



Auditor's Annual Report
Greater Manchester Combined Authority– year ended 31 March 2023

December 2024

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Introduction

Introduction

Purpose of the Auditor's Annual Report

Our Auditor's Annual Report (AAR) summarises the work we have undertaken as the auditor for Greater Manchester Combined Authority ('the Authority') for the year ended 31 March 2023. Although this report is addressed to the Authority, it is designed to be read by a wider audience including members of the public and other external stakeholders.

Our responsibilities are defined by the Local Audit and Accountability Act 2014 and the Code of Audit Practice ('the Code') issued by the National Audit Office ('the NAO'). The remaining sections of the AAR outline how we have discharged these responsibilities and the findings from our work. These are summarised below.



Opinion on the financial statements

We issued our audit report on 2 December 2024 . Our opinion on the financial statements was unqualified.



Wider reporting responsibilities

The Comptroller and Auditor General ('C&AG') has signed their opinion on the 2022-23 Whole of Government Accounts. Our audit report on the Authority's financial statements was issued after the C&AG had issued their opinion and as such we were not required to provide information to the NAO in respect of their group audit.



Value for Money arrangements

In our audit report issued we reported that we had completed our work on the Authority's arrangements to secure economy, efficiency and effectiveness in its use of resources and had not issued recommendations in relation to identified significant weaknesses in those arrangements. Section 3 provides our commentary on the Authority's arrangements.

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Audit of the financial statements

Audit of the financial statements

The scope of our audit and the results of our opinion

Our audit was conducted in accordance with the requirements of the Code, and International Standards on Auditing (ISAs). The purpose of our audit is to provide reasonable assurance to users that the financial statements are free from material error. We do this by expressing an opinion on whether the statements are prepared, in all material respects, in line with the financial reporting framework applicable to the Authority and whether they give a true and fair view of the Authority’s financial position as at 31 March 2023 and of its financial performance for the year then ended. Our audit report, issued on 2 December 2024 gave an unqualified opinion on the financial statements for the year ended 31 March 2023.

A summary of the significant risks we identified when undertaking our audit of the financial statements and the conclusions we reached on each of these is outlined in Appendix A. In this appendix we also outline the uncorrected misstatements we identified and any internal control recommendations we made.

Qualitative aspects of the Authority’s accounting practices

We have reviewed the Authority’s accounting policies and disclosures and concluded they comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets, published in November 2022, appropriately tailored to GMCA’s circumstances.

Draft accounts were received from GMCA on 31 July 2023 and were generally of a good quality.

Significant difficulties during the audit

During the course of the audit we did not encounter any significant difficulties and we have had the full co-operation of management.

Other reporting responsibilities

Reporting responsibility	Outcome
Annual Report	We did not identify any significant inconsistencies between the content of the annual report and our knowledge of the Authority.
Annual Governance Statement	We did not identify any matters where, in our opinion, the governance statement did not comply with the guidance issued by CIPFA/LASAAC Code of Practice on Local Authority Accounting.

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Our work on Value for Money
arrangements

VFM arrangements

Overall Summary



VFM arrangements – Overall summary

Approach to Value for Money arrangements work

We are required to consider whether the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The NAO issues guidance to auditors that underpins the work we are required to carry out and sets out the reporting criteria that we are required to consider. The reporting criteria are:



Financial sustainability - How the Authority plans and manages its resources to ensure it can continue to deliver its services.



Governance - How the Authority ensures that it makes informed decisions and properly manages its risks.



Improving economy, efficiency and effectiveness - How the Authority uses information about its costs and performance to improve the way it manages and delivers its services.

Our work is carried out in three main phases.

Phase 1 - Planning and risk assessment

At the planning stage of the audit, we undertake work so we can understand the arrangements that the Authority has in place under each of the reporting criteria; as part of this work we may identify risks of significant weaknesses in those arrangements.

We obtain our understanding of arrangements for each of the specified reporting criteria using a variety of information sources which may include:

- NAO guidance and supporting information
- Information from internal and external sources including regulators
- Knowledge from previous audits and other audit work undertaken in the year
- Interviews and discussions with staff and directors

Although we describe this work as planning work, we keep our understanding of arrangements under review and update our risk assessment throughout the audit to reflect emerging issues that may suggest there are further risks of significant weaknesses.

Phase 2 - Additional risk-based procedures and evaluation

Where we identify risks of significant weaknesses in arrangements, we design a programme of work to enable us to decide whether there are actual significant weaknesses in arrangements. We use our professional judgement and have regard to guidance issued by the NAO in determining the extent to which an identified weakness is significant.

We outline the risks that we have identified and the work we have done to address those risks.

Phase 3 - Reporting the outcomes of our work and our recommendations

We are required to provide a summary of the work we have undertaken and the judgments we have reached against each of the specified reporting criteria in this Auditor's Annual Report. We do this as part of our Commentary on VFM arrangements which we set out for each criteria later in this section.




We also make recommendations where we identify weaknesses in arrangements or other matters that require attention from the Authority. We refer to two distinct types of recommendation through the remainder of this report:

- **Recommendations arising from significant weaknesses in arrangements** - We make these recommendations for improvement where we have identified a significant weakness in the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources. Where such significant weaknesses in arrangements are identified, we report these (and our associated recommendations) at any point during the course of the audit.
- **Other recommendations** - We make other recommendations when we identify areas for potential improvement or weaknesses in arrangements which we do not consider to be significant but which still require action to be taken.

The table on the following page summarises the outcomes of our work against each reporting criteria, including whether we have identified any significant weaknesses in arrangements or made other recommendations.

VFM arrangements – Overall summary

Overall summary by reporting criteria

Reporting criteria	Commentary page reference	Identified risks of significant weakness?	Actual significant weaknesses identified?	Other recommendations made?
 Financial sustainability	12	No	No	No
 Governance	15	No	No	No
 Improving economy, efficiency and effectiveness	20	No	No	No

VFM arrangements

Financial Sustainability

How the body plans and manages its resources to ensure it can continue to deliver its services



VFM arrangements – Financial Sustainability

Overall commentary on Financial Sustainability

[Background to GMCA's operating environment in 2022-23

Since March 2020 local authorities have faced a period of unprecedented challenge, both financially and economically, as they are responding to the impact of, and recovery from, the global Covid-19 pandemic. The financial impact of the pandemic on the Authority has been significant. Given the uncertainties faced by the ten Greater Manchester (GM) Councils as they focus on recovery from the pandemic and continue to be impacted with demand-led pressures, GMCA must deal with the potential impact on the levies raised from general fund budgets.

The pandemic also had a significant impact on the Authority's transport functions with decreased patronage across the bus and tram network. Although 2022-23 saw patronage returning to pre-covid levels, transport services have continued to face financial pressure. Funding continued to be provided by central government to support the loss of farebox revenues relating to the Metrolink and to provide support in maintaining the level of bus services across the region. Work has continued to negotiate future government support for transport services.

During 2022/23, GMCA has worked with Government to agree the next stage of devolution to Greater Manchester. In March 2023, as part of the 2023 Budget Settlement, the Chancellor announced the Trailblazer Devolution Deal for Greater Manchester. The new deal further embeds the role of local decision-making through additional powers and responsibilities over post-16 technical education, transport, housing, and regeneration, as well as new financial freedoms and new accountability arrangements impacting future years.

Notwithstanding this new deal, the financial challenges the Authority will face continue. In addition to dealing with the recovery from the Covid-19 pandemic, the war in Ukraine continues to have an adverse impact on the UK economy, with resulting increases in energy costs, supply chain issues and inflation rates reaching highs not seen in recent times. The subsequent increases in the cost of living mean the Authority needs to continue pay close attention to its budget position and reassess the impact at regular intervals in order to identify mitigations at the earliest opportunity.

Financial planning and monitoring arrangements

In February 2022, the Authority and Police and Crime Panel approved balanced revenue and capital budgets for the 2022-23 financial year. These reflected the outcome of the latest Spending Review and the impact on resources available to GMCA throughout the year. Throughout the year the Authority updated its budget forecasts, to ensure budgets remained up-to-date given the challenging financial position.

At the year end, the Authority reported a £34.8m underspend across all functions. We have considered the arrangements in place in respect of budget management as part of the Governance criteria later in this report.

As in previous years, the Authority reported its financial position and outturn to meetings of the full Combined Authority and the Corporate Issues and Reform Overview & Scrutiny Committee (now GMCA Overview & Scrutiny Committee). We reviewed the reports presented in 2022-23, which contain detail of performance against revenue, with explanations for any significant variances detailed in the report. These Finance reports also contain information on progress against approved capital programme and reasons for over or underspends against the budget profile.

As part of the annual accounts process, management completes a review of its ability to operate as a going concern, highlighting any potential financial risks for the following financial year. In doing so, the Authority considered its 2022-23 financial position and budget framework for 2023-24 in the light of the Trailblazer announcement, the regulatory and control environment applicable to GMCA, and the wider economic environment including pay and price inflation, and the available reserves. The Authority also considered detailed cash flow forecasts, supported by the Treasury Management Strategy. Management concluded the Authority remains a going concern with no material risks identified.

Arrangements for the identification, management and monitoring of funding gaps and savings

As reported previously the medium term financial plan is developed with GM Local Authority Leaders and Treasurers to ensure alignment of financial plans and sharing of assumptions, opportunities and challenges for GM as a whole. During 2022/23 a new overhead recharge approach had been developed to ensure that the cost of corporate functions are allocated in full and consistently applied across all activities of the organisation. This new approach has been reflected in the budget for 2023/24 and has enabled the development of three-year medium term financial plan (MTFP) up to 2025/26 for Corporate Services. Our review of outturn reports confirmed the Authority does not have any weaknesses regarding the delivery of savings and reported an outturn underspend of £34.8m across all functions.

As reported in previous years, the Authority works closely with Greater Manchester Police (GMP) to develop a Police Fund Strategic Financial Outlook (SFO) for a three year period. This is updated as part of the financial planning process to reflect all known pressures and savings and to ensure police spending is contained within the available resources. The latest SFO reflected the medium term financial impact of the GMP improvement plan known as 'Plan on a Page' developed in response to His Majesty's Inspectorate of Constabulary Fire and Rescue Services (HMICFRS) findings. Current and future financial pressures are identified and reported to the Deputy Mayor on a monthly basis and reflected in the SFO.

The GMCA Chief Executive in conjunction with Chief Officers (Directors) monitors expenditure against the approved budget which is reported on a regular basis having been agreed with the Treasurer to the GMCA showing forecast variations from the budget allocated. Where likely overspends are identified these are reported promptly to the Treasurer.

VFM arrangements – Financial Sustainability

Overall commentary on the Financial Sustainability reporting criteria – continued

Arrangements and approach to 2023-24 financial planning

The 2023-24 budget was approved by the Combined Authority in February 2023. As previously this focussed on the organisational priorities set out in the Greater Manchester Strategy (GMS). This sets a route for delivering a vision of Greater Manchester being “a place where everyone can live a good life, growing up, getting on and growing old in a greener, fairer more prosperous city-region.”

There are four corporate objectives, agreed by all the political leaders, which define the activity GMCA delivers as a business:

- deliver core/devolved services for the public;
- secure, and manage, funding and investment at GM level for agreed activity;
- work with the 10 local authorities to drive collective activity that puts GM at the forefront of tackling social, economic and environmental issues; and
- ensure GM is speaking with one voice – developing, leading and implementing our evidence-based strategies, building our networks and partnership and influencing policy.

The Authority has developed a three year Corporate Plan which sets out recent key achievements and identifies priority spending areas for each of the four corporate objectives. These headline priorities have then been developed further in the detailed delivery activity listed in the annual Business Plan.

The 2023-24 budget has been prepared to continue the delivery of the Corporate Plan and reflects the following basis and assumptions:

- an increase to the transport levy by £7.7m (£113.472m) with no change to the statutory charge (£86.7m) from 2020-21, this represented a overall 4% increase;
- a 2.5% average increase in the waste budget and levy charged to districts;
- an increase in the Mayoral General Precept by £5 to £107.95 for a Band D property; and
- an increase in the Police Precept of £15 for a Band D property.

Based on the above no significant weaknesses in the Authority's arrangements in relation to financial sustainability have been identified.

VFM arrangements

Governance

How the body ensures that it makes informed decisions and properly manages its risks



VFM arrangements – Governance

Overall commentary on Governance

Decision making arrangements and control framework

The Authority's governance structure is set out within its Annual Governance Statement. The governance framework comprises the legislative requirements, principles, management systems and processes. This is supported by the Authority's constitution and scheme of delegation which shows the levels of authority required for all key decisions. Executive Directors have clear responsibilities linked to their roles and the Committee structure at the Authority allows for effective oversight of operations.

The Authority's Code of Corporate Governance sets out how GMCA operates, how decisions are made and the procedures that are followed to ensure that these are efficient, transparent and accountable to local people.

Oversight of the Authority's decision making and wider governance arrangements sits within the committee structure of the Authority. An independent review of the Authority's scrutiny function identified 18 recommendations which the Authority responded to over the course of 2022/23. Following this review, significant changes have been made to the arrangements in place, with the establishment of an additional committee to strengthening the role of scrutiny by:

- reviewing and evaluating the performance of the Mayor and GMCA, and the way they work with partners to deliver for local people;
- contributing to policy development in respect of high profile, complex issues affecting the whole of Greater Manchester;
- investigating more complex cross-cutting issues, with a particular focus on the GMCA's forthcoming responsibilities in respect of the "missions" in the Levelling Up Bill.

The Authority has an Audit Committee that meets regularly. Membership of this Committee includes four Independent Persons as well as four elected members. Officers regularly attend committee meetings to support the Committee in exercising their responsibilities. The Audit Committee receives regular updates from the police Joint Audit Panel, providing assurance over policing related areas which fall under the Deputy Mayor's responsibilities.

In order to provide assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud, the Authority has a team of internal auditors, led by the Deputy Director of Audit and Assurance. The annual Internal Audit plan is agreed with management at the start of the financial year and reviewed by the Audit Committee prior to final approval.

We have reviewed the Internal Audit Plans for 2022/23 and 2023/24 and confirmed work is planned on a risk based approach. The risk rating of each audit area determines the frequency of audit, with key areas such as ICT services and Finance being subject to annual audit procedures. As previously reported, progress reports are presented to each Audit Committee meeting including follow up reporting of recommendations not fully implemented by agreed due dates. This allows the Committee to effectively hold management to account on behalf of the Authority. At the end of each financial year the Deputy Director of Audit and Assurance provides an opinion on the overall adequacy and effectiveness of the Authority's framework of governance, risk management and control. For 2022/23 reasonable assurance was provided on the overall adequacy and effectiveness of GMCA's framework of governance, risk management and internal control.

Risk management and monitoring arrangements

GMCA manages risk through the development and regular review and update of the Corporate Risk Register. In 2020/21 GMCA acknowledged that a more robust, organisationally embedded approach to risk management was required, and as a result the Deputy Director of Audit and Assurance was assigned responsibility for risk management across the organisation. At the time of the review, although some aspects of good practice were identified, some fundamental aspects of a robust risk management framework were not yet in place within GMCA. This included a standard risk management framework and guidance for use across the organisation below the Corporate Risk Register level.

As a result, a new Risk Management Policy and Framework was developed. Prior to rolling out the new Risk Management Policy, internal audit facilitated a baseline assessment of risk management maturity across the organisation. This exercise identified the organisation as a whole as falling within the "Emerging" phase of risk management maturity.

The GMCA Risk Management Framework was launched in early 2021 has continued to evolve in 2022/23. The framework enables identification of risk at the Strategic, Organisational, Directorate and Programme level with methods for escalation between the levels as necessary. The Corporate Risk Register is underpinned by engagement with the Chief Executive Management Team and the Corporate Risk Group.

The Corporate Risk Register is regularly presented to Audit Committee allowing oversight of the risk management process.

VFM arrangements – Governance

Overall commentary on Governance reporting criteria - continued

Arrangements for budget setting and budgetary control

The financial planning process commences in late summer and involves detailed consultation with GM local authority Leaders, Chief Executives and Treasurers on each aspect of the GMCA budget process throughout the autumn leading to the approval of the budget in February. The budget reflects the outcome of the latest Spending Review and other impacts on resources available to the Authority, which are reviewed throughout the financial year.

Within GMCA the financial plans for service areas are determined with the Police, Fire and Crime Panel, Mayor, directors and managers. These plans take account of contractual commitments, planned programmes of work, capacity requirements, external funding and efficiencies. The Police, Fire and Crime panel and GMCA are provided with a timetable for budget setting and the subsequent consultation process for setting the PCC and Mayoral precepts in January of each financial year. For the PCC precept, the amount of funding available is balanced against the priorities as set out in the Police and Crime Plan and Strategic Financial Outlook before being presented to the Police and Crime Panel for consideration. Formal budgets are approved at the February meeting of the CA each year. These budgets cover each of the areas the Authority and the Mayor have responsibilities for.

The GMCA Chief Executive, in conjunction with Chief Officers, monitors expenditure against this approved budget. Progress against budget is reported on a regular basis to CA meetings, showing forecast variations from the budget allocated.

The process for reporting the budget to Officers and Members includes monthly reports to leadership and management teams, and to the Deputy Mayor's Executive meetings. Quarterly reports are then prepared and presented to the Authority to summarise the position reported to Officers and to provide the overall financial position for the Authority.

Arrangements for the preparation of the Authority's financial statements.

Our audit of the 2022/23 financial statements confirmed that the Authority has made significant progress in relation to the preparation of its draft financial statements. The quality of the supporting working papers has improved. There are, however, still some errors in accounting for the Authority's Property Plant and Equipment in particular around valuations and accounting for depreciation.

Greater Manchester Fire and Rescue Service

In May 2017, the functions of the Greater Manchester Fire and Rescue Authority were transferred by Parliamentary Order to GMCA. Responsibility for the Service sits with the elected Mayor of Greater Manchester, with certain functions delegated to the Deputy Mayor for Policing, Crime and Fire. The aim of this changes is to bring police and fire functions closer together. Scrutiny of the fire service is provided by the Mayor and the Deputy Mayor. Scrutiny of their decisions, and the decisions of officers regarding GMFRS, is the responsibility of the Police, Crime and Fire Panel.

Greater Manchester Fire and Rescue Service - HMICFRS

On 15 December 2021 HMICFRS published the findings from their 2021/22 fire and rescue service assessment. The inspection took place in April and May 2021, and assessed how good GMFRS is against three pillars: effectiveness, efficiency and people. The assessment judged GMFRS as requiring improvement for effectiveness and efficiency, and good for people. This represented an overall improvement from the 2018/19 inspection, particularly against the people area which had previously been rated as requires improvement. The report identified a number of areas of improvement, and one cause for concern relating to the need for GMFRS to have its own marauding terrorist attack response. This required the service to provide an action plan to HMICFRS by the end of October 2021, setting out how the service intended to address the problems identified. GMCA developed a detailed action plan and business case to address the cause for concern with regular updates to the Police Fire and Crime Panel to provide updates on progress made.

We have reviewed the evidence of actions taken to address the wider HMICFRS findings such as implementation of revised policies. Through progressing the action plan and close engagement with HMICFRS, the regulator formally closed the cause of concern. Following a revisit in May 2022, the regulator issued a follow up letter which formally confirmed that satisfactory progress had been made. The latter provided formal confirmation the cause of concern was now closed.

We are now satisfied the previous weakness identified relating to Greater Manchester Fire and Rescue Service has been appropriately addressed during 2022/23.

VFM arrangements – Governance

Overall commentary on Governance reporting criteria - continued

Greater Manchester Police

In May 2017, the functions of the Police and Crime Commissioner for Greater Manchester (the PCC) were transferred by Parliamentary Order to the Mayor of Greater Manchester (the Mayor). The Mayor is responsible for the formal oversight of Greater Manchester Police (GMP), the provision of all funding, budget-setting, performance scrutiny and strategic policy development. The Mayor is also responsible for holding the Chief Constable to account for ensuring that GMP is run efficiently and effectively. These responsibilities are carried out by Greater Manchester's Deputy Mayor for Policing, Crime, Criminal Justice and Fire. Operational decision-making on day-to-day policing matters and the employment of police officers and police staff remains the responsibility of the Chief Constable.

Greater Manchester Police - HMICFRS

In 2020/21 we identified a significant weakness in the Authority's arrangements in relation to its oversight responsibilities of GMP. This followed a number of critical reports issued by HMICFRS, namely the December 2020 "An inspection of the service provided to victims of crime by Greater Manchester Police" and the findings from their 2021/22 police effectiveness, efficiency and legitimacy (PEEL) inspection. In December 2020 GMP was moved from the "Scan" phase of monitoring to the "Engage" phase which is the enhanced level of monitoring by the police inspectorate.

The report on the service provided to victims of crime contained one cause of concern, nine recommendations, and one area for improvement. To address these, GMP established its own internal action plan for monitoring and coordinating progress. The plan was updated each fortnight and submitted to HMICFRS to monitor progress. In January 2021, GMP initiated the GMP HMICFRS Oversight Board to more closely monitor HMICFRS activity and progress action to more swiftly close recommendations and to address the areas for improvement and causes for concern across the inspection activity. The Oversight Board includes representation from The Mayor's office.

The revised governance arrangements which were set up in response to the HMICFRS inspection report included a Gold Command Group chaired by the Deputy Chief Constable with representatives from the Mayor's office and the Home Office. GMCA also received regular updates on the progress against the improvement action plan through reports taken to the Greater Manchester Police, Fire and Crime Panel.

On 30 September 2021 HMICFRS published an 'Accelerated cause of concern' relating to responding to vulnerable people. This set out that in too many important respects the force could not routinely respond to emergency and priority incidents within the timescales it had set. This cause of concern was reported by HMICFRS earlier than usual in the inspection and reporting process because, in their view, this indicated a significant service failure or risk to public safety. HMICFRS reported that GMP had also failed to make the improvements in this area which had been recommended in previous inspections.

On 3 March 2022 HMICFRS published the findings from their 2021/22 PEEL inspection. The inspection assessed how good GMP was in ten areas of policing and the report included graded judgments in nine of these ten areas. The judgement concluded that GMP were "inadequate" in three areas, "requires improvement" in five areas and were "adequate" in one area. In addition to the one accelerated cause of concern reported in September 2021, HMICFRS reported three further causes of concern in the following areas: the force does not investigate crime, supervise investigations or update victims to an acceptable standard; Greater Manchester Police doesn't currently have the arrangements in place to support and build its workforce; the force doesn't currently have a sufficient understanding of either its demand or the capability and capacity of its workforce.

GMP worked closely with HMICFRS liaison officers to understand the findings and recommendations in detail and to ensure its planned actions adequately addressed the issues raised by the inspectors within the HMICFRS reports. Updates on progress in delivering these recommendations are reported monthly to the HMICFRS Oversight Board. We have reviewed the agenda papers for a sample of HMICFRS oversight board meetings and can see evidence of improvement in the Force's arrangements for monitoring and implementing actions against the HMICFRS recommendations. Each area under the HMICFRS framework is assigned both an owner at the Assistant Chief Constable level, and a tactical owner at the Chief Superintendent level. At each HMICFRS Oversight Board the Assistant Chief Constable provides an update on all areas assigned to them, including the current position, any risks and planned future developments. The HMICFRS Oversight Board are also updated on the Force's current position against HMICFRS causes of concern, areas for improvement and recommendations, including the number of each which are open, progressing to closure or closed. Any issues which are highlighted at the HMICFRS Oversight Board are reported into the Deputy Chief Constable, the Chief Constable and the Deputy Mayor where appropriate.

During 2022/23 the Force continued to build on the progress made in 2021/22 to address the areas of weakness highlighted by HMICFRS. During 2022/23 key activities to deliver improvement and address the concerns continued to be monitored and actioned. The improvement plan was overseen by an Executive Board and monitored through the Performance Management Framework (PMF). The PMF includes a weekly accountability report to the Chief Officer Management Team to monitor progress on service delivery. This is underpinned by the monthly Victims and Communities Performance Management meeting which reviews service delivery and takes corrective action to address concerns. The Deputy Mayor is integral to this process and receives regular updates via formal briefings and through attendance at the Improvement Board.

VFM arrangements – Governance

Overall commentary on Governance reporting criteria - continued

Performance monitoring has expanded as part of the refreshed Police and Crime Plan. Regular updates are presented to the Police, Fire and Crime Panel covering engagement with HMICFRS and progress made against action plans. The Police, Fire and Crime Panel developed a more holistic approach to performance management, linking to the priorities set out in the Police and Crime Plan. This takes the three priorities set out in the plan and assigns key performance indicators to each one. The Panel receives a detailed update on performance at each meeting. These arrangements began to be embedded within 2022/23. Further progress has been made as the year progressed, with the panel regularly receiving performance updates on actions taken to address HMICFRS findings. Actions are now being addressed and closed down on a regular basis, with appropriate scrutiny from the Deputy Mayor effectively holding the force to account for progress in addressing the issues.

In December 2023, HMICFRS issued the results of the latest PEEL inspection covering 2023-25. GMP is now graded as “Good” in two areas, “Adequate” in five areas and “Requires Improvement” in one area. The report comments on the significant improvement in the force’s performance. While a number of areas of improvement were identified, no causes of concern were identified during the process.

The evidence obtained above provides sufficient assurance over the arrangements in place to oversee the performance of GMP, and confirm our recommendations have been adequately addressed.

VFM arrangements

Improving Economy, Efficiency and Effectiveness

How the body uses information about its costs and performance to improve the way it manages and delivers its services



VFM arrangements – Improving Economy, Efficiency and Effectiveness

Overall commentary on Improving Economy, Efficiency and Effectiveness

Arrangements for assessing performance and evaluating service delivery

The Greater Manchester Strategy (GMS) sets out a vision and overall ambition for the region, structured around 10 priorities. Achievement of these priorities guides decisions around allocation of resources, investment, commissioning, and financial strategies, therefore, understanding how the organisation is performing is key. Underpinning the GMS is an outcomes framework, which sets targets and measures for each of the priorities, and performance against these targets is published in a six-monthly dashboard.

The weaknesses identified during 2020/21 in relation to GMFRS and GMP represented weaknesses in GMCA's performance management arrangements over the police and fire services. As set out in the Governance section of this report, we have reviewed the updated arrangements put in place throughout 2022/23. Such oversight arrangements include expanded performance monitoring as part of the refreshed Police and Crime Plan. The Police, Fire and Crime Panel has developed a more holistic approach to performance management, linked to the priorities set out in the Police and Crime Plan. This takes the three priorities set out in the plan and assigns key performance indicators to each one. The Panel receives a detailed update on performance at each meeting.

In relation to GMFRS we have seen evidence of GMCA managing the performance of the service through regular updates to the Police, Fire and Crime Panel, with Fire Officers regularly attending the Panel to provide updates on progress made in addressing actions identified by HMICFRS and wider findings. As detailed within the governance section of this report the cause for concern has now been closed by HMICFRS.

In relation to GMCAs oversight of GMP we have seen evidence of regular updates via Deputy Mayors briefings, expanded performance monitoring with appropriate scrutiny from the Deputy Mayor effectively holding the force to account for progress in addressing the issues raised. The evidence obtained provides sufficient assurance over the arrangements in place to oversee the performance of GMP.

We have reviewed the management of significant contracts, in particular the contracts let by GMCA and managed by Transport for Greater Manchester. Notwithstanding the complexity of some of these contracts, management has been able to demonstrate how oversight of significant contracts has been maintained. There is evidence that contract performance is monitored on a regular basis and actions taken to address areas of underperformance where required.

Arrangements for effective partnership working

As reported in previous years GMCA and the Greater Manchester Mayor have a major role in partnership working across Greater Manchester across the public, voluntary and private sectors. The Authority often plays a central role of coordinating and convening partnerships. The development and delivery of the GMS and other portfolio strategies are undertaken by the GMCA on behalf of the wider GM partnership. GMCA supports governance through the Local Enterprise Partnership with four GM leaders sitting on the Board. The Authority works closely with the ten local authorities in Greater Manchester in delivering its priorities, per the GMS.

GMCA works closely with the ten local authorities in Greater Manchester and TfGM in delivering agreed transport priorities. This work is informed by the strategic vision set out in the 2040 GM Transport Strategy which was prepared in partnership with the local authorities and the five year Delivery Plan which sets the objectives for this timescale.

We have seen examples of this effective partnership working through the year, with TfGM supporting the Mayor in the implementation of bus franchising across Greater Manchester. Where partnership arrangements are in place, we have seen evidence of governance arrangements being considered from the outset.

Arrangements for commissioning services

The Authority has a procurement strategy and approach which ensures that it complies with all legal and regulatory requirements as well as achieving best value in procurement processes. The Contract Procurement Rules have been issued in accordance with section 135 of the Local Government Act 1972, promote good purchasing practice (including the delivery of social value and the application of ethical procurement principles) and public accountability and deter corruption.

Officers responsible for purchasing must comply with these Contract Procedure Rules. They lay down minimum requirements and a more thorough procedure may be appropriate for a particular contract.

We have not identified any significant weaknesses in relation to the Improving Economy, Efficiency and Effectiveness reporting criteria.

VFM arrangements

Identified significant weaknesses in arrangements and our recommendations



VFM arrangements – Prior year significant weaknesses and recommendations

Progress against significant weaknesses and recommendations made in the prior year

As part of our 2020/21 audit work, we identified the following significant weaknesses, and made recommendations for improvement in the Authority’s arrangements to secure economy, efficiency and effectiveness in its use of resources. These identified weaknesses have been outlined in the table below, along with our view on the Authority’s progress against the recommendations made, including whether the significant weakness is still relevant in the 2022/23 year.

Previously identified significant weakness in arrangements	Reporting criteria	Recommendation for improvement	Our views on the actions taken to date	Overall conclusions
<p>Oversight of Greater Manchester Police On the 10 December 2020 HMICFRS published “An inspection of the service provided to victims of crime by Greater Manchester Police”.</p> <p>HMICFRS found that in too many cases, the service provided was not good enough and the report highlighted a number of ‘causes of concern’ relating to crime reporting.</p> <p>The HMICFRS report also highlighted that the force had not overcome the deficiencies in service that it identified in its 2019 integrated police effectiveness, efficiency and legitimacy programme (PEEL) assessment and its 2018 crime data integrity inspection.</p> <p>The extent of the failings detailed within the December 2020 HMICFRS inspection report and GMP’s failure to secure the improvements identified by HMICFRS in its previous inspections / assessments highlight not only significant weaknesses in the services provided to victims of crime, but also significant weaknesses in the Force’s Governance and Performance Management arrangements.</p> <p>(continued overleaf)</p>	<p>Governance</p> <p>Improving the 3Es</p>	<p>GMCA should continue the steps taken during 2021/22 to improve its governance structures and performance management framework in relation to the Mayor’s oversight responsibilities for GMP. This should include:</p> <ul style="list-style-type: none"> • using performance management information to assess the performance of GMP to identify areas for improvement; • monitoring progress made by GMP to address the causes of concern, recommendations and areas for improvement reported in the HMICFRS report and subsequent PEEL assessment; • ensuring effective oversight processes and systems are in place to communicate relevant, accurate and timely management information and that corrective action is taken where needed; and 	<p>We have reviewed the revised arrangements put in place at both GMP and within GMCA covering the Mayor’s oversight responsibilities for GMP. Such arrangements include the Improvement Programme – Plan on a Page which sets out the key activities to deliver improvement and address identified concerns. The plan is monitored through the Performance Management Framework, with a Weekly Accountability Report documenting progress made in delivering agreed improvement actions.</p> <p>Regular updates are presented to the Police, Fire and Crime Panel covering engagement with HMICFRS and progress made against action plans.</p> <p>Performance monitoring has expanded as part of the refreshed Police and Crime Plan. The Police, Fire and Crime Panel has developed a more holistic approach to performance management, linked to the priorities set out in the Police and Crime Plan.</p>	<p>We are satisfied the Authority addressed the weakness in arrangements in 2022/23.</p>

VFM arrangements – Prior year significant weaknesses and recommendations

Progress against significant weaknesses and recommendations made in the prior year (Continued)

Previously identified significant weakness in arrangements	Reporting criteria	Recommendation for improvement	Our views on the actions taken to date	Overall conclusions
<p>Oversight of Greater Manchester Police</p> <p>On 3 March 2022 HMICFRS published the findings from their 2021/22 PEEL assessment. This assessed how good GMP is in ten areas of policing and made graded judgments in nine of these ten areas. This was GMP’s first full PEEL assessment since 2018/19.</p> <p>GMP was judged “inadequate” in three areas (investigating crime, responding to the public and developing a positive workplace). In addition, HMICFRS raised 4 causes of concern, relating to GMP’s arrangements: for responding to those who are vulnerable; for supporting and building its workforce; for understanding demand and the capability/ capacity of its workforce; and for investigating crime, supervising investigations and updating victims.</p> <p>Although the PEEL assessment was not published until March 2022 much of the data and intelligence used by HMICFRS when assessing GMP’s arrangements is based on the financial year ended 31 March 2021. Therefore, this is indicative of the issues identified being applicable to the 2020/21 financial year.</p> <p>In our view, the above matters represent a significant weakness in value for money arrangements for GMCA due to the oversight responsibilities which The Mayor and Deputy Mayor have over GMP’s governance arrangements and in its arrangements for:</p> <ul style="list-style-type: none"> improving economy, efficiency and effectiveness in how GMP uses information about its performance to improve the way it manages and delivers its services; and how it makes informed decisions and properly manages its risks. 	<p>Governance</p> <p>Improving the 3Es</p>	<ul style="list-style-type: none"> taking properly informed decisions, supported by appropriate evidence, allowing for challenge and transparency. <p>GMCA should formally review the new arrangements with GMP to ensure that the changes are embedded and are starting to deliver the required improvements in service performance.</p>	<p>This takes the three priorities set out in the plan and assigns key performance indicators to each one. The Panel receives a detailed update on performance at each meeting.</p> <p>These arrangements began to be embedded within 2022/23 with further progress being made as the year progressed. The panel regularly receives performance updates on actions taken to address HMICFRS findings. Actions are now being addressed and closed down on a regular basis, with appropriate scrutiny from the Deputy Mayor effectively holding the force to account for progress in addressing the issues.</p> <p>In December 2023, HMICFRS issued the results of the latest PEEL inspection covering 2023-25. GMP is now graded as “Good” in two areas, “Adequate” in five areas and “Requires Improvement” in one area. The report comments on the significant improvement in the force’s performance. While a number of areas of improvement were identified, no causes of concern were identified during the process.</p> <p>The evidence obtained provides sufficient assurance over the arrangements in place to oversee the performance of GMP, and confirm our recommendations have been adequately addressed.</p>	

VFM arrangements – Prior year significant weaknesses and recommendations

Progress against significant weaknesses and recommendations made in the prior year (continued)

Previously identified significant weakness in arrangements	Reporting criteria	Recommendation for improvement	Our views on the actions taken to date	Overall conclusions
<p>Greater Manchester Fire and Rescue Service Cause of Concern</p> <p>In May 2017, GMCA became the Fire and Rescue Authority for Greater Manchester. The fire service, as part of GMCA, operates as Greater Manchester Fire and Rescue Service (GMFRS). In December 2021 HMICFRS published the results of its inspection of Greater Manchester Fire and Rescue Service (GMFRS). This rated the service as requiring improvement in the effectiveness and efficiency areas, and good in the people area.</p> <p>Within the report, HMICFRS raised a cause of concern, relating to GMFRS' arrangements for responding to marauding terrorist attacks and working as part of a multi-agency response to terrorist attacks. In particular the report highlighted issues in the sustainability of current arrangements which were due to run out, and the suspension of training of non-specialised firefighters for marauding terrorist attacks.</p> <p>Although the HMICFRS assessment was not published until December 2021, much of the data and intelligence used by HMICFRS when assessing GMFRS' arrangements is based on the financial year ended 31 March 2021. Therefore, this is indicative of the issues identified being applicable to the 2020/21 financial year.</p> <p>(continued overleaf)</p>	<p>Governance</p> <p>Improving the 3Es</p>	<p>GMCA should continue the steps taken during 2021/22, to respond to the findings of the HMICFRS inspection of Greater Manchester Fire and Rescue Service, including:</p> <ul style="list-style-type: none"> • developing a formal action plan to address the findings of the HMICFRS report, including both the cause of concern and the wider areas for improvement; • ensuring effective processes and systems are in place to monitor progress against the action plan; and • providing regular reports to the Police, Fire and Crime Panel to advise on progress against the action plan, and to allow for sufficient scrutiny of progress made to date. 	<p>Following HMICFRS's issuance of the cause of concern as part of the 21/22 review, GMCA developed a detailed action plan and business case to address the cause of concern alongside wider findings from the HMICFRS inspection report.</p> <p>Fire Officers regularly attended the Police, Fire and Crime Panel to provide updates on progress made in addressing actions, and we have seen evidence of actions being taken to address wider HMICFRS findings such as updating strategy documents where gaps had been identified. We have seen evidence of actions being taken to address the wider HMICFRS findings, such as implementation of revised policies.</p> <p>Through progressing the action plan and close engagement with HMICFRS, the regulator formally closed the cause of concern in May 2022. This followed the signing of a collective agreement with the Fire Brigades Union in April 2022.</p>	<p>We are satisfied the Authority addressed the weakness in arrangements in 2022/23.</p>

VFM arrangements – Prior year significant weaknesses and recommendations

Progress against significant weaknesses and recommendations made in the prior year (continued)

Previously identified significant weakness in arrangements	Reporting criteria	Recommendation for improvement	Our views on the actions taken to date	Overall conclusions
<p>2</p> <p>Greater Manchester Fire and Rescue Service Cause of Concern (continued)</p> <p>In our view, the cause of concern represents a significant weakness in the Authority’s value for money arrangements. In particular, and linked to our “Governance” and “Improving Economy, Efficiency and Effectiveness” value for money reporting criteria:</p> <ul style="list-style-type: none"> • how the Authority evaluates the services it provides and how performance information has been used to assess performance and identify areas for improvement; and • how the Authority ensures effective processes and systems are in place to support properly informed decision making, and to ensure corrective action is taken where needed. 	<p>Governance</p> <p>Improving the 3Es</p>			

Other reporting responsibilities and our fees

Other reporting responsibilities and our fees

Other reporting responsibilities

Matters we report by exception

The Local Audit and Accountability Act 2014 provides auditors with specific powers where matters come to our attention that, in their judgement, require specific reporting action to be taken. Auditors have the power to:

- issue a report in the public interest;
- make statutory recommendations that must be considered and responded to publicly;
- apply to the court for a declaration that an item of account is contrary to the law; and
- issue an advisory notice.

We have not exercised any of these statutory reporting powers.

The 2014 Act also gives rights to local electors and other parties, such as the right to ask questions of the auditor and the right to make an objection to an item of account. We did not receive any such objections or questions.

Reporting to the NAO in respect of Whole of Government Accounts consolidation data

The Comptroller and Auditor General ('C&AG') has signed their opinion on the 2022-23 Whole of Government Accounts. Our audit report on the Authority's financial statements was issued after the C&AG had issued their opinion and as such we were not required to provide information to the NAO in respect of their group audit.

Fees for work as the Council's auditor

We reported our proposed fees for the delivery of our work under the Code of Audit Practice in our Audit Strategy Memorandum presented to the Audit Committee in March 2024. Having completed our work for the 2022/23 financial year, we can confirm that our fees are as follows:

Other reporting responsibilities and our fees

Other reporting responsibilities - continued

Area of work	2022/23 fees	2021/22 fees
Planned fee in respect of our work under the Code of Audit Practice	£82,498	£70,000
Additional testing on Defined Benefit Pensions Schemes (including work on the asset pension ceiling) and Property Plant and Equipment	£23,750	£32,500
Additional testing as a result of the implementation of new auditing standards: ISA 220 (Revised): Quality control of an audit of financial statements; ISA 540 (Revised): Auditing accounting estimates and related disclosures; and ISA570 (Revised): Going Concern	£2,500	£2,500
Implementation of new ISA315 (revised)	£5,000	N/A
Additional testing on the Authority's investments held at fair value including use of experts	£8,000	£8,000
Additional testing arising from the implementation of the statutory override in respect of infrastructure assets	-	£10,000
Additional testing arising from errors identified in the financial statements including cash flow and group accounts	-	£17,750
Additional work required in respect of group accounting and consolidation	£5,750	-
Additional work arising from the change in the Code of Audit Practice and VFM reporting	£15,000	£15,000
Additional work arising from the follow up of prior year VFM risks	£5,000	£6,250
Total fees	£147,498	£162,000

Appendices

A: Further information on our audit of the financial statements

Appendix A: Further information on our audit of the financial statements

Significant risks and audit findings

As part of our audit, we identified significant risks to our audit opinion during our risk assessment. The table below summarises these risks, how we responded and our findings.

Risk	Our audit response and findings
<p>Management override of controls</p> <p>In all entities, management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur, we consider there to be a risk of material misstatement due to fraud and thus a significant risk on all audits.</p>	<p>How we addressed this risk</p> <p>We addressed this risk through performing audit work over:</p> <ul style="list-style-type: none"> • Accounting estimates impacting amounts included in the financial statements; • Consideration of identified significant transactions outside the normal course of business; and • Journal entries recorded in the general ledger and other adjustments made in preparation of the financial statements <p>Audit conclusion</p> <p>Our audit work is complete in this area. There are no issues to bring to the Committee's attention.</p>

Appendix A: Further information on our audit of the financial statements

Significant risks and audit findings - continued

Risk	Our audit response and findings
<p>Net defined benefit liability valuation</p> <p>The net pension liability represents a material element of GMCA's balance sheet. GMCA's liability is split between the Greater Manchester Pension Scheme and the Fire Fighters Pension Scheme.</p> <p>The valuation of the pension schemes' liabilities rely on a number of assumptions, most notably around the actuarial assumptions, and actuarial methodology which results in GMCA's overall valuations.</p> <p>There are financial assumptions and demographic assumptions used in the calculation of GMCA's valuations, such as the discount rate, inflation rates and mortality rates. The assumptions should also reflect the profile of GMCA's employees and should be based on appropriate data. The basis of the assumptions is derived on a consistent basis year to year, or updated to reflect any changes.</p> <p>There is a risk that the assumptions and methodology used in valuing GMCA's pension obligations are not reasonable or appropriate to GMCA's circumstances. This could have a material impact to the net pension liability in 2022/23.</p>	<p>In relation to the valuation of GMCA's defined benefit pension liability we have:</p> <ul style="list-style-type: none"> - Critically assessed the competency, objectivity and independence of the Greater Manchester Pension Fund's Actuary, Hymans Robertson and the Fire Fighters Pension Scheme Actuary, the Government Actuary Department (GAD); - Liaised with the auditors of the Greater Manchester Pension Fund to obtain confirmation that the controls are designed and implemented appropriately. This will include the processes and controls in place to ensure data provided to the Actuary by the Pension Fund for the purposes of the IAS19 valuation is complete and accurate; - Reviewed the appropriateness of the Pension Asset and Liability valuation methodologies applied by the Pension Fund Actuaries, and the key assumptions included within the valuation. This will include comparing them to expected ranges, utilising information provided by PWC, consulting actuary engaged by the National Audit Office; - Agreed the data in the IAS 19 valuation reports provided by the Funds' Actuaries for accounting purposes to the pension accounting entries and disclosures in GMCA's financial statements; - Reviewed the asset ceiling calculation, including reviewing the appropriateness of the assumptions and inputs used in the asset ceiling calculation. <p>Audit conclusion</p> <p>Our work is complete. Amendments have been made to the statement of accounts following receipt of a revised IAS19 reports and asset ceiling calculations.</p>

Appendix A: Further information on our audit of the financial statements

Significant risks and audit findings - continued

Risk	Our audit response and findings
<p>Valuation of property, plant and equipment</p> <p>The CIPFA Code requires that where assets are subject to revaluation, their year-end carrying value should reflect the fair value at that date. The Authority has adopted a rolling revaluation model which sees all land and buildings revalued in a five-year cycle. The valuation of Property, Plant & Equipment involves the use of a management expert (the valuers), and incorporates assumptions and estimates which impact materially on the reported value. There are risks relating to the valuation process.</p> <p>As a result of the rolling programme of revaluations, there is a risk that individual assets which have not been revalued for up to four years are not valued at their materially correct fair value. In addition, as the valuations are undertaken through the year there is a risk that the fair value as the assets is materially different at the year end.</p>	<p>In relation to the valuation of property, plant & equipment we have:</p> <ul style="list-style-type: none"> - Critically assessed the Authority's valuer's scope of work, qualifications, objectivity and independence to carry out the Authority's programme of revaluations; - Considered whether the overall revaluation methodology used by the Authority's valuers is in line with industry practice, the CIPFA Code of Practice and the Authority's accounting policies; - Reconciled the valuer's report to the fixed asset register and ensure that the values per the report have been correctly input, to the asset register; - Critically assessed the appropriateness of the underlying data and the key assumptions used in the valuer's report, using available third party evidence; - Engaged a valuations specialist to review the underlying assumptions in the Authority's valuations for a sample of waste assets; - Reviewed the basis of valuation and confirm that this is appropriate and agrees to the asset register; - Critically assessed the treatment of the upward and downward revaluations in the Authority's financial statements with regards to the requirements of the CIPFA Code of Practice; - As Fire and Police assets are revalued before 31/03/23 we have assessed the movement in market indices between the revaluation dates and the year end to determine whether there have been material movements over that time; and - Critically assessed the approach that the Authority adopts to ensure that assets not subject to revaluation in 2022/23 are materially correct, including considering the robustness of that approach in light of the valuation information reported by the Authority's valuers. <p>Audit conclusion</p> <p>Our work in relation to the valuation of property, plant and equipment is complete. A number of errors were identified that management have chosen not to adjust.</p>

Appendix A: Further information on our audit of the financial statements

Enhanced risks and audit findings

Risk	Our audit response and findings
<p>Valuation of equity investments</p> <p>The valuation of the investments involves the use of a management expert (the Core Investment Team), and incorporates assumptions and estimates which impact on the reported value. The level of estimation uncertainty creates an enhanced audit risk.</p>	<p>In relation to the valuation of equity investments we have:</p> <ul style="list-style-type: none">- engaged them Mazars valuation team to undertake a review of a sample of equity investment valuations;- reviewed the classification of equity investments under the requirements of IFRS 9 Financial Instruments; and- reviewed the classification of fair value movements posted as a result of changes in valuations. <p>Audit conclusion</p> <p>The work of our valuation team provided assurance that the equity investment valuation were reasonable.</p>

Appendix A: Further information on our audit of the financial statements

Summary of uncorrected misstatements – Single Entity

Details of adjustment	Comprehensive Income and Expenditure Statement		Balance Sheet	
	Dr (£ '000)	Cr (£ '000)	Dr (£ '000)	Cr (£ '000)
<p>DR Pension Reserve</p> <p>CR Pension Asset</p> <p>GMCA's actuary had not included an estimate of potential pension liability for the Fire Pension Scheme in relation to the Walker legal case. The above represents the expected liability of this legal case.</p>			1,383	1,383
<p>DR Funding set aside for the Chief Constable</p> <p>CR PPE Depreciation</p> <p>Misstatement relating to the incorrect calculation of depreciation due to the incorrect remaining asset life being applied. This adjustment relates to police assets.</p>	6,050			6,050
<p>DR Expenditure</p> <p>CR PPE Depreciation</p> <p>Misstatement in relation to the calculation of depreciation due to the incorrect remaining asset life being used. This relates to all non Police assets</p>	1,526			1,526
<p>DR PPE Revaluations</p> <p>CR PPE</p> <p>Our valuation testing identified a number of errors within Police and Fire assets. These errors totalled £5.8m. The above represents the total potential error when the error rate is extrapolated across the untested population.</p>			6,803	6,803

Appendix A: Further information on our audit of the financial statements

Summary of uncorrected misstatements – Single Entity continued

Details of adjustment	Comprehensive Income and Expenditure Statement		Balance Sheet	
	Dr (£ '000)	Cr (£ '000)	Dr (£ '000)	Cr (£ '000)
DR PPE revaluations			1,714	
CR PPE				1,714
Our valuation testing identified an error in relation to the valuation of the Bury Training Centre.				
Aggregate effect of unadjusted misstatements	7,576		9,900	17,476

Appendix A: Further information on our audit of the financial statements

Summary of uncorrected misstatements – Group

Details of adjustment	Comprehensive Income and Expenditure Statement		Balance Sheet	
	Dr (£ '000)	Cr (£ '000)	Dr (£ '000)	Cr (£ '000)
<p>DR Pension Reserve</p> <p>CR Pension Asset</p> <p>GMCA had not included an estimate of potential pension for the Fire Pension Scheme in relation too the Walker legal case.</p>			1,383	1,383
<p>DR Funding set aside for the Chief Constable</p> <p>CR PPE Depreciation</p> <p>Misstatement relating to the incorrect calculation of depreciation due to the incorrect remaining asset life being applied. This adjustment relates to police assets.</p>	6,050			6,050
<p>DR Expenditure</p> <p>CR PPE Depreciation</p> <p>Misstatement in relation to the calculation of depreciation due to the incorrect remaining asset life being used. This relates to all non Police assets</p>	1,526			1,526
<p>DR PPE Revaluations</p> <p>CR PPE</p> <p>Our valuation testing identified a number of errors within Police and Fire assets. These errors totalled £5.8m. The above represents the total potential error when the error rate is extrapolated across the untested population.</p>			6,803	6,803

Appendix A: Further information on our audit of the financial statements

Summary of uncorrected misstatements – Group continued

Details of adjustment	Comprehensive Income and Expenditure Statement		Balance Sheet	
	Dr (£ '000)	Cr (£ '000)	Dr (£ '000)	Cr (£ '000)
Dr Pension Assets			2,708	
Cr Pension Reserves				2,708
Represents GMCA group share of a £70m error identified in the GMPF auditor testing of pension assets. This related to the valuation of pooled investment vehicles which had been understated.				
DR PPE revaluations			1,714	
CR PPE				1,714
Our valuation testing identified an error in relation to the valuation of the Bury Training Centre.				
DR Financing Income	1,704			
CR Group share of useable reserves				1,704
Relates to incorrect classification of equity as financing income in the CIES				
Aggregate effect of group unadjusted misstatements	9,280		12,608	21,888

Appendix A: Further information on our audit of the financial statements

Internal control observations

Description of Deficiency

Whilst completing our work on the Property Plant and Equipment balance we noted depreciation charges had been incorrectly calculated on a number of assets. These error arose because incorrect remaining asset lives have been used. This is a continuing issue from the previous year.

Potential effects

The Property Plant and Equipment balance could be materially misstated if asset lives are incorrect and depreciation is wrongly calculated. Whilst depreciation errors are unlikely to be material, the impact on the net book value could increase over time to be material

Recommendations

1. Update the useful lives recorded in the fixed asset register and review depreciation to ensure it is correctly calculated
2. For land and building assets that are revalued, obtain updated useful lives from the valuer and apply these.

Management Response

1. An assessment was done on all PPE assets with transactions in 2022/23 to determine which transactions had errors in the useful life remaining. The useful lives were corrected in the CIPFA Fixed Asset Register as at 01/04/2023 for any assets where the incorrect life had caused a £50k error in the depreciation charge for 2022/23. This £50k threshold left a residual uncorrected balance below the trivial threshold. The updates to the useful life remaining at 01/04/2023 corrected the depreciation charges for 2023/24 onwards. Additional processes and controls have also been put in place to minimise the risk of incorrect useful lives being entered on the system in current and future years.
2. For the 2023/24 valuations, estimated useful lives remaining were obtained from the external valuers for each asset valued in the year and these were updated in the CIPFA system at the date of the valuation. Updated useful life estimates will be requested from the valuer annually going forwards.

Appendix A: Further information on our audit of the financial statements

Internal control observations

Description of deficiency

Our audit testing of Property Plant and Equipment identified that a number of assts revalued in the year were missing from the valuer report .

Potential Effects

If the valuer’s report is not complete, assets revalued may not be correctly captured within the Authority’s fixed asset register and ledger.

Recommendation

Management should ensure the valuer’s report is complete and all assets revalued in the year are included.

Management response

Management have added a task to the year-end timetable to review the valuer’s report and check that it is complete and includes all assets revalued in the year for every year going forwards.

Appendix A: Further information on our audit of the financial statements

Internal control observations

Description of deficiency

Our audit procedures on Property Plant & Equipment valuations identified a number of components within the valuation calculation that were incorrect because incorrect floor areas had been used.

Potential effects

Property Plant & Equipment valuations could be materially misstated.

Recommendation

Management should, as part of their review of valuations, ensure the data provided to, and used by the Authority's valuer to produce valuations is correct..

Management response

A new valuer is being procured to replace the valuation services for GMP and GMFRS land and buildings. The issues relating to discrepancies in the GMP building floor areas identified during the audit review resulted from the practices employed by the previous valuer. The new valuers have carried out the valuation of GMCA's Waste portfolio for several years without similar issues being raised as their valuer, in collaboration with the Waste and Resources Head of Engineering, undertakes a sample check of building areas used. To ensure that the issues raised do not continue, a similar review process to the one carried out for the waste valuation will be adopted for the 2024/25 GMP valuation. This review will include a sample check of building areas with the Head of Facilities Management at GMP. Evidence of the review will be provided in the valuation report.

Appendix A: Further information on our audit of the financial statements

Internal control observations

Description of deficiency

Our bank confirmation procedures identified a bank account that had not been set up in the Authority's ledge and so was not included in the bank reconciliation. The balance on the account was trivial.

Potential effects

The bank reconciliation may not be complete and accurate. As a result, the Authority's balance sheet could be misstated. Furthermore, transactions through th eaccount may not be properly reflected in the ledger.

Recommendation

All bank accounts should be set up in the ledger and included in the Authority's bank reconciliation

Management response

The bank account is solely to enable Santander to charge for access to their online portal. All transactions are monthly charges or a transfer from our main bank account to pay for them. Should the Authority change the use of the account then we would consider creating a code in the ledger.

Appendix A: Further information on our audit of the financial statements

Follow up on previous years recommendations

Description of deficiency- Property, Plant and Equipment

Whilst completing our testing on property, plant and equipment we identified several assets classified as an asset under construction which were operational. This suggests that there are deficiencies in the controls in place to identify when an asset under construction becomes operational.

Potential effects

Our work on the 2021/22 audit identified a material adjustment to the financial statements, as set out in Section 6 of this report. Failing to strengthen controls in this area could lead to material misstatements in the classification of assets in future financial statements and the incorrect charge of depreciation.

Recommendation

Management should complete a review of assets under construction at year end to ensure that none of the assets have become operational. This should be completed in close conjunction with GMP.

Current position

Our audit procedures in 2022/23 confirmed that previous issues have not recurred.

Description of deficiency- Cash Flow Statement

On receipt of the financial statement we noted an above trivial 'other cash movements' line on the cash flow statement. This is indicative of a deficiency in internal controls over the accuracy and completeness of the Cash Flow Statement.

Potential effects

We will conclude our audit once we are satisfied the Cash Flow Statement is free from material misstatements. Failing to strengthen controls in this area could lead to material misstatements in the future financial statements.

Recommendation

Management should ensure that they review the other non cash movement and clear this to a below trivial limit before the commencement of the audit.

Current Position

Our audit procedures in 2022/23 confirmed recommendation has been implemented.

Appendix A: Further information on our audit of the financial statements

Follow up on previous years recommendations

Description of deficiency – Group Financial Statements

Whilst completing our work the group financial statements we identified a group component that should have been consolidated, on the basis of it being material, but was not. This suggests that there are deficiencies in the controls in place to identify group components that need to be consolidated on the basis of materiality.

Potential effects

Material group components are not consolidated into the group financial statements

Recommendation

Please ensure that a group materiality assessment is completed taking into consideration the following:

- 1) Figures in assessment should be based on current accounting period;
- 2) All potential group entities should be included;
- 3) Consideration of the impacts of aligning component accounting policies to that of the parent organisation being GMCA. On conversion of accounting policies components could become material for inclusion in the group financial statements;
- 4) Should include an analysis of income, expenditure, liabilities and assets.;
- 5) Should take into consideration any group intercompany transactions;
- 6) Should consider the cumulative impact of components in the assessment of materiality.

Further to this, it is suggested at a group structure document is updated and reviewed regularly to ensure that all potential group entities are identified.

Current position

GMCA's group assessment for 2022/23 included the above recommendations.

Description of deficiency – Revenue Grants

Whilst completing our grants testing it was identified that several material grants had incorrectly been treated as agency in the prior period (20/21).

Potential effects

There is a risk material misstatements could reoccur in future years if controls are not strengthened in this area.

Recommendation

Upon receipt of any new material grants a Principal vs Agency analysis should be completed taking into consideration the guidance in the CIPFA code. This consideration should be documented as evidence.

Current position

Our audit of grants on 2022/23 confirmed that consideration of principal Vs Agency had been considered and documented appropriately.

Appendix A: Further information on our audit of the financial statements

Follow up on previous years recommendations

Description of deficiency- Property, Plant and Equipment

Whilst completing of Property, plant and equipment we identified various issues in the use of the CIPFA asset management system that lead to several errors in the financial statements.

Potential effects

Our work on this area identified a number of misstatements as set out in section 6 of this report. There is a risk material misstatements could reoccur in future years if controls are not strengthened in this area.

Recommendation

Management should identify training needs in respect of the asset management system to ensure these errors are not repeated.

Current position

Our audit procedures identified continuing errors in relation to the calculation of depreciation. This recommendation remains.

Description of deficiency- Long Term Investments

Whilst testing investments we identified that fair value movements on equity investments held at fair value through other comprehensive income had been posted to the ledger incorrectly

Potential effects

Our work on this area identified a number of misstatements as set out in section 6 of this report. Without strengthening controls in this area, there is a risk misstatements could reoccur in future years.

Recommendation

Management should implement a process to ensure that new investments are identified and that the measurement basis is assigned on initial recognition of the investment.

Management should ensure that fair value movements are posted in line with the relevant accounting standard per the CIPFA code.

Current position

Our audit procedures for 2022/23 identified errors on fait value movement. This recommendation remains.

Appendix A: Further information on our audit of the financial statements

Follow up on previous years recommendations

Description of deficiency- Property, Plant and Equipment

Whilst completing our work on property, plant and equipment valuations we identified an asset which had not been revalued in the past five years. The code prescribes that property, plant and equipment measured at current value should be revalued at least every five years.

Potential effects

Through our audit we have gained sufficient assurance that the property, plant and equipment balance is not materially misstated, however there is a risk a material misstatement could occur in future years if assets are not revalued with sufficient regularity.

Recommendation

Ensure relevant assets are reviewed at least every five years in accordance with CIPFA's Code and the Authority's accounting policies.

Current position

Our audit procedures identified that this internal control recommendation had not been fully implemented.

Description of deficiency- Property, Plant and Equipment

Whilst completing our work on property, plant and equipment valuations we identified that surplus assets were last revalued in 20/21. The CIPFA code prescribes that these should be revalued every year.

Potential effects

Through our audit we have gained sufficient assurance that the property, plant and equipment balance is not materially misstated, however there is a risk a material misstatement could occur in future years if assets are not revalued with sufficient regularity.

Recommendation

Ensure that surplus assets are revalued annually

Current Position

No issues were identified from our 2022/23 audit procedures.

Appendix A: Further information on our audit of the financial statements

Follow up on previous years recommendations

Description of deficiency - Property, Plant and Equipment

Whilst completing our working on property, plant and equipment we identified that the land registry for several fire stations had not been updated to show that they were owned by GMCA.

Potential effects

This could lead to legal challenges of ownership

Recommendation

Ensure that the land registry is updated to reflect GMCA's ownership of these assets.

Current position

No issues were identified from our 2022/23 audit procedures.

Description of deficiency- Related Parties

Whilst reviewing the related parties note, we identified transactions with group entities which were not disclosed in the note. This suggests that some group entities were not considered when compiling the related parties note

Potential effects

Our work has provided sufficient assurance the accounts are free from material misstatement, however failure to improve controls in this area could lead to the omission of related party disclosures in future financial statements.

Recommendation

At year end review the ledger for any transactions and balances with all group entities and consider if these need to be disclosed in the related parties notes.

Current position

A number of adjustments have continued to be required to the financial statements. This recommendation remains outstanding.

Appendix A: Further information on our audit of the financial statements

Follow up on previous years recommendations

Description of deficiency- Cash Equivalents

During our review of the cash equivalents against the definition in GMCA's accounting policy, we identified a cash equivalent sample that did not meet the definition of a cash equivalent.

Potential effects

Our work identified one adjustment to the financial statements as set out in Section 6 of this report. Should controls not be strengthened, there is a risk short term investments could incorrectly be classified as cash equivalents in future financial statements.

Recommendation

Ensure that a review of cash equivalents is undertaken at year end against GMCA's definition of a cash equivalent per the accounting policy

Current position

No issues were identified from our 2022/23 audit procedures.

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