

Minutes of a Meeting of the Greater Manchester Combined Authority Audit Committee, held on Wednesday 15th November 2023 at GMCA Offices, Tootal Buildings, Manchester M1 6EU

Present:

Councillor Dylan Butt	Trafford Council
Gwyn Griffiths	Independent Member
Grenville Page	Independent Member (Chair)
Councillor Christine Roberts	Wigan Council (Substitute Member)
Catherine Scivier	Independent Member
Susan Webster	Independent Member
Councillor Mary Whitby	Bury Council

Officers:

Steve Wilson	GMCA Treasurer
Andrew Lightfoot	GMCA Deputy Chief Executive
Rachel Rosewell	Deputy Treasurer, GMCA
Sarah Horseman	GMCA Deputy Director, Audit and Assurance
Damian Jarvis	GMCA Internal Audit Manager
Lindsey Keech	Head of Finance, GMCA
Paul Harris	GMCA Senior Governance and Scrutiny Officer

In attendance:-

Peter Morris	Chair, Joint Audit Panel (Police and Crime)
Karen Murray	Mazars, External Auditor
Dawn Watson	Mazars, External Auditor
Mike Allen	GMP (item 14)

AC 24/23 Apologies for Absence

Apologies were received and noted from Councillors Caroline Carrigan (Stockport Council), Shelley Lanchbury (Manchester City Council) and John Merry (Salford City Council) and from Councillor David Molyneux, Portfolio Lead Member.

AC 25/23 Chair's Announcements and Urgent Business (if any)

The Chair extended a welcome to Committee members and officers. Particular welcomes were extended to Peter Morris, Chair of the Joint Audit Panel (Police and Crime) and to Karren Murray and Dawn Watson from Mazars who were attending their first meeting of the Committee as the Combined Authority's External Auditors.

Members were informed of the recent announcement that Eamonn Boylan, Chief Executive of GMCA and TfGM was to retire once the Mayoral elections in May 2024 had concluded. It was noted that the GMCA Resources Committee had begun a recruitment process. The transition to a new Chief Executive will be reflected in the Risk register.

Members were pleased to note that the Financial Statements for the 2021/2022 had been published. It was also noted that the final audit letter will be circulated for Members information in due course.

Resolved/-

1. That the update be received with thanks and noted.
2. That the final audit letter will be circulated for Members information in due course.

AC 26/23 Declarations of Interest

There were no declarations made by any member of the committee in respect of any item on the agenda.

AC 27/23 Minutes of the Previous Audit Committee Meeting

The minutes of the previous meeting of the Audit Committee held on 20th September 2023 were submitted.

In respect of Minute AC 12/24, Audit Committee Annual Report and an enquiry from a committee member regarding RAAC within GMCA and GMP assets, an update was provided which confirmed that issue did not impact on GMCA or GMP assets and noted that the risk to the organisation remains low.

Resolved/-

1. That the minutes of the meeting of the Audit Committee, held on 20th September 2023, be approved as a correct record.
2. That the update on RAAC be received and noted.

AC 28/23 Update from the Joint Audit Panel

Peter Morris, Chair of the Joint Audit Panel introduced a presentation which provided Committee Members with an update on the composition, priorities and work of the Joint Audit Panel over the previous 12 months. The Joint Audit Panel Annual Report and minutes from the last Joint Audit Panel meeting, held on 29 September 2023 were also provided.

The presentation set out the work of the Panel during 2023 and outlined the Panel's priorities for 2024.

Members noted that the Panel is made up of five independent members with a good mix of different skills and knowledge, meeting five times per year.

The presentation explained that the Panel get assurance and identify issues through Inspection reports by HMIC and GMP's response. The panel also contributes to the construction of the Audit plan and approve this plan. External Auditor reports and reports from external bodies and in-house reports are also considered.

In noting that the Panel has a self-evaluation process, a member enquired what strengths were identified from this process and if there was a plan in place to address any weaknesses. In response, it was noted that the retention of longstanding members and the knowledge of controls was a strength of the Panel. In terms of weaknesses, it was suggested that the lack of ICT knowledge and assurances associated with the commissioning of extra services were highlighted. Members also noted that prior to each Joint Audit Panel meeting, an informal training session for Panel members takes place which picks areas identified within the self-assessment survey.

Resolved/-

1. That the update from the Joint Audit Panel be received with thanks and noted.
2. That the Joint Audit Panel Annual report and the draft minutes from the last meeting of the Panel, held on 29th September 2023, be noted.

AC 29/23 Risk Deep Dive - Trailblazer and Single Settlement

The Head of Devolution, GMCA introduced a presentation which provided Audit Committee members with an update on the progress of the Trailblazer Devolution Deal and Single Settlement discussions and to also to consider the implications the implementation of a Single Settlement for GMCA will have on the GMCA Audit Committee. It is anticipated that full details will be announced as part of the Autumn statement.

The presentation provided headlines in respect of Levelling-up White Paper and Trailblazer process; Crosscutting Reforms and Policy-specific commitments; The principles confirmed in the single settlement deal; what the single settlement is and what it is able to do and what the settlement cannot do; and Progress and timeline since March.

Members also noted that the implementation of a Single Settlement for GMCA will have a range of direct and indirect implications for Audit Committee. These implications were summarised as:-

- GMCA will have more and more wide-ranging freedom to use UKG funding in different ways and for different purposes, with fewer special purpose grants with tightly defined delivery criteria. This will hopefully present opportunities to do more for GM residents but will also increase risk and so require greater financial and audit oversight.
- Reporting from GMCA to the UK Government (and potentially, indirectly to Parliament, the NAO or others) will be reformed. The Deal commits to replacing Department-by-Department specific arrangements with a “single reporting framework” based upon a principle that “GMCA will be held to account for delivering outcomes, using the settlement funding and relevant local resources, across areas associated with devolved functions”. Any new single reporting, assurance and accountability arrangement between GMCA and the UKG will have implications for the Committee.
- Internal audit will continue to have a key role but the requirements to certify multiple (up to 100 in an individual year) will be reduced and will allow a greater focus on auditing outcomes overall rather than “money out of the door” type confirmation.
- Internal audit and the audit committee will be a key area of reliance for government assurance within a more flexible regime.

The presentation also explained that the Single Settlement does not take away from local authority core funding settlements with districts. A Memorandum of Understanding (MoU) was being developed which will set out the content of the single settlement deal for GMCA and how it will be treated.

Members recognised that this approach will provide an opportunity to achieve significantly greater simplicity, certainty, transparency, and flexibility for a core set of

funding flows from the UK Government to GMCA. The single settlement will present an opportunity to 'future proof' the devolution Settlement, moving from a model of delegating funds toward one of devolving functions.

It was noted that the whole of GMCA will adapt to work within this new funding mechanism. The benefits of flexibility of this funding were noted. Clear, data driven information on outputs and outcomes will be used to help prioritise funding decisions.

A Member enquired how the level of risk will be identified under a single settlement funding regime. In response it was noted that risks will include capacity to deliver, and work was taking place within the organisation to explore this further. It was also noted that individual policy areas will also present some risk. The details of the settlement will be announced in the upcoming Autumn Statement. Potential risks will be explored with greater granularity and these risks will be built into the organisation's risk register.

In welcoming the single settlement, a Member suggested that the accountability framework was an important area for attention, particularly with regard to the requirement for longer-term outcomes and the potential requirement for greater public engagement. In response, it was noted that discussions with Government were needed to develop a joint outcomes framework and the ability to demonstrate delivery over the first year. In addition, it was noted that there would be greater accountability measures introduced including Overview and Scrutiny and local MP Panels.

A Member highlighted that in addition to the business-as-usual internal audit work to maintain assurances, additional resources will be needed to ensure that internal audit can effectively provide assurances as the organisation moves towards the new funding mechanism. In response officers noted that there were measures in place to support the audit function including additional resourcing and efficiencies were being identified.

Following an enquiry from a Member on the single settlement and local government finances, officers explained that it was anticipated that negotiations will take place on

what can be delivered and for the quantum on offer, supported by agreed outcome targets. It was suggested that any other approach would be challenging and present significant risk to the organisation. Officers also recognised the challenges of local government finances. The approach to retained business rates was highlighted.

The Chair noted that this approach will have a significant impact on the work of the GMCA and suggested that, at an appropriate time, further updates be provided to the committee in respect the change programme and GMCA preparedness.

Resolved/-

1. That the update on the Trailblazer and Single Settlement be received with thanks and noted.
2. That the suggestion for further updates be provided in respect of the change programme, be supported.

AC 30/23 Internal Audit Progress Report

Sarah Horseman, Deputy Director of Audit and Assurance introduced a report which informed Members on the progress made on the delivery of the Internal Audit Plan for 2023/24. It is also used as a mechanism to seek approval of any changes to the internal audit plan.

Members noted that since the last meeting in September 2023, one report from the 2023/24 plan has been finalised and published in respect of ICT/Digital – Threat and Vulnerability Assessment has been given a limited assurance opinion.

It was noted that a further update on this matter, including the mediation plan to address the actions in the report, will be presented at the Committee meeting in January 2024.

It was noted that the Digital Strategy and Information Governance Boards have sought and received assurances on cyber risks. The work in the mediation plan will require

additional resources and a costing exercise is being undertaken. In addition, in order to understand forensic analysis, penetration tests were taking place.

The report also provided a summary of the status of ongoing audit work.

In response to an enquiry by a Member, officers explained that that the FOI and subject access audit was not linked to cyber and was being conducted as a response to significant data breaches that had occurred at other organisations.

In respect of the proposed changes to the audit plan regarding the Resilience Team's business continuity plans, it was noted that the review will be evaluated following a full audit next year and on completion of the Resilience Team's internal review.

A Member asked if there should also be a review of GDPR and data protection matters. In response, it was noted that the Information Governance team was shared across GMCA and TfGM. An exercise to explore the actions and findings of the TfGM data protection audit can be applied to GMCA. Officers undertook to see how multi-organisational and shared reviews can be included within future reporting to the Committee.

It was noted that Internal Audit has regular meetings with team leads within the organisation to understand current priorities and to help with design.

In noting the potential for a large number of audit completions being made in the upcoming period, it was suggested that details of completed audits be shared with committee members away from the committee so that members have an opportunity to review such at the earliest opportunity.

Following an enquiry from a Member, officers noted that in terms of progress with the Audit plan, there was a risk that progress may be behind planned activity. It was also noted that there are not rigid deadlines in place in order to achieve the correct audit opinion but officers will continue to strive to ensure audits are completed in a timely manner.

Resolved/-

1. That the Internal Audit progress as set out in the report, be noted.

2. That the changes to the Audit Plan as set out in Appendix C to the report, be noted.
3. That officers undertake to explore how multi-organisational and shared reviews can be included within future reporting to the Committee.
4. That a request for details of completed audits be shared with committee members away from the committee so that members have an opportunity to review such at the earliest opportunity, be supported.

AC 31/23 Internal Audit Action Follow Up

Sarah Horseman, Deputy Director of Audit and Assurance, GMCA introduced a report which advised Audit Committee of the progress made in implementing the agreed actions from internal audit assignments.

The report explained that as of November 2023, 72% of Internal Audit actions due in the last 2 years have been implemented, against the target of 85%.

Members noted that trend data shows a dip at the end of the calendar year and officers were to explore the reasons for this trend.

Members welcomed the inclusion of the appendix to the report listing the outstanding actions in chronological order. It was noted that regular discussions take place with senior officers in respect of their respective outstanding actions.

Following an enquiry from a Member regarding assurances for high risk actions and the mitigations involved, officers explained that regular discussions with risk owners provides some assurance.

Resolved/-

1. That the progress of the implementation of Internal Audit actions, as set out in the report be noted.
2. That the new format of the report be welcomed and supported.
3. That the work programme be updated accordingly, be supported.

AC 32/23 Treasury Management Strategy Statement and Annual Investment Strategy Mid-Year Review Report 2023/24

The GMCA Treasurer introduced the Treasury Management Strategy Statement and Annual Investment Strategy Mid-Year Review Report 2023/24 which had been written in accordance with the requirements of CIPFA's Code of Practice on Treasury Management (revised 2021). The report provided updates to Members on: An economic update for the first half of the 2023/24 financial year; A review of the Treasury Management Strategy Statement and Annual Investment Strategy; The Authority's capital expenditure, as set out in the Capital Strategy, and prudential indicators; A review of the Authority's investment portfolio for 2023/24; A review of the Authority's borrowing strategy for 2023/24; A review of any debt rescheduling undertaken during 2023/24; and a review of compliance with Treasury and Prudential Limits for 2023/24.

A Member enquired about the level of reporting provided by the Authority's Treasury Advisors Link Group. In response, it was noted that generally interest rate forecast reports were received on a weekly basis.

Following an enquiry from a Member regarding potential risks of lending to other local authorities, it was noted that a risk assessment of local authorities is undertaken which is supplemented with an informal watch list of a number of authorities at risk. Local and national intelligence is utilised in this regard.

Resolved/-

1. That the Treasury Management Strategy Statement and Annual Investment Strategy Mid-Year Review Report 2023/24 and treasury activity be noted;
2. That the Finance Team be thanked for their efforts providing the Treasury Management update.

3. That Members recommend the Treasury Management Strategy Statement and Annual Investment Strategy Mid-Year Review Report 2023/24 for consideration of approval by the GMCA.

AC 33/23 External Audit Progress

Members considered a report from Mazars, LLP External Auditor which provided an update on progress in delivering our responsibilities as your external auditors.

A Member enquired if there was any conflict of interest with Mazars acting as external auditor for GMCA and the ten GM local authorities. In response, it was noted that the external auditor was appointed, independently, by the Public Sector Audit Appointments (PSAA). The benefits of this arrangement included consistent treatment of accounts across all districts. In addition, the rotation of audit managers was noted. The challenges for all districts to secure different Auditors was also noted.

A Member enquired if there was a review of who the public sector auditors are. In response it was noted that a national procurement exercise had been undertaken by PSAA and a five-year contract has recently been entered in to. The PSAA will contact districts and Combined Authorities for comments regarding the process.

A Member enquired if there was a national briefing note in respect of the current external audit picture and insights in to Section 114 notices and other failures which can be shared with the Committee. In response the External Auditor undertook to explore this and share with members. In addition, it was noted that discussions have taken place with CIPFA in relation to Combined Authority arrangements.

Resolved/-

That the report of the External Auditor be received with thanks and noted.

AC 34/23 Audit Committee Work Programme

Members considered the committee work programme which set out a list of proposed items that will provide a focus for the work of the committee for the remainder of the municipal year.

Member requested that a members training plan be developed for the next municipal year, which can be discussed at the next meeting of this Committee. In addition, it was suggested that training sessions be linked with Committee meetings and it would be helpful if there was an induction programme for new members of the committee.

Resolved/-

1. That the work programme be noted.
2. That officers undertake to explore further training opportunities for Audit Committee members with CIPFA.

AC 35/23 Exclusion of the Press and Public

Members are asked to consider that, under section 100 (A)(4) of the Local Government Act 1972 the press and public should be excluded from the meeting for the following item of business on the grounds that this involved the likely disclosure of exempt information, as set out in paragraph 3 of Part 1, Schedule 12A of the Local Government Act 1972 and that the public interest in maintaining the exemption outweighed the public interest in disclosing the information.

AC 36/23 Update on HMICFRS Vetting Report (Ahead of an Internal Audit Review)

Chief Superintendent Mike Allen provided the Audit Committee members with an update on HMICFRS vetting arrangements in GMP, ahead of an Internal Audit review.

Resolved/-

That the update on HMICFRS vetting processes as set out in the report, be received with thanks and noted.