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28 June 2019

Dear Daniel,

Audit 2018/19 – understanding those charged with governance processes and arrangements

Please see attached responses to your letter dated 20 May 2019

Yours sincerely

Richard Paver, Treasurer
Greater Manchester Combined Authority

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| <p>What processes are in place at GMCA to undertake 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>The Authority's Head of Audit and Risk Management was responsible for maintaining policies, procedures and a fraud response plan for 2018/19.</p> <p>The Head of Audit and Risk Management actively liaises with Heads of Internal Audit and constituent Local Authorities on matters of potential fraud or corruption relating to the Authority budgets, staff or Members. This helps ensure that the Authority and constituent District Councils work together in the assessment, evaluation, investigation and reporting of matters of potential fraud and corruption.</p> <p>The Head of Internal Audit and Risk Management and the Internal Audit Team (Police and Crime) liaises with the Professional Standards Branch and ACO for GMP on any matters of fraud risk referred to GMCA (of which there have been none in 2018/19).</p> |
| <p>What processes are in place at GMCA to identify and respond to risks of fraud;</p> | <p>The Risk and Governance Group has been established and meets on a quarterly basis to review and update the GMCA Corporate Risk Register (the "Risk Register"). This is reported to each Audit Committee meeting. There are currently no explicit fraud risks on the Risk Register although reference to policy, systems and processes around commissioned services would encompass fraud risk in the areas of procurement, commissioning and contract management.</p> <p>The Risk and Governance Group are also responsible for the production of the AGS and for monitoring improvement actions in the year, reporting progress and actions required through SMT. Reports to committees also include officers' consideration of risk.</p> <p>Fraud risks in functions are identified and managed by the relevant service Head and Chief Officer. For example the Chief Investment Officer considers fraud risk in the design of arrangements and monitoring of loans and investments and I do the same for Finance.</p> <p>The Risk Register contains both GMCA and GM Mayoral risks and incorporates high level risk considerations from other areas where it directly impacts on GMCA. Risk management frameworks and risk registers for GMP and GMFRS will continue to be owned by the Chief Constable and Chief Fire Officer.</p> |

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| | <p>For GMFRS there is an integrated risk management plan in place which is overseen by the Chief Fire Officer and managed through reporting to the fire Command Team. In addition to work with fire service functions this process includes quarterly risk management meetings with insurers and health and safety to understand and reflect of current and future financial liability risks.</p> |
| <p>What processes are in place at GMCA to communicate to employees GMCA's views on business practice and ethical behaviour (for example by updating, communicating and monitoring against relevant codes of conduct); and</p> | <p>The Combined Authority has put in place robust policies and procedures which put its values into practice; these include:</p> <ul style="list-style-type: none"> - Voluntary Standards Committee - Member Code of Conduct - Officer [employee] Code of Conduct - Register of Members' interests - Systems for reporting and dealing with any incidents of wrongdoing including fraud, corruption, bribery and money laundering. <p>The Code of Conduct is in place that applies to all employees of GMCA. It is part of the GMCA Constitution which is available publicly. Updates to the Constitution are made periodically and communicated to employees.</p> <p>Induction training that is provided to new staff includes reference to the Corporate Document Centre and specifically references the Code of Conduct as a document for new starters to review.</p> |
| <p>What processes are in place to communicate to the Audit and Governance Committee the processes for identifying and responding to fraud or error?</p> | <p>The risk register is presented to each Audit Committee meeting for review and challenge. The Risk and Governance Group meets on a quarterly basis to review and challenge the risks on the Risk Register which include financial and governance related risks.</p> |
| <p>How does management gain assurance that all relevant laws and regulations have been complied with? Have there been any instances of non-compliance during 2018/19?</p> | <p>The Whistleblowing policy in place encourages individuals to report any concerns over activities which they believe to be illegal, improper, unethical or inconsistent with this Constitution.</p> <p>The system of internal control assists in the achievement of compliance with laws and regulations.</p> <p>We are currently in receipt of some allegations received from an anonymous source within GMFRS. We are</p> |

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| | currently undertaking an exercise to assess and determine the appropriate course of action to investigate these where possible. |
| Are there any actual or potential litigation or claims that would affect the financial statements? | No |
| What controls are in place to: identify, authorize, approve, account for and disclose related party transactions and relationships. For any new related parties (i.e. any not already disclosed in the previous year's audited financial statements) please provide a list of them, explain their nature, and whether there have been any transactions with these related parties during the year to 31 March 2019 | An assessment of related parties is carried out annually when updating the authorities accounting policies for the year, which are approved by the Audit Committee – there have been no new related parties from the previous financial year. Transactions with related parties are identified through our financial system using their supplier ID. |
| Are you aware of any actual or potential litigation or claims that would affect the financial statements? If so, please provide details. | No |
| Have you carried out a preliminary assessment of the going concern assumption and if so have you identified any events which may cast significant doubt on GMCA's ability to continue as a going concern? If so, please provide details. | Going concern assessments are carried out annually as part of the audit process and there are no concerns that the authority would not be able to continue as a going concern. |

Responses to questions in Appendix 1

| Question | Response |
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| <p>Are you aware of any actual, suspected or alleged instances of fraud during the period 1 April 2018 – 31 March 2019 (<i>if 'yes', please provide details</i>)?</p> | <p>We are currently in receipt of allegations of breaches of code of conduct within GMFRS from an anonymous source. If found to be true they will not have an impact on the financial statements.</p> |
| <p>Do you suspect fraud may be occurring within the organisation?</p> | <p>We do not believe that any fraud that will materially impact the financial statements is occurring. As with any complex organisation there are risks of fraud through misuse of assets or resources. The programme of Internal Audit work will seek to address any such activity alongside the work of the Monitoring Officer.</p> |
| <p>Have you identified any specific fraud risks within GMCA?</p> | <p>Within any complex organisation there are risks of fraud but the control framework applied within the core financial functions mean that the risk of fraud is minimised.</p> <p>In addition to inherent fraud risks that reside in any organisation that are managed through the systems of governance and internal control, within GMCA fraud risks have been identified in:</p> <ul style="list-style-type: none"> - Payroll – low risk - Loans and investments – high impact but low probability given the levels of control and oversight on decisions and in write-offs of amounts due back to GMCA - Procurement – high impact but low probability due to scrutiny of spend across GMCA. A higher risk within programmes given the scale of funding. There is a risk within the Risk Register relating to procurement, commissioning and contract management. - Central Government Grants – high impact but low probability due to oversight of grant income by Finance and independent reviews by Internal Audit. |
| <p>Are you satisfied that internal controls, including segregation of duties, exist and work effectively (<i>if 'yes', please provide details</i>)?</p> | <p>Yes, the Audit Committee is responsible for overseeing the effective operation of the system of internal control. Assurance is provided through the internal audit service which reports progress and findings on a quarterly basis to the Audit Committee. The Head of Internal Audit identified no critical or major issues over the operation of the GMCA's systems of internal control in 2018/19.</p> |
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| <p>If not where are the risk areas?</p> | <p>In respect of GMFRS an inspection was undertaken relating to 2018/19 by HMICFRS and published on 19/6/2019. This identifies a number of areas for improvement which will be incorporated into the internal audit plan going forwards in addition to being addressed by Programme for Change (PFC).</p> |
| <p>How do you encourage staff to report their concerns about fraud?</p> | <p>There is a comprehensive whistleblowing policy in place which applies to GMCA, GMFRS and Greater Manchester Local Enterprise Partnership. This is publicly available and is referred to in induction training materials to make all staff aware of it.</p> <p>To encourage openness and transparency without fear of reprisal, there are a number of safeguards within the Whistleblowing Policy to ensure that allegations are investigated in the right spirit with the right outcome. These include provisions for/against:</p> <ul style="list-style-type: none"> • Confidentiality and anonymity • Harassment and victimisation • False and malicious allegations • Misuse of the policy |
| <p>What concerns about fraud are staff expected to report?</p> | <p>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.</p> |
| <p>Are you aware of any related party relationships or transactions that could give rise to instances of fraud?</p> | <p>As disclosed in the notes to the financial statements the related parties are:</p> <ul style="list-style-type: none"> • Central Government • Greater Manchester Authorities • Transport for Greater Manchester <p>During the year there were no reported material transactions with related parties advised by members or officers.</p> |
| <p>How do you mitigate the risks associated with fraud related to related party relationships and transactions?</p> | <p>Systems of internal control in place within GMCA ensure that appropriate controls are applied to all transactions including those with related parties.</p> <p>There is a comprehensive whistleblowing policy in place which applies to GMCA, GMFRS and Greater Manchester Local Enterprise Partnership. This is publicly available and is referred to in induction training materials to make all staff aware of it.</p> |

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| Are you aware of any entries made in the accounting records that you believe or suspect are false or intentionally misleading? | No. |
| Are there particular balances in the accounts where fraud is more likely to occur? | <p>The substantial transactions in the accounts that present the most risk of fraud are:</p> <ul style="list-style-type: none"> - Payments from TfGM to third parties - Payments / loans to business funded from RGF, Growing Places, evergreen and Fund of Funds - Investments and cash management. <p>I consider the control framework that applies to income and payments in these areas mean that the risk of fraud is minimised</p> |
| Are you aware of any assets, liabilities or transactions that you believe have been improperly included or omitted from the accounts of the organisation? | No. |
| Could a false accounting entry escape detection? If so, how? # | I maintain close oversight of the annual accounts process. Appropriate internal controls are applied to prevent and detect false accounting entries. Internal audit work, whilst not designed to detect fraud, will consider fraud risk when undertaking reviews of financial controls. |
| Are there any external fraud risk factors, such as collection of revenues? | No. |
| Are you aware of any organisational or management pressure to meet financial or operating targets? | No. |
| 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? | No. |

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| <p>What arrangements has the GMCA put in place in response to the Bribery Act 2010?</p> | <p>Staff must comply with the GMCA Code of Conduct for Employees and must not invite or accept any gift or reward in respect of the award or performance of any Contract. There is also an Anti-Bribery Policy in place.</p> |