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Mark Dalton
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Dear Mark

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

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

Yours sincerely

Gwyn Griffiths
Chair and Independent Member of the Audit Committee

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

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

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

Responses to questions in Appendix 1

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

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

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