

**MINUTES OF THE GREATER MANCHESTER COMBINED AUTHORITY
AUDIT COMMITTEE, HELD ON WEDNESDAY 19th OCTOBER 2022 AT THE GMCA
OFFICES, TOOTAL BUILDINGS, MANCHESTER M1 6EU**

PRESENT:

Councillor Sarah Russell	Manchester City Council (Chair)
Councillor Christine Roberts	Wigan Council (substitute Member)
Councillor John Walsh	Bolton Council
Councillor Tom McGee	Stockport Council (substitute Member)
Gwyn Griffiths	Independent Member
Grenville Page	Independent Member
Catherine Scivier	Independent Member

ALSO PRESENT:

Andy Burnham	GM Mayor
Mark Dalton	Mazars
Daniel Watson	Mazars
Steve Warrener	TfGM
Simon Warburton	TfGM

OFFICERS:

Eamonn Boylan	GMCA Chief Executive
Gillian Duckworth	GMCA Solicitor and Monitoring Officer
Andrew Lightfoot	GMCA Deputy Chief Executive
Steve Wilson	GMCA Treasurer
Sarah Horseman	GMCA Head of Audit and Assurance
Andrea Heffernan	Director of Corporate Support, GMF&RS
Kris Smedley	Head of Fleet, GMF&RS
Paul Harris	GMCA Senior Governance and Scrutiny Officer

AC/25/22 WELCOME, INTRODUCTIONS AND APOLOGIES

Apologies for absence were received and noted from Councillor Peter Williams (Rochdale), Councillor Mary Whitby (Bury) and Susan Webster (Independent Member).

AC/26/22 CHAIR'S ANNOUNCEMENTS AND ITEMS OF URGENT BUSINESS

a) UPDATE FROM THE JOINT AUDIT PANEL

The Chair advised the Committee that the update from the Joint Audit Panel item will be deferred to the next meeting of the Committee.

AC/27/22 MEMBERSHIP OF THE COMMITTEE 2022/2023

Members noted that at the recent Greater Manchester combined Authority meeting, Councillor Tom McGee, Stockport (Lab) was appointed as a substitute member on the GMCA Audit Committee for the remainder of the 2022/2023 municipal year.

Members noted that Councillor McGee had replaced Councillor Tracy Kelly, Salford (Lab).

RESOLVED/-

That the appointment of Councillor Tom McGee, Stockport (Lab) as a substitute member on the Committee for the remainder of the 2022/2023 municipal year, be noted.

AC/28/22 DECLARATIONS OF INTEREST

RESOLVED /-

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

AC/29/22 MINUTES OF THE PREVIOUS AUDIT COMMITTEE MEETING

The minutes of the previous Audit Committee meeting, held on 27th July 2022, were submitted.

RESOLVED/-

That the minutes of the previous meeting of the Audit committee, held on 27th July 2022, be agreed as a correct record.

AC/30/22 UPDATE FROM THE JOINT AUDIT PANEL

This item was deferred to the next meeting of the Committee.

AC/31/22 RISK DEEP DIVE - TRANSPORT

Andy Burnham, GM Mayor, Steve Warrener, Director of Finance and Corporate Services and Simon Warburton, Strategy Director, Transport for Greater Manchester presented an update on transport matters.

It was noted that this item had been brought in order for members to look deeper in to strategic risks that are included within the risk register, particularly the financial risk in respect of the Metrolink.

The update included the current position in respect of patronage level across all transport modes, energy costs, government funding for transport modes, capital programme costs and borrowing costs. The update also highlighted the impact of poor rail performance on passengers, rail subsidies for train operating companies and the high costs of rail fares.

In terms of funding sources from Government, Members noted that funding support was scheduled to end at the end of March 2023. Discussions were needed with Government in relation to a strategic approach to recovery funding support.

In response to an enquiry from a Member, it was noted that for Metrolink, patronage was in the region of 83% of pre-pandemic levels, with some morning peak journey demand close to the pre-pandemic levels. Rail patronage was estimated at around 80% of pre-pandemic levels, with bus patronage at 84%.

Following a question in relation to staffing costs for Metrolink, Members were advised that details would be shared after the meeting. It was noted that in terms of increases to these costs, this was linked to RPI data and that any pay offer increase for staff will be paid by the operating company.

Following a comment from a Member, officers noted that the potential for industrial action would be classed as a risk.

A Member sought information on any long-term modelling on the real reduction to annual Metrolink patronage due to changes in work patterns. In response, it was noted that modelling continues to take place. Officers highlighted the mix in commuter activity across the network and noted that hybrid working now means that commuters were less likely to purchase weekly travel products. For this reason, ticketing products have been developed to cater for this new working approach and offer flexibility in the ticket offer.

The update also highlighted that demand on Metrolink on Tuesdays and Thursdays were like that of pre-pandemic levels, Mondays and Wednesdays were at 85% and demand on Fridays was around 65%. A Member suggested that the new ticketing offers should be promoted wider. A new website has been developed to help travelling people to identify the best fare for them.

In response to an enquiry in respect of local events and private, personal travel, it was noted that TfGM continues to work with local authorities regarding any local events and also with major leisure providers in the city region.

Members noted that the introduction of new bus fares has had a positive impact on patronage and was also helping to support the cost of living agenda.

In response to an enquiry from a Member, officers explained how the use of reserves would be treated to support the transport network. It was expected that there will also be pressures on existing budgets, outside of the specific issues discussed today, but these pressures would be dealt with within the respective budgets through the

identification of efficiencies. It was confirmed GMCA works jointly with TfGM in respect of the overall transport reserves position.

Following an enquiry from a Member, it was noted that the core use of public transport was for retail and leisure. Details of the household survey were highlighted.

The GM Mayor, GM Portfolio Lead for Transport, also provided an update on transport matters, highlighting that the poor performance of the regions rail operators is impacting on the number of visitors that would be expected. This lack of trust in rail services in the north west has had a negative impact on businesses, events and the night-time economy. The update also noted that the complex, existing funding system for rail is very expensive for both the country and the taxpayer.

It was noted that changes to the bus franchising system and the opportunity to set the fare box for GM will reduce the risk in respect of concessions and allow for multi-modal travel products to be developed.

A Member highlighted the need for good, efficient public transport services to attract people from cars and help improve air quality in the city region.

RESOLVED/-

1. That the update on Transport risk be received with thanks and noted.
2. That it be agreed for transport risk to continue to be reviewed as part of the Committee's work programme.
3. In terms of staffing costs for Metrolink members were advised that details would be shared after the meeting.

AC/32/22 CONSTITUTION AND GOVERNANCE UPDATE - POLICE AND CRIME

Gillian Duckworth, GMCA Solicitor & Monitoring Officer, introduced a report which set out the legislative and constitutional framework in relation to the Audit Committee and the Joint Audit Panel – Police and Crime.

The report outlined the responsibilities of the GM Mayor as the Police and Crime Commissioner and the Chief Constable, GMP and the roles of the GMCA Audit Committee and the Joint Audit Panel and their respective accountabilities.

In considering the report, Members were also asked, where appropriate, to consider a recommendation to the GM Combined Authority for the Combined Authority to adopt an amendment to the Audit Committee's Terms of Reference as follows:-

“ That the Audit committee receives the annual report of the Chair of the Joint Audit Panel – Police and Crime and the minutes of meetings of the Panel as, amongst other things, a means of providing assurance with regard to GMP's internal control environment and risk management framework for the management of operational risk.”

It was noted that the situation in GM was relatively unique, and that the legislation had been adapted to cater for those arrangements. The Joint Audit Panel provides a mechanism for all aspects of GMP to be considered and reported through to the GMCA Audit Committee. The proposed reporting mechanisms for the Joint Audit Panel was highlighted.

Members suggested that clarity in the process will provide assurance and is fundamental to the probity of the audit process so that the statutory responsibilities of the committee can be undertaken without duplication of work. Further work on this clarity and transparency should be explored.

Following a comment from a Member, it was noted that the Joint Audit Panel is an independent overview of the policing function. Any change would need an amendment to either primary or secondary legislation.

A Member was concerned that there is a lack of transparency in the current arrangements. It was suggested that the Chair could approach the Chair of the Joint Audit Panel to discuss how the Panel can provide assurance on their work.

Following an enquiry from a Member, officers highlighted that the responsibility of the Committee is to be assured that the Joint Audit Panel has processes in place to deal with issues as they arise. In the event of disagreement regarding assurance between the Audit Committee and the Joint Audit Panel the Audit Committee's view would prevail.

A Member suggested that the Chair of the Joint Audit Panel be invited to the meeting of the GMCA Audit Committee at a point when the Statement of Internal Control is to be discussed.

Representatives from the External Auditors explained that they had raised this matter as part of their Annual Report, in respect the Value for Money of GMCA's oversight arrangements of GMP. This role is discharged if the Audit Committee has appropriate checks and balances in place. The proposed amendment to the constitution provides further clarity on how the Committee can hold the Joint Audit Panel to account.

A Member suggested that a deeper dive was needed on this matter to receive clarity on issues at GMP and the way the Joint Audit Panel is holding GMP and the Mayor as Police and Crime Commissioner to account. In response it was noted that when the Joint Audit Panel's Annual Report is submitted to this Committee there would be an opportunity for the deep dive on the arrangements for the Joint Audit Panel.

The Chair undertook to speak to the Chair of the Joint Audit Panel in respect of the proposed recommendation. It would also be helpful if Audit Committee members receive background papers to accompany the minutes to support the Joint Audit Panel update. It was suggested that the Internal Audit Summary Findings and Action Tracker be also provided.

A further report was to be submitted which will revisit this discussion.

Finally a member commented that a review of the approach for recruitment of new Members including any possible remuneration proposals was needed.

RESOLVED/-

1. That the report be noted.
2. That it be agreed that the Committee agrees to delay recommending to GMCA the adoption of the suggested amendment to the Audit Committee's Terms of Reference, as set out in the recommendation in the report, until the Chair of the Audit Committee had met with the Chair of the Joint Audit Panel.
3. That a further report be brought back to a future meeting of the Committee.

AC/33/22 GMCA OFSTED INSPECTION OUTCOME - APPRENTICESHIP EMPLOYER-PROVIDER

Su Matthews, GMCA introduced a report which provided an update on the outcomes from recent Ofsted Inspection of the Operational Firefighter Apprenticeship delivery at Greater Manchester Fire and Rescue Service, as part of the GMCA.

In welcoming the report, a Member highlighted the benefits of the approach of training the trainer.

In response to an enquiry from a Member regarding the apprentice approach to the previous trainee Fire Fighter recruitment, it was noted that there was now more robust quality assurance and there are work place tutors appointed.

The new process allows to analyse underrepresented groups and to identify and support any student that is falling behind.

RESOLVED/- :

1. That the update and the Ofsted report, as set out at Appendix 1 to the report be noted.
2. That the areas highlighted for improvement and the actions being taken to address these, as set out in the report, be noted.

AC/34/22 RISK MANAGEMENT UPDATE

Sarah Horseman, Head of Audit and Assurance, introduced a report which informed Members of the Audit Committee of changes in the GMCA strategic and key operational risks and provided an update on the risk management activities undertaken since the last meeting of the Committee. Details of emerging future risks was also presented.

In response to an enquiry from a Member in respect of SR7 – Metrolink significant losses, officers confirmed that this remained a risk.

A Member asked that in respect of OR9 Finance- Funding and grants not spent in line with timescales / conditions, if there were reserve project pipelines where funding may be allocated. In response, officers confirmed the reserve list of projects and noted that in GM, the track record for delivering projects within funding deadlines is very good. Officers also noted that there is an enhanced risk for funding clawback of unspent money given the likely requirement for reductions in Government spending, however, the impact of inflation will also impact on the number of projects that the capital grant funding provided may be able to deliver.

A Member suggested that in light of recent economic events that have been influenced by Brexit, the pandemic and the war in Ukraine, there was a need to look further ahead to explore potential future risks and the impact that they may have. It was noted that a workshop was to take place to explore strategic risks.

RESOLVED/-

That the Risk update, as set out in the report, be noted.

AC/36/22 REVIEWING THE EFFECTIVENESS OF THE GMCA AUDIT COMMITTEE

Sarah Horseman, Head of Audit and Assurance, GMCA provided verbal update on proposals to seek the views of members in reviewing the effectiveness of the GMCA Audit Committee.

It was noted that CIPFA has produced guidance for local authorities, which includes a self-assessment tool, which will be shared with members. It was also suggested that a Members' online discussion on this matter would be helpful.

It was also noted that officers were liaising with CIPFA in respect of costs for the guidance document and the ability to share this guidance.

RESOLVED/-

1. That the update be noted.
2. That an informal teams discussion be convened with Committee members in the upcoming weeks.
3. That the CIPFA Guidance and training document will be shared with Members at an appropriate time.

AC/37/22 INTERNAL AUDIT PROGRESS REPORT

Sarah Horseman, Head of Audit and Assurance, GMCA, introduced a report which informed Members of the Audit Committee of the progress made on the delivery of the Internal Audit Plan for Q2 2022/23. It is also used as a mechanism to approve and provide a record of changes to the internal audit plan, as set out in section 3 to the report.

RESOLVED/-

1. That the Internal Audit progress report, be noted.
2. That the changes to the Audit Plan, as set out in Section 3 to the report, be approved.

AC/38/22 AUDIT ACTION TRACKING (INCLUDING HISTORIC AUDIT ACTIONS)

The Head of Audit and Assurance, GMCA introduced a report which advised Audit Committee members of the progress made to date in implementing the agreed actions from internal audit assignments.

Andrea Heffernan, GMF&RS was in attendance to discuss with Members a number of outstanding actions relating to fleet and store matters in GM Fire and Rescue Service (GMF&RS). It was noted that work is progressing well, and it was anticipated that all actions will be completed by December 2022.

Work on the procurement actions is also underway.

RESOLVED/-

That the progress of the implementation of Internal Audit actions, as set out in the report be noted.

AC/39/22 REPORT OF THE EXTERNAL AUDITOR

Members received a report from the External Auditor, Mazars LLP which provided an update on progress in relation to the external auditor's responsibilities and also provided an update on the progress of the external auditors work to assess the authority's arrangements to deliver value for money in the financial year ended 31st March 2021 (2020/21). The report also provided an update on the progress of the 2021/22 audit.

In respect of the 20/21 Audit, particularly in relation to infrastructure assets, the External Auditor noted that a Statutory Override was anticipated to be issued. Once this

override had been implemented, it was anticipated that the statutory accounts will be updated in early January 2023.

A Member suggested that the Statutory Accounts be considered at the programmed Audit committee in January 2023. In response, officers undertook to discuss the matter further with the Chair.

In respect to National Publications, Levelling Up Housing and Communities, referenced in the report, in respect of the use of capital receipts for service improvements, a Member asked if there was a requirement of the Committee to seek assurance that the requirements were being delivered. In response, officers noted that there were currently no areas or activities in place where this would occur.

RESOLVED/-

That the report be noted.

AC/40/22 AUDITOR'S ANNUAL REPORT 2020/21

Members considered the Auditor's Annual Report 2020/21 from External Auditor, Mazars LLP, which summarised the work undertaken by the Authority's external auditors (Mazars LLP) for the year ended 31st March 2021 (2020/21).

The report included the following key elements:

- The Auditor's opinion on the financial statement for 2020/21 – This is an Unqualified opinion
- The Auditor's views on the authority's arrangements for delivering value for money that were in place in the year ended 31st March 2021

Members noted that Annual Report relates to the 2021 financial year and therefore references matters from some 17 months ago. It was also noted that work to assess the arrangements in place for the 2021/22 financial year is currently underway and will be reported to the audit committee following the completion of the audit of the 2021/22 financial statements.

Members highlighted that the Committee was being asked to consider the Value For Money (VfM) Statement some months after the year end period. Consideration was needed on how future reports may be received in a timely manner in order for any concerns to be raised by Members at the earliest opportunity.

RESOLVED/-

That the Auditor's Annual report be noted.

AC/40/22 FORWARD PLANNING - AUDIT COMMITTEE WORK PROGRAMME

Members considered the Committee Work Programme of proposed items, for the remainder of the year.

RESOLVED/-

That the Work Programme be noted.

AC/41/22 DATE AND TIME OF THE NEXT MEETING

RESOLVED/-

1. That the next meetings of the Audit Committee meetings take place on Wednesday 25th January 2023, and Wednesday 15th March 2023, both commencing at 10:00 am
2. That a meeting in November 2022 will not now take place.