1. PURPOSE OF REPORT

This report sets out the necessary changes that the GMCA needs to make as it prepares to take on significant new powers devolved from government in May 2017. There has been new legislative requirements regarding the audit committees of combined authorities in the Cities and Local Government Devolution Act 2016 and Combined Authorities (Overview and Scrutiny Committees, Access to Information and Audit Committees) Order 2017 (‘the Order’). The provisions of this Order come into force on the 8th May 2017.

This report ensures that GM’s Audit Committee is fully sighted on the changes required by legislation. It also sets out some proposed changes to the Committee which will ensure and to ensure that it continues to discharge its functions effectively after May 2017.

2. RECOMMENDATIONS:

Members are asked to agree that the following recommendations should be taken to the GMCA:

(i) That the GMCA’s Audit Committee’s membership is reduced from eight to six.
(ii) That there should be some flexibility regarding the composition of the Committee’s membership of six, so that the GMCA have the option of either appointing two independent persons and four elected members or five elected members and one independent person (depending on the number of appointable independent persons). It is suggested that the final decision on the Committee’s composition should be taken by the GMCA’s Annual Meeting in June.
(iii) That the Authority’s Monitoring Officer (in consultation with the GMCA Treasurer) be given delegated authority to make arrangements, for advertising, short-listing and interviewing candidates for appointment as Independent Members of the GMCA Joint Audit Committee and to make recommendations to the GMCA in respect of appointment.
(iv) That the changes set out in section 4 are incorporated in the GMCA Audit Committee’s new terms of reference.
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<th>TRACKING/PROCESS</th>
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<td>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</td>
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3. MEMBERSHIP

3.1 The 2013 Chartered Institute of Public Finance and Accountancy Guidance (CIPFA) guidance on Audit Committees suggests that smaller audit committees are more effective. In previous discussions the Committee had suggested the optimum size for the GMCA’s Audit Committee would be six. There is a legal requirement for at least one independent member to be appointed to a Combined Authority audit committee.

3.2 It is proposed that the GMCA’s Audit Committee’s membership is reduced from eight to six.

3.3 The Order specifies that an audit committee member may not be an officer of the GMCA or one of the ten districts.

3.4 It also specifies that members of the Audit Committee who are elected members should reflect the political balance of the GMCA’s combined area as far as ‘reasonably practicable’.

Elected Members

3.5 The GMCA will decide whether four or five elected members (depending on how many Independent Members it chooses to appoint) are appointed to its Audit Committee at its annual meeting in June 2017.

3.6 A role description and person specification for a GMCA audit committee member will be developed as part of the member appointment process. This will improve the nomination process and enable districts to consider members whose skills and experience are well suited to this role.

3.7 The current political balance of the combined area of the ten districts currently means that for a committee of four elected members the balance would be three Labour members and one Conservative member. For a committee with five elected members there would be four Labour members and one Conservative member.

Independent Members

3.8 The Order specifies that the GMCA’s Audit Committee must appoint at least one independent person.

3.9 It is proposed to give the GMCA flexibility to choose to appoint two independent members, which will be decided at its Annual Meeting in June 2017. The overall membership of the Audit Committee will be six.

3.10 The Order describes a person as ‘independent’ if they are:
   (a) not a member of the GMCA (in GM’s case this is the leader/city mayor of the ten districts, their substitutes or the elected mayor), a co-opted member of the GMCA or an officer of the GMCA;
   (b) is not a member, co-opted member or officer of a parish council for which the authority is the principal authority; (This provision is not relevant as the GMCA is not the principal authority for any parish council);
   (c) not a relative, or close friend, of a person within sub-paragraph (a) or (b);

AND was not at any time during the 5 years ending prior to being considered for appointment to the GMCA’s Audit Committee:
(i) a member of the GMCA (in GM’s case this is the leader/city mayor of the ten districts, their substitutes or the elected mayor), a co-opted member of the GMCA or officer of the GMCA; or
(ii) a member, co-opted member or officer of a parish council for which the authority is the principal authority (again, this provision is not relevant to the GMCA).

3.11 There will be provision for an independent person to be paid an allowance and expenses in connection with performing the duties relating to their appointment. The decision to pay allowances to independent members will be based on the recommendations of a GM Independent Remuneration Panel (IRP).

3.12 Before an independent person appointment can be made the vacancy has to be publicly advertised; that applicants have to formally apply to fill the vacancy, and their appointment has been approved by a majority of the members of the GMCA. A role description for an independent person and the committee chair will be developed as part of the recruitment process.

3.13 It is proposed that the term of the appointment should be three years, renewable for one further term.

4. CHANGES TO THE COMMITTEE’S TERMS OF REFERENCE

4.1. In addition to the changes relating to membership above there are a number of issues which will be included in the re-drafted GMCA’s constitution and Audit Committee’s terms of reference.

4.2. The Committee may require members of the GMCA, the elected Mayor, members of Transport for Greater Manchester Committee or senior officers of the GMCA or Transport for Greater Manchester to attend meetings.

4.3. The Order specifies that two thirds of the members of the GMCA’s Audit Committee’s must be present in order for it to be quorate, and able to transact any business. The terms of reference of the Audit Committee will need to be amended to take this into account.

4.4. That the new terms of reference (or handbook) will set out the relationship between the different functions of the GMCA and Mayor, and AGMA and will describe the committee’s responsibilities regarding these functions.

4.5. The GMCA’s Audit Committee may be chaired by an independent person. The Chair will be appointed by the Committee.

5. RECOMMENDATIONS

5.1 Recommendations are set out at the front of the report.