Audit progress report

Greater Manchester Combined Authority

For the 23rd July 2025 Audit Committee

Audit Committee
Greater Manchester Combined Authority
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10th July 2025

Dear Committee Members,

Audit progress report – Year ended 31 March 2025

We are pleased to report our progress with the audit of Greater Manchester Combined Authority's Statement of Accounts for the year ended 31 March 2025. The purpose of this document is to provide you with any updates on progress made towards the 2024/25 audit and any other relevant matters.

Section 1 of this report provides an update of the audit position and highlights the key items we are currently considering as part of our risk assessment.

Section 2 of this report provides an update on our value for money risk assessment where we have outlined details on areas with a risk of significant weakness in arrangements.

Providing a high-quality service is extremely important to us and we strive to provide technical excellence with the highest level of service quality, together with continuous improvement to exceed your expectations. If you have any concerns or comments about this report or our audit approach, please contact me on +44 (0)7721 234 043.

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Yours faithfully,

Karen Murray
Forvis Mazars LLP

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Audit update

01 Audit update

2024/25 audit team

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We recognise the value you place in understanding you, understanding how you operate and the environment that you operate in. Karen brings that understanding from her experience of auditing Greater Manchester Combined Authority (GMCA). Paddy is an experienced audit senior manager who has worked with Liverpool City Region Combined Authority for the past 3 years, building an understanding of combined authorities in the North-West region.

Jimly will support Paddy with the audit. She has been part of the Forvis Mazars public sector audit team for multiple years, developing and making significant progress as a valued team member of the team. Jimly is an Assistant Manager who brings an understanding of Local Government audit, having worked with GMCA in 2023/24 as well as across several of our local authority audits.

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01 Audit update

2024/25 audit timeline and status update

Our 2023/24 audit of the Authority’s accounts was ‘backstopped’ and our audit opinion was disclaimed. At the date of drafting this report, the Authority has been unable to publish its 2024/25 Statement of Accounts due to difficulties in relation to implementation of IFRS16. The timeline below is an estimate of achievable milestones based on a materially accurate set of accounts being submitted for audit.

Audit planning and documenting systems and controls

March 2025 – April 2025

- Developing our understanding of Greater Manchester Combined Authority
- Scoping IT systems that will be within the scope of our audit
- Initial determination of materiality

Risk assessment and forming a testing strategy

November 2025 – December 2025

- Formal client planning meeting
- Documenting systems and controls and performing walkthroughs
- IT general controls testing
- Preliminary analytical review
- Risk identification and assessment (including consideration or judgement to not prepare group accounts)
- Initial opinion and value for money risk assessments
- Considering proposed accounting policies and accounting treatments
- Developing our audit strategy and planning the audit work to be performed
- Issuing our Audit Strategy Memorandum (October / November 2025 Audit Committee)

Fieldwork

December 2025 – February 2025

- Reassessment of our audit strategy (and revising if necessary)
- Receiving and reviewing the draft financial statements
- Executing our strategy
- Detailed work to examine and assess arrangements in relation to any significant risks relating to the value for money conclusion
- Communicating progress and any issues arising (October / November 2025 Audit Committee)
- Issuing our Auditor’s Annual Report (by 30th November 2025)

Completion

February 2025

- Final review of financial statements, and disclosure checklist
- Agreeing the content of the letter of representation
- Preparing our auditor’s report
- Issuing our Audit Completion Report (January / February 2025 Audit Committee)
- Subsequent events procedures
- Signing our auditor’s report

On 9 June, the NAO issued its guidance on rebuilding assurance. It is complex and detailed and emphasises the importance of auditor’s tailoring their approach to address the specific situation of an entity’s statement of accounts. Our methodology team is currently working to translate the guidance into practical guidance for the audit team. We then need time to determine the scope and timing of our approach to rebuilding assurance, for both GMCA and our wider Local Government portfolio, whilst considering the potential impacts of delays in publication of the Statement of Accounts to determine our approach and intended reporting for 2024/25.

01 Audit update

2024/25 initial understanding of Greater Manchester Combined Authority

Based on the planning procedures we have completed to date; the following table outlines the matters we consider will be key to our risk assessment and ultimately drive the significant risks of material misstatement we identify.

● Highly likely we identify significant risk of material misstatement ● Moderately likely we identify significant risk of material misstatement ● Potential we identify significant risk of material misstatement

Matters	Significant risk likelihood	Accounts risk applies to	Entities work performed at to address risk	Detail
Risk of fraud due to management override of control	●	Single entity and group accounts	Single entity and group entities	Management override of controls is a mandatory significant risk on all audits in the UK. There is an inherent risk that management, due to their position can manipulate accounting records and bypass controls to commit fraud. We are required to consider this risk for all significant component entities.
Risk of fraud in revenue recognition	●	Single entity and / or group accounts	Single entity and / or group entities	Whilst facing financial pressures, in the Local Government context GMCA has healthy reserve balances and has not relied on drawing from reserves to balance future budgets. We are yet to formally complete our fraud risk assessment, but there to do not appear to be excessive incentives and opportunities for management to manipulate financial outturn through fraud in revenue recognition. However, we also need to consider the outcome of risk assessments at component entities.
Risk of fraud in expenditure recognition	●	Single entity and / or group accounts	Single entity and / or group entities	Whilst facing financial pressures, in the Local Government context GMCA has healthy reserve balances and has not relied on drawing from reserves to balance future budgets. We are yet to formally complete our fraud risk assessment, but there to do not appear to be excessive incentives and opportunities for management to manipulate financial outturn through fraud in expenditure recognition. However, we also need to consider the outcome of risk assessments at component entities.
Valuation of property, plant and equipment	●	Single entity and group accounts	Single entity and group entities	GMCA has a rolling programme of valuations for its land and buildings. The valuation of such assets is complex, subject to judgement, requires significant data inputs and involves the work of an external expert. As a result, there is an increased risk of material misstatement. We are aware of component entities that have material land and building balances subject to valuation.

01 Audit update

2024/25 initial understanding of Greater Manchester Combined Authority - continued

● Highly likely we identify significant risk of material misstatement ● Moderately likely we identify significant risk of material misstatement ● Potential we identify significant risk of material misstatement

Matters	Significant risk likelihood	Accounts risk applies to	Entities work performed to address risk	Detail
Valuation of net defined benefit pension asset / liability	●	Single entity and group accounts	Single entity and group entities	GMCA employees are members of the Local Government Pension Scheme. As a result, GMCA is required to recognise its share of scheme assets and liabilities and present the net position on its balance sheet. The valuation of scheme assets and liabilities is complex, subject to judgement and requires significant data inputs. As a result, there is an increased risk of material misstatement. We are aware of group entities that have material net defined benefit pension assets / liabilities.
Implementation of new accounting standard for lease arrangements – IFRS 16	●	Single entity and group accounts	Single entity and group entities	The new lease accounting standard is applicable to Local Government entities from 1st April 2024. GMCA is required to re-classify several lease arrangements in line with this new standard for the first time in the 2024/25 accounts. Application of the new standard is complex and will likely result in material accounting entries. As a result, there is an increased risk of material misstatement. We are aware of group entities that also have material lease arrangements.
Group accounts consolidation	●	Group accounts	Group entities	The GMCA group is complex and requires the authority to consolidate the financial information of multiple significant entities. The consolidation includes complex and significant consolidation adjustments.

At this stage of the audit, we have not completed sufficient risk assessment procedures to determine the financial statement areas associated with the above matters, the level of risk or the procedures required to address the risk of material misstatement. These will be communicated to the Audit Committee in our Audit Strategy Memorandum, which we intend to present to this committee in November 2025.

02

Value for Money

02 Value for Money arrangements

Code update

The 2024/25 update to the Code of Audit Practise requires auditors to issue their Auditor's Annual Report, which includes our commentary on GMCA's arrangements to secure value for money in its use of resources, by the 30th November 2025. The Code update allows this report to be issued even where financial statements audit work is still ongoing. With engagement from the GMCA's finance team, we have agreed a timeline for the audit that enables us to meet this deadline.

Risks of significant weaknesses in arrangements

Our work will focus on the three criteria specified in the Audit Code: financial sustainability; governance; and improving economy, efficiency and effectiveness. Our VFM risk assessment process is continuous and will be updated throughout the audit process. We have not fully completed our planning and risk assessment work and have therefore not yet identified any new risks of weakness in 2024/25. We have however identified matters that we will consider as part of our work and present an increased likelihood of our risk assessment identifying risks of weakness in arrangements.

● Highly likely we identify a risk of weakness in arrangements ● Moderately likely we identify a risk of weakness in arrangements ● Potential we identify a risk of weakness in arrangements

	Title	Reporting criteria	Likelihood of risk being identified	Explanation
1	How Greater Manchester Combined Authority gains assurance over the effective operation of internal controls	Governance	●	In the most recently reported internal audit progress report dated 19th March 2025, the summary of internal audit work completed to date highlighted 3 audits providing 'reasonable assurance', 3 providing 'limited assurance' and 1 providing 'no assurance'. 2 advisory pieces were also reported, with one being 'positive' and the other 'broadly compliant'. The programme of internal audit work is currently in progress. Whilst the work is not yet complete, progress to date may be indicative of a potential weakness in GMCA's arrangements for the effective operation of internal controls. The determination of whether a risk of weakness or actual weakness exists will likely be heavily to the internal audit annual report and overall opinion.

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Appendices

Appendix A: Current year updates, forthcoming accounting & other issues

New standards and amendments

Effective for accounting periods beginning on or after 1 January 2019

IFRS 16 Leases (Issued January 2016)

- IFRS 16 Leases (IFRS 16) will replace the existing leasing standard, IAS 17, and will introduce significant changes, particularly for lessees. The requirements for lessors will be largely unchanged from the position in IAS 17. Lessees will need to recognise right of use assets and associated lease liabilities for all leases (except short-life or low-value leases) as the distinction between operating leases and finance leases is removed. Subsequent to initial recognition, a service concession arrangement liability will subsequently measured following the principles set out in IFRS 16. The introduction of this standard is likely to lead to significant work being required in order to identify all leases and service concession arrangements to which the Council are party to. There will also be consequential impacts upon capital financing arrangements at many authorities which will need to be identified and addressed. IFRS 16 was adopted by the Code of Practice on Local Authority Accounting in 2024/25.

Effective for accounting periods beginning on or after 1 January 2023

IFRS 18 *Presentation and Disclosure in Financial Statements* (Issued April 2024)

- IFRS 18 Presentation and Disclosure in Financial Statements (IFRS 18) is a new standard that replaces IAS 1 Presentation of Financial Statements. The new standard aims to increase the comparability, transparency and usefulness of information about companies' financial performance. It introduces three key new requirements focusing on the presentation of information in the statement of profit or loss and enhancing certain guidance on disclosures within the financial statements. As IFRS 18 was only issued in April 2024 it has yet to be adopted by the Code of Practice on Local Authority Accounting in 2024/25 therefore the applicability to local government is to be determined.

International Standard on Auditing (UK) 600 Revised - Special considerations - Audits of group financial statements (Including the work of component auditors)

ISA (UK) 600 deals with the special considerations that apply to audits of group financial statements, including those circumstances when component auditors are involved. The auditing standard has been revised. The revised standard is effective for audits of group financial statements for periods beginning on or after 15 December 2023. The revisions made to ISA (UK) 600 impact how we perform audits of group financial statements, and how we communicate our audit strategy and audit findings arising from audits of group financial statements, going forward. This page sets out the key changes made to ISA (UK) 600 and how Forvis Mazars will apply the requirements of the revised standard in practice.

Key changes

The previous ISA (UK) 600 included prescriptive requirements in respect of the audit procedures required over ‘significant components’ of a group, i.e., a ‘full scope’ audit of a significant component’s financial information relevant to the group financial statements was required. Forvis Mazars defined a ‘significant component’ as one that contributed to the group financial statements more than 15% of the materiality benchmark selected to determine group materiality, e.g., if we had determined materiality using a profit before tax benchmark, any component that contributed more than 15% of the group’s reported profit before tax would be classified as a significant component and a ‘full scope’ audit would be performed over that component’s financial information.

ISA (UK) 600 Revised eliminates the 'significant component' concept, opting instead for consideration of risks of material misstatement at the assertion level of the group financial statements that are associated with components. This results in a group audit that is better focused on the risks of material misstatement of the group financial statements and affords greater flexibility in how we classify components and how we may design the nature and extent of audit procedures to be performed over a component’s financial information, i.e., we can determine the nature and extent of the audit procedures to be performed over a component’s financial information based on the specific risks relevant to the group financial statements.

ISA (UK) 600 also, however, removed the option to limit the procedures performed over a ‘non-significant’ component’s financial information to desktop analytical procedures. We are now required to perform substantive audit procedures (or a combination of substantive audit procedures and tests of controls) over the group financial statements, including the financial information relating to components in the group, until the residual, untested balances, classes of transaction and disclosures in the group financial statements are below our group materiality. This is to ensure that aggregation risk (the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole) is addressed appropriately.

In combination, these changes may result in a change to the nature and extent of the audit procedures we perform over the financial information of components on a group audit compared to previous years and may result in components that were not previously in scope of our group audit being brought into scope going forward to ensure that we address aggregation risk appropriately.

To ensure consistency of approach, Forvis Mazars will apply the definitions set out below when performing audits of group financial statements going forward:

Key component	Material component	Non-material component
Any component: i. Which is greater or equal to 15% of the benchmark chosen for calculating group materiality (key by size); or ii. Where the specific nature or circumstance of its financial information make it likely to include significant risks of misstatement of the group financial statements (key by risk).	Any component, other than a key component, that contributes to one or more group financial statement areas an amount that is above group financial statement materiality.	A component, that is not a key component or a material component, that is scoped into a group audit to reduce the risk of material misstatement of the group financial statements to an acceptably low level (based on size or risk) in situations when, after assessing which components are key components and material components, the aggregate amount of a financial statement area related to un-scoped components is still above group financial statement materiality.

International Standard on Auditing (UK) 600 Revised - Special considerations - Audits of group financial statements (including the work of component auditors)

Key changes (continued)

Definition of 'component' - The definition of 'component' has been revised to "an entity, business unit, function or business activity, or some combination thereof, determined by the group auditor for the purposes of planning and performing audit procedures in a group audit".

This provides clarity on how components may be identified in a group audit and may result in a change to how we identify components on a group audit compared to previous years. For example, we may group separate legal entities (e.g., subsidiaries) in a group based on common characteristics (such as common management, common information systems, and common geographical locations) and treat those components as a single component, when appropriate to do so.

Common controls - The definition of 'group-wide' controls has been removed and we are instead required to consider 'common controls', being controls that operate in a common manner for multiple entities or business units.

This may assist us in grouping separate legal entities, business units, functions, or business activities in a group into a single component for the purposes of a group audit; or it may result in us grouping specific account balances or classes of transaction recorded by individual legal entities, business units, functions, or business activities into a single population for the purposes of our audit procedures.

For audits where we are adopting a controls-based audit strategy, this may result in efficiencies, as we can rely on a single control for the purposes of the audits of more than one component where that control is common to those components.

Definition of 'engagement team' - The definition of 'engagement team' has been revised to include component auditors. While this change may seem inconsequential, it forms part of the overall changes intended by ISA (UK) 600 Revised to enhance two-way communication between the group auditor and component auditors during a group audit. This will result in enhanced direction and supervision of component auditors by the group auditor during a group audit.

Calculation of component materiality - The requirement to set overall materiality for a component has been removed. We are now only required to determine component performance materiality.

Other changes - ISA (UK) 600 Revised includes new and revised requirements and application material that better aligns the standard with recently revised standards such as ISQM (UK) 1, ISA (UK) 220, and ISA (UK) 315. The new and revised requirements also strengthen our responsibilities related to professional scepticism, planning and performing a group audit, two-way communications between the group auditor and component auditors, and audit documentation. These changes are to encourage proactive management of quality at the group engagement level and the component level; reinforce the need for robust communication and interactions during a group audit; and foster an appropriately independent and challenging sceptical mindset.

Scope of audit work to be performed over a component's financial information - Forvis Mazars will, going forward, determine the scope of work to be performed over a component's financial information on a group audit using the definitions set out below:

Full scope	Specific scope	Group Engagement Team Instructed Procedures
Designing and performing audit procedures on the entire financial information of a component.	Designing and performing audit procedures on one or more specified account balances, classes of transaction, and/ or disclosures of a component.	Performing specified audit procedures, as designed and instructed by the group engagement team.

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