31/5506	Positive	✓		
Brownfield Housing Fund Grant 2021/22 (Section 31) £ 31/6020 & 31/5706 £49.2m	Positive	✓		
LOCAL TRANSPORT CAPITAL BLOCK FUNDING (CITY DEALS FUND) £22.3m 31/5675.	Positive	✓		
Green Homes Grant Phase 1b 31/5336	Positive	✓		
Green Homes Grant Phase 2 20/21 31/5337	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
	<b>SUBSTANTIAL ASSURANCE</b>	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.
	<b>REASONABLE ASSURANCE</b>	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.
	<b>LIMITED ASSURANCE</b>	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.

	<b>NO ASSURANCE</b>	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
<b>Critical</b>	<ul style="list-style-type: none"> <li>• Repeated breach of laws or regulations</li> <li>• Significant risk to the achievement of organisational objectives / outcomes for GM residents</li> <li>• Potential for catastrophic impact on the organisation either financially, reputationally or operationally</li> <li>• Fundamental controls over key risks are not in place, are designed ineffectively or are routinely circumvented</li> <li>• Critical gaps in/disregard to governance arrangements over activities</li> </ul>	<b>40</b>
<b>High</b>	<ul style="list-style-type: none"> <li>• One or more breaches of laws or regulation</li> <li>• The achievement of organisational objectives is directly challenged, potentially risking the delivery of outcomes to GM residents</li> <li>• Potential for significant impact on the organisation either financially, reputationally or operationally</li> <li>• Key controls are not designed effectively, or testing indicates a systemic issue in application across the organisation</li> <li>• Governance arrangements are ineffective or are not adhered to.</li> <li>• Policies and procedures are not in place</li> </ul>	<b>10</b>
<b>Medium</b>	<ul style="list-style-type: none"> <li>• Minor risk that laws or regulations could be breached but the audit did not identify any instances of breaches</li> <li>• Indirect impact on the achievement of organisational objectives / outcomes for GM residents</li> <li>• Potential for minor impact on the organisation either financially, reputationally or operationally</li> </ul>	<b>5</b>

	<ul style="list-style-type: none"> <li>• Key controls are designed to meet objectives but could be improved or the audit identified inconsistent application of controls across the organisation</li> <li>• Policies and procedures are outdated and are not regularly reviewed</li> </ul>	
<b>Low</b>	<ul style="list-style-type: none"> <li>• Isolated exception relating to the full and complete operation of controls (e.g. timeliness, evidence of operation, retention of documentation)</li> <li>• Little or no impact on the achievement of strategic objectives / outcomes for GM residents</li> <li>• Expected good practice is not adhered to (e.g. regular, documented review of policy/documentation)</li> </ul>	<b>1</b>
<b>Advisory</b>	Finding does not impact the organisation's ability to achieve its objective but represent areas for improvements in process or efficiency.	<b>0</b>

## Appendix B – Progress against the Internal Audit Plan 2022/23

The table below shows progress made in delivery of the 2022/23 Internal Audit Plan.

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

Directorate	Audit Area	Audit	Timing	Plan Days	Planning	Fieldwork	Draft Report	Final Report	Audit Committee	Comments
Corporate Services	Grants	Mandatory Grant Certifications	Q1-Q4	67	●	●	●	●		Ongoing
Corporate Services	Grants	BEIS Growth Hub Funding 2021/22	Q1	-	●	●	●	●	July 2022	Completed
Corporate Services	Grants	Peer Networks March claim	Q1	-	●	●	●	●	July 2022	Completed
Corporate Services	Finance	Grant Funding Management and Reporting	Q1	10	●	●	●	●	July 2022	Completed

Directorate	Audit Area	Audit	Timing	Plan Days	Planning	Fieldwork	Draft Report	Final Report	Audit Committee	Comments
Corporate Services	Grants	Public Sector Decarbonisation	Q1	-	●	●	●	●	October 2022	Completed
Corporate Services	Grants	Peer Networks Grant – Annual Sign Off	Q2	-	●	●	●	●	October 2022	Completed
Corporate Services	Grants	Brownfield Housing Fund Grant 31/6020 & 31/5706	Q1	-	●	●	●	●	October 2022	Completed
Corporate Services	Grants	Local Transport Capital Block Funding (Pothole Fund) 31/5506	Q2	-	●	●	●	●	October 2022	Completed
Corporate Services	Grants	Local Transport Capital Block Funding (Pothole	Q3	-	●	●	●	●	Jan 2023	Completed

Directorate	Audit Area	Audit	Timing	Plan Days	Planning	Fieldwork	Draft Report	Final Report	Audit Committee	Comments
		Fund) (City Deals Fund) 31/5675.								
Corporate Services	Grants	Green Homes Grant Phase 1b 31/5336	Q3	-	●	●	●	●	Jan 2023	Completed
Corporate Services	Grants	Green Homes Grant Phase 2 20/21 31/5337	Q3	-	●	●	●	●	Jan 2023	Completed
Corporate Services	Grants	Brownfield Housing Fund Grant	Q4	-	●					Preliminary work undertaken
ICT	Governance	ICT Audit Needs Assessment (External)	Q1	2	○	○	○	○		Under Review (defer to Q4)
Corporate Services	Finance	Budgetary Control	Q2	30	●	●	●	●	Jan 2023	Completed

Directorate	Audit Area	Audit	Timing	Plan Days	Planning	Fieldwork	Draft Report	Final Report	Audit Committee	Comments
Corporate Services	Finance	Treasury Management	Q2	20	●	●	●	●	Jan 2023	Completed
GMFRS	Front Line Services	Maintenance and Testing of Operational Equipment	Q2	20	●	●	●	●	Jan 2023	Completed
Waste	Assets	Waste Estates Management	Q2	15	●	◐	○	○		Fieldwork
Environment	TBC	Capital Programme 'Deep Dive'	Q2	25	○	○	○	○		To consider merging with GM One Network
Corporate Services	Governance	Performance Management (Follow Up)	Q2	15	●	●	●	●	Jan 2023	Completed



Directorate	Audit Area	Audit	Timing	Plan Days	Planning	Fieldwork	Draft Report	Final Report	Audit Committee	Comments
Education, Work and Skills	Contracts	AEB	Q2	20	●	●	●	○		Draft Report
Corporate Services	Finance	BWO Access Rights	Q3	20	○	○	○	○		Under review
ICT	Application management	User Acceptance Testing (External)	Q3	2	○	○	○	○		Under Review with new IT Audit provider
Corporate Services	Procurement and Contracting	Commercial	Q3	20	○	○	○	○		Under review
ICT	Information Systems	GM One	Q3	20	●	○	○	○		Scoping

Directorate	Audit Area	Audit	Timing	Plan Days	Planning	Fieldwork	Draft Report	Final Report	Audit Committee	Comments
People Services	Compliance	Investigation Processes	Q3	25	○	○	○	○		Under review
ICT	Assets	IT Asset Management (External)	Q3	2	○	○	○	○		Under Review with new IT Audit provider
Corporate Services	Finance	Non-AR Income	Q3	20	●	○	○	○		Scoping
GMFRS	Front Line Services	Safeguarding and DBS	Q3	20	●	○	○	○		Scoping
GMFRS	Front Line Services	Station Standards Framework	Q3	20	○	○	○	○		Under Review
Public Sector Reform	Compliance	Supporting Families Programme	Q3	10	●	○	○	○		Scoping

Directorate	Audit Area	Audit	Timing	Plan Days	Planning	Fieldwork	Draft Report	Final Report	Audit Committee	Comments
Governance and Scrutiny	Information Governance	CCTV	Q4	20	●	○	○	○		Scoping
Core Investment Team	Loans and Investments	External Loans	Q4	20	○	○	○	○		
GMFRS	Prevention and Protection	Road Safety Partnership	Q4	20	●	○	○	○		Scoping
People Services	Workforce	Use of Consultants	Q4	25	●	●	○	○		Fieldwork
Total Plan Days				468						

<b>Other Audit Activity</b>		<b>Quarter</b>
Information Governance	Head of IA is a member of the IG Board, ongoing advice, and oversight of IG risks through this forum.	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

## 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 2022.

Audit Area	Audit	Timing	Days	Change requested	Rationale	Approved by Audit Committee
ICT	ICT Audit Needs Assessment (External)	Q1	2	Defer to Q4	ICT audit provider appointed in December 2022. Ongoing discussions to agree a delivery plan for the next 12 months.	
	User Acceptance Testing (External)	Q3	2			

Audit Area	Audit	Timing	Days	Change requested	Rationale	Approved by Audit Committee
	IT Asset Management (External)	Q3	2			

**Appendix D - Internal Audit Improvement Plan**

PSIAS Ref	Ref	Action Required	Responsible	Action	Target date	Status
1130	EQA1	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
2010	EQA7	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	On hold – capacity of the team

PSIAS Ref	Ref	Action Required	Responsible	Action	Target date	Status
2050	EQA8	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.	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	On hold – capacity of the team
2050	AC1	When developing the assurance framework, consider the use of controls self-assessments for areas of GMCA that are not subject to Internal Audit	Head of Audit and Assurance	Consider introducing controls self-assessments as a line 2 assurance mechanism across GMCA. Will require some education and awareness activity to roll out.	1/4/23	On hold – capacity of the team
1210	EQA18	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.  For consideration



PSIAS Ref	Ref	Action Required	Responsible	Action	Target date	Status
						in future budget setting exercises.

**Appendix E – Executive Summaries**

**Maintenance and Testing of Operational Equipment**

## Internal Audit Report

### Maintenance and Testing of Operational Equipment


**FINAL**

**Issue Date 19 December 2022**

Report Distribution	
For Action	
Carlos Meakin	ACFO, Director of Frontline Services
Barry Moore	ACFO, Director of Service Support
Andrea Heffernan	Director of Corporate Support
Kris Smedley	LTSC Fleet and Logistics Manager
Paul Fearnhead	Area Manager Frontline Service Delivery
Ben Levy	Head of Resilience BCM and Ops Support
Mark Wilson	Operational Equipment and Technical Manager
For Information	
Audit Committee - Executive Summary Only	
Dave Russel	Chief Fire Officer
Ben Norman	Deputy Chief Fire Officer
Steven Cann	Senior Health and Safety Advisor
Steve Wilson	GMCA Treasurer
Gillian Duckworth	GMCA Solicitor and Monitoring Officer
Eamonn Boylan	Chief Executive
Andrew Lightfoot	Deputy Chief Executive
Mazars	External Auditor

Audit Team	
Sarah Horseman	Head of Audit and Assurance
Damian Jarvis	Audit Manager
Jessica Jordan	Principal Auditor

**1. EXECUTIVE SUMMARY**

AUDIT OBJECTIVE	ASSURANCE LEVEL																	
<p>The objective of this audit was to provide assurance over the programme of inspection, maintenance and testing carried out on operational equipment ensuring compliance with the Station Standards framework and relevant regulations.</p>	<div style="display: flex; align-items: center;"> <div style="background-color: #FFD700; padding: 10px; margin-right: 20px;">LIMITED ASSURANCE</div>  </div>																	
<p><b>KEY RISKS IF CONTROLS ARE NOT IN PLACE AND/OR OPERATING</b></p> <ul style="list-style-type: none"> <li>• Unsuitable or poorly maintained equipment can result in a health and safety risk to station staff or the public.</li> <li>• Inability to correctly maintain equipment can result in increased cost and reduced value for money.</li> <li>• Inability to connect physical assets with their individual maintenance records could result in the organisation being unable to appropriately defend itself in the face of a claim of negligence.</li> </ul>																		
<b>AUDIT FINDINGS</b>																		
<table border="1" style="width: 100%; text-align: center;"> <thead> <tr> <th style="background-color: #FF0000; color: white;">Critical</th> <th style="background-color: #FFD700;">High</th> <th style="background-color: #FFFF00;">Medium</th> <th style="background-color: #90EE90;">Low</th> <th style="background-color: #FFB6C1;">Advisory</th> <th style="background-color: #D3D3D3;">Total</th> </tr> </thead> <tbody> <tr> <td></td> <td>4</td> <td></td> <td></td> <td></td> <td>4</td> </tr> </tbody> </table>							Critical	High	Medium	Low	Advisory	Total		4				4
Critical	High	Medium	Low	Advisory	Total													
	4				4													
<b>BASIS OF AUDIT OPINION</b>																		
<p>This is based on the scoring mechanism outlined in Section 5 &amp; 6 of this report.</p>																		
<b>AUDIT OPINION AND SUMMARY CONCLUSION</b>																		
<p>We provide a <b>Limited Assurance opinion</b> over controls in place for the maintenance and testing of operational equipment. This opinion is substantially driven by the fact that it is difficult to link individual physical assets to corresponding maintenance records and therefore ensure and evidence compliance on an asset-by-asset basis. That being said, staff showed good understanding of the requirements for maintenance testing and general on-Station compliance with maintenance routines was found to be high. Improvements are required to the systems and processes that underpin the whole programme of inspection, maintenance, and testing.</p> <p>We understand that a project to identify and implement a new asset tracking system for the service is in progress and in the longer term this will address most of the issues found in this audit. The agreed actions therefore focus on shorter term improvement measures prior to implementation of any new system.</p>																		

#### AREAS OF GOOD PRACTICE

- Our discussions with Station officers confirmed that all felt confident in the completion of regular maintenance checks. All were able to describe the types of checks carried out on different items of equipment selected.
- Officers could identify how to access Technical Data Sheets held on the Station but admitted these were rarely referred to due to the familiarity of checking equipment. These would be referenced in the case of training apprentices.
- Generally, Technical Data Sheets specified the scheduled maintenance requirements in accordance with regulatory and manufacturer recommendations.
- All station records tested included the date the inspection/test had taken place and the signature and personal reference number of the Officer undertaking the check.
- All physical items viewed throughout our audit appeared clean and in good condition.
- Station Officers generally felt that the ROADS system worked well for the reporting and resolution of lost or damaged equipment and all believed it was an improvement on the STR10s system which it had replaced.
- Two stations (G20 and G33), had already commenced an exercise to cross reference equipment on the station to maintenance files and Technical Data Sheets. Both stations had identified discrepancies consistent with audit findings. Initial findings from the exercise at G20 are summarised in **Appendix 1**.

#### AREAS FOR IMPROVEMENT

The main areas for improvement related to the following:

- There is no single centralised inventory record of all operational equipment in use across Stations with differences identified between equipment on Station and BWO records. Station inventories are particularly limited in detail and scope.
- Not all operational equipment has a unique asset identifier/asset reference making it difficult to identify, manage and control physical equipment on an item-by-item basis and track maintenance history as maintenance records on station cannot be matched back to specific individual items of equipment .
- Ongoing difficulties with the capacity and functionality of the ROADS system mean that the system is slow, and records are being removed before they are completed. This leads to an inability to accurately monitor the cause of damage to equipment and speed of resolution.

## 2. SUMMARY OF AGREED ACTIONS

Finding	Risk Rating	Action	Target Date
1 Asset Tagging and Tracking.	HIGH	<ul style="list-style-type: none"> <li>i) All fleet and equipment will be uniquely identifiable and stored on a digital cloud-based system.</li> <li>ii) Once all known assets are entered onto the digital system LTSC &amp; OETT colleagues will circulate a complete inventory list to each station for localised station audit and amnesty of unaccounted for equipment.</li> <li>iii) Items not recorded on BWO will be reviewed for inclusion on BWO or new Papertrail system.</li> <li>iv) The new digital system will be rolled out to stations to allow greater visibility and transparency.</li> </ul>	<p>31 March 2023</p> <p>31 May 2023</p> <p>30 June 2023</p> <p>31 March 2024</p>
2 Review and update of Technical Data Sheets.	HIGH	<p>A working group will be set up to:</p> <ul style="list-style-type: none"> <li>i) Review and prioritise the updating of all Technical Data Sheets aligned to risk.</li> <li>ii) Agree a framework for frequency of testing of operational equipment to provide consistency.</li> <li>iii) Agree criteria for grouping of equipment into pre-defined categories to assist with asset tagging &amp; tracking</li> </ul>	31 March 2023
3 Station Maintenance Records.	HIGH	<ul style="list-style-type: none"> <li>i) A standard format for maintenance records will be agreed and expanded to include the unique asset I.D. The inclusion of a pass/fail marker will also be considered.</li> <li>ii) Stations will be given guidance over retention periods for maintenance records.</li> </ul>	<p>31 July 2023</p> <p>31 March 2023</p>
4 ROADS System; functionality, capacity, and reporting.	HIGH	<ul style="list-style-type: none"> <li>i) We will work with Digital Services Team to review workflows as part of the move to SharePoint Online to address outstanding investigation issues and the system capacity issue.</li> <li>ii) We will publicise the updated system guidance to stations alongside additional information about the need for conformance with the investigation process.</li> </ul>	<p>31 March 2023</p> <p>31 January 2023</p>

		iii) We will review the capability of Papertrail as a longer term replacement of ROADS which would allow all maintenance linked records and investigations to be stored in one system.	30 June 2023
--	--	--	--------------

**AUDIT SPONSOR COMMENTS**

**Provided by Carlos Meakin, ACFO, Director of Frontline Services**

I am grateful for the work undertaken to produce this internal audit report concerning the maintenance and testing of operational equipment. It is essential that robust testing and recording of operational equipment takes place given the nature of the operational environment, to meet both the relevant regulatory requirements, but importantly to ensure that equipment used in emergency situations is fit for purpose. I accept the recommendations of the report, noting the indicative timescales for delivery against each, and am satisfied that these timescales are reasonable given the associated risk. It is pleasing to see that operational staff have a good knowledge of the testing processes for equipment and that this is regularly undertaken, however once the recording element of this process is completed the overall assurance level should be greatly improved.

## Internal Audit Report

### Treasury Management

**FINAL**


**Issue Date 13 January 2023**

Audit Team	
Sarah Horseman	Head of Audit and Assurance
Damian Jarvis	Audit Manager
Stuart Richardson	Principal Auditor

Report Distribution	
For Action	
Steve Wilson	GMCA Treasurer
Rachel Rosewell	Deputy Treasurer, GMCA
Lindsey Keech	Head of Finance, Capital, and Treasury Management
For Information	
Audit Committee - Executive Summary Only	
Gillian Duckworth	GMCA Solicitor and Monitoring Officer
Eamonn Boylan	Chief Executive
Andrew Lightfoot	Deputy Chief Executive
Mazars	External Auditor



**1. EXECUTIVE SUMMARY**

AUDIT OBJECTIVE	ASSURANCE LEVEL																	
<p>The objective of this audit was to provide assurance over the Governance and Control framework in place for the Treasury Management function following the establishment of the in-house service from 1 April 2022.</p>	<div style="display: flex; align-items: center;"> <div style="background-color: #90EE90; padding: 5px; margin-right: 10px;">REASONABLE ASSURANCE</div>  </div>																	
<p><b>KEY RISKS IF CONTROLS ARE NOT IN PLACE AND/OR OPERATING</b></p>																		
<p>The Finance Directorate Risk Register includes specific risks relating to Treasury Management which are kept under review. These are:</p> <p><b>DIR-FIN-01 Treasury Management-</b> Difficulty in delivering a financially beneficial strategy which secure the best possible returns from investing CA cash and:</p> <p><b>DIR-FIN-02 Systems and Process-</b> Systems and processes to not adequately support compliance with statutory requirements and accounting codes of practice or help staff explore opportunities to improve performance.</p>	<p><b>AUDIT FINDINGS</b></p>																	
<table border="1" style="width: 100%; text-align: center;"> <thead> <tr> <th style="background-color: #FF0000; color: white;">Critical</th> <th style="background-color: #FFA500;">High</th> <th style="background-color: #FFFF00;">Medium</th> <th style="background-color: #90EE90;">Low</th> <th style="background-color: #DDA0DD;">Advisory</th> <th style="background-color: #D3D3D3;">Total</th> </tr> </thead> <tbody> <tr> <td>-</td> <td>-</td> <td>3</td> <td>2</td> <td>-</td> <td>5</td> </tr> </tbody> </table>							Critical	High	Medium	Low	Advisory	Total	-	-	3	2	-	5
Critical	High	Medium	Low	Advisory	Total													
-	-	3	2	-	5													
<p><b>BASIS OF AUDIT OPINION</b></p>																		
<p>This is based on the scoring mechanism outlined in Section 5 &amp; 6 of this report.</p>																		
AUDIT OPINION AND SUMMARY CONCLUSION																		
<p>We provide a <b>Reasonable Assurance</b> opinion over the Authority’s arrangements for Treasury Management (TM) following the establishment of the in-house function from 1 April 2022. Our review of the design of the control framework has identified that key controls are in place to manage treasury management activities and provide for segregation of duties in transactions and bank reconciliations. These controls are generally operating effectively, and transactions are recorded accurately.</p> <p>We have noted areas of good practice in the design of controls and processes and that statutory guidance around treasury management practices has been consulted appropriately.</p>																		

The Treasury Management function remains a development area for the Finance team and the key operational risks identified in the risk register need to be kept under review to ensure the function delivers a financially beneficial strategy to secure the best possible returns from investing cash funds, to avoid any adverse impact on the funding and delivery of services.

#### AREAS OF GOOD PRACTICE

- The Treasury Management Practices document covers the appropriate range of treasury management practices as specified by the CIPFA Treasury Code of Practice (2021) and refers to relevant statutes and regulations. This was presented to Audit Committee in April 2022.
- In compliance with the CIPFA Codes of practice, Audit Committee receive regular reports which summarises its treasury management activities. These include the annual Treasury Management Strategy Statement and Annual Investment Strategy, a Mid-year Treasury Outturn Report and an Annual Review Report on Treasury Management Activity.
- Segregation of duties exists in key processes, including payments and receipts and bank reconciliations. We completed walkthrough and sample testing of 10 investments and confirmed that segregation of duties was in place for negotiation of deals, approvals and payments and controls were operating effectively.
- We tested two months of bank reconciliations and confirmed that segregation of duties was in place between the preparer and authoriser of the bank reconciliation, and these controls were operating effectively.
- There are access level controls which ensure that the Logotech system can only be accessed by those authorised to do.
- Our sample testing of 10 investment transactions showed these had been accurately recorded on both Logotech and the General ledger following completion of the deals. Details recorded on both systems aligned to those on the deal sheet.

#### AREAS FOR IMPROVEMENT

The following areas for improvement were noted:

- There are several areas where the Treasury Management function needs to formalise, develop, and embed key controls into everyday activities which reflect those documented in the Treasury Management Practices document.
- Regular discussions are required between the TM Team, Finance Business Partners and Directors/Partner Organisations to seek greater clarity and accuracy around cashflow projections, grant funding and capital expenditure forecasts to help improve decision making around investments.
- Develop Performance Management metrics against which the effectiveness of Treasury Consultants can be assessed and measured.

## 2. SUMMARY OF AGREED ACTIONS

Finding	Risk Rating	Action	Target Date
1 Alignment to, and update of the Treasury Management Practices document to reflect controls and processes in place and minor presentational changes required.	<b>MEDIUM</b>	The discussed changes to the TMP document will be updated and aligned to reflect actual controls, processes and activities undertaken by the TM Team in identified areas.	31 July 2023
2 TM Payments and Officer Scheme of delegation.	<b>MEDIUM</b>	Scheme of delegation to be updated to reflect Officer roles and responsibilities throughout the payment and reconciliation process. Arrangements will be made to ensure there is sufficient resilience in the treasury management function.	31 March 2023
3 Cashflow Forecasts and Stakeholder Engagement.	<b>MEDIUM</b>	To aim to improve the accuracy of cashflow information and forecasting through closer dialogue/communication between stakeholders and Treasury Management staff.	31 July 2023
4 Member and Staff training.	<b>LOW</b>	Annual schedule of TM training will be put in place for staff and Members relevant to their needs and responsibilities.	30 September 2023
5 Assessment of performance of Treasury Management Consultants.	<b>LOW</b>	Metrics will be developed to assess the overall performance of the function and the appointed advisors (Link Group).	31 July 2023

<b>AUDIT SPONSOR COMMENTS</b>
<p>The internal audit was well planned and delivered in a timely manner with minimal disruption to key officers. The outcome of the audit offers the Audit Committee a Reasonable level of assurance that the treasury management has a good Governance and Control framework in place and allows Officers to concentrate on key areas for review following the 9 months of operation of the function by GMCA from MCC. This is particularly important given the nature and level of risk inherent in the treasury management function.</p>

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

## Internal Audit Report

### Budgetary Control Processes

**FINAL**

**Issue Date 13 January 2023**

Audit Team	
Sarah Horseman	Head of Audit and Assurance
Damian Jarvis	Audit Manager
Jessica Jordan	Principal Auditor

Report Distribution	
For Action	
Rachel Rosewell	Deputy Treasurer
Tracey Read	Head of Finance, Management Accountancy
Lindsey Keech	Head of Finance, Capital, and Treasury Management
For Information	
Audit Committee - Executive Summary Only	
Steve Wilson	GMCA Treasurer
Gillian Duckworth	GMCA Solicitor and Monitoring Officer
Eamonn Boylan	Chief Executive
Andrew Lightfoot	Deputy Chief Executive
Mazars	External Auditor

**1. EXECUTIVE SUMMARY**



AUDIT OBJECTIVE	ASSURANCE LEVEL						
The objective of this audit was to provide assurance over the effectiveness of GMCA budgetary control arrangements which ensures financial resources are properly managed.							
<b>KEY RISKS IF CONTROLS ARE NOT IN PLACE AND/OR OPERATING</b>							REASONABLE
<ul style="list-style-type: none"> <li>Capital grant funding - is not spent in line with timescale and grant conditions leading to an increased risk of claw back.</li> <li>Significant variations to budgets are not picked up leading to a risk of incorrect forecasting and any likely over/underspend is not promptly identified.</li> <li>Volatility in budgets can lead to incorrect budget assumptions, budget pressures and poor decision making.</li> <li>The impact of significant financial pressures resulting from cost of living crisis, Government funding cuts and inflation.</li> </ul>	Critical	High	Medium	Low	Advisory	Total	
		-	-	3	1	-	4
		<b>BASIS OF AUDIT OPINION</b>					
		This is based on the scoring mechanism outlined in Section 5 & 6 of this report.					
<b>AUDIT OPINION AND SUMMARY CONCLUSION</b>							
<p>We provide a <b>Reasonable Assurance opinion</b> on the overall budgetary control process operating within GMCA. Budgets are set and formally approved, and cost centres are regularly managed and monitored against budgets, with quarterly budget reports provided to the GMCA Board for both revenue and capital. Capital programme budgets are not uploaded into the BWO financial system, which may impact on the accuracy and effectiveness of monitoring of these.</p>							
<p>The quarterly metrics reported to Senior Leadership Team includes the financial forecast for each Directorate, however narrative budget reports don't routinely go to SLT/CEMT for decision making, with responsibility for budgetary control and decision making operating at Directorate or programme level. Other identified areas for improvement, relate to training and guidance for staff involved in financial management to help increase autonomy.</p>							



The budget holder survey and discussions with Directorates provided a positive opinion over the support provided by the Core Finance team and the full results of this survey are included as an **appendix** to this report.

#### **AREAS OF GOOD PRACTICE**

- Budgets are set and approved in line with the legislative process and timelines.
- A budget approval and reporting framework is in place with quarterly reporting to the GMCA Board including approval of in year changes.
- Quarterly budget monitoring process takes place across all cost centres with more complex / higher activity cost centres being reviewed more frequently.
- Some corporate health metrics for finance have been produced and these are shared with SLT as part of the quarterly performance reporting framework.
- Finance have introduced the Business Partnering model and the responses provided to our survey from Directorate staff and budget holders showed overall that finance staff were engaged with their services.

#### **AREAS FOR IMPROVEMENT**

The main areas for improvement related to the following:

- No regular budget monitoring reports are presented to SLT or CEMT which may lead to a lack of financial oversight by Executive Management on the overall budget position and potential risks.
- Capital Budget reporting to GMCA Board measures variances against the previous quarter outturn position rather than the approved budget.
- There is a clear demand from Directorate staff for further training and guidance to support their role in financial planning, budgetary control, and better use of the BWO financial system.
- Service users were unclear on how the budget incorporated future planning or business plans approved in year and would benefit from more information around this.
- Recognition that further improvements in longer term financial planning are required.



**2. EXECUTIVE SUMMARY**

Finding	Risk Rating	Action	Target Date
1 Budget Reporting to Senior Leadership Team & GMCA Board	MEDIUM	<ul style="list-style-type: none"> <li>To review the mechanisms for providing budget reporting to Executive Management.</li> <li>Budget reports to consistently include actual figures where appropriate.</li> <li>Clarity over values of budget adjustment made to be included in capital reports.</li> <li>Variances to be measured against approved budgets and not previous forecasts.</li> </ul>	
2 Service Engagement and Training	MEDIUM	<ul style="list-style-type: none"> <li>Implementation of a financial management training programme for first level managers/budget holders.</li> <li>Work with the Policy Team and Directorates to align the budget setting process with the Corporate and Directorate business planning process.</li> </ul>	
3 Capital Budget Monitoring Process	MEDIUM	<ul style="list-style-type: none"> <li>Strengthening the process of recording and consolidating the results of quarterly budget monitoring discussions with Directorates/Partner Organisations to help provide an accurate spend position and any changes.</li> </ul>	
4 Budget upload into BWO Financial System	LOW	<ul style="list-style-type: none"> <li>A reconciliation of all budgets uploaded into BWO financial system against the approved budget promptly after entry to ensure any errors or omissions are identified.</li> <li>To consider the option to upload the approved capital programme budget into BWO financial system to allow spend against budget and significant variances to be tracked.</li> </ul>	

**AUDIT SPONSOR COMMENTS**

To be provided by Audit Sponsor

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





## Internal Audit Report

GMCA Performance Management and Reporting Framework – Follow Up Review

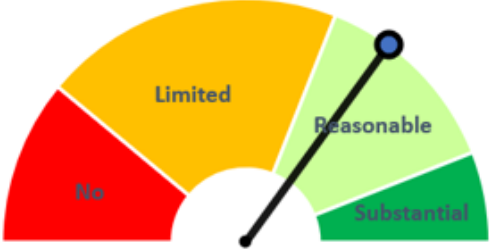
**FINAL**

**Issue Date 17 January 2023**

Audit Team	
Sarah Horseman	Head of Audit and Assurance
Damian Jarvis	Audit Manager
Jessica Jordan	Principal Auditor

Report Distribution	
For Action	
Simon Nokes	Executive Director of Policy and Strategy
Amy Foots	Head of Implementation, Strategy
For Information	
Audit Committee - Executive Summary Only	
Steve Wilson	GMCA Treasurer
Gillian Duckworth	GMCA Solicitor and Monitoring Officer
Eamonn Boylan	Chief Executive
Andrew Lightfoot	Deputy Chief Executive
Dave Russel	Chief Fire Officer
Ben Norman	Deputy Chief Fire Officer
Mazars	External Auditor

**1. EXECUTIVE SUMMARY**

AUDIT OBJECTIVE	ASSURANCE LEVEL					
<p>The objective of this audit was to provide assurance over the adequacy of the GMCA Performance Management framework put in place to ensure risks over delivery of corporate priorities are managed and controlled.</p>	<p><b>REASONABLE ASSURANCE</b></p>					
<p><b>KEY RISKS IF CONTROLS ARE NOT IN PLACE AND/OR OPERATING</b></p>			<p><b>AUDIT FINDINGS</b></p>			
<p>Risks recorded on the Corporate Risk Register include:</p> <ul style="list-style-type: none"> <li>• (SR2) Failure to further develop trust, cohesion and credibility with and between local GM system and partners.</li> <li>• (SR3) Simultaneous impact from multiple economic factors have a negative impact on delivery of both strategic and operational objectives.</li> <li>• (SR6) GMCA is less able to deliver its contribution to outcomes within the GMS.</li> </ul>	<p><b>Critical</b></p>	<p><b>High</b></p>	<p><b>Medium</b></p>	<p><b>Low</b></p>	<p><b>Advisory</b></p>	<p><b>Total</b></p>
	<p>-</p>	<p>-</p>	<p>4</p>	<p>-</p>	<p>-</p>	<p>4</p>
<p><b>BASIS OF AUDIT OPINION</b></p>						
<p>This is based on the scoring mechanism outlined in Section 5 &amp; 6 of this report.</p>						
<p><b>AUDIT OPINION AND SUMMARY CONCLUSION</b></p>						
<p>We provide a <b>Reasonable Assurance Opinion</b> over the policy, procedure and processes which underpins the GMCA Performance Management and Reporting Framework. Since our last report in 2020, the organisation has made good progress in establishing a formal mechanism for reporting on progress at Greater Manchester Strategy (GMS) level and GMCA Business Plan level which was the key action from our previous audit. Given that the process is relatively new it is difficult to draw a full conclusion on the overall effectiveness of the performance framework as the process is still evolving and the organisation seeks to refine the structure and content of the corporate plan and business plan for 2023/24.</p> <p>Whilst acknowledging the improvements made, it continues to be an area for ongoing development which is fully recognised by management and is being continuously improved, currently through Directorate input and development of the 2023/24 Business Plan and staff engagement. Key priorities for this next plan are to make the planning process more visible and meaningful to staff across the whole organisation.</p>						

It remains a complicated area as a means of providing assurance over as responsibilities for the successful delivery of organisational objectives and delivery priorities often extend beyond GMCA to include GM Districts and partner organisations and as such the governance and performance management structures that sits around this it isn't always clear.

A summary of the progress made against each of the agreed actions from the previous Audit Report issued in 2020 are included as an **appendix** to this report.

#### AREAS OF GOOD PRACTICE

- Greater Manchester Strategy (GMS) – At GM level, there is a refreshed 10-year strategy document which is focussed on 15 shared commitments. Metrics have been established and there are a series of dashboards which are updated every 6 months. These are the baseline indicators to support the GMS reporting process and some of these are still being developed. GMCA Board and the GMCA Overview and Scrutiny Committee have received the first 6 monthly performance report.
- At GMCA level, the Corporate plan (external facing), and annual Business Plan (internal facing) exist and a quarterly Directorate Performance Monitoring report is provided to SLT which includes a mix of Directorate performance metrics and corporate health indicators. Directorates were consulted on the performance metrics to be included and these provide a good indicator of performance across a range of functions. Not all are measurable metrics and these need to be reviewed to ensure they remain fit for purpose.
- The Strategy and Research teams provide the support in the coordination and collation of information for both the GMS and GMCA performance reporting on a 6 monthly and quarterly basis respectively.
- A Business planning working group has been established to develop the next iteration of the GMCA annual business plan for 2023/24 and refine the process and content. Discussions with SLT have taken place to inform the process, which will culminate in an all staff session in March 2023.

#### AREAS FOR IMPROVEMENT

The main identified areas for improvement related to the following:

- The relationship between the respective documents Greater Manchester Strategy, and GMCA Corporate Plan and annual Business Plan and how these align and influence each other isn't explicitly clear. The importance of the GMCA Business Plan in providing confidence that the organisation is prioritising delivery and directly targeting the priorities at GMS level is crucial.
- At GMCA Business Plan level, the structure of the performance and governance framework isn't formally documented to describe how this will seek to ensure GMCA achieves the priorities set out in the plan. Including the expectations for the performance management

framework and assurance process, timetable, roles and responsibilities of established Boards and internal Management forums expected to manage performance. It doesn't stipulate the responsibility for managing Corporate, Directorate and Individual performance.

- Performance reporting mechanisms are inconsistent which makes it difficult to measure progress against our organisational priorities and key activities, particularly at programme and project level.
- The integration of the annual Business Planning process with the Budget Setting timetable to ensure that key priorities are costed and resources to support delivery.
- Refining the performance metrics and Corporate Health Indicators ensuring these remain fit for purpose and reflect the key deliverables for Directorates
- Ensuring there is sufficient oversight, scrutiny and challenge at Senior Leadership Team level.
- There were several observations made at the recent Business Planning Group Meeting which are being considered as part of the changes for 2023/24 business plan and wider communication. These included: *"The need to focus on the organisation as a whole and not just Directorates"; "need to encourage staff buy in and ownership and making it meaningful to all staff"; "the priorities of the teams don't link to the ambition and direction of the organisation; the BP can be a repeat of what is being governed elsewhere which creates confusion"; and "shouldn't seek to describe everything the organisation does in one document".*

**2. EXECUTIVE SUMMARY**

Finding	Risk Rating	Action	Target Date
1 The Performance Management Framework isn't clearly documented.	<b>MEDIUM</b>	To document the Performance Management framework to ensure the governance structure that sits around both the Corporate and annual Business Planning process is widely understood.	
2 The quarterly monitoring report doesn't sufficiently demonstrate progress on key deliverables.	<b>MEDIUM</b>	The Performance Management framework and quarterly monitoring report will aim to provide the necessary Corporate assurance and convey how well areas are performing in delivering the key Organisational and Directorate Business Plan priorities captured in the 2023/24 plan.	

3	Oversight and challenge on Performance by SLT is not sufficiently evidenced.	<b>MEDIUM</b>	Senior Leadership Team should consider meeting as a dedicated Performance and Governance Board as a minimum every quarter and whether it is designed to provide sufficient consideration and challenge to ensure key priorities are progressing and on track.	
4	Integrating the annual Business Planning Process with the Budget Setting Process.	<b>MEDIUM</b>	Core Finance Team to work with the Policy Team and Directorates to provide better integration of the budget setting process with the Corporate and Directorate annual business planning process for 2023/24. This includes the following aims: i) To present the annual Business Plan alongside the Budget to Resources Committee in line with the budget timetable for 2023/24 to ensure it is properly costed. ii) To undertake detailed, longer term financial planning beyond 12 months and share this with Directorates.	

AUDIT SPONSOR COMMENTS
To be provided by Audit Sponsor

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

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## Audit Committee

Date: 25 January 2023  
Subject: Mid-Year Treasury Management Report  
Report of: Steve Wilson, GMCA Treasurer

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### Purpose of Report

The Authority is required to consider the performance of the Treasury Management function in order to comply with the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management (revised 2021). This report therefore sets out the key Treasury Management issues for Members' information and review.

The report is presented to the Audit Committee to enable it to have the opportunity to review and scrutinise the 2022/23 Treasury Management Mid-Year Review report prior to its presentation to the Authority on 27 January 2023.

### Recommendations:

The Audit Committee is requested to:

1. Consider and comment upon the Treasury Management Mid-Year Review Report and commends to the Authority the treasury management activity for the first half of 2022/23 and the projected outturn position, revised Authorised Limit and Operational Boundary for external debt and the revised Capital Financing Requirement (CFR).

### Contact Officers

Name of key contact Officer and email address to be included

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

## **Equalities Impact, Carbon and Sustainability Assessment:**

N/A

## **Risk Management**

There are considerable risks to the security of the GMCA's resources if appropriate Treasury Management strategies and policies are not adopted and followed. The GMCA has established good practice in relation to Treasury Management.

## **Legal Considerations**

N/A

## **Financial Consequences – Revenue**

Financial revenue consequences are contained within the body of the report

## **Financial Consequences – Capital**

Financial capital consequences are contained within the body of the report

## **Number of attachments to the report: ?**

## **Comments/recommendations from Overview & Scrutiny Committee**

N/A

## **Background Papers**

Treasury Management Strategy Statement and Annual Investment Strategy 2022/23, 11 February 2022

## **Tracking/ Process**

Does this report relate to a major strategic decision, as set out in the GMCA Constitution

No

## **Exemption from call in**

Are there any aspects in this report which means it should be considered to be exempt from call in by the relevant Scrutiny Committee on the grounds of urgency?

N/A

## **GM Transport Committee**

N/A



## Overview and Scrutiny Committee

N/A

### 1. Background

#### 1.1 Capital Strategy

1.1.1 In December 2017, the Chartered Institute of Public Finance and Accountancy, (CIPFA), issued revised Prudential and Treasury Management Codes. These require all local authorities to prepare a Capital Strategy which is to provide the following:

- a) a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services;
- b) an overview of how the associated risk is managed; and
- c) the implications for future financial sustainability.

#### 1.2 Treasury Management

1.2.1 The Authority operates a balanced budget, which broadly means cash raised during the year will meet its cash expenditure. Part of the treasury management operations ensure this cash flow is adequately planned, with surplus monies being invested in low-risk counterparties, providing adequate liquidity initially before considering optimising investment return.

1.2.2 The second main function of the treasury management service is the funding of the Authority's capital plans. These capital plans provide a guide to the borrowing need of the Authority, essentially the longer-term cash flow planning to ensure the Authority can meet its capital spending operations. This management of longer-term cash may involve arranging long or short-term loans, or using longer term cash flow surpluses, and on occasion any debt previously drawn may be restructured to meet Authority risk or cost objectives.

1.2.3 Accordingly, treasury management is defined as:

“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.”

## 2. Introduction

2.1 This report has been written in accordance with the requirements of the CIPFA's Code of Practice on Treasury Management (revised 2017). The primary requirements of the Code are as follows:

- a) Creation and maintenance of a Treasury Management Policy Statement which sets out the policies and objectives of the Authority's treasury management activities.
- b) Creation and maintenance of Treasury Management Practices which set out the manner in which the Authority will seek to achieve those policies and objectives.
- c) Receipt by the full Authority of an annual Treasury Management Strategy Statement - including the Annual Investment Strategy and Minimum Revenue Provision Policy - for the year ahead, a Mid-year Review Report and an Annual Report, (stewardship report), covering activities during the previous year.
- d) Delegation by the Authority of responsibilities for implementing and monitoring treasury management policies and practices and for the execution and administration of treasury management decisions.
- e) Delegation by the Authority of the role of scrutiny of treasury management strategy and policies to a specific named body. For this Authority the delegated body is the Audit Committee.

2.2 This mid-year report has been prepared in compliance with CIPFA's Code of Practice on Treasury Management, and covers the following:

- a) An economic update for the first half of the 2022/23 financial year;
- b) A review of the Treasury Management Strategy Statement and Annual Investment Strategy;
- c) The Authority's capital expenditure, as set out in the Capital Strategy, and prudential indicators;
- d) A review of the Authority's investment portfolio for 2022/23;
- e) A review of the Authority's borrowing strategy for 2022/23;
- f) A review of any debt rescheduling undertaken during 2022/23; and

- g) A review of compliance with Treasury and Prudential Limits for 2022/23.

### **3. Economics and Interest Rates**

#### **3.1 Economics Update**

3.1.1 The second quarter of 2022/23 saw:

- a) Gross Domestic Product (GDP) revised upwards in Q1 2022/23 to +0.2% q/q from -0.1%, which means the UK economy has avoided recession for the time being;
- b) Signs of economic activity losing momentum as production fell due to rising energy prices;
- c) Consumer Price Index (CPI) inflation rise to 9.9% y/y in August 2022, having been 9.0% in April 2022, but domestic price pressures showing little sign of abating in the near-term;
- d) The unemployment rate fall to a 48-year low of 3.6% due to a large shortfall in labour supply;
- e) Bank Rate rise by 100bps over the quarter, taking Bank Rate to 2.25% with further rises to come;
- f) Gilt yields surge and sterling fall following the 'fiscal event' of the new Prime Minister and Chancellor on 23 September 2022.

3.1.2 The UK economy grew by 0.2% q/q in Q1 2022/23, though revisions to historic data left it below pre-pandemic levels.

3.1.3 There are signs of higher energy prices creating more persistent downward effects in economic activity. Both industrial production (-0.3% m/m) and construction output (-0.8% m/m) fell in July 2022 for a second month in a row. Although some of this was probably due to the heat wave at the time, manufacturing output fell in some of the most energy intensive sectors (e.g., chemicals), pointing to signs of higher energy prices weighing on production. With the drag on real activity from high inflation having grown in recent months, GDP is at risk of contracting through the autumn and winter months.

3.1.4 The fall in the composite Purchasing Managers Index (PMI) from 49.6 in August 2022 to a 20-month low preliminary reading of 48.4 in September 2022 points to a fall in GDP of around 0.2% q/q in Q3 and consumer confidence is at a record low. Retail sales volumes fell by 1.6% m/m in August 2022, which was the ninth fall in 10 months. That left sales volumes in August 2022 just 0.5% above their pre-Covid

level and 3.3% below their level at the start of the year. There are also signs that households are spending their excess savings in response to high prices. Indeed, cash in households' bank accounts rose by £3.2bn in August 2022, which was below the £3.9bn rise in July 2022 and much smaller than the 2019 average monthly rate of £4.6bn.

- 3.1.5 The labour market remained exceptionally tight. Data for July 2022 and August 2022 provided further evidence that the weaker economy is leading to a cooling in labour demand. Labour Force Survey (LFS) employment rose by 40,000 in the three months to July 2022 (the smallest rise since February 2022). But a renewed rise in inactivity of 154,000 over the same period meant that the unemployment rate fell from 3.8% in June 2022 to a new 48-year low of 3.6%. The single-month data showed that inactivity rose by 354,000 in July 2022 itself and there are now 904,000 more inactive people aged 16+ compared to before the pandemic in February 2020. The number of vacancies has started to level off from recent record highs but there have been few signs of a slowing in the upward momentum on wage growth. Indeed, in July 2022, the 3my/y rate of average earnings growth rose from 5.2% in June 2022 to 5.5%.
- 3.1.6 CPI inflation eased from 10.1% in July 2022 to 9.9% in August 2022, though inflation has not peaked yet. The easing in August 2022 was mainly due to a decline in fuel prices reducing fuel inflation from 43.7% to 32.1%. And with the oil price now just below \$90 per barrel, we would expect to see fuel prices fall further in the coming months.
- 3.1.7 However, utility price inflation is expected to add 0.7% to CPI inflation in October 2022 when the Ofgem unit price cap increases to, typically, £2,500 per household (prior to any benefit payments). But, as the government has frozen utility prices at that level for two years, energy price inflation will fall sharply after October 2022 and have a big downward influence on CPI inflation.
- 3.1.8 Nonetheless, the rise in services CPI inflation from 5.7% y/y in July 2022 to a 30-year high of 5.9% y/y in August 2022 suggests that domestic price pressures are showing little sign of abating. A lot of that is being driven by the tight labour market and strong wage growth. CPI inflation is expected to peak close to 10.4% in November 2022 and, with the supply of workers set to remain unusually low, the tight labour market will keep underlying inflationary pressures strong until early next year.

- 3.1.9 During the first half of 2022, there has been a change of both Prime Minister and Chancellor. The new team (Liz Truss and Kwasi Kwarteng) have made a step change in government policy. The government's huge fiscal loosening from its proposed significant tax cuts will add to existing domestic inflationary pressures and will potentially leave a legacy of higher interest rates and public debt. Whilst the government's utility price freeze, which could cost up to £150bn (5.7% of GDP) over 2 years, will reduce peak inflation from 14.5% in January 2023 next year to 10.4% in November 2022 this year, the long list of tax measures announced at the 'fiscal event' adds up to a loosening in fiscal policy relative to the previous government's plans of £44.8bn (1.8% of GDP) by 2026/27. These included the reversal of April 2022's national insurance tax on 6 November 2022, the cut in the basic rate of income tax from 20p to 19p in April 2023, the cancellation of April 2023's corporation tax rise, the cut to stamp duty and the removal of the 45p tax rate, although the 45p tax rate cut announcement has already been reversed.
- 3.1.10 Fears that the government has no fiscal anchor on the back of these announcements has meant that the pound has weakened again, adding further upward pressure to interest rates. Whilst the pound fell to a record low of \$1.035 on the Monday following the government's 'fiscal event', it has since recovered to around \$1.12. That is due to hopes that the Bank of England will deliver a very big rise in interest rates at the policy meeting on 3 November 2022 and the government will lay out a credible medium-term plan in the near term. This was originally expected as part of the fiscal statement on 23 November 2022 but has subsequently been moved forward to an expected release date in October 2022. Nevertheless, with concerns over a global recession growing, there are downside risks to the pound.
- 3.1.11 The Monetary Policy Committee (MPC) has now increased interest rates seven times in as many meetings in 2022 and has raised rates to their highest level since the Global Financial Crisis. Even so, coming after the Fed and European Central Bank (ECB) raised rates by 75bps in their most recent meetings, the Bank of England's latest 50bps hike looks relatively dovish. However, the UK's status as a large importer of commodities, which have jumped in price, means that households in the UK are now facing a much larger squeeze on their real incomes.
- 3.1.12 Since the fiscal event on 23 September 2022, we now expect the MPC to increase interest rates further and faster, from 2.25% currently to a peak of 5.00% in February 2023. The combination of the government's fiscal loosening, the tight

labour market and sticky inflation expectations means we expect the MPC to raise interest rates by 100bps at the policy meetings in November 2022 (to 3.25%) and 75bps in December 2022 (to 4%) followed by further 50bps hikes in February 2023 and March 2023 (to 5.00%). Market expectations for what the MPC will do are volatile. If Bank Rate climbs to these levels the housing market looks very vulnerable, which is one reason why the peak in our forecast is lower than the peak of 5.50% - 5.75% priced into the financial markets at present.

3.1.13 Throughout 2022/23, gilt yields have been on an upward trend. They were initially caught up in the global surge in bond yields triggered by the surprisingly strong rise in CPI inflation in the United States (US) in May 2022. The rises in two-year gilt yields (to a peak of 2.37% on 21 June 2022 and 10-year yields (to a peak of 2.62%) took them to their highest level since 2008 and 2014 respectively. However, the upward trend was exceptionally sharply at the end of September 2022 as investors demanded a higher risk premium and expected faster and higher interest rate rises to offset the government's extraordinary fiscal stimulus plans. The 30-year gilt yield rose from 3.60% to 5.10% following the 'fiscal event', which threatened financial stability by forcing pension funds to sell assets into a falling market to meet cash collateral requirements. In response, the Bank did two things. First, it postponed its plans to start selling some of its quantitative easing (QE) gilt holdings until 31 October 2022. Second, it committed to buy up to £65bn of long-term gilts to 'restore orderly market conditions' until 14 October 2022. In other words, the Bank is restarting QE, although for financial stability reasons rather than monetary policy reasons.

3.1.14 Since the Bank's announcement on 28 September 2022, the 30-year gilt yield has fallen back from 5.10% to 3.83%. The 2-year gilt yield dropped from 4.70% to 4.30% and the 10-year yield fell back from 4.55% to 4.09%.

3.1.15 There is a possibility that the Bank continues with QE at the long-end beyond 14 October 2022 or it decides to delay quantitative tightening beyond 31 October 2022, even as it raises interest rates. So far at least, investors seem to have taken the Bank at its word that this is not a change in the direction of monetary policy nor a step towards monetary financing of the government's deficit. But instead, that it is a temporary intervention with financial stability in mind.

3.1.16 After a shaky start to the year, the S&P 500 and FTSE 100 climbed in the first half of Q2 2022/23 before falling to their lowest levels since November 2020 and July 2021 respectively. The S&P 500 is 7.2% below its level at the start of the quarter,

whilst the FTSE 100 is 5.2% below it as the fall in the pound has boosted the value of overseas earnings in the index. The decline has, in part, been driven by the rise in global real yields and the resulting downward pressure on equity valuations as well as concerns over economic growth leading to a deterioration in investor risk appetite.

## 3.2 Interest Rate Forecasts

- 3.2.1 The Authority has appointed Link Group as its treasury advisors and part of their service is to assist the Authority to formulate a view on interest rates. The Public Works Loan Board (PWLB) rate forecasts below are based on the Certainty Rate (the standard rate minus 20 bps) which has been accessible to most authorities since 1 November 2012.
- 3.2.2 The latest forecast on 27 September 2022 sets out a view that both short and long-dated interest rates will be elevated for some little while, as the Bank of England seeks to squeeze inflation out of the economy, whilst the government is providing a package of fiscal loosening to try and protect households and businesses from the ravages of ultra-high wholesale gas and electricity prices.
- 3.2.3 The increase in PWLB rates reflects a broad sell-off in sovereign bonds internationally but more so the disaffection investors have with the position of the UK public finances after September 2022's 'fiscal event'. To that end, the MPC has tightened short-term interest rates with a view to trying to slow the economy sufficiently to keep the secondary effects of inflation – as measured by wage rises – under control, but its job is that much harder now.
- 3.2.4 Our PWLB rate forecasts below from Link as at 27 September 2022 are based on the Certainty Rate (the standard rate minus 20 bps, calculated as gilts plus 80bps) which has been accessible to most authorities since 1 November 2012.

	Dec 2022	Mar 2023	Jun 2023	Sep 2023	Dec 2023	Mar 2024	Jun 2024	Sep 2024	Dec 2024	Mar 2025	Jun 2025	Sep 2025
Bank Rate	4.00	5.00	5.00	5.00	4.50	4.00	3.75	3.25	3.00	2.75	2.75	2.50
3-month ave earnings	4.50	5.00	5.00	5.00	4.50	4.00	3.80	3.30	3.00	2.80	2.80	2.50
6-month ave earning	4.70	5.20	5.10	5.00	4.60	4.10	3.90	3.40	3.10	3.00	2.90	2.60

12-month ave earnings	5.30	5.30	5.20	5.00	4.70	4.20	4.00	3.50	3.20	3.10	3.00	2.70
5 yr PWLB	5.00	4.90	4.70	4.50	4.20	3.90	3.70	3.50	3.40	3.30	3.20	3.20
10 yr PWLB	4.90	4.70	4.60	4.30	4.10	3.80	3.60	3.50	3.40	3.30	3.20	3.20
25 yr PWLB	5.10	4.90	4.80	4.50	4.30	4.10	3.90	3.70	3.60	3.60	3.50	3.40
50 yr PWLB	4.80	4.60	4.50	4.20	4.00	3.80	3.60	3.40	3.30	3.30	3.20	3.10

## 4. Treasury Management Strategy Statement and Annual Investment Strategy Update

- 4.1 The Treasury Management Strategy Statement (TMSS) for 2022/23 was approved by this Authority on 11 February 2022. There are no policy changes to the TMSS; the details in this report update the position in the light of the updated economic position and budgetary changes already approved.

<b>Prudential Indicator 2022/23</b>	<b>Original £m</b>	<b>Revised Prudential Indicator £m</b>
Authorised Limit	2,773.153	2,767.479
Operational Boundary	2,647.101	2,641.685
Capital Financing Requirement	2,480.289	2,515.890

## 5. The Authority's Capital Position

This part of the report is structured to update:

- a) The Authority's capital expenditure plans;
- b) How these plans are being financed;
- c) The impact of the changes in the capital expenditure plans on the prudential indicators and the underlying need to borrow; and



d) Compliance with the limits in place for borrowing activity.

## 5.1 Prudential Indicator for Capital Expenditure

5.1.1 This table shows the revised estimates for capital expenditure and the changes since the capital programme was agreed at the Budget.

<b>Capital Expenditure by Service</b>	<b>2022/23 Original Estimate £m</b>	<b>2022/23 Revised Estimate £m</b>
Transport	232.254	298.125
Economic Development and Regeneration	156.820	236.254
Fire and Rescue Service	22.114	18.781
Waste Disposal	10.354	12.454
Police Service	17.013	17.013
<b>Total capital expenditure</b>	<b>438.555</b>	<b>582.627</b>

## 5.2 Changes to the Financing of the Capital Programme

5.2.1 The table below draws together the main strategy elements of the capital expenditure plans (above), highlighting the original supported and unsupported elements of the capital programme, and the expected financing arrangements of this capital expenditure. The borrowing element of the table increases the underlying indebtedness of the Authority by way of the Capital Financing Requirement (CFR), although this will be reduced in part by revenue charges for the repayment of debt (the Minimum Revenue Provision). This direct borrowing need may also be supplemented by maturing debt and other treasury requirements.

<b>Capital Expenditure</b>	<b>2022/23 Original Estimate £m</b>	<b>2022/23 Revised Estimate £m</b>
Total capital expenditure	438.555	582.627
Financed by:		
Capital receipts	94.377	93.465
Capital grants	168.091	308.390

Revenue	2.590	5.290
Total financing	173.497	407.145
Borrowing requirement	265.058	175.482

### 5.3 Changes to the Prudential Indicators for the Capital Financing Requirement (CFR), External Debt and the Operational Boundary

The table below shows the CFR, which is the underlying external need to incur borrowing for a capital purpose. It also shows the expected debt position over the period, which is termed the Operational Boundary.

#### 5.3.1 Prudential Indicator – Capital Financing Requirement

We are on target to achieve the original forecast Capital Financing Requirement.

#### 5.3.2 Prudential Indicator – the Operational Boundary for external debt

	<b>2022/23 Original Estimate £m</b>	<b>2022/23 Revised Estimate £m</b>
CFR	2,480.289	2,515.890
Net movement in CFR	76.016	78.001
<b>Prudential Indicator – the Operational Boundary for external debt</b>		
Borrowing	2,604.304	2,598.888
Other long-term liabilities	42.797	42.797
Total debt	2,647.101	2,641.685

### 5.4 Limits to Borrowing Activity

5.4.1 The first key control over the treasury activity is a prudential indicator to ensure that over the medium term, net borrowing (borrowings less investments) will only be for a capital purpose. Gross external borrowing should not, except in the short term,

exceed the total of CFR in the preceding year plus the estimates of any additional CFR for 2022/23 and next two financial years. This allows some flexibility for limited early borrowing for future years. The Authority has approved a policy for borrowing in advance of need which will be adhered to if this proves prudent.

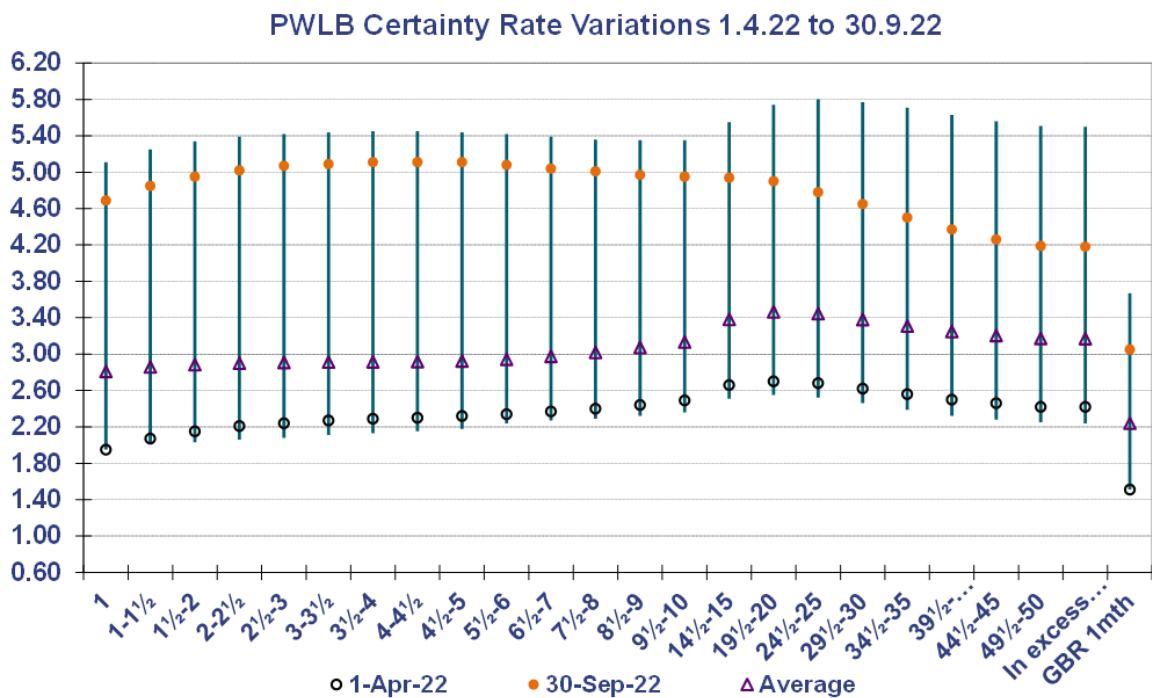
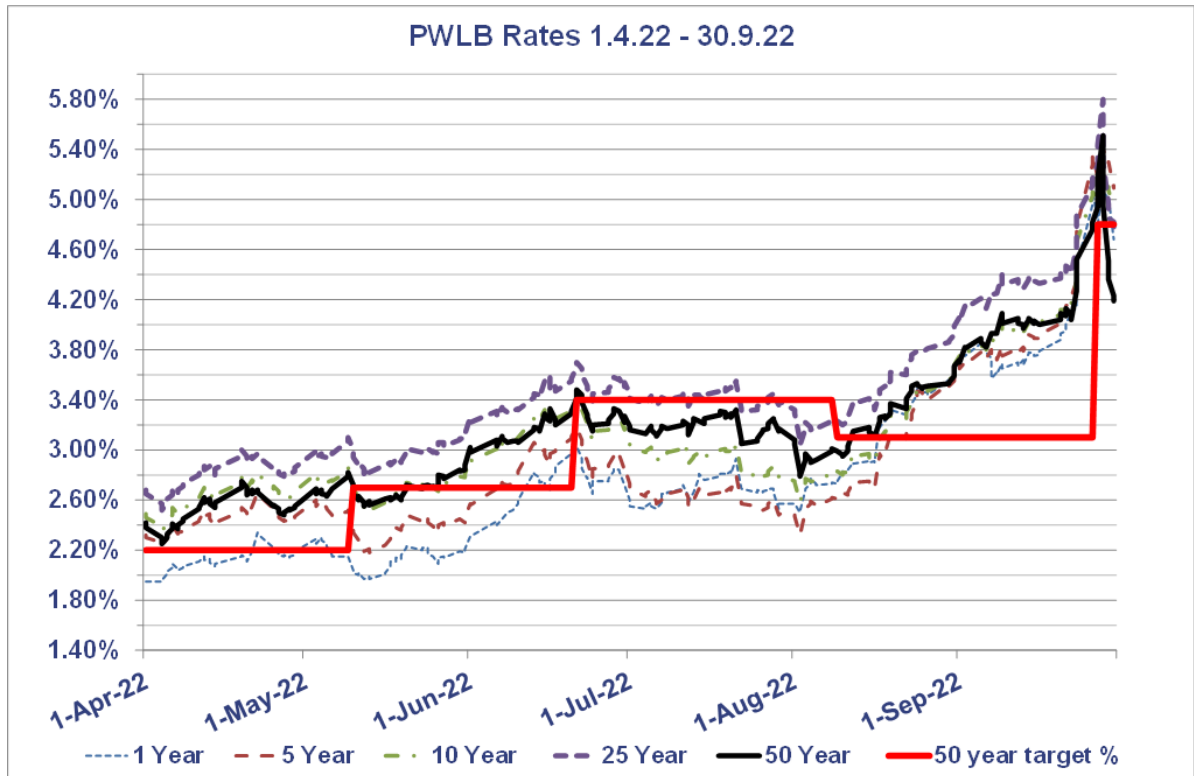
	<b>2022/23 Original Estimate £m</b>	<b>2022/23 Revised Estimate £m</b>
Borrowing	1,348.328	1,303.906
Other long-term liabilities	36.677	36.677
Total debt	1,385.005	1,340.583
CFR	2,480.289	2,515.890

5.4.2 A further prudential indicator controls the overall level of borrowing. This is the Authorised Limit which represents the limit beyond which borrowing is prohibited and needs to be set and revised by Members. It reflects the level of borrowing which, while not desired, could be afforded in the short term, but is not sustainable in the longer term. It is the expected maximum borrowing need with some headroom for unexpected movements. This is the statutory limit determined under section 3 (1) of the Local Government Act 2003.

	<b>2022/23 Original Indicator</b>	<b>2022/23 Revised Indicator</b>
<b>Authorised limit for external debt</b>		
Borrowing	2,728.318	2,722.644
Other long-term liabilities	44.835	44.835
Total	2,773.153	2,767.479

## 6. Borrowing

- 6.1 The Authority's revised capital financing requirement (CFR) for 2022/23 is £2,515.890m. The CFR denotes the Authority's underlying need to borrow for capital purposes. If the CFR is positive the Authority may borrow from the PWLB or the market (external borrowing), or from internal balances on a temporary basis (internal borrowing). The balance of external and internal borrowing is generally driven by market conditions. The table at 5.4.1 shows the Authority is forecast to have borrowings of £1,340.583m and will have utilised £1,175.307m of cash flow funds in lieu of borrowing. This is a prudent and cost-effective approach in the current economic climate but will require ongoing monitoring in the event that any upside risk to gilt yields prevails.
- 6.2 The capital programme is being kept under regular review due to the effects of inflationary pressures, shortages of materials and labour. Our borrowing strategy will, therefore, also be regularly reviewed and then revised, if necessary, in order to achieve optimum value and risk exposure in the long-term. If new PWLB / market borrowing has been undertaken, provide full details of dates borrowing taken, amounts, rates and loan periods).
- 6.3 It is anticipated that borrowing will not be undertaken during this financial year.
- 6.4 PWLB maturity certainty rates (gilts plus 80bps) year to date to 30 September 2022
- Gilt yields and PWLB rates were on a generally rising trend throughout the first half of 2022, the exception being a short rally in gilts in July/August 2022. However, they rose exceptionally sharply towards the end of September 2022.
- The 50-year PWLB target certainty rate for new long-term borrowing started 2022/23 at 2.20% and finished the half year at 4.80%, albeit we forecast rates to fall back to 3.10% by the end of September 2025.
- 6.5 PWLB maturity certainty rates year to date to 30 September 2022
- Gilt yields and PWLB rates were on a rising trend between 1 April 2022 and 30 September 2022.
- The 50-year PWLB target certainty rate for new long-term borrowing started 2022/23 at 2.20% before increasing to 4.80% in September 2022. (Please note, however, that we see PWLB rates trending downwards through 2023 and 2024.)



6.6 High/ Low/ Average PWLB Rates for 1 April 2022 to 30 September 2022

	1 Year	5 Year	10 Year	25 Year	50 Year
<b>Low</b>	1.95%	2.18%	2.36%	2.52%	2.25%
<b>Date</b>	1 April 2022	13 May 2022	4 April 2022	4 April 2022	4 April 2022
<b>High</b>	5.11%	5.44%	5.35%	5.80%	5.51%

<b>Date</b>	28 September 2022	28 September 2022	28 September 2022	28 September 2022	28 September 2022
<b>Average</b>	2.81%	2.92%	3.13%	3.44%	3.17%
<b>Spread</b>	3.16%	3.26%	2.99%	3.28%	3.26%

6.7 The current PWLB rates are set as margins over gilt yields as follows: -.

- a) PWLB Standard Rate is gilt plus 100 basis points (G+100bps)
- b) PWLB Certainty Rate is gilt plus 80 basis points (G+80bps)
- c) Local Infrastructure Rate is gilt plus 60bps (G+60bps)

## **7. Debt Rescheduling**

7.1 Debt rescheduling opportunities have been very limited in the current economic climate and following the various increases in the margins added to gilt yields which have impacted PWLB new borrowing rates since October 2010. No debt rescheduling has therefore been undertaken to date in the current financial year. However, now that the whole of the yield curve has shifted higher there may be better opportunities in the future, although only prudent and affordable debt rescheduling will be considered.

## **8. Compliance with Treasury and Prudential Limits**

8.1 It is a statutory duty for the Authority to determine and keep under review the affordable borrowing limits. During the half year ended 30 September 2022, the Authority has operated within the treasury and prudential indicators set out in the Authority's Treasury Management Strategy Statement for 2022/23. The Treasurer reports that no difficulties are envisaged for the current or future years in complying with these indicators.

8.2 All treasury management operations have also been conducted in full compliance with the Authority's Treasury Management Practices.

## **9. Annual Investment Strategy**

9.1 The Treasury Management Strategy Statement (TMSS) for 2022/23, which includes the Annual Investment Strategy, was approved by the Authority on 11 February

2022. In accordance with the CIPFA Treasury Management Code of Practice, it sets out the Authority's investment priorities as being:

- a) Security of capital
- b) Liquidity
- c) Yield

9.2 The Authority will aim to achieve the optimum return (yield) on its investments commensurate with proper levels of security and liquidity and with the Authority's risk appetite. In the current economic climate it is considered appropriate to keep investments short term to cover cash flow needs, but also to seek out value available in periods up to 12 months with high credit rated financial institutions, using the Link suggested creditworthiness approach, including a minimum sovereign credit rating and Credit Default Swap (CDS) overlay information.

9.3 Creditworthiness.

Following the Government's fiscal event on 23 September 2022, both Standard & Poors and Fitch have placed the UK sovereign debt rating on Negative Outlook, reflecting a downside bias to the current ratings in light of expectations of weaker finances and the economic outlook.

9.4 Investment Counterparty criteria

The current investment counterparty criteria selection approved in the TMSS is meeting the requirement of the treasury management function

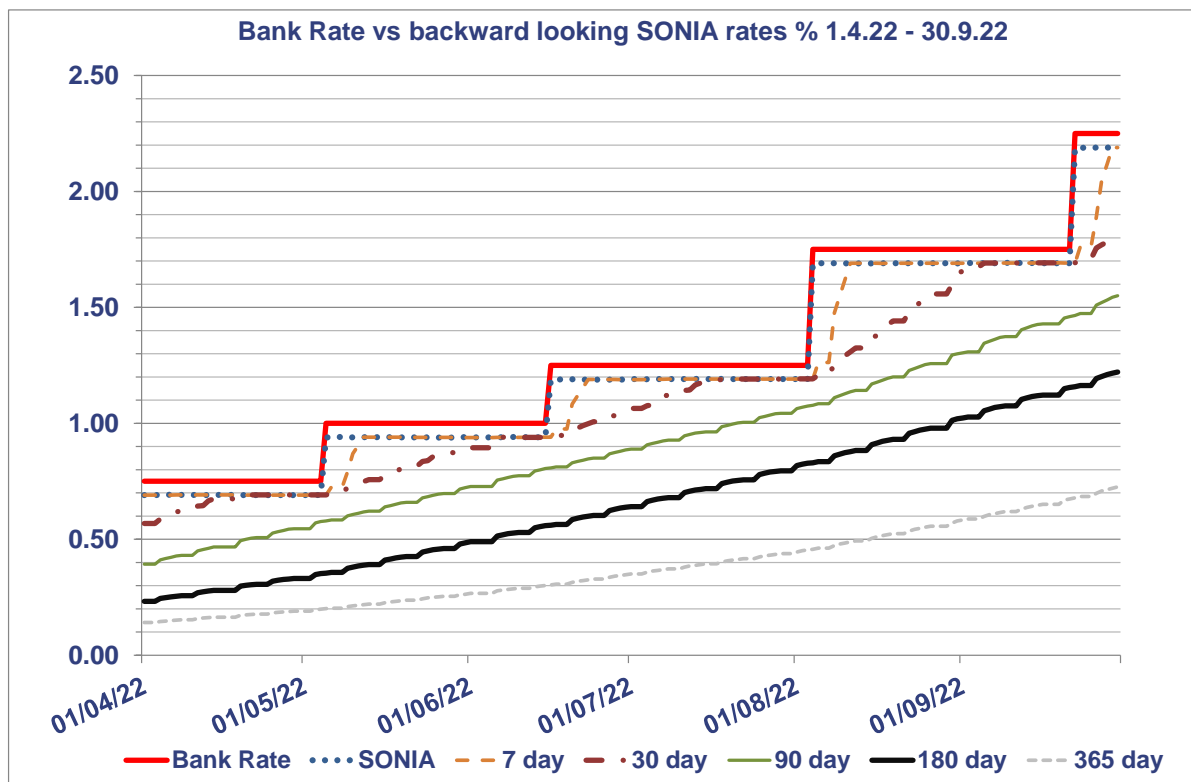
9.5 CDS prices

It is noted that sentiment in the current economic climate can easily shift, so it remains important to undertake continual monitoring of all aspects of risk and return in the current circumstances.

9.6 Investment balances

The average level of funds available for investment purposes during the first half of the financial year was £396m. These funds were available on a temporary basis, and the level of funds available was mainly dependent on the timing of precept and levy payments, receipt of grants and progress on the capital programme. The Authority does not hold core cash balances for investment purposes (i.e. funds available for more than one year).

9.7 Investment performance year to date as of 30 September 2022



	Bank Rate	SONIA	7 day	30 day	90 day	180 day	365 day
<b>High</b>	2.25	2.19	2.19	1.82	1.55	1.22	0.73
<b>High Date</b>	22 September 2022	30 September 2022	30 September 2022	30 September 2022	30 September 2022	30 September 2022	30 September 2022
<b>Low</b>	0.75	0.69	0.69	0.57	0.39	0.23	0.14
<b>Low Date</b>	1 April 2022	28 April 2022	29 April 2022	1 April 2022	1 April 2022	1 April 2022	1 April 2022
<b>Average</b>	1.28	1.22	1.19	1.11	0.91	0.67	0.374
<b>Spread</b>	1.50	1.50	1.50	1.26	1.16	0.9	0.58

### 9.8 Investment performance year to date as of 30 September 2022

The Authority's investment return for the first half of 2022/23 is £2.396m with an average rate of 1.19%.

### 9.9 Approved limits

Officers can confirm that the approved limits within the Annual Investment Strategy were not breached during the period ended 30 September 2022.



9.10 Treasury Investments as at 30 September 2022

<b>Borrower</b>	<b>Principal £m</b>	<b>Interest Rate</b>	<b>Start Date</b>	<b>Maturity Date</b>
Barclays	7.270	1.45%	Call	
Aberdeen MMF	25.000	2.13%	Call	
Aviva MMF	14.100	1.94%	Call	
Black Rock MMF	13.900	1.95%	Call	
Federated MMF	25.000	2.08%	Call	
DMO	20.000	1.26%	23 May 2022	21 November 2022
DMO	25.900	1.56%	12 July 2022	14 November 2022
DMO	26.000	1.81%	12 July 2022	12 January 2023
Lloyds Bank	10.000	2.18%	16 August 2022	16 December 2022
Lloyds Bank	5.000	1.75%	5 July 2022	7 November 2022
National Westminster Bank	10.000	1.55%	31 May 2022	30 November 2022
Sumitomo Mitsui Bank	10.000	2.12%	10 August 2022	10 November 2022
Sumitomo Mitsui Bank	15.000	1.79%	14 July 2022	14 October 2022
Santander Bank	13.000	1.69%	5 July 2022	5 October 2022
Santander Bank	10.000	2.73%	20 September 2022	20 December 2022
Standard Chartered Bank	10.000	1.66%	14 July 2022	14 October 2022
Lloyds Bank	5.000	3.00%	5 September 2022	7 February 2023
Standard Chartered Bank	10.000	3.19%	5 September 2022	6 March 2023
Birmingham Council	10.000	1.88%	26 July 2022	26 January 2023
Cheshire East Council	10.000	1.74%	29 July 2022	10 February 2023
Cornwall Council	5.000	2.41%	22 September 2022	22 December 2022
Plymouth Council	10.000	1.68%	25 August 2022	25 November 2022
Stockport Council	10.000	1.08%	6 May 2022	6 February 2023
Surrey Council	10.000	1.20%	20 June 2022	20 December 2022
Thurrock Council	10.000	1.35%	29 April 2022	31 October 2022
Warrington Council	10.000	1.40%	16 June 2022	16 December 2022
Wirral Council	10.000	2.16%	21 September 2022	21 November 2022
Wrexham Council	10.000	1.65%	24 June 2022	24 November 2022
Wrexham Council	10.000	1.99%	25 July 2022	25 January 2023
<b>Total</b>	<b>360.170</b>			

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## GMCA Audit Committee

Date: 25 January 2023  
Subject: External Audit Progress Report  
Report of: Mark Dalton, Director, Mazars

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### Purpose of Report

The report provides the Audit Committee with an update on progress in delivering our responsibilities as your external auditors.

### Recommendations:

The GMCA Audit Committee is requested to:

1. Note the update.

### Contact Officers

Steve Wilson

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Mark Dalton

[mark.dalton@mazars.co.uk](mailto:mark.dalton@mazars.co.uk)

## **Equalities Impact, Carbon and Sustainability Assessment:**

n/a

## **Risk Management**

n/a

## **Legal Considerations**

n/a

## **Financial Consequences – Revenue**

n/a

## **Financial Consequences – Capital**

n/a

## **Number of attachments to the report: 0**

## **Comments/recommendations from Overview & Scrutiny Committee**

n/a

## **Background Papers**

- Previous external audit updates to GMCA Audit Committee

## **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

## **GM Transport Committee**

n/a

## **Overview and Scrutiny Committee**

n/a

# Audit Progress Report

## Greater Manchester Combined Authority

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January 2023



1. Audit Progress

2. National Publications

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# 01

## Section 01: **Audit Progress**

# Audit Progress

## Purpose of this report

This report provides the Audit Committee with an update on progress in delivering our responsibilities as your external auditors.

## Audit progress

### 2020/21 audit

Our final remaining responsibility in respect of the 2020/21 financial year relates to the Authority's whole of government accounts (WGA) return. Due to the size of the Authority, we are required to undertake a detailed review and testing of its WGA return. Once the Authority has produced its draft return we will agree the timetable for completing this work with the Authority's finance team.

### 2021/22 financial statements audit

Our audit of the Authority's 2021/22 financial statements continues to progress well, and we are on track to report the results of our work at the March 2023 meeting of the Audit Committee. This is subject to the resolution of a small number of queries in relation to grant income, cash flow, investments, reserves and group accounts.

In addition, Committee Members will recall the national, technical accounting issue in relation to the accounting for infrastructure assets. Since the last meeting of the Audit Committee, the Department for Levelling Up, Housing and Communities (DLUHC) issued a statutory override, which provides a temporary solution up to the 2024/25 financial year. CIPFA released updated guidance based on the statutory override on 11 January 2023. The Authority's finance team is currently reviewing the updated guidance with colleagues across the Authority's group. Once the authority has updated the financial statements for the new guidance we will complete our audit on this final area.

We will report the results of our work in our Audit Completion Report, which we will bring to the March 2023 meeting of the Audit Committee at the conclusion of the audit.

### 2021/22 work on the Authority's arrangements to deliver value for money

We received the Authority's updated self assessment of its arrangements in November 2022. We are completing our fieldwork on the Authority's arrangements for the 2021/22 financial year, and intend to report the findings from our work on the Authority's value for money arrangement in our Auditor's Annual Report. This work focusses on following up the significant weaknesses identified as part of the 2020/21 value for money work.



# 02

## Section 02: National Publications

# National publications

	Publication/update	Key points
<b>Financial Reporting Council (FRC)</b>		
1	FRC Major Local Audit Inspection Report	Outcome of the FRC inspection of audit quality from 2020/21 audits
<b>Chartered Institute of Public Finance and Accountability (CIPFA)</b>		
2	Insourcing in the Public Sector: A Practical Guide (2022 edition)	Guidance for practitioners
3	CIPFA Bulletin 12 Accounting for Infrastructure Assets Temporary Solution	Covers the issues to be considered regarding the temporary solution for the accounting and reporting issues relating to infrastructure assets
<b>Public Sector Audit Appointments Ltd</b>		
4	Directory of Auditor Appointments from 2023/24	Auditor appointments for PSAA opted-in bodies
5	Publication of the 2022/23 fee scale	External audit fees for 2022/23

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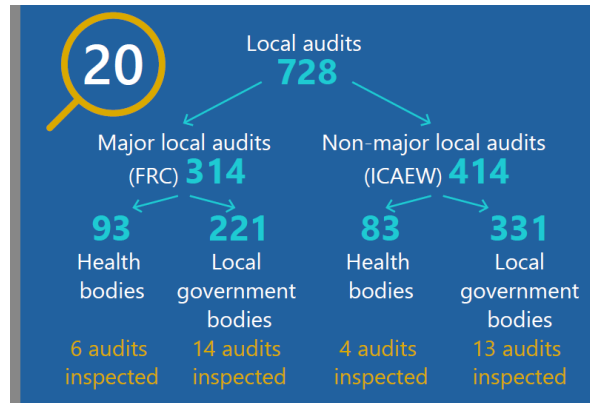
# NATIONAL PUBLICATIONS

## Financial Reporting Council

### 1. FRC Major Local Audit Inspection Report - October 2022

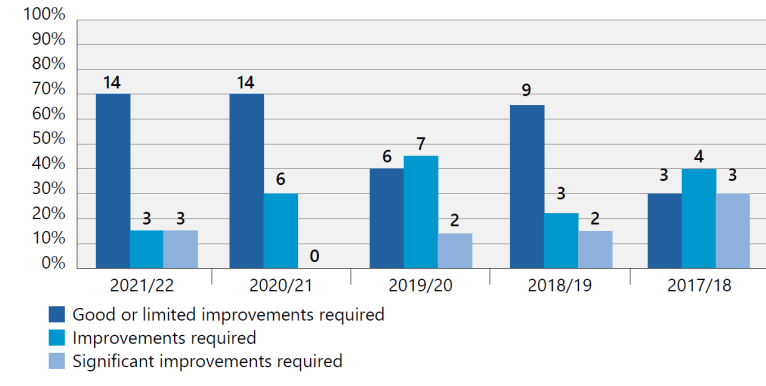
The FRC is responsible for monitoring the quality of the audits of the largest health and local government entities (called Major Local Audits or MLAs). They do this by annually inspecting a sample of MLAs from each of the audit firms who deliver this work. In their most recent publication, they reported on their review of 20 MLAs, three of which related to Mazars. The ICAEW also reviewed 17 non-MLAs (none from Mazars).

Audit firms undertaking local audits	Number of major local audits (within scope of AQR inspection)	Market share %	Reviewed by AQR in 2021/22
Grant Thornton UK LLP	125	39.8%	7
Ernst & Young LLP	72	22.9%	4
Mazars LLP	55	17.5%	3
KPMG LLP	24	7.7%	2
BDO LLP	21	6.7%	2
Deloitte LLP	17	5.4%	2
<b>Total</b>	<b>314</b>		<b>20</b>



Overall, the FRC found that the number of audits categorised as good or limited improvements required has remained consistent with the prior year. However, there was an increase in the number of audits assessed as requiring significant improvements and they deemed this as unacceptable.

All financial statement reviews – for the firms inspected



For Mazars, the FRC found that all 3 2021.22 files reviewed met the expected standards.

This was the second successive year of 100% compliance for Mazars.

Whilst the sample size is small and focused on the higher risk audits, these strong outcomes reflect the investment we have made in people, technical expertise, specialists (such as building an in-house valuation team) and strengthening our audit methodology. Maintaining and improving audit quality is a key objective of the firm and our investment will continue.

# NATIONAL PUBLICATIONS

## CIPFA

### 2. Insourcing in the Public Sector: A Practical Guide (2022 edition), December 2022

The guide is an information source for public bodies to help widen their understanding of insourcing and support internal discussion on whether services should be brought back in-house and, if so, how they should be brought back in. In recent times, several outsourced arrangements have failed due to poor quality and unreliability of providers. It is important to note that while insourcing does not require a public body to run a full procurement process, it still needs to follow a process and undertake key steps (for example, TUPE and asset transfer) and is equally reliant on the public body having expert and skilled personnel to manage this.

This practical guide will support public sector practitioners in understanding key areas to focus on when considering insourcing as part of future delivery models.

<https://www.cipfa.org/policy-and-guidance/publications/i/insourcing-in-the-public-sector-a-practical-guide-2022-edition>

### 3. CIPFA Bulletin 12 Accounting for Infrastructure Assets Temporary Solution, January 2023

The CIPFA Bulletin 12 – Accounting for Infrastructure Assets – Temporary Solution covers the issues to be considered regarding the temporary solution for the accounting and reporting issues relating to infrastructure assets.

The objective of the bulletin is to provide guidance on the temporary solution for accounting for infrastructure assets, focussing on the reporting of the derecognition provisions where there is replacement expenditure and particularly for highways infrastructure assets

The temporary solution includes the Update to the Code and Specifications for Future Codes for Infrastructure Assets (Update to the Code) from 1 April 2021 to 31 March 2025 which features a temporary relief not to report gross cost and accumulated depreciation for infrastructure assets and the statutory prescriptions from England and Wales and Scotland

The Bulletin also includes guidance on accounting for the pattern of consumption of economic benefits and service potential i.e. depreciation.

The Bulletin includes guidance on materiality, an overview of different elements of the temporary solution, the accounting requirements for derecognition including the statutory prescription, the impact on accounting policies and the reporting requirements for disclosure of gross cost and accumulated depreciation

<https://www.cipfa.org/policy-and-guidance/cipfa-bulletins/cipfa-bulletin-12-accounting-for-infrastructure-assets-temporary-solution>

# NATIONAL PUBLICATIONS

## Public Sector Audit Appointments Ltd

### 4. Directory of Auditor Appointments from 2023/24, January 2023

PSAA has published its Directory of Auditor Appointments from 2023/24 following the completion of the 2022 procurement. The PSAA Board agreed the appointments at its meeting on 16 December 2022. Mazars will continue as the Authority's external auditor from 2023/24.

<https://www.psa.co.uk/2023/01/directory-of-auditor-appointments-from-2023-24/>

### 5. Publication of the 2022/23 fee scale, November 2022

PSAA has published the 2022/23 audit fee scale following consultation. Information on the fee scale and consultation is available. Most audit work under this fee scale will be undertaken from April 2023 onwards. The Authority's scale fee for 2022/23 is £82,498.

The 2022/23 fee scale is the last in the current appointing period which is under the 2017 audit contracts. New contracts will apply from the 2023/24 audit following a procurement during 2022. PSAA intend to consult on the fee scale for the 2023/24 audit in early autumn 2023.

<http://www.psa.co.uk/2022/11/news-release-publication-of-the-2022-23-fee-scale/>

# Contact

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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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ID: Mazars

## Audit Committee Work Programme

**15 March 2023**

### Standing Items

1	Apologies	Governance	1 min
2	Chairs Announcements and Urgent Business	Chair	2 mins
3	Declarations of Interest	Governance	2 mins
4	Minutes of the previous Audit Committee meeting	Governance	5 mins
5	Update from the Joint Audit Panel	Governance	5 mins
6	Audit Committee Effectiveness	Head of Audit and Assurance / Chair	10 mins
7.	Annual Governance Statement (final)	Governance	10 mins
8.	LGA Peer Review and Action Plan	Treasurer	10 Mins

### Risk and Assurance

9.	Risk Management Update	Head of Audit and Assurance	10 mins
10	Risk Deep Dive	Head of Audit and Assurance	30 mins

### Internal Audit and Counter Fraud

9	Internal Audit Progress Report	Head of Audit and Assurance	15 mins
10	Audit Action Tracking	Head of Audit and Assurance	10 mins
11	Review of Effectiveness of Internal Audit	Treasurer	10 mins
12	Internal Audit Plan 23/24	Head of Audit and Assurance	10 mins

13	Review of Internal Audit Charter	Head of Audit and Assurance	5 mins
14	Intro Part A Annual Whistleblowing and Fraud Report and PART B report	Head of Audit and Assurance	10 mins
15	Counter Fraud Strategy and Plan	Head of Audit and Assurance	10 mins

### **Financial Reporting**

16	Accounting Policies and Critical Judgements	Treasurer	10 mins
17	Treasury Management Practices	Treasurer	

### **External Audit**

18	External Audit Progress Report	External Audit	10 mins
19	Value for Money Report	External Audit	
20	Final Statement of Accounts – report of the External Auditors	External Audit	
21	External Audit Progress Report	External Audit	
22	Annual Audit Letters	External Audit	

### **Forward planning**

23	Audit Committee Work Programme	Chair	5 mins
24	Date and time of next meeting	Governance	