

Audit Completion Report

Greater Manchester Combined Authority-
Year ended 31 March 2022

March 2023



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Members of the Audit Committee
Greater Manchester Combined Authority
Churchgate House
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Manchester
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9 March 2023

Dear Committee Members

Audit Completion Report – Year ended 31 March 2022

We are pleased to present our Audit Completion Report for the year ended 31 March 2022. The purpose of this document is to summarise our audit conclusions.

The scope of our work, including identified significant audit risks and other areas of management judgement, was outlined in our Audit Strategy Memorandum which we presented on 22 April 2022. We have reviewed the significant audit risks and other areas of management judgement included in our Audit Strategy Memorandum and during the course of the audit we subsequently identified the valuation of the Authority's investments as an enhanced risk due to the balance of equity investments becoming material during 2021/22. See page 9 for further details.

We would like to express our thanks for the assistance of your team during our audit.

If you would like to discuss any matters in more detail then please do not hesitate to contact me on 07795 506766.

Yours faithfully



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01

Section 01:

Executive summary

1. Executive summary

Principal conclusions and significant findings

The detailed scope of our work as your appointed auditor for 2021/22 is set out in the National Audit Office's (NAO) Code of Audit Practice. Our responsibilities and powers are derived from the Local Audit and Accountability Act 2014 and, as outlined in our Audit Strategy Memorandum, our audit has been conducted in accordance with International Standards on Auditing (UK) and means we focus on audit risks that we have assessed as resulting in a higher risk of material misstatement.

In section 4 of this report we have set out our conclusions and significant findings from our audit. This section includes our conclusions on the audit risks and areas of management judgement in our Audit Strategy Memorandum, which include:

- Management override of controls;
- Net defined benefit liability valuation;
- Valuation of property, plant and equipment;
- Property, plant and equipment system change; and
- Valuation of equity investments (added as an enhanced risk as such investments became material during the year).

Misstatements and internal control recommendations

Section 5 sets out internal control recommendations and section 6 sets out audit misstatements; unadjusted misstatements total £1.464m. We have also identified a prior period adjustment relating to the treatment of light rail and bus Covid-19 support grants as principal rather than agency. Further details are included within section 6 of this report.

Status and audit opinion

We have substantially completed our audit in respect of the financial statements for the year ended 31 March 2022. At the time of preparing this report, a small number of matters remaining outstanding as outlined in section 2. We will provide an update to you in relation to the matters outstanding through issuance of a follow up letter.

Subject to the satisfactory conclusion of the remaining audit work, we have the following conclusions:



Audit opinion

We anticipate issuing an unqualified opinion, without modification, on the financial statements. Our proposed audit opinion is included in the draft auditor's report in Appendix B.



Value for Money

As part of our 2020/21 work on the arrangements that the Authority has in place to secure economy, efficiency and effectiveness in its use of resources, we identified four significant weaknesses. We have followed these up as part of our 2021/22 value for money work. Two weaknesses remained for the year ending 31 March 2022.

Further detail on our Value for Money work is provided in section 7 of this report.



Whole of Government Accounts (WGA)

We received group instructions from the National Audit Office in February 2023 in respect of our work on the Authority's WGA submission. We are unable to commence our work in this area until we have completed the audit of the 2021/22 accounts.



Wider powers

The 2014 Act requires us to give an elector, or any representative of the elector, the opportunity to question us about the accounting records of the Authority and to consider any objection made to the accounts. We have not received any questions or objections in respect of the Authority's accounts.

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02




Section 02:

Status of the audit

2. Status of the audit

Our work is substantially complete and there are currently no matters of which we are aware that would require modification of our audit opinion, subject to the outstanding matters detailed below.

Audit area	Status	Description of the outstanding matters
Cash flow statement		Management have prepared an updated cash flow statement as the draft statement contained a non-trivial balancing figure. This was provided on the 9 March. We are in the process of reviewing the revised statement.
Defined benefit pension liability		We are awaiting the conclusion on an error identified by the pension fund auditor at the Greater Manchester Local Government Pension Scheme fund.
Consolidated accounts		Management have prepared revised group financial statements which have been amended following our initial review of draft group accounts. These were provided on the 9 March. We are in the process of reviewing the revised statements.
Technical review of financial statements		We are in the process of resolving queries arising from our technical review of the revised accounts
Audit completion		We will review a final set of financial statements following resolution of the above queries and will finalise our audit completion work including a manager, Key Audit Partner and Engagement Quality Control Reviewer review

-  Likely to result in material adjustment or significant change to disclosures within the financial statements.
-  Potential to result in material adjustment or significant change to disclosures within the financial statements.
-  Not considered likely to result in material adjustment or change to disclosures within the financial statements.



03

Section 03:

Audit approach

3. Audit approach

Changes to our audit approach

We provided details of our intended audit approach in our Audit Strategy Memorandum in April 2022. On receipt of the Authority's draft financial statements, we identified a significant increase in the value of equity investments held at fair value. These are mainly level 2 investments which require judgement in determining their fair value. Due to this we identified an enhanced audit risk and requested our internal valuations team complete a review of a sample of these valuations. Further information is included in section 4 of this report.

Materiality

Our provisional materiality at the planning stage of the audit was set at £35m using a benchmark of 1.8% of gross operating expenditure. Our final assessment of materiality, based on the final financial statements and qualitative factors, is £35m using the same benchmark. Group materiality was set at £41m at the planning stage using a benchmark of 1.8% of gross operating expenditure. Our final assessment of group materiality, based on the final financial statements and qualitative factors, is £41m using the same benchmark.

Use of experts

Management makes use of experts in specific areas when preparing the Authority's financial statements. We also use experts to assist us to obtain sufficient appropriate audit evidence on specific items of account.

Item of account	Management's expert	Our expert
Defined benefit liability	Hymans Robertson (Greater Manchester Pension Fund) and the Government Actuary Department (Firefighters' Pension Scheme)	We received assurances from PwC as NAO's consulting actuary
Property, plant and equipment valuation	Salford City Council, Avison Young and Hilco Valuation Services	We used available third party information to challenge the valuer's key assumptions. For the waste asset valuations we engaged our internal valuations team to review a sample of valuations.
Financial instrument disclosures	Link Asset Services	We reviewed the expert's methodology in calculating the fair value disclosures to confirm the reasonableness of assumptions used
Equity Investments	Core Investment Team	We engaged our internal valuations team to review a sample of valuations.

There are no reporting matters to highlight from our consideration of the work of experts.



3. Audit approach

Service organisations

International Auditing Standards (UK) (ISAs) define service organisations as third party organisations that provide services to the Authority that are part of its information systems relevant to financial reporting. We are required to obtain an understanding of the services provided by service organisations as well as evaluating the design and implementation of controls over those services. The table below summarises the service organisations used by the Authority and our audit approach.

Items of account	Service organisation	Audit approach
Treasury Management	Manchester City Council	We had access to all the relevant data we needed in order to gain assurance over the Authority's treasury management balances.
BACS bureau	Wigan Metropolitan Borough Council	We had access to all the relevant data we needed in order to gain assurance over the Authority's BACS payments.

There are no reporting matters to highlight from our consideration of the work of service organisations.



3. Audit approach

Group audit approach

The Authority's group structure for 2021/22 includes the Chief Constable of Greater Manchester Police, Transport for Greater Manchester, and two wholly owned subsidiary companies, NW Evergreen Holdings Limited Partnership and Greater Manchester Fund of Funds Limited Partnership. In auditing the accounts of the Authority's Group financial statements, we obtained assurance over the transactions in the Group relating to the consolidated bodies.

Our approach reflected the size and complexity of the transactions from the consolidated bodies into the Authority's Group financial statements. Our approach is outlined below. During the course of the audit, we identified a further group body, Greater Manchester Evergreen 2 Limited Partnership, which has previously been assessed as immaterial for consolidation purposes. Our review of year-end financial information for the company confirmed this was now material and should have been consolidated. Management have prepared revised group accounts to include the associated transactions and balances. We have raised a recommendation in section 5 of this report for management to conduct the group assessment at an earlier stage to avoid omitting significant components in the future.

Group component	Approach adopted	Key points or other matters to report
Greater Manchester Combined Authority	●	The Mazars audit team undertook the full audit of the Authority's accounts
Chief Constable of Greater Manchester Police	●	The Mazars audit team undertook the full audit of the Chief Constable's accounts
Transport for Greater Manchester	●	The Mazars audit team undertook the full audit of TfGM's accounts

- Full audit**
 Performance of an audit of the component's financial information prepared for group reporting purposes using component materiality. This covered 99% of group revenues and 97% of group total assets.
- Audit of balances and/or disclosures**
 Performance of an audit of specific balances and/or disclosures included in the component's financial information prepared for group reporting purposes, using component materiality
- Specific audit procedures**
 Performance of specific audit procedures on the component's financial information
- Review procedures**
 Review of the component's financial information prepared for group reporting purposes using the component materiality assigned



3. Audit approach

Group audit approach (continued)

Group component	Approach adopted	Key points or other matters to report
NW Evergreen Holdings Limited Partnership	●	The Mazars audit team undertook testing of NW Evergreen Holdings debtor balances and carried out review procedures of the remaining consolidated accounting entries.
Greater Manchester Fund of Funds (FoF) Limited Partnership	●	The Mazars audit team undertook testing of Greater Manchester FoF's cash balances and carried out review procedures of the remaining consolidated accounting entries.
Greater Manchester Evergreen 2 Limited Partnership	●	The Mazars audit team undertook analytical review procedures on the financial information of Greater Manchester Evergreen 2 Limited Partnership.

- Full audit**
 Performance of an audit of the component's financial information prepared for group reporting purposes using component materiality. This covered 99% of group revenues and 97% of group total assets.
- Audit of balances and/or disclosures**
 Performance of an audit of specific balances and/or disclosures included in the component's financial information prepared for group reporting purposes, using component materiality
- Specific audit procedures**
 Performance of specific audit procedures on the component's financial information
- Review procedures**
 Review of the component's financial information prepared for group reporting purposes using the component materiality assigned



04

Section 04: **Significant findings**

4. Significant findings

In this section we outline the significant findings from our audit. These findings include:

- our audit conclusions regarding other significant risks and key areas of management judgement outlined in the Audit Strategy Memorandum;
- our comments in respect of the accounting policies and disclosures that you have adopted in the financial statements. On page 19 we have concluded whether the financial statements have been prepared in accordance with the financial reporting framework and commented on any significant accounting policy changes that have been made during the year;
- any further significant matters discussed with management; and
- any significant difficulties we experienced during the audit.

Significant risks

Management override of controls	Description of the risk
	<p>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.</p>
	<p>Due to the unpredictable way in which such override could occur there is a risk of material misstatement due to fraud on all audits.</p>
	How we addressed this risk
	<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 • Journals recorded in the general ledger and other adjustments made in preparation of the financial statements.
	Audit conclusion
	<p>Our audit work is complete in this area. There are no issues to bring to the Committee’s attention.</p>



4. Significant findings

Net defined benefit liability valuation	<p>Description of the risk</p> <p>The net pension liability represents a material element of the Authority's balance sheet. The Authority's liability is split between the Greater Manchester Pension Scheme and the Fire Fighters Pension Scheme.</p> <p>The valuation of the pension scheme liabilities relies on a number of assumptions, most notably around the actuarial assumptions, and actuarial methodology which results in the Authority's overall valuation.</p> <p>There are financial assumptions and demographic assumptions used in the calculation of the Authority's valuation, such as the discount rate, inflation rates and mortality rates. The assumptions should also reflect the profile of the Authority'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 the Authority's pension obligations are not reasonable or appropriate to the Authority's circumstances.</p>
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How we addressed this risk

Our procedures included:

- assessing 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);
- liaising with the auditors of the Greater Manchester Pension Fund to gain assurance that the controls in place at the Pension Fund are operating effectively. 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;
- reviewing the appropriateness of the Pension Asset and Liability valuation methodologies applied by the Pension Fund Actuaries, and the key assumptions included within the valuations. This will include comparing them to expected ranges, utilising information provided by PWC, consulting actuary engaged by the National Audit Office; and
- agreeing the data in the IAS 19 valuation reports provided by the Funds Actuaries for accounting purposes to the pension accounting entries and disclosures in the Authority's financial statements.

Audit conclusion

Our work in relation to pension liability valuations is ongoing due to issues identified by the pension fund auditor. To date we have identified one unadjusted misstatement in the pension fund liability. Through discussions with the Authority's actuaries we became aware of a legal case, *Walker vs Innospec Ltd and others*, which impacts on firefighters' pension schemes. The estimated impact of this is an increase in liabilities of less than 0.1% of the year-end liability balance. This has not been included in the Authority's pension liability estimate. The maximum estimated increase at 0.1% of liabilities is £1.876m which is not material. We have included this as an unadjusted misstatement in section 6 of this report. We will update the committee on the resolution of final queries as part of our follow up letter.



4. Significant findings

Valuation of property, plant and equipment	Description of the risk
	<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.</p> <p>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>
	How we addressed this risk

Our audit procedures included:

- assessing the Authority’s valuer’s scope of work, qualifications, objectivity and independence to carry out the Authority’s programme of revaluations;
- considering 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;
- reconciling the valuer’s report to the fixed asset register and ensure that the values per the report have been correctly input, in total, to the asset register;
- assessing the appropriateness of the underlying data and the key assumptions used in the valuer’s estimate, including using the Mazars valuation team to assess the valuation of waste assets, and using available third party evidence;
- reviewing the basis of valuation and confirm that this is appropriate and agrees to the asset register;
- assessing 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 31/03/22, assessing 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
- assessing the approach that the Authority adopts to ensure that assets not subject to revaluation in 2021/22 are materially correct, including considering the robustness of that approach in light of the valuation information reported by the Authority’s valuers.

Audit conclusion

Our work in relation to property, plant and equipment valuations is complete. We identified one immaterial error where an asset’s downward revaluation was posted incorrectly as depreciation. As this is not material management have decided not to amend the financial statements. Further information on this error is included in section 6 of this report. There are no other matters to bring to the committee’s attention.



4. Significant findings

Enhanced risks

Property, plant and equipment system change

Description of the enhanced risk

In 21/22 the Authority has implemented a new asset register, having previously used four different asset registers for waste, fire, police and traffic signal assets.

The transfer of data between systems increases the risk of material misstatement in the Authority’s accounts, as there is potential for data to be transferred incorrectly during the migration to the new system.

How our audit addressed this area of enhanced risk

In relation to the transfer of property, plant & equipment data we have:

- completed a reconciliation in total between the old and new systems; and
- compared data between the old and new systems to ensure consistency for a sample of assets.

Audit conclusion

Our audit testing did not identify any issues with the system transfer, however we have identified a number of errors as a result of using the new asset register at the year end. The adjustments are disclosed in section 6 of this report, and a control recommendation is included in section 5.



4. Significant findings

Enhanced risks (continued)

Valuation of Equity Investments

Description of the enhanced risk

The amount of equity investments held by the Authority, at fair value on its balance sheet, become material during the year (£40.8m as at 31 March 2022). 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.

How our audit addressed this area of enhanced risk

In relation to the valuation of equity investments we have:

- engaged the 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.

Audit conclusion

The work of our valuations team provided assurance that the equity investment valuations were reasonable, however the movements in valuations had been posted incorrectly. The total impact of this error is £6.2m. Management have decided not to adjust for this error on the grounds of materiality. We have included further detail in section 6 of this report, and a control recommendation in section 5 of this report.



4. Significant findings

Qualitative aspects of the Authority's accounting practices

We have reviewed the Authority's accounting policies and disclosures and concluded they comply with the 2021/22 Code of Practice on Local Authority Accounting, appropriately tailored to the Authority's circumstances.

Draft accounts were received from the Authority on 25th August 2022 alongside supporting working papers. The financial statements prepared by the authority were generally of good quality, however our audit has identified a number of misstatements due to errors in the underlying accounting records. These are set out in further detail in section 6 of this report. We have set out recommendations in section 5 of this report which address the issues identified during the course of the audit.

Significant matters discussed with management

During the audit we maintained a regular dialogue with management. Among the matters discussed through these conversations were:

Covid-19

We continue to discuss the impact of the Covid-19 pandemic on the Authority's operations and financial statements. In particular, we focussed on the accounting treatment of grant income and the impact of the pandemic on the Authority's credit loss allowances. We are satisfied there are no issues arising from our work in this area.

Impact of the Russian Forces entering Ukraine

The ongoing situation in Ukraine has far-reaching consequences for public sector organisations. As part of our audit we have discussed with management the impact of the war on the Authority's operations, and whether any disclosures are required in the Authority's financial statements. We are satisfied there are no issues arising which would require specific disclosures in the Authority's financial statements.

Accounting for infrastructure assets

The Authority holds c.£18m of infrastructure assets on its Balance Sheet as part of its overall balance of Property, Plant and Equipment. During 2022 a national technical issue arose in respect of accounting for infrastructure assets. Normal custom and practice for (highways) infrastructure assets is that derecognition does not affect asset balances because the assets are expected to have been fully used up before the replacement expenditure takes place; this does require that assets are properly depreciated in line with the requirements of the Accounting Code. This issue arises in part because of limitations on historical information relating to when the assets were first recorded on balance sheets in the early 1990s, and where there have been transfers of assets because of local authority reorganisations. It is also extremely difficult to clearly identify the parts of the assets which are being replaced.

In December 2022 as part of a temporary solution to the problem, the Department for Levelling Up, Housing and Communities (DLUHC) issued a statutory override allowing authorities to account for the replacement of infrastructure assets with the assumption that the replaced component is at nil value. CIPFA followed this up with disclosure guidance in January 2023. The Authority has taken the decision to apply the statutory override, and has updated its disclosures in line with the CIPFA guidance. We have reported this as a disclosure amendment within Section 6 of this report. We are satisfied the revised disclosures relating to infrastructure assets comply with the new guidance and appropriately applies the statutory override.

Minimum Revenue Provision

Local Authorities are required to charge the general fund with a Minimum Revenue Provision (MRP) each year. The regulations governing MRP provides authorities with flexibility in how they calculate MRP, providing the calculation is 'prudent'. In calculating its MRP charge, the Authority must have regard to the Statutory Guidance on Minimum Revenue Provision and must prepare a statement on the calculation in advance of the beginning of the financial year (continued over the page).



4. Significant findings

Significant matters discussed with management (continued)

Minimum Revenue Provision (continued)

As part of the 2021/22 budget setting process, the Authority revised its MRP methodology to provide consistency between the methodologies used by predecessor organisations responsible for the Authority's assets. During our audit we reviewed the calculation of the MRP charge for 2021/22 and were satisfied the Authority's policy provided for a prudent charge. We challenged management on one specific area of the policy, in relation to the Authority's share of debt inherited from Greater Manchester County Council. The charge had been calculated applying a 50 year life period from 1 April 2021, and we queried the prudence of this given the age of the debt. Management confirmed the charge should have been applied assuming a 50 year period at the inception of the debt (1986/87), with a 15 year remaining life as at 1 April 2021. The accounts have been updated to reflect this change, with an additional £0.4m charged to the general fund. We have reported this as an adjusted misstatement within section 6 of this report.

Group Accounts

Each year the Authority is required to assess its relationships with other organisations in order to determine whether it exerts control or significant influence over the counterparty. Where control or significant influence is identified, the organisation falls within the Authority's group boundary and should be considered for consolidation depending on the materiality of the balances and transactions. The Authority's group assessment for 2021/22 had not taken account of changes in its equity investments or transactions between its group bodies. As such we requested management update their group assessment during the course of the audit. This identified a further subsidiary which should have been consolidated but had been omitted from the Group's draft financial statements. The Authority accepted that it needed to revise the draft group accounts. Given the complexity and increasing magnitude of group relationships which require consideration for consolidation, we have recommended the Authority strengthens its arrangements around the preparation of its group accounts in section 5 of this report. As highlighted in Section 2, we are in the process of reviewing revised group accounts and will report the results of this work in our follow up letter to those charged with governance.

Significant difficulties during the audit

During the course of the audit we have had the full co-operation of management who have provided timely responses to the majority of our queries as they arose. The technical nature of some of the queries identified during the course of the audit meant further time was required and led to a delay in completion of our audit work.

One area where we have faced particular difficulties is in relation to the Authority's Cash Flow Statement. Consistent with previous years, our review of the Cash Flow Statement identified a non-trivial balancing figure within 'Other Non-Cash Movements' and several errors in other disclosures within the statement. Despite raising this early in the audit process, management have been unable to provide a Cash Flow Statement which balances without the use of a balancing figure. As highlighted in Section 2, once we have received a final version of the Cash Flow Statement we will undertake our review as part of audit completion procedures. We have raised an internal control recommendation in relation to the Cash Flow Statement in section 5 of this report.

Wider responsibilities

Our powers and responsibilities under the 2014 Act are broad and include the ability 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 law; and
- issue an advisory notice under schedule 8 of the 2014 Act.

We have not exercised any of these powers as part of our 2021/22 audit.

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. No such objections or questions have been raised.

05

Section 05:

Internal control recommendations

5. Internal control recommendations

The purpose of our audit was to express an opinion on the financial statements. As part of our audit we have considered the internal controls in place relevant to the preparation of the financial statements in order to design audit procedures to allow us to express an opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of internal control or to identify any significant deficiencies in their design or operation.

The matters reported are limited to those deficiencies and other control recommendations that we have identified during our normal audit procedures and that we consider to be of sufficient importance to merit being reported. If we had performed more extensive procedures on internal control we might have identified more deficiencies to be reported or concluded that some of the reported deficiencies need not in fact have been reported. Our comments should not be regarded as a comprehensive record of all deficiencies that may exist or improvements that could be made.

Our findings and recommendations are set out below. We have assigned priority rankings to each of them to reflect the importance that we consider each poses to your organisation and, hence, our recommendation in terms of the urgency of required action. In summary, the matters arising fall into the categories opposite.

We also provide an update on prior year control recommendations within this section of the report.

Priority ranking	Description	Number of issues
1 (high)	In our view, there is potential for financial loss, damage to reputation or loss of information. This may have implications for the achievement of business strategic objectives. The recommendation should be taken into consideration by management immediately.	3
2 (medium)	In our view, there is a need to strengthen internal control or enhance business efficiency. The recommendations should be actioned in the near future.	5
3 (low)	In our view, internal control should be strengthened in these additional areas when practicable.	3



5. Internal control recommendations

Significant deficiencies in internal control – Level 1

Description of deficiency- Property, Plant an 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.

Management response

A review of assets under construction will be undertaken with GMP to ensure the classification of assets is correct at 2022/23 year end.

Completion date 31st May 2023
Responsible Officer Lindsey Keech

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 in 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.

Management response

An updated cash flow statement is being prepared to correct a non-trivial balance with support from external experts due to the complexity and scale of GMCA transactions and with the expectation that this will ensure the cash flow statement is free from material misstatements in future years.

Completion date 31st May 2023
Responsible Officer Karen Macrae



5. Internal control recommendations

Description of deficiency- Group Financial Statements

Whilst completing our testing on 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

Our work on the 2021/22 audit identified the need for significant amendments to the group accounts. Failure to strengthen controls in this area could lead to material misstatements in future financial statements.

Recommendation

The Authority should ensure that a group materiality assessment is completed taking in to 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; 4) Include an analysis of income, expenditure, liabilities and assets; 5) Take in to consideration any group intercompany transactions and; 6) Consider the cumulative impact of components in the assessment of materiality.

The Authority also needs to ensure that the group structure document is updated and reviewed regularly to ensure that all potential group entities are identified.

Management response

A comprehensive Group Structure document will be created, and processes developed to identify and assess all Group entities during the year and the Group materiality matrix will be expanded to show a greater level of detail to evidence decision making.

An assessment will also be undertaken with the intention to align future Group entity dates for the provision of draft and audited financial statements in line with GMCA timelines. This will assist consolidation accounting and elimination of intercompany transactions.

An exercise to identify and look at the impact of differing accounting policies across the Group entities will be considered for 2022/23, but progress will be highly dependent on meeting the previous points.

Completion date 31st May 2023
Responsible Officer Helen Fountain



5. Internal control recommendations

Other deficiencies in internal control – Level 2

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

Our work on this area identified a material adjustment to the financial statements 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

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

Management response

The categorisation of grants will be strengthened in the grant register and checklist process to address the challenge with following up missing and limited terms and conditions in the information provided by government and support to ensure correct classification of grants against criteria.

Completion date 31st May 2023
Responsible Officer Lindsey Keech and Tracey Read

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.

Management response

The implementation of the CIPFA asset management system was a key improvement to bring greater consistency in the recording of GMCA assets. Whilst the transfer of assets onto the system went smoothly and received substantial assurance from internal audit, the automation in the system for treatment of assets was not fully understood by the finance team. The finance team now have greater capability in the use of the system and training is being put in place to embed that for 2022/23 closedown.

Completion date 31st May 2023
Responsible Officer Lindsey Keech



5. Internal control recommendations

Other deficiencies in internal control – Level 2

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.

Management response

Agreed
Completion date 31st June 2023
Responsible Officer – Joanne Walsh

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.

Management response

There is a policy in place for five-year review period. This particular asset was due for revaluation but was undergoing a major scheme of works and the valuer requested a delay until the scheme was complete. The asset is being reviewed by the valuer for inclusion in 2022/23 subject to completion of works.

Completion date 31st May 2023
Responsible Officer – Simon Ashworth



5. Internal control recommendations

Other deficiencies in internal control – Level 2

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

Management response

A review of all surplus assets will be undertaken for 2022/23 closedown.

Completion date 31st May 2023
Responsible Officer – Simon Ashworth



5. Internal control recommendations

Other recommendations in internal control – Level 3

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

While we are satisfied the accounts are not misstated, incorrect land registry details could lead to legal challenges of ownership

Recommendation

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

Management response

The land registry for assets will be updated.

Completion date 31st May 2023
Responsible Officer – Tracey Read

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.

2021/22 update

The process for reviewing the ledger for transactions and balances with all group entities will be prioritised to ensure related party transactions are captured in full.

Completion date 31st May 2023
Responsible Officer – Helen Fountain



5. Internal control recommendations

Other recommendations in internal control – Level 3

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

Management response

A review of redemption dates will be undertaken during the closedown period.

Completion date 31st May 2023
Responsible Officer Lindsey Keech



5. Internal control recommendations

Follow up on previous internal control points

Description of deficiency- Accounts Receivable

Our walkthrough testing of accounts receivable identified a weakness in the segregation of duties where individuals could both raise and approve sales invoices on the system.

Potential effects

A lack of appropriate segregation of duties increases the risk of erroneous or fraudulent transactions being posted to the ledger and remaining undetected.

Recommendation

All invoices should be approved prior to posting by a person other than the raising officer to ensure clear segregation of duties

2021/22 update

New procedures and processes have been implemented from 1 March 2022 to address this recommendation. This includes a review of user access rights following which the Authority has introduced a layered segregation of duties and other controls to strengthen the accounts receivables process.

Description of deficiency- Disaster Recovery

No disaster recovery test had been performed by the organisation within the period.

Potential effects

A lack of disaster recovery testing increases the risk of business continuity failures, unavailability of systems or loss of data.

Recommendation

Management should ensure that disaster recovery testing is performed on an annual basis and considers a variety of scenarios.

2021/22 update

This recommendation relied on the purchase and implementation of a new Enterprise Backup Solution. This happened in 2022 and an initial test was performed in January 2023 with 100% recovery success rate. This item is still showing in progress as testing is still ongoing, involving the organisation in a more dynamic way.



5. Internal control recommendations

Description of deficiency- Journals Entries

Our testing of journals identified a write off processed to clear an imbalance between the financial system and petty cash records, as the Authority was unable to match missing entries to receipts or supporting documentation. It should be noted that the amount written off was of low value (£311).

Potential effects

A lack of audit trail behind petty cash balances increases the risk of loss to the Authority.

Recommendation

- 1.Petty cash should be restricted to areas where handling physical cash is necessary, and the levels held in these areas should be reviewed regularly to confirm they remain appropriate.
- 2.All petty cash transactions should be supported by a full audit trail including receipts for purchases and a log of who approved and used petty cash balances.
- 3.Petty cash balances should be reconciled to the financial system on a regular basis.

2021/22 update

In response the Authority has reviewed and removed all petty cash accounts.

Description of deficiency- IT Backup Policy

Our testing of IT general controls noted there is no formal backup policy in effect at the Authority.

Potential effects

- Management should consider developing a formal backup strategy that considers at least:
- A level of limited loss of data acceptable to the company;
 - The data being backed up;
 - The frequency and type of backup;
 - The data restoration tests; and
 - The data retention period.

Recommendation

Management should ensure that disaster recovery testing is performed on an annual basis and considers a variety of scenarios.

2021/22 update

Management developed a formal backup strategy and this was implemented in March 2022



5. Internal control recommendations

Follow up on previous internal control points

Description of deficiency- IT Change Management

Our testing of IT general controls noted there is no formal change management policy in effect at the organisation.

Potential effects

A lack of a formal change management policy increases the risk of implementing developments containing bugs or not matching the business' requirements.

Recommendation

Management should consider developing a formal backup strategy that considers at least:

- a description of the management process of each type of change (normal / emergency change, parameter modifications, major data updates, new system implementation, etc.);
- the roles and responsibilities within the process;
- the control and validation steps.

2021/22 update

Management developed a change management strategy and this was implemented in February 2022



06

Section 06:

Summary of misstatements

6. Summary of misstatements

This section outlines the misstatements identified during the course of the audit, above the trivial threshold for adjustment of £1,050k. The first table outlines the misstatements that were identified during the course of our audit which management has assessed as not being material either individually or in aggregate to the financial statements and does not currently plan to adjust.

The second table outlines the misstatements that have been adjusted by management during the course of the audit.

Unadjusted misstatements

		Comprehensive Income and Expenditure Statement		Balance Sheet	
		Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
1	Dr: Pension reserves			1,876	
	Cr: Pension liability				1,876
Adjustment to reflect the estimate impact of the Walker legal case on the pension liability.					
2	Dr: Pension liability			2,953	
	Cr: Pension reserves				2,953
Adjustment to reflect the pension liability per the updated actuary report based on actual figures.					
3	Dr: Income			1,352	
	Cr: Short- term debtors				1,352
Adjustment to reflect an over accrual in short-term debtors in relation to one invoice.					

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	Comprehensive Income and Expenditure Statement		Balance Sheet	
	Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
Unadjusted misstatements (continued)				
4				
Dr: Expenditure	1,530			
Cr: Property, plant and equipment				1,530
To correct two isolated errors: 1) CIPFA system resetting useful lives on assets with additions in year and; 2) Use of full useful life instead of remaining useful life on revalued waste assets.				
5				
Dr: Income- Fees, charges and other service income	1,557			
Cr: Income- Financing and Investment Income		1,557		
To correct misclassification of income classified as 'fees, charges and other service' income to 'financing and investment Income' as it related to interest payables on loan receivables.				
6				
Cr: Expenditure		66		
Dr: Financial instrument revaluation reserve			6,188	
Cr: Capital adjustment account reserve				6,122
To correct the treatment of valuation movement postings for long term investments held at fair value through other comprehensive income.				
Total of unadjusted misstatements	3,087	1,623	12,369	13,833
Net impact of unadjusted misstatements	1,464			1,464

6. Summary of misstatements

Adjusted misstatements - 2021/22

		Comprehensive Income and Expenditure Statement		Balance Sheet	
		Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
1	Dr: Highways and transport services (gross income)	4,073			
	Cr: Highways and transport services (gross expenditure)		4,073		
	To correct accruals and accrued income entries relating to Light Rail Grant which were incorrectly posted to grant expenditure.				
2	Dr: Short term investments			15,006	
	Cr: Cash and Cash equivalents				15,006
	Adjustment for sample item in relation to the one investment which was not classified in line with the Authority's accounting policy and should be included in short-term investments instead of cash and cash equivalents.				
3	Dr: Property, Plant and Equipment			25,639	
	Cr: Property, Plant and Equipment- Assets Under Construction				32,527
	Dr: Funding provided by the Mayor to the Chief Constable to fund police and crime services (expenditure)	6,118			
	Dr: Intangibles			770	
	Adjustment to reclassify several operational assets which were incorrectly held as assets under construction as they became operational in 2020/21 or 2021/22. Additionally, it recognises the downward revaluation of one of the assets.				

6. Summary of misstatements

	Comprehensive Income and Expenditure Statement		Balance Sheet	
	Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
4	Dr: Long-term debtors gross book value		6,911	
	Cr: Impairment allowance			6,911
	Adjustment to correct error in coding of long-term debtors. No change in overall long-term debtors figure however, classification between gross book value and impairment allowance has been amended.			
5	Dr: Usable reserves- General fund account		420	
	Cr: Unusable reserves- Capital adjustment account			420
	Being to correct MRP on inherited debt.			
6	Cr: Funding provided by the Mayor to the Chief Constable to fund police and crime services (expenditure)	268		
	Cr: Fire and rescue services (expenditure)	1,898		
	Cr: Waste disposal (expenditure)	896		
	Dr: Property, plant and equipment		2,315	
	Cr: Assets under construction			990
	Dr: Revaluation reserve		1,737	
	To correct misstatements relating to other derecognition applied to property, plant and equipment.			
Total adjusted misstatements		10,191	7,135	52,798
				55,854

6. Summary of misstatements

Adjusted misstatements- found in 2021/22 relating to 2020/21 (prior period adjustment)

		Comprehensive Income and Expenditure Statement		Balance Sheet	
		Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
1	Dr: Highways and transport services (gross expenditure)	129,864			
	Cr: Highways and transport services (gross income)		129,864		
To recognise light rail grant and covid bus support grant in accounts which were recognised as agency grants in 2020/21 and have subsequently been re- evaluated as principal grants.					
Total adjusted misstatements		129,864	129,864		



6. Summary of misstatements

Disclosure amendments

- Note 1- Accounting policies- Property, Plant and Equipment accounting policy updated to apply the statutory override in relation to the derecognition of infrastructure assets.
- Note 2- Critical Accounting Judgements- updated to disclose a more comprehensive list of the entities not consolidated into the group financial statements, and to make reference to the inclusion of Evergreen 2 in the group financial statements.
- Note 3- Key sources of estimation uncertainty- updated to include reference to Property, plant & equipment valuations and remove non-material sources of estimation uncertainty.
- Note 4- Impact of Accounting Standards Not Yet Adopted- updated to align to 21/22 CIPFA bulletin disclosure
- Note 7b- Note to the Expenditure and Funding Analysis- adjustment posted to move £1,628k from 'other adjustments' column to 'adjustments for capital purposes' column as this related to the sale of a property, plant and equipment asset.
- Note 8/19/28- Whilst completing the CIPFA internal consistency checker we identified an imbalance of £2,229k between the ABFAB and CIEs in the 'Capital Grants and Contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing' line. This was due to a miscoding to the 'Capital expenditure charged against the General Fund balance' line in the ABFAB.
- Note 13- Grants and Contributions Credited to Comprehensive Income- The bus grants in the 'Light Rail Funding' line has been split to show each individual material grant.
- Note 16 - Taxation and Non-Specific Grant income- Green Homes grant and Public Sector Decarbonisation grants have been split out in to separate lines.
- Note 17- External Audit Fees- Audit fees balance stated at £4k in respect of 'Fees payable to Mazars with regard to external audit services carried out by the appointed auditor for the previous year' increased to £31k, to reflect estimate of additional VfM fees.
- Note 19- Capital Commitments- Removed word 'estimated' from capital commitments.
- Note 20- Property, Plant and Equipment Including Disposals- note updated to apply the statutory override in relation to the derecognition of infrastructure assets. Disclosure and note update to reflect disclosures suggested in CIPFA bulletin.
- Note 20- Property, Plant and Equipment Including Disposals- updated to correct a misclassification between the lines 'Depreciation written out on Revaluation taken to Surplus or Deficit on the Provision of Services' and the 'Accumulated depreciation and impairment written off to cost or valuation' line on the land and buildings and vehicles, plant & equipment categories.
- Note 20- PP&E valuation analysis note updated to reflect the figures per the valuation reports and the fixed asset register.

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Disclosure amendments (continued)

- Note 29- Financial instruments updated for: 1) Fair value figures for PWLB Debt and Non-PWLB Debt updated to reflect figures in Link report; 2) 12 month expected credit loss figure updated from £1,545k to £540k to correct formula error in workings and; 3) Non-current liability table adjusted to increase non-financial instruments figure by £170,293k
- Note 31- Related parties- updates made relating to interests declared in the directors' declarations and transactions with group entities. The entities included: 1) NW Fire Control; 2) MIDAS; 3) Halle Concert Society; 4) Greater Manchester Fund of Funds Limited Partnership; 5) NW Evergreen Holdings Limited Partnership and; 6) Greater Manchester Evergreen 2 Limited Partnership



07

Section 07:

Value for Money

7. Value for Money

Approach to Value for Money

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

At the planning stage of the audit, we undertake work to understand the arrangements that the Authority has in place under each of the reporting criteria and we identify risks of significant weaknesses in those arrangements. 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 significant weaknesses in arrangements exist.

The table overleaf outlines the risks of significant weaknesses in arrangements that we have identified, the risk-based procedures we have undertaken, and the results of our work.

Where our risk-based procedures identify actual significant weaknesses in arrangements we are required to report these and make recommendations for improvement. Where such significant weaknesses are identified, we report these in the audit report.

The primary output of our work on the Authority's arrangements is the commentary on those arrangements that forms part of the Auditor's Annual Report. We intend to issue the Auditor's Annual Report in April 2023, following the conclusion of our audit.

Status of our work

We have completed our work in respect of the Authority's arrangements for the year ended 31 March 2022 and we have not identified any new significant weaknesses in arrangements. Through our work on the audit of the financial statements we have identified a number of misstatements and internal control recommendations. These are set out in more detail in previous sections of this report. While we are satisfied these do not indicate a significant weakness in the Authority's arrangements, we do consider it necessary to raise a recommendation for improvement as part of our Auditor's Annual Report.

Our draft audit report at Appendix B confirms that we have no matters to report in respect of new significant weaknesses but follows up on the four significant weaknesses identified as part of our 2020/21 audit. Based on the work completed, we are satisfied two of the previous weaknesses (in relation to risk management and performance management) were addressed in 2021/22, and while progress was made on the remaining two weaknesses (oversight of Greater Manchester Police and the Greater Manchester Fire and Rescue Service Cause of Concern) they remained in place as at 31 March 2022.



7. Value for Money

Follow up of previously-reported significant weaknesses in arrangements

In July 2022 we reported four significant weaknesses to the Authority. As part of our work in 2021/22, we followed up the progress made by the Authority against the recommendations made, and determined whether the significant weakness remained during the year.

Identified significant weakness in arrangements	Financial sustainability	Governance	Improving the 3Es	Recommendation in relation to a significant weakness in Value for Money arrangements	Work undertaken and conclusions reached
<p>1 Oversight of Greater Manchester Police</p> <p>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 style="text-align: right;">(continued overleaf)</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 • taking properly informed decisions, supported by appropriate evidence, allowing for challenge and transparency. 	<p>Progress against the recommendation</p> <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>

7. Value for Money

Follow up of previously-reported significant weaknesses in arrangements (continued)

Identified significant weakness in arrangements	Financial sustainability	Governance	Improving the 3Es	Recommendation in relation to a significant weakness in Value for Money arrangements	Work undertaken and conclusions reached
<p>1 Oversight of Greater Manchester Police (continued)</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>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>In addition to the arrangements on the previous page, 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. 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 2021/22 and continued to do so in 2022/23. While it is pleasing to see the progress made against our recommendations, it is too early to conclude that these to have taken proper effect as at 31 March 2022. In particular we have noted a further report issued by HMICFRS in February 2023 which identifies six causes of concern arising from an inspection of custody suites at GMP. It is difficult to confirm the recommendation has been fully addressed when such reports are being issued by the regulator.</p> <p>Conclusions Notwithstanding the good progress described above, as at 31st March 2022 the weaknesses in arrangements still remained</p>

7. Value for Money

Follow up of previously-reported significant weaknesses in arrangements (continued)

Identified significant weakness in arrangements	Financial sustainability	Governance	Improving the 3Es	Recommendation in relation to a significant weakness in Value for Money arrangements	Work undertaken and conclusions reached
<p>2 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>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>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>Progress against the recommendation</p> <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.</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. Given this is after the year end, and due to the fact the Cause of Concern was not lifted until May during 22-23, the weakness remains in place for 21-22.</p> <p>Conclusions</p> <p>As at 31st March 2022 the weaknesses in arrangements remained, however we note these were resolved with HMICFRS by May 2022.</p>

7. Value for Money

Follow up of previously-reported significant weaknesses in arrangements (continued)

Identified significant weakness in arrangements	Financial sustainability	Governance	Improving the 3Es	Recommendation in relation to a significant weakness in Value for Money arrangements	Work undertaken and conclusions reached
<p>3 Head of Internal Audit Opinion – Risk Management Arrangements</p> <p>In August 2021 the Authority’s Head of Audit and Assurance issued their “Head of Internal Audit Annual Opinion 2020/21”. The opinion provided limited assurance on the overall adequacy and effectiveness of GMCA’s framework of governance, risk management and internal control.</p> <p>The opinion highlighted weaknesses in the Authority’s risk management arrangements. This followed an organisational risk management maturity assessment taking place in late 2020, which identified inconsistencies in risk management arrangements across the organisation. The opinion noted that while there were some formalised approaches in place within directorates, other directorates needed support to evolve their risk management activities. The overall assessment of the organisation was falling within the “Emerging” phase of risk management maturity, where some formal processes are in place, but risk management is applied inconsistently across the Authority. The Authority has set a target to achieve a “conforming” level in 2021/22, where a documented risk management framework exists, and risk management is applied consistent throughout the Authority.</p> <p>In our view, the matters raised in the Head of Internal Audit Opinion in relation to risk management highlights a significant weakness in the Authority’s value for money arrangements. In particular, and linked to our “Governance” value for money reporting criteria, how the Authority monitors and assesses risk and how the body gains assurance over the effective operation of internal controls.</p>		●		<p>GMCA should improve its governance arrangements in respect of risk management including:</p> <ul style="list-style-type: none"> • embedding the standardised risk management framework across all directorates; • ensuring effective processes and systems are in place to escalate risks on a timely basis; and • regular reporting of progress made in implementing the revised arrangements to both the Chief Executive Management Team and to the Audit Committee. <p>The Authority should repeat the risk management maturity assessment on a regular basis to measure the progress made achieving the required improvements.</p>	<p>Progress against the recommendation</p> <p>Following the original assessment of risk maturity, the Authority developed a revised Risk Management Framework, and an associated action plan for rolling out to the wider Authority. The Framework was reviewed by both the Authority’s Senior Leadership Team and the Audit Committee prior to being rolled out. The Audit Committee received regular updates throughout the year on progress against the action plan.</p> <p>At the end of 2021/22, the Head of Audit and Assurance repeated their maturity assessment of each Directorate. The results showed that overall, GMCA improved its maturity assessment, moving from being categorised as “Emerging” to “Conforming” within the risk maturity model. This was the level that the Authority aimed to achieve this year. The Head of Internal Audit issued a “moderate” assurance opinion for 21/22. This specifically referenced improvements in the Authority’s risk management arrangements over the course of the year</p> <p>Conclusions</p> <p>We are satisfied the Authority addressed the weakness in arrangements in 2021/22.</p>

7. Value for Money

Follow up of previously-reported significant weaknesses in arrangements (continued)

Identified significant weakness in arrangements	Financial sustainability	Governance	Improving the 3Es	Recommendation in relation to a significant weakness in Value for Money arrangements	Work undertaken and conclusions reached
<p>4 Head of Internal Audit Opinion – Performance Management Arrangements</p> <p>In August 2021 the Authority’s Head of Audit and Assurance issued their “Head of Internal Audit Annual Opinion 2020/21”. The opinion provided limited assurance on the overall adequacy and effectiveness of GMCA’s framework of governance, risk management and internal control. The opinion was, in part, based on a limited assurance internal audit report, which highlighted weaknesses in the Authority’s performance management arrangements.</p> <p>The internal audit report, issued in June 2021, focused on the Authority’s performance management and reporting framework. The report noted a lack of formally defined corporate process for reporting on organisational delivery.</p> <p>The report recommended the Authority sets out the principles for a defined GMCA-wide performance management framework, identifies linkages between the GMS implementation plan and the GMCA Business Plan, and regularly reports on actual delivery against key performance indicators and Business Plan activities.</p> <p>In our view, the matters raised in the Head of Internal Audit Opinion in relation to performance management highlights a significant weakness in the Authority’s value for money arrangements. In particular, and linked to our “Improving Economy, Efficiency and Effectiveness” criteria:</p> <ul style="list-style-type: none"> • how financial and performance information has been used to assess performance to identify areas for improvement, and • how the Authority evaluates the services it provides to assess performance and identify areas for improvement. 			●	<p>Greater Manchester Combined Authority should improve its performance management arrangements including:</p> <ul style="list-style-type: none"> • implementing identified corporate performance metrics across the Authority; • ensuring effective processes and systems are in place to monitor the implementation of the new performance management framework by management; and • regular reporting of performance management arrangements to Members, allowing for appropriate scrutiny and transparency in the process. 	<p>Progress against the recommendation</p> <p>Since issuing the internal audit report on performance management, the Authority has worked to develop its performance management arrangements. The Greater Manchester Strategy was refreshed in 2021 and sits alongside the Standing Together Plan for Policing and the GMFRS Fire Plan in defining the organisations vision and objectives. Formal reporting to members on progress against the plan takes place on a regular basis.</p> <p>The strategy is supported by a comprehensive performance management framework, with detailed performance metrics included for each priority area. Performance is reported via live dashboards which allow review and challenge of performance in each priority area.</p> <p>The Authority’s Senior Leadership Team receive regular reports detailing performance against the strategy. This includes detailed KPIs for each directorate within the Authority, as well as Authority wide ‘corporate health’ metrics.</p> <p>Conclusions</p> <p>We are satisfied the Authority addressed the weakness in arrangements in 2021/22.</p>



Appendices

A: Draft management representation letter

B: Draft audit report

C: Independence

D: Other communications

Appendix A: Draft management representation letter

To be provided to us on client headed note paper

Greater Manchester Combined Authority
Churchgate House
Oxford Street
Manchester

[Date]

Dear Mark

Greater Manchester Combined Authority - audit for year ended 31 March 2022

This representation letter is provided in connection with your audit of the financial statements of Greater Manchester Combined Authority ('the Authority') and its Group for the year ended 31 March 2022 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (the Code) and applicable law.

I confirm that the following representations are made on the basis of enquiries of management and staff with relevant knowledge and experience (and, where appropriate, inspection of supporting documentation) sufficient to satisfy myself that I can properly make each of the following representations to you.

My responsibility for the financial statements and accounting information

I believe that I have fulfilled my responsibilities for the true and fair presentation and preparation of the financial statements in accordance with the Code and applicable law.

My responsibility to provide and disclose relevant information

I have provided you with:

- access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other material;
- additional information that you have requested from us for the purpose of the audit; and
- unrestricted access to individuals within the Authority and Group you determined it was necessary to contact in order to obtain audit evidence.



Appendix A: Draft management representation letter

I confirm as the Authority’s Treasurer that I have taken all the necessary steps to make me aware of any relevant audit information and to establish that you, as auditors, are aware of this information.

As far as I am aware there is no relevant audit information of which you, as auditors, are unaware.

Accounting records

I confirm that all transactions that have a material effect on the financial statements have been recorded in the accounting records and are reflected in the financial statements. All other records and related information, including minutes of all Combined Authority and committee meetings, have been made available to you.

Accounting policies

I confirm that I have reviewed the accounting policies applied during the year in accordance with Code and International Accounting Standard 8 and consider these policies to faithfully represent the effects of transactions, other events or conditions on the Authority and Group’s financial position, financial performance and cash flows.

Accounting estimates, including those measured at fair value

I confirm that any significant assumptions used by the Authority and Group in making accounting estimates, including those measured at current or fair value, are reasonable.

Contingencies

There are no material contingent losses including pending or potential litigation that should be accrued where:

- information presently available indicates that it is probable that an asset has been impaired or a liability had been incurred at the balance sheet date; and
- the amount of the loss can be reasonably estimated.

There are no material contingent losses that should be disclosed where, although either or both the conditions specified above are not met, there is a reasonable possibility that a loss, or a loss greater than that accrued, may have been incurred at the balance sheet date.

There are no undisclosed contingent gains which should be disclosed.

All material matters, including unasserted claims, that may result in litigation against the Authority and Group have been brought to your attention. All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to you and accounted for and disclosed in accordance with the Code and applicable law.



Appendix A: Draft management representation letter

Laws and regulations

I confirm that I have disclosed to you all those events of which I am aware which involve known or suspected non-compliance with laws and regulations, together with the actual or contingent consequences which may arise therefrom.

The Authority and Group has complied with all aspects of contractual agreements that would have a material effect on the accounts in the event of non-compliance.

Fraud and error

I acknowledge my responsibility as the Authority's Treasurer for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

I have disclosed to you:

- all the results of my assessment of the risk that the financial statements may be materially misstated as a result of fraud;
- all knowledge of fraud or suspected fraud affecting the Authority and Group involving:
 - management and those charged with governance;
 - employees who have significant roles in internal control; and
 - others where fraud could have a material effect on the financial statements.

I have disclosed to you all information in relation to any allegations of fraud, or suspected fraud, affecting the Authority and Group's financial statements communicated by employees, former employees, analysts, regulators or others.

Related party transactions

I confirm that all related party relationships, transactions and balances, have been appropriately accounted for and disclosed in accordance with the requirements of the Code and applicable law.

I have disclosed to you the identity of the Authority and Group's related parties and all related party relationships and transactions of which I am aware.



Appendix A: Draft management representation letter

Future commitments

I am not aware of any plans, intentions or commitments that may materially affect the carrying value or classification of assets and liabilities or give rise to additional liabilities.

Subsequent events

I confirm all events subsequent to the date of the financial statements and for which the Code and applicable law, require adjustment or disclosure have been adjusted or disclosed.

Should further material events occur after the date of this letter which may necessitate revision of the figures included in the financial statements or inclusion of a note thereto, I will advise you accordingly.

Covid-19

I confirm that the Council and Group has carried out an assessment of the potential impact of the Covid-19 Virus pandemic on the Council and Group, including the impact of mitigation measures and uncertainties, and that the disclosures in the Narrative Report fairly reflects that assessment.

Impacts of Russian Forces entering Ukraine

I confirm that I have carried out an assessment of the potential impact of Russian Forces entering Ukraine on the Council and Group, including the impact of mitigation measures and uncertainties.

Going concern

I confirm that I have carried out an assessment of the potential impact of the Covid-19 pandemic on the Authority and Group, including the impact of mitigation measures and uncertainties and am satisfied the going concern assumption remains appropriate and that no material uncertainty has been identified. To the best of my knowledge there is nothing to indicate that the Authority and Group will not continue as a going concern in the foreseeable future. The period to which I have paid particular attention in assessing the appropriateness of the going concern basis is not less than twelve months from the date of approval of the accounts.



Appendix A: Draft management representation letter

Unadjusted misstatements

I confirm that the effects of the uncorrected misstatements are immaterial, both individually and in aggregate, to the financial statements as a whole. All uncorrected misstatements are included in Appendix A.

Yours faithfully

Steve Wilson

Treasurer



Appendix B: Draft audit report

Independent auditor’s report to the members of Greater Manchester Combined Authority

Report on the audit of the financial statements

Opinion on the financial statements

We have audited the financial statements of Greater Manchester Combined Authority (‘the Authority’) and its subsidiaries (‘the Group’) for the year ended 31 March 2022, which comprise the Authority and Group Comprehensive Income and Expenditure Statements, the Authority and Group Movement in Reserves Statements, the Authority and Group Balance Sheets, the Authority and Group Cash Flow Statements, the Firefighters’ Pension Fund, the Police Pension Fund and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (‘the Code Update’), published in November 2022.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Authority and the Group as at 31st March 2022 and of the Authority’s and the Group’s expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 as amended by the Code Update.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor’s responsibilities section of our report. We are independent of the Authority and Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council (FRC)’s Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



Appendix B: Draft audit report (continued)

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Treasurer's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Authority's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Treasurer with respect to going concern are described in the relevant sections of this report.

Other information

The Treasurer is responsible for the other information. The other information comprises the Annual Governance Statement and information included in the Statement of Accounts, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.



Appendix B: Draft audit report (continued)

Responsibilities of the Treasurer for the financial statements

As explained more fully in the Statement of Responsibilities for the Statement of Accounts, the Treasurer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 as amended by the Code Update, and for being satisfied that they give a true and fair view. The Treasurer is also responsible for such internal control as the Treasurer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Treasurer is required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 as amended by the Code Update and prepare the financial statements on a going concern basis, on the assumption that the functions of the Authority will continue in operational existence for the foreseeable future. The Treasurer is responsible for assessing each year whether or not it is appropriate for the Authority and Group to prepare its accounts on the going concern basis and disclosing, as applicable, matters related to going concern.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Based on our understanding of the Council, we identified that the principal risks of non-compliance with laws and regulations related to the Local Government Act 2003 (and associated regulations made under section 21), the Local Government Finance Acts of 1988, 1992 and 2012, and the Accounts and Audit Regulations 2015, and we considered the extent to which non-compliance might have a material effect on the financial statements.

We evaluated the Treasurer's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and determined that the principal risks were related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates and significant one-off or unusual transactions.



Appendix B: Draft audit report (continued)

Our audit procedures were designed to respond to those identified risks, including non-compliance with laws and regulations (irregularities) and fraud that are material to the financial statements. Our audit procedures included but were not limited to:

- discussing with management and the Audit Committee the policies and procedures regarding compliance with laws and regulations;
- communicating identified laws and regulations throughout our engagement team and remaining alert to any indications of non-compliance throughout our audit; and
- considering the risk of acts by the Authority and the Group which were contrary to applicable laws and regulations, including fraud.

Our audit procedures in relation to fraud included but were not limited to:

- making enquiries of management and the Audit Committee on whether they had knowledge of any actual, suspected or alleged fraud;
- gaining an understanding of the internal controls established to mitigate risks related to fraud;
- discussing amongst the engagement team the risks of fraud; and
- addressing the risks of fraud through management override of controls by performing journal entry testing.

There are inherent limitations in the audit procedures described above and the primary responsibility for the prevention and detection of irregularities including fraud rests with management and the Audit Committee. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

We are also required to conclude on whether the Treasurer’s use of the going concern basis of accounting in the preparation of the financial statements is appropriate. We performed our work in accordance with Practice Note 10: Audit of financial statement and regularity of public sector bodies in the United Kingdom, and Supplementary Guidance Note 01, issued by the National Audit Office in September 2021.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council’s website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor’s report.



Appendix B: Draft audit report (continued)

Report on the Authority’s arrangements for securing economy, efficiency and effectiveness in its use of resources

Matter on which we are required to report by exception

We are required to report to you if, in our view, we are not satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2022.

On the basis of our work, having regard to the guidance issued by the Comptroller and Auditor General in December 2021, we have identified the following significant weaknesses in the Authority’s arrangements for the year ended 31 March 2022.

In July 2022 we identified significant weaknesses in relation to the governance and improving economy, efficiency and effectiveness sub-criteria. In our view these significant weaknesses remains for the year ended 31 March 2022:

Significant weakness in arrangements – issued in a previous year	Recommendation
<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”. 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>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 • taking properly informed decisions, supported by appropriate evidence, allowing for challenge and transparency.

Appendix B: Draft audit report (continued)

Significant weakness in arrangements – issued in a previous year	Recommendation
<p>Oversight of Greater Manchester Police (continued)</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. 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>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>

Executive summary	Status of audit	Audit approach	Significant findings	Internal control recommendations	Summary of misstatements	Value for Money	Appendices
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Appendix B: Draft audit report (continued)

Significant weakness in arrangements – issued in a previous year	Recommendation
<p>Greater Manchester Fire and Rescue Service Cause of Concern 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>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>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.

Executive summary	Status of audit	Audit approach	Significant findings	Internal control recommendations	Summary of misstatements	Value for Money	Appendices
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Appendix B: Draft audit report (continued)

Responsibilities of the Authority

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

Auditor’s responsibilities for the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We are required under section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority’s arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We have undertaken our work in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in December 2021.

Matters on which we are required to report by exception under the Code of Audit Practice

We are required by the Code of Audit Practice to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make a recommendation under section 24 of the Local Audit and Accountability Act 2014; or
- we exercise any other special powers of the auditor under sections 28, 29 or 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.



Appendix B: Draft audit report (continued)

Use of the audit report

This report is made solely to the members of Greater Manchester Combined Authority, as a body, in accordance with part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 44 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the members of the Authority those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members of the Authority, as a body, for our audit work, for this report, or for the opinions we have formed.

Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate until we have completed the work necessary to issue our assurance statement in respect of the Authority's Whole of Government Accounts consolidation pack.

Mark Dalton - Key Audit Partner
For and on behalf of Mazars LLP
5th Floor
3 Wellington Place
Leeds
LS1 4AP



Appendix C: Independence

As part of our ongoing risk assessment we monitor our relationships with you to identify any new actual or perceived threats to our independence within the regulatory or professional requirements governing us as your auditors.

We can confirm that no new threats to independence have been identified since issuing the Audit Strategy Memorandum and therefore we remain independent.



Appendix D: Other communications

Other communication	Response
Compliance with Laws and Regulations	<p>We have not identified any significant matters involving actual or suspected non-compliance with laws and regulations.</p> <p>We will obtain written representations from management that all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements have been disclosed.</p>
External confirmations	<p>We did not experience any issues with respect to obtaining external confirmations.</p>
Related parties	<p>We did not identify any significant matters relating to the audit of related parties.</p> <p>We will obtain written representations from management confirming that:</p> <ul style="list-style-type: none"> a. they have disclosed to us the identity of related parties and all the related party relationships and transactions of which they are aware; and b. they have appropriately accounted for and disclosed such relationships and transactions in accordance with the requirements of the applicable financial reporting framework.
Going Concern	<p>We have not identified any evidence to cause us to disagree with the Treasurer that Greater Manchester Combined Authority will be a going concern, and therefore we consider that the use of the going concern assumption is appropriate in the preparation of the financial statements.</p> <p>We will obtain written representations from management, confirming that all relevant information covering a period of at least 12 months from the date of approval of the financial statements has been taken into account in assessing the appropriateness of the going concern basis of preparation of the financial statements.</p>

Appendix D: Other communications

Other communication	Response
<p>Subsequent events</p>	<p>We are required to obtain evidence about whether events occurring between the date of the financial statements and the date of the auditor’s report that require adjustment of, or disclosure in, the financial statements are appropriately reflected in those financial statements in accordance with the applicable financial reporting framework.</p> <p>We will obtain written representations from management that all events occurring subsequent to the date of the financial statements and for which the applicable financial reporting framework requires adjustment or disclosure have been adjusted or disclosed.</p>
<p>Matters related to fraud</p>	<p>We have designed our audit approach to obtain reasonable assurance whether the financial statements as a whole are free from material misstatement due to fraud. In addition to the work performed by us, we will obtain written representations from management, and the Audit Committee, confirming that</p> <ul style="list-style-type: none"> a. they acknowledge their responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud; b. they have disclosed to the auditor the results of management’s assessment of the risk that the financial statements may be materially misstated as a result of fraud; c. they have disclosed to the auditor their knowledge of fraud or suspected fraud affecting the entity involving: <ul style="list-style-type: none"> i. Management; ii. Employees who have significant roles in internal control; or iii. Others where the fraud could have a material effect on the financial statements; and d. they have disclosed to the auditor their knowledge of any allegations of fraud, or suspected fraud, affecting the entity’s financial statements communicated by employees, former employees, analysts, regulators or others.

Mark Dalton, Director – Public Services

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Mazars

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Mazars is an internationally integrated partnership, specialising in audit, accountancy, advisory, tax and legal services*. Operating in over 90 countries and territories around the world, we draw on the expertise of 40,400 professionals – 24,400 in Mazars' integrated partnership and 16,000 via the Mazars North America Alliance – to assist clients of all sizes at every stage in their development.

*where permitted under applicable country laws.