GMCA Audit Committee

4 August 2016

Risk Register and Assurance Map

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<th>Report Of</th>
<th>Treasurer to the Greater Manchester Combined Authority Head of Audit and Risk Management</th>
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|                    | 0161 234 5273  
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| Wider Leadership  | Richard Paver  Treasurer to GMCA |
| Team Lead Officer:|----------------------------------|

**PURPOSE OF REPORT**
The GMCA governance and assurance framework includes regular review by Audit Committee of the risk register and assurance map. This report provides the latest update following a refresh of the assurance map format.

**RECOMMENDATION**
Members are requested to comment on the risk register and assurance map.

**PRIORITY**
This report is produced to support Audit Committee oversight of risk and assurance across GMCA and AGMA.
BACKGROUND DOCUMENTS
Greater Manchester Strategy and Greater Manchester Growth and Reform Plan
Reports to GMCA and AGMA (see website)
Previous assurance maps and risk registers (Audit Committee)

RISKS/IMPLICATIONS
Financial: Cost of Internal Audit and Risk Services within GMCA budget.
Staffing: No impact
Policy: No impact
Equal Opportunities – Has a Diversity Impact Assessment been conducted? No

TRACKING/PROCESS
Does this report relate to a Key Decision, as set out in the GMCA Constitution or in the process agreed by the AGMA Executive Board? No

EXEMPTION FROM CALL IN
Are there any aspects in this report which means it should be considered to be exempt from call in by the AGMA Scrutiny Pool on the grounds of urgency? No

AGMA Commission TIGMC Scrutiny Pool
N/A N/A N/A
1 Introduction

1.1 The Greater Manchester Combined Authority’s (the Authority’s) risk register supports the identification and management of key risks to the achievement of organisational objectives and captures actions considered necessary to mitigate them. The review identifies and captures new strategic risks, removes risks which are no longer relevant or significant and allows scrutiny and escalation of progress with actions.

1.2 Under its terms of reference Audit Committee oversees the effectiveness of the Authority’s risk management arrangements and the Authority approves the risk register following consideration by Audit Committee.

2 Risk Register

2.1 The risk register has been reviewed by the Risk Management Group; comprising the GMCA Treasurer, GMCA Head of Finance, Head of GMIST and Head of Audit and Risk. In addition, comments and updates are also sought from colleagues including the GMCA Monitoring Officer, Head of Finance (Commercial) Manchester City Council, GMIST Team, GMCA Director of Reform, Transition Programme Manager and Transition Lead Officers. Risk descriptions, existing controls, risk scores and response actions recorded on the risk register have been reviewed and any revisions are indicated on the register (Appendix A). From the latest review, six risks were added and three removed:

Risks Added

- Risks 1, 14 and 19 relate to the outcome and impacts of the EU Referendum. Risks reflect uncertainty and in particular the impact on EU funding streams which could result in reduced resources in part for reform and infrastructure programmes. Risk 14 particularly references ESF funding within the Working Well Programme.

- Two new risks have been included in respect of transport. Risk 3 refers to the Buses Bill and the risks arising from delivery and implementation. Risk 5 relates to Smart Ticketing and the risk of non delivery of GMCA and TfGM aspirations.

- Risk 6 refers to slippage in Local Growth Deal delivery and the risk that this could impact on the ability to secure future funding approvals.

In all these areas, mitigation plans are in place to manage the identified risks.

Risks Removed

- Risk 19 related to district redirection of funding for GMCA and transport priorities to local, district level priorities. This has not been removed but has been reflected in a broader district capacity and resources risk (risk 6).

- Risks 20 and 21 relate to guarantees on Growing Places and Regional Growth Funds. Given repayments being made on loans and following assessment by the GMCA Treasurer and Head of Finance (Commercial) these risks have been reclassified as very low and are proposed for removal from the risk register.
3  **Assurance Map**

3.1 The assurance map for the GMCA is currently being revised in terms of content and format. The map is being developed to specifically reference activity and assurances in respect of transition and will be presented to Audit Committee following officer review in September 2016.

4  **Recommendations**

4.1 Members are requested to consider and comment on the risk register and to receive a copy of a revised assurance map in September 2016.
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| 1   | 14/08/16     | NEW RISK                                                                                                                                                                                                                                                                                                                                                                                                     | - Ongoing Mayoral, Leaders and Chief Officer engagement with Government departments  
- Continuation of the legislative and governance progress to deliver new functions in 2017.  
- LGF proposals have refined to offset risk on key programmes                                                                  | 3X4=12 Medium | MGC, TfGM and GMCA finance team assessments of impact of withdrawal / reduction of EU funding with a view to developing further proposals for September                                                                                                                                                                                                         | GMCA Treasurer                   |
| 2   | 11/01/15     | The transition of powers and responsibilities and changes in roles, responsibilities and governance arising from devolution legislation across GM are not managed effectively resulting in a disjointed approach to GM working with avoidable costs, reputational damage and an impact on the ability to delivery the GM Strategy. | - Continuation of the legislative and governance progress to deliver new functions in 2017 is subject to regular, senior positive dialogue with Government.  
- Transition and Devolution Implementation Plan developed to ensure that the operational and strategic challenges of devolution are effectively managed and overseen by WLT and GMCA.  
- Transition Plan supported with associated workstreams, resourcing and project management support  
- Weekly Project Board meeting  
- Programme governance through Chief Executives’ Working Group and Leaders Task and Finish Group.                                         | 4x3=12 Medium | Communications plan in development to communicate change plans with the public, Members and senior managers.  
Internal Audit to provide assurance updates to Project Board and Audit Committee on transition from September 2016  
Detailed risk and issues log for transition programme developed and maintained by Project Board.                                        | Head of Paid Service                  |
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| 3   | 25/08/16     | Successful implementation of the Buses Bill is challenged by legal processes, funding and financial risks and a challenging implementation and delivery programme. | • Continuation of the legislative and governance process to deliver new functions in 2017 has been positive and remains on track to pass through the House of Commons in the autumn with target of Royal Assent in February 2017.  
• Reports to TfGM Executive Board, TfGMC and GMCA  
• Financial reporting to TfGM Board and onward to WLT and GMCA.  
• TfGM programme and project management team in place, with associated risk framework, stakeholder, engagement plan and legal support.  
• Risk reflected on TFGM risk register with additional oversight provided by TFGM Audit Committee | 4x3=12 Medium | Further review of risk with TfGM over next quarter. | Head of Paid Service |
| 4   | 01/06/16     | If capacity or resources of GMCA senior managers, Members / Officers and districts is insufficient, or conflicts with other priorities, this may impact on the ability to deliver the transition programme and to lead on and implement the GMCA strategy. | • CA statutory basis, constitution and the GM Strategy set out shared vision with Operating Agreement in place signed by all Districts.  
• Established governance structure alongside Leader Portfolios and Wider Leadership Team roles for key strategic priorities.  
• Key roles including Director of Reform established, supported by | 4X3=12 Medium | Ongoing capacity and financial constraints on districts impact the likelihood of the risk occurring however existing controls and governance arrangements should provide early warning of possible pressures. | Head of Paid Service |
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| 5   | 25/08/16     | Smart Ticketing is not delivered in accordance with anticipated time, cost and quality expectations of the GMCA or the public. This leads to additional cost pressures or reputational damage.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | • Agreement of a phased / incremental strategy at TfGM Executive Board and GMCA  
• Engagement with ‘Transport for the North’ project for Smart Ticketing across the North  
• Risk reflected on TFGM risk register with additional oversight provided by TFGM Audit Committee                                                                                                                                                                                                                                                                                                                                                                                  | 4x3=12 Medium   | Further review of risk with TfGM over next quarter.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | Head of Paid Service     |
<p>| 6   | 25/08/16     | Slippage in Local Growth Deal delivery programme places funding at risk, particularly if the GMCA is unable to apply grant to alternative, eligible capital schemes in year. This also presents a risk to future funding approvals.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | • Reports to WLT and GMCA                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | 4x3=12 Medium   | Further review of risk over next quarter.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | GMCA Treasurer          |</p>
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<td>05/01/15</td>
<td>The devolution of new powers and budgets from government to the Authority under a reformed governance model will increase pressures on financial, operational and governance and scrutiny functions and this may impact adversely on the Authority, reducing its capacity to deliver its objectives.</td>
<td>• The GM Agreement provides a devolution model and requires an extensive evaluation programme including evaluations of the earn-back scheme and the impact of devolution. • Implementation plan under the leadership of the Head of the Paid Service with support of GM WLT. • Ongoing oversight at GMCA, WLT and Scrutiny Committees. • Monitoring Officer and S151 consulted on all changes to governance arrangements.</td>
<td>4X3 =12 Medium</td>
<td>Risk reduced to medium on review</td>
<td>Head of Paid Service</td>
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<td>8</td>
<td>05/01/15</td>
<td>If it is not supported by appropriate agreements with government or is not managed effectively the 10 year £300m recyclable Housing Investment Fund created under the Devolution Agreement may not provide required numbers of homes or generate return on</td>
<td>• The fund will be controlled by the elected Mayor through the new governance arrangements. • Assurance Statement with DCLG and HMT setting out how investments and repayments will be managed. • Management within the GMCA Core Investment Team and oversight by GM Investment Board</td>
<td>4X3=12 Medium</td>
<td>Internal Audits of HIF including positive certification of S151 assurance</td>
<td>GMCA Treasurer</td>
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<td>9</td>
<td>27/02/12</td>
<td>Lack of understanding of the extent of and limitations to the Authority’s legal and constitutional powers following devolution may mean expectations are not managed, statutory duties are not discharged and their exercise may be legally challenged or scarce time and resources spent on objectives which the Authority is not empowered to deliver.</td>
<td>• Functions set out in GMCA Orders and Operating Agreement details arrangements for discharge of statutory functions.</td>
<td>3X4=12 Medium</td>
<td>Risk reduced to medium on review</td>
<td>Head of Paid Service</td>
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<td>• New website in place</td>
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<td>Whilst greater clarity over future programme for next 18 months communicated across stakeholders this risk to kept under review given ongoing changes in advance of and following appointment of Elected Mayor</td>
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<td>• Communications Strategy in place and being further developed – particularly clear for H&amp;SC Devolution with high level of proactive stakeholder and public communications</td>
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<td>10</td>
<td>01/06/16</td>
<td>HR issues arising from transition are not fully understood or managed effectively, with impact on cost and the effectiveness and affordability of future staffing structures</td>
<td>• HR Workstream in place as part of Transition Plan</td>
<td>3X4=12 Medium</td>
<td>Engagement with HR specialists, Trades Unions and staff groups as part of transition Finance Workstream to include consideration of costs and liabilities</td>
<td>Head of Paid Service</td>
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| 11  | 01/06/16     | Inability to develop draft orders and obtain approval from districts and GMCA means legislation is not in place by the required 1 April 2017 deadline. | • Updates and reports to WLT, Leaders and GMCA.  
• Oversight by Monitoring officer Transition Project Board | 4X3=12 Medium |                  | GMCA Monitoring Officer |
|     |              |                                                                                 |                                                                                   |                |                  |                                 |
| 12  | 27/02/12     | If there is decline or lack of unity in Districts’ shared vision, collective ownership and cohesiveness this may have an adverse impact on setting and delivering the Authority’s strategy. | • The Statutory basis, CA constitution and the GM Strategy set out shared vision and there is an Operating Agreement in place signed by all Districts.  
• Authority governance arrangements ensure debate and agreement on key issues.  
• Cohesion promoted through CEX group, WLT and Member Scrutiny. | 3X4=12 Medium |                  | Head of Paid Service |
| 13  | 4/6/2014     | Potential for tension between strategic agreement over Public Service Reform (PSR) taken at GM level and District capacity to undertake delivery. If this is realised it may give rise to reputational risk and may impact on service delivery. | • Agreement of overall objectives by GMCA and Districts  
• Establishment of PSR Board, Key Portfolio holders and CX Leads  
• Regular reports at GMCA/AGMA meetings  
• Director of Reform oversees GM and supports Districts in delivery.  
• Communication protocols agreed | 3X4=12 Medium | Risk maintained at medium as financial challenges in districts and required pace of change has ongoing potential for tension with GM level activity. | Head of Paid Service |
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| 14  | 25/08/16     | Working Well programme cannot continue at the scale and pace set out in the GM financial and business due to reduced level of funding, impacting adversely on reputation and the delivery of expected outcomes. The key current financial risks is reliance on ESF which was included in programme as GM match funding. | - Positive working relationship with DWP’s policy and commercial teams, include active engagement to secure ESF element of funding.  
- Contracts with providers allow for variation in scale of the programme, meaning financial risks are minimised  
- Reports to WLT and GMCA | 3X3=9 Medium | Further review of risk over next quarter. | Head of Paid Service |
| 15  | 27/02/12     | Potential for volatility in financial markets impacting on ability of GM to raise long-term funds at appropriate interest rates (key to success of GM funding strategy, including the Transport Fund) and present risks in relation to GMCA deposits and investments. Generally, the CA has substantial cash funds available for short-term investments. Budgeted interest receipts are minimal but security of the capital is | - The agreed Treasury Management Strategy for investments adopts a low risk approach prioritising security and liquidity.  
- Utilising surplus cash from CA’s various projects in lieu of external borrowing thereby reducing treasury risk and achieving interest savings  
- An established decision making and approval process for investments.  
- Regular reports to CA Audit Committee | 3X3=9 Medium | Risk score reviewed and maintained as Medium, although volatility increased there is a continued trend towards lower interest rates. | GMCA Treasurer |
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| 16  | 27/02/12     | Financial or operational under-performance by TfGM could impact adversely on the Authority’s reputation, its ability to produce a balanced budget and to deliver strategic priorities on schedule. | - Robust controls through TfGM Executive Board, which includes GMCA Treasurer  
- Regular budget and performance reporting to TfGMC.  
- Review and refresh of TfGM KPIs.  
- TfGMC sub-committees oversee capital projects and operation of bus and rail networks. TfGMC agreed approach to reductions in supported bus budget. | 3X3=9 Medium | Risk score reviewed and maintained as Medium. | GMCA Treasurer |
| 17  | 27/02/12     | If the GM Strategy performance management framework is ineffective, or does not take account of information from TfGM, partners and stakeholders, it may not adequately support the Authority’s ability to make effective, timely decisions. | - TfGM report performance to TfGMC under established arrangements.  
- Performance Management Framework in place and agreed by WLT linked to the Greater Manchester Strategy  
- GM Strategy performance report reviewed by GM’s Joint Scrutiny and informs their work programme for the following year.  
- Annual report on performance of GMCA linked to the Greater Manchester Strategy.  
- Moderate assurance over PMF from Internal Audit 2015/16 | 3X3=9 Medium | Arrangements have improved and PMF shows strong performance in a number of areas. Risk to be maintained at medium until PMF is shown to be embedded / assured. | Head of GMIST |
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| 18  | 06/03/13     | The Authority’s accountable body status for grant funding gives rise to a risk of clawback or reduced future grant payments if funded project outputs are not delivered or there are significant defaults on repayments of recyclable funding. | • A financial monitoring procedure has been agreed for RGF and GPF payments and repayments to be delivered by the Core Investment Team.  
• Ongoing audit work and positive audit grant certifications for CA as accountable body.                                                                                                      | 3X3=9 Medium  | Action: Area of risk for focus in 2016/17  
Internal Audit planning                                                                                                                                       | GMCA Treasurer |
| 19  | 14/08/16     | The outcome and impacts of the EU Referendum, including role changes within Government, result in financial uncertainty and economic instability that may affect the trajectory of national policy in relation to devolution and regionalism with a consequent impact on the ability to progress the GM devolution strategy as originally planned. | • Ongoing Mayoral, Leaders and Chief Officer engagement with Government departments  
• Continuation of the legislative and governance progress to deliver new functions in 2017.                                                                                                 | 4X2=8 Medium  | No specific additional actions proposed at this stage other than ongoing engagement and remaining abreast of developments. | Head of Paid Service |
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| 20  | 27/02/12     | Any divergence between the Authority’s aims and priorities and those of the Local Enterprise Partnership may impact adversely on continued Government support and funding and send a contradictory or inconsistent message to the Region’s residents. | - Chair / vice-chairs of the Authority sit on the LEP Board. Local authority members are decided by the GMCA.  
- LEP minutes reported to Authority meetings.  
- Joint signatories of GM Strategy, GM Growth and Reform Plan  
- Dual representation by GMCA and LEP on external bodies, eg GM Investment Board.  
- LEP Assurance Framework drafted to meet Government Growth Deal requirements | 3X2=6 Low       | Risk reviewed and maintained as low.                                                                                                                                  | Head of Paid Service |
## Risks Proposed for Removal

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| 21  | 27/02/12     | Current and future financial pressures on Districts, including the impact of Government rules on referendums on Council Tax increases, may mean scarce resources are directed to local priorities with a potential adverse impact on the Authority’s long term funding through the transport levy. | • Comprehensive annual budget process, including setting of the transport levy, provides opportunity to consider financial pressures.  
• Strong and consistent buy-in from Districts  
• 2016/17 resources secured for annual budget. | 4X3=12 Medium | Specific risk removed as included in overall district capacity and resources risk (Risk 6) | GMCA Treasurer |
| 22  | 4/6/2014     | In order to leverage additional external capital investment, the GMCA has issued guarantees to Districts against bad debt, which if called upon will be funded from future cashflows repayable as part of the original GPF loans. There is potential financial risk to the GMCA if the future cashflows do not materialise and the guarantees are called upon. | • Extensive due diligence takes place before any loan is granted to assess the viability of the company  
• Companies are regularly monitored to assess potential risks and emerging issues  
• Cashflow forecasts are updated on a monthly basis for monitoring purposes  
• Levels of guarantee offered closely monitored and reported through CEIG, WLT, GMCA as appropriate | 3X1=3 Low | Risk removed 250716 as GMCA Treasurer and HoF confirm this is no longer assessed as a corporate risk. | GMCA Treasurer |
<p>| 23  | 31/08/15     | Guarantees supporting leverage of Regional Growth Fund are triggered by significant under-performance | • Agreed investment strategy established core principles to structure investments so maximum security for loans is achieved and | 3X1=3 Low | Updated 14/01/16. Risk reduced to low as now only relates to RGF not Housing Investment | GMCA Treasurer |</p>
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|     |              | of underlying investments, resulting in additional costs to GMCA and districts. | credit risk minimised as far as is practicable.  
- Management within the GMCA Core Investment Team and oversight by GM Investment Board  
- All investment recommendations made by Credit Committee are endorsed by GMCA, with final approval by Manchester City Council.  
- Updates provided to WLT, and GMCA as appropriate. | Fund and Growing Places. Prudent assumptions made so risk now assessed as low  
Risk removed 250716 as GMCA Treasurer and HoF confirm this is no longer assessed as a corporate risk. |