

**GREATER MANCHESTER COMBINED AUTHORITY  
AUDIT COMMITTEE**

**DATE:** Wednesday, 31st July, 2024

**TIME:** 10.00 am

**VENUE:** The Tootal Buildings - Broadhurst House, 56 Oxford Street, Manchester, M1 6EU

**ANNUAL MEETING AGENDA**

- 1. Apologies**
- 2. Appointment of Chair of the Audit Committee 2024-2025**

To seek nominations for the appointment of Chair of the Committee for the 2024/2025 municipal year.

- 3. Chair's Announcements and Urgent Business**
- 4. Membership of the Committee 2024-2025**

To note the membership of the Committee for the Municipal Year 2024-2025 as follows:-

Councillor Dylan Butt                      Trafford Council (Con)  
Councillor Elliot Moss                      Bury Council (Lab)

<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.

Councillor Andrew Simcock	Manchester City Council (Lab)
Councillor Colin McLaren	Oldham Council (Lab)
*Councillor Emily Mort	Bolton Council (Lab)
*Councillor Jack Youd	Salford City Council (Lab)
Grenville Page	Independent Member
Catherine Scivier	Independent Member
Susan Webster	Independent Member
Vacancy	Independent Member

\*Substitute Members:

**5. Audit Committee Terms of Reference** 1 - 10

To note the Terms of Reference for the GMCA Audit Committee.

**6. Audit Committee Schedule of Meetings 2024/2025**

## **ORDINARY MEETING AGENDA**

**7. Declarations of Interest** 11 - 14

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

**8. Minutes of the Previous Audit Committee Meeting** 15 - 30

To consider the approval of the minutes of the meeting held on 13<sup>th</sup> March 2024.

<b>9.</b>	<b>Update From the Joint Audit Panel</b>	
	To receive an update of the from the Joint Audit Panel.	
<b>10.</b>	<b>Head of Internal Audit Annual Opinion 2023/24</b>	31 - 52
	Report of the Deputy Director Audit and Assurance, GMCA	
<b>11.</b>	<b>Internal Audit Effectiveness</b>	53 - 62
	Report of the GMCA Treasurer.	
<b>12.</b>	<b>Risk Management Update</b>	63 - 80
	Report of the Deputy Director Audit and Assurance, GMCA.	
<b>13.</b>	<b>Internal Audit Progress Report</b>	81 - 122
	Report of the Deputy Director Audit and Assurance, GMCA.	
<b>14.</b>	<b>Audit Action Tracking</b>	123 - 136
	Report of Deputy Director Audit and Assurance, GMCA.	
<b>15.</b>	<b>Senior Information Risk Owner (SIRO) Annual Report 2023-2024 Information &amp; Data Governance</b>	137 - 176
	Report of the GMCA Treasurer.	
<b>16.</b>	<b>Draft Annual Governance Statement</b>	177 - 214
	Report of the GMCA Treasurer and the GMCA Solicitor and Monitoring Officer.	

**17. Annual Statement of Accounts - TO FOLLOW**

To consider:-

- Audited Statement of Accounts 2022/2023
- Draft Statement of Accounts 2023/2024

**18. Annual Treasury Management Review 2023/24**

215 - 238

Report of the GMCA Treasurer.

**19. Assessment of Going Concern - TO FOLLOW**

Report of the GMCA Treasurer

**20. External Audit Progress Report - TO FOLLOW**

Report of Mazars, External Auditor.

**21. Draft Committee Work Programme 2024/2025 - TO FOLLOW**

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

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

**23. Summary of Whistleblowing reports 2023/24** 3

Report of the Deputy Director Audit and Assurance, GMCA.

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 Tuesday 23<sup>rd</sup> July 2024 on behalf of Julie Connor, Secretary to the Greater Manchester Combined Authority, Broadhurst House, 56 Oxford Street, Manchester M1 6EU.

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## GMCA AUDIT COMMITTEE

Date: 31 July 2024  
Subject: Terms of Reference GMCA Audit Committee  
Report of: Gillian Duckworth, GMCA Solicitor and Monitoring Officer, GMCA

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### PURPOSE OF REPORT

To set out the Terms of Reference for the GMCA Audit Committee.

### RECOMMENDATIONS

Members are requested to:

Note the Terms of Reference of the Committee.

### CONTACT OFFICER

Paul Harris  
GMCA Senior Governance & Scrutiny Officer  
[paul.harris@greatermanchester-ca.gov.uk](mailto:paul.harris@greatermanchester-ca.gov.uk)

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

n/a

**Risk Management**

n/a.

**Legal Considerations**

N/a

**Financial Consequences – Revenue**

There are no specific revenue considerations contained within the report.

**Financial Consequences – Capital**

There are no specific capital considerations contained within the report.

**Number of attachments to the report:** 1 (Audit Committee Terms of Reference)

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

n/a

**Background Papers**

**GMCA Constitution:** [GMCAConstitution2023Final.docx.pdf \(greatermanchester-ca.gov.uk\)](https://www.greatermanchester-ca.gov.uk/GMCAConstitution2023Final.docx.pdf)

**Tracking/ Process**

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

No



## **B. Audit Committee**

This GMCA Audit Committee oversees all aspects of GMCA including Mayoral functions. The Mayor has also established a Joint Audit Panel (Police and Crime) which oversees the control environment of the Police and Crime Commissioner and the Chief Constable.

### **1. Statement of purpose**

- 1.1 The Audit Committee is a key component of corporate governance providing an independent, high-level focus on the audit, assurance and reporting framework underpinning financial management and governance arrangements. Its purpose is to provide independent review and assurance to Members on governance, risk management and control frameworks. It has delegated power to approve the annual accounts and it oversees year-end financial reporting, the Annual Governance Statement process and internal and external audit, to ensure efficient and effective assurance arrangements are in place.
- 1.2 The Constitution makes the GMCA's Treasurer responsible for discharging the functions of the 'responsible financial officer' under the Accounts and Audit Regulations 2015, including ensuring risk is appropriately managed.

### **2. Composition and Procedure**

#### **2.1 Membership**

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

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

All members of the Committee will have voting rights.

## 2.2 Independent Person

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

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

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

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

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

\* The length of tenure for Independent Members will be set at 2 terms of 3 years plus 3 x 1 year giving a maximum of 9 years.

### 2.3 Political Balance

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

### 2.4 Chairing the Committee

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

### 2.5 Quorum

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

## **2.6 Voting**

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

## **3. Role and Function**

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

- 3.1 Reviewing and scrutinising the GMCA's accounting framework.
- 3.2 Reviewing and assessing the GMCA's risk management, internal control and corporate governance arrangements.
- 3.3 Reviewing and assessing the economy, efficiency and effectiveness with which resources have been used in discharging the GMCA's functions.
- 3.4 Making reports and recommendations to the GMCA in relation to reviews conducted under paragraphs 3.1 to 3.3 above.
- 3.5 To require Members, including the Mayor, of the GMCA or the Bee Network Committee, or senior officers of the GMCA, Transport for Greater Manchester to attend before the Audit committee to answer questions on relevant items.

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

## **4. Approval of Accounts**

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

## **5. Governance, Risk and Control**

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

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

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

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

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

5.6 Consider reports on the effectiveness of internal controls.

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

5.8 Receive 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.

## **6. Internal audit**

6.1 Approve the Internal Audit Charter.

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

6.3 Approve the risk-based internal audit plan including resources, the reliability of other sources of assurance and any significant in-year changes.

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

- Internal Audit performance including key findings and actions from audit assignments, significant non-conformance with PSIAS and the Quality Assurance and Improvement Programme.
- Annual Assurance Opinion on the adequacy and effectiveness of the framework of governance, risk management and control.
- Risk management and assurance mapping arrangements.
- Progress to implement recommendations including concerns or where managers have accepted risks.
- Provision of assurances over the effectiveness of internal audit functions assuring the internal control environments of TfGM, Chief Constable for Greater Manchester Police, NW Evergreen Holdings Limited.

- 6.5 Contribute to the Internal Audit Quality Assurance and Improvement Programme, including the external quality assessment of internal audit.
- 6.6 Consider and comment on the Treasurer's Annual Review of the Effectiveness of the System of Internal Audit.
- 6.7 Develop effective communication with the Head of Audit and Assurance and senior audit staff.

## **7. External audit**

- 7.1 Consider reports including the Annual Audit Letter, assess the implications and monitor managers' response to concerns.
- 7.2 Comment on the nature and scope of work to ensure it gives value for money.
- 7.3 Advise on the effectiveness of relationships between external and internal audit and other inspection agencies or relevant bodies.

## **8. Financial reporting**

- 8.1 Consider whether accounting policies were appropriately followed and any need to report concerns to the GMCA.
- 8.2 Consider the Treasurers arrangements for the maintenance of the Police Fund and the Mayoral General Fund
- 8.3 Consider any issues arising from external audit's audit of the accounts.

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

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

## **9. Accountability arrangements**

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

## **10. Delegation**

10.1 The Audit Committee shall not appoint sub-committees for the purpose of discharging any of the Committee's functions.



**AUDIT COMMITTEE – 31<sup>st</sup> July 2024**

Declaration of Member's 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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# Agenda Item 8

**Minutes of a Meeting of the Greater Manchester Combined Authority Audit Committee, held on Wednesday 13<sup>th</sup> March 2024 at the Friends' Meeting House, 6 Mount Street, Manchester.**

**Present:**

Councillor Dylan Butt	Trafford Council
Gwyn Griffiths	Independent Member
Councillor Shelley Lanchbury (substitute Member)	Manchester City Council
Grenville Page	Independent Member (Chair)
Catherine Scivier	Independent Member
Susan Webster	Independent Member
Councillor Mary Whitby	Bury Council

**Officers:**

Steve Wilson	GMCA Treasurer
Andrew Lightfoot	GMCA Deputy Chief Executive
Sarah Horseman	GMCA Deputy Director, Audit and Assurance
Damian Jarvis	GMCA Internal Audit Manager
Paul Chase	GMCA Corporate Risk Manager
Lindsey Keech	Head of Finance (Capital and Treasury), GMCA
Paul Harris	Governance and Scrutiny, GMCA

**In attendance:-**

Karen Murray	Mazars, External Auditor
Dawn Watson	Mazars, External Auditor
Steve Warrener	Managing Director and Finance Director TfGM
Matt Bull	Deputy Finance Director, TfGM
Adnan Gire	Head of Estates, GMCA

## **AC 51/23 Apologies for Absence**

Apologies were received and noted from Councillor Caroline Carrigan (Stockport Council), Councillor John Merry (Salford), Councillor Christine Roberts (Wigan Council) (Substitute Member) and from Councillor David Molyneux, Portfolio Lead Member.

The Chair extended a welcome to those present.

## **AC 52/23 Chair's Announcements and Urgent Business (if any)**

### **a. GMCA Chief Executive**

Members received an update which informed them that Caroline Simpson, currently Chief Executive of Stockport Council, had been appointed as the preferred candidate for the appointment as Chief Executive for the Combined Authority, subject to the appointment being ratified by the Combined Authority meeting at the end of March.

### **b. GM Fire and Rescue Service**

The GMCA Treasurer was pleased to announce a recent report by His Majesty's Inspectorate of Constabulary and Fire and Rescue Services (HMICFRS) ranked GM Fire and Rescue Service as one of the best performing services in the country and the most improved.

Members noted that the inspection covered eleven areas of which ten, were ranked as good. The efforts of Chief Fire Officer and his leadership team were recognised in achieving this positive outcome.

### **Resolved/-**

1. That the updates be noted and welcomed.
2. That the HMICFRS report be shared with Members.

### **AC 53/23    Declarations of Interest**

There were no declarations made by any member of the Committee in respect of any item on the agenda.

### **AC 54/23    Minutes of the Previous Audit Committee Meeting**

The minutes of the previous meeting of the Audit Committee held on 24<sup>th</sup> January 2024 were submitted.

#### **Resolved/-**

1. That the minutes of the meeting of the Audit Committee, held on 24<sup>th</sup> January 2024, be approved as a correct record.
2. That the accompanying action log be noted.

### **AC 55/23    Update from the Joint Audit Panel (Police and Crime)**

The GMCA Treasurer introduced an update on the work of the Joint Audit Panel. which summarised the discussions that took place at the Panel's meeting on 23 January 2024.

A Member requested that the minutes from the Panel meeting be shared with members and included in future updates to the Committee.

It was noted that the chair of the Joint Audit Panel has asked for an update to be provided to in respect of the GMP capital programme and given the link this has with GMCA assets, the capital programme report would be presented to the Audit Committee following its consideration by the Panel.

Following a request from a Member regarding the relationship between the committee and GMP, particularly in respect of understanding the lines of accountability of GMP and political leads. In response, officers noted that this matter, including the role of the Police and Crime Panel will be included as a deep-dive topic for a future meeting of the committee.

Following a request from a Member for information regarding GMP vetting, it was noted that the GMP Internal Audit Plan included vetting and a report on this would be presented to the committee following its consideration by the Joint Audit Panel.

A Member reiterated a request for the provision of contextual numbers in relation to a previous presentation the committee received on GMP vetting.

**Resolved/-**

1. That the Joint Audit Panel update be noted.
2. That the minutes of the Joint Audit Panel meeting be shared with Audit Committee members.
3. That an update on Vetting be provided to the next meeting of the Committee.
4. That GMP be contacted to provided contextual information regarding a previous presentation on GMP Vetting arrangements.

**AC 56/23     Audit Committee Effectiveness**

The GMCA Treasurer introduced a report which provided Audit Committee members with an update on the discussions and recommendations made at the previous meeting of the committee, which suggested a way forward in developing the work and functionality of the Audit Committee.

Members highlighted that in respect of the recruitment of an Independent Member, it was important to look at the diversity of the committee and skills as part of this process.

A Member noted that in respect of independent member tenures, clarity on how tenures can be extended as part of a third term was needed.

**Resolved/-**

The Audit Committee members are asked to comment and note the report.



## **AC 57/23 Risk Management Update**

The Deputy Director of Audit and Assurance, GMCA provided a report which informed Members of the Audit Committee of changes in the GMCA Strategic and key operational risks and to provide an update on the changes to the risk management activities undertaken since the last meeting of the committee.

The update covered a reputational risk covering the efficient running of elections has been identified and is being worked up as a directorate risk; a risk review by the Digital Team has led to the risk from switchover of the Public Service Telephone Network (PSTN) from analogue to digital being increased significantly as this could impact vulnerable people. In response, a working group is engaging with national and local stakeholders to identify solutions; an Introduction to Risk Management session was hosted as part of the Festival of Learning in February with attendees from multiple teams. A new Risk Training E-module designed to give staff a foundation in managing risk at the GMCA is currently going through its testing phase and will be launched as soon as that is completed.

A Member highlighted that the biggest risk across the authority is within the IT and cyber facilities. Clarity was sought on the capacity to be able to monitor this work. In response, it was noted that the audit processes for cyber related matters are outsourced to an independent auditor with cyber and IT expertise.

In respect of PSTN and election risks, Members noted that the GMCA audit plan will invite risk owners to advise what action will be taken to mitigate risks the respective risks. A workshop on this was to be conducted with GMCA senior leadership team to discuss risk actions. In addition, officers clarified that the PSTN was not an organisational risk as it was not part of GMCA's statutory functions but is being considered due to the possible population risk and is included as part of the possible political leadership advocacy role.

In response to an enquiry from a Member regarding Police and Fire risks, it was noted that the assurances identified in the HMIC reports will also provide assurance to GMCA.

A Member highlighted that given the additional devolved responsibilities the new devolution arrangements will provide, the risk register for the organisation will become larger and more complex. Clarification was sought as to what tools and technologies are utilised to manage this risk register. In response, it was noted that there is not a specialised risk system used.

In respect of the operational risk on Behaviours and Culture, a Member sought assurance on how staff are to be supported and understand capacity and capability, given the upcoming changes taking place, including the single settlement. In response, officers noted the ongoing work taking place to articulate the changing nature of the GMCA. It was suggested that details of this work including behaviour and cultural change would be brought to a future meeting of the Committee.

A Member suggested that information on what mitigations were in place to deal with those risks register actions scoring 20+ be summarised in future reports.

With regard to Risk SR7 – Significant financial risk to transport (bus and Metrolink) resulting from reduced patronage levels, a Member sought information on what measures were in place to deal with possible transport risks which have occurred in London.

Following an enquiry from a member in respect of the inherent risk and residual risk scores associated with the PSTN switch over risk, it was noted that the report reflected where the risk owner had updated the risk score.

**Resolved/-**

1. That the Risk Management update be noted.
2. It was suggested that details of this work including behaviour and cultural change would be brought to a future meeting of the Committee.

## **AC 58/23 Risk Deep Dive - Bus Franchising**

The GMCA Treasurer, the TfGM Managing Director and the Deputy Finance Director, TfGM, introduced a presentation which provided an overview of Bus franchising in Greater Manchester.

As part of the opening remarks, the GMCA Treasurer provided some context around the risks around a fully franchised bus service. Information on transport budget planning, the financial risks and government funding support were highlighted.

Members noted that patronage levels were now at pre covid levels and the move to a franchised bus service would increase financial risks for revenue in a similar way to that of Metrolink fares.

The presentation informed Members of the development of the Bee Network, which aims to provide a fully integrated transport network bringing together bus, tram and active travel by 2025 (with commuter rail to follow by 2030); Delivers a transformation in the way people travel, with integrated fares, customer information - under a single, identifiable and accountable brand. Supports our people and places to thrive, as well as the sustainable delivery of new homes and employment needed to accommodate GM's continued growth. A comparative outline of responsibilities for TfGM and Bus Operators under a de-regulated bus system and a franchised bus system was explained.

Members also noted the franchising was being rolled out in a phased basis, commencing in September 2023, tranche 2 in March 2024 and Tranche 3 in January 2025. Arrangements for cross-boundary services, operators, contracts, vehicle types and simpler fares were explained.

The vision for better buses as set out in the GM Bus Strategy was highlighted. Members were also informed of the mechanisms to develop the bus network and set out initial performance targets to 2030 in respect of patronage, frequency, infrastructure and affordability.

In welcoming the presentation, a Member commented that some bus services operating in Bury well used. The Member asked if there will be the introduction of real

time bus information at bus stops to help to inform those passengers waiting at stops, particularly if they do not have access to smart phones, internet and social media. In addition, there needs to be a way for passengers to feedback comments either in person or offline. In response, it was noted that residents can write or call the TfGM Contact Centre should they have a comment to feedback about their transport experience.

A Member suggested that bus services should be extended to reflect that GM is a 24 hour 7 days per week economy. Not having regular public transport in the evening can impact on people's ability to access employment. In response, it was noted that network reviews provide a mechanism to understand whether bus services are catering for demand. In addition, Ring and Ride and local link services can provide services for people not able to access conventional bus services.

A Member also asked what is being done to encourage younger people to use bus services. In response, it was noted that the introduction of the Our Pass scheme provides free transport for young people and can encourage them to make journey's by public transport. In addition, TfGM works with schools to promote public transport usage. TfGM also works with young people on the perception of safety on the transport network. The inclusion of Travel Safe Officers across the transport network provide a visible presence to allow confident travel.

In response to an enquiry from a Member regarding staffing arrangements, officer noted that the Mayor has establish a Workforce Engagement Board a standardised approach from operators on employees' pay and terms and conditions within a Bee Network.

A Member highlighted particular areas in GM where residents would be deterred from taking employment as there was not an adequate public transport offer. The provision of regular out of hours and nighttime services can open up job opportunities for residents that work in industries with irregular shift patterns.

In respect of zero emission vehicles, the gradual introduction of such buses will help to future proof the fleet on future technology developments and ensure that the existing fleet assets are used efficiently. In response to an enquiry from a Member, it was noted

that a the lifespan of bus is approximately 10-15 years, noting that this may result in a fragmented looking fleet for some time. The franchise agreement has a minimum specification and as such, the buses should look and feel the same across the network.

In response to a question from a Member, it was noted that there will be 1800-2000 buses on the whole bus network and if there was capacity in the infrastructure for electrification, Members noted that the capital strategy will set out a business case for retrofitting existing assets and/or the developing new infrastructure.

Following a request from a Member, officers undertook to share information in respect of the long-term business plan and stress testing involved to understand any financial risk and mitigation in place.

**Resolved/-**

1. That the informative presentation be received with thanks and noted.
2. That Members be provided with information in respect of the long-term business plan and stress testing involved to understand any financial risk and mitigation in place.

**AC 59/23 Internal Audit Progress Report**

The Deputy Director of Audit and Assurance, GMCA provided a report which updated Members of the progress made on the delivery of the Internal Audit Plan for 2023/24.

The report is also used as a mechanism to seek approval of changes to the Internal Audit Plan, as set out in Appendix C to the report.

The report outlined four report that had been concluded since the last meeting of the Committee, namely Payroll Compliance (substantial assurance), Occupational Health Contract – effectiveness (reasonable assurance), Freedom of Information Act (FOIA) and Subject Access Requests (SAR) (reasonable assurance) and ICT Critical System Review - Gartan Roster (External) (Limited assurance).

A Member requested that the ICT Critical System Review Gartan Roster report be considered further by the Committee at an appropriate time.

In terms of the report regarding the occupational Health Contract, officers confirmed that the report was in respect GMCA and GMFRS.

**Resolved/-**

1. That the Internal Audit progress report be noted.
2. That approve of the changes to the Audit Plan, as set out in Appendix C, to the report, be granted.

**AC 60/23    Audit Action Follow Up**

The Deputy Director of Audit and Assurance, GMCA introduced a report which advises the Audit Committee of the progress made in implementing the agreed actions from internal audit assignments.

The report explained that as of March 2024, 84% of Internal Audit actions due in the last 2 years have been implemented, against the target rate of 85%.

The GMCA Head of Estates, provided an update on the Asset Compliance and CCTV actions. Members noted that in relation to CCTV actions, there was only one remaining action now outstanding regarding Policies. Compliance related risks for procurement, a further area of risk has been identified and as such a service review and options appraisal was to take place to mitigate the compliance actions.

A Member raised concerns that procurement issues remain and there is no further clarity in some areas of the business respect of the recruitment of contractors. A robust process for the recording of contractor recruitment was sought. In response, officers explained that GMCA is aware of these risks and a training process is being undertaken. In addition, a plan for improvement has been developed. The introduction of a commercial approach with end-to-end contract management was noted. In addition, work was taking place to implement the new procurement regulations and it

was suggested that this approach could be brought back as a deep dive topic for consideration by the committee.

A Member suggested introducing a mechanism to provide greater visibility on progress against high-risk items. Officers undertook to develop a protocol on how such matters will be treated.

**Resolved/-**

1. That the progress and implantation of Internal Audit actions, as set out in the report, be noted.
2. That the GMCA's approach to the implementation of new procurement regulations be brought back as a deep dive topic for consideration by the committee.
3. Officers undertook to develop a protocol on how such matters will be treated. a mechanism to provide greater visibility on progress against high-risk items.
4. That the GMCA Risk and Assurance team be thanked for their efforts with the steady improvement of actions to 84% completion.

**AC 61/23 Internal Audit Plan 2024/25**

The Deputy Director of Audit and Assurance, GMCA introduced a report which presented Members with the proposed Internal Audit plan for 2024/25 for their consideration. Members noted that the planning process is based on Internal Audit's understanding of GMCA's current strategic and operational risks and as such is designed to provide assurance over key risk areas.

In response to an enquiry from a Member regarding Internal Audit capacity, officers confirmed that work was taking place within GMCA to provide additional Internal Audit resources as part of the GMCA next phase works. This included short-term and longer-term funding approaches once the commitments of the single settlement are understood. Members expressed their collective view that additional Internal Audit resources were required.

A Member commented that in respect of strategic and organisation risks articulated in the Plan, clarification was sought on how they will be treated alongside the risk

register to ensure there are appropriate controls in place. In response, it was noted that the additional internal audit resource will allow to look further in to mitigating actions around strategic and operation risks.

**Resolved/-**

1. That the Internal Audit Plan for 2024/2025 be approved.
2. That the view of the Audit Committee that additional Internal Audit resources were required be noted.

**AC 62/23 Internal Audit Charter 2024/2025**

The Deputy Director of Audit and Assurance, GMCA introduced a report which advised the audit committee that the Internal Audit charter establishes the framework within which the Internal Audit Service operates to best serve the independent assurance requirements of the GMCA Audit Committee and also to meet its professional obligations under applicable professional standards.

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

Members noted that there have been no changes to the Internal Audit Charter since the Committee last approved it in March 2023 and that new Internal Audit Standards are due to come into effect in January 2025, which are likely to require and update to the Charter.

Members also noted that CIPFA guidance in relation to Public Sector Internal Audit Standards was awaited and that any necessary changes will be made during 2024/25 as required and bring back to Audit Committee for review/approval ahead of the implementation date.

Following an enquiry from a Member, officers undertook to check whether there have been any issues regarding compliance of contractors to provide information in



respect of a contract and whether this in in the standard terms and conditions of contract awards.

**Resolved/-**

1. That the approval of the Internal Audit Charter, as set out in the report be granted.
2. That officers undertook to check whether there have been any issues regarding compliance of contractors to provide information in respect of a contract and whether this in in the standard terms and conditions of contract awards.

**AC 63/23 Treasury Management Strategy Statement, Minimum Revenue Provision Policy Statement and Annual Investment Strategy 2024/25**

The GMCA Treasurer introduced a report which set out the proposed Treasury Management Strategy Statement, Borrowing Limits and Prudential Indicators for 2024/25 to 2026/27 for the Authority. The strategy reflects the 2023-2027 capital programme for Transport, Economic Development, Fire and Rescue, Waste and Police.

In respect of the liability benchmark, officers clarified that the benchmark is driven by GMCA's plans, including how much borrowing GMCA has, capital finance requirements and GMCA investment levels.

**Resolved/- :**

That the Treasury Management Strategy Statement, Minimum Revenue Provision Policy Statement and Annual Investment Strategy 2024/25 be noted and that the Committee recommends its approval by the GMCA.

## **AC 64/23 2024/25 GMCA Capital Strategy**

The GMCA Treasurer introduced a report which reminded Members that the Capital Strategy sets out the over-arching principles and processes by which the capital and investment decisions set out in the Capital Programme will be prioritised against the key aims of the Greater Manchester Strategy (GMS).

In addition, the Capital Strategy considers the funding implications of the Capital Programme and where borrowing is required, the Treasury Management Strategy sets out how this will be managed during the year along with the policy for managing investments. The Treasury Management Strategy also incorporates the statutory prudential indicators along with the Minimum Revenue Provision Policy to be adopted for 2024/25.

The Capital Strategy also provides an overview of the governance arrangements for capital investment decisions and outlines the Authority's arrangements for managing risk.

Following enquiry from a Member regarding Private finance Imitative (PFI) schemes, it was noted that plans are in place regarding the integration of the Stretford Fire Station as a GMCA asset.

In response to an enquiry from a Member regarding the Capital Programme, officers explained that the increase in 2025/26 for Waste and Recycling is a consequence of the building of an additional co-mingled recycling plant.

### **Resolved/-**

That the Capital Strategy for 2024/25 be noted and that the Committee recommends its approval by the GMCA.

**AC 65/23     Reports from the External Auditor - Audit Strategy Memorandum –  
Year ending 31 March 2023**

The External Auditor took members through the Audit Strategy Memorandum for the year ending 31 March 2023. The report introduced the External Audit Team; summarised engagement and responsibilities matters; Audit scope, approach and timeline; Significant risks and other key judgement areas; Value for money; Fees for audit and other services; Mazars commitment to independence; and Materiality and misstatements.

Members endorsed the suggestion that given the complexities of more than one audit taking place, an informal session with Members was to be arranged to take Audit Committee members through the 2022/2023 Financial Statements.

A Member suggested that the informal session could also pick up and changes in accounting policies.

**Resolved/-**

1. That the Audit Strategy Memorandum for the year ending 31 March 2023, as presented by Mazars, External Auditor, be received with thanks and noted.
2. That the Clerk be requested to canvass Members' availability to for an informal session on the 2022/2023 accounts.

**AC 66/23     Audit Committee Work Programme 2024-2025**

The GMCA Treasurer introduced a report which sought Audit Committee members' comments on a draft work programme of items that will provide a focus for the work of the Committee for the 2024/25 municipal year.

**Resolved/-**

That the draft Audit Committee Work Programme for 2024/25, be noted.

**AC 67/23     Dates and Times of Future Meetings**

It was noted that Members have been canvassed on the date and times of future meetings for 2024/2025.

**AC 68/23     Acknowledgement**

On behalf of the Committee, the Chair wished to place on record the thanks of Members to Councillor Mary Whitby and Councillor Shelley Lanchbury, for the significant contribution they have made to the work of the Audit Committee.

## GMCA Audit Committee

Date: 31 July 2024

Subject: Head of Internal Audit Annual Opinion 2023/24

Report of: Sarah Horseman, Deputy Director, Audit and Assurance

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### PURPOSE OF REPORT

The “Head of Internal Audit”, in GMCA’s case the Deputy Director, Audit and Assurance, is obliged, under the Public Sector Internal Audit Standards (PSIAS), to provide an annual report summarising the work undertaken by internal audit during the financial year and to provide an overall opinion of the adequacy and effectiveness of the organisation’s framework of governance, risk management and internal control, derived from this work.

The purpose of this report is to provide the GMCA Audit Committee with the Head of Internal Audit Opinion and to explain the basis of that opinion.

### RECOMMENDATIONS:

Members are requested to receive the Head of Internal Audit Opinion 2023/24.

**CONTACT OFFICERS:**

Sarah Horseman - Deputy Director, Audit and Assurance

Risk Management – see paragraph 3.3

Legal Considerations – N/A

Financial Consequences – Revenue – N/A

Financial Consequences – Capital – N/A

Number of attachments included in the report: N/A

**BACKGROUND PAPERS:**

Papers previously presented to Audit Committee

- Internal Audit Plan 2023/24
- Internal Audit progress reports
- GMCA Corporate Risk Register

<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	N/A

exempt from call in by the relevant Scrutiny Committee on the grounds of urgency?		
TfGMC	Overview & Scrutiny Committee	
N/A	N/A	

# Head of Internal Audit Opinion 2023/24

## 1. Introduction

The Head of Internal Audit is obliged, under the Public Sector Internal Audit Standards (PSIAS), to provide an annual report summarising the work undertaken by internal audit during the financial year and to provide an overall opinion of the adequacy and effectiveness of the organisation’s framework of governance, risk management and internal control, derived from this work.

## 2. Scope

The Head of Internal Audit opinion is substantially derived from the results of the risk-based audits contained within the Internal Audit Plan for 2023/24. In addition, the following are also considered:

- Grant Assurance work undertaken by Internal Audit;
- The implementation of actions agreed as part of internal audit work;
- The results of any investigation work undertaken by Internal Audit;
- Other sources of assurance, for example external inspections/reviews as well as internal “line 2” assurance activities;
- The quality and performance of the internal audit service and level of compliance with Public Sector Internal Audit Standards (PSIAS)

The opinion does not imply that Internal Audit has reviewed all risks and assurances relating to GMCA. The opinion is one component that is taken into consideration within the Annual Governance Statement.



### 3. Head of Internal Audit Opinion

#### 3.1. Overall Opinion

Based on the work undertaken by Internal Audit in respect of 2023/24, the opinion of the Head of Internal Audit is that **reasonable assurance** is provided on the overall adequacy and effectiveness of GMCA's framework of governance, risk management and internal control.

This opinion is based upon the findings of the audit work undertaken during the year as well as other sources of assurance that can be relied upon.

It is reflective of the continued progress made in relation to the evolving maturity of risk management arrangements in place within GMCA and in the continued development of the performance management framework. Internal Audit work undertaken during the year reported proportionately more reasonable and substantial assurance opinions than limited opinions. Implementation of audit actions continued to improve throughout the year, finishing at 84% against a target of 85%.

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

Internal Audit work has been carried out in line with the requirements of Public Sector Internal Audit Standards (PSIAS).

The Internal Audit team has maintained its independence and objectivity throughout the year and there have been no instances identified of non-conformance with PSIAS.

## **4. Basis of the Opinion**

### **4.1. Corporate Governance**

Through the internal audit work undertaken and review evidence to support the application of the governance framework, for 2023/24 it can be confirmed that the following are in place:

#### **4.1.1. Governance and Scrutiny**

- The Overview and Scrutiny Committee met 11 times in 2023/24. The meetings are held in public and recordings and papers made available on the GMCA website.
- The Audit Committee meets regularly, in public and all papers are also publicly available.
- Meeting papers and webcasts for GMCA, Committee and Scrutiny meetings are available on the GMCA website for a period of six months after the meeting date.
- The Police, Fire and Crime Panel is also in place, and met regularly, in public, throughout the year.
- Registers of key decisions (upcoming and made) for GMCA and the Bee Network Committee are available on the GMCA website
- The Standards Committee is in place and met in 23/24

#### **4.1.2. Policies and Codes**

- GMCA has within its Constitution a Code of Conduct for both Officers and Members which set out the key expectations around personal behaviour and professional conduct.
- There are generally robust policies and procedures in place for gathering and collating declarations of interest from Members which are available on the

GMCA website. Declarations of Interest is a standing agenda item at all Committee and Scrutiny meetings.

- New processes have been introduced to collect and store Declarations of Interest from senior Officers within GMCA.
- GMCA's Whistleblowing Policy was last approved in February 2023. Whistleblowing reports are made to Internal Audit and oversight is provided by the Treasurer. The Audit Committee receives an annual report on the outcomes of whistleblowing reports.
- GMCA publishes quarterly information in line with 2.1 of the Local Government Transparency Code. Not all of the annual information required in section 2.2 of the Code was available on the GMCA website in 2023/24 (for example land and assets data and GMCA organisation chart)

#### **4.1.3. Objectives and Performance Measurement**

- GMCA has a Corporate Plan which covers a five year period, supported by annual business plans.
- Quarterly performance reviews take place by the Senior Leadership Team. These reviews encompass performance against the business plan commitments as well as a number of corporate health indicators. These meetings took place throughout 2023/24.

#### **4.2. Risk Management**

The Deputy Director, Audit and Assurance has responsibility for the risk management framework for GMCA, supported by a part-time Corporate Risk Manager. It is clear within GMCA through the framework and the Internal Audit Charter that although development of the framework is overseen by the Deputy Director, Audit and Assurance, ownership of the risk management activities and risks lie absolutely with management, via the Chief Executive's Management Team (CEMT) and Senior Leadership Team (SLT).

GMCA Organisational Risks were reviewed during the year by the Senior Leadership Team and aligned to the Corporate Plan priorities. The risk profile (Strategic risks + high scoring organisational and directorate risks) are included in the Quarterly Performance Report. The Corporate Risk Manager works with all directorates to ensure risk registers are kept up to date and risks are appropriately escalated.

Greater Manchester Police (GMP), Transport for Greater Manchester (TfGM) and Greater Manchester Fire and Rescue Service (GMFRS) maintain their own risk management arrangements and risk registers are owned by the Chief Constable, Chief Executive of TfGM and Chief Fire Officer respectively. Risks from these registers are escalated to the GMCA risk register where appropriate.

### **4.3. Internal Control**

In comparison to previous years, the proportion of limited assurance opinions has continued to decline, being 15% in 2023/24 compared to 31% in 2022/23 and 36% in 2021/22.

An area to monitor is that both limited assurance opinions issued in 2023/24 related to IT audits. The threat and vulnerability audit provided a limited assurance opinion but a significant remediation programme has been put in place to address the issues raised, this will be revisited in 2023/24. The other IT audit related to a specific application system, so whilst not pervasive across the organisation nonetheless needs remediation. However, an external penetration test of the GMCA estate in 2023 concluded that overall the security of an estate of the size of GMCA was good.

The risk-based IT Audit programme will continue to be delivered in future years and reassess any areas where previously limited assurance opinions have been issued.

All the grant work certification work undertaken by Internal Audit in 2023/24 provides assurance that the required controls are in place to ensure grant conditions are met.

Implementation of audit actions has improved during the year, building on the good performance that had been made by the end of the previous year.

#### 4.4. Internal Audit work performed

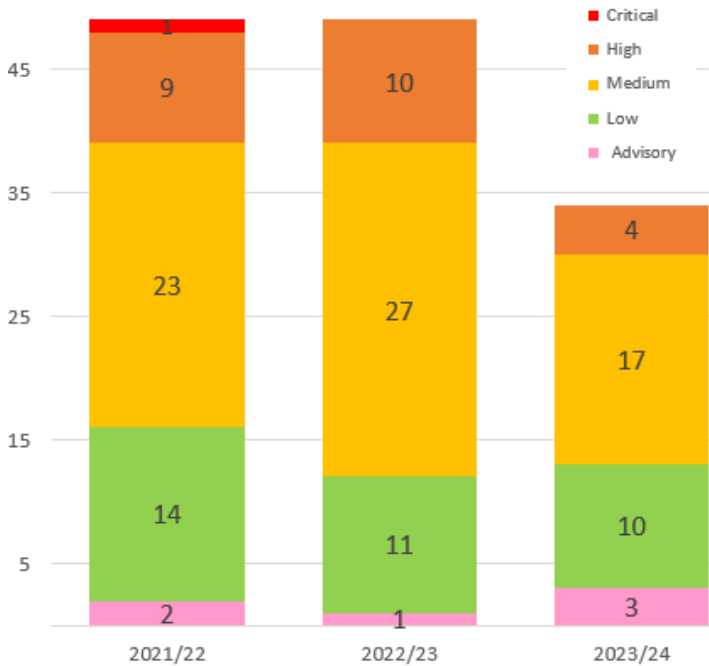
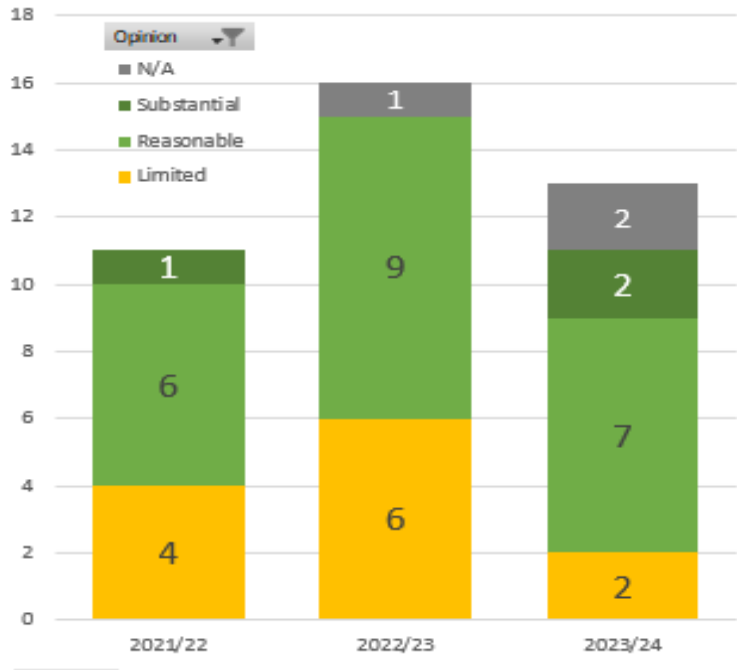
The Internal Audit Plan for 2023/24 was presented to and approved by the Audit Committee in March 2023. A summary of the internal audit reports issued in 2023/24 is provided below:

Assurance level	Governance	Risk	Control
<b>Substantial Assurance (15%)</b> Controls are designed effectively, operate consistently with no evidence of systemic control failures and no high or critical risk audit findings reported			
Waste Fleet Assets	✓	✓	✓
Payroll			✓
<b>Reasonable Assurance (50%)</b> Generally an appropriate framework for governance, risk management and/or internal control was found to be in place and controls are operating but there are areas for improvement in terms of design and/or consistent execution of controls.			
GMFRS Station Standards Framework	✓		✓
Effectiveness of the Occupational Health Provision			✓
Purchase Cards	✓	✓	✓
Corporate Recharge Model	✓		✓
Freedom of Information Requests / SARs	✓	✓	✓
Firefighter recruitment (2024/25)	✓		✓
Procurement waivers (2024/25)	✓		
<b>Limited Assurance (15%)</b> Significant improvements are required in the governance, risk management and/or control environment.			
Critical IT Application Review			✓
IT Threat and Vulnerability Management			✓
<b>No Assurance (0%)</b> The framework for governance, risk management or the system of internal control is ineffective or is absent.			
N/A			
<b>Advisory reports / Other (15%)</b> An assurance opinion was not provided due to the nature of the engagement			
Organisational Learning Framework/Operational Assurance			
GMCA Next Phase Programme			

#### 4.5 Analysis of 2023/24 audit findings and audit opinions

The chart to the right shows the number of audit opinions issued in each of the last three years, and the number of limited, reasonable and substantial opinions.

In 2023/24, fewer limited assurance opinions were issued than in prior years and more substantial assurance opinions.



The chart to the left shows the number of audit findings and their associated risk rating across the last three years.

There have been fewer audit findings than in previous years.

#### 4.5. Grant certification work

A Summary of the grant certification work undertaken in 2023/24 is provided below:

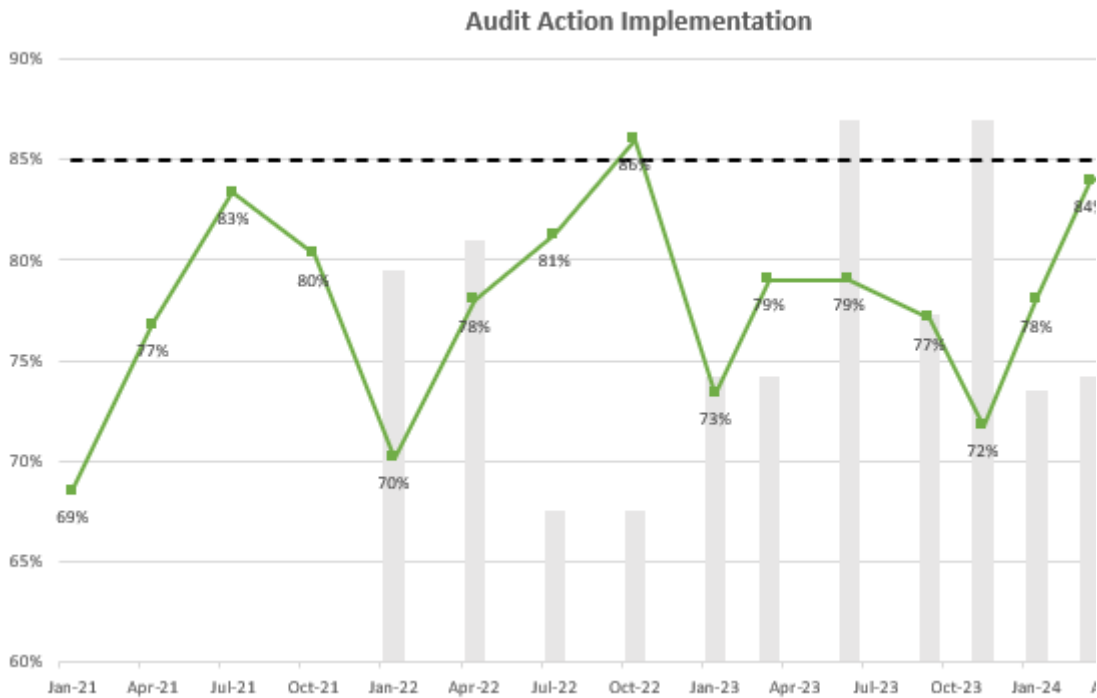
Grant	Amount certified	Assurance level
GFA: Strategic Project Development (Schools Solar Toolkit)	£50k	Positive
GFA: Project Development (Schools Solar Engagement)	£20k	Positive
Net Zero Green Retrofit Finance	£39.5k	Positive
Net Zero Junior Officer (Y1 Q4)	£7.2k	Positive
Net Zero Programme Delivery (Y1 Q4)	£36.8k	Positive
Local Energy Advice Demonstrators (LEAD) – Y1 Q4	£666.2k	Positive
5G Innovation Regions Programme Grant	£136.2k	Certified with recommendations
Growth Hub Core Funding	£420k	Positive

#### 4.6. Implementation of audit actions

As part of PSIAS, we are required to consider the appropriateness of the organisation's response to the implementation of audit recommendations. GMCA Senior Leadership Team have responsibility ensuring the timely implementation of audit actions and the impact of risk. Internal Audit track and validate the implementation of audit actions and report regularly on this to the Senior Leadership Team and Audit Committee.

At the end of March 2024, the audit action implementation rate was 84%. The target on time implementation rate is 85% so there is real progress in working towards that target. Internal Audit will continue to work with management to support continued improvement.

The chart below shows the performance of implementation of audit actions for the last three financial years, which apart from some seasonal variation typically at the end of each calendar year, shows consistent performance.



#### 4.7. Whistleblowing Outcomes

In 2023/24 sixteen whistleblowing reports were received either directly or indirectly by Internal Audit. Nine were assessed as not being relevant to GMCA as they related to other parties or were more appropriately routed through the grievance process.

Of the seven that were considered as whistleblowing:

- Two were closed after initial fact-finding was undertaken, due to the validity of the reports not being evidenced
- Following investigation, disciplinary action was taken in two cases
- Organisational improvements were determined as a result of one case
- Two cases are ongoing.



Of the seven cases investigated, there was no trending theme in relation to the nature of the concerns raised. The reports related to different parts of the organisation, more were received relating to GMFRS (5/7) but this may be expected given the relative size of GMFRS as part of the GMCA organisation.

The volume and nature of the reports received do not point to systemic or widespread fraud, corruption or wrongdoing.

#### **4.8. Effectiveness of Internal Audit during the period**

An external quality assessment (EQA) of the Internal Audit Function was undertaken in 2021/22. The conclusion was that overall the service complies with PSIAS with a number of recommendations for improvement which were built into subsequent Internal Audit Improvement Plans.

A self assessment of the effectiveness of the Internal Audit Function was undertaken in 2023/24 by the Deputy Director, Audit and Assurance. The assessment considered:

- IA team structure and resourcing
- The extent of conformance with the PSIAS in producing quality work.
- Delivering audit work in the most appropriate areas on a prioritised (risk) basis.
- Audit Committee reporting
- Progress in implementing the actions arising from the EQA
- Implementation of Internal Audit recommendations

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

## 5. Other Sources of Assurance

### 5.1. GMFRS - HMICFRS Inspection

HMICFRS undertook an inspection of GMFRS in late 2023, publishing their report on 8<sup>th</sup> March 2024. The inspection assessed how well GMFRS has performed in 11 areas.

GMFRS was awarded “Good” judgements in 10 of the 11 areas:

- Understanding fire and risk
- Preventing fire and risk
- Public safety through fire regulation
- Best use of resources
- Promoting values and culture
- Right people, right skills
- Promoting fairness and diversity
- Managing performance and developing leaders

It was rated “Adequate” in Responding to major incidents.

An excerpt of the report, containing the Inspector’s summary findings is included below:

My principal findings from our assessments of the service over the past year are as follows:

- The service continues to identify risk well and has an effective community risk management process.
- The service’s fire plan plus its annual delivery plan (ADP) make up its [community risk management plan \(CRMP\)](#). We found this to be based on a comprehensive understanding of risk. Since our last inspection, the service has developed prevention, protection and response strategies and several frameworks to support improvement.
- The service has effective programme and project management processes in place and has achieved consistent improvement through effective governance and performance processes.
- The service has successfully implemented its new terrorist response capability.
- All its stations and fire engines are now equipped and ready to respond to marauding terrorist attacks (MTAs) and other incidents involving large numbers of casualties.
- The service continues to prioritise the improvement of its organisational culture.
- The service has adopted a culture-first approach and considers its values in everything it does.

Overall, I commend the service on the changes it has made and expect it to continue working to resolve the further areas for improvement we have identified.

The [full report](#) can be found on the HMICFRS website. The Inspector's conclusions, particularly around risk management, programme and project management and culture provide further, independent assurance over GMFRS.

## **5.2. External Penetration Testing**

In late 2023 a CREST (Council of Registered Ethical Security Testers) registered external provider was engaged to assess GMCA's IT estate. The scope included external perimeter testing, internal vulnerability assessments, web application reviews and configuration/build reviews to against NCSC (National Cyber Security Centre) guidance.

The conclusion of the report was “the overall level of security of systems assessed was considered good for a domain of this size, however testing identified a number of high-risk vulnerabilities which should be addressed to reduce the risks to GMCA data”.

## Appendix A – Annual Opinion Types

The table below sets out the four types of annual opinion that the Head of Internal Audit considers, along with an indication of the characteristics for each type of opinion. The Head of Internal Audit will apply judgement when determining the appropriate opinion so the guide given below is indicative rather than definitive.

Opinion	Description	Indicators
Substantial	There is a sound system of governance, risk management and internal control in place. Internal controls are designed to achieve objectives and the controls tested during the course of internal audit work were being consistently applied.	<ul style="list-style-type: none"> <li>• Through internal audit work undertaken and/or other sources of assurance the arrangements for governance and risk management were deemed to be robust and consistently applied.</li> <li>• No individual assignment reports were rated as “No Assurance”</li> <li>• No critical or high risk rated findings were identified</li> <li>• A limited number of medium and low risk rated findings were identified within the audit work undertaken and were isolated to specific instances.</li> <li>• Management demonstrate good progress in the implementation of previous audit actions</li> </ul>
Reasonable	There is an established system of governance, risk management and internal control in place that is generally operating effectively. Some areas for	<ul style="list-style-type: none"> <li>• The number of internal audit reports rated as “Limited Assurance” does not outweigh those with “Reasonable”, “Substantial” Assurance</li> <li>• Assurance over systems of control that are pervasive across the organisation (for</li> </ul>

	<p>improvement were identified.</p> <p>Internal Controls are generally operating effectively. Audit testing found some areas for improvement although not indicative of systemic failure in the control environment.</p>	<p>example corporate functions) was generally positive (ie reasonable or substantial assurance opinions).</p> <ul style="list-style-type: none"> <li>• Frameworks for governance and risk management are in place and generally operating effectively</li> <li>• No critical risk rated findings were identified in the audit work undertaken</li> <li>• Any high risk rated findings were isolated to specific activities and were implemented in line with agreed timescales</li> <li>• Medium risk rated findings do not indicate a systemic or pervasive weakness in governance, risk management or internal control</li> <li>• Management demonstrate reasonable progress in the implementation of previous audit actions.</li> </ul>
<p>Limited</p>	<p>a) <u>Limited by volume</u></p> <p>Internal Audit undertook a limited number of audits. The work undertaken combined with other sources of assurance considered the arrangements for governance, risk management and control</p>	<ul style="list-style-type: none"> <li>• No individual assignment reports were rated as “No Assurance”</li> <li>• No critical risk findings were identified</li> <li>• Work undertaken covered a range of the key risks within the organisation</li> <li>• Any major or significant risk rated findings were isolated to specific activities and were implemented in line with agreed timescales</li> </ul>

	<p>over a number of key corporate risks.</p>	
	<p>b) <u>Limited by results</u>  There are gaps in the arrangements for governance and risk management and/or those arrangements have not been applied consistently and robustly through the year  and/or  The level of non-compliance with internal controls puts the systems objectives at risk.</p>	<ul style="list-style-type: none"> <li>• There are significant gaps in the arrangements for governance and/or risk management or the arrangements had not been effectively executed during the year.</li> <li>• The number of internal audit reports rated as “Limited” or “No Assurance” outweighs those rated as “Reasonable” or “Substantial”.</li> <li>• Critical and High risk findings were identified in the audit work undertaken</li> <li>• Internal Audit findings indicated that improvements were needed to the design and/or operating effectiveness of the wider frameworks of governance and/or risk management</li> <li>• No more than two critical risk findings were identified and they were in relation to specific activities as opposed to indicating systemic failures and were rectified quickly.</li> <li>• Management do not demonstrate good performance in implementing audit actions.</li> </ul>

<p>No Assurance</p>	<p>The arrangements for governance, risk management and internal control is generally weak, leaving the system open to significant error or abuse and/or Significant non-compliance with basic controls leaves the system open to error or abuse.</p>	<ul style="list-style-type: none"> <li>• Audit reports are generally rated as “Limited” or “No” assurance.</li> <li>• Findings rated Critical and High outweigh those rated as Medium or Low.</li> <li>• Audit findings indicate systemic non-adherence to control procedures, indicating a poor control environment.</li> <li>• Frameworks for governance and risk management are not in place</li> <li>• Audit actions are consistently not implemented in line with agreed timescales.</li> </ul>
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## Appendix B

Below are the definitions of the assurance opinions used by Internal Audit. These opinion ratings have been defined for the GMCA Internal Audit and are consistent with the recommended definitions for engagement opinions published by CIPFA in April 2020.

	DESCRIPTION	DESCRIPTION
	<b>SUBSTANTIAL ASSURANCE</b>	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>	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>	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>	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



		<p>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.</p>
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## **GMCA Audit Committee**

Date: 31 July 2024

Subject: Internal Audit Effectiveness

Report of: Steve Wilson, GMCA Treasurer

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### **PURPOSE OF REPORT**

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

The Deputy Director, Audit and Assurance conducts an annual review of the effectiveness of its system of internal audit as part of its governance assurance processes and presents this to the Treasurer and Audit Committee. This process is designed to provide assurance to the Audit Committee over the system of internal audit including the role, function and performance of the internal audit service.

This report sets out the assessment for 2023/24 and actions proposed to ensure ongoing effectiveness and quality of the GMCA Internal Audit service.

### **RECOMMENDATIONS:**

Members are requested to note the report.

### **CONTACT OFFICERS:**

Steve Wilson, GMCA Treasurer - [Steve.wilson@greatermanchester-ca.gov.uk](mailto:Steve.wilson@greatermanchester-ca.gov.uk)

Sarah Horseman, Deputy Director, 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

TRACKING/PROCESS	
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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**

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

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

This report provides the assessment of the effectiveness of the GMCA Internal Audit service for 2023/24 and sets out the plans for monitoring and measuring effectiveness of the service going forwards.

## **2. Assessment of Internal Audit Effectiveness for 2023/24**

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

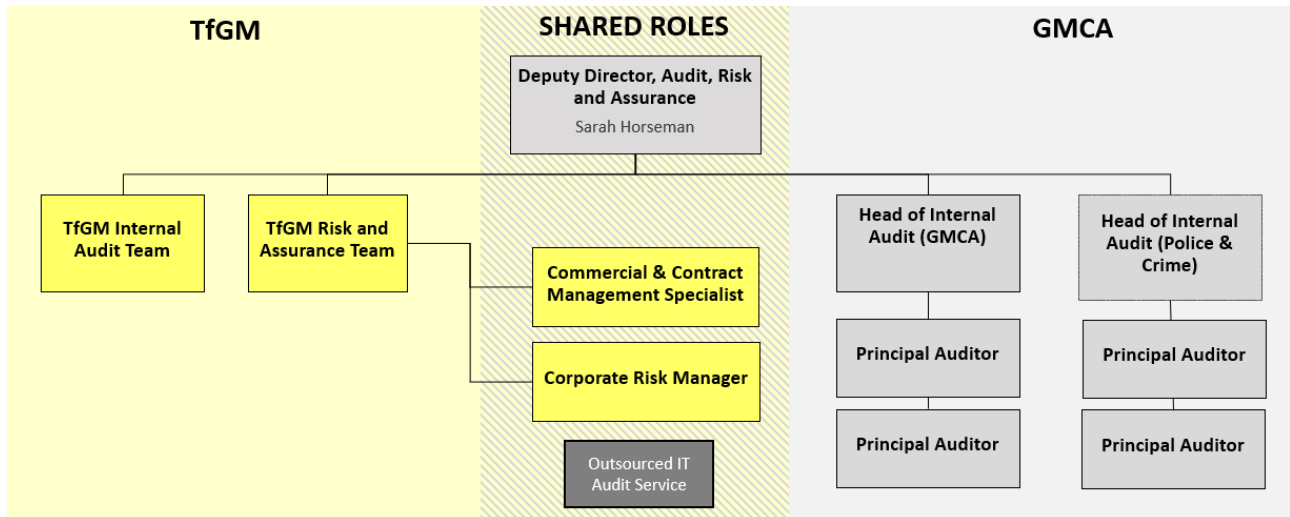
- Structure and resourcing
- Progress on implementing the any recommendations in the Internal Audit Development Plan
- Delivering audit work in the most appropriate areas on a prioritised (risk) basis
- Audit Committee reporting
- Implementation of Internal Audit recommendations

The conclusion of the assessment is that the work undertaken by internal audit in 2023/24 has been effective insofar that it has focused on key areas of risk and has been undertaken in line with PSIAS.

Details of the assessment for each of these attributes is provided below in Sections 3-9.

### 3. Internal Audit Structure and Resourcing

The Structure of the Internal Audit service in 2023/24 is shown below:



The GMCA Internal Audit team of 2.8 FTE are dedicated to delivering the GMCA Internal Audit Service and also have responsibility for Counter Fraud arrangements within GMCA. The size of the team is small and the plan in 23/24 had no capacity for “contingency” days to allow for ad-hoc work (for example response to whistleblowing or fraud reports) to be undertaken without impacting another part of the plan. A business case to increase in resources in progress with a view to recruiting in the summer of 2024. This will be kept under review as GMCA continues to grow in size and complexity.

The “second line assurance” roles of the Corporate Risk Manager and Contract & Commercial Management Specialist, both seconded from TfGM also report to the Deputy Director, Audit and Assurance and provide “2<sup>nd</sup> line” assurance to GMCA.

IT Audit services are provided by an external provider, Mersey Internal Audit Agency (MIAA).

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

An external assessment of compliance with PSIAS was undertaken in 2021/22. The conclusion of that work was that the Internal Audit Team conforms with PSIAS. The majority of the recommendations from that review were implemented in 2022/23.

There remain a small number of recommendations that continue to be developed, these include:

- Development of an assurance map – this work is ongoing as part of the GMCA Next Phase programme, in preparation for the Single Settlement.
- Introduction of data and analytics – the team does not currently routinely use analytics techniques. This will continue to be considered alongside resource requirements to develop the skills and tools required.
- There is some counter fraud activity undertaken by the Head of Internal Audit, but increasing resources will allow more time to be spent on proactive counter fraud risk management.

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

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

##### **5.1 Ongoing Reviews**

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



- Feedback from audit clients is sought in post-audit questionnaires

## **5.2 Periodic Reviews**

- Performance against Internal Audit KPIs is reported annually to the Audit Committee.
- Internal Audit regularly reports progress against the Internal Audit plan to SLT and Audit Committee
- Internal Audit undertake a formal risk assessment process annually to develop the Internal Audit Plan.
- The Deputy Director, Audit and Assurance undertakes an annual review of the effectiveness of Internal Audit, compliance with the QAIP and a self-assessment of compliance with PSIAS.
- Formal Performance Review process in place for the team where objectives and development activities are identified.
- Feedback on the effectiveness of Internal Audit and of the Deputy Director, Audit and Assurance requested from the Treasurer, Chief Executive and Audit Committee Chair.
- Any significant areas of non-compliance with the PSIAS that are identified through internal assessment will be reported in the Deputy Director, Audit Assurance's Annual Report and used to inform the Annual Governance Statement (AGS). No significance areas of non-compliance have been identified for 2023/24.

## **5.3 External Assessments**

An external quality assessment (EQA) was undertaken in 2021/22, which rated the service as compliant overall. The next EQA will be due in 2026/27, after the implementation of the new Global Internal Audit Standards.

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

The internal audit plan for 2023/24 was developed in early 2023 after undertaking a detailed risk assessment. The plan was kept under review with changes being reported to Audit Committee as required.

## **7. Audit Committee reporting**

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

Internal Audit have a number of KPIs that are intended to monitor the performance and quality of the service provided. The purpose of these is to focus on audit outcomes as opposed to what had been traditional, input focused KPIs. There is an ongoing challenge however in collecting feedback from audit clients as responses to the client survey are rarely received. This makes it challenging to report on a number of the indicators.

Other KPIs include

- Completion of the Audit Plan – at the time of writing, 10 (62.5%) of the in the plan had been completed (final reports or certifications issued), with a further 4 (25%) in progress. The forecast completion rate for the audits that were in the agreed plan is 87.5%. Towards the end of the year, some activities (Net Zero Audit, Anti-money laundering policy and fraud response plan) were put on hold whilst the Head of Internal Audit undertook a whistleblowing investigation. This impacted the delivery of the plan.
- Elapsed time – the aim of this KPIs is that audits do not span more than 3 months from the commencement of fieldwork to reporting. For the audits completed in the 2023/24 audit plan, the achievement of this KPI is 69% (which rises to 75% one week after the three month threshold). This will remain an area to monitor in 2024/25.

## **8. Implementation of Internal Audit recommendations**

Internal Audit monitor the implementation of audit actions and report results to the Audit Committee on a quarterly basis. Officers responsible for high priority actions that are overdue are required to present the reasons for the delayed implementation to Audit Committee.

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

## **9. Looking ahead – Internal Audit Development Plan 2024/25**

The Deputy Director, Audit and Assurance has developed an Internal Audit Development Plan (Appendix 1) which identifies areas for improvement, based on this assessment of Internal Audit Effectiveness. The plan will be monitored throughout the year and progress reported to the Audit Committee.

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

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

**Internal Audit Development Plan 2024/25**

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

Action	Source	Responsibility / Commentary	Responsible
IIA Standards Gap Analysis	Global IIA	New Global IIA Standards have been issued and will be required to be implemented in April 2025. We are awaiting guidance from CIPFA as to the application of the new standards in the UK public sector. Our IA Methodology, processes and templates will require review and update to ensure they are in line with the new Standards.	Deputy Director of Audit and Assurance supported by Heads of Internal Audit
Update the Internal Audit Methodology in line with new Standards.			
Review and update Internal Audit Charter and QAIP			
Keep resources under review	Audit Committee	With increasing breadth and of GMCA activities, it is important that there are sufficient internal audit resources to provide assurance work that will support the internal audit opinion as well as to support activities such as counter-fraud, whistleblowing and the GMCA Next Phase programme.	Deputy Director, Audit and Assurance supported by the Treasurer and Audit Committee.



## GMCA Audit Committee

Date: 31 July 2024

Subject: Risk Management Update Report

Report of: Sarah Horseman, Deputy Director - 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, Deputy Director, Audit and Assurance**  
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**Paul Chase, Corporate Risk Manager**  
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## Equalities Impact, Carbon and Sustainability Assessment:

N/A

## Risk Management

N/A

## Legal Considerations

N/A

## Financial Consequences - Capital

N/A

## Financial Consequences - Revenue

N/A

Number of attachments included in the report:

**BACKGROUND PAPERS:** N/A

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

## **1 INTRODUCTION**

This report provides an overview of risk management activity since the last update to the Committee in March 2024.

## **2 ACTIVITY IN THE PERIOD**

### **2.1 Updates to the directorate risk profile**

Risk registers continue to be reviewed regularly to identify any changes in GMCA's risk profile. Since the last Audit Committee meeting, we have identified a 'Risk Champion' within each team to help coordinate the review of risk.

In addition, the Corporate Risk Manager began piloting a more active approach to tracking the effectiveness of our risk actions by asking the Digital team to generate a RAG status for their actions. This approach will now be cascaded across other teams in Quarter 3.

### **2.2 Review of Strategic Risk Profile with CEMT**

A positive discussion has led to a re-evaluation of both the opportunities and challenges faced not only by the Combined Authority, but all organisations involved in implementing the Greater Manchester Strategy. Drawing on a number of 'Risk themes', we are now developing risks that reflect both a shared ownership across Greater Manchester, as well as risks falling under the management of the Combined Authority. For a list of the risk themes and associated draft risks, please refer to Appendix 1. This work will continue over the summer, and we will bring a refreshed Strategic Risk register to a future meeting.

### **2.3 Risk Management Software**

Following feedback from the last Audit Committee meeting, the Business Case for an Enterprise Risk Software is being developed, such software will: -

- enable the tracking of corporate risks and actions in real time;
- consolidate all data into a single system and actively prompt users to keep their data up to date;
- report the total risk exposure we are carrying and help us focus resources where we need to be more effective in reducing exposure; and
- draw out interdependencies across different teams.

## 2.4 Review of the GMCA Risk Framework

In parallel to developing a case for risk management software, we are also preparing updates to the GMCA Risk Framework. They will transform the framework into a risk strategy. Our aim is to provide proactive support to staff as they navigate the risks they encounter. Collaborating with CEMT, we will also establish greater clarity regarding the organisation's risk appetite. This work is being undertaken alongside similar reviews being carried out by TfGM and GMFRS. Offering the opportunity to grow a more consistent approach.

## 2.5 New Risk Training E-module

A new 'Introduction to Risk Management' E-module has now been developed and prepared and will be launched alongside an updated Risk Strategy. The E-module will help all staff increase their awareness of risk management and how to begin to use it in their jobs.

## 3 EMERGING AND SIGNIFICANT MOVEMENTS IN DIRECTORATE RISKS

- **EMERGING:** Digital risk, '*DIGR00188 - Digital, data and technology skills gap*' covering the challenge to recruit capable staff.



- **EMERGING:** Waste risk, '*DIR-WR-10 Emissions trading scheme*' where the future cost of the scheme may not be in GMCA or Local Authority medium to long term budgets.
- **EMERGING:** The Police, Crime, Criminal Justice and Fire have added emerging risks around, '
  - *DIR-PCCJF-15 GMP - Vulnerable groups and communities*', '
    - *DIR-PCCJF-20 Change of Methodology in respect of CSE Review Part 4*', and '
      - *DIR-PCCJF14 GMP Performance Ability to deliver an uplift given a new and inexperienced workforce and some areas still not up to full capacity*'. Where the latter will be monitored closely in case it needs to be escalated further.
- **REVISION:** The contracts risk: '*DIR-FIN-03 Contract management (including procurement regulations)*' has been revised to "Risks arising from new procurement regulations" due to begin in October. The Commercial Services team are working closely with teams to identify any exposure.
- **REVISION:** The Data Governance Team are revising '*IGR1 - Compliance with Data Protection Act 2024*' as the draft legislation was not enacted before the general election. The risk will revert to refer to compliance with the existing 2018 Act.
- **REVIEW:** The Education, Work and Skills team are currently updating their risk profile. Recognising the strengthening of governance and accountability due to the increasing scope and scale of our work. Where clear strategic priorities with supporting Frameworks are being established to identify key work areas alongside newly established Thematic Panels. Newly formed Strategic Oversight Groups review our work and escalate issues and risks through formal governance as required including EWS' Internal Programme Board.

#### 4 RISKS WITH A HIGH RESIDUAL SCORE

Two risks currently carry a residual risk score of 16 or higher. These are:

- **OR1** '*Readiness to respond to a major (or multiple) continuity event(s)*'. Residual score of 16. Mitigations focus on ensuring business continuity plans are kept up to date and there is a regular review of the National Community Risk Register to anticipate future risks.
- **OR14** '*Cyber-attack*'. Residual score of 16. Cyber remains a high risk across all types of organisation. Mitigations are in place via a number of measures, including the Digital team running an IT Security Programme to challenge teams to identify any exposure to from their activities. This is informed by a record of critical systems and software. This also helps to capture assurance over business continuity and disaster recovery planning in place.

#### 5 UPCOMING ACTIVITY FROM THE RISK MANAGEMENT ACTION PLAN

The following activities will be undertaken to continue to grow our maturity in managing risks:

- Following approval of an updated strategic risk register. A workshop will be arranged with CEMT to seek direction on the GMCA's risk appetite.
- Further rollout of the 'Active management' approach to tracking the effectiveness of risk controls within each directorate. This activity is an essential step in

preparing data for import into any risk management software. It will be driven with the help of our network of Risk Champions.

- Launch the of a new Introduction to Risk e-module to staff via the Intranet in conjunction with a revised GMCA Risk Management Strategy.
- Quarterly reviews of the organisational and strategic risk registers with SLT and CEMT, respectively.

**Appendix 1 – Strategic Risk Register – Risk themes identified for development**

(Following review with CEMT on 18/7/24)

<b>RISK THEME</b>	<b>AREA OF RISK BEING DEVELOPED</b>
<b>An overarching ‘core’ strategic risk</b>	Achieving the outcomes within the GM Strategy.
<b>Working in collaboration across the GM city-region</b>	Stakeholders working effectively across Greater Manchester.
<b>Working in collaboration across the GM city-region</b>	GMCA facilitating collaboration across Greater Manchester
<b>Secure sufficient funding</b>	Failure to secure sufficient funding for GM priorities
<b>Robust policy &amp; decision making</b>	Policy and decision-making ( <i>accountability, transparency, evidence and delivery</i> ).
<b>Delivery</b>	Delivery of statutory services and contracts ( <i>e.g. GMFRS, PCC, Waste, Transport, Adult Education</i> ).
<b>Delivery</b>	Delivery of strategic programmes.
<b>Delivery</b>	Financial risk arising from operation of the Bee Network.
<b>Sufficient capability &amp; resources</b>	Insufficient skills and capacity impacts the ability to deliver the opportunities offered by devolution.

## Appendix 2 - Escalated Risks

### Organisational Risks (on 22nd July 24)

There are currently 2 organisational risks with a residual risk score of 16 or more. There are 6 risks with an inherent risk score of 16 or more that have successfully implemented risk actions that bring down their residual scores below 16.

Ref	Risk Title	Description	Inherent Score	Residual Score
OR1	Readiness to respond to a major (or multiple) continuity event(s).	Capability and readiness to respond to a major and potentially catastrophic event e.g. a pandemic. <b>Note:</b> the scope of this risk covers both the GMCA and GMFRS. Mitigation from both are included in the register.	20	16
OR2	Failure to be prepared for Devolution Programme	Organisation does not have the capability, governance, capacity and strategy in place to deliver opportunities arising from Devolution.	16	12
OR3	Diverse and inclusive workforce	Failure to attract and retain equal, diverse and inclusive workforce	12	12
OR4	Staff Mental and Physical Wellbeing	Factors such as the legacy from lockdown restrictions, cost of living crisis or other work pressures may affect staff health, wellbeing and morale.	16	6
OR5	Behaviours and Culture	The Culture of the CA fails to adapt to changing organisational demands which in turn impairs efficiency and delivery.	12	8
OR7	Organisational Governance and Decision Making	Governance processes are not capable of effectively supporting our priorities such as administering the Single Settlement.	20	12
OR9	Funding and Grants not spent within time/ conditions	Failure to spend monies awarded through programmes could lead to reductions in funding awarded in the future or conditions are more stringent.	20	12

Ref	Risk Title	Description	Inherent Score	Residual Score
OR11	Recruitment into priority roles	Recruitment into roles required to deliver key priorities in the Business Plan.	15	6
OR12	Management and security of sensitive data	Failure to manage sensitive data leads to data/ information loss, misuse, inaccurate analysis or official sanction.	20	15
OR14	Cyber attack	An attack compromises ability to fulfil corporate and strategic responsibilities that could include elections, programmes, administering funding or delivering waste management services.	25	20

## Escalated / “Top” Directorate Risks (on 22nd July 24)

There are a number of high scoring directorate risks, some of these links directly to Strategic or Organisational risks but some are discrete and specific to the directorate. Of these high scoring risks, 29 cite risk mitigations that bring the current risk score to below 16 (where inherent risk  $\geq 16$ ), whilst 22 others remain  $\geq 16$ . The two tables below show firstly those with a residual risk score of 16 or more and secondly those with a residual score of  $< 16$ .

**Table 1: Directorate Risks with a residual risk score of 16 or more**

Directorate	Ref	Risk Title	Description	Inherent Score	Residual Score
Digital	DIGR0019 2	PSTN switchover Wording, inherent and residual rating, and controls updated.	Public Service Telephone Network switchover in December 2025. The process is industry-led, and awareness is low with potential risks to vulnerable residents reliant on the line.	25	20
Digital	DIGR0016 2	Digital Services capacity pressures	Digital Services does not have sufficient capacity to meet both organisational demand and GM demand for project related support, leading to organisational frustrations, shadow ICT, and mental health pressures on the team	20	16
Digital	DIGR0016 6	Cyber Security	GMCA is subject to a Cyber-attack (See Organisational risk)	25	20
Digital - NEW	DIGR0018 8	Digital, data and technology skills gap	Gap in availability and increasing cost of digital technical skills impacting Digital directorate recruitment. Coupled with lower ability to upskill staff and invest in talent like the private sector.	20	16
Environment	Environment	Commercial Buildings	Development of a commercial buildings retrofit offer.	16	16

Directorate	Ref	Risk Title	Description	Inherent Score	Residual Score
Finance	DIR-FIN-11	Strategic Analytical Capability (Single Settlement leadership)	Urgent need to grow capability and capacity to make financial recommendations covering the prioritisation and governance of large amounts of funding under the Single Settlement. This is a systemic risk across directorates.	20	16
Finance	DIR-FIN-03	Contract management (including procurement regulations)	Contract management practices fail to optimise commercial performance, guarantee compliance with legal and new procurement) regulations, delivery of project outcomes or provide foresight into potential supplier collapse.	20	16
GMFRS	RR4	Capital Grants	Due to the absence of capital grants and capital financing arrangements there is a risk that future capital investment will have to be independently sourced to continue to support our organisational requirements putting additional pressures on our future budget.	16	20
GMFRS	RR39	Spending Review	Funding supporting the 2023/24 Budget represents a one-year settlement, there is a significant risk that future funding will be affected, and also that one off funding (Protection) will not continue beyond 2023/24.	15	16
GMFRS	RR47	Utilities Pricing	Due to current market conditions there is a significant risk of rising prices in the area of utility bills. Significant anticipated increases in the GMFRS budget required to fund shortfalls.	20	16
GMFRS	RR40	FF Pensions	2020 Pension Valuation resulted in increased costs of Employer's Contributions and was funded by Home Office grant in 2024/25 with no further	12	16



Directorate	Ref	Risk Title	Description	Inherent Score	Residual Score
			commitment beyond that. Risk that this is insufficient to match the increased cost in 2024/25.		
GOVIG	IGR-14	Cyber-attack leads to the loss or corruption of sensitive data	Exposure to reputational damage, legal sanction and/ or inability to operate.	20	20
GOVIG	IGR-13	Uncoordinated and unacceptable use of Artificial Intelligence	The proliferation of and uncoordinated use of AI weakens our assurance over the data captured and processed for analysis, reporting and decision-making.	16	16
GOVIG	IGR-12	Managing the inflow and outflow of complex and sensitive datasets	Lack of readiness (and capability) to anticipate, understand or manage the inflow and outflow of complex and sensitive datasets in our BAU and change activity.	20	16
PCCJF	DIR-PCCJF-08	Reporting, Investigation and Prosecution of RASSO	End-to-End RASSO Review commissioned in responses to low levels of prosecution and the quality of response to victims.	25	20
PCCJF	DIR-PCCJF-15	Confidence in GMP - vulnerable groups and communities.	Declining confidence in GMP particularly among people experiencing inequality (race, gender).	20	16
PCCJF	DIR-PCCJF-17	Indemnity for legally qualified people and independent panel members	Provision of an indemnity to Legally Qualified Chairs and Independent Panel members in the case they are subject to legal proceeding from challenges to their decision-making.	25	20

Directorate	Ref	Risk Title	Description	Inherent Score	Residual Score
WASTE	DIR-WR-10	Emissions Trading Scheme	Future cost of Trading Scheme may not be in GMCA or LAD medium to long term budgets.	25	25

**Table 2: Directorate risks with an inherent score  $\geq 16$  and a residual risk score of less than 16**

Directorate	Ref	Risk Title	Description	Inherent Score	Residual Score
Digital	DIGR00165	Digital Services' core service delivery	GMCA experience disruption to their IT services.	20	15
Digital	DIGR00164	Forward funding of the GM Digital Platform and related use cases	Funding unclear for pan GM digital transformation activity, particularly Early Years, beyond March 2024	20	4
Digital	DIGR00183	Timeliness of support for contracts and procurements	There is a risk that the ongoing issue with legal and procurement resource capacity impacts any new procurements and required contract support conducted by Digital, causing an over reliance on project managers and other Digital staff who are not specialists.	16	6
Digital	DIGR00184	NWFC CAD replacement programme	There is a risk of ongoing disruption to the Digital team, especially at management level, who have needed to step in and take on extra duties on the programme, due to the way the programme has been managed so far.	20	9
Digital	DIGR00187	Organisational data requirements	Digital not able to successfully support the increasing (in volume and complexity) requirements from GMCA and GMFRS	16	8

Directorate	Ref	Risk Title	Description	Inherent Score	Residual Score
			directorates focused on data storage, manipulation and analytics.		
Digital	DIGR00173	Digital skills demand	GM digital industry demand for skills & talent outstrips supply increasing wages and pressuring orgs	16	12
Digital	DIGR00191	Digital Inclusion capacity	Ability to deliver on Priority 1 (Digital inclusion and skills) GM Digital Blueprint is negatively impacted by the reduced capacity profile from December 2023 onwards.	20	15
Environment	N/A	Heat Pump Offer	Offer fails to attract significant interest from residents and the market	16	4
Environment	N/A	Low Carbon Challenge Group	5 Year Environment Plan targets.	16	9
Environment	N/A	Sustainable Consumption and Production Challenge Group	5 Year Environment Plan targets.	16	12
Environment	N/A	Natural Environment	Risk of scaling up project and secure funding	16	12
GMFRS	RR22	Supply Chain and Cost of Living Crisis	Decreasing risk that there may significantly delay or increase the cost of goods in GMFRS' supply chain, resulting in a pressure on contracts and a restricted ability to deliver on a number of emergency response objectives.	16	12
GMFRS	RR11	Industrial Action	Operational staff may withdraw their labour which may adversely affect our operational capabilities.	20	10
GMFRS	RR19	GMFRS Budget	Due to the need to make ongoing savings, there is a risk that GMFRS may not fully deliver the	16	9

Directorate	Ref	Risk Title	Description	Inherent Score	Residual Score
			required efficiency savings to balance their budget over the medium term.		
GOVIG	IGR-10	Legislative Change (e.g. Data Protection Legislation)	Legal changes mean existing information governance processes and procedures are incorrect or do not deliver the necessary legal, operational, or strategic assurance	16	12
GOVIG	GOV-8	Legal challenge	Successful legal challenge threatens delivery of a major programme (and outcomes).	25	15
GOVIG	GOV-9	Major Inquiry	Inquiry / Inquest into GMCA (or related) activity requires major change within GMCA.	20	15
GOVIG	IGR-4	Information Asset Management	Failure to manage, protect and derive value from personal and business information held across systems, formats and locations - who is responsible and how it can be used.	16	12
PCCJF	DIR-PCCJF-07	SARC contracting, funding and therapeutic support	No contract in place and the financial allocation has been disputed	16	12
PCCJF	DIR-PCCJF-09:	Confidence in GMP (Functionality)	Sub-optimal functionality of the police records management system	16	6
PCCJF	DIR-PCCJF-10:	Confidence in GMP (Procurement)	Procurement of a replacement records management system	16	9
PCCJF	DIR-PCCJF-11:	Resourcing of Strategic priorities	Lack of alignment of funding to sufficiently resource strategic priorities	20	9

Directorate	Ref	Risk Title	Description	Inherent Score	Residual Score
PCCJF	DIR-PCCJF-12	Ineffective Complaint Handling	Reputational impact through failure of effective scrutiny and oversight over statutory responsibility to oversee all complaints made to GMP.	16	12
PCCJF	DIR-PCCJF-13	CSE Reviews	Reporting of the findings will impact on local authority and GMP confidence where there are failures in the historical investigations.	25	15
PCCJF	DIR-PCCJF-20	Change of Methodology in respect of CSE Review Part 4.	The Independent Review Team have resigned due to, from their perspective, the refusal of the Chief Constable to provide requested information.	20	12
PCCJF	DIR-PCCJF-14	GMP performance	Ability to deliver an uplift to deliver necessary change and on-going improved performance with new and inexperienced workforce and some areas still not up to full capacity from the Police.	20	15
Place	DIR-PLA-02	Achievement of net zero / social homes target	Achievement of net zero / Failure to deliver against 30,000 net zero social homes target	20	15
Place	DIR-PLA-03	Places for everyone resource capacity	Inability to efficiently process and deliver major actions for Places for Everyone during EiP process	16	12
Place	DIR-PLA-07	Places for Everyone Legal Challenge	Potential legal challenge could quash parts of the plan.	20	12
Reform	DIR-PSR-01	Delivery of outcomes (within funding timeframes)	Failure to achieve outcomes targeted across a range of strategies including Homelessness Prevention, Children & Young People, Ageing and other cross-cutting programmes.	16	12

Directorate	Ref	Risk Title	Description	Inherent Score	Residual Score
Waste	DIR-WR-02	National Waste and Resources Strategy	DEFRA proposing new waste collection approach by March 2025 that may require substantial, unbudgeted investment across districts	16	12
Waste	DIR-WR-01	GM Waste & Recycling Contract	Difficulties arise from contractor(s) failure to deliver, construction of new facilities being delayed, the value of recyclable materials reduces or delays from Brexit related change.	16	9

## **GMCA Audit Committee**

Date: 31 July 2024

Subject: Internal Audit Progress Report

Report of: Sarah Horseman, Deputy Director 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 2024/25. It is also used as a mechanism to seek approval of changes to the internal audit plan.

### **RECOMMENDATIONS:**

Audit Committee is requested to:

- Consider and comment on the Internal Audit progress report.
- Approve any changes to the Audit Plan (Appendix C)

### **CONTACT OFFICERS:**

**Sarah Horseman, Deputy Director 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 annual plan for GMCA was presented to the Audit Committee in March 2024 and this set out the planned assurance activity to be conducted during 2024/25 based on our understanding of the organisation’s strategic and operational risks.
- 1.2 There are separate audit plans 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 (Police and Crime).
- 1.3 The purpose of this progress report is to provide Members with an update against the GMCA Internal Audit Plan for 2024/25 and summary of final reports presented to Committee.

## 2 Progress against the Internal Audit Plan 2024/25.

- 2.1 Since the last meeting in March 2024, we have finalised and published two reports and one in draft from the completion of the 2023/24 audit plan. We have also issued three reports from the 2024/25 audit plan (two in draft) and certified eight grants. The Executive Summaries from these reports are shown at **Appendix D**.

Audit Report	Assurance Opinion
2023/24	
GMCA Waste Fleet Assets - Maintenance	Substantial
This report provided a substantial assurance opinion over the controls in place for the inspection, maintenance, and servicing of GM Waste fleet assets. GM Waste Fleet Assets are owned by GMCA, but managed by the contractor, Suez, in accordance with the responsibility outlined in the Waste Management Contract.	

Suez have responsibility for the maintenance and servicing of the assets and are the holder of the Operator's License.

Our testing evidenced a high level of compliance over inspection, maintenance, and servicing of vehicles in line with relevant guidelines. The report did identify some issues with the completeness and accuracy of information held on the asset register and our report recommended periodic physical verification checks be conducted as part of contract monitoring activities.

<b>Corporate Recharge Model</b>	<b>Reasonable</b>
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This report provided a reasonable assurance opinion over the ongoing development and implementation of the Corporate Recharge Model and the mechanism for calculating and applying corporate services overheads across Directorate functions. This is an evolving process, as the model is developing each year and will need to incorporate future changes under Single Settlement from 2025/26.

Whilst most Directorates accepted that there were benefits from being part of a shared service model, the ability to demonstrate value for money for the services received and an inability to influence, control or forecast significant increases in corporate recharge costs, alongside the timing of receiving the final recharge figure remained areas of concern raised with us. There was a reasonable understanding of the basic model, but not in detail.

Our report identified seven improvement actions including, two medium risk actions.

<b>Audit Report</b>	<b>Assurance Opinion</b>
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**2024/25**

<b>Procurement Waiver Exemptions – Compliance</b>	<b>Broadly Compliant</b>
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This audit examined compliance with the procurement waiver exemption process, which showed general compliance against key controls and criteria for processing. There was some inconsistency over the sign off and approval of waiver exemptions which was the primary area for improvement alongside the adoption of written procedural guidance (waiver code of practice) to promote understanding of waiver usage.

2.2 Scoping discussions have taken place with Management for several planned audits to ensure these are scheduled across the year. Fieldwork start dates have been agreed for quarter 2 & 3 audits. We will continue to flex the plan to take account of changing assurance needs and staff availability and capacity.

2.3 A summary on the status of ongoing audit work during quarter 2 is as follows:

<b>Planning Stage</b>	
New Public Procurement Act – Readiness	Scoping discussions have taken place with the Procurement & Commercial team and agreed start dates for completion during Q2.
Leavers Process - Compliance	This is the second of a series of compliance based transactional audits on key financial processes.
ICT/Digital Asset Management	Scoping discussions have taken place and a terms of reference was agreed with the service to commence this work at the start of Q3.

<b>Fieldwork Stage</b>	
GMFRS - JESIP Operating Principles	The commencement of this work was delayed at the request of the service. Scoping discussions have now taken place and fieldwork commenced during Q2.
Net Zero Achievement	The completion of this work was delayed but will recommence during Q2.

ICT Supplier Management	Fieldwork commenced at the start of Q2 and is ongoing.
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Reporting Stage	
Trainee Firefighter Recruitment and Attraction	These reports are at the draft report stage and will be finalised by the end of July 2024.
Supporting Families Programme - Compliance	
Whistleblowing Case	Internal Audit has completed initial fact-finding work in response to a series of allegations – the full outcome of this work is yet to be concluded.

2.4 **Grant Certifications** – Eight grants were certified during the period.

Grant	Value Signed Off	Assurance Level	Date Completed
GFA: Strategic Project Development (Schools Solar Toolkit)	£50k	Positive	March 2024
GFA: Project Development (Schools Solar Engagement)	£20k	Positive	March 2024
Net Zero Green Retrofit Finance	£39.5k	Positive	March 2024
Net Zero Junior Officer (Y1 Q4)	£7.2k	Positive	April 2024
Net Zero Programme Delivery (Y1 Q4)	£36.8k	Positive	April 2024

Local Energy Advice Demonstrators (LEAD) – Y1 Q4	£666.2k	Positive	April 2024
5G Innovation Regions Programme Grant	£136.2k	Neutral	May 2024
Growth Hub Core Funding	£420k	Positive	May 2024

Details of our progress in respect of the 2023/24 Audit Plan is shown in **Appendix B**.

### 3 Whistleblowing and Counter Fraud

3.1 Internal Audit has received and logged five new whistleblowing cases since the last Audit Committee.

- One fact-finding investigation has been completed by the Head of Internal Audit, that process is concluding at the time of writing.
- Outcomes have not yet been reached on the other four cases. Internal Audit is working with the relevant departments/teams to monitor and/or assist with the response to these reports.

### 4 Changes to the Internal Audit Plan

4.1 In line with the Internal Audit Charter, any significant changes to the approved Internal Audit Plan must be agreed by the Audit Committee.

4.2 There are no immediate changes to the audit plan agreed in March 2024, however following initial scoping discussions with Management, there are several audits which remain under consideration for deferment or deprioritisation.

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

## 5 Resourcing

5.1 We appointed to the vacant Principal Auditor post at the end of April 2024 which means we are at our full establishment of staffing. Given the increasing breadth and complexity of GMCA activities, a business case is being considered to add two posts to the Internal Audit team. As in previous years, we utilise external support for our technical ICT/Digital assurance work.

## 6 Other Internal Audit Activities

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

6.2 **GMCA Next Phase** – Internal Audit are involved in several workstreams as the organisation sets out its future ways of working in readiness for the trailblazer devolution deal. Particularly relevant to the Audit Committee is the development of a Single Assurance Framework which will be developed to demonstrate to government that GMCA has robust assurance, project appraisal and value for money processes in place. Further information will be provided to the Audit Committee as the framework is developed to provide clarity on the Committee's role and responsibilities within that.

6.3 **GMCA Business Continuity Planning** – Internal Audit are part of the Business Continuity Steering Group which oversees the full internal review of BC policies, systems and processes. This work remains ongoing and is in the development stage of the work programme.

6.4 **Senior Leadership Team Engagement** – The Deputy Director, Audit and Assurance has joined the SLT, and we continue to hold regular engagement discussions with Directors to understand emerging risks/issues and to help inform future audit planning.

**Appendix A - Summary of Internal Audit Reports issued 2024/25**

The table below provides a cumulative summary of the internal audit work completed during the year. This will inform the annual Internal Audit opinion for the year 2024/25.

Audit	Assurance Level	Audit Findings					Coverage		
		Critical	High	Medium	Low	Advisory	GMCA	GMFRS	Waste
Procurement Waiver Exemptions – Compliance	Broadly Compliant	We made advisory actions only in this audit.					✓	✓	✓

Grant Certifications					
GFA: Strategic Project Development (Schools Solar Toolkit)	£50k	Positive	✓		
GFA: Project Development (Schools Solar Engagement)	£20k	Positive	✓		
Net Zero Green Retrofit Finance	£39.5k	Positive	✓		
Net Zero Junior Officer (Y1 Q4)	£7.2k	Positive	✓		
Net Zero Programme Delivery (Y1 Q4)	£36.8k	Positive	✓		

Local Energy Advice Demonstrators (LEAD) – Y1 Q4	£666.2k	Positive	✓		
5G Innovation Regions Programme Grant	£136.2k	Neutral	✓		
Growth Hub Core Funding	£420k	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.
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## 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 2024/25

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

Directorate / Area	Audit Title	Assurance Objective	Timing	Status	Audit Committee
<b>b/f audits from 2023/24 plan</b>					
People Services	Firefighter Attraction and Recruitment b/f	Assurance over the effectiveness of the attraction, recruitment, and selection process for trainee firefighters.	Q1	Draft Report	
Environment Low Carbon	Net Zero Achievement b/f	Assurance over GMCAs arrangements for the delivery of the regional carbon neutrality target by 2038, and its own carbon reduction targets.	Q2	Fieldwork	
<b>Core Controls / Assurance Activity</b>					
Public Sector Reform Programme assurance	Supporting Families Programme	Assurance that local systems and processes designed to support the delivery of the SFP are sufficient to demonstrate compliance with the key requirements of the national programme and the revised GM SFP standards.	Q1	Draft Report	
Corporate Services	Procurement Waiver	A series of transactional audits on core financial processes to assess compliance with GMCA standing orders, financial	Q1	Completed	July 2024

Commercial	Exemptions - Compliance	regulations, and contract procedure rules. These audits will examine key controls in areas such as accounts payable, accounts receivable, payroll, procurement, and contract management.			
People Services	Leavers Process - Compliance		Q2	Planning	
Compliance					
Corporate Services	New Public Procurement Act 2023	Readiness assessment over implementation of key changes due to come into force in October 2024.	Q2	Planning	
Corporate Services	Core Financial Systems BLOCK	Cyclical audits of core financial systems. Scope to be determined in year.	Q3 / Q4	Not Started	
Corporate Services	Grant Certifications	Ongoing certification of grants as required by grant conditions.	Q1 – Q4	Fieldwork	July 2024
Digital / ICT	IT Supplier Management	Assurance on the effectiveness of the organisations IT third party supplier management processes and controls over Cyber security and GDPR for new and existing contracts.	Q2	Fieldwork	
Digital / ICT	IT Asset Management	Assurance over the effectiveness of IT asset management controls operated by the IT team over the organisations computer hardware and software assets (issue/tracking/return/recycle).	Q3	Planning	

Governance	GMCA Business Continuity Planning	Business Continuity Planning - An audit of the revised BCP arrangements implemented across GMCA, with a focus on disruption to ICT and Digital services.	Q3	Under Review	
Information Governance	Critical Data Assets	An audit of processes and controls in place over our critical data assets to ensure that sensitive and personal data is appropriately protected from data breach/loss.	Q4	Not Started	
<b>Follow Up Audits</b>					
Digital / ICT	Threat and Vulnerability Management / Gartan System – Follow Up	Follow up audit to provide an independent assessment of progress toward implementation of actions and risk exposure.	Q3	Planning	
ICT/Digital	GM One Network – Follow Up	GM One Network – Review of ‘delivery’ phase and key project risks.	Q3	Planning	
Place Land and Property	Estates Asset Compliance – Follow Up	Estates Asset Compliance – Building maintenance and compliance with statutory regulations.	Q4	Under Review	

<b>GMFRS Prevention, Detection and Service Delivery</b>					
GMFRS	Joint Emergency Service Interoperability Principles (JESIP)	Assurance over the application of the JESIP Operating Principles and level of embeddedness within GMFRS over its preparedness to respond to major and multi-agency incidents.	Q2	Fieldwork	
GMFRS	Governance Framework	An audit of the GMFRS governance and decision-making processes.	Q2	Under review	
GMFRS	Promotion Pathway (Grey Book)	Grey Book Recruitment (Promotions Pathway) – an audit of the Promotions Pathway and recruitment to Crew, Watch, Group Manager roles - Links to the recruitment & selection audit from 2023/24.	Q3	Not Started	
GMFRS	Equality Impact Assessments	Assurance over the effectiveness of the framework governing Equality Impact Assessments within GMFRS	Q3	Planning	
GMFRS	NFCC Fire Standards	NFCC Fire Standards: Maturity and compliance assessment	Q3	Planning	
GMFRS	North West Fire Control (NWFC)	Scope to be determined	Q4	Under Review	
GMFRS	GMFRS PMO Function	An audit of the programme management office arrangements	Q4	Not Started	



<b>Whistleblowing and Counter Fraud</b>					
Governance	Counter Fraud Policies – annual review	Anti-Money Laundering Policy and Fraud Prosecution Policy review and update.	Q2	Fieldwork	
Whistleblowing	Reactive	Response to whistleblowing reports and management of reactive caseload.	Q1-Q4	Fieldwork	
<b>Other Focus Areas</b>					
Governance	GMCA Next Phase	Leading the Assurance Workstream and input into other programme workstreams as GMCA sets out its future ways of working in readiness for the new trailblazer devolution deal from April 2025.	Q1 – Q4	Fieldwork	
Development	New IIA Standards	Implementation of the 2024 Global IIA standards to ensure PSIAS compliance	Q3 – Q4	Planning	

Other Audit Activity		Quarter
Information Governance	Deputy Director of Audit and Assurance is a member of the Information Governance (IG) Board and the Serious Information Governance Incident (SIGI) Panel. Ongoing advice, and oversight of IG risks is undertaken through these forums.	All
Audit action tracking	Internal audit monitor and report on a quarterly basis the implementation of agreed audit actions.	All
Counter Fraud Activity	Maintenance of counter fraud policies, training and organisational awareness as well as response to reports of fraud.	All
Whistleblowing investigations	Receipt and investigation of whistleblowing reports	As needed
Ad-hoc advice and support	Advice and reviews requested in-year in response to new or changing risks and activities.	As needed
Contingency days	Days reserved to address new or emerging risks	N/A

## 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 Committee 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 March 2024.

Audit Area	Audit	Change requested	Rationale	Approved by Audit Committee
Governance	Business Continuity Planning	Under Review	A Business Continuity Steering Group has been set up to oversee the full internal review of BC policies, systems and processes. This work remains ongoing.	
GMFRS	Governance Framework	Under Review	Internal Review taking place by Governance and Scrutiny and PMO function – need to consider timing.	
GMFRS	North West Fire Control	Under Review	Need to determine the authority to undertake assurance work and seek agreement of the Partner organisations.	

Audit Area	Audit	Change requested	Rationale	Approved by Audit Committee
Place: Land and Property	Estates Asset Compliance – Follow Up	Under Review	The Head of Estates provided an update to Audit Committee in March 2024 on progress and implementation of a new system – timing of work to be considered.	

## Appendix D – Executive Summaries

### GMCA WASTE FLEET ASSETS



#### Internal Audit Report

#### Waste Fleet Assets

#### FINAL

Report Issue Date	
Draft Report Issued	28 February 2024
Management Response Received	1 March 2024
<b>Final Report Issued</b>	<b>13 March 2024</b>

Audit Team	
Sarah Horseman	Deputy Director Audit and Assurance
Damian Jarvis	Head of Internal Audit
Stuart Richardson	Principal Auditor

Report Distribution	
<b>For Action</b>	
David Taylor	Executive Director- CA Waste
Paul Morgan	Head of Commercial Services (Waste)
Justin Lomax	Head of Contract Services
<b>For Information</b>	
<b>Audit Committee - Executive Summary Only</b>	
Eamonn Boylan	Chief Executive
Andrew Lightfoot	Deputy Chief Executive
Steve Wilson	GMCA Treasurer
Gillian Duckworth	GMCA Solicitor and Monitoring Officer
Mazars	<b>External Auditor</b>

1. EXECUTIVE SUMMARY						
<b>AUDIT OBJECTIVE</b>	<b>ASSURANCE LEVEL</b>					
The audit objective was to provide assurance over the controls in place for the inspection, maintenance, and servicing of GM Waste fleet assets.	<b>SUBSTANTIAL ASSURANCE</b>					
<b>KEY RISKS IF CONTROLS ARE NOT IN PLACE AND/OR OPERATING</b>		<b>AUDIT FINDINGS</b>				
There is one risk on the corporate risk register relating to the Waste contract with Suez UK		Critical	High	Medium	Low	Advisory
<ul style="list-style-type: none"> <li><b>DIR-WR-01- GM Waste and Recycling Contract-</b> Contractor(s) fail to perform core devolved services as required by the contract.</li> </ul>	-	-	1	1	1	3
In addition to this, GMCA is subject to potential reputational risks from incidents arising from incorrect or inadequate maintenance and servicing of equipment.	<b>BASIS OF AUDIT OPINION</b>					
	This is based on the scoring mechanism outlined in <b>Section 5 &amp; 6</b> of this report.					
AUDIT OPINION AND SUMMARY CONCLUSION						
<p>We provide a <b>Substantial Assurance opinion</b> over the controls in place for the inspection, maintenance, and servicing of GM Waste fleet assets. GM Waste Fleet Assets are owned by GMCA, but managed by the contractor, Suez, in accordance with the responsibility outlined in the Waste Management Contract. Suez have responsibility for the maintenance and servicing of the assets and are the holder of the Operator's License. The primary focus of our audit has been on the maintenance and servicing of fleet vehicles by Suez, operated from the maintenance depot at Higher Swan Lane in Bolton. We have also examined arrangements relating to the maintenance and servicing of Mobile Plant Equipment, which is maintained on individual sites and of Rail Wagons which is undertaken by Freightliner Maintenance Ltd.</p>						

As Suez holds the Operator's license for maintenance and operation of assets, financial and regulatory risk is assumed by Suez in performance of the obligations outlined in the contract. However, as asset owner, GMCA may still retain some potential reputational risk arising from incorrect or inadequate maintenance and servicing of equipment. Suez outsources maintenance of rail wagons primarily to Freightliner Maintenance Ltd due to the requirement to hold ECM certification (Entities in Charge of Maintenance) to maintain and service rail wagons.

Our sample testing over maintenance and servicing of vehicles considered a range of servicing, maintenance and inspection activities required by the DVSA (Driving and Vehicle Standards Agency), such as six weekly servicing, MOT's, Tachograph checks, and compliance checks relating to LOLER (Lifting Operations and Lifting Equipment Regulations). Our testing evidenced a high level of compliance with relevant guidelines and only noted some minor improvement points relating to the management of supporting documentation (**Finding 2**).

Our testing of Mobile Plant Assets and Rail Wagons also identified some areas for improvement. We visited Bredbury Parkway Recycling Centre and considered inspection and maintenance arrangements in place for assets based at the site. Our testing examined servicing, inspection, and planned maintenance arrangements, as well as key regulatory checks such as LOLER, Fire Suppression, Forklift Servicing and Calibration Checks. Our testing did not identify any instances of non-compliance with key checks and established that regular inspection and maintenance activities were performed in line with relevant guidelines. However, the use of manual records made it challenging to provide a complete assessment of this area. We also completed testing over the completeness and accuracy of the asset register, which identified some issues with the accuracy of information held (**Finding 1**).

Our testing of Rail Wagons confirmed that an appropriate scheme of maintenance is performed by a certified ECM provider and documentation is recorded on an appropriate system. However, we found that the asset list we were provided with for Rail Wagons by Suez had not been updated with new Wagons purchased as part of the five-year lifecycle replacement scheme commencing from 2022/23.

GMCA primarily gains assurance that all inspection, servicing, and maintenance activity is completed to required standards through their contract monitoring arrangements. (**Finding 3**). It may be beneficial for GMCA Waste staff to document the sources of assurance available to them which ensures these contractual obligations are being fully met and guard against any potential reputational risks arising if assets are not inspected, serviced, and maintained in line with relevant guidelines.

#### **Limitations of Scope**

The audit has primarily focussed on vehicles; however, we have also reviewed arrangements relating to inspection, maintenance and servicing of mobile plant and rail wagons. our testing was not an exhaustive consideration of all activities outlined in the DVSA's guidance for maintaining roadworthiness of commercial goods and public service vehicles.

Our checks have focussed on arrangements relating to the completion of key maintenance, servicing and inspection activities and do not cover all activities undertaken by Suez. We do not provide an opinion on the quality of work performed as this outside of the scope this audit.

As records held by Suez relating to inspection, maintenance and servicing of assets are primarily paper based and subsequently scanned and uploaded electronically, we have not reviewed fleet and asset management systems in detail.

The audit was performed on a sample basis and does not give assurance over the entire population of assets.

#### AREAS OF GOOD PRACTICE

- Our discussions with Suez and testing of maintenance, servicing and inspection of vehicle records identified good practice in place for the scheduling and completion of these activities. Our testing did not note any instances of non-compliance with key requirements and testing required by the DVSA around servicing frequencies, MOT's, LOLER and Tachograph checks. Appropriate systems are in place to record maintenance activities.
- In line with DVSA guidance, daily walkaround checks are performed and documented, there is a system in place to record and report defects identified, and to rectify these to ensure only vehicles in a roadworthy condition are in service.
- We confirmed that policies and procedures are in place for maintenance of vehicles which are available to Suez staff and that records are retained on training and qualifications of staff.
- There are appropriate quality assurance procedures in place around the maintenance of records. Also, a recent visit by the FTA did not identify any issues on the vehicle examined. In addition to this, Suez undertook a fleet internal audit in June 2023, which identified corrective actions which have been subsequently completed.
- We completed existence testing over vehicles in the asset register and were able to obtain photographic evidence to confirm the accuracy of items included within the asset list.
- Arrangements are in place to cover the lifecycle of vehicles and mobile plant assets, with assumed asset lives in place of 8 years for these Category B assets. Per the Waste Contract, based on the value of the contractual payments, Suez are obliged to replace assets per the lifecycle replacement programme. From discussion with staff at GMCA and Suez, this is being carefully managed to mitigate around challenges relating to inflation and supply chains.
- There are appropriate contract monitoring procedures in place, through which GMCA can gain assurance around maintenance, servicing and inspection procedures performed by Suez. There are KPI's in place around maintenance and repairs of assets, which consider some Category B plant assets, which are reported on monthly. There is also monthly reporting on fleet compliance as part of the Monthly Operations Review.



- GMCA obtains assurance that rail wagons are maintained as part of contract monitoring meetings with Suez, where any issues related to maintenance would be discussed. The nature of this oversight by GMCA in this area is limited and issues around maintenance would primarily be addressed through non-performance of key metrics.

**AREAS FOR IMPROVEMENT**

The principal areas for improvement related to the following:

- Our testing of records for vehicles noted some minor inconsistencies and areas for improvement relating to the completion of paperwork for vehicle servicing and maintenance. However, generally paper records were well maintained and filed.
- For vehicles and mobile plant assets, Suez primarily uses paper-based records to document the results of servicing, maintenance, and inspection of vehicles, although these records are subsequently scanned onto the Fleet Management System, Tranman.
- For Mobile Plant Assets, whilst we found that key inspection, maintenance, and servicing activities were completed, it was difficult to assess the completeness of more routine inspection activities due to the non-standardised filing of records in folders.
- GMCA reported that it has been challenging to obtain supporting documentation from Suez around disposals to enable payments to be made as part of the asset lifecycle replacement programme.
- Our testing of mobile plant assets at Bredbury Parkway found that two items from our sample of five were located on a different site than stated by the asset register. In addition to this, two other items of the sample had the serial number incorrectly recorded on the asset register.
- Our review of the asset list for rail wagons found that this had not been updated with new Wagons purchased as part of the five-year lifecycle replacement scheme commencing from 2022/23.
- Whilst appropriate mechanisms are in place to monitor performance around maintenance, GMCA has not formally documented how they gain assurance over the completion of these activities.

**2. SUMMARY OF AGREED ACTIONS**

Finding	Risk Rating	Action	Target Date
1 Asset List Update	MEDIUM	<ul style="list-style-type: none"> <li>GMCA Contract Monitors to perform periodic physical verification checks as part of contract monitoring activities to validate updated records and to ensure information held on the asset list is accurate (asset location and serial numbers)</li> <li>GMCA should require Suez to share updated asset lists on a quarterly basis to ensure that new assets and changes in the location of assets have been captured.</li> </ul>	September 2024
2 Maintenance of Records and Documentation	LOW	<ul style="list-style-type: none"> <li>Work with Suez to encourage the move to electronic record keeping improving on the consistency and accessibility of mobile plant records held.</li> <li>Include within the GMCA Contract Monitoring process and specified in notice of change, the provision of documentation relating to fleet asset disposals within agreed timescales.</li> </ul>	March 2025 September 2024
3 Assurance and oversight mechanisms	ADVISORY	<ul style="list-style-type: none"> <li>Document the process by which GMCA gains assurance over inspection, maintenance, and servicing of waste fleet assets, ensuring this is robust.</li> </ul>	September 2024

**AUDIT SPONSOR COMMENTS**

Executive Director, CA Waste

I am pleased by the audit findings which provide reassurance as to the controls in place for mobile assets. The team has worked hard to improve the processes utilised by the previous contractor and Suez has significantly improved the practices in place. This gives me reassurance that future asset replacement programmes will be smoother and GMCA will have transparency over this.

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

## CORPORATE RECHARGE MODEL



### Internal Audit Report

### Corporate Recharge Model


#### FINAL

Report Issue Date	
Draft Report Issued	18 March 2024
Management Response Received	2 April 2024
<b>Final Report Issued</b>	<b>3 April 2024</b>

Audit Team	
Sarah Horseman	Deputy Director Audit and Assurance
Damian Jarvis	Head of Internal Audit
Jessica Jordan	Principal Auditor

Report Distribution	
For Action	
Steve Wilson	GMCA Treasurer
Michelle Tsai	Principal Accountant
Susie Bamford	Principal Accountant
Hassan Khan	Senior Finance Manager
For Information	
Audit Committee - <b>Executive Summary Only</b>	
Eamonn Boylan	Chief Executive
Andrew Lightfoot	Deputy Chief Executive
Dave Russel	Chief Fire Officer
Ben Norman	Deputy Chief Fire Officer
Andrea Heffernan	Director of Corporate Support
Gillian Duckworth	GMCA Solicitor and Monitoring Officer
Mazars	External Auditor

**1. EXECUTIVE SUMMARY**

AUDIT OBJECTIVE	ASSURANCE LEVEL					
The audit objective is to provide assurance over the methodology for applying costs under the Corporate Recharge Model.						
<b>KEY RISKS IF CONTROLS ARE NOT IN PLACE AND/OR OPERATING</b>						
<ul style="list-style-type: none"> <li>The costs of central services are unfairly distributed across the organisation and don't demonstrate value for money.</li> <li>Funding for central resources is not adequately identified and ringfenced.</li> <li>Directorates appointing and funding staff outside of Corporate Services which leads to a decentralised approach and conflicting reporting lines for staff.</li> <li>Inability to retain and recruit sufficient qualified and experienced staff.</li> </ul>	<b>AUDIT FINDINGS</b>					
	Critical	High	Medium	Low	Advisory	Total
			1	4	2	7
	<b>BASIS OF AUDIT OPINION</b>					
	This is based on the scoring mechanism outlined in Section 5 & 6 of this report.					
<b>BACKGROUND</b>						
<p>GMCA does not receive recurrent core funding to support shared back-office services (Digital/HR/Finance etc). As such, the Corporate Recharge Model was introduced in May 2022, to help provide a fairer and more transparent system for recharging of costs across the organisation. The main objectives of the model were to:</p> <ul style="list-style-type: none"> <li>Have a single cost mechanism for recharging corporate overheads fairly and consistently across all areas of the organisation, and which is explainable to Directorates and functions.</li> <li>Identification of core costs of providing adequate level of service and provide a basis on which corporate functions can seek additional funding to reflect new activity or to increase the level of service.</li> <li>Provide a formula for corporate overheads to be used by Directorates when bidding for external funding.</li> </ul>						

- Demonstrate value for money and benchmarking of costs.

The Recharge Model operated as a shadow system in 2022/23 to ensure Directorates understood the impact on their individual budgets, some changes were made for 2023/24 to reflect the learning outcomes from the previous year and further tweaks are expected to be made for 2024/25 to refine the model further.

#### AUDIT OPINION AND SUMMARY CONCLUSION

We provide a **Reasonable Assurance Opinion** over the ongoing development and implementation of the Corporate Recharge Model. There is a mechanism in place for calculating and applying corporate services overheads across Directorate functions. This provides a more transparent way of calculating recharges allowing directorates to better understand their contribution. This is an evolving process, as the model is developing each year and going forward it will need to incorporate future changes under Single Settlement from 2025/26.

Our audit sought feedback from Directorates on the corporate recharge mechanism: Most accepted that there were benefits from being part of a shared service model but demonstrating value for money for the services received and an inability to influence, control or forecast significant increases in corporate recharge costs, alongside the timing of receiving the final recharge figure remained areas of concern raised with us. There was a reasonable understanding of the basic model, but not in detail.

We have made several observations and suggested improvement actions, and these are shown at **Section 2**. Our detailed findings are shown at **Section 3**.

#### AREAS OF GOOD PRACTICE

- The proposed model was introduced to the Senior Leadership Team via presentations made by the Deputy Treasurer and Directors were given the opportunity to comment and feed into how the model would work.
- The model does provide directorates with a basic understanding of what is included in their recharge and how their share of costs has been calculated and the Directors that we spoke to acknowledged this.
- It is an evolving model, which aims to take account of organisational changes as GMCA expands and takes on increased responsibilities.
- The model is being reviewed annually to ensure that it provides the fairest method for allocating costs, and finance staff are beginning to work through how the model will need to adapt following the implementation of single settlement.
- Recharges are being allocated to directorates in line with the model subject to amendments based on actual costs of business partnering charges.

**AREAS FOR IMPROVEMENT**

There were several identified areas where opportunities for improvement to the model can be considered. These related to the followings:

- The recharges are allocated based on a mix of actual and budgeted costs with no reconciliation of the differences this creates being undertaken, this may lead to some costs that appear to have been covered by the model remaining unfunded at the end of the year.
- The recharge model does not take account of in-year changes to corporate service budgets, for example where a significant service restructure takes place.
- The recharge model applies to revenue and doesn't consider the draw capital funded projects place on corporate services.
- The recharge calculator is only available to finance staff and there are no records of where it is being used or whether overheads are routinely being claimed on grants.
- There is no benchmarking of costs. As such, the ability to demonstrate and evidence value for money for services received is limited. Feedback obtained from Directorates indicated limited influence over structure and resource changes made, their concerns over value for money mainly stemmed from the ability to access services rather than specific issues with quality of service.
- Currently not all directorates have available funds to cover their share of corporate recharges. This is being monitored by Finance staff.
- Corporate recharges are calculated as part of the budget setting process as they cannot be identified until budgets have been set for the corporate services, however this means that the directorates must estimate how much of their budget needs to be set aside to cover corporate recharge costs, this can lead to funding issues when the final figure is confirmed late in the budget process, particularly if there has been a significant increase in the recharge.

**2. SUMMARY OF AGREED ACTIONS**

Finding		Risk Rating	Action	Target Date / Responsible Officer
1	A combination of actual and budgeted costs is used to apply recharges. This can result in some costs being lost from the model. There is no in-year	<b>MEDIUM</b>	i) <b>Recharge Reconciliation:</b> Undertake periodic reconciliations between budgeted and actual recharges and costs. ii) The reconciliation process should be used to alert Directorates in advance of any significant upcoming changes to corporate service	October 2024 / HK

	<p>rebalancing to reassess the actual costs to be recharged, which may result in some costs being unfunded.</p>		<p>overhead costs or the cost model which will affect future years recharges or funding decisions. E.g. major service restructures.</p> <p>iii) <b>Rebalancing of differences:</b> The methodology should consider how major differences are managed where budgeted recharges, actual recharges and actual costs vary significantly. This may include:</p> <ul style="list-style-type: none"> <li>• Rolling forward differences to be included in future year recharges, year-end adjustments, or consideration of other funding methods.</li> <li>• Other opportunities to reallocate or support recurrent core funding costs including Single settlement or other ringfenced funding.</li> </ul>	<p>October 2024 / SW</p>
2	<p>There are no limits on the amount that corporate recharges can vary year on year, meaning Directorates can be exposed to significant unbudgeted increases.</p> <p>Late notification of recharge costs impacts on the budget planning process for Directorates.</p>	<p><b>LOW</b></p>	<p>i) <b>Timely Notification:</b> Directorates should be notified earlier of their estimated cost contribution. Early engagement with Directorates on potential significant increases in recharge costs will allow more accurate assumptions to be made as part of their budget planning process.</p> <p>ii) The process needs to allow the opportunity for challenge on recharge calculations where Directorates don't consider build-up of costs to be fair or equitable.</p> <p>iii) Consideration of caps on increases to avoid certain directorates disproportionately funding increases to central services which may not benefit all directorates proportionally.</p>	<p>April 2025 / SW</p> <p>April 2025 / HK</p>

3	The Corporate recharge model is not documented, meaning some directorates don't have a full understanding on how the model works and costs are allocated.	LOW	<ul style="list-style-type: none"> <li>i) <b>Recharge Model:</b> The recharge methodology used will be documented and made available to staff to aid transparency and understanding.</li> <li>ii) Where necessary, further training sessions with Directors will be provided to provide greater transparency over how the model works and build-up of charges.</li> </ul>	<p>June 2024 / HK</p> <p>September 2024 / HK</p>
4	The reasoning to support some Business Partner (BP) recharges was not recorded or updated.	LOW	<ul style="list-style-type: none"> <li>i) <b>Business Partnering Costs:</b> The reasoning behind all BP costs will be recorded in the working papers.</li> <li>ii) Agreed changes to BP arrangements will be recorded to ensure that they are correctly applied in-year and reflected into future year calculations.</li> </ul>	<p>April 2024 / HK</p> <p>September 2024 / HK</p>
5	The recharge calculator is not widely used when bidding for external grant funding and there are no records of where overheads have been successfully added to a grant claim.	LOW	<ul style="list-style-type: none"> <li>i) <b>Recharge Calculator:</b> A basic recharge calculator should be made available to allow colleagues to calculate the estimated recharge cost to be included in early-stage grant funding applications.</li> <li>ii) Including in the grant register an indicator of where revenue overheads have been included as part of the claim.</li> </ul>	<p>April 2024 / HK</p> <p>April 2024 / SB</p>
6	The recharge model does not allocate any corporate service overheads to capital schemes.	ADVISORY	<ul style="list-style-type: none"> <li>i) <b>Capital Schemes:</b> An understanding of the level of corporate overheads given to support the delivery of capital funded projects and the ability to reclaim overheads on eligible capital grants. This will be used to determine whether an element of the recharge should be allocated based on capital schemes in the future.</li> </ul>	<p>This will follow on from updates to the grant register so we can identify potential for recharging in capital grants.</p>



7	<p>There was no evidence of any benchmarking of costs taking place to assess value for money.</p> <p>Directorates expressed concern that they were not always receiving value for money from services provided. This related to the ability to access services when needed, rather than quality provided.</p>	<b>ADVISORY</b>	<p>i) <b>Benchmarking of Costs / VFM:</b> Consider how to better evidence VFM for the services received – This could include benchmarking exercises, where possible, to determine whether costs are in line with comparable services and organisations. E.g. Fire recharge as a percentage of budget</p> <p>ii) The services themselves ensuring they have and share the right indicators and stakeholder feedback which allow VFM to be assessed. The ongoing GMCA next phase review in readiness for single settlement will consider the capacity to support increased responsibility as part of the Trailblazer devolution deal.</p>	
<b>AUDIT SPONSOR COMMENTS</b>				
<p>This is a really good and very helpful piece of work with some genuinely helpful recommendations. It is also very timely given the 2024/25 budget finalisation and the transition to single settlement.</p>				

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

# Procurement Waiver Exemptions



## Internal Audit Report

### Procurement Waiver Exemptions - Compliance

**FINAL**

**Issue Date 19 July 2024**

Audit Team	
Sarah Horseman	Deputy Director Audit and Assurance
Damian Jarvis	Head of Internal Audit
Angela Lee	Principal Auditor

Report Distribution	
For Action	
Sam Pickles	Head of Commercial Services
Suzanne McCormack	Commercial Services Lead
For Information	
Audit Committee - Executive Summary Only	
Steve Wilson	GMCA Treasurer
Claire Postlethwaite	Director of Operational Finance
Phil Swan	Chief Information Officer / Director Digital
Caroline Simpson	Chief Executive
Dave Russel	Chief Fire Officer
Ben Norman	Deputy Chief Fire Officer
Andrea Heffernan	Director of Corporate Support, GMFRS
Gillian Duckworth	GMCA Solicitor and Monitoring Officer
Mazars	<b>External Auditor</b>

**INTRODUCTION**

As part of the Internal Audit plan for 2024/25, we agreed to undertake a series of transactional audits on core financial processes to assess compliance with GMCA standing orders, financial regulations, and contract procedure rules. These audits will examine key controls in areas such as accounts payable, accounts receivable, payroll, procurement, and contract management.

<b>Area of Review</b>	Compliance with Procurement Waiver Exemptions
<b>System</b>	N/A recording is via spreadsheets
<b>Previous Full Audit Date and Opinion</b>	23 July 2019 – Moderate Assurance
<b>Previous Compliance Audit and Opinion</b>	N/A- First Compliance Audit for this area

**BACKGROUND AND CONTEXT**

Our last full audit of procurement waiver exemptions was completed in 2019 financial year. This report provided a **Moderate Assurance opinion** and identified the following key areas for improvement:

- Enhance the documentation and guidance to fully evidence compliance.
- Waiver exemptions to be approved in accordance with requirements.
- Maintain a single consolidated record of all approved or rejected waiver exemptions.

**AUDIT OBJECTIVE**

The objective of this audit was to undertake testing on a sample of procurement waiver exemptions to assess compliance with corporate policies and procedures.

**Limitations:**

This is not a full system audit and as such does not include review of the whole system or assess value for money. Our sample testing does not provide assurance over the entire population.

**SUMMARY CONCLUSION**

**Broadly Compliant – Some areas for improvement**

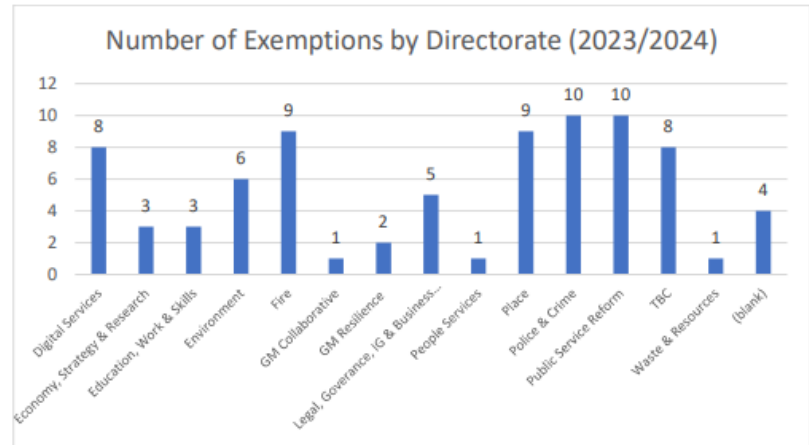
Our sample testing demonstrated a broad level of compliance with the procurement waiver exemption process. The standard exemption approval form template has been improved since our last audit to clearly capture the key information. Justifications for requesting an exemption were documented by the Officers and scrutinised by the Commercial team. The decisions and rationale for approving the exemptions by the Commercial team are evidenced on the forms.

Ensuring all waiver exemptions are properly authorised in accordance with GMCA Constitution and Contract Procurement rules remains the key area for improvement. The adoption of written procedural guidance to support waiver exemption usage and maintaining the completeness and accuracy of the central register were also identified areas for improvement.

**SAMPLING INFORMATION**

<b>Period Examined</b>	<b>From: 01/04/2023</b>	<b>To: 30/04/2024</b>
<b>Data Source</b>	Procurement’s central contract register	
<b>Sample Size</b>	<b>Sample</b>	<b>Population</b>
<b>Exemptions</b>	20	80
<b>*Annual Contract Value (£)</b>	£760,510.71	£2,293,191.42

\*Data is missing for some contract values



**IDENTIFIED AREAS FOR IMPROVEMENT FOR MANAGEMENT ACTION**

<b>Signing Authority for Approval of Waiver Exemptions</b>	
<b>FINDING</b>	<b>RISK</b>
<p>Our testing showed that some procurement waiver exemptions were not authorised in accordance with the requirements set out in the GMCA Constitution and Contract Procurement Rules.</p> <p>There was some ambiguity over the requirement for a second Chief Officer signature for exemptions above £50k.</p>	<p>The process for sign off is ambiguous, leading to incorrect sign off on waiver exemptions and non-compliance with GMCA Constitution and Contract Procurement Rules.</p> <p>Loss of independent challenge over the appropriateness of individual waiver requests.</p>
	<b>AGREED ACTION</b>
	<p>Review and clarify the requirements for sign off and approval of waiver exemptions and ensure this is consistently applied. This should be incorporated into the written procedural guidance (Waiver Code of Practice) and evident on the waiver exemption form.</p> <p>In principle, the process should include the following signatories:</p> <ul style="list-style-type: none"> <li>• <b>Director</b> – Requesting Officer.</li> <li>• <b>Senior Procurement Business Partner</b> – Compliance with procedures for under 100K / <b>Head of Commercial</b> – for over 100K.</li> <li>• <b>Treasurer</b> – Budget and Compliance with procedures.</li> <li>• <b>Chief Fire Officer/Monitoring Officer</b> (Second Chief Officer if above 50k- EU thresholds) – Contract and Compliance with procedures.</li> </ul>
<b>RESPONSIBLE OFFICER</b>	<b>TARGET DATE</b>
Head of Commercial Services (Procurement)	31 July 2024

<b>Procedural Guidance to support Waiver Exemption Usage</b>	
<b>FINDING</b>	<b>RISK</b>
<p>i) There was inconsistency in the completion of individual procurement waiver exemption forms and the quality of supporting information provided on which to base the decision.</p> <p>ii) There were discrepancies in the completeness and accuracy of the information held in the central contracts register, with some key data fields missing and some exemptions processed by Digital which were not recorded on the central register.</p>	<p>Waiver exemptions are only permissible in exceptional circumstances and incomplete information may impact on decisions taken to approve/reject these exemptions.</p> <p>May lead to inaccuracies over performance reporting metrics on procurement waiver usage.</p> <p>Financial, legal and reputational consequences arising from any inappropriate use or non-compliance.</p>
	<b>AGREED ACTION</b>
	<p>i) To implement written procedural guidance to support the use of waiver exemptions. The adoption of the DRAFT Waiver Code of Practice issued in 2019 will help improve understanding amongst the Commercial Team and requesting Officers and enhance overall governance and decision making.</p> <p>ii) Maintenance of the central contracts register as the 'single version of truth' for the award of contracts and exemptions across GMCA, with regular validation over data quality and cross referencing of contract and waiver information held locally in Directorates.</p>
<b>RESPONSIBLE OFFICER</b>	<b>TARGET DATE</b>
Head of Commercial Services (Procurement)	30 September 2024

**APPENDIX 1: Compliance Level ratings**

Rating	Description
Compliant	May be small number of minor incidents of non-compliance but controls are working effectively with the number of samples evidencing compliance greater than 90%.
Broadly Compliant	Some areas for improvement identified with the number of samples evidencing compliance greater than 70%.
Not compliant	Major improvement needed with the number of samples evidencing compliance less than 70% or lower.

**APPENDIX 2: Current EU Thresholds**

The Procurement Policy Notice provides a summary of the thresholds from 1 January 2024.

- Supply and service contracts: £214,904
- For light touch regime contracts: £663,540
- Works contracts: £5,372,609

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## GMCA Audit Committee

Date: 31 July 2024

Subject: Audit Action Follow Up

Report of: Sarah Horseman, Deputy Director Audit and Assurance, GMCA

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### PURPOSE OF REPORT

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

### RECOMMENDATIONS:

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

### CONTACT OFFICERS:

Sarah Horseman, Deputy Director 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 exempt from call in by the relevant Scrutiny Committee on the grounds of urgency?	No	
TfGMC	Overview & Scrutiny Committee	
N/A	N/A	

## **1 Introduction**

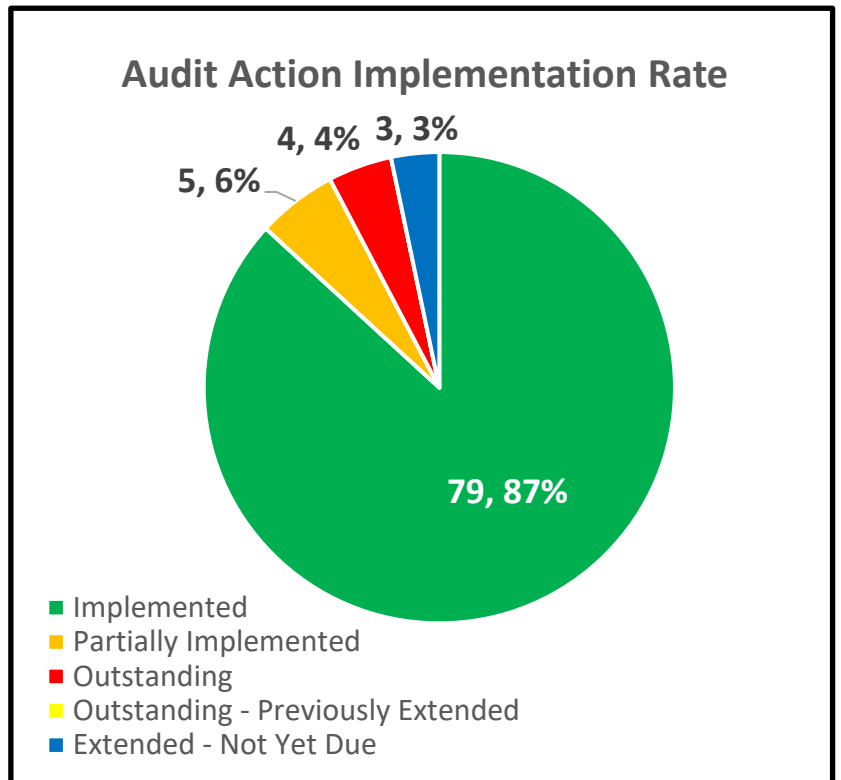
- 1.1 The GMCA Internal Audit Plan comprises a range of audits agreed by GMCA Senior Leadership Team and Audit Committee. Each audit assignment concludes with the issue of an audit report and agreed actions for implementation. Each action has a named responsible officer and an agreed target implementation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

## **2 Agreed Process**

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

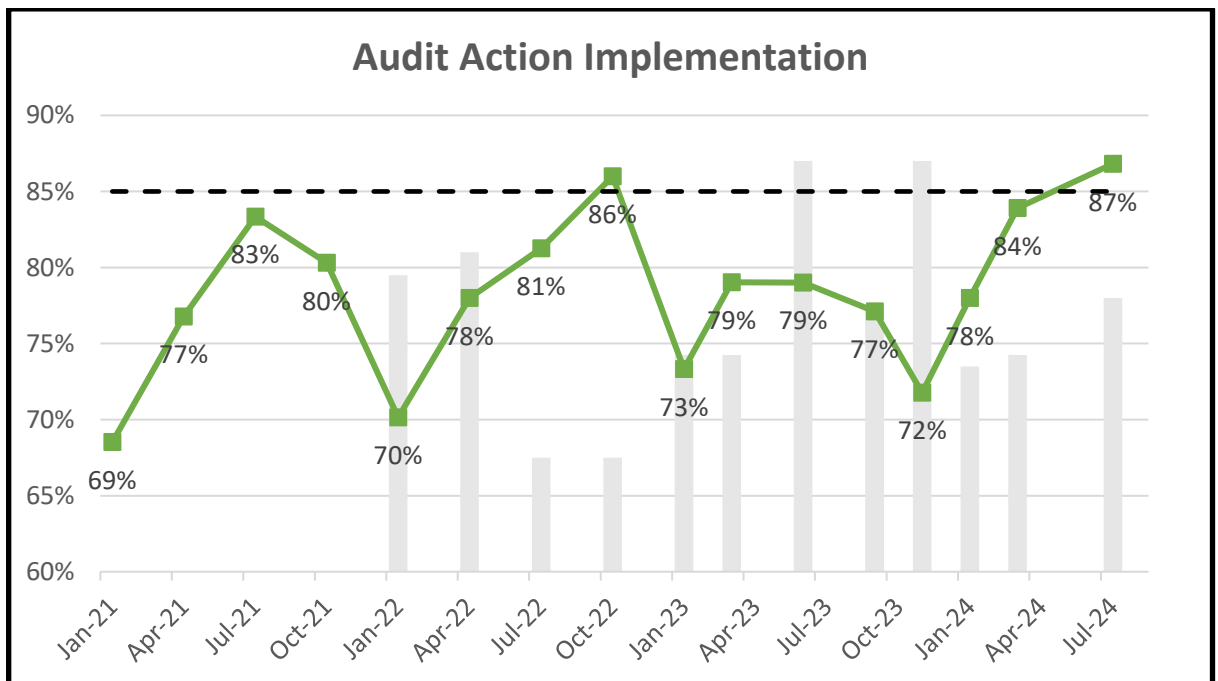
### 3 Current Status

3.1 As of March 2024, **87%** of Internal Audit actions due in the last 2 years have been implemented, against the target rate of 85%.



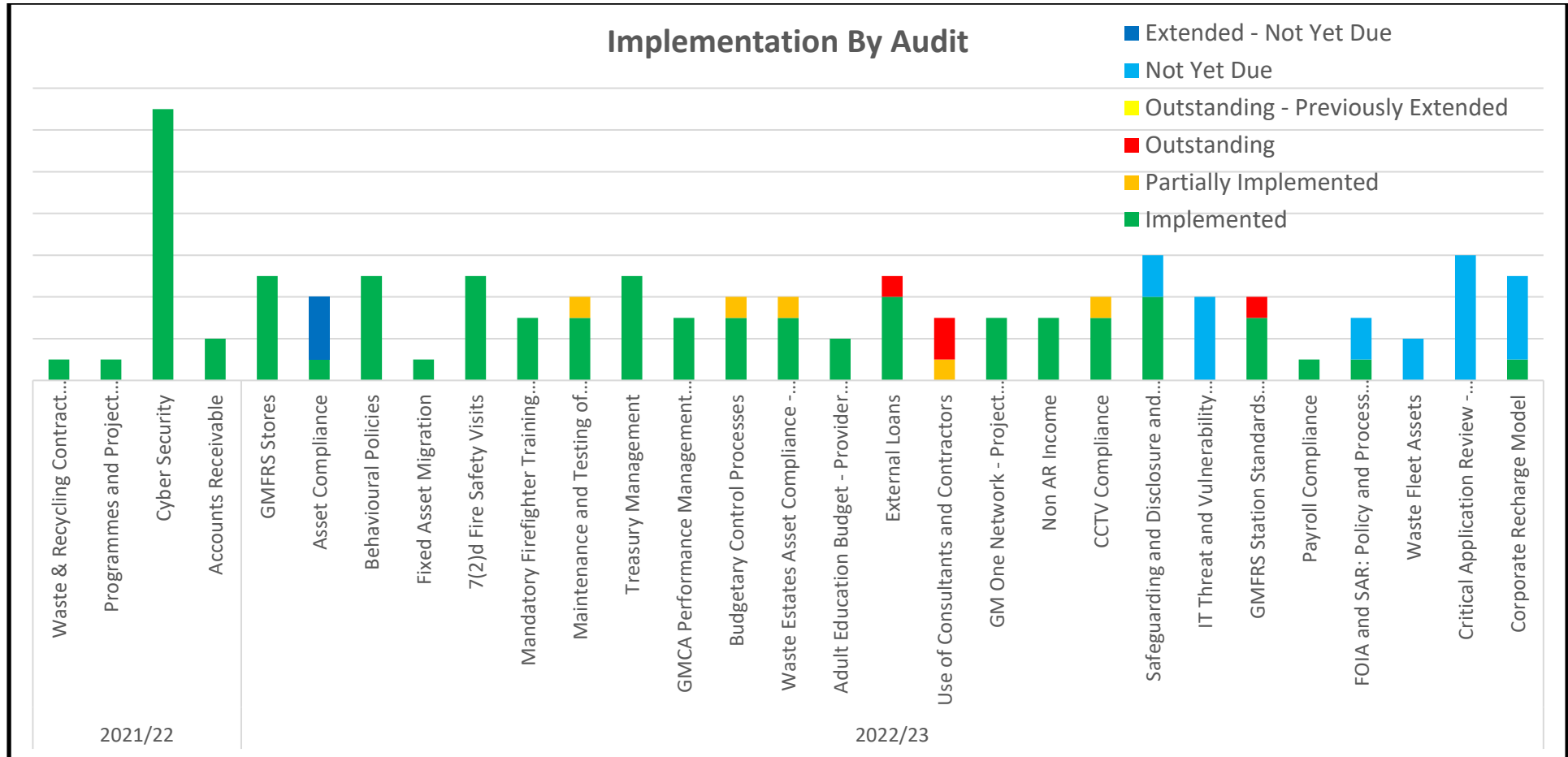
3.2 The chart below shows that implementation rates have increased on those previously reported in March 2024.

3.3 The bars in the chart represent the number of actions actively tracked in the period (previously reported as outstanding or partially implemented or those falling due within the current period). This has increased since March reflecting the number of actions where target dates have become due in the current period.



## 4 Analysis of Audit Actions – by Audit

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



4.2 The overall position for implementation of audit actions remains positive. Since our last report, fifteen outstanding actions are now considered fully implemented. Nine new actions have become due relating to Audit reports previously shared with Audit Committee.

4.3 We are currently tracking several outstanding high-risk actions. These include:

Use of Consultants and Contractors: These actions remain outstanding, but progress has been made recently in the development of draft policy and procedural guidance to support the engagement of contractors by hiring managers. The aim is to finalise and implement this during quarter 3.

Maintenance and Testing of Operational Equipment: One action remains outstanding which is linked to the rollout of the new Papertrail equipment monitoring system to Stations. A trial at six Stations is due to start in July 2024 and this will determine the timescales for roll out to all Stations.

CCTV Compliance: The policy for CCTV usage has been drafted subject to an equality impact assessment taking place. It is anticipated that this policy will be in place by August 2024.

4.4 ICT/Digital – Cyber Security Threat and Vulnerability Management. An independent follow up audit will be conducted during quarter 3 which will assess progress against the four actions (2 High risk / 2 Medium) and the 40+ individual actions contained in the ICT/Digital remediation plan reported to Audit Committee in January 2024.

4.5 Details of all overdue actions and management updates on progress have been included at **Appendix A** to allow Members opportunity to consider and comment on these.

## 5 Analysis of Audit Actions – by Risk Rating

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

Action Status	Total	Critical	High	Medium	Low
Implemented	79	1	14	43	21
Partially Implemented	5	0	3	2	0
Outstanding	4	0	0	4	0
Not Yet Due	20	0	4	9	7
Extended - Not Yet Due	3	0	1	0	2
Outstanding - Previously Extended	0	0	0	0	0
<b>Total</b>	<b>111</b>	<b>1</b>	<b>22</b>	<b>58</b>	<b>30</b>

5.2 The total number of actions being tracked this quarter is 111. Nine completed actions over two years old have been removed from the tracker in the current period.

5.3 Any actions that are over two years old but have not been fully implemented will remain on the tracker until these have been completed and reported as implemented for at least one period.

## 6 Analysis of Audit Actions by Theme

6.1 In line with the new incoming Global Internal Audit Standards and comments made previously by Audit Committee Members, we have sought to categorise by



theme/rating each of the actions that currently form part of our action tracker report. The results of this exercise are shown below.



6.2 This shows that whilst actions encompassed a broad range of factors, most actions relate to the following thematic areas:

- The development or update of procedural guidance.
- The development or implementation of business systems.
- Data quality, integrity and protection.
- Performance management and monitoring.

- 6.3 Based on risk ratings, our most significant findings relate to ICT/Digital technical areas and the implementation and update of systems.
- 6.4 We will keep this under review to understand any underlying factors or opportunities for proactive work in these areas.

## **7 Action Tracking Escalation Process**

- 7.1 In response to Member comments at the last Audit Committee on the development of a protocol for management of high-risk actions, Internal Audit will bring a paper to the next meeting which sets out this process. In principle this will apply to all individual critical or high-risk actions, and reports with a limited or no assurance opinion. This update will be tied into the publication of the new Global Internal Audit Standards and CIPFA public sector recommendations.
- 7.2 Currently there are no significant issues with management implementation of audit actions with no critical actions outstanding and three overdue and partially implemented high-risk actions being tracked. Officers have attended Audit Committee previously to explain progress on these.

## Status of Overdue Actions at 30 June 2024

The list is sorted by the “age” of each audit action and colour coded based on the risk rating of the action and how long it has been outstanding for.

Original Target Date	Audit Title	Overall Audit Opinion	Action (Summary)	Risk Rating	Internal Audit Implementation Status	Audit Committee Update
Sept 2023	Waste Estates Asset Compliance - Premises Safety Inspections	Limited	Compliance Monitoring and Reporting (Cat A sites)	Medium	Partially Implemented	An initial review has been completed to identify all work recently undertaken by Suez. An exercise is being undertaken to identify all work required on each site and the status of each (requiring individual site visits). Work is also being taken forward with Suez to ensure that completion of these actions is reported consistently to allow spot checks to be carried out centrally.  <b>Anticipated Completion Date: September 2024</b>
Sept 2023 (Extended to Mar 2024)	Budgetary Control Processes	Reasonable	Service Engagement and financial management training for budget holders.	Medium	Partially Implemented	A set of training slides have been put together for Finance, Audit and Commercial which will be piloted with a selection of budget holders in July 2024 with wider roll out during Q3.  <b>Anticipated Completion Date: October 2024</b>
Oct 2023	CCTV Compliance	Limited	Publish up to date CCTV Policy	High	Partially Implemented	The CCTV Policy has been drafted and is currently working its way through the

Original Target Date	Audit Title	Overall Audit Opinion	Action (Summary)	Risk Rating	Internal Audit Implementation Status	Audit Committee Update
(Extended to Jan 2024)						approval process. Awaiting an Equality Impact Assessment (EIA) on the draft policy. <b>Anticipated Completion Date: August 2024.</b>
Oct 2023	Use of Consultants and Contractors	Limited	Develop procedure for appointing consultants	High	Partially Implemented	These actions remain outstanding. Draft policy and procedural guidance for the engagement of contractors has recently been produced but has yet to be finalised. This will incorporate the requirements around written agreements and monitoring and reporting on usage.  <b>Anticipated Completion Date: September 2024</b>
Nov 2023	Use of Consultants and Contractors	Limited	Ensure contract agreements & documentation is in place and reviewed.	Medium	Outstanding	
Dec 2023	Use of Consultants and Contractors	Limited	Improve oversight and reporting on use of contractors.	Medium	Outstanding	
Jan 2024	External Loans	N/A	Creation of a GMCA register of significant partnerships to which details of External Loan Partnerships would be added.	Medium	Outstanding	The requirement to hold a register of significant partnerships was recently included in the revisions made to the GMCA Constitution (July 2024). The GMCA Governance and Scrutiny Team will lead on the initial compilation of this this register.  <b>Anticipated Completion Date: TBC</b>
Mar 2024	Maintenance and Testing	Limited	All fleet and equipment will be	High	Partially Implemented	A process for identifying and recording all equipment alongside their relevant

Original Target Date	Audit Title	Overall Audit Opinion	Action (Summary)	Risk Rating	Internal Audit Implementation Status	Audit Committee Update
	of Operational Equipment		uniquely identifiable and recorded on a digital cloud-based system. This will include identifying all equipment for inclusion and the roll out of software to stations.			<p>maintenance records has been put in place via the Papertrail system and in use at Leigh Technical Services. User trials across 6 Stations from July 2024 to test functionality, with a phased approach to roll out.</p> <p><b>Anticipated Completion Date: September – December 2024 (Dependent on outcome of trial)</b></p>
June 2024	GMFRS Station Standards Framework	Reasonable	Improvements required to station audit process, action plan monitoring, and AMS system.	Medium	Outstanding	<p>Most identified areas for improvement implemented. However, following a review of the AMS system, a decision was taken to implement a new system to improve functionality including monitoring of station compliance, incident reporting and COSHH.</p> <p><b>Proposal to extend target date to Jan 2025 to allow for purchase and implementation of new system.</b></p>

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## GMCA Audit Committee

**Date:** 31<sup>st</sup> July 2024

**Subject:** Senior Information Risk Owner – Information and Data Governance  
Annual report 2023/24 (Financial Year)

**Report of:** Steve Wilson GMCA Treasurer and Senior Information Risk Owner

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### Purpose of Report

The purpose of this report attached is to provide an overview of the key information and data governance activities and performance for the 2023/24 financial year. In addition to this, the report aims to provide assurance to the Audit Committee that GMCA remains compliant with its statutory and regulatory obligations.

The second part of this report attached provides updates on the activities we have undertaken as a shared Information and Data Governance service across the GMCA and TfGM, and regionally across Greater Manchester to drive forward the GM Information strategy and set the standard for good information and data practice.

This report details at high level statutory performance and related activities undertaken to support compliance and assurances.

### Recommendations:

The GMCA is requested to:

1. The Audit Committee are asked to note this report and continue to support our delivery and the significant work that has been delivered to drive improvements so that we **Enable, Empower** and **Embed** good governance throughout GMCA.
2. The Audit Committee are asked to agree performance metrics KPIs for implementation in the 2024/25 report. It is recommended that the KPIS are reviewed over the next financial year.

## Contact Officers

Name of key contact Officer and email address to be included

John L Curtis, Assistant Director Information and Data Governance and Data Protection Officer, Shared Service, Greater Manchester Combined Authority and Transport for Greater Manchester. [Johnlaurence.Curtis@GreaterManchester-ca.gov.uk](mailto:Johnlaurence.Curtis@GreaterManchester-ca.gov.uk)

## Equalities Impact, Carbon and Sustainability Assessment:

N/A.

## Risk Management

Risk management provides a strategic and consistent approach to identification and assessment of risks and opportunities that have the potential to impact GMCA's information and data governance environment. Information and Data Governance risks are assessed by the Information and Data Governance board on a monthly basis. A risk assessment is conducted in accordance with the corporate risk management framework. Reference should be made to section 15 of the main report.

## Legal Considerations

From an Information Governance perspective, GMCA is required to adhere to the principles of several key pieces of UK legislation:

The UK General Data Protection Regulation (GDPR)

The Data Protection Act 2018

The Freedom of Information Act 2000

The Environmental Information Regulations 2004

The Privacy and Electronic Communications Regulations 2003, and;

The Human Rights Act 1998.

As outlined in the report, compliance measures have been put in adhere to these pieces of legislation. Reference should be made to the main report.



## **Financial Consequences – Revenue**

There are no consequences relating to this report from a revenue perspective.

## **Financial Consequences – Capital**

There are no consequences relating to this report from a revenue perspective.

## **Number of attachments to the report: 1**

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

Purpose of the report and recommendations are detailed within page one of this covering report.

## **Background Papers**

The only background paper relating to this report is the Information Commissioner's [ICO Annual report 2022-23](#)

## **Tracking/ Process**

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

**No**

## **Exemption from call in**

**No**

## **GM Transport Committee**

**Not applicable**

## **Overview and Scrutiny Committee**

**July 2024**

## 1. Introduction

Information Governance describes the arrangements in place to ensure the effective management, protection and use of an organisation's information assets. This framework is comprised of various policies, practices, roles and responsibilities, developed to assure compliance with legal obligations whilst ensuring information remains reliable, secure and accessible to appropriate users.

The Information and Data Governance Report attached for the 2023/24 financial year outlines the key activities undertaken by the Information and Data Governance team on behalf of Greater Manchester Combined Authority.

## 2. Statutory Compliance and Incidents

The main report attached outlines statutory performance and overall governance that is in place to monitor compliance to several statutory areas within the area of Information and Data Governance. Reference to sections 5 to 11 provide more context relating to the governance and overall performance. A summary of performance is provided below.

### 2.1. Subject Access Request

Data subjects (any living individual) have the right to request copies or access to the personal data about them processed by any organisation. The statutory timeframe for completion of these requests is one calendar month (30 days), however, in specific circumstances this may be extended by a further two months, allowing a total response time of 90 days.

During 2023/24, GMCA received a total of 22 Subject Access Requests, a decrease from the 30 requests received during the previous financial year. However, these requests were submitted sporadically during the period, in comparison to a more even distribution in 2022/23. Of the 22 requests received, 18 (82%) were responded to within the statutory timeframe. In comparison of the 30 requests received in 2022/23, 26 (87%) were responded to within the statutory timeframe.

No complaints were referred to the ICO in relation to Subject Access Requests in 2023/24, whilst a single case was escalated to the Regulator during 2022/23.

## **2.2 Freedom of Information**

As a public body, GMCA are required to respond to requests from the public within 20 working days to promote transparency and support democratic principles. Furthermore, the ICO, in its responsibility to monitor compliance and set performance standards, has set an expectation that public authorities respond to at least 95% of FOI and EIR requests within the statutory time frame.

Between April 2023 and March 2024, GMCA successfully met the expected response rate of 95% (231) of requests on time, an improvement from 92% (188) during 2022/23. For GMFRS (Greater Manchester Fire & Rescue Service), on-time completion rates were slightly better at 96% (108) and 92% (86) respectively.

We have seen a 20% increase in total requests, from 297 in 2022/23 to 357 during 2023/24. There has been a consistent increase in requests, when compared to the same months of the previous financial year, the distinct exceptions being September and November for unknown reasons. Performance in this area is monitored by the Information and Data Governance board where measures are put into place to ensure performance remains consistent to the benchmark of 95%.

Reference should be made to the main report relating to other activities undertaken to support overall performance, assurance and compliance.

## **3. Incidents**

During 2023/24, there have been a total of 46 incidents reported to the Information and Data Governance Team, in comparison to 44 over the previous year. Of these 46, 33% (15) originated from GMFRS, with a similar proportion of 36% (16) during 2022/23.

The IDG Team categorises incidents in line with the UK regulators practices. For GMCA as a whole, the most common category of incident reported is 'non-cyber - data emailed to incorrect recipient' with 15 occurrences (32%) in comparison to the previous year's 43% (19 of 44). This category of incident is just under twice that reported nationally by

the [Information Commissioner's Office in their annual report of 2022/23](#). The ICO details that on average 18% of all reported incidents are 'non cyber – data emailed to the incorrect recipient'.

Continued efforts are made to make staff aware of what to do in the sense of reporting an incident, containment and recovery, as well as mandated e-learning. Bespoke training has been delivered in previous years by the IDG team.

Reference should be made to the main report relating to other activities undertaken to support overall performance, assurance and compliance.

## **4. Change Programme Management**

The GM Information Strategy sets out of shared vision for better information and data management across the GM eco-system. The strategy was signed off by the GMCA in January 2022 and as a three-year strategy, will be refreshed from January 2025.

Our main activities relate to supporting this strategy through a range of projects as described within the main body of the report. This includes projects related to Information Rights and Information Management, as well as further planned work in Information and Records Management. Other activities include two Knowledge Transfer Partnerships with two local Greater Manchester Universities to support the development of an Information Sharing framework and a further KTP on how AI tools could be used in a safe, secure, ethical and lawful way through the creation of an assessment tool.

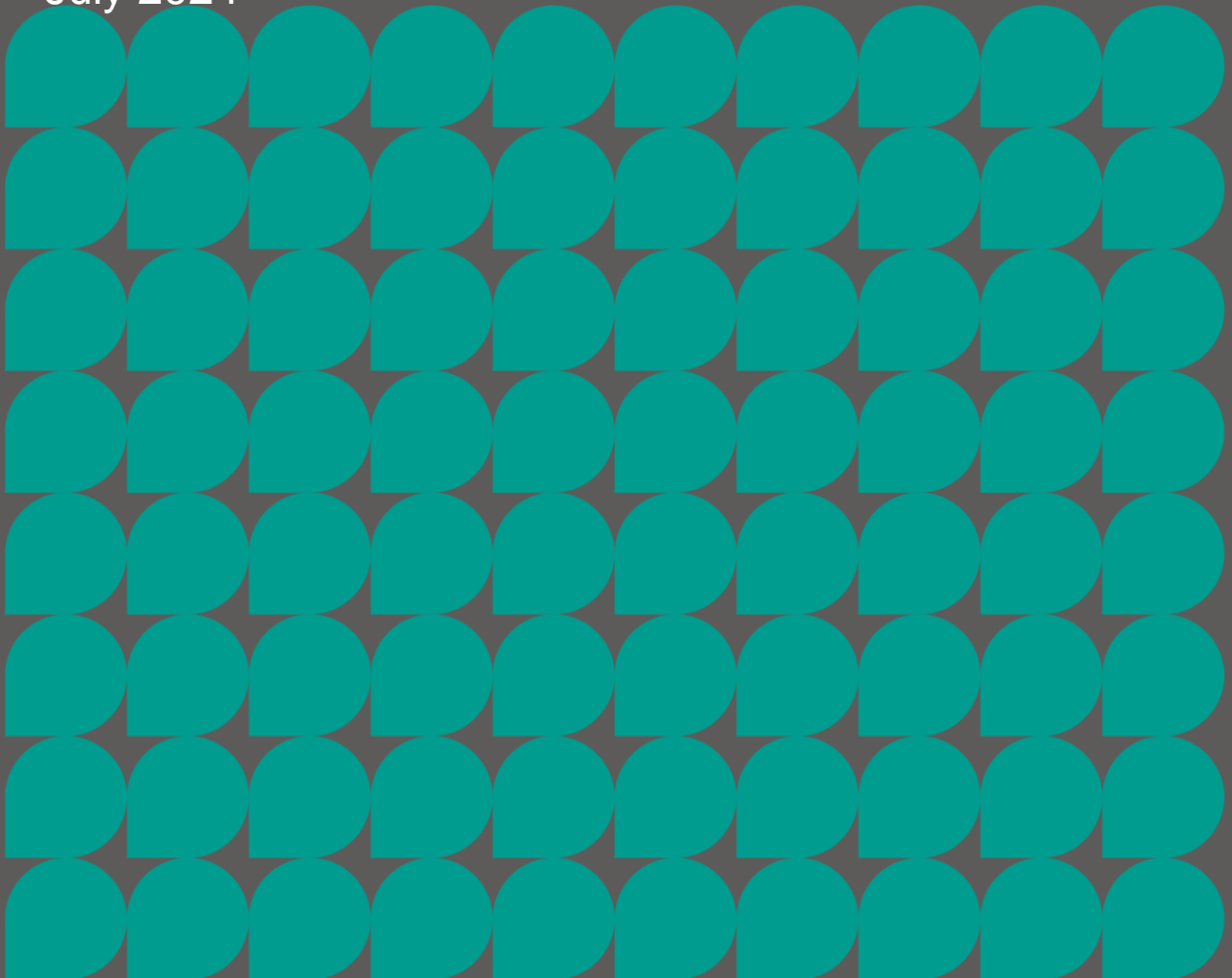
Reference should be made to the main report section 16 onwards.

## **5. Recommendations**

The recommendations are set out at the front of the report.

# Senior Information Risk Owner (SIRO) Annual Report 2023/24

July 2024



# Report to the Audit Committee

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# 1. Executive Summary

The purpose of this report is to provide an overview of the key information and data governance activities and performance for the 2023/24 financial year. In addition, it aims to provide assurance to the Audit Committee that GMCA remains compliant with its statutory and regulatory obligations.

The GM Information Strategy sets out our vision and ambition for better information management across the Greater Manchester region. Our delivery mechanism to achieve the vision is the GM Information and Data Governance Change Programme.

The second part of this report will provide updates on the activities we have undertaken as a shared Information and Data Governance service across the GMCA and TfGM, and regionally across Greater Manchester to drive forward the strategy and set the standard for good information and data practice.

## 2. Recommendations

The Audit Committee are asked to note this report and continue to support our delivery and the significant work that has been delivered to drive improvements so that we **Enable**, **Empower** and **Embed** good governance throughout GMCA.

The Audit Committee are asked to agree performance metrics KPIs for implementation in the 2024/25 report. It is recommended that the KPIS are reviewed over the next financial year.

## 3. Introduction

Information Governance describes the arrangements in place to ensure the effective management, protection and use of an organisation's information assets. This framework is comprised of various policies, practices, roles and responsibilities, developed to assure compliance with legal obligations whilst ensuring information remains reliable, secure and accessible to appropriate users.

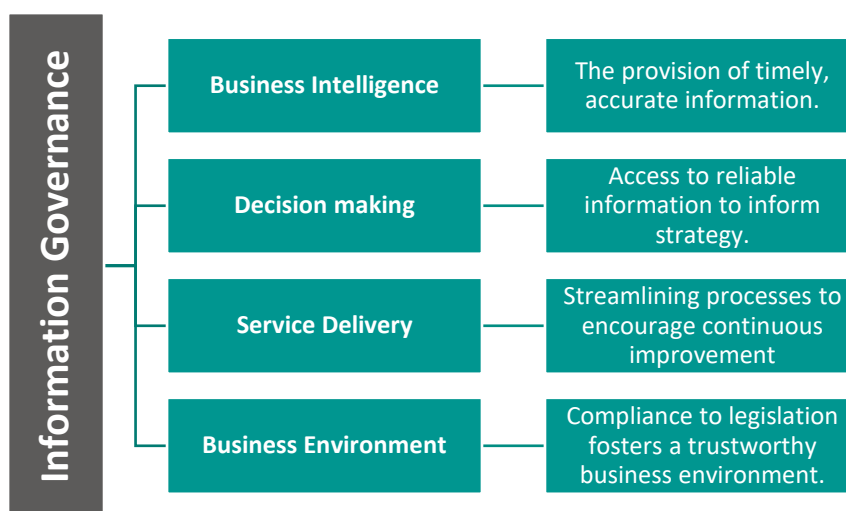
The Information and Data Governance Report for the 2023/24 financial year outlines the key activities undertaken by the team on behalf of Greater Manchester



Combined Authority, as a single entity registered with the Information Commissioner's Office (ICO) under reference number Z2751067.

The role of the Committee is to seek assurance that GMCA continues to adhere to the requirements of relevant legislation, guidance and best practice in the context of information and data governance, in recognition of its contribution toward meeting the objectives of the Greater Manchester Information Strategy.

The diagram below illustrates the intrinsic role of information governance in the effective functioning of GMCA's day to day operations, by enhancing the performance of each activity:



## 4. Background

Greater Manchester Combined Authority serves a community of 2.8 million people. The ability to deliver the broader objectives of the GM Strategy (GMS) is contingent on the effective implementation of policies, principles and practices to ensure data quality, security and value.

To guide the management of good quality information, enhance service delivery and maintain public trust, GMCA is required to adhere to the principles of several key pieces of UK legislation:

- The UK General Data Protection Regulation (GDPR)
- The Data Protection Act 2018
- The Freedom of Information Act 2000

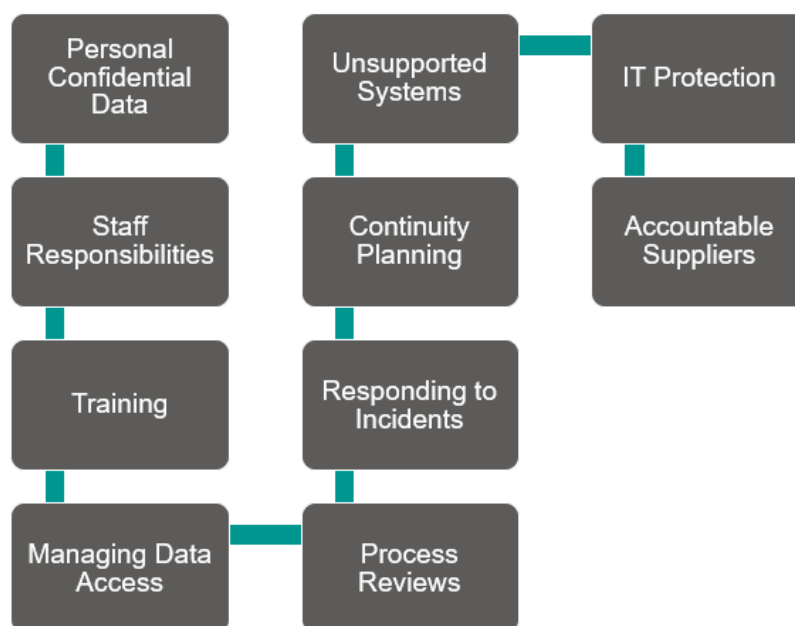
- The Environmental Information Regulations 2004
- The Privacy and Electronic Communications Regulations 2003, and;
- The Human Rights Act 1998.

In addition to the above, GMCA subscribes to annual submission of the NHS’s Data Security and Protection Toolkit (DSPT). This framework sets out the National Data Guardian’s data security standards. By providing narrative and documented evidence when completing this self-assessment, GMCA can demonstrate their compliance to these standards – a mandatory requirement for all organisations processing health and social care data.

It should be noted that although GMCA does not routinely process this type of data, its close working relationships with local authorities and health across the Greater Manchester footprint, by way of commissioning and coordinating initiatives to the benefit of GM residents under the trailblazer deal, meeting the standards of the DSPT fosters trust and encourages close participation.

Since its first submission for the 2019/20 publication, GMCA has consistently met the requirements of the 10 National Data Guardian Standards, establishing itself as a stable, transparent and compliant statutory body.

The 10 National Data Guardian Standards



## 5. Governance Structure

### The Information and Data Governance Board

Accountability for the management of organisational information and data assets sits with the Information and Data Governance Board. This forum, chaired by the SIRO, includes representation from Senior Information Asset Owners across all service areas, as well as the Data Protection Officer (DPO), Deputy Director for Audit, Risk and Assurance and Director of Digital.

The principal role of the IDG Board is to provide leadership, support and direction on information and data governance issues across GMCA. Meeting monthly, key stakeholders hold to account the Change Programme workstreams (as detailed in the second section of this report) and identify opportunities for activities to be aligned or connected to the GMCA's ambition of an organisation which fully embeds effective data governance principles and promotes a positive culture around Data Protection and access to information.

### The Information Governance Enabling Network – GM

To support the implementation of pan-GM Information Governance initiatives, including information sharing and promote consistent working practices across the regional footprint, the Information Governance Enabling Network (IGEN-GM) has evolved over recent years.

Led by the GMCA and accountable to the GM Chief Legal Officers, as defined through the Heads of Terms for the provision of GM strategic information governance services agreed in November 2021, IGEN-GM principally collaborates to:

- Deliver a shared delivery programme, including exploring GM-wide procurement opportunities;
- Support and inform the development and implementation of the GM Information Strategy; and

- Prepare joint responses to national and local consultations ensuring a GM voice on information governance issues, such as the ICO consultation on generative artificial intelligence and data protection.

## 6. The Information Governance Framework

The Information Governance Framework is a strategic tool, comprised of policies, procedures and mechanisms that collectively underpins the way in which an organisation manages its data. Developed in accordance with legislative and regulatory requirements, it ensures the safe and effective handling of data and information throughout its lifecycle.

The Framework is applicable to all staff within the organisation and covers the following broad themes:



**Data Protection:** Safeguarding personal data from breaches, misuse and unauthorised access whilst maintaining compliance with legal/regulatory requirements.

**Information Security:** The mechanisms implemented to ensure the integrity, confidentiality and availability of data whilst preventing disruption to information systems.

**Information Asset Management:** The systematic process of maintenance, classification and disposal of information assets in recognition of their value.

**Transparency:** The practice of being open, clear and honest about decisions and operations to foster trust and accountability.

**Access Rights:** Both the legal rights of individuals conveyed by law and appropriate levels of permissions to systems based on roles and responsibilities.

**Records Management:** The systematic control of records throughout their lifecycle in accordance with retention policies to ensure they are organised, accessible and appropriately preserved.

Spanning all functional areas, integration of the Framework into day-to-day activities brings together key approaches that underpin the CA's vision to '**..create a better information ecosystem**':

**Policy Development** – setting clear guidelines and expectations for how information should be used.

**Operational Procedures and Ways of Working** – promoting consistency and compliance through actionable steps.

**Collaboration and Coordination** – establishing informal groups, engaging with external stakeholders and fostering communication between service areas.

**Technology and Tools** – leveraging technological solutions to enhance security, data management and information sharing initiatives.

**Compliance and Monitoring** – the critical elements of information and data governance. Activities include; audits and assessments, effective risk management and performance monitoring.

## 7. The Information & Data Governance Team

As a shared service with Transport for Greater Manchester, whilst committed to both acting in accordance the data protection legislation and meeting statutory obligations, we additionally recognise the evolving data landscape across the Greater Manchester footprint. As such we strive to support the ambitions of all three organisations to utilise data, not limited to solely personal data, in an efficient, ethical and enabling manner. To this end, the title of the service area has evolved to Information **and Data** Governance.

Our aim is to **Enable, Empower** and **Embed** good governance from the start so that colleagues across GMCA can safely, securely and lawfully use data and information to ensure that effective and informed decisions can be made at an operational, tactical and strategic level. To support overall activities across GMCA the Information Governance board has also refreshed its Terms of Reference and is now

also known as the Information and Data Governance Board, reflecting an enhanced focus on a key organisational asset, that being data.

Additional changes to the functional area include the development of a Business Partnering Model. Unlike more traditional models, IDG Business Partnering is designed to improve the effectiveness and quality of decisions that impact organisational delivery, by virtue of a designated Senior Information and Data Governance Lead who engages more closely with appropriate decision-makers to understand their directorate or service area needs, identify priorities and enhance compliance. Whilst still in the implementation phase, with 90% of introductory meetings having already taken place, the true benefits of this model are expected to be yielded over the course of the current financial year and appropriately reported in the 2024/25 iteration of this report.

## **8. Performance Metrics**

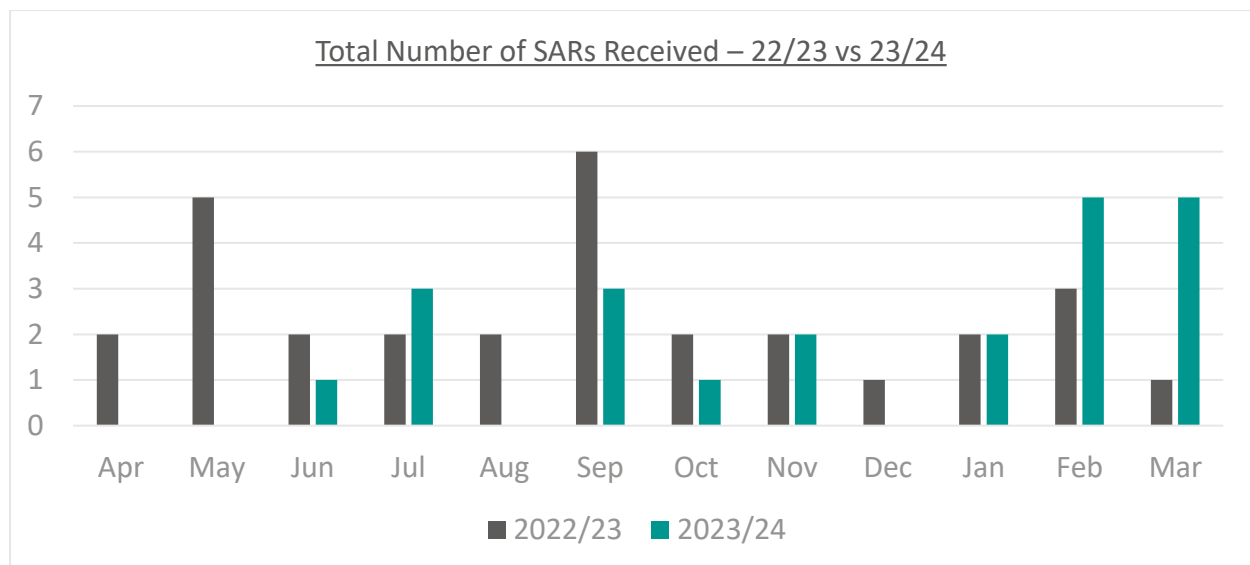
During 2023/24, GMCA continues to effectively manage its responsibilities in relation to information and data governance (IDG) practices within the context of an increasingly challenging landscape. Improvements implemented as a result of the activities of the change programme over prior and current years continue to demonstrate their effectiveness by enabling the team to achieve broadly consistent outcomes in relation to performance despite the impact of external factors, such as the launch of Bus Franchising, new ways of working, and more complex data flows to and from GMCA to support service delivery.

The Audit Committee are requested to note that all figures stated are as reported at a fixed point in time to the GMCA's Information and Data Governance Board and are as such subject to change after that board has met, following subsequent completion of individual requests.

## 9. Subject Access Requests

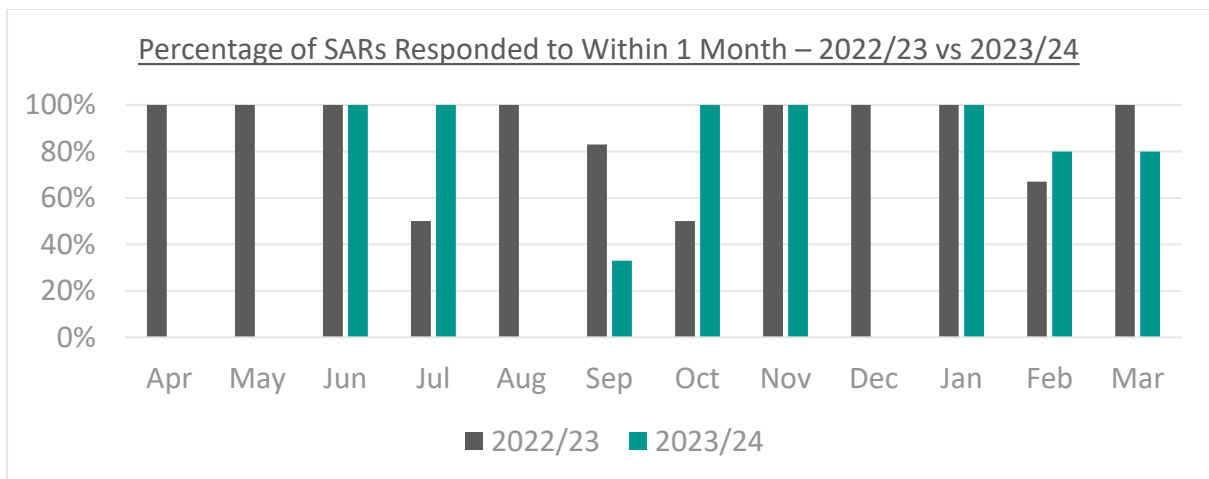
In accordance with the UK GDPR, data subjects (living individuals) have the right to request copies or access to the personal data about them processed by any organisation. The statutory timeframe for completion of these requests is one calendar month (30 days), however, in specific circumstances this may be extended by a further two months, allowing a total response time of 90 days.

During 2023/24, GMCA received a total of 22 Subject Access Requests, a decrease from the 30 requests received during the previous financial year. However, these requests were submitted sporadically during the period, in comparison to a more even distribution in 2022/23. With consideration to the statutory deadlines, this resulted in increased pressure on the IDG Team's capacity in order to prioritise harvesting the information and responding accordingly, whilst continuing to deliver core activities as a support service.



Of the 22 requests received, 18 (82%) were responded to within the statutory timeframe. In comparison of the 30 requests received in 2022/23, 26 (87%) were responded to within the statutory timeframe.

No complaints were referred to the ICO in relation to Subject Access Requests in 2023/24, whilst a single case was escalated to the Regulator during 2022/23.



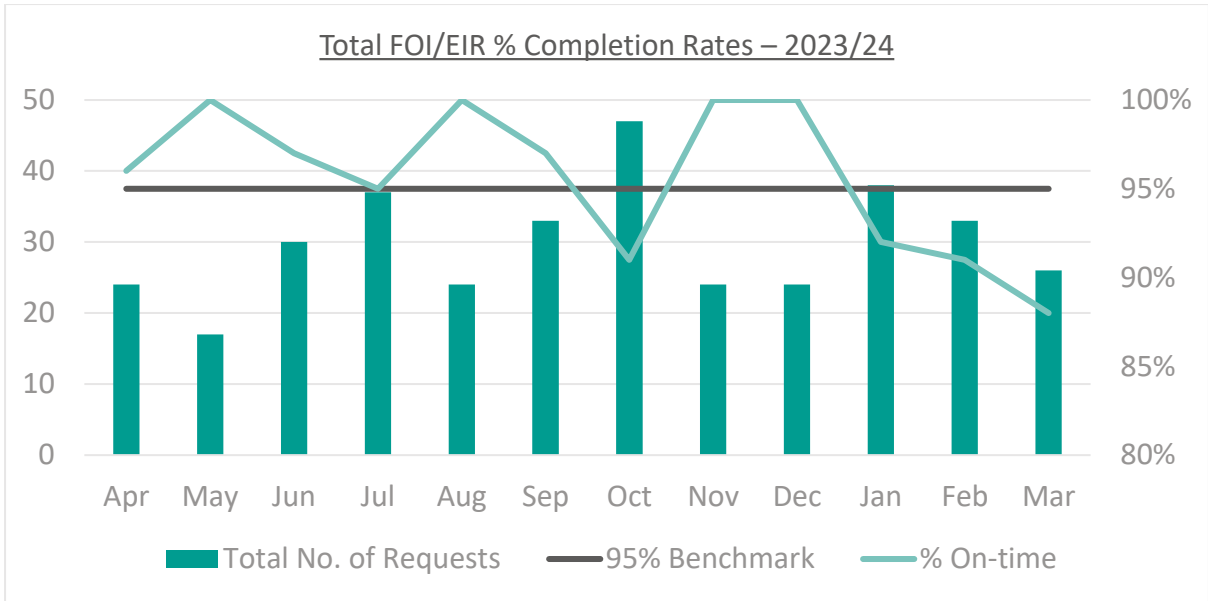
## 10. Freedom of Information Requests

In accordance with the Freedom of Information Act (FOIA) 2000 and Environmental Information Regulation (EIR) 2004, GMCA, as a public body, are required to respond to requests from the public within 20 working days to promote transparency and support democratic principles. Furthermore, the ICO, in its responsibility to monitor compliance and set performance standards, has set an expectation that public authorities respond to at least 95% of FOI and EIR requests within the statutory time frame.

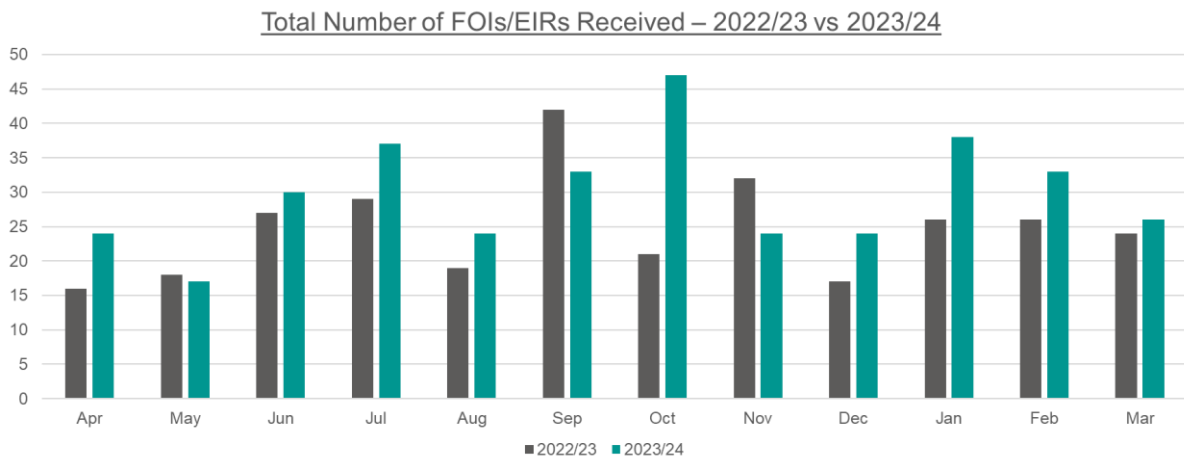
Between April 2023 and March 2024, GMCA successfully met the expected response rate of 95% (231) of requests on time, an improvement from 92% (188) during 2022/23. For GMFRS (Greater Manchester Fire & Rescue Service), on-time completion rates were slightly better at 96% (108) and 92% (86) respectively.

With consideration to the continuing demands on resources within the IDG Team, as is demonstrated in the graph below with reducing month-on-month completion rates from December 2023, work is ongoing to streamline processes with improved use of the case management system, enhancement of existing publication schemes and to be further complemented by the new business partnering model.

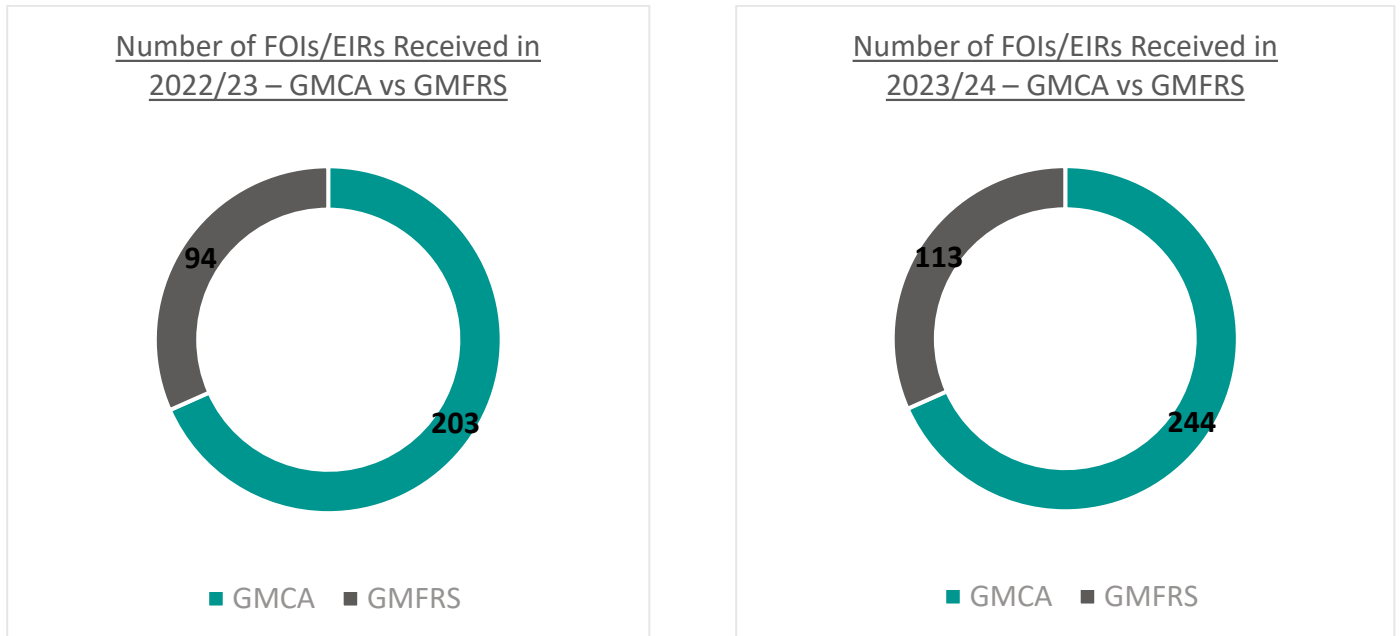




We have seen a 20% increase in total requests, from 297 in 2022/23 to 357 during 2023/24. The chart below illustrates the consistent increase in requests, when compared to the same months of the previous financial year, the distinct exceptions being September and November for unknown reasons. Performance in this area is monitored by the Information and Data Governance board where measures are put into place to ensure performance remains consistent to the benchmark of 95%.



The charts below illustrate the proportion of FOIs/EIRs received between GMCA and GMFRS during 2022/23 and 2023/24:



For two consecutive financial years, approximately 45% of all FOI/EIR requests were in relation to information from GMFRS. Of the total requests processed during 2023/24, approximately 3% (10) were challenged via the internal review process, a small increase from 2% (5) in 2022/23. Of the 10 internal reviews requested, the following outcomes were attained:

- 2 Upheld
- 5 Not Upheld
- 3 Partially Upheld.

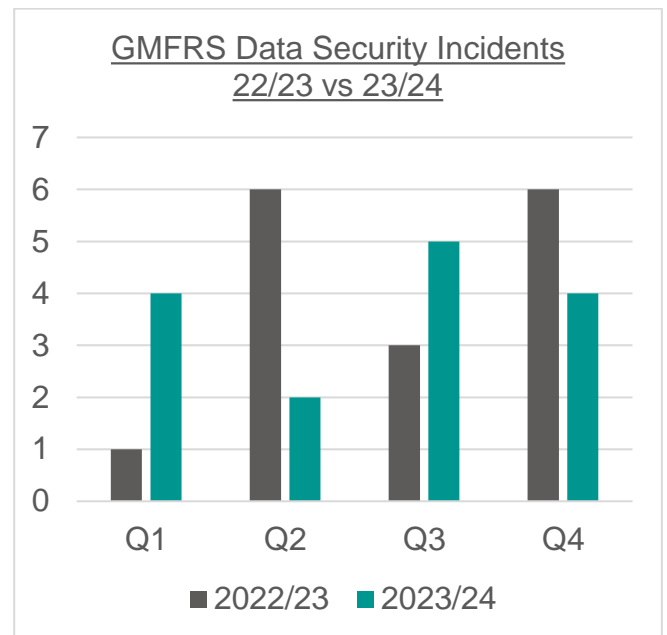
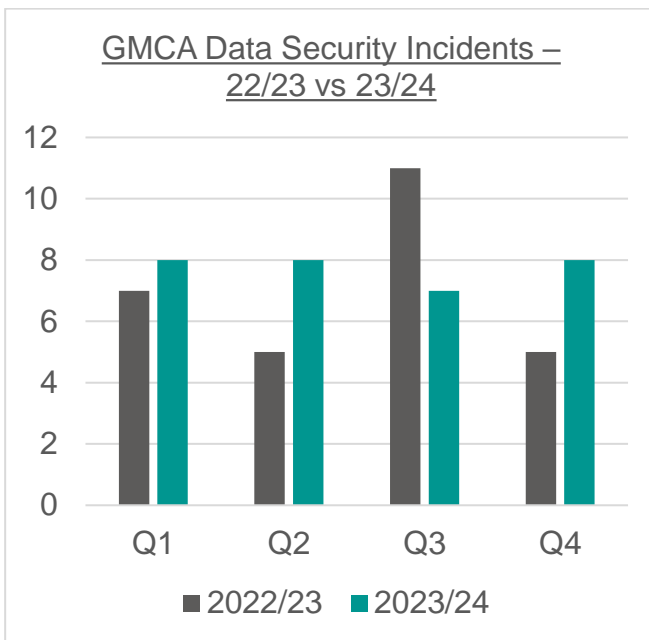
In the latter two scenarios, further information was provided to the requestor and the case closed.

A single FOI complaint was escalated during June 2023. This related to a request for email correspondence between the GMCA and a senior member of government. Whilst the outcome of our internal review maintained that some information harvested should not be disclosed, following escalation to the First Tier Tribunal, it

was determined that a portion of the information should be released, resulting in a partial disclosure.

No complaints were received from the ICO in relation to FOI/EIR requests during 2022/23.

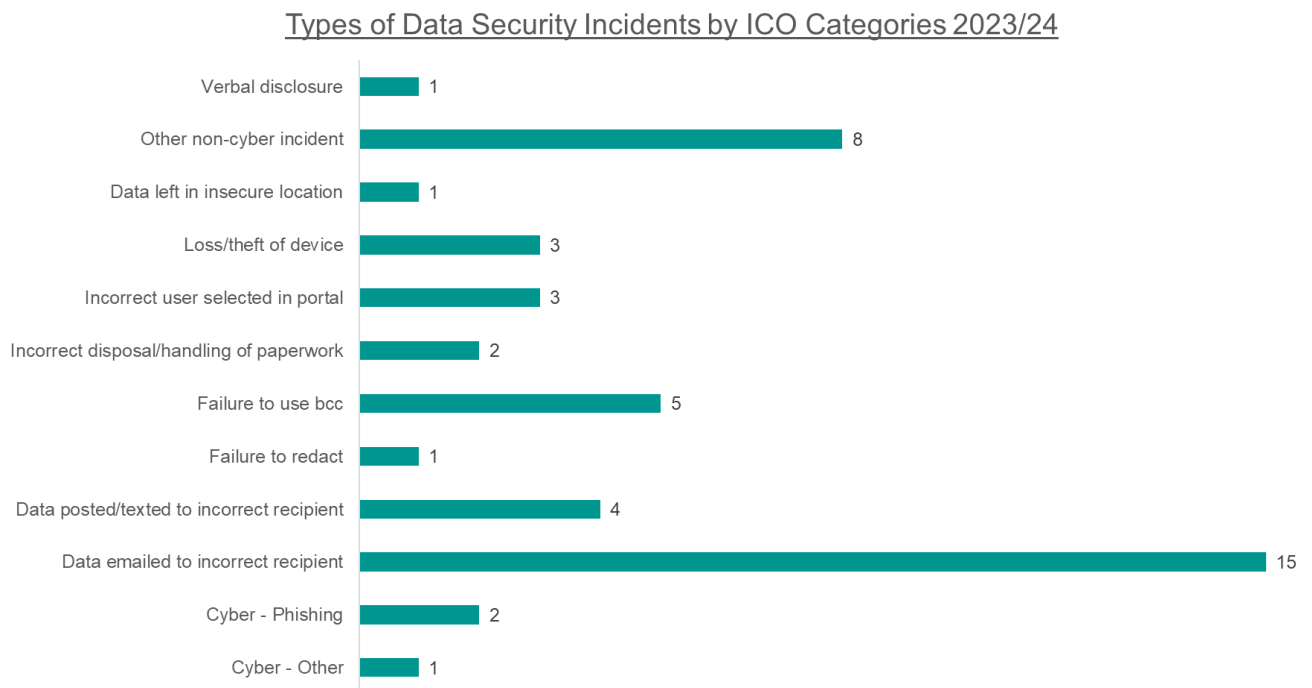
## 11. Information Security Incidents and Personal Data Breaches



During 2023/24, there have been a total of 46 incidents reported to the Information and Data Governance Team, in comparison to 44 over the previous year. Of these 46, 33% (15) originated from GMFRS, with a similar proportion of 36% (16) during 2022/23.

The IDG Team categorises incidents in line with the UK regulators practices. For GMCA as a whole, the most common category of incident reported is ‘non-cyber - data emailed to incorrect recipient’ with 15 occurrences (32%) in comparison to the previous year’s 43% (19 of 44). This category of incident is just under twice that reported nationally by the Information Commissioner’s Office in their annual report of 2022/23. The ICO details that on average 18% of all reported incidents are ‘non cyber – data emailed to the incorrect recipient’.

The table below illustrates the categories of incidents reported to the IDG Team during the 2023/24 financial year:



Actions have been taken to increase staff awareness of how to spot an incident and to highlight steps to be taken to ensure that emails are sent securely and or to the right recipient. Bespoke training has been delivered in previous years by the IDG team. This will be revisited in the context of business partnering to further enhance directorates' safeguarding of personal data.

## 12. Serious Information Governance Incident (SIGI)

### Panel

To support the work of the Information and Data Governance Board in ensuring the organisation's data and cyber security remains uncompromised, the Serious Information Governance Incident (SIGI) Panel acts as a forum to review and discuss incidents assessed as meeting a prescribed threshold. Chaired by the Senior Information Risk Owner and attended by Information Asset Owners, the Panel meets monthly, as appropriate, to provide assurance via in-depth analysis of incidents; suggestions and monitoring of actions arising from investigations; and determining whether notification to data subjects is appropriate, on a case-by-case basis. Where identified, any organisational recommendations that require organisational change

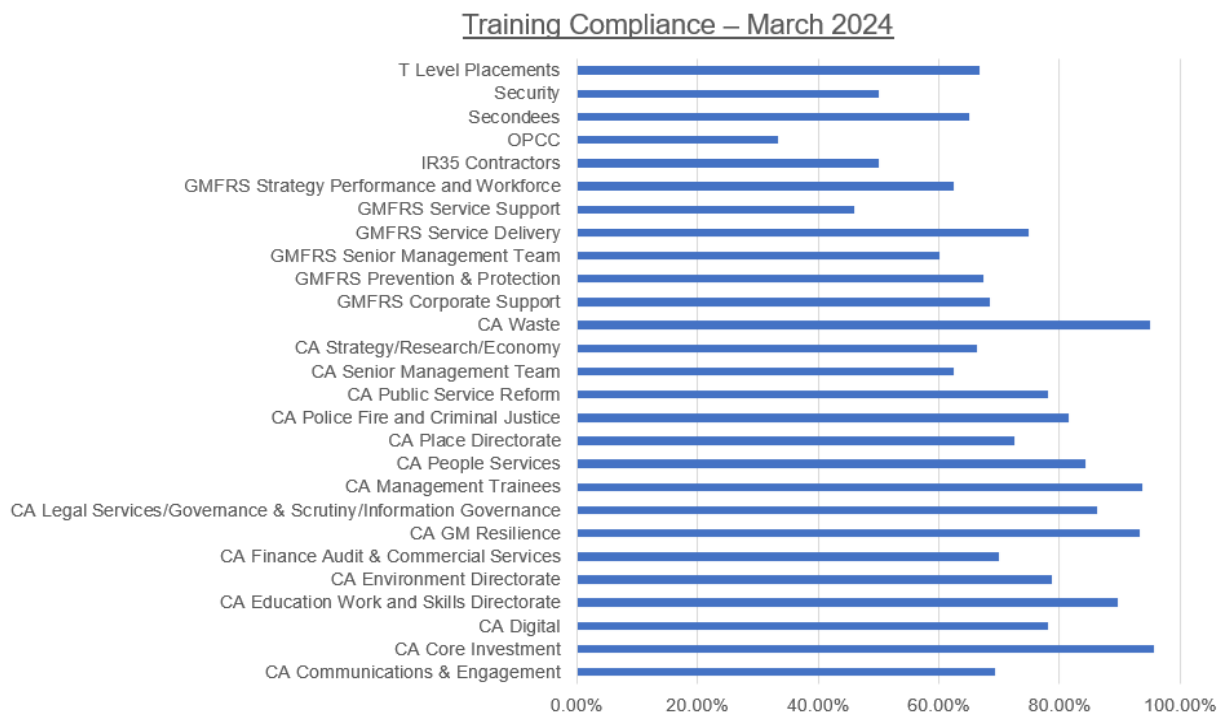
are referred to the Information and Data Governance Board to provide accountability and manage progress.

### 13. Training and Awareness

While it remains paramount that organisations adhere to regulatory and legal compliance requirements, organisations are made up of people. Therefore, it is the responsibility of each individual to ensure they understand their role and contribution to the safe and effective management of information flows within GMCA.

Training and awareness campaigns are a key contributor to our positive data culture and shared understanding of the organisation’s information needs and responsibilities.

The table below illustrates mandatory Annual Cyber Ninja training compliance completion rates for each directorate, as of 31<sup>st</sup> March 2024. Mandatory Annual Cyber Ninja training compliance continues to be the main drive for staff awareness and completion rates are continually monitored by the IDG board. Overall, organisationally the completion rate for GMCA including GMFRS is 75%.



The GMCA Information and Data Governance (IDG) Board proposed to (Senior Leadership Team) in December 2023 that progression of the IDG training framework was needed with the launch of a Level 2 IDG course to compliment the level 1 Cyber Ninjas and ensure staff were supported to discharge their responsibilities in this area.

A pilot approach was launched mandating level 2 for all Band 8 and above staff, alongside GMFRS uniformed staff that are Station Managers, Group Managers, Area Managers and Principal Officers. Approximately 600 staff members.

This was launched in Mi Learning from January 2024 with promotional activity scheduled for this course alongside further compliance reminders with the IDG Board considering appropriate next steps to improve this course completion rate. Completion rates for this enhanced training module will be presented in the 2024/25 iteration of this report.

## **14. Requests for Support**

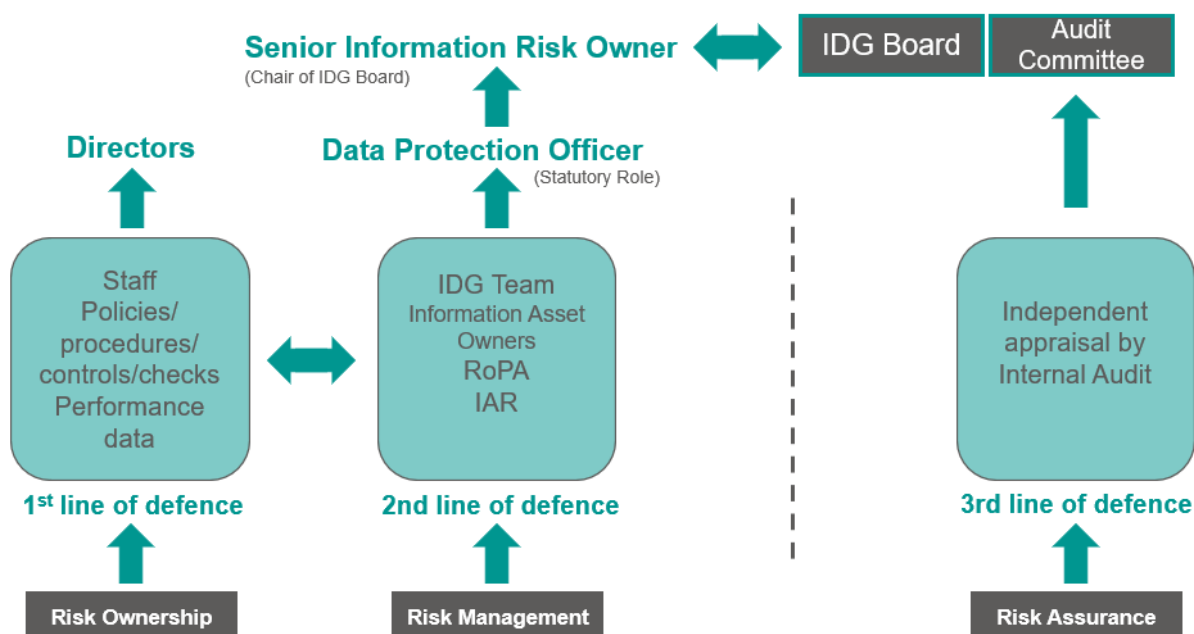
The IDG service is receiving an increasing number of requests for support by Functional Areas on individual project/programmes which include uses of information and data. This highlights that the IDG service and related processes are embedding and maturing in the organisation. A total of 204 requests have been submitted to the IDG team this financial year, a 32% increase (50 additional requests) from 2022/23. With the implementation of business partnering, we await to see whether this figure will continue to rise as the visibility of the IDG team increases as it embeds; or whether as the organisation shifts to a more self-serve capability on low-risk activities as directorates evolve to become more empowered, we will see a reduction in requests for support.

## **15. Risk Management**

Risk management provides a strategic and consistent approach to identification and assessment of risks and opportunities that have the potential to impact GMCA's information and data governance environment.

The mechanism of IDG assurance is illustrated in the diagram below, integrating policy development, risk management, compliance and strategic oversight:

## Information and Data Governance Assurance



The IDG Board are tasked with the responsibility to scrutinise the management, mitigation and control of associated risks.

As of 31 March 2024, thirteen (13) risks were recorded on the IDG Risk Register. The heat maps below illustrate the residual scoring of these risks against target score:

Residual Risk Score

LIKELIHOOD	Very High	5					
	High	4				2	1
	Medium	3				4	
	Low	2		1	1	3	1
	Very Low	1					
			1	2	3	4	5
			Very Low	Low	Med	High	Very High
<b>IMPACT</b>							

Target Risk Score

LIKELIHOOD	Very High	5					
	High	4					
	Medium	3					1
	Low	2			1	7	1
	Very Low	1			1	2	
			1	2	3	4	5
			Very Low	Low	Med	High	Very High
<b>IMPACT</b>							

As a direct result of the current international climate of increasingly sophisticated terrorist threats, coupled with hostile nation states, it is unsurprising that the prevailing risk is: ***‘Cyber-attack leads to the loss or corruption of sensitive data’***,

with a likelihood of four (4) and impact of five (5), resulting in a residual risk score of 20, of a maximum 25.

Were this risk to crystallise, the potential consequences include the loss or corruption of sensitive data leading to reputational damage, financial and legal sanctions, in addition to potential massive disruption to organisational activities.

Existing mitigations include;

- Close working of the SIRO, DPO, Deputy Director Risk and Assurance, Corporate Risk Manager and Director of Digital to articulate risk to the wider organisation
- Maintain, fund and deliver an IS security programme which broadly captures activities within scope, aligning them to known risks
- Monthly reporting and analysis to IDG Board and SIGI Panel
- Annual mandatory eLearning
- Phishing software (Boxphish) email simulations and regular reporting of user susceptibility.

A number of further activities have been identified and assigned to action owners to further treat this risk until it can be reduced to within the organisation’s risk appetite score of fifteen (15) or below.

Additional risks with an amber residual score (12-16) are recorded below:

Risk	Existing Controls	Residual Score	Target Score
Uncoordinated and unacceptable use of Artificial Intelligence	Acceptable Use Policy / Monitoring use of AI / Aligning with best practice	16	8
Managing the inflow and outflow of complex and sensitive datasets	Data processing arrangements in place / Data Sharing Policy / Knowledge of sensitive datasets	16	8
Information Asset Management	Project, programme and BAU activity data is recorded in Information Asset Registers	16	8



## 16. The GM Information Strategy

The GM Information Strategy sets out of shared vision for better information and data management across the GM eco-system. The strategy was signed off by the GMCA in January 2022 and as a three-year strategy, will be refreshed from January 2025.

The vision of the GM Information Strategy:

**We will create a better information ecosystem that realises the full potential of information; manages, shares, and uses information responsibly; helps to tackle our most serious challenges; and supports Greater Manchester's wider ambitions.**

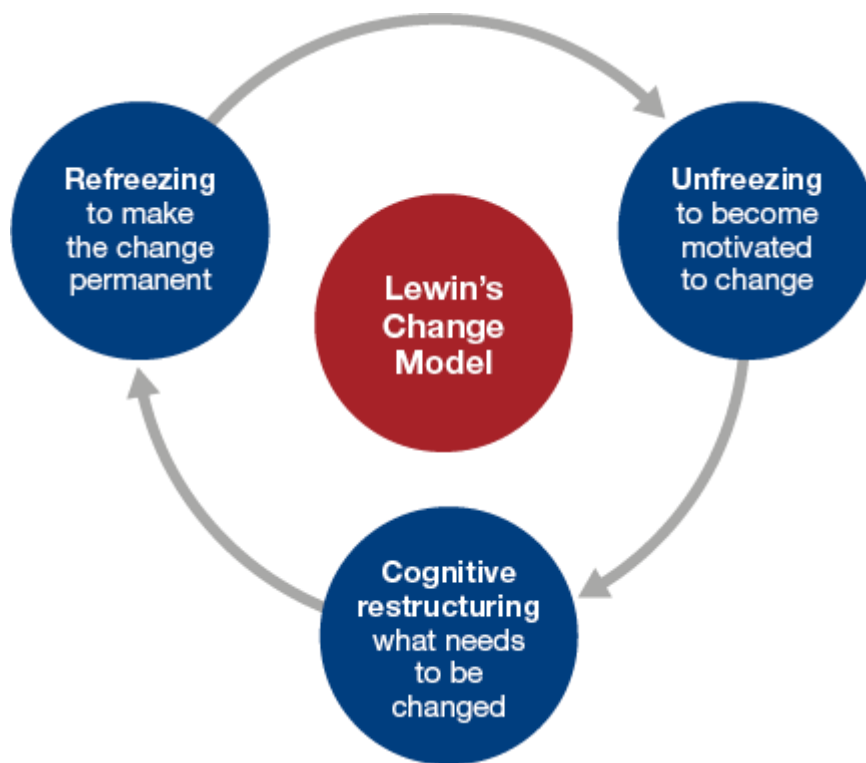
To achieve to vision and missions of the strategy there are various activities taking place both organisationally and regionally. The GMCA Information Governance Change Programme is the delivery mechanism to co-ordinate, manage and resource these activities. The change programme has two main areas of focus:

1. GM regional projects under the GM Information Strategy delivery plan
2. GMCA and TfGM organisational change projects.

## 17. The Information Governance Change Programme – GMCA and TfGM Organisational Change Project Updates

As a shared service across the GMCA and TfGM we are committed to improving the way we manage, utilise and value information and data across these organisations. This activity is governed by the GMCA Information and Data Governance Board and the TfGM Information and Data Governance Board. As a change delivery function,

the programme is responsive to the needs of the organisation and we have adopted Lewin's Change Model of unfreeze – change – refreeze. This model recognises the core activity of the team is business as usual which operates in the freeze state. When we need to improve an area of work, we frame this as unfreezing it from BAU activity, conducting the change activity, and then refreezing that activity in BAU in its new state.



As a change delivery function we are moving to a more agile way of working with a key focus on delivery.

We are keen to support the GMCA Next Phase work around Policy and Delivery and change management is fundamental to achieving the objectives of the GM Information Strategy. We have engaged with this workstream area, and the IG Change Programme has been used as a test bed for the development of the policy and delivery framework.

The following sections details the key organisational change activity undertaken over the past year and the expected work over the coming year.

## 18. Information Asset Management (IAM)

The first phase of the IAM project concluded in summer 2023 and a second phase of the project was then launched. The first phase of the project deployed a service area-led model for information and data asset management across the shared service. This included:

- The creation of the information asset register and register of processing activities in SharePoint.
- Delivering training to Information Asset Owners and Administrators.
- Conducting an extensive communications and engagement plan across the organisations.
- Establishing the Information Asset Owner and Administrator network.

The second phase of the project aimed to build on the successes of the first phases to enable, empower and embed the change into the organisation. The aims of the second phase are:

- Enable the delivery of a wider information and data governance framework approach.
- Empower functional areas and teams with the knowledge, tools, and ongoing support to manage their information and data assets effectively.
- Embed long term sustained culture and behaviour change to how information and data assets are managed.

During the first phase of the project, training was provided to Information Asset Owners (IAO) and Administrators (IAA). This training was recorded and is now hosted on the Learning Management System (LMS) for any new IAO's and IAA's however we recognise that it is not a fit for purpose long term training offering. In response to this, we are currently developing a bespoke IAO and IAA training module which will be supported by the Data Confident training module referenced later in the report.

The training module is being designed and built in collaboration with our learning and development team. It is aimed to be delivered by quarter three of 2024/25.

### **IAM Community**

The IAM community of practice, hosted via Microsoft Teams remains our primary means of communication with IAO's and IAA's. We regularly provide updates to the community, and it is monitored by the shared service for any questions or queries.

### **TfGM IAM Audit**

An audit of TfGM's IAM maturity was conducted in the spring of 2023. Whilst this was a TfGM audit, as a shared service the GMCA Information and Data Governance Board agreed that the recommendations should be equally applied to the GMCA as well as TfGM.

The audit found that phase one of the IAM project had delivered the registers and processes to enable information asset management. The next step was for IAO's and IAA's to start to utilise these registers.

Working with the audit team an initial deadline was set for IAO's and IAA's to update the registers. In response to the deadline we did see a significant increase in assets being added to the registers however we know that this remains an on-going activity for the organisation to ensure the registers are kept up to date.

We continue to support the organisation in meeting the recommendations of the audit and are working closely with the audit team on these.

### **IAM Insights**

A major benefit of the IAM project are the insights that can be gained from having up to date registers. Using PowerBI, we have developed dashboard views of the registers and presented these to the Information & Data Governance Board. This will be key to the organisation deriving business useful information from the data entered which will aid areas such as business continuity.

As part of this work, we have engaged with Research and Digital colleagues. Out of this there is an informal network/working group looking at the use of PowerBi in

different instances across the organisation. This is an example of our commitment to collaborative working across service areas.

## 19. Information Rights

A key success of the past year has been the delivery of the Information Rights project which is now complete.

The objectives of this project were to improve and standardise the processes and procedures supporting how information requests are handled, foster the organisations towards an increased culture of transparency and openness, increase the amount and quality of datasets and information made available to the public and establish a new way of engaging with those that own published data or deal with information rights requests, so that guidance and support can be provided to them.

Significant deliverables completed are:

- A revised FOI/EIR e-learning course has been made available to all staff via MiLearning.
- The gap analysis for the updates required to the publication scheme for TfGM, GMCA, GMFRS and PCC has been completed and work is progressed to update content and the way this is structured on the websites, to make this more easily accessible to the public.
- An updated Public Interest Test checklist and guidance for staff
- A Quality Assurance internal procedure to be carried out quarterly within the IDG team will review a selection of information request responses from the previous quarter.
- The FOI, EIR and Transparency User Group has been relaunched and will meet quarterly to discuss key issues/challenges/opportunities around information rights.

## 20. GMCA and TfGM iCasework Breach Module

To improve the way we manage security incidents we are planning on procuring the iCasework breach module. This will help bring efficiencies to the process and better insights through reporting. This will help to better support the Serious Information Governance Incident (SIGI) panels in both organisations.

### Contracts and Procurement

We have initiated a project which is seeking to improve the way we as a shared service support procurement and contract activities across the organisation. The scope of the project is as follows:

- Mapping the Process with procurement colleagues across GMCA and TfGM, to identify current opportunities for efficiencies and collaborate on wider process development for effective Information & Data Governance (IDG) involvement.
- Revised tools and guidance for the IDG team to ensure a consistent response to procurement is in place.
- Training plan to develop clear guidance materials for the IDG team to facilitate consistent responses from across the team into procurement and contract Requests for Support (RfS).
- Education and awareness raising with a range of clear messages for stakeholders across organisations regarding IDG role and support offer to promote timely and consistent engagement of the service and others involved. These will be aligned to the wider Contract Management Project as it progresses and utilise the Champions networks.
- Compliance monitoring guidance will be considered in the mapping of processes with a view to offering input to the wider Contract Management Project Dashboard and framework as it progresses. For example, to ensure due diligence in contract monitoring is consistent and clear for contract managers around areas such as TIA's and processor reporting duties.

This project will work in collaboration with Legal, Procurement and Digital colleagues across both GMCA and TfGM to identify where we can embed the appropriate information and data considerations into the procurement process.

## **21. Information and Records Management Project**

The Information and Records Management project will look at the way we as an organisation manages our records and build on both the outputs of the Information Rights and Information Asset Management projects. The scope of the project is to:

- Establish and embed an approach to records classification and handling across GMCA and TfGM supported by appropriate tools, guidance and policies.
- Improving, defining and embedding our retention schedules across GMCA and TfGM, supported by clear guidance and policies, and applied using records management technologies.
- The production of robust records management guidance to support teams and individuals across the organisations to learn and apply best practice.
- Enhancing our Information Management approaches (document management) by better utilising records management tools within SharePoint and establishing guidance for information & data quality audits to eliminate duplications and copies on other drives.
- Developing an approach and strategy for better record access and visibility that considers the needs for different levels of access for internal and third-party users depending on record classification, as well as records stored in third party systems.
- Understanding the current state of play regarding paper records, the contracted supplier(s) for this and the current usage. The project will look to improve this area and where possible enable the organisation to address paper records which are beyond the retention period.

One of the priority areas for the project will be to run a pilot of information classification and data loss prevention utilising the Microsoft suite of features.

## 22. Cyber Ninjas and Data Confident E-Learning

Cyber Ninjas remains as our e-learning course of choice and to complement this offering and further bolster our workforce, we have procured the Data Confident e-learning training course. Supported by the Senior Leadership Team (SLT), we have initially rolled this out to grade 8 members of staff and above, and equivalent across GMFRS. So far, feedback has been positive, and we will be recommending this training be made mandatory for all staff across the entire organisation. This is the approach TfGM have adopted.

Some quotes Data Confident are:

**“How to process data and how to keep data secure, storing for the correct purpose. Important to ensure we are compliant with data regulations.”**

**ESW**

**“Helps you understand more about the different types of personal information”**

**ESW**

**“The e-learning went into a great amount of detail . I found myself re watching many of the videos.”**

**Environment**



## **23. The Information Governance Change Programme – GM Information Strategy Delivery Plan Priority Areas**

The GM Information Strategy delivery plan is focussed on the GM delivery of the strategy. The six priority areas for the coming year are:

- Better Use of Data (Continued from 2023/24)
- Data Ethics (Continued from 2023/24)
- Strengthening Governance (Continued from 2023/24)
- Community Engagement (Continued from 2023/24)
- Data Sharing Framework (Continued from 2023/24)
- Artificial Intelligence (AI) (New for 2024/25)

## **24. The GM Information Board**

Board Champion – Cllr and Leader Nick Peel – Bolton Council

Chair – Alison McKenzie-Folan – Chief Executive - Wigan Council

Deputy Chair – Roger Prudham – Deputy Medical Director and Caldicott Guardian – Northern Care Alliance

The GM Information Board provides strategic leadership in information and data governance. It provides direction to the GM Information Strategy delivery plan. It remains as our primary vehicle for delivering system change across the Greater Manchester information and data eco-system.

The board has been in place since 2019 and over the past five years has grown, developed, and matured. It is a valued mechanism for bringing together strategic partners in the field of data and information. Like all boards, as it has matured it also benefits from periodic reviews. Activity has taken place over the past year and

continues through 2024/25 to refresh the membership of the board and the terms of reference to ensure it continues to meet its strategic aims.

## **25. The Information Governance Change Programme – GM Information Strategy Delivery Plan Projects**

2023/24 was the first year that the GM Information Strategy had specific budget allocated from Business Rates. Significant planning activity, baselining and positioning took place throughout the year that has allowed us to accelerate delivery through 2024/25. Alongside this work, key deliverables from the last financial year include:

- Delivery of the funded Citizen Led Security Standards Phase 1 project.
- Delivery of the funded work to develop community engagement principles when using automated decision-making technologies.
- Kick-off and delivery of a GM Information Sharing Framework workshop
- Applications to two Knowledge Transfer Partnerships and the Open Government Partnership
- Delivery of a plain English version of the GM Information Strategy
- Ongoing support of the GM Analyst Network

2024/25 activity is planned to take place under each of the priority areas and at the appropriate times, the GMCA and TfGM Information & Data Governance Boards will be updated on the progress of relevant projects. Some of the significant projects being delivered under each priority area are:

## **26. Better Use of Data**

The public, private, and third sectors in Greater Manchester hold a wide variety of information – both personal data and non-personal.

Better approaches to using this data, especially in opening more information up for use, can help to do new and innovative things that support the people, communities, and businesses of Greater Manchester

- An open data policy for GMCA/TfGM and for GM organisations.
- Exploration of a data maturity assessment for GM.
- Sponsorship of the Open Data Camp event in July 2024.

## 27. Data Ethics

It is increasingly important to ensure that data ethics is embedded within the work of our information ecosystem. This is critical to maintaining and fostering trust; supports responsible use of information; and enables stronger governance. Embedding data ethics requires the right skills, behaviours, tools, infrastructure and information management processes to work correctly, and to allow data users to do the right things with information.

- Promotion of the Open Data Manchester designed Declaration for Responsible and Intelligent Data Practice across Greater Manchester.
- An approach to citizen engagement around data and information which will explore surveys and participation groups.
- Considering the Open Government Partnership and committing to a project that demonstrates co-production both on a multi-agency basis and with members of the public.
- Plain English version of info/data rights documents

## 28. Strengthening Governance

Information policy has long been an area with limited scope for work at a local level. However, with the new Devolution Trailblazer, and with increasing use of new technology and large datasets to support local activity, strong and reliable governance becomes ever more important.

Ensuring this governance has the right oversight, and the right membership, is critical to providing a balanced and inclusive approach to information policy in Greater Manchester.

Some of the activities we have undertaken or plan to undertake are:

- An event to bring together Senior Information Risk Owners (SIROs) from across GM to work through a serious incident scenario.
- A refresh and strategic improvement to the governance of the Greater Manchester Information Board.
- A refresh of our communications and engagement plans which is vital in building trust with residents across GM.
- Continue to support GM Data Partnerships around Data Devolution.
- Support the Information Governance Enabling Network – Greater Manchester (IGEN-GM) and the delivery of an annual work plan for the group.
- Development of a funding model that allows community organisations and public sector organisations to bid for funding for projects that align to the delivery of the GM Information Strategy vision and missions.

## **29. Community Engagement**

Closely linked with elements of accessibility, communication, and inclusivity, focusing on better communication and engagement can help us to form a basis of good relationships and trust within communities in Greater Manchester.

- A sponsored project with Noisy Cricket to consider how the citizen voice can be built into data sharing practice.
- Promotion of a set of principles developed through a sponsored project with Open Data Manchester to engage with members of the public around automated decision-making technologies.

## **30. Information Sharing Framework**

The sharing of data and information remains one of the greatest challenges facing the city region as devolution enhances and the reliance of data becomes even more

significance. Taking a strategic, GM led approach to information sharing will enable better collaborative working and unlock deeper insights into the work we are doing.

- A significant project to deliver a Greater Manchester Information Sharing Framework to better enable information sharing and the governance between organisations.
- A Knowledge Transfer Partnership with Salford University to deliver a regional change management approach to embed the information sharing framework.

## 31. Artificial Intelligence (AI)

AI is already prevalent across society and influences the way we conduct much of our daily business. Future proofing our organisations for the developments in this space and considering the ethical and other implications of AI are a key priority.

- A Knowledge Transfer Partnership with Manchester Met University to develop a model for assessing AI technologies.

Overall our change management programme will continue to ensure that we **Enable**, **Empower** and **Embed** good governance throughout GMCA.

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## GMCA Audit Committee

Date: 31<sup>st</sup> July 2024  
Subject: GMCA – Draft 2023/24 Annual Governance Statement  
Report of: Gillian Duckworth, GMCA Monitoring Officer and Steve Wilson, GMCA  
Treasurer

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### Purpose of Report

To provide the Committee with the draft 2023/24 Annual Governance Statement (attached as appendix A) for comment, prior to coming back to the Committee as a finalised version for approval at the next meeting.

### Recommendations:

The Audit Committee is requested to:

- (1) consider and comment on the draft Annual Governance Statement;
- (2) suggest any amendments to the draft Annual Governance Statement; and
- (3) following the insertion of any amendments, endorse the Annual Governance Statement for submission to the next meeting of the Committee.

### Contact Officers

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

n/a

## **Risk Management**

The AGS forms part of GMCA's risk management arrangements.

## **Legal Considerations**

Legal requirements are referred to throughout the AGS.

## **Financial Consequences – Revenue**

There are no specific revenue considerations contained within the report.

## **Financial Consequences – Capital**

There are no specific capital considerations contained within the report.

**Number of attachments to the report:** 1 (Draft Annual Governance Statement)

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

n/a

## **Background Papers**

GMCA Constitution: [GMCAConstitution2023Final.docx.pdf \(greatermanchester-ca.gov.uk\)](#)

## **Tracking/ Process**

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

~~Yes~~ / No



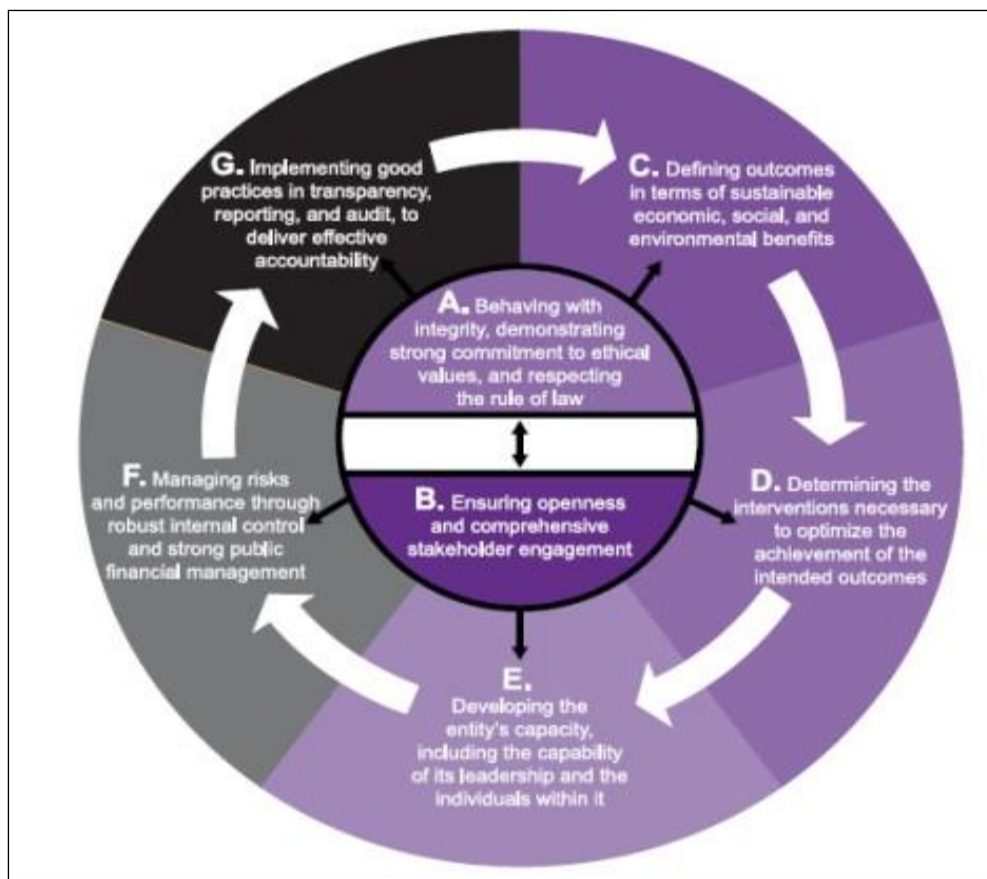
**ANNUAL GOVERNANCE STATEMENT 2023-24**

**CONTENTS**

1. Introduction & Purpose of the Annual Governance Statement
  2. GMCA Legislative, Strategic and Policy Context
  3. Addressing the Cost-of-Living Crisis Through Governance Arrangements
  4. Establishment of the Bee Network Committee
  5. HMICFRS Position Update (GMP & GMFRS)
  6. Scope of Responsibility
  7. Audit & Standards Activity 2023/2024
  8. Progress in Addressing the Challenges Identified in the 2023/2024 Annual Governance Statement
  9. Areas for Focus in 2024/2025
  10. Summary
- Appendix - CIPFA SOLACE – Good Governance Principles

## INTRODUCTION

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



**Fig.1 Seven Principles of Good Governance**

## LEGISLATIVE, STRATEGIC AND POLICY CONTEXT

2.1 The GMCA was established on 1 April 2011 by the Greater Manchester Combined Authority Order 2011 and comprised of ten members, being the Leaders of the constituent councils. The Mayor of Greater Manchester Andy Burnham was re-elected on 4<sup>th</sup> May 2024 for a term of four years. The Mayor is the chair and 11<sup>th</sup> member of the GMCA. The Mayor also appoints the Deputy Mayor for Policing and Crime who has substantial delegated authority covering policing and crime.

2.2 Kate Green was appointed to the role of Deputy Mayor for Policing and Crime on 9<sup>th</sup> January 2023 and following the mayoral election a proposal was received from Mayor Andy Burnham that Kate resume the role. This proposal was unanimously ratified at a meeting of the Greater Manchester Police, Fire & Crime Panel on 14<sup>th</sup> May 2024.

2.3 All members have clear portfolio responsibilities. Listed below is the current leadership structure in Greater Manchester following the May 2024 elections:

<b>Member</b>	<b>Representing</b>	<b>Portfolio Responsibility</b>
Mayor Andy Burnham	GM Mayor	Policy, Reform & Transport
Kate Green	Deputy Mayor	Safer & Stronger Communities (Police and Fire)
Cllr Nicholas Peel	Bolton	Digital City Region
Cllr Eamonn O'Brien	Bury	Technical Education & Skills
Cllr Bev Craig	Manchester	Economy, Business & Inclusive Growth
Cllr Arooj Shah	Oldham	Equalities & Communities
Cllr Neil Emmott	Rochdale	Culture
City Mayor Paul Dennett	Salford	Healthy Lives & Homelessness

Cllr Mark Hunter	Stockport	Children & Young People
Cllr Gerald Cooney	Tameside	Housing
Cllr Tom Ross	Trafford	Green City Region & Waste
Cllr David Molyneux	Wigan	Resources & Investment

2.4 Each GMCA member appointed by a constituent council appoints a substitute deputy who holds full voting rights in their absence. A request is made to each authority to appoint a member of the opposite gender where possible to help in retaining a gender balance.

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

2.6 Following the withdrawal of central government core funding for Local Enterprise Partnerships (LEPs) the GMCA established the Greater Manchester Business Board which is now fully established with a remit to be as ambitious as possible, maintaining a strong business voice at the heart of city region and maximising economic growth across Greater Manchester. The Board works to a framework of GMS priorities including Innovation; Net Zero; Real Living Wage; Economic Resilience; Marketing and International; Business Support; Investment Finance; Addressing Inequalities; and Skills.

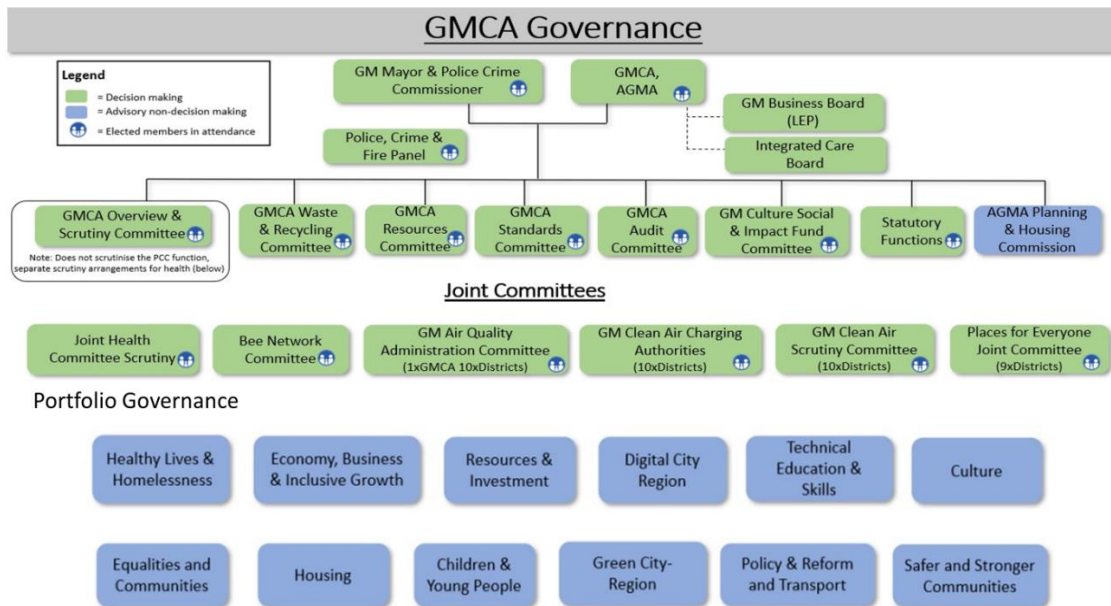
2.7 The GMCA and the Constituent Councils are members of the Association of Greater Manchester Authorities (AGMA). They have entered into joint arrangements, including an Operating Agreement, and the establishment of a joint committee called the AGMA Executive Board, which oversees the work and strategic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

making powers from the 10 Greater Manchester councils. AGMA has the same membership at the GMCA.

2.8 A range of statutory and non-statutory member-led committees and boards sit below the GMCA, with responsibility for overseeing work in relation to the various portfolios. The Scrutiny Function has 20 members (with 20 additional members in a substitute pool) and responsibility for reviewing and evaluating the performance of the Mayor and GMCA, and the way they work with their partners to deliver for local people, contributing to policy development in respect of high profile, complex issues affecting the whole of Greater Manchester, and investigating more complex cross-cutting issues, with a particular focus on the GMCA's forthcoming responsibilities in respect of the trailblazer, single settlement and regional devolution.

2.9 The GMCA Audit Committee, as a statutory body, plays a key role in overseeing risk management, governance systems and financial management.

2.10 The GM Transport Committee was replaced in 2023/24 by the Bee Network Committee that holds an important role in developing transport policy, and advising and supporting the Constituent Councils, the GMCA and Mayor on specific transport issues. This is a strategic body, leading transport decision-making at the city regional level, and having responsibility for monitoring the performance of Greater Manchester's transport network, and the performance of Transport for Greater Manchester (TfGM), the local government body responsible for delivering Greater Manchester's transport strategy and commitments.



**Fig.2 Governance Structure**

## **ADDRESSING THE COST-OF-LIVING CRISIS THROUGH GOVERNANCE ARRANGEMENTS**

3.1 The Cost-of-Living Response Group continued to meet bimonthly throughout the year. The group is chaired by the Deputy Chief Executive of GMCA with membership made up from officers from GMCA's Public Service Reform directorate, Local Authority representatives, NHS GM representatives and VCFSE partners. The group have met in the existing format since August 2022, having emerged from the previous GM Humanitarian Assistance Group, which formed part of the COVID-19 pandemic response.

3.2 As the group has developed the topic focus has evolved beyond immediate reactive issues (e.g. administration of the Household Support Fund) to looking at wider issues around financial inclusion and income maximisation. It has been proposed that moving forward, the focus of the group will be on Financial Inclusion rather than the previous focus on the Cost-of-Living Crisis. This aligns with the need to be more proactive in conversation and work, rather than the previous pressing need to be more reactive in the response. The format of the sessions will be similar, continuing to include the sharing of learning and good practice and discussions of new initiative and opportunities.

3.3 The terms of reference and revised name of the group will be decided following the next meeting and consultation with members. It is likely that the group will meet with the same regularity, but with the changed focus, as mentioned, and a modified name to reflect this.

3.4 From a strategic point of view, Greater Manchester finds itself in a very different context as well. We now find ourselves in a new Mayoral Term and with a new national government. The Mayoral manifesto calls for an entirely different way of providing social support and social security. The 'Live Well' initiative, within the Mayor's manifesto, is going to be developing and progressing and this group will be aligning with and connecting into this programme of work moving forward.

## **ESTABLISHMENT OF THE BEE NETWORK COMMITTEE**

- 4.1 Prior to the establishment of the Bee Network Committee – Transport Governance functions took place via an overarching Transport Committee supported by sub-committees focussed upon Bus Services, Metrolink & Rail & Active Travel. The Committee had limited delegations, reducing any opportunities for the Committee to influence strategic decision-making and therefore transport policy. Its role combined elements of both decision-making around relatively minor issues and performance monitoring which was usually considered to be a scrutiny committee function. This had in turn led to a lack of clarity both within and outside of the GM system.
- 4.2 The commencement of the Bee Network, providing local control of the GM transport network, and bus franchising in particular, changed the type and number of decisions being made. GM therefore needed to change the make-up of its decision-making bodies so as to ensure GM's new responsibilities were discharged in an effective and transparent way.
- 4.3 In establishing a new Bee Network Committee a number of principles were set out including support for shared ownership of the transport agenda across GM, informed by local priorities and driven by consensus; support for an integrated approach to policy development to support the delivery of an integrated network; separate decision-making and policy development from oversight and scrutiny; strengthened decision-making, scrutiny and local involvement including enhanced member and public engagement; and ensuring delegation to officers to enable operational flexibility, as appropriate.
- 4.4 In alignment with those principles it was proposed that a new, smaller, and more strategically focussed 'Bee Network Committee' (BNC) would lead transport decision-making at a regional level, taking greater ownership and responsibility for the GM integrated transport network. The BNC strengthened local engagement by increasing opportunities for local councillors and members of the public to contribute to and influence



transport policy and services in their area. Formal scrutiny of the Bee Network Committee was also now part of the work programme of the newly strengthened GM Overview & Scrutiny Committee.

4.5 Although the BNC itself has greater delegated powers from the GMCA, no additional constituent council functions have been transferred or delegated to the BNC.

4.6 This smaller and more focussed board membership now comprises one member from each of the ten constituent councils (in general expected to be the transport portfolio holder), a GMCA appointment, the Mayor, and any additional members appointed by the Mayor for political balance, up to a maximum total membership of 15 members. By bringing together executive members from across the city region, the BNC is able to take a holistic and integrated view of transport in GM, and better supports and co-ordinates activity across district boundaries.

4.7 It is intended that further steps to increase and strengthen member and public engagement will include supporting the constituent councils in implementation of further oversight of the Bee Network at the neighbourhood level.

## **HMICFRS POSITION UPDATE (GMP & GMFRS)**

5.1 Following removed from special measures in September 2022, Greater Manchester Police (GMP) continues to provide regular quarterly performance updates to the GM Police, Fire & Crime Panel for scrutiny. The Force also ensures accountability and ongoing reassurance to the Deputy Mayor on actions taken in response to HMICFRS reports and inspection findings by submitting regular update reports to the Deputy Mayor's Executive which receives governance support through the GMCA. During 2023/24 the Force had been subject to The PEEL Assessment 2023-2025, which found further

significant improvements had been made, but that there were areas that still required further work.

5.2 During the period from September 2023 to January 2024, Greater Manchester Fire & Rescue Service (GMFRS) had undertaken two significant inspections conducted by HMICFRS. A periodic round 3 inspection and a thematic inspection on the handling of misconduct. The subsequent reports and feedback provided an external assessment of the progress made since the last HMICFRS inspection in 2021, as well as the cultural improvements implemented since the appointment of the new Chief Fire Officer in September 2020. The results were very positive with GMFRS having received one of the strongest, if not the strongest HMICFRS report and stood as the most improved fire and rescue service in the country.

5.3 The Police, Fire and Crime Panel (PFCP) continues to hold the Deputy Mayor, Chief Fire Officer and Chief Constable to account on both the improvements at GMP and GMFRS. The PFCP continues as a bi-monthly meeting (from a previous quarterly arrangement) to ensure that it has the scope to scrutinise all issues raised through its work programme. Additionally, the PFCP is also supported by a bi-monthly Steering Group to pick up on deep dive issues that do not fit within the Panel's work programme.

## **SCOPE OF RESPONSIBILITY**

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

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<sup>1</sup> [GMCAConstitution2023Final.docx.pdf \(greatermanchester-ca.gov.uk\)](#)

6.2 The Annual Governance Statement demonstrates how the GMCA is delivering its services in the right way in a timely, inclusive and accountable manner and will be certified by the GMCA Chief Executive and the Mayor, after consideration of the draft by the GMCA Audit Committee. GMCA's external auditor reviews the Annual Governance Statement as part of the assessment of their value for money responsibilities.

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

6.4 The appendices of this document describe how the GMCA fulfils the requirements set out in the seven principles of good governance.

## **AUDIT & STANDARDS ACTIVITY 2022/23**

### **GMCA Audit Committee and Joint Audit Panel (Police and Crime)**

7.1 The GMCA Audit Committee is responsible for overseeing the effective operation of the systems of governance including risk management, internal control, and treasury management. It is a legal requirement for the GMCA to have an Audit Committee as this also ensures a high standard of openness and transparency. The Committee met five times during 2023/24. Meetings covered a variety of matters in line with the Committee's Terms of Reference.

7.2 The GMCA Audit Committee oversees all aspects of the GMCA including Mayoral functions. In line with the Home Office Financial Management Code of Practice, the Mayor has also established a Greater Manchester

Joint Audit Panel (Police and Crime) which oversees the control environment of the Chief Constable and the GMCA (Police and Crime) functions, performing the functionality of an Audit Committee. The Panel assists the Mayor in discharging his statutory responsibilities to hold the Chief Constable to account and to help deliver an effective policing service. To minimise duplication and bureaucracy and to maximise value for money shared internal audit arrangements are in place to support the Mayor and the Chief Constable. The GMCA Audit Committee receives the minutes of the Joint Audit Panel as part of its agenda and receives the annual report of the Chair of the Joint Audit Panel. These arrangements were reviewed in 2023/24 and the Audit Committee's Terms of Reference were reviewed to ensure that the responsibilities for the two Committees are clear.

#### **Head of Audit and Assurance Annual Opinion 2023/24**

7.3 Based on the work undertaken by Internal Audit in respect of 2023/24 the opinion of the Head of Internal Audit is that reasonable assurance is provided on the overall adequacy and effectiveness of GMCA's framework of governance, risk management and internal control. This opinion is based upon the findings of the audit work undertaken during the year. It is reflective of the continued progress made in relation to the evolving maturity of risk management arrangements in place within GMCA and in the continued development of the performance management framework. The opinion has also taken into consideration other external sources of assurance.

#### **Annual Review of the System of Internal Audit 2023/24**

7.4 An external quality assessment (EQA) of the Internal Audit Function was undertaken in 2021/22. The conclusion was that the service complies with PSIAS. A further self-assessment of the effectiveness of the Internal Audit Function was undertaken in 2023/24 by the Deputy Director, Audit

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

7.5 A Quality Assurance and Improvement Programme (QAIP) has been implemented within the Internal Audit Team and an Internal Audit Development Plan developed which is reviewed on a regular basis and updated to reflect any findings or recommendations from either external or internal effectiveness reviews. Progress with the plan is reported to the Audit Committee.

### **GMCA Standards Committee**

7.6 The GMCA has a Standards Committee to deal with matters of conduct and ethical standards regarding members of the Greater Manchester Combined Authority and its committees should they arise. It also provides a reviewing function for key policies in relation to the behaviour and actions of elected members whilst serving in their Greater Manchester capacities. The Committee met in 23/24 to consider the GMCA Complaints Procedure & the Code of Corporate Governance.

**PROGRESS IN ADDRESSING THE CHALLENGES IDENTIFIED IN THE 2022/23 ANNUAL GOVERNANCE STATEMENT**

<b>Action Identified in 2022/23</b>	<b>Progress Made</b>
<p>Embed the Bee Network Committee within the GMCA Governance Structure.</p>	<p>Following agreement of the governance principles (see section 4 for further detail) the Bee Network Committee commenced with an inaugural AGM on 27<sup>th</sup> July 2023, at which the Committee’s terms of reference and rules of procedure were agreed. It now meets on a regular monthly basis and has been fully incorporated into the GMCA governance structure.</p>
<p>Continuing to address the cost-of-living and inflation crisis via governance and work with external partners.</p>	<p>The Cost-of-Living Response Group continued to meet bimonthly throughout the year. It has been proposed that moving forward, the focus of the group will be on Financial Inclusion rather than the previous focus on the Cost-of-Living Crisis. This aligns with the need to be more proactive in conversation and work, rather than the previous pressing need to be more reactive in the response. The format of the sessions will be similar, continuing to include the sharing of learning and good practice and discussions of new initiative and opportunities. (See section 3 for further detail)</p>

<p>Ensuring full understanding across the authority reporting system in terms of addressing climate crisis issues and low carbon targets.</p>	<p>The use of the co-benefits tool to assess impacts arising from decisions taken is now embedded, supporting greater visibility of the climate impact of GMCA's plans, strategies and delivery.</p>
<p>Ensure that the appropriate governance and decision-making structure is in place to meet the new responsibilities arising through the trailblazer devolution deal and the single settlement as part of that.</p>	<p>The GMCA is continuing to prepare and is fully aware of the governance and accountability requirements that will arise from the trailblazer deal, including a commitment to abide by the English Devolution Accountability Framework and the Scrutiny Protocol; taking the further actions required to enhance scrutiny and audit committee resources and prestige; and a new Accountability Framework underpinning the single settlement.</p>
<p>Ensure that the next steps and further actions contained within the GMCA Corporate Peer Challenge Action Plan are embedded within the 23/24 Business Plan and delivered wherever possible over the coming year.</p>	<p>The Corporate Peer Challenge provided GMCA with a series of recommendations for action, which have been considered and embedded within the Business Plan and aligned with activities being delivered across Directorates.</p> <p>The Peer Challenge team returned in November 2023 for a review visit, a progress report on the original</p>

	<p>recommendations was provided at that time. The Review team were pleased with the progress made to date and confident in GMCA's ability to continue to deliver.</p>
<p>In the GMCA's role as the Lead Authority for the delivery of the GM Mayor Elections in May 2024. Ensure a legally compliant and high-quality delivery of the election.</p>	<p>The GMCA supported the Combined Authority Returning Officer (CARO) to deliver a high quality and legally compliant GMCA Mayoral election, ensuring that electors, candidates and other key stakeholders had confidence in the result.</p> <p>To achieve this, robust governance arrangements were put in place including the establishment of a Project Board which met monthly, to drive and oversee GMCA's corporate delivery model. A dedicated CARO team was also convened with elections and programme management expertise. Existing structures were used to regularly work with 10 GM districts and their Returning Officers (ROs), regarding the detailed arrangements for delivery. This included taking into account that the Mayoral election would be delivered at the same time as their local elections and the City Mayoral election in Salford. Regular updates</p>



	<p>and guidance/legal directions were issued to ensure there was clarity regarding CARO/RO roles and responsibilities throughout all phases of planning and delivery. Following the successful delivery of the Mayoral election, an extensive lessons learnt exercise has been undertaken to capture key findings for next time. This is particularly important given that the Mayoral Election is only scheduled to take place every 4 years.</p>
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## AREAS FOR FOCUS IN 2024/25

<b>Good Governance Principle</b>	<b>Action</b>	<b>Lead(s)/GMCA Officer Lead</b>
<i>G: Implementing Good Practices in Transparency, Reporting, and Audit, to Deliver Effective Accountability</i>	<i>Carry out an exercise to demonstrate the organisation's compliance with the Local Government Association's 'Improvement and Assurance Framework for Local Government'. Subsequently developing an action plan to address any gaps in compliance.</i>	<i>Deputy Director Audit &amp; Assurance  Monitoring Officer</i>
<i>B: Ensuring Openness and Comprehensive Stakeholder Engagement</i>	<i>Continue to develop robust governance around devolution.</i>	<i>Director of Policy &amp; Strategy  Chief Executive</i>
<i>D: Determining the Interventions Necessary to Optimise the Achievement of the Intended Outcomes</i>	<i>Continue to lobby government for the adoption of the Good Landlord Charter</i>	<i>Deputy Chief Executive</i>
<i>B: Ensuring Openness and Comprehensive Stakeholder Engagement</i>	<i>Support the establishment of governance and oversight of the Bee Network at the neighbourhood level.</i>	<i>Director of Governance &amp; Scrutiny  Monitoring Officer</i>
<i>B: Ensuring Openness and Comprehensive Stakeholder Engagement</i>	<i>Ensure fit for purpose robust governance around the newly established Greater Manchester Land Commission.</i>	<i>Director of Governance &amp; Scrutiny  Monitoring Officer</i>

<p><i>A: Behaving with Integrity, Demonstrating Strong Commitment to Ethical Values, and Respecting the Rule of Law.</i></p> <p><i>B: Ensuring Openness and Comprehensive Stakeholder Engagement</i></p>	<p><i>Implementation of all best practice arising from the Scrutiny Protocol, ensuring that the organisation remains an exemplar authority in terms of its robust scrutiny processes.</i></p>	<p><i>Director of Governance &amp; Scrutiny</i></p> <p><i>Monitoring Officer</i></p>
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## SUMMARY

- 10.1 The GMCA has demonstrated an ongoing commitment to best practice and good corporate governance within the principles of the framework, shown through a pro-active adoption of this framework and delivery of the improvements suggested in the Annual Governance Statement 2022/23.
- 10.2 As the organisation moves forward in 2024 and 2025, the refresh of the Greater Manchester Strategy will be key in leading on its strategic direction and values. There is a strong focus on delivery with robust arrangements put in place to monitor delivery, performance and risk, underpinned by strong governance arrangements, which are designed to support this delivery. The arrival of a new national government could have a significant impact on the trajectory and future economic plans for the region, and the GMCA and its partners across the public, private and voluntary, community and social enterprise sectors will seek to use this opportunity to truly deliver on its longer-term ambitions to ensure that Greater Manchester is a region in which no resident feels left behind.
- 10.3 The Trailblazer & Single Settlement Devolution Deal will be a hugely significant development for the region, giving the ability to create the country's first integrated technical education city-region, creating a region

that delivers outcomes for both young people and employers, through a new partnership board with the Department for Education. More influence on regional rail services to deliver a London-style integrated public transport system - the Bee Network – by 2030. £150m of brownfield funding and powers to underpin the new Greater Manchester Good Landlord Charter, which aims to raise standards in the social and private rented sectors; and a single funding settlement similar to Scotland and Wales - the first time such a flexible grant has been given to an English region. It will be vital to continue to ensure the most robust governance arrangements are in place to deliver the opportunities within this for the residents of Greater Manchester.

Signed by.....

Signed by.....

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

Date.....

## **Appendix – CIPFA SOLACE – Good Governance Principles**

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

The GMCA reviewed and updated its Constitution during 2024 and was agreed by the CA in July 2024, to ensure it remains relevant and appropriate. A further review is due in the autumn of 2024 to incorporate devolution arrangements. The Constitution incorporates an Operating Agreement between the GMCA and the ten Constituent Councils, which governs the exercise of concurrent functions.

The GMCA Standards Committee meets as required and deals with matters of conduct and ethical standards of GMCA Members.

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

A Whistleblowing Policy and Procedure is in place, which has been reviewed and updated in February 2023. Information on how to report concerns are easily located on both the external facing website and the staff intranet. An Anti-Fraud and Corruption Policy forms part of the Constitution.

The Complaints Procedure was updated in December 2023 to ensure that it is in line with the latest guidance from the Local Government & Social Care Ombudsman. Information on how to submit complaints pertaining to each individual area of the GMCA's remit, the process, and relevant FAQs are provided on the external website.

Declarations of Interest is a standard agenda item on all GMCA meetings, minutes from which are published on the external website, and members are asked to complete a register of their personal and pecuniary interests on an annual basis.

These are uploaded to each councillor's individual portfolio via the GMCA's governance portal and are also viewable on the website. A review of member/officer relations also took place during 2022/23 which added further clarity around interactions through social media, impartiality and the rights of members to inspect GMCA documents.

A Greater Manchester [Independent Ethics Committee<sup>2</sup>](#) is in place to help build trust and public confidence in policing. The Committee advises the Deputy Mayor for Policing and Crime, and Greater Manchester Police on the complex dilemmas that policing faces in the modern world. The committee has been given a wide remit, with GMP pledging to give access to the service's systems and people. When established, it was the first of its type in the country. The committee decides which issues it wants to consider, as well as having issues referred in by both GMP and the Deputy Mayor. Members of the public can raise issues with the committee - but it does not consider individual complaints about police. The committee considers both broad thematic issues - such as discrimination, safe drug use, and surveillance - and practical day-to-day issues, such as the use of body-worn cameras by police officers.

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

#### Areas for Focus in 2024/25

- Implementation of all best practice arising from the Scrutiny Protocol, ensuring that the organisation remains an exemplar authority in terms of its robust scrutiny processes.

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<sup>2</sup> [Ethics Committee - Greater Manchester Combined Authority \(greatermanchester-ca.gov.uk\)](#)

## B. ENSURING OPENNESS AND COMPREHENSIVE STAKEHOLDER ENGAGEMENT

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

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

The GMCA is committed to ensuring that public meetings are DDA compliant, and all venues have now been confirmed as compliant – this includes the use of hearing loops and the ability to produce agenda papers in alternative formats if requested. Work has taken place to ensure that the GMCA Boardroom is a suitable venue for most Committees of the GMCA going forward – this will allow for consistency in public knowledge of where meetings are taking place. The GMCA meeting however will continue to take place across the ten GM authorities throughout the year, offering the best opportunity to all residents of the region to be able to attend a meeting in their borough.

The GMCA runs a Consultation Hub website to ensure that local residents are able to actively engage with decisions and projects. Recent consultations included topics such as The Places for Everyone main modification phase and the GMFRS Fire Cover Review. The Fire Cover Review was a strong example of a consultation resulting in an improved outcome for the public with day crewing proposals at two stations being reversed following feedback.

The GMCA is founded on a long-term relationship between local authorities through the previous arrangements under the Association of Greater Manchester Authorities.

The GMHSCP Board was replaced by the GM Integrated Care Partnership (ICP) on 1 July 2022. This is one of two statutory components of an Integrated Care System, alongside the Integrated Care Board.

The ICP contains three key features:

1. The forum that brings the ICB and Local Authorities together and connects them to partners from other sectors
2. Responsible for producing the GM wide health and care strategy and
3. The forum in which partners can hold each other to account for meeting the strategy and improving outcomes.

By law, the ICB and each of the Local Authorities in the area of the Integrated Care System must be represented. The minimum core membership of the GM ICP consists of the ICB Chair and elected members of 10 Local authorities. New governance arrangements for the implementation of the Health and Care Bill commenced on 1 July 2022 and a statutory integrated care system for GM is now in place.

In addition, the GMCA continues to maintain formal and informal partnerships through committees such as the Bee Network Committee; Planning and Housing Commission; Police, Fire and Crime Panel; GM Culture and Social Impact Fund Committee; GM Green City Region Partnership; and the GM Business Board.

The GMCA has been tasked as the lead authority for supervising the UK Shared Prosperity Fund (UK SPF) in the GM region – the UK SPF being the domestic replacement for the European Structural and Investment Fund (ESIF). The GMCA has developed an investment plan with as wide a range of local stakeholders as possible, the Plan went on to be approved by the government in December 2022. The UK Shared Prosperity Fund Board continues to meet quarterly with a diverse



board of local stakeholders and is now actively delivering on a wide range of the proposals agreed within the investment plan.

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

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

#### Areas for Focus in 2024/25

- Continue to develop robust governance around devolution
- Support the establishment of governance and oversight of the Bee Network at the neighbourhood level.
- Ensure fit for purpose robust governance around the newly established Greater Manchester Land Commission.
- Implementation of all best practice arising from the Scrutiny Protocol, ensuring that the organisation remains an exemplar authority in terms of its robust scrutiny processes.

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

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

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

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

The Greater Manchester Strategy refresh was finalised and agreed in September 2021 with a progress report provided in July 2022. The refreshed Strategy incorporates the objectives and actions from the Living with Covid plans and also the Mayoral Manifesto commitments. There is a strong focus on delivery with robust arrangements put in place to monitor delivery, performance and risk, underpinned by strong governance arrangements, which are designed to support this delivery. There will be a continued focus on ensuring the effective delivery of the GMS priorities through strong governance arrangements, which are designed to support this delivery. Progress monitoring reports are produced for the GMS every six months, which are published as part of GMCA papers and on the GMS webpages.

A refresh of the Strategy will take place in 2024, in line with the new Mayoral term, changing national Government priorities and delivery of the Single Settlement from April 2025.

Greater Manchester's long-term ambition to create a green and prosperous city region is more vital than ever given the increasing detrimental impact of climate change. Brought together, the developing Greater Manchester Spatial Framework, Clean Air Plan and Minimum Licensing Standards provide a holistic view of the city region's economic, social and environmental ambitions, looking to offer a better quality of life for everyone living and working in the city-region. Greater Manchester's Five-Year Environment Plan sets out a further suite of actions that will support the conurbation's goal of carbon neutrality by 2038.

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

The GMCA Social Value Policy is actively applied in commissioning and procurement activities. This Policy will support commissioners to set out their procurement and contract management requirements to maximise relevant social value, and providers to develop and submit proposals.

The rising costs of living, inflation and other national & international factors are affecting the trajectory and resilience of the GM economy - therefore the Authority also reports to the GMCA with the regular 'GM Economic Resilience Dashboard' to understand how these factors are impacting. The Dashboard summarises the latest responses to insights, as the GMCA, Greater Manchester Business Board and other partners across the public, private and voluntary, community and social enterprise sectors continue to drive the ambitions set out in the Greater Manchester Local Industrial Strategy and Greater Manchester Economic Vision. The rising cost-of-living has emerged as a key issue for the GM economy and the Authority is working to provide greater intelligence to support the analysis of the impact.

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

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

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

Internal and external stakeholders are engaged through consultation on key strategies and plans – for instance the GM Strategy, Culture Strategy, and the GM Spatial Framework – to help determine how services and other courses of action are planned and delivered. The GM Good Employment Charter which launched in January 2020 was co-designed with employers, trade unions, professional bodies and academics; and the GM Good Landlord Charter was now being developed in conjunction with Greater Manchester Housing Providers (GMHP) to deliver a scheme that will reaffirm Greater Manchester's commitment to deliver safe, decent, and affordable housing for all residents, and acknowledge that housing is fundamental to people's health and wellbeing. The Good Landlord Charter has also been the subject of a public consultation which closed on 26th February 2024. Responses from this are being analysed and will feed into the development and implementation of the Good Landlord Charter throughout 2024.

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

Building on the findings of the Greater Manchester Independent Inequalities Commission Report, the GMCA co-benefits tool requires all decisions to be taken

with information provided about the likely arising impacts of the proposal, both positive and negative. As part of the completion of the co-benefits tool equalities impact assessments are also completed for any proposals which impact on people with protected characteristics.

The GMCA seeks to achieve 'social value' through service planning and commissioning. A Procurement Strategy is part of the GMCA Constitution, and this is supported by a GMCA Social Value in Procurement Policy. The GM Procurement Hub offers a centralised procurement service that can support joint commissioning across GM organisations.

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

#### Areas for Focus in 2024/25

- Continue to lobby government for the adoption of the Good Landlord Charter.

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

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

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

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

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

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

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

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

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

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

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

A comprehensive GMCA Corporate Plan is in place and can be found on the GMCA's [website](#)<sup>3</sup>. The Corporate Plan provides insight into the city region and the related devolution arrangements; how the GMCA works in terms of its staff, partnerships, business and governance; its business model, resources and funding arrangements; achievements and most importantly the key priorities looking forward. Additional to the Corporate Plan, an annual GMCA Business Plan is produced for organisational use. This includes the activities to be delivered through the year, with detailed Directorate Plans included. All the priorities are drawn from the GMS and monitoring performance against the GMS is delivered through the progress reports, underpinned by comprehensive performance dashboards, which are reported through the Scrutiny Committee, and to the GMCA, on a six-monthly basis.

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<sup>3</sup> [Corporate Plan 2022-2025 \(greatermanchester-ca.gov.uk\)](https://www.greatermanchester-ca.gov.uk)

During 2022/23, the GMCA had put itself forward as the first Combined Authority to go through the Local Government Association's Corporate Peer Challenge. The authority sought an external view on what it was doing well and what needed to improve on in order to help the authority meet its organisational objectives and make a difference to the lives of the people in Greater Manchester. In February 2023 the independent LGA peer challenge team published its final report. The report was overwhelmingly positive recognising the many strengths of GMCA, and by extension Greater Manchester as a whole. The report made 15 core recommendations where the reviewers felt there was opportunity for development, exploration of additional activities, or where collectively Greater Manchester could do something different or further than currently. It also highlighted some of the significant risks and future funding challenges. These have been captured within an action plan that will subsequently feed into the GMCA Business Plan.

The GMCA has developed a GM Good Employment Charter which has continued to expand its membership and support throughout 2023/24. The GMCA itself has achieved Member status through its own excellent employment practices.

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

- The launching of a health and wellbeing area on the intranet that includes a comprehensive suite of online support, virtual learning and opportunities to have face to face support
- An expanded portfolio of e-learning modules for staff and manager including equality and diversity awareness
- The launch of Mi Learning with a suite of new and improved managerial support tools to help people managers improve their knowledge and skills
- A 'Festival of Learning' is also held several times a year, during which a series of presentations and events are held to upskill and build the knowledge base of colleagues through the organisation.



- Leadership Development Programme procured and being rolled out across GMFRS
- Annual 'B-Heard' surveys are held to give colleagues a chance to share their views on how it feels to be a part of the GMCA and how they can help to shape the future of the organisation.

In order for GMCA staff to be able to work in a way that allows them to do their job effectively whilst supporting health and wellbeing needs – a flexible and hybrid Working Policy is in place.

As an employer, the GMCA wants to become an organisation where staff are managed through their performance and contribution to organisational objectives rather than the time they are at their desk.

The GMCA is moving away from traditional methods of management by trusting and empowering our staff to deliver its organisational objectives in the best way that suits the business and their individual needs.

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

The Audit Committee is responsible for overseeing the effective operation of the systems of governance, risk and Internal control arrangements. Through the delivery of a risk-based Internal Audit Plan, Internal Audit provide assurance to the Committee around the effectiveness of the arrangements for governance, risk management and the effectiveness of the internal control environment.

The Internal Audit Plan is approved by Audit Committee, and Internal Audit provide quarterly progress reports to Audit Committee. In line with Public Sector Internal Audit Standards (PSIAS), the Deputy Director, Audit and Assurance produces an Annual Head of Internal Audit Opinion.

GMCA has a risk management framework in place. The Deputy Director, Audit and Assurance is responsible for the development and implementation of the framework but ownership of risk lies within GMCA Leadership and within Directorates. The Corporate Risk Register consists of the Strategic Risks faced by GMCA as well as the high scoring cross-organisational and Directorate risks. This provides an organisation-wide view of the risks that require management. The GMCA Audit Committee receives quarterly updates on the risk management and any significant movement and changes in the risk profile.

There is an established scrutiny / call-in process whereby any Member of Constituent Councils can refer items for possible scrutiny. Areas for the scrutiny committee to are also proposed by the Chair and other members of the committee who are the owners of the committee's work programme.

The Information Governance Transformational Change Programme has been developed to delivers transformational change across Greater Manchester. Project areas range from organisational interventions to pan GM work. All outcomes delivered by the Change Programme are aligned to the fulfilment of the Vision of the GM Information Strategy. The GMCA Information Governance team is running

this project to improve the existing processes of fulfilling information rights and transparency requirements requests in line with legislative, regulatory and best practise recommendations, as laid out with the Freedom of Information Act 2000, Environmental Information Regulations 2004. The success of the project will build upon the developments around Information Asset Management, and will depend on management and staff across GMCA, GMFRS and TfGM (the organisations supported by the IG shared service) being receptive to, contributing to and eventually adopting the changes and activities delivered as part of this project.

GMCA's Revenue and Capital Budget and Monitoring Reports; Mayoral General Revenue and Capital Budget and Monitoring Reports; Mayoral Police and Crime Revenue and Capital Budget and Monitoring Reports; Treasury Management Strategy and Treasury Management Outturn Reports are all subject to appropriate reviewing, scrutiny and challenge where appropriate.

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

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

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

External Auditors (Mazars) produce annual reports upon the conclusion of their work. The Audit Committee has oversight on the final accounts process. Actions taken to implement External Audit Recommendations will be reported as part of a combined audit recommendations tracker for 2023/24 as part of a revised audit action tracking process.

The Annual Internal Audit Opinion sets out compliance with the Public Sector Internal Audit Standards (PSIAS) and for 2023/24 confirmed that work had been undertaken in line with PSIAS.

**Areas for Focus in 2024/25**

- Carry out an exercise to demonstrate the organisation's compliance with the Local Government Association's 'Improvement and Assurance Framework for Local Government'. Subsequently developing an action plan to address any gaps in compliance.

## GMCA Audit Committee

Date: 31 July 2024  
Subject: Annual Treasury Management Review 2023/24  
Report of: GMCA Treasurer, Steve Wilson

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### Purpose of Report

This Authority is required by regulations issued under the Local Government Act 2003 to produce an annual treasury management review of activities and the actual prudential and treasury indicators for 2023/24. This report meets the requirements of both the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Treasury Management, (the Code), and the CIPFA Prudential Code for Capital Finance in Local Authorities, (the Prudential Code).

During 2023/24 the minimum reporting requirements were that the Full Authority should receive the following reports:

- an annual treasury strategy in advance of the year (Authority 24 March 2023)
- a mid-year, (minimum), treasury update report (Authority 24 November 2023)
- an annual review following the end of the year describing the activity compared to the strategy, (this report)

In addition, this Authority has received quarterly treasury management update reports on the following dates 20 September 2023 and 24 January 2024 which were received by the Audit Committee.

The regulatory environment places responsibility on Members for the review and scrutiny of treasury management policy and activities. This report is, therefore, important in that respect, as it provides details of the outturn position for treasury activities and highlights compliance with the Authority's policies previously approved by Members.

This Authority confirms that it has complied with the requirement under the Code to give prior scrutiny to all of the above treasury management reports by the Audit Committee before they were reported to the Full Authority. Member training on treasury management

issues was undertaken during the year on 17 January 2024 in order to support Members' scrutiny role.

## **Recommendations:**

The Audit Committee is requested to:

1. Note the annual treasury management report for 2023/24 and recommend it's approval by the Authority.

## **Contact Officers**

Name of key contact Officer and email address to be included

Steve Wilson

Treasurer

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

Claire Postlethwaite

Director of Operational Finance

[Claire.postlethwaite@greatermanchester-ca.gov.uk](mailto:Claire.postlethwaite@greatermanchester-ca.gov.uk)

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 Authority's resources if appropriate treasury management strategies and policies are not adopted and followed. The Authority has established good practice in relation to treasury management.

### **Legal Considerations**

This report fulfils the statutory requirements to have necessary prudential indicators to be included in a Treasury Management Strategy.

### **Financial Consequences – Revenue**

Financial consequences are contained in the body of the report.

### **Financial Consequences – Capital**

Financial consequences are contained in the body of the report.

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

None

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

N/A

### **Background Papers**

GMCA 24 March 2023 Meeting [Treasury Management Strategy Statement 2023/24](#)

### **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. Executive Summary**

- 1.1 During 2023/24, the Authority complied with its legislative and regulatory requirements. The key actual prudential and treasury indicators detailing the impact of capital expenditure activities during the year, with comparators can be found in the main body of the report.
- 1.2 The Treasurer also confirms that borrowing was only undertaken for a capital purpose and the statutory borrowing limit, (the authorised limit), was not breached.

## **2. Introduction and Background**

- 2.1 This report summarises the following:
- a) Capital activity during the year;
  - b) Impact of this activity on the Authority's underlying indebtedness, (the Capital Financing Requirement);
  - c) The actual prudential and treasury indicators;
  - d) Overall treasury position identifying how the Authority has borrowed in relation to this indebtedness, and the impact on investment balances;
  - e) Summary of interest rate movements in the year;
  - f) Detailed debt activity; and
  - g) Detailed investment activity.

## **3. The Authority's Capital Expenditure and Financing**

- 3.1 The Authority undertakes capital expenditure on long-term assets. These activities may either be:
- a) Financed immediately through the application of capital or revenue resources (capital receipts, capital grants, revenue contributions etc.), which has no resultant impact on the Authority's borrowing need; or
  - b) If insufficient financing is available, or a decision is taken not to apply resources, the capital expenditure will give rise to a borrowing need.
- 3.2 The actual capital expenditure forms one of the required prudential indicators. The table below shows the actual capital expenditure and how this was financed.

	<b>2022/23 Actual £m</b>	<b>2023/24 Budget £m</b>	<b>2023/24 Actual £m</b>
<b>Capital expenditure</b>	433.390	629.334	566.318
<b>Financed in year</b>	(358.800)	(451.790)	(402.376)
<b>Unfinanced capital expenditure</b>	74.590	177.544	163.942

## 4. The Authority's Overall Borrowing Need

- 4.1 The Authority's underlying need to borrow for capital expenditure is termed the Capital Financing Requirement (CFR). This figure is a gauge of the Authority's indebtedness. The CFR results from the capital activity of the Authority and resources used to pay for the capital spend. It represents the 2023/24 unfinanced capital expenditure (see above table), and prior years' net or unfinanced capital expenditure which has not yet been paid for by revenue or other resources.
- 4.2 Part of the Authority's treasury activities is to address the funding requirements for this borrowing need. Depending on the capital expenditure programme, the treasury service organises the Authority's cash position to ensure that sufficient cash is available to meet the capital plans and cash flow requirements. This may be sourced through borrowing from external bodies, (such as the Government, through the Public Works Loan Board (PWLB), or the money markets), or utilising temporary cash resources within the Authority.
- 4.3 **Reducing the CFR** – the Authority's underlying borrowing need (CFR) is not allowed to rise indefinitely. Statutory controls are in place to ensure that capital assets are broadly charged to revenue over the life of the asset. The Authority is required to make an annual revenue charge, called the Minimum Revenue Provision (MRP), to reduce the CFR. This is effectively a repayment of the borrowing need. This differs from the treasury management arrangements which ensure that cash is available to meet capital commitments. External debt can also be borrowed or repaid at any time, but this does not change the CFR.
- 4.4 The total CFR can also be reduced by:
- a) the application of additional capital financing resources, (such as unapplied capital receipts); or

b) charging more than the statutory revenue charge (MRP) each year through a Voluntary Revenue Provision (VRP).

4.5 The Authority's 2023/24 MRP Policy, (as required by Department for Levelling Up, Housing and Communities (DLUHC) Guidance), was approved as part of the Treasury Management Strategy Report for 2023/24 on 24 March 2023.

4.6 The Authority's CFR for the year is shown below and represents a key prudential indicator. It includes Private Finance Initiative (PFI) and leasing schemes on the balance sheet, which increase the Authority's borrowing need. No borrowing is actually required against these schemes as a borrowing facility is included in the contract.

<b>CFR</b>	<b>2022/23 Actual £m</b>	<b>2023/24 Budget £m</b>	<b>2023/24 Actual £m</b>
<b>Opening Balance</b>	2,360.238	2,407.841	2,345.973
<b>Add unfinanced capital expenditure (as above)</b>	74.590	177.544	163.942
<b>Less MRP/ VRP</b>	(87.712)	(98.014)	(93.656)
<b>Less PFI and finance lease repayments</b>	(1.143)	(1.205)	(1.205)
<b>Closing Balance</b>	2,345.973	2,486.166	2,415.054

4.7 Borrowing activity is constrained by prudential indicators for gross borrowing and the CFR, and by the authorised limit.

**4.8 Gross borrowing and the CFR** - in order to ensure that borrowing levels are prudent over the medium term and only for a capital purpose, the Authority should ensure that its gross external borrowing does not, except in the short term, exceed the total of the capital financing requirement in the preceding year (2023/24) plus the estimates of any additional capital financing requirement for the current (2024/25) and next two financial years. This essentially means that the Authority is not borrowing to support revenue expenditure. This indicator allowed the Authority some flexibility to borrow in advance of its immediate capital needs in 2023/24. The table below highlights the Authority's gross borrowing position against the CFR. The Authority has complied with this prudential indicator.

	<b>2022/23 Actual £m</b>	<b>2023/24 Budget £m</b>	<b>2023/24 Actual £m</b>
<b>Gross borrowing position</b>	1,452.072	1,490.674	1,396.182
<b>CFR</b>	2,345.973	2,486.166	2,415.054
<b>Under/ over funding of CFR</b>	(893.901)	(995.492)	(1,018.872)

**4.9 The authorised limit** - the authorised limit is the ‘affordable borrowing limit’ required by s3 of the Local Government Act 2003. Once this has been set, the Authority does not have the power to borrow above this level. The table below demonstrates that during 2023/24 the Authority has maintained gross borrowing within its authorised limit.

**4.10 The operational boundary** – the operational boundary is the expected borrowing position of the Authority during the year. Periods where the actual position is either below or over the boundary are acceptable subject to the authorised limit not being breached.

**4.11 Actual financing costs as a proportion of net revenue stream** - this indicator identifies the trend in the cost of capital, (borrowing and other long term obligation costs net of investment income), against the net revenue stream.

	<b>2023/24</b>
<b>Authorised limit</b>	2,771.458
<b>Maximum gross borrowing position during the year</b>	1,431.438
<b>Operational boundary</b>	2,652.122
<b>Average gross borrowing position</b>	1,408.763
<b>Financing costs as a proportion of net revenue stream</b>	14.5%

## **5. Treasury Position as of 31 March 2024**

5.1 The Authority’s treasury management debt and investment position is organised by the treasury management service in order to ensure adequate liquidity for revenue and capital activities, security for investments and to manage risks within

all treasury management activities. Procedures and controls to achieve these objectives are well established both through Member reporting detailed in the summary, and through officer activity detailed in the Authority's Treasury Management Practices. At the end of 2023/24 the Authority's treasury position, (excluding borrowing by PFI and finance leases) was as follows:

<b>Debt Portfolio</b>	<b>31 March 2023 Principal £m</b>	<b>Rate/ Return %</b>	<b>Average Life Years</b>	<b>31 March 2024 Principal £m</b>	<b>Rate/ Return %</b>	<b>Average Life Years</b>
<b>PWLB</b>	527.601	4.71	15	508.814	4.76	14
<b>Market</b>	847.526	2.85	19	849.233	2.83	16
<b>Temporary</b>	40.269	0.00	0	5.137	0.00	0
<b>Total external borrowings</b>	<b>1,415.396</b>	<b>3.46</b>	<b>17</b>	<b>1,363.184</b>	<b>3.55</b>	<b>15</b>
<b>PFI Liability</b>	36.676			32.998		
<b>Total debt</b>	<b>1,452.072</b>			<b>1,396.182</b>		
<b>CFR</b>	2,345.973			2,415.054		
<b>Over/ (Under) borrowing</b>	(893.901)			(1,018.872)		
<b>Total cash and investments</b>	246.710	4.10	0	264.365	5.79	0
<b>Net Debt</b>	<b>(647.191)</b>			<b>(754.507)</b>		

5.2 The maturity structure of the debt portfolio was as follows:

	<b>2022/23 Actual £m</b>	<b>2023/24 Actual £m</b>
<b>Under 12 months</b>	113.952	88.863
<b>12 months and within 24 months</b>	46.477	44.115
<b>24 months and within 5 years</b>	152.791	192.311
<b>5 years and within 10 years</b>	362.219	387.175

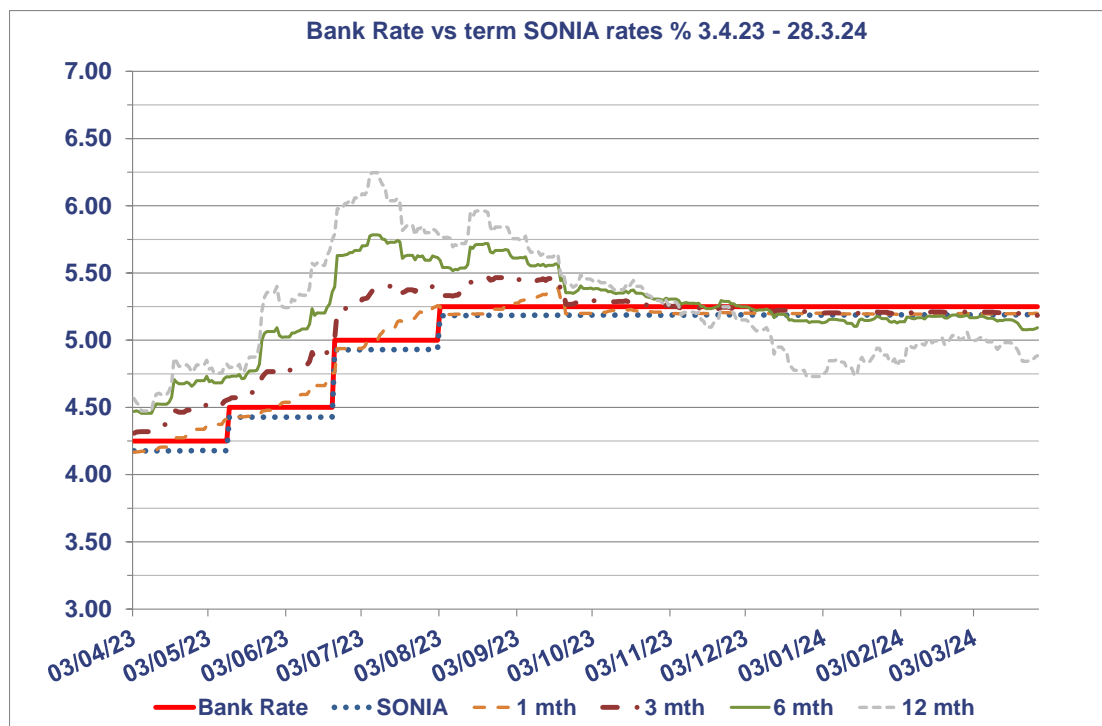
	<b>2022/23 Actual £m</b>	<b>2023/24 Actual £m</b>
<b>10 years and within 20 years</b>	480.302	482.812
<b>20 years and within 30 years</b>	102.979	63.731
<b>30 years and within 40 years</b>	66.676	49.176
<b>40 years and within 50 years</b>	90.000	55.000

<b>Investment Portfolio</b>	<b>2022/23 Actual £m</b>	<b>2022/23 Actual %</b>	<b>2023/24 Actual £m</b>	<b>2023/24 Actual %</b>
<b>Treasury investments</b>				
Banks	9.550	3.8	21.605	8.2
Local Authorities	85.000	33.7	140.000	53.0
DMO	157.740	62.5	102.760	38.8
<b>Total treasury investments</b>	<b>252.290</b>	<b>100.0</b>	<b>264.365</b>	<b>100.0</b>
<b>Non-Treasury investments</b>				
Loans	218.864	83.8	132.250	76.4
Equity	42.286	16.2	40.839	23.6
<b>Total non-treasury investments</b>	<b>261.150</b>	<b>100.0</b>	<b>173.089</b>	<b>100.0</b>
Treasury investments	252.290	49.1	264.365	60.4
Non-Treasury investments	261.150	50.9	173.089	39.6
<b>Total investments</b>	<b>513.440</b>	<b>100.0</b>	<b>437.454</b>	<b>100.0</b>

## 6. The Strategy for 2023/24

### 6.1 Investment strategy and control of interest rate risk

#### Investment Benchmarking Data – Sterling Overnight Index Averages (Term) 2023/24



	Bank Rate	SONIA	1 month	3 months	6 months	12 months
<b>High</b>	5.25	5.19	5.39	5.48	5.78	6.25
<b>High Date</b>	3 August 2023	28 March 2024	19 September 2023	30 August 2023	7 July 2023	7 July 2023
<b>Low</b>	4.25	4.18	4.17	4.31	4.46	4.47
<b>Low Date</b>	3 April 2023	4 April 2023	3 April 2023	3 April 2023	6 April 2023	6 April 2023
<b>Average</b>	5.03	4.96	5.02	5.13	5.23	5.25
<b>Spread</b>	1.00	1.01	1.22	1.17	1.33	1.77

6.1.1 Investment returns picked up throughout the course of 2023/24 as central banks, including the Bank of England, continued to respond to inflationary pressures that were not transitory, and realised that tighter monetary policy was called for.

- 6.1.2 Starting April 2023 at 4.25%, Bank Rate moved up in stepped increases of either 0.25% or 0.5%, reaching 5.25% by August 2024. By the end of the financial year, no further increases were anticipated. Indeed, the market is pricing in a first cut in Bank Rate in either June or August 2024.
- 6.1.3 The upward sloping yield curve that prevailed throughout 2023/24 meant that local authorities continued to be faced with the challenge of proactive investment of surplus cash, and this emphasised the need for a detailed working knowledge of cashflow projections so that the appropriate balance between maintaining cash for liquidity purposes, and ‘laddering’ deposits on a rolling basis to lock in the increase in investment rates as duration was extended, became an on-going feature of the investment landscape.
- 6.1.4 With bond markets selling off, United Kingdom (UK) equity market valuations struggled to make progress, as did property funds, although there have been some spirited, if temporary, market rallies from time to time – including in November 2023 and December 2023. However, the more traditional investment options, such as specified investments (simple to understand, and less than a year in duration), have continued to be at the forefront of most local authority investment strategies, particularly given Money Market Funds have also provided decent returns in close proximity to Bank Rate for liquidity purposes. In the latter part of 2023/24, the local authority to local authority market lacked any meaningful measure of depth, forcing short-term investment rates above 7% in the last week of March 2024.
- 6.1.5 While the Authority has taken a prudent approach to investing surplus monies, it is also fully appreciative of changes to regulatory requirements for financial institutions in terms of additional capital and liquidity that came about in the aftermath of the Global Financial Crisis of 2008/09. These requirements have provided a far stronger basis for financial institutions, with annual stress tests by regulators evidencing how institutions are now far more able to cope with extreme stressed market and economic conditions.

## **6.2 Borrowing strategy and control of interest rate risk**

- 6.2.1 During 2023/24, the Authority maintained an under-borrowed position. This meant that the capital borrowing need, (the Capital Financing Requirement), was not fully funded with loan debt as cash supporting the Authority’s reserves, balances and cash flow was used as an interim measure. This strategy was prudent as although



near-term investment rates were equal to, and sometimes higher than, long-term borrowing costs, the latter are expected to fall back through 2024 and 2025 as inflation concerns are dampened. The Authority has sought to minimise the taking on of long-term borrowing at elevated levels (>4%) and has focused on a policy of internal and temporary borrowing.

6.2.2 Against this background and the risks within the economic forecast, caution was adopted with the treasury operations. The Treasurer therefore monitored interest rates in financial markets and adopted a pragmatic strategy based upon the following principles to manage interest rate risks:

- a) if it had been felt that there was a significant risk of a sharp FALL in long and short-term rates, (e.g., due to a marked increase of risks around a relapse into recession or of risks of deflation), then long term borrowings would have been postponed, and potential rescheduling from fixed rate funding into short term borrowing would have been considered.
- b) if it had been felt that there was a significant risk of a much sharper RISE in long and short-term rates than initially expected, perhaps arising from the stickiness of inflation in the major developed economies, then the portfolio position would have been re-appraised. Most likely, fixed rate funding would have been drawn whilst interest rates were lower than they were projected to be in the next few years.

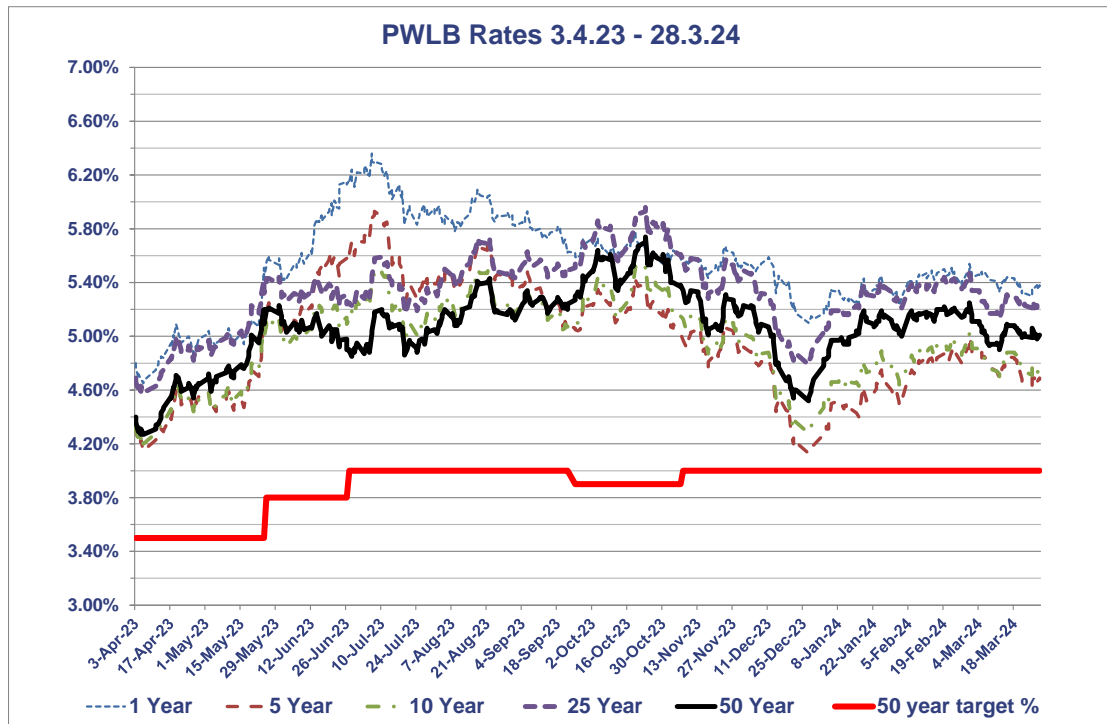
6.2.3 Interest rate forecasts initially suggested further gradual rises in short, medium and longer-term fixed borrowing rates during 2023/24. Bank Rate had initially been forecast to peak at 4.5% but it is now expected to have peaked at 5.25%.

6.2.4 By January 2024 it had become clear that inflation was moving down significantly from its 40-year double-digit highs, and the Bank of England signalled in March 2024 that the next move in Bank Rate would be down, so long as upcoming inflation and employment data underpinned that view. Currently the Consumer Prices Index (CPI) measure of inflation stands at 3.4% but is expected to fall materially below 2% over the summer months and to stay there in 2025 and 2026. Nonetheless, there remains significant risks to that central forecast, mainly in the form of a very tight labour market putting upward pressure on wages and continuing geo-political inflationary risks emanating from the prevailing Middle East crisis and the Russian invasion of Ukraine.

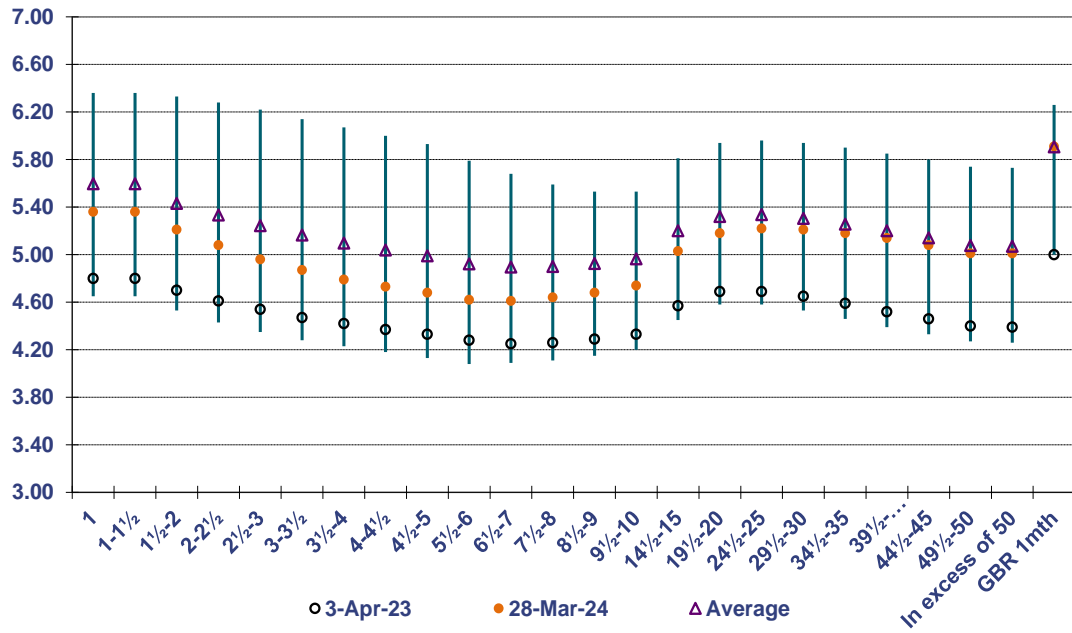
6.2.5 Forecasts at the time of approval of the treasury management strategy report for 2023/24 were as follows:

	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26
<b>Bank Rate</b>	4.25	4.50	4.50	4.25	4.00	3.75	3.25	3.00	2.75	2.75	2.50	2.50	2.50
<b>3 month ave earning</b>	4.30	4.50	4.50	4.30	4.00	3.80	3.30	3.00	2.80	2.80	2.50	2.50	2.50
<b>6 month ave earning</b>	4.40	4.50	4.40	4.20	3.90	3.70	3.20	2.90	2.80	2.80	2.60	2.60	2.60
<b>12 month ave earning</b>	4.50	4.50	4.40	4.20	3.80	3.60	3.10	2.70	2.70	2.70	2.70	2.70	2.70
<b>5 yr PWLB</b>	4.00	4.00	3.90	3.80	3.70	3.60	3.50	3.40	3.30	3.20	3.10	3.10	3.10
<b>10 yr PWLB</b>	4.20	4.20	4.10	4.00	3.90	3.80	3.60	3.50	3.50	3.40	3.30	3.30	3.20
<b>25 yr PWLB</b>	4.60	4.60	4.40	4.30	4.20	4.10	3.90	3.80	3.70	3.60	3.50	3.40	3.40
<b>50 yr PWLB</b>	4.30	4.30	4.20	4.10	3.90	3.80	3.60	3.60	3.40	3.30	3.20	3.20	3.10

6.2.6 PWLB Rates 2023/24



PWLB Certainty Rate Variations 3.4.23 to 28.3.24



6.2.7 High/ Low/ Average PWLB rates for 2023/24

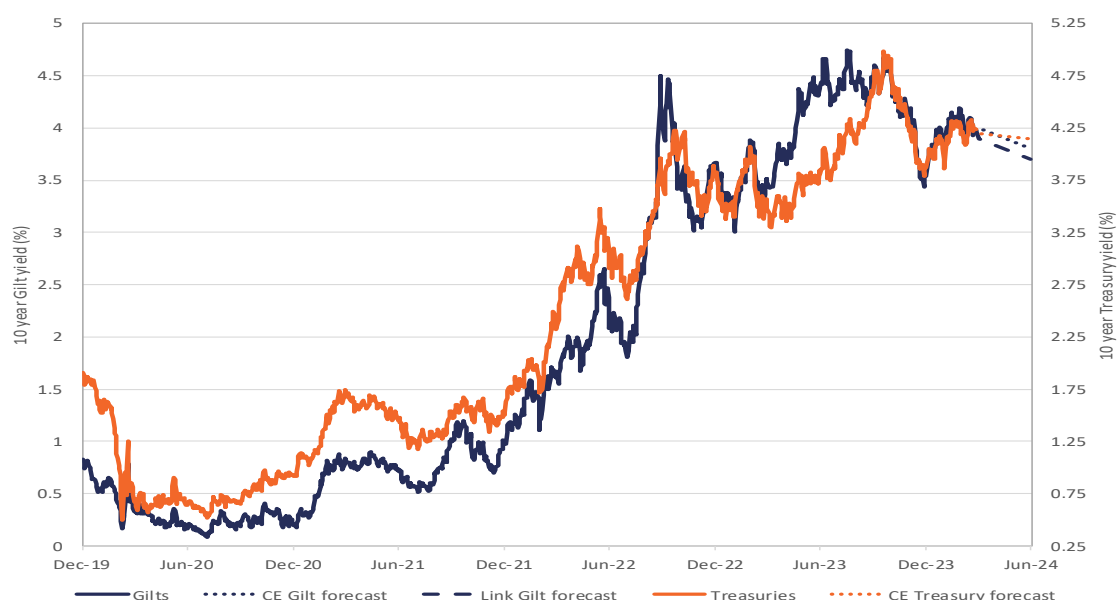
	1 Year	5 Year	10 year	25 year	50 Year
<b>Low</b>	4.65%	4.13%	4.20%	4.58%	4.27%
<b>Date</b>	6 April 2023	27 December 2023	6 April 2023	6 April 2023	5 April 2023
<b>High</b>	6.36%	5.93%	5.53%	5.96%	5.74%
<b>Date</b>	6 July 2023	7 July 2023	23 October 2023	23 October 2023	23 October 2023
<b>Average</b>	5.54%	4.99%	4.97%	5.34%	5.08%
<b>Spread</b>	1.71%	1.80%	1.33%	1.38%	1.47%

6.2.8 PWLB rates are based on gilt (UK Government bonds) yields through HM Treasury determining a specified margin to add to gilt yields. The main influences on gilt yields are Bank Rate, inflation expectations and movements in United States (US) treasury yields. Inflation targeting by the major central banks has been successful over the last 30 years in lowering inflation and the real equilibrium rate for central rates has fallen considerably due to the high level of borrowing by consumers: this means that central banks do not need to raise rates as much now to have a major impact on consumer spending, inflation, etc. This has pulled down

the overall level of interest rates and bond yields in financial markets over the last 30 years. Indeed, in recent years many bond yields up to 10 years in the Eurozone turned negative on expectations that the European Union (EU) would struggle to get growth rates and inflation up from low levels. In addition, there has, at times, been an inversion of bond yields in the US whereby 10-year yields have fallen below shorter-term yields. In the past, this has been a precursor of a recession.

6.2.9 However, since early 2022, yields have risen dramatically in all the major developed economies, first as economies opened post-Covid; then because of the inflationary impact of the war in Ukraine in respect of the supply side of many goods. In particular, rising cost pressures emanating from shortages of energy and some food categories have been central to inflation rising rapidly. Furthermore, at present the Federal Open Market Committee (FOMC), European Central Bank (ECB) and Bank of England are all being challenged by levels of persistent inflation that are exacerbated by very tight labour markets and high wage increases relative to what central banks believe to be sustainable.

### 6.2.10 Graph of 10-year UK gilt yields v. US treasury yields (inclusive of Link's and Capital Economics' forecasts)



6.2.11 Gilt yields have generally been on a continual rise since the start of 2021, peaking in the autumn of 2023. Currently, yields are broadly range bound between 3.5% and 4.25%.

- 6.2.12 At the close of the day on 28 March 2024, all gilt yields from 1 to 50 years were between 3.81% and 4.56%, with the 1 year being the highest and 6-7 years being the lowest yield.
- 6.2.13 Regarding PWLB borrowing rates, the various margins attributed to their pricing are as follows: -
- **PWLB Standard Rate** is gilt plus 100 basis points (G+100bps)
  - **PWLB Certainty Rate** is gilt plus 80 basis points (G+80bps)
  - **Local Infrastructure Rate** is gilt plus 60bps (G+60bps)
- 6.2.14 There is likely to be a fall in gilt yields and PWLB rates across the whole curve over the next one to two years as Bank Rate falls and inflation (on the Consumer Price Index measure) moves below the Bank of England's 2% target.
- 6.2.15 As a general rule, short-dated gilt yields will reflect expected movements in Bank Rate, whilst medium to long-dated yields are driven primarily by the inflation outlook.
- 6.2.16 The Bank of England is also embarking on a process of Quantitative Tightening. The Bank's original £895bn stock of gilt and corporate bonds will gradually be sold back into the market over several years. The impact this policy will have on the market pricing of gilts, while issuance is markedly increasing, and high in historic terms, is an unknown at the time of writing.

## **7. Borrowing Outturn**

- 7.1 Due to the elevated cost of borrowing long-term, no borrowing was undertaken during the year.

### **7.2 Borrowing in advance of need**

- 7.2.1 The Authority has not borrowed more than, or in advance of its needs, purely in order to profit from the investment of the extra sums borrowed.

### **7.3 Rescheduling**

- 7.3.1 No rescheduling was done during the year as the approximate 1% differential between PWLB new borrowing rates and premature repayment rates made rescheduling unviable.

## 8. Investment Outturn

**8.1 Investment Policy** – the Authority’s investment policy is governed by DLUHC investment guidance, which has been implemented in the annual investment strategy approved by the Authority on 24 March 2023. This policy sets out the approach for choosing investment counterparties and is based on credit ratings provided by the three main credit rating agencies, supplemented by additional market data, (such as rating outlooks, credit default swaps, bank share prices etc.).

8.2 The investment activity during the year conformed to the approved strategy, and the Authority had no liquidity difficulties.

**8.3 Resources** – the Authority’s cash balances comprise revenue and capital resources and cash flow monies. The Authority’s core cash resources comprised as follows:

<b>Balance Sheet Resources</b>	<b>2022/23</b>	<b>2023/24</b>
	<b>£m</b>	<b>£m</b>
<b>Balances</b>	44.958	44.937
<b>Earmarked reserves</b>	579.972	570.641
<b>Provisions</b>	16.662	20.208
<b>Usable capital receipts</b>	76.193	169.007
<b>Total</b>	<b>717.785</b>	<b>804.793</b>

### Investments held by the Authority

- The Authority maintained an average balance of £392.034m of internally managed funds.
- The internally managed funds earned an average rate of return of 5.06%.
- The comparable performance indicator is the average Overnight SONIA rate which was 4.96%.
- Total investment income was £18.893m compared to a budget of £2.257m.

## 9. The Economy and Interest Rates

### 9.1 UK Economy

9.1.1 Against a backdrop of stubborn inflationary pressures, the Russian invasion of Ukraine, and war in the Middle East, UK interest rates have continued to be volatile right across the curve, from Bank Rate through to 50-year gilt yields, for all of 2023/24.

9.1.2 Markets have sought an end to central banks' on-going phase of keeping restrictive monetary policy in place on at least one occasion during 2023/24 but to date only the Swiss National Bank has cut rates and that was at the end of March 2024.

9.1.3 UK, EZ and US 10-year yields have all stayed stubbornly high throughout 2023/24. The table below provides a snapshot of the conundrum facing central banks: inflation is easing, albeit gradually, but labour markets remain very tight by historical comparisons, making it an issue of fine judgment as to when rates can be cut.

	<b>UK</b>	<b>Eurozone</b>	<b>US</b>
<b>Bank Rate</b>	5.25%	4%	5.25%-5.5%
<b>GDP</b>	-0.3%q/q Q4 (-0.2%/y/y)	+0.0%q/q Q4 (0.1%/y/y)	2.0% Q1 Annualised
<b>Inflation</b>	3.4%/y/y (February 2024)	2.4%/y/y (March 2024)	3.2%/y/y (February 2024)
<b>Unemployment Rate</b>	3.9% (January 2024)	6.4% (February 2024)	3.9% (February 2024)

9.1.4 The Bank of England sprung no surprises in their March 2024 meeting, leaving interest rates at 5.25% for the fifth time in a row and, despite no Monetary Policy Committee (MPC) members no longer voting to raise interest rates, it retained its relatively hawkish guidance. The Bank's communications suggest the MPC is gaining confidence that inflation will fall sustainably back to the 2.0% target. However, although the MPC noted that 'the restrictive stance of monetary policy is weighing on activity in the real economy, is leading to a looser labour market and is bearing down on inflationary pressures', conversely it noted that key indicators

of inflation persistence remain elevated and policy will be 'restrictive for sufficiently long' and 'restrictive for an extended period'.

- 9.1.5 Of course, the UK economy has started to perform a little better in Q1 2024 but is still recovering from a shallow recession through the second half of 2023. Indeed, Q4 2023 saw negative Gross Domestic Product (GDP) growth of -0.3% while y/y growth was also negative at -0.2%.
- 9.1.6 But it was a strange recession. Unemployment is currently sub 4%, against a backdrop of still over 900k of job vacancies, and annual wage inflation is running at above 5%. With gas and electricity price caps falling in April 2024, the CPI measure of inflation - which peaked at 11.1% in October 2022 – is now due to slide below the 2% target rate in April 2024 and to remain below that Bank of England benchmark for the next couple of years, according to Capital Economics. The Bank of England still needs some convincing on that score, but upcoming inflation and employment releases will settle that argument shortly. It is noted that core CPI was still a heady 4.5% in February and, ideally, needs to fall further.
- 9.1.7 Shoppers largely shrugged off the unusually wet weather in February 2024, whilst rising real household incomes should support retail activity throughout 2024. Furthermore, the impact of higher interest rates on household interest payments is getting close to its peak, even though fixed rate mortgage rates on new loans have shifted up a little since falling close to 4.5% in early 2024.
- 9.1.8 From a fiscal perspective, the further cuts to national insurance tax (from April 2024) announced in the March 2024 Budget will boost real household disposable income by 0.5 - 1.0%. After real household disposable income rose by 1.9% in 2023, Capital Economics forecast it will rise by 1.7% in 2024 and by 2.4% in 2025. These rises in real household disposable income, combined with the earlier fading of the drag from previous rises in interest rates, means GDP growth of 0.5% is envisaged in 2024 and 1.5% in 2025. The Bank of England is less optimistic than that, seeing growth struggling to get near 1% over the next two to three years.
- 9.1.9 As for equity markets, the FTSE 100 has risen to nearly 8,000 and is now only 1% below the all-time high it reached in February 2023. The modest rise in UK equities in February was driven by strong performances in the cyclical industrials and consumer discretionary sectors, whilst communications and basic materials have fared poorly.



9.1.10 Despite its performance, the FTSE 100 is still lagging behind the S&P 500, which has been at an all-time high for several weeks.

## **9.2 United States of America (USA) Economy**

9.2.1 Despite the markets willing the FOMC to cut rates as soon as June 2024, the continued resilience of the economy, married to sticky inflation, is providing a significant headwind to a change in monetary policy. Markets currently anticipate three rate cuts this calendar year, but two or less would not be out of the question. Currently, policy remains flexible but primarily data driven.

9.2.2 In addition, the Fed will want to shrink its swollen \$16 trillion balance sheet at some point. Just because the \$ is the world's foremost reserve currency (China owns over \$1 trillion) does not mean the US can continually run a budget deficit. The mix of stubborn inflation and significant treasury issuance is keeping treasury yields high. The 10 year stands at 4.4%.

9.2.3 As for inflation, it is currently a little above 3%. The market is not expecting a recession, but whether rates staying high for longer is conducive to a soft landing for the economy is uncertain, hence why the consensus is for rate cuts this year and into 2025...but how many and when?

## **9.3 EZ Economy**

9.3.1 Although the Euro-zone inflation rate has fallen to 2.4%, the ECB will still be mindful that it has further work to do to dampen inflation expectations. However, with growth steadfastly in the slow lane (GDP flatlined in 2023), a June 2024 rate cut from the current 4% looks probable.

## Appendix 1: Investment Portfolio

Investments held as of 31 March 2024:

Organisation Type	Institution	Instrument Type	Start	Maturity	Yield	Principal
AAA rated and Government backed securities	Debt Management Office	Fixed Term Deposit	28-Mar-24	02-Apr-24	5.19%	102,760,000
Banks	Barclays Bank PLC (NRFB)	Call (Instant Access)			4.65%	5,105,000
Banks	Lloyds Bank Plc (RFB)	Certificate of Deposit	06-Oct-23	05-Apr-24	5.57%	10,000,000
Banks	Lloyds Bank Plc (RFB)	Fixed Term Deposit	18-Oct-23	18-Apr-24	5.63%	6,500,000
Joint Fire and Civil Defence	South Yorkshire Fire & Rescue Service	Fixed Term Deposit	18-Mar-24	01-Aug-24	6.65%	5,000,000
Local Authority	Bolton Metropolitan Borough Council	Fixed Term Deposit	18-Mar-24	18-Jun-24	6.60%	5,000,000
Local Authority	Chelmsford City Council	Fixed Term Deposit	19-Feb-24	02-Apr-24	5.60%	5,000,000
Local Authority	Cheltenham Borough Council	Fixed Term Deposit	19-Feb-24	14-May-24	6.15%	5,000,000
Local Authority	Cheltenham Borough Council	Fixed Term Deposit	19-Feb-24	21-May-24	6.15%	5,000,000
Local Authority	Dundee City Council	Fixed Term Deposit	28-Feb-24	29-Apr-24	6.25%	10,000,000
Local Authority	Fife Council	Fixed Term Deposit	28-Mar-24	29-Apr-24	6.50%	5,000,000
Local Authority	Greater London Authority	Fixed Term Deposit	28-Mar-24	11-Apr-24	7.00%	10,000,000
Local Authority	Lancashire County Council	Fixed Term Deposit	20-Dec-23	22-Apr-24	5.90%	5,000,000
Local Authority	Liverpool City Council	Fixed Term Deposit	22-Mar-24	03-May-24	6.40%	5,000,000
Local Authority	Liverpool City Council	Fixed Term Deposit	27-Mar-24	28-May-24	6.60%	10,000,000
Local Authority	London Borough of Barking & Dagenham	Fixed Term Deposit	18-Mar-24	18-Jun-24	6.60%	5,000,000

<b>Organisation Type</b>	<b>Institution</b>	<b>Instrument Type</b>	<b>Start</b>	<b>Maturity</b>	<b>Yield</b>	<b>Principal</b>
Local Authority	Luton Borough Council	Fixed Term Deposit	19-Feb-24	02-Apr-24	5.60%	5,000,000
Local Authority	Moray Council	Fixed Term Deposit	19-Jan-24	19-Apr-24	5.60%	5,000,000
Local Authority	Oldham Metropolitan Borough Council	Fixed Term Deposit	07-Feb-24	07-May-24	5.80%	10,000,000
Local Authority	Oldham Metropolitan Borough Council	Fixed Term Deposit	14-Mar-24	14-Jun-24	6.60%	5,000,000
Local Authority	Oldham Metropolitan Borough Council	Fixed Term Deposit	20-Mar-24	20-Jun-24	6.60%	5,000,000
Local Authority	Peterborough City Council	Fixed Term Deposit	22-Jan-24	05-Apr-24	5.45%	10,000,000
Local Authority	Stockport Metropolitan Borough Council	Fixed Term Deposit	13-Mar-24	15-Apr-24	6.20%	5,000,000
Local Authority	Stockport Metropolitan Borough Council	Fixed Term Deposit	26-Mar-24	03-May-24	6.50%	10,000,000
Local Authority	Surrey County Council	Fixed Term Deposit	27-Mar-24	27-Jun-24	7.00%	10,000,000
<b>Total</b>						<b>264,365,000</b>

## **Appendix 2: Approved countries for investments as of 31 March 2024**

This list is based on those countries which have sovereign ratings of AA- or higher, (we show the lowest rating from Fitch, Moody's and S&P) and also, (except - at the time of writing - for Hong Kong and Luxembourg), have banks operating in sterling markets which have credit ratings of green or above in the Link creditworthiness service.

### ***Based on lowest available rating***

#### **AAA**

- Australia
- Denmark
- Germany
- Netherlands
- Norway
- Singapore
- Sweden
- Switzerland

#### **AA+**

- Canada
- Finland
- USA

#### **AA**

- Abu Dhabi (United Arab Emirates)
- Qatar

#### **AA-**

- Belgium
- France
- **UK**