MINUTES OF THE GREATER MANCHESTER COMBINED AUTHORITY AUDIT COMMITTEE HELD THURSDAY 12 APRIL 2018 AT CHURCHGATE HOUSE

PRESENT
Gwyn Griffiths (Chair) Independent Member
Councillor Chris Boyes Trafford Council
Councillor Sarah Russell Manchester City Council
Councillor Colin McLaren Oldham Council
Councillor Joanne Marshall Wigan Council

ALSO IN ATTENDANCE
Mark Heap Grant Thornton (External Auditor 2017/18)
Gareth Mills Grant Thornton (External Auditor 2017/18)
Helen Stevenson Grant Thornton (External Auditor 2017/18)
Gareth Davies Mazars (External Auditor 2018/19)

OFFICERS
Richard Paver GMCA Treasurer
John Bland GMCA, Finance
Christine Buxton GMCA, Finance
Jayne Stephenson GMCA, Finance
Lyndsey Keech GMCA, Finance
Tom Powell GMCA Internal Audit
Damian Jarvis GMCA Internal Audit
Donna Parker GMCA Governance and Scrutiny

AC 18/13 APOLOGIES
Apologies for absence were received from Catherine Scivier (Independent Member).
AC 18/14  URGENT BUSINESS (IF ANY) AT THE DISCREATION OF THE CHAIR

The Chair welcomed Councillor Joanne Marshall (Wigan) to her first meeting of the GMCA Audit Committee in place of Councillor Pam Stewart (Wigan) who had resigned from the Committee due to ill-health.

AC 18/15  DECLARATIONS OF INTEREST

There were no declarations of interest from any member in relation to any item on the agenda.

AC 18/16  MINUTES OF THE GMCA AUDIT MEETING HELD 18TH JANUARY 2018

The minutes of the meeting of the GMCA Audit Committee held on 18th January 2018 were submitted for consideration.

AC 18/05 – Corporate Risk Register

Richard Paver reported that the Gender Pay Gap Report 2017 calculated as at 31st March 2017 for the Greater Manchester Fire and Rescue Authority and the GMCA had published this on the website to comply with the statutory reporting requirements of the UK government. As the GMCA itself had only a small number of employees as at 31st March 2017 there had been no requirement to calculate or publish this information for GMCA but had included data as at 31st December 2017 for comparative purposes.

Resolved /-

To approve the minutes of the GMCA Audit Committee meeting held 18th January 2018.

AC 18/17  CORPORATE RISK REGISTER

Consideration was given to a report of the Head of Audit and Risk Management which provided a summary of the current and planned risk management arrangements and the latest update of the Corporate Risk Register. The report was produced to support the Audit Committee oversight of risk and assurance across GMCA and AGMA functions; and arrangements for risk assurance in respect of GM police and crime, fire and rescue and transport functions.

It was reported that since the last meeting a report had been issued to the Senior Management Team on 10th April 2018 to seek endorsement for the risk management approach for the GMCA. At this meeting it agreed that a ‘Risk Group’ would be established to oversee the Corporate Risk Register and the Annual Governance Statement. These meeting would be held quarterly with the first meeting taking place in May 2018.
The current Corporate Risk Register had been updated to reflect the new risk in relation
to devolution of the Adult Education Budget (risk 11 refers). A copy of the GMCA Interim
Corporate Risk Register for April 2018, was detailed at Appendix A of the report, for Member’s reference.

A Member suggested that an indication of each risk’s direction of travel be included in future reports.

A Member made reference to ‘Risk 9 – Governance and Organisation’ with regard to the GMCA meeting its legal obligations including the General Data Protection Regulations (GDPR) that was due to come into effect on 25th May 2018. In response, the GMCA Treasurer advised that Head of Information Governance post had been advertised internally and the closing date for applications was 22nd April 2018.

In conclusion, the Chair reported that he was satisfied with the interim Corporate Risk Register and the implementation of a ‘Risk Strategy’ and it was felt that the Committee would see changes in the Risk Register as it progressed.

Resolved /-

1. The content of the report and comments raised, be noted.

2. The Interim Corporate Risk Register, as detailed at Appendix A of the report, including the future development proposals, be noted.

**AC 18/18 DRAFT GMCA ANNUAL GOVERNANCE STATEMENT**

This report was deferred to the next meeting of the Committee to allow further work to take place on the draft GMCA Annual Governance Statement.

**AC 18/19 GMWDA 2017/18 FINAL ACCOUNTS BACKGROUND INFORMATION**

Consideration was given to a report of the GMCA Treasurer and Executive Director (Waste Disposal) which provided background information on the operations of the former Greater Manchester Waste Disposal Authority (GMWDA). This related to the final accounts process that was considered and agreed at the GMWDA Audit and Scrutiny Committee that was held on 28th February 2018 and included the following documents:-

- Internal Audit (Oldham Council Audit Services Report
- 2017/18 Grant Thornton (External Auditors) Audit Plan and Sector Update
- Letters of Audit Assurances 2017/18 for External Audit
- Audit and Scrutiny Committee Annual Report 2017/18
- GMWDA Audit and Scrutiny Committee Minutes – 28th February 2018
It was reported that since the meeting of the GMWDA Audit and Scrutiny Committee and prior to year-end, the Letters of Representation had been forwarded to Grant Thornton by the former Chair of the GMCA Audit and Scrutiny Committee and Treasurer & Deputy Clerk.

Resolved
That the content of the report and comments raised, be noted.

AC 18/20  GMWDA - ACCOUNTING POLICIES / CRITICAL JUDGEMENTS AND ANNUAL GOVERNANCE REPORT

Consideration was given to a report of the GMCA Treasurer and Executive Director (Waste Disposal) which provided detailed information on the former GMWDA’s final accounts process, covering specifically the Function’s key performance indicators and the GMCA’s Audit Committees future inputs into the closedown process.

It was reported that in relation to the ‘Accounting Policies and Critical Judgements 2017/18’ since the meeting of the GMWDA’s Audit and Scrutiny held on 28th February 2018 further progress had been made with Grant Thornton, in relation to the year-end accounting entries and advice had been sought from KPMG, the GMWDA financial advisors for its saving programme, and it seemed possible that both the Balance Sheet and Group Accounting areas would need further discussion with external audit.

Resolved
1. That the content of the report and comments raised, be noted.
2. That the GMWDA Accounting Policies and Critical Judgements, detailed at Annex 1 of the report, be noted.
3. That the GMWDA Draft Annual Governance Statement, detailed at Annex 2 of the report, be noted.

AC 18/21  GMCA TREASURY MANAGEMENT STRATEGY STATEMENT, BORROWING LIMITS AND ANNUAL INVESTMENT STRATEGY 2018/19 - 2020/21 / GM HOUSING INVESTMENT LOANS FUND AND CITY DEAL RECEIPTS - NOVATION AND FUTURE ARRANGEMENTS

Consideration was given to a report of the GMCA Treasurer which advised that the Treasury Management Strategy Statement, Borrowing Limits and Prudential Indicators for 2018/19 to 2020/21 was approved by the Combined Authority on 23rd February 2018.

It was agreed that an updated strategy which included the transfer of the Greater Manchester Waste Authority would be prepared. This strategy was based on the wider
borrowing powers of GMCA, currently working through the parliamentary process, and particularly that they allow the GM Housing Investment Loans Fund (GMHILF) to be managed by GMCA and had been considered by GMCA at its meeting on 29th March 2019.

Resolved /-

1. To note that the revised Treasury Management Strategy Statement and arrangements in relation to GMHILF to apply from 1st April 2018, had been approved by GMCA, in particular:-

- The Treasury Indicators listed in Appendix B of this report
- The MRP Strategy outlined in Appendix C
- The Treasury Management Policy Statement at Appendix D
- The Treasury Management Scheme of Delegation at Appendix E
- The Borrowing Requirements listed in Section 6
- The Borrowing Strategy outlined in Section 9
- The 2018/19 cash flow position in Section 10
- The Annual Investment Strategy detailed in Section 11
- The proposed arrangement around novation of existing GMHILF loans and future GMHILF lending, and the holding and investment of City deal receipts, detailed in Section 2
- The acceptance of the novated GMHILF loans and, where loans do not novate, that Manchester City Council, if required, are advanced monies to meet the loan requirements at no interest charge
- To delegate the finalisation of those arrangements and the necessary legal requirements, including the agreement of an appropriate indemnity to Manchester City Council, to the GMCA Treasurer acting in conjunction with the GMCA Monitoring Officer
- To approve the transfer of City Deal receipt monies to GMCA alongside the novation of the appropriate loans
- Note the original strategy was approved by GMCA on 23rd February 201
- Note the PCC capital programme and approve the borrowing requirement included in the overall Treasury programme.

2. That the revised Strategy approved by the GMCA which forms the basis of monitoring the Strategy during the year, be noted.

**AC 18/22  ANNUAL ASSURANCE OPINION AND OUTTURN**

Consideration was given to a report of the GMCA Treasurer and Head of Audit and Risk Management which provided the Head of Internal Audit and Risk Management’s overall
assurance opinion on the adequacy and effectiveness of GMCA’s internal control arrangements for 2017/18. The report included the outturn position for audit work undertaken during 2017/18 including the assurance opinions given and summary of conclusions.

The Head of Internal Audit and Risk Management provided a Moderate assurance opinion on the adequacy and effectiveness of the governance, risk and control framework for GMCA. No critical or major issues were identified and there were no limited assurance opinions issued during the year over the governance framework or systems of internal control being operated. In reaching this opinion, feedback from engagement discussions held with Officers from the GMCA Senior Management Team and the Extended Leadership Team had been taken into consideration. This opinion did take into account the significant scale of change which had taken place and the level of ongoing development work which was required following the integration of bodies into the GMCA in April and May 2017 and the election of the GM Mayor. The scale of change and integration ongoing within the GMCA did mean there were variations in standard systems of risk management, governance and control, however, there was positive commitment, plans and capacity across the GMCA to address these during 2018/19.

A Member made reference to the Audit Activity and Assurance 2017/18 Outturn regarding the estimated number of days proposed for audit work in 2018/19. In response, the Head of Audit and Risk Management advised that the days proposed for audit work had fallen far short of the original allocations proposed in the 2017/18 Internal Audit Plan for GMCA and for the GMFRS element. This had limited the overall audit coverage on which the annual opinion was based and the resource shortfall was being addressed for 2018/19 with appointments to be made to fixed term posts pending the outcome of the service and structure review across GMCA, Manchester City Council and Bolton Council. The Committee would be provided with quarterly progress update reports during the year against the plan including the reporting of any significant controls or assurance issues identified. All audit activity completed during the year including a summary of key areas of significance and assurance opinions given were detailed at Appendix 1 of the report.

A Member made reference to the reporting process and suggested that the Annual Assurance Opinion and Outturn report was submitted to the GMCA Portfolio Holder for Finance, currently the GM Mayor, for information. A discussion was also had on the tracking of outstanding audit recommendations and the potential gap in the level of information reported between Officers, the Audit Committee and the Portfolio Holder and how this could be closed. In response, the Head of Audit and Risk Management advised that moving forward the Audit reports would contain an executive summary that provided additional information and that the implementations status of audit recommendation would be reported to the Audit Committee. The GMCA Treasurer advised that he would discuss the issues raised with the GM Mayor and would feedback to the Committee following this discussion.

Resolved /-
1. That the Internal Audit Annual Opinion Report and comments raised, be noted.

2. GMCA Treasurer to discuss the issues raised regarding reporting to the GMCA Portfolio Holder for Finance with the GM Mayor.

AC 18/23   EMERGENT INTERNAL ANNUAL PLAN 2018/19

Consideration was given to a report of the Head of Audit and Risk Management which provided an update on the development of the 2018/19 Internal Audit Annual Plan for the GMCA to facilitate Member input to the planning process by reporting on the approach, key characteristics and proposed audits. This was the emergent plan for GMCA Core functions and GMFRS.

It was reported that emergent plan identified up to 565 days of audit support for 2018/19. The original allocation for 2017/18 was 425 days however actual days delivered was 170. Incorporated into the plan this year was up to 90 days for work carried forward and this was detailed at Appendix 1 of the report. Properly resourcing the plan was the priority for Quarter 1 2018/19 as the audit requirement for the GMCA had been assessed as approximately 500 days per annum and it is essential to secure this level of input to provide an appropriate level of audit assurances to the GMCA, Deputy Mayor, Audit Committee, GMCA Treasurer, GMCA Senior Management Team and GMFRS Leadership Team.

The Head of Audit and Risk Management would submit an annual report to Audit Committee that would contain his annual assurance opinion and the outturn report against the annual plan. Work was allocated in the plan for 2018/19 to develop an assurance framework for GMCA that would be used to help direct audit and other assurance sources, identify potential overlaps and omissions in assurance activity and support management and other stakeholders to understand the levels of assurance being obtained over key aspects of GMCA governance, risk management and control. An initial outline of the format to be used for high level assurance mapping and reporting was detailed at Appendix 2.

A Member sought clarity on if the GMCA had a ‘Register of Significant Partnerships’. In response, the Head of Audit and Risk Management advised that the GMCA did not have a ‘Register of Significant Partnerships’, however, a copy of Manchester City Council’s register had previously been sent to the GMCA Policy Team for consideration.

A Member made reference to that fact that the Committee’s Terms of Reference were amended at the meeting on 27th July 2017 requiring members of the GMCA and Officers to attend Audit Committee meetings if requested (Minute 17/08 refers) and requested that that the GMCA Portfolio Holder for Finance should regularly attend the Audit Committee. In response, GMCA Treasurer advised that he would liaise with the Mayor’s Officer regarding this request.

Resolved: /-
1. That the emergent Internal Audit Annual Plan, detailed at Appendix 1 of the report and the proposed resources allocation of up to 565 days for 2018/19, be approved.

2. The Head of Audit and Risk Management submit an updated final Audit Plan to the next meeting of the Audit Committee for consideration.

3. GMCA Treasurer to liaise with the Mayor’s Officer regarding the GMCA Portfolio Holder for Finance attending future meeting of the Audit Committee at the request of the Committee.

**AC 18/24  GMCA AUDIT COMMITTEE UPDATE END 31 MARCH 2018**

Mark Heap and Gareth Mills from Grant Thornton were in attendance and presented the External Audit Plan Year Ending 31\textsuperscript{st} March 2018 which provided an overview of the planned scope and timing of the statutory audit of GMCA for those charged with governance.

Grant Thornton advised that outcomes from The Kerslake Report that was published on 27\textsuperscript{th} March 2018 would be considered as part of the Value for Money (VfM) arrangements. The results from the VfM audit work and the key messages would be reported to in the Audit Findings Report that was due to be presented to the Audit Committee in July 2018 and the Annual Audit Letter would be presented later in 2018.

**Resolved /-**

That the Grant Thornton LLP External Audit Plan Year Ending 31\textsuperscript{st} March 2018, be noted.

**AC 18/25  GMCA ROUTINE AUDIT ENQUIRY LETTERS**

Consideration was given to following correspondence from Grant Thornton:-

- Fraud letter to the Audit Committee Chair
- Audit Chair responses
- Fraud Letter to the Treasurer
- Officer responses.

It was reported that formal responses would be prepared by the Head of Risk and Audit Management and would be signed by the Chair of the Audit Committee and GMCA Treasurer accordingly.

**Resolved /-**

That the content of the Audit enquiry letters and the prepared response to Grant Thornton, be signed by the Chair of the Audit Committee and GMCA Treasurer.
AC 18/26 GMCA 2017/18 ACCOUNTING POLICIES AND CRITICAL ACCOUNTING JUDGEMENTS

Consideration was given to a report of the GMCA Treasurer which provided an update on the proposed Accounting Policies and the Critical Accounting Judgements for the 2017/18 GMCA Statement of Accounts.

The GMCA Statement of Accounts for 2017/18 would include all the financial information relating to the delivery of the transferred functions therefore a thorough review of the GMCA Accounting Policies and Critical Accounting Judgments was a crucial exercise to undertake early in the closedown process as these set the framework for the preparation of the Statement of Accounts.

Resolved /-

1. That the GMCA 2017/18 Accounting Policies and Critical Accounting Judgements, be noted.

2. That the Draft 2017/18 Statement of Accounts be submitted to the next meeting of the Audit Committee for consideration.

AC 18/12 FUTURE MEETING DATES FOR 2018

The GMCA Treasurer advised that Catherine Scivier, Independent Member, was unable to attend meetings on a Thursday and Friday moving forward and suggested that the meeting dates for June and July 2018 be revised to accommodate this request and circulated to the Committee accordingly.

Resolved /-

That the future meeting dates for the GMCA Audit Committee for June and July 2018, be reconsidered and Members advised accordingly.