

# Internal Audit Report

## GMITA: Committee Restructure

### **Report To:**

Stephen Clark – Deputy Clerk to the ITA

### **Report Status:**

**Final**

### **Additional Report Distribution:**

Sir Howard Bernstein – Clerk to the ITA

Richard Paver – Treasurer of the ITA

### **Copy of report emailed to:**

Simon Warburton – GMITA Policy Team Manager

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### **Fieldwork Commenced:**

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24 February 2010

### **Management Responses Requested By:**

10 March 2010

### **Final Report Issued:**

19 April 2010



**MANCHESTER**  
CITY COUNCIL

# 1. Executive Summary

<p><b>Overall Assurance Opinion</b> (See Appendix 1)</p> <p>FULL <span style="color: green;">●</span></p> <p><b>SUBSTANTIAL</b> <span style="color: lightgreen;">●</span> ✓</p> <p>MODERATE <span style="color: yellow;">●</span></p> <p>LIMITED <span style="color: orange;">●</span></p> <p>NO <span style="color: red;">●</span></p>	<p><b>Capacity to Improve</b></p> <p style="text-align: center; font-size: 2em;">↑</p> <p style="text-align: center; font-size: 1.5em;"><b>HIGH</b></p>	<p><b>Number of control issues identified</b></p> <p>① Critical</p> <p>① Major</p> <p>① Significant</p> <p>② Moderate</p> <p>② Minor</p>	<p><b>Number of compliance issues identified</b></p> <p>① Critical</p> <p>① Major</p> <p>① Significant</p> <p>① Moderate</p> <p>② Minor</p>
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## Audit Objective

To provide assurance over the extent to which the revised committee structure supports effective governance. Specifically the audit will focus on the following control objectives:

1. The core functions of committees are clearly defined and fit for purpose.
2. Reporting to committees is appropriate and supports effective decision making.
3. Decisions are taken at an appropriate level within the structure in line with defined delegated decision making powers.



Each of the objectives for this review is shown as a segment of the wheel. The colours on the wheel represent an assessment of the risk for each audit objective based on the issues identified in the review

	No or Minor
	Moderate
	Significant
	Major
	Critical

**Context:**

A Committee Improvement Project was undertaken during 2009 with the main purpose being to identify areas for further development in the committee processes of the Greater Manchester Integrated Transport Authority (ITA). This was delivered through a Members Working Group and culminated in the streamlining of the committee structure and the establishment of terms of reference for the new structure within a protocol that defined the responsibilities of Members and officers in discharging their duties.

The revised structure has further improved awareness of the roles and powers of the committees. In particular the active involvement of Members in developing a revised structure has helped ensure the revised arrangements support the effective discharge of their duties.

As a result we are able to provide substantial assurance that the revised committee structure supports effective governance. Our recommendations are limited to housekeeping issues that we consider should assist with embedding the new structures. These areas for further focus include improved arrangements to respond to the inherent overlap between ITA committees, a review of agenda setting for Committees and implementing further controls to ensure information requests are met.

**Limitations:**

The review focused on the new structure following the ITA Committee Improvement Project.

**Areas of Good Practice:**

- The establishment of a protocol helps provide clarity over the roles, responsibilities and relationships between members of the ITA, the Secretariat and the Greater Manchester Passenger Transport Executive (GMPTE).
- Member involvement in the establishment of the forward plan helps define their information needs in advance for the forthcoming municipal year.
- Minutes clearly show decisions made during full Authority and Committee minutes.
- The recent introduction of training seminars for Members ensures there is a formalised process for providing updates.


**Areas for Improvement:**

- There is scope to develop arrangements for the reporting of decisions made by committees to the full Authority to help ensure all Members are made aware of any key decisions made. Linked to this, the arrangements for tracking Member requests for information could be better developed to ensure all are fulfilled.
- Committee Chairs should ensure that all agenda items to be discussed at committee meetings are in accordance with the responsibilities within the Terms of Reference. In particular, the agenda setting for the Policy and Resources Committee should be reviewed to identify whether there are any reports which could be more appropriately received by other committees.

## 2. Detailed Findings Recommendations and Action Plan


	Matters Arising	Potential Risk Implications	Recommendations	Risk	Management Response and agreed actions
<b>Objective 1: The core functions of committees are clearly defined and fit for purpose</b>					
1	<p>Whilst the constitution had been updated to reflect the new structure, the Terms of Reference did not reflect these amendments. As a result there was some inconsistency between these documents. These were as follows:</p> <ul style="list-style-type: none"> <li>• Reviewing from time to time the organisation of the Executive's undertaking.</li> <li>• Agreeing the annual levy on the 10 Greater Manchester authorities.</li> </ul>	<p>Inconsistencies between the responsibilities and powers as set out in key governance documents could lead to a lack of clarity amongst Members over their responsibilities.</p> <p>Gaps in the Terms of Reference could also lead to functions not being discharged at the appropriate levels within the governance structure.</p>	<p>The Deputy Clerk to the ITA should update the constitution at its next review to ensure the responsibilities and powers of the Authority and the Committees are consistent with the Terms of Reference agreed as part of the Committee Improvement Project.</p>	<p style="text-align: center;">● Minor (Compliance)</p>	<p><b>Agreed:</b> Yes <b>Action to be taken:</b> The Authority's constitution documentation will be thoroughly reviewed in advance of the Annual Meeting to ensure consistency throughout. <b>Additional Resources Required for implementation:</b> No <b>Responsible Officer:</b> Simon Warburton, GMITA Policy Manager <b>Target Date:</b> 18 June 2010</p>

	Matters Arising	Potential Risk Implications	Recommendations	Risk	Management Response and agreed actions
2	<p>There is scope to further clarify within the Terms of Reference of the Authority whether any decisions were reserved for the Full Authority, such as the approval of the annual ITA budget. We were concerned that a number of decisions had been taken by committees that it appeared should have been referred to the Authority for decision. This was the case for items relating to consultations, borrowing decisions and press releases.</p>	<p>Without defining decisions which cannot be delegated to a committee there is a risk that some decisions may be taken at the incorrect level. This could lead to a decision being taken by a committee which differs to the decision which would have been reached through the involvement of all ITA Members.</p>	<p>The Deputy Clerk to the ITA, in conjunction with the Chair of the Authority, should update the Terms of Reference to clarify which decisions are reserved for approval by Full Authority.</p>	<p>● Moderate (Control)</p>	<p><b>Agreed:</b> Yes <b>Action to be taken:</b> Further review of Terms of Reference is underway as part of the first year review of arrangements. This will ensure that any such inconsistencies are removed/clarified. <b>Additional Resources Required for implementation:</b> No <b>Responsible Officer:</b> Simon Warburton, GMITA Policy Manager <b>Target Date:</b> 18 June 2010</p>






	Matters Arising	Potential Risk Implications	Recommendations	Risk	Management Response and agreed actions
<b>Objective 2: Reporting to committees is appropriate and supports effective decision making.</b>					
3	<p>The Policy and Resources Committee had a wide remit with many reports and decisions to consider at its meetings.</p> <p>There were examples where, from an independent perspective, it appeared that reports would have been more suitable to report to the Bus or Rail Network Committee meetings.</p> <p>For example, a “Rail Stations Update” was presented to the September 2009 Policy and Resources Committee. From a review of its content we consider it could have been presented to the Rail and Metrolink Networks Committee as this committee ‘considers all matters relating to the operation and service performance of local rail services in Greater Manchester’, or to the Capital Projects Committee which ‘monitors the progress of all capital schemes within the Authority’s capital programme’.</p>	<p>With extensive agendas and reports to review at particular meetings there is a risk that reports will not be afforded an appropriate level of scrutiny due to time constraints.</p> <p>There is also a risk with the Rail and Bus Network Committees that they may not be provided with all relevant information to assist them in the effective discharge of their responsibilities.</p> <p>The reallocation of some reports to the Bus and Rail Network Committees would also reduce the number of reports having to be considered in detail at the Policy and Resources Committee.</p> <p>Approved Terms of Reference define the responsibilities of individual committees. If decisions are taken outside of the remit of each committee there is a risk of non</p>	<p>The Deputy Clerk to the ITA, in conjunction with the Chair of the Authority, should review the remit and number of reports going to each of the committees following the restructure to ensure they are being received in the most appropriate forum.</p>	<p style="text-align: center;"></p> <p>Moderate (Control)</p>	<p><b>Agreed:</b> Yes</p> <p><b>Action to be taken:</b> Further review of Terms of Reference and committee distinctions is underway as part of the first year review of arrangements in consultation with Members. This will provide scope for the matters set out here to be reviewed and, where appropriate, implemented.</p> <p><b>Additional Resources Required for implementation:</b> No</p> <p><b>Responsible Officer:</b> Simon Warburton, GMITA Policy Manager</p> <p><b>Target Date:</b> 18 June 2010</p>




	Matters Arising	Potential Risk Implications	Recommendations	Risk	Management Response and agreed actions
	<p>A recent decision had been put forward to the Capital Projects Committee over whether bicycles should be permitted on the Metrolink. This was considered to be a policy decision and we therefore consider it should have been a decision for Policy and Resources rather than the Capital Projects Committee.</p>	<p>compliance with the approved allocation of responsibilities and powers. Similarly this could lead to decisions being taken at the wrong level which could have an adverse effect on the effectiveness of the committee discharged with responsibility for that area.</p>			
4	<p>It was evident from review of minutes that Members did request additional information and reports during meetings. Whilst on a number of occasions these requests could be followed through to subsequent meetings which showed the fulfilment of information requests, this was not the case in all instances.</p>	<p>Without maintaining a full record of Members' information requests there is a risk that some may not be fulfilled. This could lead to Members not having sufficient information to assist them in effective decision making.</p>	<p>The Deputy Clerk to the ITA should establish a process to enable recording of information requests arising from committee meetings. We consider this could consist of the inclusion of details of any information requests within subsequent minutes along with the status of these at each meeting. This would help ensure all information requests are fulfilled.</p>	<p>● Minor (Control)</p>	<p><b>Agreed: Yes</b> <b>Action to be taken:</b> Action on requests will be reported as a Clerk's note within Committee Minutes. <b>Additional Resources Required for implementation:</b> No <b>Responsible Officer:</b> Simon Warburton, GMITA Policy Manager <b>Target Date:</b> 18 June 2010</p>

	Matters Arising	Potential Risk Implications	Recommendations	Risk	Management Response and agreed actions
5	<p>Where discussions were fully recorded they provided a very good level of detail. One notable example was over the decision whether to allow bicycles on the Metrolink. However, minutes did not always demonstrate this same level of challenge or robust discussion of recommended actions.</p>	<p>Without evidence of robust discussion or challenge about items for decision there is a risk that minutes will not reflect the level of scrutiny taking place over such decisions.</p>	<p>The Deputy Clerk to the ITA should ensure that minutes are reflective of any discussion or challenge taking place over items for decision.</p>	<p>● Minor (Compliance)</p>	<p><b>Agreed:</b> Yes <b>Action to be taken:</b> Minute-taking procedures will be reviewed to ensure consistency for 2010/11. <b>Additional Resources Required for implementation:</b> No <b>Responsible Officer:</b> Simon Warburton, GMITA Policy Manager <b>Target Date:</b> 18 June 2010</p>






	Matters Arising	Potential Risk Implications	Recommendations	Risk	Management Response and agreed actions
<b>Objective 3: Decisions are taken at an appropriate level within the structure in line with defined delegated decision making powers.</b>					
6	Discussions with the Chair of the Authority highlighted it would be useful to receive a summary of key decisions made by the Authority's committees which would assist in informing all Members of decisions taken across all of the ITA's committees.	The introduction of a summary of key decisions taken by committees would increase the visibility of delegated decision making. Without such an update there is a risk that members may not always be aware of decisions taken in committees.	The Deputy Clerk to the ITA should consider the introduction of a schedule to be made available at each Full Authority meeting showing all key decisions taken by the committees.	 Minor (Control)	<b>Agreed:</b> Yes <b>Action to be taken:</b> A process for the identification and recording of key decisions will be developed as part of the first year review of arrangements. <b>Additional Resources Required for implementation:</b> No <b>Responsible Officer:</b> Simon Warburton, GMITA Policy Manager <b>Target Date:</b> 18 June 2010

## Appendix 1. Basis of our opinion and level of assurance

Level of assurance	Description
Full 	<b>Full assurance</b> – there is a sound system of internal control designed to achieve the objectives of the system/process and manage the risks to achieving those objectives. Recommendations will normally only be Advice and Best Practice.
Substantial 	<b>Substantial assurance</b> – whilst there is basically a sound system of control, there are some areas for improvement, which may put the system/process objectives at risk. There are Moderate recommendations but these do not undermine the system's overall integrity. Any Major or Significant recommendations relating to part of the system would need to be mitigated by strengths elsewhere. Any Critical recommendations will prevent this assessment,
Moderate 	<b>Moderate assurance</b> – there are some areas for improvement in the system of internal control, which may put the system/process objectives at risk. There are a small number of Major recommendations or a number of Significant recommendations. Any Critical recommendations would need to be mitigated by significant strengths elsewhere. A number of Critical recommendations would prevent this assessment.
Limited 	<b>Limited assurance</b> – there are significant areas for improvement in key areas of the systems of control, which put the system/process objectives at risk. There are Major recommendations and any Critical recommendations relating to part of the system would need to be mitigated by significant strengths elsewhere.
No 	<b>No assurance</b> – an absence of effective internal control is leaving the system/process open to significant error or abuse. There are Critical recommendations indicating major risks requiring mitigating actions.

Capacity to	Description
High 	The assessment will be based on a number of factors including: Recommendations progressed since the start of the audit; timescales for the implementation of agreed recommendations; levels of resources / capacity to effect implementation; focus and clarity of ownership within directorate / service for implementation; directorate / service track record in implementation of agreed recommendations; professional auditor judgement.
Medium 	
Low 	

Risk Type	Description
Control	There are areas for development and improvement in the design of the system of internal control
Compliance	There is need to improve compliance with the existing system of internal of control, processes or procedures.

Risk	Assessment rationale
<p style="text-align: center;"></p> <p>E. Critical</p>	<p>Life threatening / multiple serious injuries or prolonged work place stress. Severe impact on morale and service performance. Intense political and media scrutiny i.e. national media coverage / prolonged local media coverage. Possible criminal, or high profile, civil action against the Council, members or officers. Cessation of core activities, Strategies not consistent with government's agenda, trends show service is degraded. Failure of major Projects – elected Members &amp; SMT required to intervene. Large increase on project budget/cost: (Greater of <b>£1.0M</b> of the total budget or more than <b>15 to 30%</b> of the departmental / service area / school budget). Statutory intervention triggered. Impact on the whole council</p>
<p style="text-align: center;"></p> <p>D. Major</p>	<p>Serious injuries or stress requiring medical treatment with many workdays lost. Major impact on morale and performance. Scrutiny required by external agencies, external audit etc. Unfavourable national or prolonged local external media coverage. Noticeable impact on public opinion. Major impact on the effectiveness of governance for the Council. Significant disruption of core activities / performance. Key targets missed, some services compromised. Senior Management action required. Major increase on project budget/cost: (Greater of <b>£0.5M</b> of the total Budget or more than <b>6 to 15%</b> of the departmental budget).</p>
<p style="text-align: center;"></p> <p>C. Significant</p>	<p>Injuries or stress requiring some medical treatment with workdays lost. Some impact on morale and performance. Scrutiny likely to be exercised by external agencies, internal committees or internal audit to prevent escalation. Probable limited unfavourable local media coverage. Significant short-term disruption of non-core activities / service performance. Standing Orders / Financial Regulations not complied with. Impact on the effectiveness of governance at the Council or service level. Services unlikely to meet needs. Service action will be required. Significant increase on project budget/cost: (Greater of <b>£0.3M</b> of the total Budget or more than <b>3 to 6%</b> of the departmental budget). Handled within the team</p>
<p style="text-align: center;"></p> <p>B. Moderate</p>	<p>Injuries / stress requiring some medical treatment, potentially some workdays lost. Some impact on morale and performance. Additional scrutiny required by management and internal committees to prevent escalation. Possible limited unfavourable local media coverage. Short-term disruption of non-core activities / service performance. Standing Orders / Financial Regulations occasionally not complied with. Minor impact on the effectiveness of governance at the Council or moderate impact at service level. Services do not fully meet needs. Service action will be required. Small increase on project budget/cost: (Greater of <b>£0.1M</b> of the total Budget or up to <b>3%</b> of the departmental budget). Handled within the team</p>
<p style="text-align: center;"></p> <p>A. Minor</p>	<p>Minor injuries or stress with no workdays lost or minimal medical treatment. No impact on staff morale. Internal Review, unlikely to have impact on the corporate image. Minor errors in systems/operations or processes requiring action or minor delay without impact on overall schedule. Handled within normal day to day routines. Some impact on the effectiveness of governance at service level. Minimal financial loss – Minimal effect on project budget/cost: Negligible effect on total Budget or departmental budget).</p>