Date: 27 September 2019

Subject: Appointment of additional Independent Members to the GMCA’s Audit Committee

Report of: David Molyneux, Portfolio Lead for Resources & Investment and Richard Paver, GMCA Treasurer

PURPOSE OF REPORT

To request the GMCA approves the appointment of two additional independent members to the GMCA’s Audit Committee in order to mitigate the risk of lack of continuity in membership of the Committee and improve succession arrangements.

RECOMMENDATIONS:

The GMCA is requested to:

1. Approve the increase in the membership of the GMCA Audit Committee by a further two independent members, making membership four members of the Constituent Councils and four co-opted members, who are independent persons.

2. Request constituent councils to consider retaining their elected Member nominations for a minimum of 2 years to allow continuity of Committee membership.
3. Approve the amended GMCA Audit Committee Terms of Reference included in Appendix 1.

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Risk Management – see paragraph
Legal Considerations – see paragraph
Financial Consequences – Revenue – see paragraph 2.3
Financial Consequences – Capital – N/A

Number of attachments included in the report: 1

BACKGROUND PAPERS:

GMCA Audit Committee Membership and Terms of Reference

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1. **BACKGROUND**

1.1. In June 2017 the GMCA and AGMA Joint meeting approved the appointment of two independent members to the GMCA Audit Committee for a term of three years each. These appointments were made in order to adhere to the legislative requirements for audit committees of combined authorities set out in the Cities and Local Government Devolution Act 2016 and Combined Authorities (Overview and Scrutiny Committees, Access to Information and Audit Committees) Order 2017.

1.2. As stated in its Terms of Reference, the Audit Committee membership also comprises of five or four co-opted elected members of the Constituent Councils of the GMCA (who are not also Assistant Portfolio Holders).

1.3. The GMCA Audit Committee has operated with membership in line with its Terms of Reference, currently having four elected members and two independent members.

2. **RISK IN EXISTING MEMBERSHIP ARRANGEMENTS**

2.1. The Constituent Councils nominate members for the Audit Committee on an annual basis. To date there has been a high degree of consistency in members but there is nothing currently within the Terms of Reference to require membership of the Committee is anything other than an annual commitment.

2.2. The Members of the Audit Committee undertook an effectiveness self-assessment exercise in July 2019 and identified that there is a risk of loss of knowledge and experience within the Committee should there be a significant change in membership in any one year, through the rotation of elected members and/or the end of terms of office for independent members.

2.3. Independent members of the GMCA Audit Committee are paid an annual allowance of £1,485, there would therefore be a financial implication of £2,970 if the recommendations in this report are approved.

3. **RECOMMENDATIONS**

3.1. The GMCA is requested to:

   1. Approve the increase in the membership of the GMCA Audit Committee by a further two independent members, making membership four members of the Constituent Councils and four co-opted members, who are independent persons.

   2. Request constituent councils to consider retaining their elected Member nominations for a minimum of 2 years to allow continuity of Committee membership.

   3. Approve the amended GMCA Audit Committee Terms of Reference included in Appendix 1.
Audit Committee – Terms of Reference

This GMCA Audit Committee oversees all aspects of GMCA including Mayoral functions. The Mayor has also established an Audit Panel which oversees the control environment of 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.

1. Composition and Procedure

2.1 Membership

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

- Five or 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.]

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. four members) must be present at a meeting of the Audit Committee before any business may be transacted, 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 Transport for Greater Manchester 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]], MIDAS, Commission for New Economy, Chief Constable of Greater Manchester Police and Greater Manchester Accessible Transport Limited.

   4.2 Approve accounts for the former Greater Manchester Waste Disposal Authority for the period ending 31 March 2018.

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.

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 (but not direct) 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 Treasurer 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, MIDAS, Chief Constable for Greater Manchester Police, Greater Manchester Accessible Transport Limited and Commission for New Economy.

6.5 Contribute to the 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 Treasurer 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.