

**MINUTES OF THE GREATER MANCHESTER COMBINED AUTHORITY AUDIT COMMITTEE,
HELD ON WEDNESDAYS 9 OCTOBER 2019 AT FRIENDS MEETING HOUSE, MANCHESTER.**

PRESENT:

Gwyn Griffiths (Chair)	Independent Member
Catherine Scivier	Independent Member
Councillor Sarah Russell	Manchester City Council
Councillor Chris Boyes	Trafford Council
Councillor Peter Malcolm (sub)	Rochdale Council

ALSO PRESENT:

Daniel Watson	Mazars External Auditor
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OFFICERS:

Richard Paver	GMCA Treasurer
Sarah Horseman	GMCA Audit and Assurance
Damian Jarvis	GMCA Internal Audit
Amanda Fox	GMCA Finance
Nicola Ward	GMCA Governance and Scrutiny

AC 19/64 APOLOGIES

RESOLVED /-

That apologies be noted on behalf of Councillor Mary Whitby (Bury Council) and Councillor Colin McLaren (Oldham Council).

AC 19/65 CHAIRS ANNOUNCEMENTS AND URGENT BUSINESS

There were no chairs announcements or urgent business.

AC 19/66 DECLARATIONS OF INTEREST

RESOLVED /-

There were no items of personal or prejudicial interests declared in relation to any item on the agenda.

AC 19/67 MINUTES OF THE GMCA AUDIT COMMITTEE MEETING HELD ON 30 JULY 2019

RESOLVED/-

That the minutes of the meeting of the GMCA Audit Committee held on 30 July 2019, be approved as a correct record.

AC 19/68 MINUTES OF THE GMCA/GMP JOINT AUDIT PANEL

RESOLVED/-

1. That the minutes of the GMCA/GMP Joint Audit Panel be circulated via email once received.
2. That it be noted that the Chair of the GMCA Audit Committee was still to meet with the GMCA/GMP Joint Audit Panel.

AC 19/69 APPOINTMENT OF ADDITIONAL MEMBERS TO THE GMCA AUDIT COMMITTEE

Members received a copy of a recent report to the GMCA which had given approval to 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.

Members of the GMCA Audit Committee urged that consideration be given as to how the committee could become more representative of the GM population, and whether deliberate recruitment could be undertaken with BME professionals or Women's networks, and suggested approaches be made via the Pros-guild, Linked In and Non-exec Directors Group. Further to this, Members identified that there was a skills gap in relation to the digital sector that could also be targeted as part of the recruitment strategy.

Members noted that the Terms of Reference needed to be updated to reflect the changes to the Committee's new constitution.

RESOLVED/-

1. That the report as approved by the GMCA on the 27 September 2019 be noted.
2. That it be noted that Catherine Scivier offered to look into any relevant BME groups on Linked In which could support targeted recruitment for the additional Independent Members.
3. That the GMCA Treasurer designs a targeted approach for recruiting additional Independent Members to the GMCA Audit Committee, with specific consideration given to expanding the digital skills set.
4. That the total number of members on the Audit Committee as detailed in the ToR be amended to eight to reflect the recently agreed changes.

AC 19/70 CORPORATE RISK REGISTER UPDATE

Sarah Horseman, Head of Audit and Assurance, introduced a report that provided Members with the latest version of the Corporate Risk Register for their review. She reported that the impact of Brexit remained one of the top risks, and that business continuity would be added to the register, with specific emphasis around disaster recovery.

Members asked that the impact of Climate Change be added to the register, in relation to the risks posed to the business following the GMCA's climate change emergency declaration.

Members further added that the wording in relation to the Housing Investment Fund risk be revised to ensure clarity as to which organisation would be liable and receive direct or indirect indemnity.

The loss of a potential £60m Housing Deal needed some accountability, and Members asked for some assurance as to how it is being managed by officers and scrutinised by Members.

In relation to ICT security, Members asked whether the Cyber Centrals Plus level was enough, and whether it had been achieved by the GMCA. Officers reported that this was the Government standard level, but agreed to look at it again in relation to the risk register.

Members asked whether the GMCA ICT Security Manager role had been recruited to as yet, it was confirmed that there were some issues in recruiting to this post but that there was a temporary contractor in place. Members expressed concern that there were not permanent officers in such roles, as they were crucial to Brexit readiness, and there were assurances needed as to the number of vacant critical roles across the organisation.

With regards to risk 11 - business continuity, Members were assured that a recent break in at head office had tested some of these processes, but asked for further assurances as to the safety of the main ICT hardware.

In relation to risk 13 – spending grants, Members noted that the risk had been reduced to medium, and questioned the rationale behind this decision. Officers confirmed that although the reporting of spending grants had been approved, this could still further be improved through clarity as what outcomes are required to be reported. Some funding streams such as the Growth Deal were facing challenges in relation to spend as the schemes were unable to spend as quickly as the funding required.

Members asked whether the risk date as detailed within risk 15 – Adult Education was realistic. Officers confirmed that this risk had wider determinants due to the cross-border student numbers and the introduction of the Our Pass scheme for travel within GM and noted that further work was required to ensure risk targets were as accurate as possible.

In relation to the waste contract risk, officers reported that the contract was going well to date, however driver availability and licensing requirements post Brexit were posing additional risks which needed to be considered further.

RESOLVED/-

1. That the update on the GMCA Corporate Risk Register, be noted.
2. That as the GMCA have declared a Climate Change Emergency, associated risks to achieving core objectives should be detailed on the Risk Register.
3. That the risk associated with the Housing Investment Fund indemnity be re-worded to make it clear who would be liable against this fund.
4. That assurance as to the scrutiny of the Housing Fund be reported back to members of the GMCA Audit Committee.
5. That the definition of 'Cyber Centrals Plus' in relation to Government levels of security be checked, and reported back to Members.
6. That a GMCA organisational chart detailing numbers of audit vacancies be shared with members as part of their annual audit day.
7. That assurances in relation to the security of the GMCA's ICT hardware be provided to Members.
8. That the columns within the risk register be re-organised into chronological order.

AC 19/71 EXTERNAL AUDIT UPDATE

Daniel Watson, presented the External Audit Opinion from Mazars, as issued on the 30 September. He reported a small number of errors, none of which had any impact on the CA's position. The audit of the accounts would be formally closed over the next couple of weeks.

Members of the Committee asked whether the un-adjusted mis-statements were larger than the non-adjusted mis-statements and officers confirmed that these were all non cash transactions and therefore not amended. Members asked that the pension adjustments on page 3 be reviewed.

The Committee recorded its thanks to Mazars for a challenging yet successful audit.

RESOLVED/-

1. That the report be noted.

2. That details in relation to pension adjustments (page 3) be checked to ensure totals are correct.

AC 19/72 FINAL ACCOUNTS ACTION PLAN 2019-20

Richard Paver, GMCA Treasurer, introduced a report that provided Members with an update on the proposed action plan for the publication of its annual statement of accounts in 2019-20.

Alongside this, the Redman review of Local Authority Audit Processes had been taking place, which had raised questions in relation to a September accounts closure date, the potential for simpler accounts, smartening the value for money opinion process and the procurement of external audit. The full outcomes of this review would be available at the end of this municipal year.

RESOLVED/-

That the update on the proposed Final Accounts Action Plan 2019-20, be noted.

AC 19/73 COUNTER FRAUD ACTIVITY

Consideration was given to a report which presented the updated versions of the GMCA Whistleblowing, Anti- Money Laundering and Anti- Bribery Policies for review prior to approval by the GMCA Treasurer.

It was noted that there needed to be further consistency between the GMCA and GM Fire policies, in particular how they apply to elected Members and Independent Members, and some assurance that the policies are subject to a public interest test and review by the relevant trade unions.

Members also felt that the anti-money laundering policy could be more relevant for the GMCA, and looked at again in relation to how the law applies to the workings of the Combined Authority. Once finalised, this should also be shared with staff in a useful, easily understood style. Officers agreed to undertake further work to ensure that the policy is more relevant to the specific GMCA functions within which money laundering could occur.

In relation to the evidence required to be obtained to prove authenticity, members asked that the number of group A and group C items be checked against latest guidelines to ensure that the policy is up to date, and furthermore that consideration be given as to where the GMCA would hold this personal data in line with GDPR regulations.

RESOLVED/-

1. That the updated versions of the GMCA Whistleblowing, Anti- Money Laundering and Anti- Bribery Policies be endorsed.
2. That the Whistleblowing Policy be strengthened in relation to how it applies to elected members, and independent members.
3. That the Whistleblowing Policy be subject to a public interest test and checked with Trade Unions.
4. That a one page summary of the Whistleblowing Policy be written and shared with staff across the GMCA.
5. That the Anti-money Laundering Policy be made relevant to the risks within the GMCA, i.e. the Core Investment Team loans.
6. That the required evidence from groups A, B and C in relation to the Anti-Money Laundering Policy be checked, and confirmation be sought as to how this information would be held by the GMCA.
7. That authority be delegated to the GMCA Treasurer in relation to the sign off of the Counter Fraud Policies.

AC 19/74 INTERNAL AUDIT PROGRESS REPORT

Sarah Horseman, Head of Internal Audit and Assurance presented a report, which provided Members with progress to date on the delivery of the Internal Audit Plan. She reported that Damian Jarvis had recently been appointed to the GMCA's Internal Audit Team and would be joining in November 2019. In addition there would be another two roles recruited to, including a Senior Auditor, and a split Auditor with TfGM.

The Internal Audit Plan for 2019/20 showed light activity during the last quarter due to issues with officer capacity, and if necessary external services would be bought in to ensure preparation for audits could be undertaken in anticipation of staff being recruited to these roles.

Members asked whether the significant recommendations from the audits undertaken could be included in future Internal Audit Progress Reports, officers confirmed that this would be undertaken going forward, in addition to the inclusion of key themes.

Members commented that the Internal Audit function of the GMCA remains a concern, as it remains ill-aligned with the size of the organisation and has been in a developing stage for the last three years. It was imperative to fill the vacancies permanently to ensure that assurance levels across the organisation could be improved and to support the delivery of this year's Internal Audit Plan.

Members further added that they would like to see more political representation from the GMCA at the Audit Committee to ensure challenge can be given to the portfolio lead as appropriate.

RESOLVED/-

1. That the Internal Audit Progress report be noted.
2. That future monitoring reports detail all the recommendations and key themes as shown in Internal Audits.
3. That future monitoring reports also include a key to the assurance levels.
4. That details on the current staffing, and proposed staffing arrangements for the Internal Audit function be brought to the next meeting of the GMCA Audit Committee.
5. That the GMCA Resources Portfolio Lead, and/or the Portfolio Assistant once determined be invited to attend the GMCA Audit Committee.

AC 19/75 AUDIT RECOMMENDATIONS MONITORING

Richard Paver, GMCA Treasurer introduced a report which provided an update to Members on the progress to date in implementing the agreed actions from recent internal audit assignments and provided assurance that a robust process is in place for follow up of recommendations. He reported that circa 85% of the actions had been completed.

RESOLVED/-

That the Audit Recommendations Monitoring report be noted.

AC 19/76 TREASURY MANAGEMENT INTERIM UPDATE 2019 - 2020

Richard Paver, GMCA Treasurer introduced a report which provided an update to Members on Treasury Management activities for the first six months of the 2019-20 financial year. He reported that recent Government announcements regarding an additional 1% surcharge on borrowings were being challenged by Local Authorities through the MHCLG (Ministry of Housing, Communities and Local Government) as it was a serious cause for concern.

He reported that the Combined Authority's cash flow remains positive. Whilst the GMCA hadn't recently needed to borrow from PWLB, there were concerns regarding the current difficulty in engaging with EIB.

Members of the Committee sought some assurance as to the Treasury Management function following the imminent retirement of the GMCA Treasurer, he confirmed that this would be considered once the new Treasurer (Steve Wilson, currently the Executive Lead, Finance & Investment at the GM Health & Care Partnership) was in post. He also confirmed that the GMCA were also recruiting a Deputy Treasurer, to be appointed in November.

RESOLVED/-

1. That the Treasury Management Interim Update 2019- 2020 be noted.
2. That the GMCA Audit Committee record its thanks to Richard Paver, Treasurer of the GMCA for all his work on the Audit Committee.

AC 19/77 DATE AND TIME OF NEXT MEETING

RESOLVED /-

That the next meeting of the GMCA Audit Committee is scheduled for 21 January 1pm.