



# Audit Completion Report

Greater Manchester Combined Authority

Year ending 31 March 2019

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Greater Manchester Combined Authority  
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26 June 2019

Dear Members

### **Audit Completion Report – Year ended 31 March 2019**

We are pleased to present our Audit Completion Report for the year ended 31 March 2019. 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 8 January 2019. We have reviewed our Audit Strategy Memorandum and concluded that the original significant audit risks and other areas of management judgement remain

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 0113 394 5315.

Yours faithfully

Mark Kirkham  
Mazars LLP

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# 1. EXECUTIVE SUMMARY

## Purpose of this report and principal conclusions

The Audit Completion Report sets out the findings from our audit of Greater Manchester Combined Authority ('the Authority') for the year ended 31 March 2019, and forms the basis for discussion at the Audit Committee meeting on 30 July 2019.

The detailed scope of our work as your appointed auditor for 2018/19 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 of Auditing (UK) and means we focus on audit risks that we have assessed as resulting in a higher risk of material misstatement.

Sections 2 and 5 of this report outline the detailed findings from our work on the financial statements and our conclusion on the Authority's arrangements to achieve economy, efficiency and effectiveness in its use of resources. Section 2 also includes our conclusions on the audit risks and areas of management judgement in our Audit Strategy Memorandum, which include:

- management override of control;
- property, plant and equipment valuation;
- net defined benefit pension liability valuation; and
- recognition of PFI credits.

## Status of our work

As we outline on the following page, our work is still in progress. Subject to the satisfactory completion of the outstanding work, at the time of issuing this report we have the following conclusions:

### Opinion on the financial statements

Subject to completing the outstanding work, 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 conclusion

We anticipate concluding that the Authority had proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources. Our draft auditor's report, including proposed conclusion, is provided in Appendix B

### Whole of Government Accounts (WGA)

We anticipate completing our work on your WGA submission, in line with the group instructions issued by the NAO, by the deadline of 12 September 2019.

### 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 received no questions in 2018/19.

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# 1. EXECUTIVE SUMMARY

## Status of our audit work

Our audit work on your financial statements and our value for money conclusion for the year ended 31 March 2019 is in progress. At the time of preparing this report the following matters remain outstanding:

Audit area	Status	Description of outstanding matters
Journals		We are awaiting evidence from management for 12 journals that we have selected for testing.
Related parties testing		We are waiting for management to respond to small queries on the disclosures.
MIRS		We are waiting for management to provide us with a revised version of the MIRS that is consistent with other areas of the accounts.
Grant income		We are awaiting sample evidence from management for 11 of our sample items.
Other comprehensive income and expenditure		We have an outstanding query to resolve in relation to consistency with other areas of the accounts
Cash flow statement		We are awaiting an updated cash flow statement and supporting working paper for testing.
Capital expenditure & capital financing		We have queries outstanding with management in relation to the variance on the GMWDA opening capital financing requirement transferred into the GMCA accounts against the 2017/18 audited GMWDA accounts.
Waste asset valuations		We are awaiting confirmation of floor areas used in the revaluation calculations from the Avison Young valuer for a number of our sample items.
Loans and investments		We are awaiting third party confirmations of loan / investment balances from the European Investment Bank, MHCLG, Bank of Scotland, and Aberdeen
Cash		We are awaiting supporting evidence for a small number of bank balances
Leases		We are awaiting a full and detailed leases working paper from management.
Pensions		We are awaiting a revised pensions note to take account of legal rulings affecting the pension liabilities of the Authority.

### Status

-  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

# 1. EXECUTIVE SUMMARY

Audit area	Status	Description of outstanding matters
Financial Instruments	●	We are awaiting a revised note following technical queries raised
Fire Fighters Pension Fund	●	We are awaiting confirmation of the Home Office pension top up grant amount agreed for 2018/19.
Consolidated accounts	●	We are awaiting a revised set of consolidated accounts and supporting working papers to the group notes.
Final Financial Statements	●	We will review a final set of financial statements following resolution of the above queries.

#### Status

- 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

We will provide the Audit Committee with an update in relation to these outstanding matters in a follow-up letter, prior to signing the auditor's report.

#### Our audit approach

We provided details of our intended audit approach in our Audit Strategy Memorandum in January 2019. We have not made any changes to our audit approach since we presented our Audit Strategy Memorandum.

#### Materiality

We set materiality at the planning stage of the audit at £19.781m for the single entity accounts and £23.476m for the group accounts using a benchmark of 1.5% of Gross Operating Expenditure. Our final assessment of materiality, based on the final financial statements and qualitative factors is £23.761m for the single entity and £27.152m for the group, using the same benchmark. We set our trivial threshold (the level under which individual errors are not communicated to the Audit Committee, at £0.713m based on 3% of overall materiality).

#### Misstatements and internal control recommendations

Section 3 sets out the internal control recommendations that we make, together with an update on any prior year recommendations.

Section 4 outlines the misstatements noted as part of our audit as at the time of issuing this report. If any additional misstatements are noted on completion of the outstanding work, these will be reported to the Audit Committee in a follow-up letter.



## 2. SIGNIFICANT FINDINGS

Set out below are the significant findings from our audit. These findings include:

- our audit conclusions regarding 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 10 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; and
- any significant difficulties we experienced during the audit.

### Significant risks and key areas of management judgement

As part of our planning procedures we considered the risks of material misstatement in the Authority's financial statements that required special audit consideration. Although we report identified significant risks at the planning stage of the audit in our Audit Strategy Memorandum, our risk assessment is a continuous process and we regularly consider whether new significant risks have arisen and how we intend to respond to these risks. No new risks have been identified since we issued our Audit Strategy Memorandum.

#### Significant risk

Management override of controls

#### Description of the risk

In all entities, management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Because of the unpredictable way in which such override could occur, we consider there to be a risk of material misstatement due to fraud and thus a significant risk on all audits.

#### How we addressed this risk

We addressed this risk by carrying out work in the following areas:

- accounting estimates impacting on 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

Our audit work on this area is in progress. We are awaiting supporting evidence for a number of journal entries within the financial systems.

## 2. SIGNIFICANT FINDINGS (CONTINUED)

### Significant risk

#### Property, plant and equipment valuation

### Description of the risk

The CIPFA Code requires that where assets are subject to revaluation, their year end carrying value should reflect the appropriate fair value at that date. The Authority has adopted a rolling revaluation model which sees all land and buildings revalued over a five year cycle.

The valuation of property, plant & equipment involves the use of a management experts (the valuers), and incorporates assumptions and estimates which impact materially on the reported value. There are risks relating to the valuation process.

In addition, 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.

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### How we addressed this risk

In relation to the assets which had been revalued during 2018/19, we assessed the Authority's valuers' qualifications, objectivity and independence to carry out such valuations, and reviewed the valuation methodology used, including testing the underlying data and assumptions. We compared the valuation output with market intelligence provided by Gerald Eve, consulting valuers engaged by the National Audit Office, to obtain assurance that the valuations are in line with market expectations.

We reviewed the approach that the Authority adopted to address the risk that assets not subject to valuation in 2018/19 are materially misstated and we considered the robustness of that approach in light of the valuation information reported by the Authority's valuers.

In addition, we considered the movement in market indices between revaluation dates and the year end in order to determine whether these indicate that fair values have moved materially over that time.

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### Audit conclusion

Our work on PPE valuation is substantially complete. Subject to resolution of a small number of queries we do not anticipate any significant findings from our work on this risk.

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## 2. SIGNIFICANT FINDINGS (CONTINUED)

<b>Significant risk</b>	<b>Description of the risk</b>
<b>Defined benefit liability valuation</b>	<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 obligation are not reasonable or appropriate to the Authority's circumstances. This could have a material impact to the net pension liability in 2018/19.</p>

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### **How we addressed this risk**

In relation to the valuation of the Authority's defined benefit pension liability we :

- critically assessed the competency, objectivity and independence of the Greater Manchester Pension Fund's Actuary, Hymans Robertson and the Fire Fighters Pension Scheme Actuary, the Government Actuary Department (GAD);
- liaised with the auditors of the Greater Manchester Pension Fund to 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;
- reviewed the appropriateness of the Pension Asset and Liability valuation methodologies applied by the Pension Fund Actuary, and the key assumptions included within the valuation. This will include comparing them to expected ranges, utilising information provided by PWC, consulting actuary engaged by the National Audit Office; and
- agreed the data in the IAS 19 valuation report provided by the Fund Actuary for accounting purposes to the pension accounting entries and disclosures in the Authority's financial statements
- reviewed the Authority's assessment of the impact of GMP and McCloud legal rulings on its pension liability.

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### **Audit conclusion**

Our work on this risk is still in progress. Legal rulings in respect of GMP equalisation and the McCloud case relating to transitional provisions create additional defined benefit liabilities. These judgments were not taken into account in the actuaries' estimates of the defined benefit liability in the draft accounts. Management has obtained revised estimates and the statement of accounts is being updated. We will then complete our work.

## 2. SIGNIFICANT FINDINGS (CONTINUED)

### Management judgement

### Recognition of PFI Credit Income

#### Description of the management judgement

At the time of issuing our Audit Strategy Memorandum the Authority was in dispute with the Department for Environment, Food and Rural Affairs (DEFRA) over the receipt of PFI Credits following the decision by Greater Manchester Waste Disposal Authority to terminate the PFI agreement in 2017/18. The outcome of the dispute was subject to judicial review which was not due to conclude until after the Authority had prepared draft financial statements. There were a range of possible outcomes from the judicial review which would impact on the level of income the Authority was able to recognise.

The decision of the judicial review was due prior to producing the final, audited financial statements. The Authority planned to recognise the Authority's best estimate of PFI Credits receivable and update if necessary following the decision of the judicial review.

There was a risk that the Authority's income may be overstated if the judicial review found against GMCA's position.

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#### How our audit addressed this area of management judgement

Prior to producing the draft statement of accounts the Authority reached an agreement with DEFRA on the amount of PFI credits due. The accounts show £10m of grant income in respect of PFI Credits. This removed the judgement from recognising the income.

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#### Audit conclusion

We are satisfied the Authority has correctly recognised the PFI credit income due.

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## 2. SIGNIFICANT FINDINGS (CONTINUED)

### Qualitative aspects of the Authority's accounting practices

We have reviewed the Authority's accounting policies and disclosures and, following some revisions to take account of new accounting standards, concluded they comply with the requirements of the Code of Practice on Local Authority Accounting (the Code), appropriately tailored to the Authority's circumstances.

The Authority encountered issues in producing its draft accounts late in the process meaning they were not published by the statutory deadline of 31<sup>st</sup> May. Single entity accounts were published on the Authority's website on 4 June 2019, with full group accounts published by 7 June 2019.

### Significant difficulties during the audit

Due to the short time available to prepare the statement of accounts a number of material errors and additional disclosure errors have been identified throughout the statements. There were also several cases where working papers did not agree to the draft accounts. The finance team have worked hard to rectify these issues as they have arisen but this has led to delays in completing our audit testing and means a significant proportion of our work is outstanding at this stage. We have agreed with management that we will conclude our work as soon as possible following receipt of revised accounts early in the week commencing 29 July 2019.

### 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 2018/19 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. We have received no questions or objections in 2018/19.



# 3. INTERNAL CONTROL RECOMMENDATIONS

The purpose of our audit is 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. We do this in order to design audit procedures to allow us to express an opinion on the financial statement and not for the purpose of expressing an opinion on the effectiveness of internal control, nor 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 following categories:

Priority ranking	Description	Number of issues
<b>1 (high)</b>	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.	1
<b>2 (medium)</b>	In our view, there is a need to strengthen internal control or enhance business efficiency. The recommendations should be actioned in the near future.	1
<b>3 (low)</b>	In our view, internal control should be strengthened in these additional areas when practicable.	0

### 3. INTERNAL CONTROL RECOMMENDATIONS (CONTINUED)

#### Significant deficiencies in internal control – Level 1

##### Description of deficiency

The draft statement of accounts were submitted late due to issues in the accounts preparation system identified late in the process. As a result of this the finance team had to manually prepare the statement of accounts at short notice

##### Potential effects

Due to the short time available for preparing the accounts, a number of material errors were identified during the audit process. Whilst none of these impacted on the reported general fund balance there is a risk that fundamental errors in the Authority's reported position could be caused by a reoccurrence of these events.

##### Recommendation

Management should complete a debrief of the accounts preparation process to identify how this situation can be avoided in future years, and ensure appropriate contingency is place.

##### Management response

Agreed, A debrief will be concluded by 31st October 2019 with a full contingency plan for the 2019/20 accounts.

Responsible Officers – Amanda Fox / Helen Fountain

#### Significant deficiencies in internal control – Level 2

##### Description of deficiency

Our testing of assets under construction identified one asset which had become operational in 2017 but had not been reclassified as operational in the statement of accounts.

##### Potential effects

Failure to reclassify an asset as operational on a timely basis results in depreciation not being charged from the appropriate period and an understatement of reported expenditure.

##### Recommendation

Management should implement a process for regular review of assets-under construction to ensure these are reclassified as operational and depreciation charged on a timely basis.

##### Management response

Agreed, discussions will be held with relevant parties to ensure that assessments are completed prior to the year end to reclassify assets as appropriate to ensure that the correct depreciation is charged in the accounts.

Target date 31st Jan 2020, Responsible Officers – Amanda Fox / Helen Fountain

## 4. SUMMARY OF MISSTATEMENTS

We set out below the misstatements identified for adjustment during the course of the audit, above the level of trivial threshold of £0.713m.

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 2018/19

	Comprehensive Income and Expenditure Statement		Balance Sheet	
	Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
1 Dr: Depreciation Cr: Property Plant and Equipment  Being the depreciation not charged on an operational asset incorrectly classified as an asset-under-construction	1,803			1,803
2 Dr: Capital Adjustment Account Cr: General Fund  Being the adjustment required to reverse the additional depreciation out of the general fund into the capital adjustment account			1,803	1,803
3 Dr: Cash Cr: Short Term Creditors  A creditor payment run paid after year end was incorrectly included within the 2018/19 financial statements having the effect of understating cash and short-term creditors			1,144	1,144
<b>Total unadjusted misstatements</b>	<b>1,803</b>	<b>0</b>	<b>2,947</b>	<b>4,750</b>

## 4. SUMMARY OF MISSTATEMENTS (CONTINUED)

### Adjusted misstatements 2018/19

	Comprehensive Income and Expenditure Statement		Balance Sheet	
	Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
1 Dr: Taxation and Non-Specific Grant Income	25,000			
Cr: Economic Development and Regeneration Exp		25,000		

A rebate of business rate income to local authorities had been incorrectly accounted for as expenditure rather than a reduction in income.

### Disclosure amendments

During the course of the audit we identified a number of disclosure changes which are detailed below. All have been adjusted for in the final version of the financial statements

- Note 10 analysis of income: £55,348k was incorrectly classified as fees, charges and other service income. It has been corrected to show within Government Grants and Contributions
- Note 14 Financing and Investment Expenditure and Income Analysis: The note has been updated to show the correct breakdown of interest payable between PWLB, European Investment Bank and Other Financial Institutions
- Note 18 Officer Remuneration: On our review we identified a number of errors within the pay bandings for Officers earning over £50k. Management has corrected the note based on a report from the payroll system.
- Note 18 Senior Employee Remuneration: The disclosure has been updated to reflect a backdated pay award for the Chief Executive following taking on the role of TfGM Chief Executive. This change was only agreed after the draft accounts were produced.
- Note 18 Exit Packages: The note has been updated to take account of pay in lieu of notice in line with CIPFA Code requirements.
- Note 20 Property, Plant and Equipment: The note has been updated to reclassify other de-recognitions to impairment losses.
- Note 28 Financial Instruments: The analysis of loans and borrowings did not agree to the balance sheet. A misclassification of £64,857k has been corrected from long-term borrowings to short-term borrowings following late agreement with MHCLG as to the treatment of the cash balance.
- Note 28 Financial Instruments: The accrued interest payable shown within the analysis of loans by maturity has been updated to agree to the accrued interest payable in the analysis of loans by type note.

# 5. VALUE FOR MONEY CONCLUSION

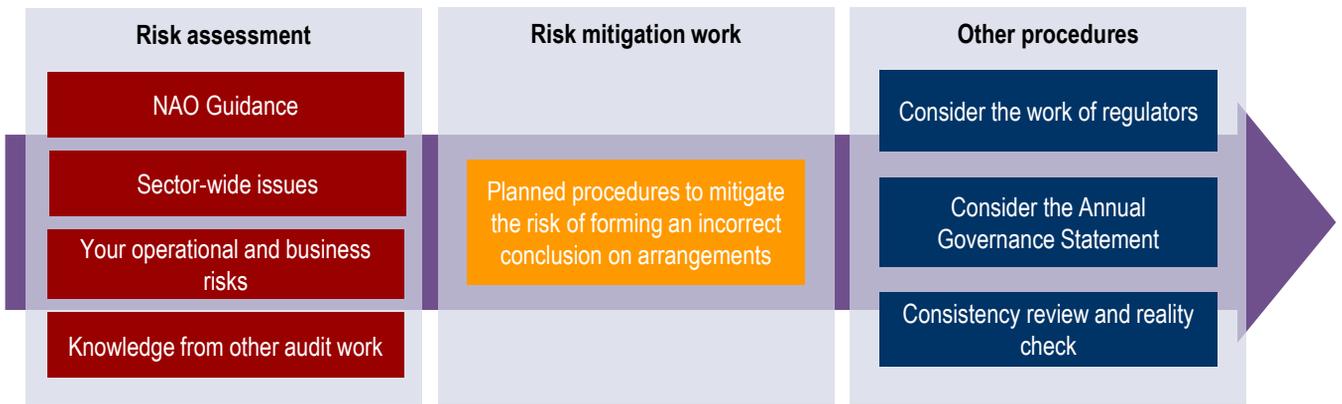
## Our audit approach

We are required to form a conclusion as to 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 in order to form our conclusion, and sets out the criterion and sub-criteria that we are required to consider.

The overall criterion is that, 'in all significant respects, the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.' To assist auditors in reaching a conclusion on this overall criterion, the following sub-criteria are set out by the NAO:

- informed decision making ;
- sustainable resource deployment; and
- working with partners and other third parties.

A summary of the work we have undertaken is provided below:



## Significant audit risks

The NAO's guidance requires us to carry out work to identify whether or not a risk to our value for money conclusion exists. Risk, in the context of our work, is the risk that we come to an incorrect conclusion rather than the risk of the arrangements in place at the Authority being inadequate. In our Audit Strategy Memorandum, we reported that we had identified two significant risks:

- Expansion of Greater Manchester Combined Authority's Responsibilities; and
- Re-tender of Waste Services Contract

The work we carried out in relation to the significant risks is outlined overleaf.

## Our overall value for money conclusion

Our draft auditor's report included in Appendix B states that we intend to issue an unqualified conclusion for the 2018/19 financial year.



# 5. VALUE FOR MONEY CONCLUSION

Commentary against each of the sub-criteria, and an indication of whether arrangements are in place, is provided below.

Arrangements in place?

## Informed decision making

Yes

The Combined Authority membership is comprised of one elected member from each of the ten Greater Manchester councils and the Mayor of Greater Manchester. It is governed by a Constitution including all of the normal features of an effective governance framework in local government. The Authority's Monitoring Officer undertook a review of the Constitution in June 2018 to ensure it reflected the current responsibilities of the Mayor and GMCA.

The Greater Manchester Strategy 'Our People Our Place' sets out ten priorities which include children starting school ready to learn, safer and stronger communities and an age friendly Greater Manchester. Delivery is monitored via reports to Combined Authority meetings and supported by a comprehensive implementation plan and performance dashboards for each priority.

The Authority's financial position is reported to Combined Authority meetings on a regular basis including detail on each of the Authority's responsibilities. PCC finances are not reported to the Authority but dealt with directly in meetings with the Deputy Mayor.

The Authority's risk register is actively monitored at meetings of the Audit Committee and the Audit Committee oversees the governance framework including the work of internal audit. The Authority has adapted the work of Internal Audit throughout the year to provide assurance on key risk areas such as the procurement of the new waste contract and to support the preparation for HMICFRS' review.

The Authority's Annual Governance Statement includes a balanced assessment of the effectiveness of its governance arrangements and identifies appropriate areas for further improvement.



## 5. VALUE FOR MONEY CONCLUSION

Arrangements in place?

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### Sustainable resource deployment

Yes

The Authority continues to manage its financial position effectively with balanced budgets set for 2018/19 and 2019/20. The Authority recognises savings are required over the medium term to cover the budget shortfall in the Fire and Rescue Service. The Authority is undertaking a whole service review of the Fire and Rescue Service and has developed a range of options to deliver savings through the Programme for Change.

The Authority continues to deliver its financial plans and the 2018/19 outturn achieved a £2,166k underspend against the GMCA and Mayoral General budget following transfers to earmarked reserves. The level of General Fund balances at year end totalled £459m which is sufficient to support the Authority's functions over the medium-term.

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### Working with partners and other third parties

Yes

The Authority works with a range of third parties to deliver the Greater Manchester Strategy.

The Authority works closely with other public sector organisations across Greater Manchester. For example the Authority is working with Councils to implement the GM Full Fibre Programme which aims to transform the digital infrastructure in Greater Manchester.

With devolution of the Adult Education Budget, due to commence from 1 August 2019, the Authority has worked closely with existing service providers to develop transitional arrangements and a commissioning approach to support the Greater Manchester ambition.

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## 5. VALUE FOR MONEY CONCLUSION (CONTINUED)

### Significant audit risks

Risk	Work undertaken	Conclusion
<p><b>Expansion of Greater Manchester Combined Authority's Responsibilities</b></p> <p>GMCA is currently undergoing a significant reorganisation following the transfer of functions from GM OPCC and GMFRS in 2017/18, and GMWDA in 2018/19. As a result of this significant work is taking place with regards to the integration of personnel and governance arrangements across the Authority. As part of this, and in response to the findings of the Kerslake Report into the Manchester Arena attack, the Authority is undertaking a 'Programme for Change' to transform the fire service.</p> <p>This risk links to the Authority's arrangements for informed decision making through its governance arrangements and maintaining a sound system of internal control.</p>	<p>We discussed the progress of integrating services across the Authority with officers and reviewed minutes of the Service Integration Programme Board, noting the actions being taken to align policies and procedures across the organisation.</p> <p>Through discussion with officers we reviewed the governance structures in place to manage the Programme for Change and how this addresses the findings from the Kerslake Report. We reviewed the Outline Business Case and evidence underpinning the proposals set out within the report. At the time of writing this report the public consultation has now completed and Officers are in the process of reviewing responses before a way forward is agreed.</p> <p>In June 2019 HMICFRS released its first inspection of the Fire and Rescue Service in Greater Manchester, giving an overall opinion of 'Requires Improvement'. We have discussed the steps taken by management to address the findings from this report, a number of which will be achieved through the Programme for Change.</p>	<p>We conclude that for 2018/19 the Authority has made proper arrangements to deliver its expanded responsibilities.</p>
<p><b>Re-tender of Waste Services Contract</b></p> <p>GMCA is in the process of procuring a new provider of waste disposal services following the decision of GMWDA to terminate the PFI contract in 2017/18. The contract will be material to the operations of the Combined Authority and the Authority is utilising expertise from a variety of organisations to ensure the procurement process delivers value for money.</p> <p>There is a risk that without proper governance arrangements in place, the procurement of the waste contract will not deliver value for money. This links to the sustainable resource deployment sub-criteria.</p>	<p>We have reviewed the arrangements in place for the procurement process through discussions with officers noting the role of the Commercial Steering Group in managing the process with regular reporting to Combined Authority meetings.</p> <p>We note that external advice was sought where necessary and used to ensure learning from the previous contract was embedded within the procurement process.</p> <p>The Authority's Internal Audit team completed a review of the process prior to the final decision being made and provided a 'substantial assurance' opinion over the process.</p> <p>The new contract is now in place and the Authority has recruited additional support to the contract monitoring and performance management process.</p>	<p>We conclude that for 2018/19 the Authority has made proper arrangements to deliver value- or money through its procurement of the waste services contract.</p>

# APPENDIX A

## DRAFT MANAGEMENT REPRESENTATION LETTER

Mark Kirkham  
Mazars LLP  
One St Peter's Square  
Manchester  
M2 3DE

[Date]

Dear Mark

### **Greater Manchester Combined Authority - audit for year ended 31 March 2019**

This representation letter is provided in connection with your audit of the financial statements of Greater Manchester Combined Authority (the Authority) and Group for the year ended 31 March 2019 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 2018/19 (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 ourselves 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.

I confirm as s73 officer 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.

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# APPENDIX A

## DRAFT MANAGEMENT REPRESENTATION LETTER

### 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 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.

### 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.

### Fraud and error

I acknowledge my responsibility as s73 Officer 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.

### Service Concession Arrangements

I am not aware of any material contract variations, payment deductions or additional service charges in 2018/19 in relation to the Authority and Group's PFI schemes that you have not been made aware of.

### 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.

### Going concern

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.

### 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.

Yours faithfully

Richard Paver (s73 Officer)

# APPENDIX B

## DRAFT AUDITOR'S REPORT

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

#### Report on the financial statements

##### Opinion

We have audited the financial statements of Greater Manchester Combined Authority ('the Authority') and its subsidiaries ('the Group') for the year ended 31 March 2019, 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, 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 2018/19.

In our opinion, the financial statements:  
give a true and fair view of the financial position of Greater Manchester Combined Authority and the Group as at 31<sup>st</sup> March 2019 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 2018/19.

##### 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 in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applicable to public interest entities, 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.

##### Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:  
the Treasurer's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or  
the Treasurer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

##### Other information

The Treasurer is responsible for the other information. The other information comprises the Annual Governance Statement and information included in the Annual 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.

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## DRAFT AUDITOR'S REPORT

### 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 2018/19, 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 2018/19 and prepare the financial statements on a going concern basis, unless the Authority is informed of the intention for dissolution without transfer of services or function to another entity. The Treasurer is responsible for assessing each year whether or not it is appropriate for the Authority 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.

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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

### 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.

### Conclusion on Greater Manchester Combined Authority's arrangements for securing economy, efficiency and effectiveness in the use of resources

#### Conclusion

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, we are satisfied that, in all significant respects, Greater Manchester Combined Authority has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

#### Basis for conclusion

We have undertaken our review in accordance with the Code of Audit Practice issued by the Comptroller and Auditor General, having regard to the guidance on the specified criterion issued in November 2017, as to whether the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

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## DRAFT AUDITOR'S REPORT

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

### **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. The Code of Audit Practice requires us to report to you our conclusion relating to proper arrangements. 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.

### **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. We are satisfied that these matters do not have a material effect on the financial statements or on our conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources.

[Signature]

Mark Kirkham  
For and on behalf of Mazars LLP  
One St Peter's Square  
Manchester  
M2 3DE

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# 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.





## CONTACT

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