

GMCA AUDIT COMMITTEE

Date: 31st July 2024

Subject: Final GMCA Annual Statement of Accounts 2022/23

Report of: Steve Wilson, Treasurer of the GMCA

PURPOSE OF REPORT

This report provides a copy of the Greater Manchester Combined Authority (GMCA) audited group statement of accounts for 2022/23.

The report updates the committee on the changes since the draft accounts were published and confirms, subject to the committee's approval of the accounts and the unadjusted misstatements, that the final accounts expect to receive an unqualified opinion from the authority's external auditors subject to outstanding issues set out in the report.

RECOMMENDATIONS:

Audit Committee members are requested to:

1. Note the final statement of accounts for 2022/23 and note the changes to accounts during the audit period; and
2. Approve the unadjusted misstatements contained within this report.

Audit Committee members are requested to delegate to the GMCA Treasurer, in consultation with the Audit Committee chair, the publication of the final accounts following audit completion.

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Risk Management – the risk from setting unsuitable accounting policies and determining critical accounting judgements is that the External Auditor could qualify the GMCA Accounts and require adjustments which may have an impact on the Authority and Mayoral General / PCC reserves.

Legal Considerations – included in Section 2.

Financial Consequences – Revenue – N/A.

Financial Consequences – Capital – N/A.

Number of attachments included in the report: 2

BACKGROUND PAPERS:

2022/23 Draft Statement of Accounts – presented to Audit Committee on 20 September 2023.

TRACKING/PROCESS	
Does this report relate to a major strategic decision, as set out in the GMCA Constitution	No
EXEMPTION FROM CALL IN	
Are there any aspects in this report which means it should be considered to be exempt from call in by the relevant Scrutiny Committee on the grounds of urgency?	N/A.

TfGMC	Overview & Scrutiny Committee	
N/A.	N/A.	

1. INTRODUCTION

- 1.1. This report provides the Greater Manchester Combined Authority (GMCA) group accounts for 2022/23.
- 1.2. The report updates the committee on the changes since the draft accounts were published. It confirms that, subject to the committee's approval of the accounts and the unadjusted misstatements and the outstanding issues, that the final accounts expect to receive an unqualified opinion from the authority's external auditors.
- 1.3. The Accounts and Audit Regulations set out the requirements for the production and publication of the annual statement of accounts. The regulations set out that the unaudited accounts are to be certified by the Treasurer as providing a true and fair view of the financial position of the authority as at 31 March 2023 and its income and expenditure for the year ended 31 March 2023.

2. 2022/23 ACCOUNTS TIMESCALES

- 2.1. The authority is required by the *Local Audit and Accountability Act 2014* and the *Accounts and Audit Regulations 2015* to present its Statement of Accounts (and associated documents) for public inspection for a period of 30 days, which must include the first 10 working days of June. This means that the deadline for publication of unaudited 2022/23 financial statements was 31 May 2023, which had been brought forward, since the last two years, from 31 July. The statutory deadline for publication of the final audited accounts was 30 November 2023.
- 2.2. The Chartered Institute of Public Finance and Accountancy (CIPFA) has stated that whilst it recognises the statutory nature of the publication deadline, in the context of recent challenges, there is a balance to be struck for Chief Finance Officers between the timeliness and the quality of unaudited financial statements produced. GMCA notified of a delay in the publication of the accounts on the GMCA website, and made the unaudited accounts available for inspection between 1 August 2023 and 4pm on

11 September 2023.

2.3. Whole of Government Accounts (WGA) provides a view of the government's financial position and performance by consolidating the UK public sector in line with International Financial Reporting Standards. Most local authorities are now below the materiality threshold for providing WGA. However, due to the financial significance of the group accounts, the GMCA does not have this exception. HM Treasury provided the WGA data collection tool for 2022/23 on 31 August 2023. GMCA completed the draft WGA for 2022/23 within HMT's window for completion. GMCA informed HMT at the time that the audit of WGA was not yet scheduled and therefore would not meet the HMT exceptionally tight audit deadline of 22 December 2023. As at 31 July 2024 the 2022/23 WGA audit remains unscheduled.

3. PRESENTATION OF THE ANNUAL ACCOUNTS

3.1. The GMCA Group Statement of Accounts contain the following sections:

3.2. The Treasurer's Narrative, which sets out the background to the financial year including a summary of the Authority's outturn position.

3.3. The Statement of Responsibilities for the Statement of Accounts, which details the responsibilities of the Authority and the Treasurer.

3.4. The group financial statements for the single entity accounts, comprising:

- The Comprehensive Income and Expenditure Statement (CIES), which shows the accounting cost of the Authority's activities rather than the amount to be funded from grants, precepts and the share of business rates, district contributions and the transport levy.
- The Movement in Reserves Statement (MIRS), which explains the movement in the Authority's usable and unusable reserves during the financial year.
- The Balance Sheet, which shows the total assets, liabilities and reserves of the Authority as at the end of the financial year.

- The Cash Flow Statement, which shows the reasons for the change in cash and cash equivalents during the financial year.

3.5 Each statement is preceded by a note explaining its purpose and followed by comprehensive notes explaining the statements.

3.6 The following bodies are consolidated alongside the GMCA single entity to create the group accounts:

- Chief Constable of Greater Manchester Police (GMP)
- Transport for Greater Manchester (TfGM)
- NW Evergreen Holdings Limited Partnership (NWEH)
- Greater Manchester Fund of Funds Limited Partnership (FoFLP)
- Greater Manchester Evergreen 2 Limited Partnership (GME2)

3.7 All intra-group trading, balances and unrealised gains and losses as at the end of the period are eliminated in full.

4. EXTERNAL AUDIT REVIEW OF THE ACCOUNTS

4.1. The draft accounts presented to the Audit Committee on 20th September 2023 have been audited by GMCA's external auditors, Mazars. The audit completion report is included separately on the committee agenda and will be presented by Mazars, however following the review by external audit and ongoing management review of the draft accounts, a number of potential amendments have been identified to the published draft accounts.

4.2. The accounts have been updated to reflect the majority of these amendments but in a limited number of cases the decision has been made not to adjust for specific issues. The amendments are described below and the audit committee is asked to review the issues identified and to confirm support for the unadjusted misstatements described.

5. UNADJUSTED MISSTATEMENTS

5.1. There are a few issues where the accounts have not been adjusted to reflect identified misstatements. These are well below the materiality threshold of £37m for the single entity accounts but above the trivial threshold for adjustment of £1.110m. The individual and net value of unadjusted misstatements are not considered material and do not affect the reader's interpretation of the accounts. The external audit completion report confirms the approach taken to these issues.

5.1.1. Pension Liability

The authority was informed of a maximum potential impact of a current legal case concerning the firefighter's pension scheme. The case could have a maximum impact on the GMCA pension liability of £1.383m.

5.1.2. Errors in Property, Plant & Equipment depreciation

Some transactions entered onto the CIPFA Asset Management system have treated depreciation unusually and this was not picked up by the team during accounts production. This resulted in an estimated £6.050m error in funding set aside for the Chief Constable in relation to depreciation on Police Assets, and a £1.526m error in expenditure for depreciation on non-Police Assets. This will be corrected in the next set of accounts.

5.1.3. Errors in Property, Plant & Equipment revaluations

The audit team found some minor errors in the calculation sheets and floor areas sampled during Property, Plant & Equipment revaluation testing. The value of the extrapolated error in relation to these differences is £6.803m.

6. CHANGES TO THE DRAFT ACCOUNTS

6.1. There are a small number of changes that have been made to the draft accounts following the management and audit review.

6.1.1. Adjustment to pension liabilities

The authority received an updated actuary report on 11 December 2023. The figure for the 2022/23 changes in financial assumptions underlying the present value of the defined benefit obligation had reduced by £26.460m compared to the draft report sent on 28 April 2023. This figure was subsequently updated in the accounts.

6.1.2. Adjustment to the pension asset ceiling

The original asset ceiling calculation provided for the LGPS was revised by the GMPF's actuary, Hymans Robertson, following discussions with GM Local Authority finance teams and Mazars over the course of the audit. The revised calculation led to a £6.925m decrease in the asset ceiling figure, which increased the net pension asset figure by this value. The pension figures were adjusted to be consistent with the GMCA group organisations.

6.1.3. Adjustment for fair value movement of equity investments

Equity investments are designated at Fair Value through Other Comprehensive Income, but the 2022/23 fair value movement of £4.158m had been mis-posted to financing expenditure in the draft accounts. This has been corrected and the fair value movement is now recorded in Other Comprehensive Income and Expenditure.

6.1.4. Adjustment to short term debtors note

An error in the formulae on the debtors working paper had misallocated £3.282m of debtors to the bad debt provision line. This has been corrected so that the 'other entities & individuals' debtors line has increased by £3.282m and the bad debt provision line has decreased by £3.282m. The net debtors figure has not changed.

6.1.5. Adjustment between Economic Development and Regeneration (EDR) Income and Taxation and Non-Specific Grant Income

There was a miscoding of £14.762m of business rates income on the general ledger that presented the income in the EDR section of the Comprehensive

Income and Expenditure Statement. This has been corrected and the income is now included below Net Cost of Services as Taxation and Non Specific Grant Income.

6.1.6. Adjustment between Net Pension Asset and Net Pension Liability

The LGPS had a net pension asset of £0.006m at 31 March 2023. This was originally netted off against the net pension liability figure from the Firefighters' Pension Scheme on the Balance Sheet, but this is not allowable under IAS 19. The £0.006m has therefore been separated out to a new Net Pension Asset line on the Balance Sheet, and the Net Pension Liability line now only shows the Firefighters' Pension Scheme liability. This is a presentational adjustment only.

6.1.7. Other disclosure adjustments

Additional related party disclosures have been added that were missed off the draft accounts. There were some minor narrative changes to add more detail in relation to fair value measurement of some Financial Instruments and Property, Plant & Equipment. Adjustments to the notes to the accounts are detailed in full in the audit completion report.

7. STATUS OF THE AUDIT – OUTSTANDING ISSUES

7.1. The work on the 2022/23 accounts is believed to be complete and the audit completion report will confirm that there are no matters known that would require modification of the audit opinion, subject to outstanding matters detailed below:

7.1.1. Final audit opinion on revised consolidated financial statements which have been amended following initial review of draft group accounts.

7.1.2. Final audit opinion on Property, Plant & Equipment revaluations, which have experienced delays due to staffing issues within the valuer's team.

7.2. Mazars will review a final set of financial statements on completion of the above. The Audit Committee is recommended to delegate to the GMCA Treasurer, in consultation with the Audit Committee chair, the publication of the final accounts

following completion of the audit, assuming no change to the audit opinion or material change to the group financial statements.

8. LETTER OF REPRESENTATION

- 8.1. The letter of representation from the GMCA Treasurer to the authority's external auditors will be presented to the Chair of the audit committee when the external audit is signed off.

9. RECOMMENDATIONS

- 9.1. Recommendations are set out at the front of the report.