

Members of the Audit Committee
 Greater Manchester Combined Authority
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30 September 2019

Dear Committee Members,

Conclusion of pending matters– Audit completion report

Following on from our recent meeting and as required by International Standards on Auditing (UK and Ireland), I am writing to communicate the conclusion of those matters that were marked as outstanding within the Audit completion report dated 26 July 2019.

The outstanding matters and the conclusions reached are detailed below:

Matter	Conclusion reached
Journals testing	No matters arising.
Related Party Transactions	The disclosure table for local authorities has been updated to include the £118m investment balance with Manchester City Council and correct differences between the disclosed creditors figures and amounts per the ledger.
Movement in Reserves Statement	The Movement in Reserves Statement and supporting notes have been updated to correct internal inconsistencies in the financial statements.
Grant income	No matters arising
Other Comprehensive Income and Expenditure	Other Comprehensive Income and Expenditure includes £1,850k which should be charged to net cost of services. Management have not amended this misclassification as there is no impact on the reported financial position of the Authority.
Cash Flow Statement	The Cash Flow Statement has been updated to take account of the various other amendments to the financial statements.

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Capital Expenditure and Financing	Management produced an updated note, increasing the closing Capital Financing Requirement from £1,745,415k to £2,138,307k.
Waste Asset Valuations	No matters arising.
Loans and Investments	No matters arising.
Cash	No matters arising.
Leases	No matters arising.
Pensions	Management obtained updated actuarial reports to take account of GMP and McCloud legal cases in the Authority's pension liability. This increased the pension liability of the Authority to £1,872,065k and the pension liability of the Group to £10,434,531k.
Financial Instruments	The financial instruments note has been updated to reflect changes in the CIPFA Code following adoption of the new accounting standard, IFRS 9.
Fire Fighters Pension Fund	No matters arising
Consolidated Accounts	The group accounts have been updated for the various amendments to the single entity accounts.
Final Financial Statements	No matters arising.

A list of adjusted and unadjusted misstatements is included as an appendix to this letter.

If you wish to discuss these or any other points discussed at the meeting then please do not hesitate to contact me.

Yours faithfully,



Mark Kirkham (Oct 1, 2019)

Mark Kirkham
Partner

Appendix A

Unadjusted Misstatements (Single Entity and Group)

	Comprehensive Income and Expenditure Statement		Balance Sheet	
	Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
1	Dr: Depreciation Cr: Property Plant and Equipment	1,803		1,803
	Being the depreciation not charged on an operational asset incorrectly classified as an asset-under-construction			
2	Dr: Capital Adjustment Account Cr: General Fund		1,803	1,803
	Being the adjustment required to reverse the additional depreciation out of the general fund into the capital adjustment account			
3	Dr: Cash Cr: Short Term Creditors		1,144	1,144
	A creditor payment run paid after year end was incorrectly included within the 2018/19 financial statements having the effect of understating cash and short-term creditors			
4	Dr. CIES – Mayoral Policing Services Cr. CIES – Surplus / Deficit on Revaluation of Non Current Assets	1,850		1,850
	Impairments that should have been charged to the Net Cost of Services have been taken to Other Comprehensive Income in error.			
	Total unadjusted misstatements	3,653	1,850	2,947
			4,750	

Adjusted Misstatements (Single Entity)

	Comprehensive Income and Expenditure Statement		Balance Sheet	
	Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
1	Dr: Economic Development and Regeneration Exp Dr. Fire and Rescue Services Exp Dr. Mayors Office Exp Dr. Mayoral Policing Services Exp Dr. Waste Disposal Exp Dr. Financing and Investment I&E Cr: Pension Liability	247 71,300 6,000 18,000 30,000 23,000		71,624
	Additional past service cost for pensions, to reflect the updated actuarial valuations following the outcome of the GMP / McCloud court case.			
2	Dr: Economic Development and Regeneration Inc Cr. Economic Development and Regeneration Exp	4,119 4,119		
	Reduced income from loan capital receipts had been included as REFCUS grants/contributions in error.			

Adjusted Misstatements (Group)

		Comprehensive Income and Expenditure Statement		Balance Sheet	
		Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
1	Dr: Economic Development and Regeneration Exp	247			
	Dr: Fire and Rescue Services Exp	71,300			
	Dr: Mayors Office Exp	6,000			
	Dr: Mayoral Policing Services Exp	18,000			
	Dr: Waste Disposal Exp	30,000			
	Dr: Financing and Investment I&E	23,000			
	Cr: Pension Liability				71,624
Additional past service cost for pensions, to reflect the updated actuarial valuations following the outcome of the GMP / McCloud court case.					
2	Dr: Highways and Transport Services Exp	6,051			
	Dr: Financing and Investment I&E	78			
	Cr: Pension Liability				6,129
Additional past service cost for TFGM pensions, to reflect the updated actuarial valuations following the outcome of the GMP / McCloud court case.					
2	Dr: Policing Services Exp	345,808			
	Dr: Financing and Investment I&E	26			
	Cr: Pension Liability				353,834
Additional past service cost for Greater Manchester Police pensions, to reflect the updated actuarial valuations following the outcome of the GMP / McCloud court case.					
2	Dr: Economic Development and Regeneration Inc	4,119			
	Cr: Economic Development and Regeneration Exp	4,119			
Reduced income from loan capital receipts had been included as REFCUS grants/contributions in error.					

Disclosure Changes

During the course of the audit we identified a number of disclosure changes which are detailed below. All adjustments affecting the single entity accounts have also been amended in the group accounts. All have been adjusted for in the final version of the financial statements

- Note 8 Adjustments Between Accounting Basis and Funding Basis Under Regulations: £2,463k movement in capital bad debt provision was incorrectly included within statutory provision of financing. These are now show separately.
- Note 10 analysis of income: £55,348k was incorrectly classified as fees, charges and other service income. It has been corrected to show within Government Grants and Contributions
- Note 14 Financing and Investment Expenditure and Income Analysis: The note has been updated to show the correct breakdown of interest payable between PWLB, European Investment Bank and Other Financial Institutions
- Note 18 Officer Remuneration: On our review we identified a number of errors within the pay bandings for Officers earning over £50k. Management has corrected the note based on a report from the payroll system.

- Note 18 Senior Employee Remuneration: The disclosure has been updated to reflect a backdated pay award for the Chief Executive following taking on the role of TfGM Chief Executive. This change was only agreed after the draft accounts were produced.
- Note 18 Exit Packages: The note has been updated to take account of pay in lieu of notice in line with CIPFA Code requirements.
- Note 19 Capital Financing Requirement: The opening requirement transferred from GMWDA has increased by £397,461k to reflect the closing position in the audited GMWDA accounts.
- Note 20 Property, Plant and Equipment: The note has been updated to reclassify other de-recognitions to impairment losses.
- Note 27 Unusable Reserves: Entries within the capital adjustment account have been updated to ensure consistency with other areas of the financial statements
- Note 28 Financial Instruments: The analysis of loans and borrowings did not agree to the balance sheet. A misclassification of £64,857k has been corrected from long-term borrowings to short-term borrowings following late agreement with MHCLG as to the treatment of the cash balance.
- Note 28 Financial Instruments: The accrued interest payable shown within the analysis of loans by maturity has been updated to agree to the accrued interest payable in the analysis of loans by type note.
- Note 28 Financial Instruments: The note has been updated to meet the requirements of the new accounting standard IFRS 9.
- Note 40 Group Audit Fees: The disclosure originally included the prior year audit fee for the Chief Constable. The disclosure has been updated to the actual fee, reducing the amount by £23k.