

**MINUTES OF THE GREATER MANCHESTER COMBINED AUTHORITY  
AUDIT COMMITTEE, HELD ON WEDNESDAY 15<sup>th</sup> MARCH 2023 AT THE GMCA  
OFFICES, TOOTAL BUILDINGS, MANCHESTER M1 6EU**

**PRESENT:**

Councillor Sarah Russell	Manchester City Council (Chair)
Councillor John Walsh	Bolton Council
Councillor Tom McGee	Stockport Council (substitute Member)
Councillor Mary Whitby	Bury Council
Gwyn Griffiths	Independent Member
Grenville Page	Independent Member
Susan Webster	Independent Member

**OFFICERS:**

Steve Wilson	GMCA Treasurer
Andrew Lightfoot	GMCA Deputy Chief Executive
Sarah Horseman	GMCA Deputy Director, Audit and Assurance
Rachel Rosewell	Deputy Treasurer, GMCA
Lindsey Keech	GMCA, Head of Finance – Capital and Treasury Management
Damian Jarvis	GMCA Internal Audit Manager
Paul Harris	GMCA Senior Governance and Scrutiny Officer

**AC/58/22 WELCOME, INTRODUCTIONS AND APOLOGIES**

The Chair extended a welcome to all those present.

Apologies for absence were received and noted from Catherine Scivier (Independent Member); Councillor Christine Roberts, Wigan Council (Substitute Member)

Daniel Watson, Mazars, External Auditor.

## **AC/59/22 CHAIR'S ANNOUNCEMENTS AND ITEMS OF URGENT BUSINESS**

There were no items of urgent business reported.

## **AC/60/22 DECLARATIONS OF INTEREST**

Grenville Page informed the Committee that he had recently been appointed as the Independent Chair of the Audit Committee at Oldham Council. Members noted that this role carried no conflict of interest with the work of this Committee.

### **RESOLVED/-**

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

## **AC/61/22 MINUTES OF THE PREVIOUS AUDIT COMMITTEE MEETING**

The minutes of the previous Audit Committee meeting, held on 25<sup>th</sup> January 2023, were submitted.

### **RESOLVED/-**

That the minutes of the previous meeting of the Audit Committee, held on 25<sup>th</sup> January 2023, be agreed as a correct record.

## **AC/62/22 UPDATE FROM THE JOINT AUDIT PANEL**

Members received a report from the Chair of the Joint Audit Panel which provided an update on the work of the Panel.

### **RESOLVED/-**

That the update from the Joint Audit Panel be welcomed and noted.

#### **AC/63/22      AUDIT COMMITTEE EFFECTIVENESS**

Sarah Horseman, GMCA Deputy Director, Audit and Assurance, introduced a report which provided Members with the results of the self-assessment of Audit Committee effectiveness undertaken by Members and regular attendees of the Audit Committee.

Members noted that the survey is based on guidance issued by CIPFA in the recently published “The Audit Committee Member in a Local Authority” guidance.

Members noted that the terminology of the CIPFA guidance document was not helpful and suggested for future surveys that a discussion on the guidance beforehand may provide a greater understanding and therefore a better response. Members also welcomed the potential for training and development opportunities for the Committee.

A Member highlighted the good work and performance of the Internal Audit team and suggested how this good performance can be elevated further.

#### **RESOLVED/-**

That the update on the Audit Committee effectiveness findings be noted and the areas for focus outlined in the report be supported.

#### **AC/64/22      RISK MANAGEMENT UPDATE**

Sarah Horseman, GMCA Deputy Director, Audit and Assurance, introduced a report which informed Committee Members of changes in the GMCA strategic and key operational risks. The report also provided an update on the risk management activities undertaken since the last meeting of the Audit Committee.

Following an enquiry from a Member, officers clarified that the impact of potential Fire Service industrial action risk was included in the report before recent discussions with trade unions had been concluded.

In response to a question from a Member regarding a potential increase in devolved powers to GMCA, it was noted that there would be a change to the risk profile of GMCA should further devolved powers be received as part of any Trailblazer announcements. Consideration of governance and assurance frameworks would be required. A review of corporate resourcing matters would also be needed to ensure that the capacity and infrastructure to deliver these new powers was correct. In addition, having a single funding settlement, on a multi-year basis, will assist with capacity issues and help longer-term planning.

A Member suggested that the GMCA's Overview and Scrutiny and Audit Committee functions be explored further to look at governance, capacity matters and joint responsibility, considering Government expectations. A Member also suggested that as part of this work consideration on the remuneration of committee members was needed. The Member highlighted that as she would be retiring as a member of the committee after this meeting there was no personal interest in making this suggestion.

A Member commented that in respect of Corporate Target 2 scoring, it was noted that some targets, such as the economic environment, are outside the control of the organisation. GMCA can look to limit the likelihood of impact even if this is outside of the control of the authority which may influence the scoring. This should be explained further in the report.

The importance of a clearly defined assurance framework with indicators of assurance on strategic objectives and key risks was noted. A Member suggested that work to develop an understanding of risk appetite across the assurance framework needed consideration.

A Member referenced ICT and Digital risks and raised concern that when aggregated together there was a more significant risk. In response, officers suggested that this matter be a focused deep dive topic at a future meeting of the Committee.

Following a comment from a Member, officers undertook to change the risk description Digital Cyber Corruption risk.

**RESOLVED/-**

1. That the Risk Management Update be noted.
2. That it be agreed that ICT and Digital risks be the topic of a Deep Dive study at a future meeting of this Committee.
3. Officers were to review the wording of the Digital Cyber Corruption risk description.

**AC/65/22 INTERNAL AUDIT PROGRESS REPORT**

Sarah Horseman, GMCA Deputy Director, Audit and Assurance introduced a report which informed Members of the Audit Committee of the progress made on the delivery of the Internal Audit Plan for Q4 2022/23.

The approval of the proposed changes to the Plan, outlined in Section 3 to the report, was sought from Members.

A Member queried if the GMCA Internal Audit team was adequately resourced to be able to give assurance required on a body as complex and large as GMCA.

Following an enquiry from a Member regarding the deferment of three ICT related internal audits to the next financial, it was noted that this deferment was a result of the timing of the procurement of the new ICT Audit provider. An audit risk assessment is being undertaken.

A Member asked about the deferment of the investigations processes as part of the development of the Fraud Response Planning 23/24. It was noted that this would be considered as part of a prioritisation process.

**RESOLVED/-**

1. That the report be noted.
2. That approval of the changes to the Audit Plan, as set out in section 3 to the report, be granted.

## **AC/66/22    AUDIT ACTION TRACKING**

Sarah Horseman, GMCA Deputy Director, Audit and Assurance, introduced a report which advised Members of the progress made to date in implementing the agreed actions from internal audit assignments.

With regard to HR and Behavioural policies, a Member asked if the Committee should be concerned regarding staffing matters within the GMCA HR department and sought clarification that there is sufficient and robust management of HR policies. HR managers were to attend the June meeting of the Committee. It was also suggested that a consistent approach for gifts and hospitality policy across the organisation was need. Member asked that this matter be considered as part of a future deep dive report to this committee.

### **RESOLVED/-**

1. That the progress of the implementation of Internal Audit actions, as set out in the report, be noted.
2. That the HR Deep Dive be considered at a future meeting of this Committee.

## **AC/67/22    INTERNAL AUDIT EFFECTIVENESS**

Steve Wilson, GMCA Treasurer introduced a report which reminded members that 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.

Members noted that 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. It was also noted that 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.

The report set out the assessment for 2022/23 and actions proposed to ensure ongoing effectiveness and quality of the GMCA Internal Audit service.

## **RESOLVED/-**

That the report be noted.

## **AC/68/22 EMERGING INTERNAL AUDIT PLAN 2023-2024**

Sarah Horseman, GMCA Deputy Director, Audit and Assurance, introduced a report which set out the three-year internal audit plan and the operational internal audit plan for 2023/24.

A Member suggested that the Plan should be linked to the strategic objectives rather than having a directorate approach.

A Member commented that how HR and Health and Safety matters were linked in the plan. It was suggested that these activities should be treated separately within the emerging plan. Officers undertook to explore this suggestion.

A Member asked about how the resourcing of the Internal Audit Team and noted that the plan was 50-60% deliverable. In response, officers explained that the risks highlighted in the Plan will be prioritised.

An enquiry was made by a Member in respect of what self-assessment checks can be undertaken by service managers.

A Member raised concern that it is not clear what the Audit Plan can deliver because of current resourcing constraints. It was suggested that this approach is not a

sustainable option in terms of assurance to be off plan and deferring audits. Where there isn't sufficient resource to deliver this plan, the matters should be escalated to GMCA.

Following an enquiry from a Member regarding GMCA Chief Executive oversight of Internal Audit plans, it was noted that senior management receive regular updates on what can and can not be delivered.

Members requested that the actual audit plan on what can be delivered over the next three years, be submitted to the next meeting of the Committee. The GMCA Chief Executive was asked to attend the next meeting also.

In response to these comments, officers noted that this emerging plan presented a long list of items with the view to provide a shorter list with deliverable items for future consideration. Discussions were needed to look at prioritisation, longer-term matters in respect of capacity and short-term planning on what can and can not be delivered. Members noted that there has been an upward journey with internal audit in the Authority and the longer-term capacity challenges were to be explored.

A Member suggested that a report from the Audit Committee Annual Report could seek assurances from senior management on audit activity.

A Member suggested that an update should be presented to GMCA on key messages from GMCA Audit Committee.

Following a comment from a Member regarding the scoring of the Plan, officers noted that scenarios are overlaid in order to test the scoring methodology.

#### **RESOLVED/-**

1. That the emerging Internal Audit Plan be noted.
2. That the reservations of Members set out in the preamble above be noted.
3. That a further iteration of the Internal Audit Plan be presented to the next meeting of the Audit Committee.

Sarah Horseman, GMCA Deputy Director, Audit and Assurance introduced a report which reminded Members 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 explained 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 of Audit and Assurance and the charter presented to the Audit Committee annually for approval.

The Charter was considered by the external reviewers during the External Quality Assessment of the Internal Audit function in May 2021. The assessment concluded that the existing charter conforms to the requirements under the Public Sector Internal Audit Standards (PSIAS).

Members noted that one minor addition to the Charter was recommended to ensure independence and objectivity are managed at an engagement level. Paragraph 9.8 has therefore been added: "At an engagement level, auditor independence and objectivity will be confirmed and documented at the planning stage. Wherever feasible within a small team, rotation of auditors will take place to ensure that objectivity can be maintained".

#### **RESOLVED/-**

That the Internal Audit Charter, as set out in the report, be approved.

#### **AC/70/22 ANNUAL GOVERNANCE STATEMENT**

Members considered a report of Gillian Duckworth, GMCA Monitoring Officer and Solicitor and Steve Wilson, GMCA Treasurer which provided the Committee with the

GMCA 2021/2022 Annual Governance Statement (AGS), attached at Appendix A, to accompany the GMCA Statement of Accounts.

Members noted that the draft AGS was considered and endorsed by the Audit Committee at its meeting on 27 July 2022 (Item AC 19/22). Subsequent to the draft, an additional section on the Manchester Arena Inquiry outcomes has been incorporated and further minor amendments have been made.

**RESOLVED/-**

That the GMCA 2021/22 Annual Governance Statement, which is to be signed by the Mayor and the Chief Executive of the GMCA and published with the GMCA's Statement of Accounts for 2021/22, be approved.

**AC/71/22 TREASURY MANAGEMENT STRATEGY STATEMENT, MINIMUM REVENUE PROVISION POLICY STATEMENT AND ANNUAL INVESTMENT STRATEGY 2023/24**

Steve Wilson, GMCA Treasurer introduced a report which set out the proposed Treasury Management Strategy Statement, Borrowing Limits and Prudential Indicators for 2023/24 to 2025/26 for the Authority. Members noted that the strategy reflected the 2022-2026 capital programme for Transport, Economic Development, Fire and Rescue, Waste and Police.

A Member suggested that having recently undertaken Treasury Management and noted that in respect of CIPFA training, further training focussing on Fire and Waste management matters would be helpful.

Following a comment from a Member, it was noted that the Audit Committee was not responsible for the approval of budgets.

**RESOLVED/-**

That the proposed Treasury Management Strategy Statement and Annual Investment Strategy, to apply from the 1 April 2023, be approved, as set out in the report and in particular:

- a) The Treasury and Prudential Indicators listed in Section 2, to the report.
- b) The Minimum Revenue Provision (MRP) Strategy in Section 2, to the report.
- c) The Treasury Management Scheme of Delegation at Appendix F to the report.
- d) The Borrowing Strategy outlined in Section 3 to the report.
- e) The Annual Investment Strategy detailed in Section 4 to the report.
- f) Delegation to the Treasurer to step outside of the investment limits to safeguard the GMCA's position as outlined in section 4.7 to the report.

#### **AC/72/22 CAPITAL STRATEGY 2023-2024**

Steve Wilson, 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).

Members noted that 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 2023/24.

Members also noted that the Capital Strategy also provided an overview of the governance arrangements for capital investment decisions and outlines the Authority's arrangements for managing risk.

A Member commented that the content of the Capital Strategy may need to be revisited following the Trailblazer announcements. In response, officers explained that capital budget is revised quarterly. In addition, it was noted that a report on inflationary matters in respect of City Region Sustainable Transport Schemes (CRSTS) will be considered at the May 2023 meeting of GMCA. In addition, a Deep Dive item on inflation will be presented at the next meeting of this Committee.

In terms of updating the Capital Strategy, officers would review if there was any merit to update the strategy in year.

### **RESOLVED/-**

That the Capital Strategy 2023-2024, as set out in the report, be noted and that the Audit Committee recommends the Strategy for consideration for approval by GMCA.

### **AC/73/22 GMCA STATEMENT OF ACCOUNTS 2021-2022**

Steve Wilson, GMCA Treasurer introduced the Greater Manchester Combined Authority (GMCA) group accounts for 2021/22. The Chair suggested that this item be discussed along with the External Auditor Report at AC/74/22, below.

The report updated the Committee Members on the changes since the draft accounts were published and confirmed, subject to the Committee's approval of the accounts and the unadjusted misstatements, that the final accounts expect to receive an unqualified opinion from the authority's external auditors subject to outstanding issues set out in the report.

A Member sought clarification on why the GM Pension Fund Scheme has impacted on the GMCA accounts without affecting on the Pension Fund's accounts. In response, it was noted that this was still unclear but added that the Pension Fund's Actuaries will provide a report on assets and liabilities for the pension scheme. This is predominately a re-evaluation of assets.

A Member suggested that a technical note in the accounts in respect of the Pension Fund. In response, officers noted that this approach could present a reputational risk to the organisation.

A Member enquired that with regard to the reported unadjusted misstatements, if there was a clear understanding on how these misstatements occurred and learning if there was any learning to avoid future incidents where possible. In addition, the Member sought clarification on the reasoning in not to making these adjustments. In response, officers explained that lessons learned have informed Finance Team training sessions. Key to not making changes officers noted that any change would not alter what the accounts were reporting.

An accounting issue regarding Group Companies and Entities was highlighted by a Member and enquired if there was a reason for not consolidating because on them not being material to the accounts and applying the Accounting Standard. In response, officers explained that the GMCA approach was less onerous than reporting all entities. This is a management judgement and External Audit explores this as part of their audit processes. Officers undertook to explore how GMCA benchmarks this approach across other authorities.

A Member suggested that where things have been excluded because of materiality, that there is some commentary on this.

In noting the report recommendation to delegate to the GMCA Treasurer, in consultation with the Audit Committee Chair, the publication of the final accounts following audit completion, the Chair explained that as this was to be her last meeting, the appointment of an Interim Chair of the Audit Committee, until the AGM meeting in June 2023, was needed. A nomination was received for Grenville Page to be the Interim Chair for the period specified.

#### **RESOLVED/-**

1. That the final statement of accounts 2021/22 and to note the changes to accounts during the audit period and to approve the unadjusted misstatements contained within this report, be noted.
2. That Grenville Page be appointed as Interim Chair of the Audit Committee to cover the intervening period up to the Audit Committee's Annual General Meeting in June 2023.

3. That delegated authority be granted to the GMCA Treasurer, in consultation with the Interim Audit Committee Chair, to agree the publication of the final accounts following audit completion.

#### **AC/74/22 EXTERNAL AUDIT PROGRESS REPORT**

Mark Dalton, Mazars, External Auditor introduced a report which provided an update on progressing their responsibilities as the GMCA External Auditors.

The update explained Improvement Focused Recommendations and Value for Money work.

Thanks were also extended to the GMCA Finance Team for their support in getting the accounts together.

#### **RESOLVED/-**

That the update from the External Auditor be noted.

#### **AC/75/22 AUDIT COMMITTEE WORK PROGRAMME**

Members considered the Committee Work Programme of proposed items to focus the work of the committee for the upcoming municipal year.

#### **RESOLVED/-**

That the draft Committee Work Programme be noted.

#### **AC/76/22 DATES AND TIMES OF FUTURE MEETINGS**

#### **RESOLVED/-**

The future meeting dates for the Committee were noted.

## **AC/77/22    ACKNOWLEDGEMENT**

### **a.     Councillor Sarah Russell**

Members wished to place on record their thanks to Councillor Russell for her hard work and diligence as Chair of the Committee. Members recognised how as Chair, openness, transparency and participation of all members was encouraged.

In response, the Chair thanks members and officers for their support during her time as a committee member and Chair of the Committee.