

**MINUTES OF THE GREATER MANCHESTER COMBINED AUTHORITY AUDIT COMMITTEE,  
HELD ON FRIDAY 22 JANUARY 2021 VIA MICROSOFT TEAMS**

**PRESENT:**

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

**ALSO PRESENT:**

Daniel Watson	Mazars External Auditor
Mark Dalton	Mazars External Auditor

**OFFICERS:**

Steve Wilson	GMCA Treasurer
Rachel Rosewell	GMCA Deputy Treasurer
Dawn Docx	Deputy Chief Fire Officer
Tony Hunter	Assistant Chief Fire Officer
Sarah Horseman	Head of Audit and Assurance
Damian Jarvis	GMCA Internal Audit
Helen Fountain	Principal Finance Manager, GMCA
Lindsey Keech	Head of Finance, GMCA
Karen Macrae	Finance Lead, GMCA
Steve Annette	GMCA Governance and Scrutiny
Paul Harris	GMCA Governance and Scrutiny
Oliver Fenton	GMCA Governance and Scrutiny

**AC/01/21 WELCOME AND INTRODUCTIONS**

Steve Annette, Senior Governance and Scrutiny Officer opened the meeting and welcomed everyone to the Audit Committee. The Chair then explained how the virtual meeting would be conducted and the procedure and protocols to be adopted throughout the duration of the meeting.

**AC/02/21 DECLARATIONS OF INTEREST**

There were no items of personal or prejudicial interests declared in relation to any item on the agenda.

**AC/03/21 MINUTES OF THE GMCA AUDIT COMMITTEE MEETING HELD ON 20 NOVEMBER 2020**

Consideration was given to the minutes of the GMCA Audit Committee held on 20 November 2020.

**RESOLVED/-**

1. That the minutes of the meeting of the GMCA Audit Committee held on 20 November 2020, be approved as a correct record.

**AC/04/21 MINUTES OF THE GMCA/GMP JOINT AUDIT PANELS HELD ON 21 OCTOBER 2020 AND 11 JANUARY 2021**

The Chair reported that he had been invited to a meeting with the Police and Crime Commissioner and Chair of the Police GMCA / Audit Panel to discuss how the Police/ GMCA Panel operates and how to make sure that information flows to this Committee can be optimised.

**RESOLVED/-**

1. That the minutes of the Joint Audit Panels held on 21 October 2020 and 11 January 2021 be noted.

**AC/05/21 2019/20 STATEMENT OF ACCOUNTS / AUDIT COMPLETION REPORT**

Steve Wilson, GMCA provided an update on the accounts and responses to various matters raised by the external auditors and a series of adjustments subsequently made to the accounts, including matters relating to the valuation of various waste assets, the classification of police software assets and emerging changes to pension liabilities, which do not impact on the balance of the accounts overall.

The Auditors were then invited to give their comments on the accounts as detailed in their report and highlighted key messages and detailed findings. Subject to the satisfactory completion of the limited areas of outstanding work that Steve Wilson had already highlighted, the Committee was reassured that the Auditors anticipated being in a position to issue a clean and unqualified opinion on the financial statements for 2019/20.

From an audit perspective the auditors considered these to be an improved set of accounts on previous years and welcomed the Authority's helpful responses to the issues raised.

The Authority had disclosed in three of its financial statements issues in relation to the material valuation uncertainty relating to property assets, the Auditors recognise this is a sector issue not specific to the Combined Authority, and the emphasis of matter within the report is to draw a reader's attention to the Authority's disclosure.

The auditors outlined the outstanding areas of work where final queries required resolution.

The Committee was advised of the Value for Money conclusion to be made to address the audit responsibilities arising from the recent adverse HMIC report in relation to Greater Manchester Police in the context of GMCA's role of oversight.

A member referred to the reduction in asset valuations of £15M and officers confirmed that this represented a 15 percent reduction of the asset value.

Questions were also asked in relation (a) levels of materiality, and the extent to which fairly trivial areas could be an indicator of financial control weaknesses (b) management exercising review of valuations, and the arrangements and safeguards that existed for management to challenge and scrutinise external valuations and (c) volume of pre-payments and accruals, and whether sheer volume at year-end was an indicator of the need for greater rigour to be exercised on a monthly basis. In terms of materiality, the auditors agreed that a pragmatic approach was appropriate, and that all errors including those below the trivial threshold would be reported to management; discussions had already taken place on the issue of valuations and the importance of the Authority to be a more informed client was jointly accepted and more work was being done to deliver that would hopefully prevent multiple re-examinations or revaluations. On pre-payments and accruals, it was entirely accepted that greater emphasis was needed on monthly reconciliations rather than just a year-end exercise, but the fact that the Combined Authority budget was much more grant based than those of other authorities meant that a greater proportion of close down transactions were necessarily involved to ensure that all grant monies had been secured and applied.

**RESOLVED/-**

1. To note the progress made and the explanations now given in relation to outstanding areas of work; to thank the officers and the Auditors for their work undertaken in uniquely challenging circumstances, and to approve the final accounts subject to the anticipated resolution of all outstanding issues by 31<sup>st</sup> January 2021.

**AC/06/21 ASSESSMENT OF GOING CONCERN STATEMENT**

Steve Wilson, GMCA Treasurer, introduced a report which provided members with an update of an assessment of the Greater Manchester Combined Authority (GMCA) as a going concern with a forward look at the position for the next 12-18 months.

Metrolink revenues and the impact on patronage levels due to the third national lockdown remained a key consideration, financial implications for 2020/21 are able to be covered by GMCA's reserves, and discussions were already taking place with government in relation to recovery plans into 2021/22.

**RESOLVED/-**

1. To note the outcome of the assessment made of the GMCA's going concern position and the conclusion that it is appropriate to prepare the accounts on a going concern basis.

**AC/07/21 TREASURY MANAGEMENT STRATEGY STATEMENT and CAPITAL STRATEGY**

Steve Wilson, GMCA Treasurer introduced a report that set out the proposed Treasury Management Strategy Statement, Borrowing Limits and Prudential Indicators for 2021/22

to 2023/24 for the GMCA. The Strategy reflected the current approved 2021/22 capital programmes for GMCA transport, economic development, Fire, Police and Waste.

The capital programme would be revised as part of the budget strategy to be submitted to GMCA for approval on 12th February 2021. He outlined the benefits accruing to the capital programme of under-borrowing of £1billion, and the likelihood that the cost of borrowing was likely to remain subdued at least over the next 12-month period.

A member sought further information about the benefits of purchasing the loan of £12.1M committed by Evergreen to Protos Finance Limited. Protos Finance Limited is a subsidiary of Peel established to deliver the development of an industrial site in Cheshire for a variety of uses including waste to energy, biomass, and environmental technology facilities. The Treasurer indicated that the perceived benefit would be around the control and commitment of the investment funds available and avoiding having to return any uncommitted funds at the end of the period, but he would provide members with a more detailed written response.

Another member referred to the level of headroom on the capital programme and sought clarification about the scope this might create for missing regeneration investment opportunities. The Treasurer indicated that generally speaking most of the regeneration investment was generated by the districts, the GMCA being only directly involved in regeneration in relating to transport infrastructure and Metrolink in particular, but all aspects of capital investment were underpinned by guidance from the Core Investment Team in order to maximise investment potential across the piece. It was suggested that the Committee would benefit from a presentation to a future meeting on the work of the core investment team.

#### **RESOLVED/-**

1. That the Audit Committee recommends that the GMCA approve the proposed Treasury Management Strategy Statement and Annual Investment Strategy to apply from 1 April 2021, incorporating:
  - The Treasury and Prudential Indicators listed in Section **Error! Reference source not found.**
  - The Minimum Revenue Provision (MRP) Strategy outlined in Appendix A.
  - The Treasury Management Policy Statement at Appendix B.
  - The Treasury Management Scheme of Delegation at Appendix C.
  - The Borrowing Strategy outlined in Section **Error! Reference source not found.**
  - The Annual Investment Strategy detailed in Sections **Error! Reference source not found.**
  - Delegation to the Treasurer to step outside of the investment limits to safeguard the GMCA's position, as outlined in paragraph **Error! Reference source not found.** of the report.
2. To note the contents of the Capital Strategy and to recommend its approval to the Greater Manchester Combined Authority following any changes made to reflect the proposed 2021/22 budget and capital programme.

## **AC/08/21 RISK MANAGEMENT UPDATE**

Sarah Horseman, Head of Audit and Assurance, GMCA introduced a report which informed members of the risk management activities undertaken since the last meeting and presented responses to specific questions previously raised by the Committee around risk.

She outlined progress being made in developing the Risk Management framework and roll-out. Five phases of implementation are involved, the first two phases which are developing the framework and undertaking a risk management maturity audit are on track, to be followed by launch, raising awareness, developing training, and beginning to develop risk registers in the new format.

The new version of the Risk Register framework will be presented to the next meeting of the Committee.

Welcoming the report and the progress clearly being made in terms of risks now being mitigated, a member enquired about the longer-term plan in respect of responses to a marauding terror attack. It was reported the GMFRS was progressing with retraining and the reintroduction of the MTA specialist responder teams which should be back up and running by March 2021. The agreement with the Fire Brigades Union was of 8 months duration and consultations will resume with the FBU during that time against a backdrop of shared good faith on both sides; evidence of the impact of retraining and re-equipping and service impact, and potentially against emerging national agreements that would supersede existing local arrangements.

In terms of the Risk Management Awareness programme, members enquired whether it was proposed that this would be delivered in house; officers confirmed that TfGM already had proven training models available that would be readily transferable.

### **RESOLVED/-**

1. To note the report and the progress being made.

## **AC/09/21 INTERNAL AUDIT PROGRESS REPORT**

Sarah Horseman, Head of Audit and Assurance, GMCA, introduced a report that informed Members of the progress to date in the delivery of the Internal Audit Plan for 2020/21 which also acted as a mechanism to approve and provide a record of changes to the internal audit plan. The plan continued to be implemented as envisaged but the pandemic was inevitably impacting on some elements of programming.

The Committee was brought up to date with the state of progress on a number of specific audits and associated investigations, including whistleblowing cases, and elements of work were identified which it was proposed to defer in order to make space for unforeseen additional audit investigations that were Covid related.

In terms of whistleblowing the Committee should be receiving periodic reports, and a member enquired whether there was a set programme of reporting, it was noted that an annual review is due to be submitted to the next meeting.

The Chair referred to cyber security and would welcome results of this work being brought to the Committee at the earliest possible stage, if necessary, in the form of interim findings.

**RESOLVED/-**

1. That the report be received, and that the proposed changes to the Audit Plan as detailed in section 3 of the report be approved.

**AC/10/21      AUDIT ACTION TRACKER**

Sarah Horseman, Head of Audit and Assurance, GMCA, introduced a report on the progress to date in implementing the agreed actions from internal audit assignments. Implementation had improved though there remained some outstanding elements dependent upon policy change approvals.

A member proposed, and it was agreed, that it would be helpful to invite the Head of Procurement and Head of Payroll and Pensions to attend the next meeting to discuss the rate of progress on outstanding issues.

**RESOLVED/-**

1. To note the report and welcome the progress being made.