

Audit Progress Report and Recommendations in relation to significant weaknesses in VFM arrangements

Greater Manchester Combined Authority

October 2022



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Section 01: **Audit Progress**

Audit Progress

Purpose of this report

This report provides the Audit Committee with an update on progress in delivering our responsibilities as your external auditors.

2020/21 Audit

Work on the Authority's arrangements to deliver value for money in its use of resources

We reported during 2020/21 that the National Audit Office had updated the Code of Audit Practice and that this new Code applies from 1 April 2020. The new Code changes the work that auditors are required to do, and the related reporting, on the Authority's arrangements to deliver value for money in its use of resources.

A reminder of the new requirements in relation to our VFM work and reporting is provided on pages 5 and 6.

We have now completed our VFM work, and we report our commentary on the Authority's arrangements via the Auditor's Annual Report (which is issued alongside this progress report).

We highlighted at the previous Audit Committee meeting that we expected to report significant weaknesses in VFM arrangements (and associated VFM recommendations) in relation to HMICFRS reports / assessments in relation to Greater Manchester Police and Greater Manchester Fire and Rescue Service, and findings from the Head of Internal Audit and Risk Management which led to a limited assurance Head of Internal Audit Opinion in 2020/21. In section 2, we have outlined the risks of significant weaknesses in arrangements we identified as part of our continuous planning procedures for the 2020/21 financial year, the work undertaken in response to these risks (risk-based procedures) and the results of our work (see pages 8 to 11). Where our risk-based procedures identified actual significant weaknesses in the Authority's arrangements for 2020/21, we have made recommendations for improvement. We outline the identified significant weaknesses and our associated recommendations on pages 12 to 16.

2021/22 Audit

The 2021/22 audit is progressing well with delivery in line with the timeline highlighted within our Audit Strategy Memorandum presented to the April 2022 Audit Committee. Since issuing our Audit Strategy memorandum, we have identified a further enhanced audit risk in relation to the value of investments held at fair value on the Authority's Balance Sheet. The value of these have increased significantly since the prior year, and the total is now material. We have engaged our valuations team to review a sample of these investments. At this stage, we have not encountered any significant issues which we are required to report to management or the Audit Committee. Management provided comprehensive working papers at the start of the audit and continue to respond to our queries on a timely basis.

At the previous Audit Committee, we highlighted a national, technical accounting issue in relation to the accounting for infrastructure assets. This affects the Authority as it holds material infrastructure assets on both the single entity and group balance sheet. Since the last committee meeting CIPFA published the outcome from its consultation on a proposed solution to the issue. CIPFA reported that it was not able to agree an approach that addressed the concerns of all stakeholders. We understand that further discussions have been held across the sector and involving DHLUC, but no further solution has been proposed or published. Until a resolution is identified we are unable to conclude our work on this area of the 2021/22 audit. We will update the Committee when further information is available on a proposed solution to the accounting issue.

Audit Progress

External audit work on the Authority's arrangements to deliver value for money in its use of resources (continued)

The changes to the reporting requirements means that from 2020/21 we no longer include a value for money conclusion in our Financial Statements Audit Report. We now report our commentary on the Authority's arrangements to deliver value for money in a new Auditor's Annual Report (which replaces the Annual Audit Letter). The NAO Code requires that where auditors identify weaknesses in arrangements, we should report recommendations to the management and the Audit Committee promptly through the year.

In carrying out our work we will comply with the NAO's guidance on value for money work, which identifies that the work must have regard to the following specific criteria:

- **Financial sustainability:** how the body plans and manages its resources to ensure it can continue to deliver its services;
- **Governance:** how the body ensures that it makes informed decisions and properly manages its risks; and
- **Improving economy, efficiency and effectiveness:** how the body uses information about its costs and performance to improve the way it manages and delivers its services.

We are required to structure our VFM commentary on the Authority's arrangements under these specified reporting criteria, which are expanded in the supporting guidance notes produced by the National Audit Office as detailed overleaf.

Audit Progress

External audit work on the Authority's arrangements to deliver value for money in its use of resources (continued)

Financial sustainability: how the body plans and manages its resources to ensure it can continue to deliver its services

- how the body ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them
- how the body plans to bridge its funding gaps and identifies achievable savings
- how the body plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities
- how the body ensures that its financial plan is consistent with other plans such as workforce, capital, investment, and other operational planning which may include working with other local public bodies as part of a wider system
- how the body identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans.

Governance: how the body ensures that it makes informed decisions and properly manages its risks, including

- how the body monitors and assesses risk and how the body gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud
- how the body approaches and carries out its annual budget setting process
- how the body ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information where appropriate); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed
- how the body ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance/audit committee
- how the body monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of officer or member behaviour (such as gifts and hospitality or declarations/conflicts of interests).

Improving VFM: how the body uses information about its costs and performance to improve the way it manages and delivers its services

- how financial and performance information has been used to assess performance to identify areas for improvement
- how the body evaluates the services it provides to assess performance and identify areas for improvement
- how the body ensures it delivers its role within significant partnerships, engages with stakeholders it has identified, monitors performance against expectations, and ensures action is taken where necessary to improve
- where the body commissions or procures services, how the body ensures that this is done in accordance with relevant legislation, professional standards and internal policies, and how the body assesses whether it is realising the expected benefits.

Section 02:

Significant Weaknesses in Greater Manchester Combined Authority's Value for Money (VFM) Arrangements

3. VFM arrangements – Risks of significant weakness in arrangements

Risks of significant weaknesses in arrangements

We have outlined below the risks of significant weaknesses in arrangements that we have identified as part of our continuous planning procedures, and the work undertaken to respond to each of those risks.

Risk of significant weakness in arrangements		Work undertaken and the results of our work
1	<p>Greater Manchester Police - HMICFRS Report</p> <p>The December 2020 HMICFRS inspection report in relation to the service provided to victims of crime by Greater Manchester Police identified weaknesses in relation to the reporting of crime in Greater Manchester with over one in five crimes failing to be recorded, and more than one in every four violent crimes.</p> <p>This highlights weaknesses in the governance arrangements for providing effective oversight of Greater Manchester Police through the Mayor's statutory responsibilities for Police and Crime, in particular due to the lack of accurate data in respect of recorded crime, and indicates risks of significant weaknesses in proper arrangements against the specified value for money reporting criteria areas of:</p> <p>"Improving economy, efficiency and effectiveness" including:</p> <ul style="list-style-type: none">• how performance information has been used to assess performance to identify areas for improvement; and• how the body evaluates the services it provides to assess performance and identify areas for improvement; <p>"Governance" including:</p> <ul style="list-style-type: none">• how the body ensures effective processes and systems are in place to communicate relevant, accurate and timely management information and ensures corrective action is taken where needed;• how the body ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency.	<p>Work undertaken</p> <p>We discussed with management the planned response to the report and progress against the planned improvements. We obtained and reviewed supporting documentation which details the response, actions taken and processes followed.</p> <p>We evaluated the arrangements which have been put in place in response to the HMICFRS report and obtained evidence to ensure the arrangements are adequate and appropriate.</p> <p>Results of our work</p> <p>Notwithstanding GMP's progress in improving it's governance structures and performance management framework during 2021/22, in our view, the governance structure and performance management arrangements in place during 2020/21 represented a significant weakness in value for money arrangements for GMCA, particularly relating to the oversight responsibilities which The Mayor and Deputy Mayor have over GMP's governance arrangements, and in its arrangements during 2020/21 for improving economy, efficiency and effectiveness in services. A summary of the significant weakness in the 2020/21 arrangements and the supporting recommendation for improvement are provided on pages 12 and 13.</p>

3. VFM arrangements – Risks of significant weakness in arrangements

Risks of significant weaknesses in arrangements (continued)

Risk of significant weakness in arrangements		Work undertaken and the results of our work
2	<p>HMICFRS Police Effectiveness, Efficiency and Legitimacy (PEEL) Assessment (March 2022)</p> <p>On 3 March 2022 HMICFRS published the findings from their 2021/22 PEEL assessment. This assessed how good GMP is in ten areas of policing and made graded judgments in nine of these ten areas.</p> <p>GMP was judged “inadequate” in three areas (investigating crime, responding to the public and developing a positive workplace).</p> <p>In addition, HMICFRS raised 4 causes of concern:</p> <ul style="list-style-type: none">• GMP is failing to respond appropriately to some people who are vulnerable and at risk.• The force does not investigate crime, supervise investigations or update victims to an acceptable standard.• GMP doesn’t currently have the arrangements in place to support and build its workforce.• The force doesn’t currently have a sufficient understanding of either its demand or the capability and capacity of its workforce. <p>In addition to the Victims of Crime report covered in the risk on the previous page, the report further highlights weaknesses in the governance arrangements for providing effective oversight of Greater Manchester Police through the Mayor’s statutory responsibilities for Police and Crime. These matters indicate a risk of significant weaknesses in proper arrangements against the Governance and Improving Economy, Efficiency and Effectiveness reporting criteria detailed on page 8.</p>	<p>Work undertaken</p> <p>We have</p> <ul style="list-style-type: none">• held discussions with management to understand GMP’s planned response to the report and progress against the planned improvements;• obtained and reviewed supporting documentation which details GMP’s planned response, actions taken and processes followed; and• evaluated the governance arrangements which have been put in place in response to the HMICFRS report and obtained evidence to ensure the arrangements are adequate and appropriate. <p>Results of our work</p> <p>Notwithstanding GMP’s response to the assessment findings to date, in our view, the matters identified within the HMICFRS PEEL assessment (and particularly the areas judged inadequate and the areas for concern) represented a significant weakness in GMCA’s value for money arrangements, particularly relating to the oversight responsibilities which The Mayor and Deputy Mayor have over GMP’s governance arrangements and the arrangements during 2020/21 that were in place for improving economy, efficiency and effectiveness in services. A summary of the significant weakness in the 2020/21 arrangements and the supporting recommendation for improvement are provided on pages 12 and 13.</p>

3. VFM arrangements – Risks of significant weakness in arrangements

Risks of significant weaknesses in arrangements (continued)

Risk of significant weakness in arrangements		Work undertaken and the results of our work
3	<p>Greater Manchester Fire and Rescue Service - HMICFRS Report</p> <p>In December 2021 HMICFRS released a report setting out its findings from the third inspection of Greater Manchester Fire and Rescue Services (GMFRS). The report assessed the service against three domains: efficiency, effectiveness and people.</p> <p>GMFRS was judged as “requires improvement” in two areas (effectiveness and efficiency), and “good” in one area (people). The report highlights a number of areas of innovative practice, alongside areas for improvement and a cause of concern. The cause of concern stated:</p> <p><i>“Greater Manchester FRS should have its own marauding terrorist attack (MTA) response that is both resilient, timely and cost effective.</i></p> <p><i>The service should ensure it is properly prepared as part of a multi-agency response to terrorist incidents. This includes the provision of a timely response to ensure public safety. Response procedures must be understood by all staff and properly exercised and tested. This should not come at the cost of wider fire cover for the public.</i></p> <p><i>By the end of October 2021, the service should have a sustainable plan to maintain its response to MTA incidents. This should include meaningful training and exercising for all staff who would be expected to respond to a MTA incident”.</i></p> <p>Alongside the inspection report, HMICFRS released a follow up letter on the cause of concern. This stated HMICFRS had not received an action plan, however it had been provided with a comprehensive business case which was in the processes of being approved.</p> <p>These matters indicate a risk of significant weaknesses in proper arrangements against the Governance and Improving Economy, Efficiency and Effectiveness reporting criteria detailed on page 8.</p>	<p>Work undertaken</p> <p>We have</p> <ul style="list-style-type: none">• reviewed the findings of the HMICFRS report;• considered the progress against the cause of concern identified in the HMICFRS follow up letter;• obtained and reviewed supporting documentation which details GMP’s planned response, actions taken and processes followed; and• evaluated the arrangements which have been put in place in response to the HMICFRS report and obtained evidence to ensure the arrangements are adequate and appropriate. <p>Results of our work</p> <p>Notwithstanding GMFRS’ response to the assessment findings to date, in our view, the matters identified within the HMICFRS assessment (and particularly the cause of concern) represented a significant value for money weakness for GMCA’s governance arrangements and in its arrangements for improving economy, efficiency and effectiveness in services as they were in 2020/21. We are aware that HMICFRS issued a letter to GMCA on 29 July 2022, confirming the service has made progress in relation to the cause of concern, and that the cause of concern is now considered closed. A summary of the significant weakness in the 2020/21 arrangements identified and the supporting recommendation for improvement is provided on page 14.</p>

3. VFM arrangements – Risks of significant weakness in arrangements

Risks of significant weaknesses in arrangements (continued)

Risk of significant weakness in arrangements		Work undertaken and the results of our work
4	<p>Head of Internal Audit Opinion</p> <p>In August 2021 the Authority's Head of Audit and Assurance issued their Head of Internal Audit Opinion for 2020/21. The opinion provided limited assurance on the overall adequacy and effectiveness of GMCA's framework of governance, risk management and internal control. The opinion reflected the fact that some of the Authority's wider governance and organisational risk management arrangements were yet to develop to a mature and consistent state. In particular, an organisational risk management maturity assessment undertaken in late 2020 identified most of the organisation as falling within the 'emerging' phase of risk management maturity.</p> <p>During 2020/21, the Head of Audit and Assurance reported a limited assurance Internal Audit Report on performance management arrangements. The weaknesses identified in performance management arrangements were specifically highlighted by the Head of Audit and Assurance as a key factor in the 'limited' Head of Internal Audit Opinion for 2020/21.</p> <p>These matters indicate a risk of significant weaknesses in proper arrangements against the Governance and Improving Economy, Efficiency and Effectiveness reporting criteria detailed on page 8.</p>	<p>Work undertaken</p> <p>We discussed with the Head of Audit and Assurance the basis of their limited assurance opinion. We reviewed the approach taken to undertake the risk management maturity assessment and the findings identified from the exercise. We obtained and reviewed supporting documentation which details management's response, and actions taken to move the assessment to the target maturity level of 'conforming' in 2021/22.</p> <p>We reviewed the work undertaken by Internal Audit on the Authority's performance management arrangements. In particular we focused on the findings raised and the responses to recommendations agreed by management.</p> <p>We evaluated the governance arrangements which have been put in place in response to the Head of Internal Audit Opinion, and in response to Internal Audit's report on performance management arrangements, and obtained evidence to ensure the arrangements are adequate and appropriate.</p> <p>Results of our work</p> <p>While there has been progress in implementing governance arrangements around risk management and performance management since Internal Audit raised their findings, the issues identified represented a significant value for money weaknesses at the Authority in 2020/21. In particular the weaknesses relate to how the Authority monitors and assesses risk, and how the Authority evaluates the services it provides to assess performance and identify areas for improvement as they were in 2020/21. A summary of the significant weaknesses in arrangements identified and the supporting recommendations for improvement are provided on pages 15 and 16.</p>

3. Identified significant weaknesses and our recommendations

Identified significant weaknesses in arrangements and recommendations for improvement

As a result of our work we have identified significant weaknesses in the Authority’s arrangements to secure economy, efficiency and effectiveness it its use of resources. These identified weaknesses, and associated recommendations have been outlined in the table below.

Identified significant weakness in arrangements		Financial sustainability	Governance	Improving the 3Es	Recommendation in relation to a significant weakness in Value for Money arrangements	Our views on the actions taken to date
1	<p>Oversight of Greater Manchester Police</p> <p>On the 10 December 2020 HMICFRS published “An inspection of the service provided to victims of crime by Greater Manchester Police”.</p> <p>HMICFRS found that in too many cases, the service provided was not good enough and the report highlighted a number of ‘causes of concern’ relating to crime reporting.</p> <p>The HMICFRS report also highlighted that the force had not overcome the deficiencies in service that it identified in its 2019 integrated police effectiveness, efficiency and legitimacy programme (PEEL) assessment and its 2018 crime data integrity inspection.</p> <p>The extent of the failings detailed within the December 2020 HMICFRS inspection report and GMP’s failure to secure the improvements identified by HMICFRS in its previous inspections / assessments highlight not only significant weaknesses in the services provided to victims of crime, but also significant weaknesses in the Force’s Governance and Performance Management arrangements.</p> <p>(continued overleaf)</p>		●	●	<p>GMCA should continue the steps taken during 2021/22 to improve its governance structures and performance management framework in relation to the Mayor’s oversight responsibilities for GMP. This should include:</p> <ul style="list-style-type: none">• using performance management information to assess the performance of GMP to identify areas for improvement;• monitoring progress made by GMP to address the causes of concern, recommendations and areas for improvement reported in the HMICFRS report and subsequent PEEL assessment;• ensuring effective oversight processes and systems are in place to communicate relevant, accurate and timely management information and that corrective action is taken where needed; and• taking properly informed decisions, supported by appropriate evidence, allowing for challenge and transparency.	<p>We issued our recommendation for improvement to GMCA on the 27 July 2022. As a result, whilst work has continued to address the findings of HMICFRS, there has not yet been time for the Authority to respond to our recommendation in full.</p> <p>We are however aware that the Authority continues to work closely with GMP in its efforts to address the issues identified by the HMICFRS, and maintains the additional oversight arrangements established to monitor progress.</p>

3. Identified significant weaknesses and our recommendations

Identified significant weaknesses in arrangements and recommendations for improvement (continued)

Identified significant weakness in arrangements	Financial sustainability	Governance	Improving the 3Es	Recommendation in relation to a significant weakness in Value for Money arrangements	Our views on the actions taken to date
<p>1 Oversight of Greater Manchester Police (continued)</p> <p>On 3 March 2022 HMICFRS published the findings from their 2021/22 PEEL assessment . This assessed how good GMP is in ten areas of policing and made graded judgments in nine of these ten areas. This was GMP's first full PEEL assessment since 2018/19.</p> <p>GMP was judged "inadequate" in three areas (investigating crime, responding to the public and developing a positive workplace). In addition, HMICFRS raised 4 causes of concern, relating to GMP's arrangements: for responding to those who are vulnerable; for supporting and building its workforce; for understanding demand and the capability/ capacity of its workforce; and for investigating crime, supervising investigations and updating victims.</p> <p>Although the PEEL assessment was not published until March 2022 much of the data and intelligence used by HMICFRS when assessing GMP's arrangements is based on the financial year ended 31 March 2021. Therefore, this is indicative of the issues identified being applicable to the 2020/21 financial year.</p> <p>In our view, the above matters represent a significant weakness in value for money arrangements for GMCA due to the oversight responsibilities which The Mayor and Deputy Mayor have over GMP's governance arrangements and in its arrangements for:</p> <ul style="list-style-type: none"> • improving economy, efficiency and effectiveness in how GMP uses information about its performance to improve the way it manages and delivers its services; and • how it makes informed decisions and properly manages its risks. 		●	●	<p>GMCA should formally review the new arrangements with GMP to ensure that the changes are embedded and are starting to deliver the required improvements in service performance.</p>	


3. Identified significant weaknesses and our recommendations

Identified significant weaknesses in arrangements and recommendations for improvement (continued)

Identified significant weakness in arrangements	Financial sustainability	Governance	Improving the 3Es	Recommendation in relation to a significant weakness in Value for Money arrangements	Our views on the actions taken to date
<p>2 Greater Manchester Fire and Rescue Service Cause of Concern</p> <p>In May 2017, GMCA became the Fire and Rescue Authority for Greater Manchester. The fire service, as part of GMCA, operates as Greater Manchester Fire and Rescue Service (GMFRS). In December 2021 HMICFRS published the results of its inspection of Greater Manchester Fire and Rescue Service (GMFRS). This rated the service as requiring improvement in the effectiveness and efficiency areas, and good in the people area.</p> <p>Within the report, HMICFRS raised a cause of concern, relating to GMFRS' arrangements for responding to marauding terrorist attacks and working as part of a multi-agency response to terrorist attacks. In particular the report highlighted issues in the sustainability of current arrangements which were due to run out, and the suspension of training of non-specialised firefighters for marauding terrorist attacks.</p> <p>Although the HMICFRS assessment was not published until December 2021, much of the data and intelligence used by HMICFRS when assessing GMFRS' arrangements is based on the financial year ended 31 March 2021. Therefore, this is indicative of the issues identified being applicable to the 2020/21 financial year.</p> <p>In our view, the cause of concern represents a significant weakness in the Authority's value for money arrangements. In particular, and linked to our "Governance" and "Improving Economy, Efficiency and Effectiveness" value for money reporting criteria:</p> <ul style="list-style-type: none"> • how the Authority evaluates the services it provides and how performance information has been used to assess performance and identify areas for improvement; and • how the Authority ensures effective processes and systems are in place to support properly informed decision making, and to ensure corrective action is taken where needed. 		●	●	<p>GMCA should continue the steps taken during 2021/22, to respond to the findings of the HMICFRS inspection of Greater Manchester Fire and Rescue Service, including:</p> <ul style="list-style-type: none"> • developing a formal action plan to address the findings of the HMICFRS report, including both the cause of concern and the wider areas for improvement; • ensuring effective processes and systems are in place to monitor progress against the action plan; and • providing regular reports to the Police, Fire and Crime Panel to advise on progress against the action plan, and to allow for sufficient scrutiny of progress made to date. 	<p>We issued our recommendation for improvement to GMCA on the 27 July 2022. As a result, whilst work has continued to address the findings of HMICFRS, there has not yet been time for the Authority to respond to our recommendation in full.</p> <p>We are however aware that HMICFRS issued a letter to GMCA on 29 July 2022, confirming the service has made progress in relation to the cause of concern, and that the cause of concern is now considered closed.</p>

3. Identified significant weaknesses and our recommendations

Identified significant weaknesses in arrangements and recommendations for improvement (continued)

Identified significant weakness in arrangements	Financial sustainability	Governance	Improving the 3Es	Recommendation in relation to a significant weakness in Value for Money arrangements	Our views on the actions taken to date
<p>3 Head of Internal Audit Opinion – Risk Management Arrangements</p> <p>In August 2021 the Authority’s Head of Audit and Assurance issued their “Head of Internal Audit Annual Opinion 2020/21”. The opinion provided limited assurance on the overall adequacy and effectiveness of GMCA’s framework of governance, risk management and internal control.</p> <p>The opinion highlighted weaknesses in the Authority’s risk management arrangements. This followed an organisational risk management maturity assessment taking place in late 2020, which identified inconsistencies in risk management arrangements across the organisation. The opinion noted that while there were some formalised approaches in place within directorates, other directorates needed support to evolve their risk management activities. The overall assessment of the organisation was falling within the “Emerging” phase of risk management maturity, where some formal processes are in place, but risk management is applied inconsistently across the Authority. The Authority has set a target to achieve a “conforming” level in 2021/22, where a documented risk management framework exists, and risk management is applied consistent throughout the Authority.</p> <p>In our view, the matters raised in the Head of Internal Audit Opinion in relation to risk management highlights a significant weakness in the Authority’s value for money arrangements. In particular, and linked to our “Governance” value for money reporting criteria, how the Authority monitors and assesses risk and how the body gains assurance over the effective operation of internal controls.</p>				<p>GMCA should improve its governance arrangements in respect of risk management including:</p> <ul style="list-style-type: none"> • embedding the standardised risk management framework across all directorates; • ensuring effective processes and systems are in place to escalate risks on a timely basis; and • regular reporting of progress made in implementing the revised arrangements to both the Chief Executive Management Team and to the Audit Committee. <p>The Authority should repeat the risk management maturity assessment on a regular basis to measure the progress made achieving the required improvements.</p>	<p>We issued our recommendation for improvement to GMCA on 27 July 2022. As a result, there has not yet been time for the Authority to address our recommendation in full.</p> <p>We are however aware that the Authority has already begun to take relevant actions in order to improve its risk management arrangements. The 2021/22 Head of Internal Audit Opinion reflects progress made in respect of risk management over the past year, and has improved to an overall reasonable level of assurance.</p> <p>We will follow these actions up as part of the 2021/22 value for money commentary</p>

3. Identified significant weaknesses and our recommendations

Identified significant weaknesses in arrangements and recommendations for improvement (continued)

Identified significant weakness in arrangements	Financial sustainability	Governance	Improving the 3Es	Recommendation in relation to a significant weakness in Value for Money arrangements	Our views on the actions taken to date
<p>4 Head of Internal Audit Opinion – Performance Management Arrangements</p> <p>In August 2021 the Authority’s Head of Audit and Assurance issued their “Head of Internal Audit Annual Opinion 2020/21”. The opinion provided limited assurance on the overall adequacy and effectiveness of GMCA’s framework of governance, risk management and internal control. The opinion was, in part, based on a limited assurance internal audit report, which highlighted weaknesses in the Authority’s performance management arrangements.</p> <p>The internal audit report, issued in June 2021, focused on the Authority’s performance management and reporting framework. The report noted a lack of formally defined corporate process for reporting on organisational delivery.</p> <p>The report recommended the Authority sets out the principles for a defined GMCA-wide performance management framework, identifies linkages between the GMS implementation plan and the GMCA Business Plan, and regularly reports on actual delivery against key performance indicators and Business Plan activities.</p> <p>In our view, the matters raised in the Head of Internal Audit Opinion in relation to performance management highlights a significant weakness in the Authority’s value for money arrangements. In particular, and linked to our “Improving Economy, Efficiency and Effectiveness” criteria:</p> <ul style="list-style-type: none"> • how financial and performance information has been used to assess performance to identify areas for improvement, and • how the Authority evaluates the services it provides to assess performance and identify areas for improvement. 			●	<p>Greater Manchester Combined Authority should improve its performance management arrangements including:</p> <ul style="list-style-type: none"> • implementing identified corporate performance metrics across the Authority; • ensuring effective processes and systems are in place to monitor the implementation of the new performance management framework by management; and • regular reporting of performance management arrangements to Members, allowing for appropriate scrutiny and transparency in the process. 	<p>We issued our recommendation for improvement to GMCA on the 27 July 2022. As a result, there has not yet been time for the Authority to address our recommendation in full.</p> <p>We are however aware that the Authority has already begun to take relevant actions in order to improve its performance management arrangements. The 2021/22 Head of Internal Audit Opinion reflects progress made in respect of performance management over the past year, and has improved to an overall reasonable level of assurance.</p> <p>We will follow these up as part of the 2021/22 value for money commentary</p>

03

Section 03: **National Publications**

National publications

This section highlights the recent national publications that may be of interest to Members of the Committee. If you require any additional information please contact any member of your engagement team.

Publication/update		Key points
Chartered Institute of Public Finance and Accountability (CIPFA)		
1	CIPFA/LASAAC Code Of Practice On Local Authority Accounting In The United Kingdom 2022/23	Code of Practice for 2022/23 financial statements
Department for Levelling Up, Housing and Communities		
2	Guidance on flexible use of capital receipts	Updated guidance on the type of projects that qualify for the capital receipts flexibility programme 2022-2025
3	Better Care Fund planning requirements 2022-23	Planning requirements for local authorities for the BCF 2022/23 year
National Audit Office (NAO)		
4	Improving government data: A guide for senior leaders	A good practice insight guide for senior leadership
Public Sector Audit Appointments Ltd		
5	Consultation on 2022/23 scale of audit fees	Consultation document on proposed audit fees for 2022/23

NATIONAL PUBLICATIONS

CIPFA

1. CIPFA/LASAAC Code Of Practice On Local Authority Accounting In The United Kingdom 2022/23, July 2022

Local authorities in the UK are required to keep their accounts in accordance with 'proper (accounting) practices'. Public sector organisations responsible for locally delivered services are required by legislation to comply with the terms of the Code of Practice on Local Authority Accounting in the United Kingdom (the Code). This 2022/23 edition of the Code has been developed by CIPFA/LASAAC and has effect for financial years commencing on or after 1 April 2022.

The Code specifies the principles and practices of accounting required to prepare financial statements which give a true and fair view of the financial position and transactions of a local authority. The Code applies to local government organisations across the UK including local authorities, police bodies, fire services and other local public service bodies.

This edition of the Code introduces a number of important amendments relating both to context and an understanding of requirements. Changes include:

- clarifying and expanding the applicability of the Code to Welsh authorities and bodies including corporate joint committees
- amendments to clarify the treatment of social benefits
- provisions which allow local authorities to account for leases in accordance with IAS 17, while also offering the option for local authorities to choose to adopt IFRS 16 on a voluntary basis. Where the latter option is taken, service concession arrangement liabilities must also be measured in accordance with the measurement requirements of IFRS 16.

The Code sets out the relevant requirements on local authority accounting including material developed as a result of an exceptional consultation which explored options which might help alleviate pressures on the timetable for publication and audit of local authority financial statements. However, preparers should be aware that further consultation has been undertaken in relation to accounting for infrastructure assets, and this may result in amendments and updates being made to this edition of the Code and potentially other earlier editions of the Code.

<https://www.cipfa.org/policy-and-guidance/publications/c/code-of-practice-on-local-authority-accounting-in-the-united-kingdom-202223-online>

NATIONAL PUBLICATIONS

Department for Levelling Up, Housing and Communities

2. Guidance on flexible use of capital receipts, August 2022

This is an updated direction and statutory guidance to extend the freedom for local authorities to use eligible capital receipts to fund the revenue costs of projects that deliver ongoing savings or improved efficiency. This direction revokes and replaces the direction of the same name issued on 4 April 2022.

Capital receipts are the money councils receive from asset sales, the use of which is normally restricted to funding other capital expenditure or paying off debt. The receipts cannot usually be used to fund revenue costs. The direction introduces a new restriction that authorities may not use the flexibility to fund discretionary redundancy payments, i.e. those not necessarily incurred under statute. This does not affect other types of severance payments and, to be clear, does not restrict, including pension strain costs, which may still be qualifying expenditure.

The direction allows authorities to use the proceeds from asset sales to fund the revenue costs of projects that will reduce costs, increase revenue or support a more efficient provision of services. This is an extension of the flexibility that has been in place since 2016, and will allow this freedom to continue to 2024/25 to help authorities plan for the long-term.

This direction clarifies that the capital receipts obtained must be disposals by the local authority outside the “group” structure.

As introduced in the direction issued on 4 April 2022, this direction includes the requirement to submit the planned use of the flexibility in advance of use for each financial year. This condition can be met by sending the authority’s own strategy documents provided they contain the detail asked for in the direction. This is not an approval process, the information must be sent to ensure transparency and allow proper monitoring by central government.

<https://www.gov.uk/government/publications/final-guidance-on-flexible-use-of-capital-receipts>

3. Better Care Fund planning requirements 2022-23, July 2022

The Better Care Fund (BCF) planning requirements set out details of the requirements that BCF plans must meet. They apply to both integrated care boards and local authorities, and they are published jointly with the Local Government Association.

<https://www.england.nhs.uk/publication/better-care-fund-planning-requirements-2022-23/>

NATIONAL PUBLICATIONS

National Audit Office

4. Improving government data: A guide for senior leaders, July 2022

This guide is for senior leaders responsible for delivering government services. The NAO’s aim is to encourage decision-makers to realise the benefits of better use of data by helping them understand in more detail the core issues to be addressed which have held back progress in the past.

The guide focuses on data to support the operational delivery of public services, but the NAO intends that much of their guide will also be relevant to data for decision-making and to improve performance.

The guide discusses overcoming barriers in data sharing, data quality, data standards, resourcing, access to raw data and APIs (application programming interfaces), creating cross-government data sets for multiple users, data analytics.

[Improving government data: A guide for senior leaders - National Audit Office \(NAO\) insight](#)

NATIONAL PUBLICATIONS

Public Sector Audit Appointments Ltd

5. Consultation on 2022/23 scale of audit fees, August 2022

PSAA has consulting on the fee scale for 2022/23 audits. This is the final fee scale under PSAA's current audit contracts, which cover audits of the financial statements of opted-in bodies for the five-year period 2018/19 to 2022/23. Audit work under the proposed 2022/23 fee scale will largely be undertaken from autumn 2023 onwards.

This fee scale consultation is separate from the procurement exercise PSAA is currently undertaking for audit contracts that will apply for the next five years, for audits from 2023/24. Audit work under the new contracts will take place from 2024 onwards. Any audit fee implications arising from the results of the procurement will be covered by our consultation on the 2023/24 fee scale in twelve months' time.

Consultees will be aware that auditors and auditing have been subject to very high levels of scrutiny in recent times following a number of widely reported financial failures in the private sector. These changes have resulted in significant tensions and pressures in the wider audit market and profession and have led to a series of government-commissioned reviews of audit and audit regulation. The Department for Levelling Up Housing and Communities (DLUHC) has announced a range of measures to be implemented to address the issues identified in the local audit framework specifically. These include a new system leader role to be discharged by a new regulator, the Audit Reporting and Governance Authority (ARGA) when it is established under future legislation.

This consultation on the 2022/23 fee scale took place in the context of these pressures and changes. The consultation explained how PSAA proposes to calculate the audit fees which will make up the 2022/23 fee scale, managing the impact of three key elements:

- fee variations approved in relation to 2019/20 and 2020/21 audit work which relate to recurrent audit work that is needed in subsequent audit years;
- changes in local audit requirements; and
- the impact of changes in inflation.

The consultation closed on Friday 30 September 2022.

<https://www.psaa.co.uk/appointing-auditors-and-fees/list-of-auditor-appointments-and-scale-fees/2022-23-auditor-appointments-and-audit-fee-scale/>

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