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Mr Daniel Watson
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Dear Mr Watson

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

Please see attached responses to your letter dated 20 May 2019.

Yours sincerely



Gwyn Griffiths
Independent Member and Chair,
Audit Committee GMCA (2018/19)

<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. Pre-audit accounts are produced by the GMCA Finance Team under current accounting conventions. The finance team comprises qualified, experienced accountants with experience of working across Manchester City Council, Greater Manchester Combined Authority (GMCA), Office of the Police and Crime Commissioner for Greater Manchester (OPCC), Greater Manchester Fire and Rescue Service (GMFRS), Association of Greater Manchester Authorities (AGMA) and the former Greater Manchester Integrated Transport Authority (GMITA).</p> <p>The accounts are submitted to the Audit Committee under their review for review and approval.</p> <p>For 2018/19 there have been no particular fraud risks identified through the above process that have been brought to my attention.</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 Risk and Governance Group. This will include any fraud risks if they have been explicitly identified. At present fraud risk is not an explicit risk on the register.</p> <p>Senior officers from GMCA, including those from areas of policing, fire & rescue and waste, ensure all aspects of the GMCA are represented on the Risk and Governance Group.</p> <p>The Head of Internal Audit and Risk Management has responsibility to report any specific cases of fraud and irregularity at the Audit Committee meetings as part of their regular update process. In 2018/19 there 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.</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 Internal Audit and Risk (going forwards into 2019/20 this will be the Head of Audit and Assurance).</p>
<p>How do you oversee management</p>	<p>See above response in relation to oversight of</p>

<p>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 2018/19? If so, please provide details.</p>	<p>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 in relation to the police fund, over the systems of internal control and assurance opinions given over the year.</p> <p>At GMCA, internal audit work has resulted in the Head of Internal Audit and Risk Management providing a moderate assurance opinion over the systems of governance, risk management and internal control. One report with a limited assurance opinion was issued in 2018/19, which was an improvement to 2017/18 when three reports with a limited assurance opinion were issued. Actions have been agreed to address all of the internal audit findings.</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 relative to GMP and mayoral Police and Crime functions. For 2018/19 the Head of Internal Audit and Risk Management reported that he felt that the overall financial, operational and strategic control environments of the Force and the GM Mayor's Police and Crime Commissioner (PCC) functions are of a good standard. Actions have been agreed to address all of the internal audit findings.</p> <p>Other than the findings raised by internal audit through their work in 2018/19 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 2018/19? 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>

Responses to questions in Appendix 1

Question	Response
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>)?	Internal Audit has received of allegations from an anonymous source that includes allegations of theft from a GMFRS location. At the time of writing, the dates of these alleged instances are not clear, including whether it is in the financial period. I understand that the effect of such theft, as alleged, would not have a material impact on the financial statements.
Do you suspect fraud may be occurring within the organisation?	The potential for fraud exists in any organisation, but I am not aware of any concerns that fraud may be occurring within the GMCA.
Have you identified any specific fraud risks within GMCA?	At present there are no specific fraud risks identified on the Corporate Risk Register. I understand operationally functions are responsible for identifying their operational risks, which would include fraud as appropriate.
Are you satisfied that internal controls, including segregation of duties, exist and work effectively (<i>if 'yes', please provide details</i>)?	Other than the findings reported by the internal and external auditors, and as referred to above regarding alleged theft, I am satisfied that internal controls appropriate to the organisation are in place and are working effectively within GMCA.
If not where are the risk areas?	Not applicable.
How do you encourage staff to report their concerns about fraud?	I am aware that there is a whistleblowing policy in place that applies to GMCA, GMFRS and the Greater Manchester Local Enterprise Partnership. This is a publicly available document. This was publicised within GMCA on introduction and induction training materials make reference to the policy to make all new staff aware.
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?	None that I am aware of.
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.
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. The GMCA Treasurer maintains close oversight of the annual accounts process but does not play a part in the day-to-day systems.
Are there any external fraud risk factors, such as collection of revenues?	None that I am aware of.
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.
What arrangements has the GMCA put in place in response to the Bribery Act 2010?	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.