



Auditor's Annual Report  
Greater Manchester Combined Authority – year ended 31 March 2025

February 2026

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Our reports are prepared in the context of the 'PSAA Statement of Responsibilities of Auditors and of Audited Bodies' and the 'Appointing Person Terms of Appointment' issued by Public Sector Audit Appointments Limited. This document is to be regarded as confidential to Greater Manchester Combined Authority. It has been prepared for the sole use of the Audit Committee as the appropriate sub-committee charged with governance. We do not accept any liability or responsibility to any other person in respect of the whole or part of its contents.

# 01

Introduction

# Introduction

## Purpose of the Auditor's Annual Report

Our Auditor's Annual Report (AAR) summarises the work we have undertaken as the auditor for Greater Manchester Combined Authority ('the Authority') for the year ended 31 March 2025. Although this report is addressed to the Authority, it is designed to be read by a wider audience including members of the public and other external stakeholders.

Our responsibilities are defined by the Local Audit and Accountability Act 2014 and the Code of Audit Practice ('the Code') issued by the National Audit Office ('the NAO'). The remaining sections of the AAR outline how we have discharged these responsibilities and the findings from our work. These are summarised below.



### Opinion on the financial statements

We issued our audit report on 24<sup>th</sup> February 2026. Our opinion on the financial statements is disclaimed due to there being insufficient time to complete our audit procedures ahead of the 27<sup>th</sup> February backstop deadline.



### Value for Money arrangements

In our audit report we reported that we were not satisfied arrangements were in place for the Authority to secure economy, efficiency and effectiveness in its use of resources, this is because we issued a recommendation in relation to a significant weakness in those arrangements that is relevant to the 2024/25 financial year. Section 3 provides our commentary on the Authority's arrangements our recommendation and the weakness identified.



### Reporting to the group auditor

In line with group audit instructions issued by the NAO, we have undertaken work on the Authority's Whole of Government Accounts (WGA) return in line with their instructions. We have been unable to conclude our work as we have not yet received confirmation from the NAO that the group audit of the WGA has been completed and that no further work is required to be completed by us.



### Wider reporting responsibilities

The Local Audit and Accountability Act 2014 outlines our additional powers and duties as appointed auditor. These include issuing a report in the public interest, written a recommendations, application for a court declaration, issuing an advisory notice, issuing an application for judicial review or receiving any objections from local electors. We have not exercised any of these additional powers.

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Audit of the financial statements

# Audit of the financial statements

## Our audit of the financial statements

Our audit is conducted in accordance with the requirements of the Code, and International Standards on Auditing (ISAs). The purpose of our audit is to provide reasonable assurance to users that the financial statements are free from material error. Amendments to the Accounts and Audit Regulations introduced a deadline for publication of local authorities' audited 2024/25 financial statements. Prior to issuing our audit report, the ISAs require us to determine whether we have obtained sufficient appropriate audit evidence based on the audit procedures completed at that date.

We have not obtained sufficient appropriate audit evidence to enable us to express an opinion on whether the financial statements present a true and fair view and have been prepared, in all material respects, in line with the Code of Practice on Local Authority Accounting. Consequently, as required by the ISAs, we modified our audit report and issued a disclaimer of opinion. This means, in our audit report, we have not expressed an opinion on the Authority's financial statements.

## Significant difficulties encountered during the audit

Local Government entities, in line with the requirements of the Code, were required to apply IFRS16, the new accounting standard for leases, for the first time in 2024/25. The Authority, and elements of the Greater Manchester Combined Authority Group, encountered significant difficulty in applying the new standard to its lease arrangements and as a result, were unable to publish draft financial statements by the 30<sup>th</sup> June 2025 publication deadline. This is consistent with challenges experienced by bodies across the public sector in applying the complex new standard, which has been compounded by shortened timelines for accounts preparations owing to the introduction of 'backstop' regulations.

Given the material impact application of the standard had on both the Greater Manchester Combined Authority single entity and group accounts, publication of the Statement of Accounts was delayed until 7<sup>th</sup> October 2025.

The audit on the Combined Authority accounts is dependent on the completion of the audits of the

group's component entity accounts. Delays in these component audits, also largely due to challenges in implementing IFRS16, were identified in June putting the timetable for the completion of the group audit at risk. Due to finite auditor resources, the compressed timeline resulted in us communicating the risk that the audit opinion would be disclaimed to the Audit Committee in July 2025.

As a result of the combination of the delays in publication of both the Combined Authority's Statement of Accounts and the publication of accounts of component entities forming part of the Greater Manchester Combined Authority Group, combined with limited auditor resources and compressed deadlines for the completion of audits, we will be unable to commence our audit at a date that leaves sufficient time for the completion of the required procedures to form an audit opinion.

## Other reporting responsibilities

Reporting responsibility	Outcome
<b>Narrative Report</b>	We have not completed any formal procedures in relation to the Narrative Report. Our high level review did not identify any matters.
<b>Annual Governance Statement</b>	We have not completed any formal procedures in relation to the Annual Governance Statement. We have performed a high-level review and provided feedback to management because the draft omitted information on the delay in publication of the 2024/25 Statement of Accounts.

# 03

Our work on Value for Money  
arrangements

VFM arrangements

Overall Summary



# VFM arrangements – Overall summary

## Approach to Value for Money arrangements work

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.

Our work is carried out in three main phases.

### Phase 1 - Planning and risk assessment

At the planning stage of the audit, we undertake work so we can understand the arrangements that the Authority has in place under each of the reporting criteria; as part of this work we may identify risks of significant weaknesses in those arrangements.

We obtain our understanding of arrangements for each of the specified reporting criteria using a variety of information sources which may include:

- NAO guidance and supporting information
- Information from internal and external sources, including regulators
- Knowledge from previous audits and other audit work undertaken in the year
- Interviews and discussions with officers

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 there are further risks of significant weaknesses.

### Phase 2 - Additional risk-based procedures and evaluation

Where we identify risks of significant weaknesses in arrangements, we design a programme of work to enable us to decide whether there are actual significant weaknesses in arrangements. We use our professional judgement and have regard to guidance issued by the NAO in determining the extent to which an identified weakness is significant.

We outline the risks that we have identified and the work we have done to address those risks in the next section of this report.

### Phase 3 - Reporting the outcomes of our work and our recommendations

We are required to provide a summary of the work we have undertaken and the judgments we have reached against each of the specified reporting criteria in this Auditor's Annual Report. We do this as part of our Commentary on VFM arrangements which we set out for each criteria later in this section.

We also make recommendations where we identify weaknesses in arrangements or other matters that require attention from the Authority. We refer to two distinct types of recommendation through the remainder of this report:

- **Recommendations arising from significant weaknesses in arrangements** - we make these recommendations for improvement where we have identified a significant weakness in the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources. Where such significant weaknesses in arrangements are identified, we report these (and our associated recommendations) at any point during the course of the audit.
- **Other recommendations** - we make other recommendations when we identify areas for potential improvement or weaknesses in arrangements which we do not consider to be significant, but which still require action to be taken.

The table on the following page summarises the outcome of our work against each reporting criteria, including whether we have identified any significant weaknesses in arrangements, or made other recommendations.

# VFM arrangements – Overall summary

## Overall summary by reporting criteria

Reporting criteria	Commentary page reference	Identified risks of significant weakness?	Actual significant weaknesses identified?	Other recommendations made?
 <b>Financial sustainability</b>	11	No	No	No
 <b>Governance</b>	16	Yes – see risk 1 on page 16	Yes – see recommendation 1 on page 23	No
 <b>Improving economy, efficiency and effectiveness</b>	20	No	No	No

## Foreword

Greater Manchester Combined Authority (GMCA) was established on 1<sup>st</sup> April 2011, making it the first Combined Authority to be formed in the UK. It covers the Greater Manchester City Region, which is home to approximately 2.8 million residents.

The Authority is responsible for the delivery of a range of strategic functions across the city region, including:

- Public transport
- Housing and regeneration
- Waste management
- City planning
- Economic growth and development

GMCA also holds Mayoral functions for policing and fire and rescue services.

The Combined Authority is made up of ten Councils: Bolton, Bury, Manchester City, Oldham, Rochdale, Salford, Stockport, Tameside, Trafford and Wigan. The Combined Authority consists of the leader of each of the 10 Councils, plus the directly elected Mayor of Greater Manchester. Andy

Burnham, was re-elected as the Mayor for a four-year term following the local elections in May 2024. He has appointed a Deputy Mayor for Policing and Crime who has substantial delegated authority for policing and crime matters. Additionally, the Mayor must appoint a member of the GMCA to act as a Deputy Mayor and a Vice-Chair of the GMCA.

Deepening devolution has granted the Authority additional powers and flexibilities, enhancing its ability to drive growth and improve services. Amongst the achievements in 2024/25, GMCA has, through its executive transport arm, Transport for Greater Manchester, continued to evolve and expand the city region’s integrated transport system, known as the Bee Network. This has included the completion of bus franchising for the full GMCA area.

The Authority delivered its outcomes for 2024/25 whilst achieving a breakeven revenue outturn position. This is set in the context of GMCA operating in a financially challenging environment. The cost-of-living crisis has continued to put pressure on the Authority’s operational costs and uncertainty in central government funding settlements makes planning for the medium-term more challenging.

# VFM arrangements

## Financial Sustainability

How the body plans and manages its resources to ensure it can continue to deliver its services



# VFM arrangements – Financial Sustainability

## Overall commentary on Financial Sustainability

### Financial planning and monitoring arrangements

Greater Manchester Combined Authority's (GMCA) funding largely consists of central government funding and grants, specific levies, such as the transport levy raised from its 10 constituent local authorities and the Mayoral precept.

In February 2024, balanced budgets were approved for the Combined Authority and all the component entities forming part of the GMCA group. During 2024/25, GMCA had arrangements in place or monitoring progress against the previously agreed 2024/25 budget. The budget monitoring and management process is designed to enable an integrated understanding of the financial position across GMCA. Budget holders are required to report year to date outturn and forecast full year outturn on a quarterly basis. This reporting is consolidated into a quarterly revenue and capital update, which is scrutinised by both management and the full Authority. This scrutiny forms the basis of identifying areas of overspend requiring management to identify and take mitigating actions where appropriate.

The in-year monitoring culminates in the final 2024/25 outturn report, that compares the budget to final spend. The group achieved a breakeven position for the 2024/25 financial year despite the financially challenging environment that public sector bodies operate within. In achieving this breakeven position, a total of £8.4m was drawn from total group reserves, above the initially budgeted £7.2m use of reserves. Both total income and expenditure exceeded the initial budget by approximately £50m. This was driven by increased activity fully funded from additional grant funding and undertaken because of opportunities presented by above budgeted business rate retention income.

During 2024/25, GMCA undertook its financial planning process for the 2025/26 financial year. Once again, balanced budgets were set for the Authority and the components that form the GMCA group, which were approved in February 2025.

GMCA and its group run a detailed 'bottom up' approach to annual budget setting. All budget holders are required to provide detailed line by line budgets for all cost and income headings within their cost centre. Members of the central finance team then run a 'top down' challenge, identifying areas of increased spend and challenging the assumptions applied by budget holders to arrive at

accurate forecasts. This process for each budget holder is then consolidated to form a clear and comprehensive overall budget, which is scrutinised by the full Authority ahead of formal approval.

Due to the complexity of the GMCA group, several budgets are prepared for approval. The GMCA mayoral and revenue budgets are prepared to outline the planned spending in line with allocated funding relating to the both strategic responsibilities and Mayoral priorities (including fire and rescue), respectively. Separate budgets are then set for Transport for Greater Manchester and Greater Manchester Police in line with their own governance arrangements.

Most budgets across the group are prepared for both the short and medium-term. However, we noted that published GMCA general revenue and Mayoral budgets were only prepared for the future year. This is due to the "stop-start" nature of funding and expenditure for these budgets in recent years. In line with the move to an Integrated Settlement approach to funding, from 2026/27 budgets into the medium term will also be formalised for these areas to align with the longer-term approach to funding. Whilst not published, the Combined Authority still completes a medium-term financial risk process, to identify potential spending pressures into the medium-term.

### Managing and monitoring funding gaps and savings

GMCA does not have a defined programme of efficiencies or savings in the same way that many other local authorities do. This is due to the nature of services the Authority delivers largely being programme and project based, and grant funded, distinct from the sustained delivery of continuous and consistent services. At both single entity and group level, savings requirements were not identified in 2024/25.

However, in acknowledgement of the constant requirement to drive increasingly efficient delivery of services, the GMCA has taken positive steps and identified a savings programme of £650k to be delivered from 2025/26 over the lifetime of the medium-term financial plan. The savings are from its corporate services. The cost of corporate functions are recharged out to all other areas. The approach to recharges has been in place for a few years and ensures costs are allocated in full and consistently applied across all activities of the organisation. This means savings will flow through to other areas.

# VFM arrangements – Financial Sustainability

## Overall commentary on Financial Sustainability - continued

This new approach has been reflected in the budget for 2025/26 and has enabled the development of three-year medium term financial plan (MTFP) up to 2027/28 for Corporate Services to support this savings plan.

In contrast to the GMCA's single entity budgets, wider scale savings requirements have been identified across the wider group. The Transport for Greater Manchester and Policing budgets for 2025/26 identify efficiency requirements of approximately £16m and £19m respectively. At both entities, actions such as recruitment scrutiny or pauses, and expenditure scrutiny panels have been put in place to support the delivery of these savings requirements. Separately, finance teams are looking to identify potential additional sources of income to maintain the grasp on the group's finances.

### Ensuring financial plans support the sustainable delivery of services and consistency with other GMCA plans

The organisational priorities throughout 2024/25 were shaped by the Greater Manchester Strategy (GMS) that was refreshed in 2021. This set a decade-long route for delivering the vision of Greater Manchester being a place where everyone can live a good life, growing up, getting on and growing old in a greener, fairer and more prosperous city-region.

There are four corporate objectives in the 2021-2031 Greater Manchester Strategy which define the activity GMCA delivers as a business:

- Deliver core/devolved services for the public.
- Secure, and manage, funding and investment at Greater Manchester level for agreed activity.
- Work with the 10 local authorities to drive collective activity that puts Greater Manchester at the forefront of tackling social, economic and environmental issues
- Ensure Greater Manchester is speaking with one voice – developing, leading and implementing our evidence-based strategies, building our networks and partnerships, and influencing policy.

During 2024/25 work was underway to refresh the Greater Manchester Strategy for 2025-2035. The new strategy reflects the changes in the challenges and opportunities faced by Greater Manchester

now, compared to the 2021 strategy which was written directly post-pandemic.

The three-year Corporate Plan sits alongside strategy and sets out some key priority areas of activity under each of the four corporate objectives for the period 2022-2025. These headline priorities are developed further in the detailed delivery activity included in the Annual Business Plan. There are also specific transport and policing plans outlining the strategic objectives of these individual functions.

The various budgets are prepared in accordance with these strategic plans, outlining financial envelopes for directorates and components of GMCA to deliver their strategic objectives within.

### Managing risk to financial resilience

Key to managing financial risk are the budget monitoring arrangements detailed on the previous page of this report. Performance against budgets and forecast outturn is prepared and scrutinised on a quarterly basis. This regular scrutiny represents good practise and forms the basis for management to develop actions to manage the financial risk across GMCA.

A further key tool in the management of financial risk is the use of the corporate risk register. Within this register, there are specific financial risks. The corporate risk register is a standing item on the Audit Committee agenda and risk management updates are received by the committee. Our regular attendance at this committee confirms members use these risk management updates to gain assurance that management are taking actions to mitigate the risks faced by the Authority and also to provide considered and constructive challenge to management to ensure risk is managed into the future.

Combined Authority reserve levels have decreased from year to year, largely because of planned drawings to support specific activities. No drawings have been made from general unallocated reserves during the year. Total usable reserves represent 52% of annual expenditure, compared to 65% in the prior year. Whilst the current level of reserves is appropriate, the Combined Authority acknowledges This level of planned drawings is not sustainable but has been undergoing organisational change in relation to transport requiring planned reserve draw downs.

# VFM arrangements – Financial Sustainability

## Overall commentary on Financial Sustainability - continued

Financial pressures have previously been reported by Transport for Greater Manchester. GMCA plays a crucial role in supporting financial resilience across the group. Strategic reserves are held by GMCA to support group entities with specific programmes of improvement or transformation. Members of the Authority have received regular reports on the Transport for Greater Manchester's medium term financial planning as it continues to decrease its reliance on non-recurrent funding and to identify efficiencies in delivering its services.

### Overall view on arrangements in relation to financial sustainability

As a result of the programme of work performed, we are satisfied there are no significant weaknesses in GMCA's arrangements to secure value for money in relation to financial sustainability.

# VFM arrangements

## Governance

How the body ensures that it makes informed decisions and properly manages its risks



# VFM arrangements – Governance

## Risks of significant weaknesses in arrangements in relation to Governance

We have outlined below the risks of significant weaknesses in arrangements that we have identified as part of our continuous planning procedures, and the work undertaken to respond to each of those risks.

Risk of significant weakness in arrangements	Work undertaken and the results of our work
<p><b>Governance – how Greater Manchester Combined Authority ensures effective processes and systems are in place to support statutory financial reporting requirements</b></p> <p>Greater Manchester Combined Authority was unable to publish the draft Statement of Accounts for the year ending 31 March 2025 by the statutory deadline of 30th June due to work in relation to IFRS16 still being ongoing. The impact of the new standard has previously been assessed as expected to be material based by management. The implementation of the standard in the local government sector has been planned for several years.</p> <p>There is a risk Greater Manchester Combined Authority does not have suitable arrangements in place to ensure processes and systems support statutory financial reporting requirements within statutory deadlines.</p>	<p><b>Work undertaken</b></p> <p>With the support of the Combined Authority, we have made enquiries of the appropriate officers to determine the cause of the delay in preparing the relevant accounting adjustments and disclosures required to implement IFRS16, the new accounting standard for leases.</p> <p>GMCA began preparations for transition from IAS17 to IFRS16 in late 2022. External support was commissioned to support GMCA in identifying land and property leases. However, work on transitioning vehicle and equipment leasing arrangements commenced later than scheduled. This was compounded by unplanned finance team absences and resourcing challenges. We acknowledge these absences were unforeseen and could not be planned for, but have formed the view they highlight issues around capacity and single points of failure.</p> <p>Further external support was also commissioned to provide a software as a service (SaaS) solution, to calculate IFRS16 disclosures based on the identified leases. However, the delay in establishing the leases held meant the accounting information could not be provided in time to meet the 30 June 2025 reporting deadline.</p> <p>Whilst GMCA as the overall parent have responsibility for oversight of its components, significant challenges were identified during a key components transition to IFRS16. These challenges placed further pressure on the GMCA’s group transition to the new accounting standard for leases.</p> <p>GMCA management is responsible for ensuring arrangements are in place to support the publication of the Statement of Accounts by the statutory deadline. Resourcing constraints and failure to plan sufficient time to support preparation for transition to the new standard represents a significant weakness in these arrangements.</p> <p><b>Results of our work</b></p> <p>We have completed our planned programme of work. While we acknowledge the sector wide challenges faced in transitioning to IFRS16, we have concluded that there is a weakness in the Combined Authority’s arrangements to ensure processes and systems in place support statutory financial reporting within the statutory deadlines.</p>

# VFM arrangements – Governance

## Overall commentary on Governance - continued

### Risk management and monitoring arrangements

GMCA has an established Risk Management Framework. The framework enables the identification of risks at the Strategic, Organisational, Directorate and Programme level with escalation between these levels, as necessary. A quarterly risk management update is provided to Audit Committee providing details of risk management activity in the period and detailing any changes in risks. It also provides a view of Strategic and “high scoring” organisational and directorate risks at that time.

GMCA is currently driving continuous improvement in risk management by undertaking a review of its risk management framework with a specific view to updating and improving the risk appetite as follows:

- Identifying risk appetite themes e.g. Information System Resilience, Financial Resilience, Project and Programmes etc
- Developing a Risk Appetite Statement that defines the nature of risk for each of these 'themes'
- Assigning a risk level to each of these statements (Averse, Minimal, Cautious, Receptive or Eager)
- Identifying measures and thresholds to help determine the right 'risk level' and current performance
- Using current performance to secure agreement on both risk appetite and risk assessment across GMCA.

Risk management reporting is carried out via risk management update reports circulated through the Audit Committee. This includes a condensed version of corporate risk registers, summarising the highest scoring key risks for the committee to consider and review the actions being taken. Risk registers are maintained at operational level and consolidated to form the corporate risk register.

GMCA's internal audit function plays a key role in risk management, being the key source of assurance over the effective operation of the system of internal controls. Ahead of each financial year, an internal audit plan is prepared by the Head of Internal Audit and presented to the Audit Committee for approval. This plan blends a risk-based approach with cyclical coverage of major business functions to provide assurance across the system of internal control.

Once approved, the function executes this plan throughout the year, and the outcome of these

audits is reported to Audit Committee together with implementation of agreed audit actions which is monitored through the action tracking process. In 2024/25, the Head of Internal Audit gave a reasonable assurance opinion. In achieving this overall opinion, it's worth noting there has been a shift from 2023/24 to a greater proportion of limited and no assurance opinions. There has also been shift in the composition of agreed actions, from advisory and low to medium and high risk. The composition of individual opinions and agreed management actions was as follows:

Composition of opinions			Composition of management actions		
Opinion	2024/25	2023/24	Actions	2024/25	2023/24
Substantial	-	2	High	12	4
Reasonable	5	6	Medium	20	21
Limited	5	2	Low	3	12
No assurance	1	-	Advisory	5	3

Internal audit progress reports are presented to each meeting of the Audit Committee. These reports include a follow-up on previous recommendations. Our attendance of Audit Committee's confirms members actively engage with progress reports and engage with the management of risk at GMCA.

### Budget setting, budget control and financial reporting

GMCA and its group run a detailed 'bottom up' approach to annual budget setting. All budget holders are required to provide detailed line by line budgets for all cost and income headings within their cost centre. Members of the central finance team then run a 'top down' challenge, identifying areas of increased spend and challenging the assumptions applied by budget holders to arrive at accurate forecasts. This process for each budget holder is then consolidated to form the relevant overall budget, that is scrutinised by the full Authority ahead of approval.

GMCA were unable to publish its Statement of Accounts for 2024/25 by the statutory deadline of 30<sup>th</sup> June 2025 due to delays in the completion of work to prepare the transition adjustments and disclosures required to implement the new accounting standard for leases – IFRS16.

# VFM arrangements – Governance

## Overall commentary on Governance - continued

Due to the complexity of implementing the new standard, GMCA engaged an external expert to support with the preparation of the required disclosures. However, challenges in obtaining the required data inputs meant the outputs were not generated in sufficient time to meet the statutory deadline. We acknowledge that GMCA also suffered considerable unforeseen staff absences during critical phases of the accounts production project timeline, highlighting potential single points of failure in the Authority's finance team.

To compound the issues encountered in preparing the GMCA single entity accounts, a component of the GMCA group, Transport for Greater Manchester, faced similar difficulties, meaning the Authority could not obtain consolidation data from its component to support the production of group accounts. Challenges relating to IFRS16 were resolved in September 2025 and the accounts were published on 7<sup>th</sup> October 2025, almost three months after the statutory deadline. We have concluded this represents a weakness in GMCA's arrangements to ensure systems and processes support the delivery of timely statutory financial reporting.

### Decision making framework

The GMCA's governance framework comprises the legislative requirements, principles, management systems and processes – including the GMCA's Constitution, Operating Agreement and Protocols – and cultures and values through which the Authority exercises its leadership, fulfils its functions, and by which it is held accountable for its decisions and activities. The GMCA's Code of Corporate Governance sets out how GMCA operates, how decisions are made and the procedures that are followed to ensure that these are efficient, transparent and accountable to local people.

The Constitution also outlines scrutiny arrangements which are discharged via the GMCA Overview and Scrutiny Committee. The terms of reference for this committee specifically include a responsibility for improving and challenging decisions made across the wider GMCA group. The GMCA Scrutiny Model is being used by Government as a national model to support the trailblazer devolution deals with other combined authorities across the country. The 2024/25 Overview and Scrutiny Committee annual report provides an oversight of the activities undertaken by the

committee and how it aligns to the principles of transparency, accountability and continuous improvement.

GMCA has several subsidiaries and associates / joint ventures. To maintain oversight, GMCA employees are appointed to key governance roles, such as non-executive positions, in these entities. This ensures GMCA maintains a level of oversight over the strategic direction of the entities. GMCA also undertakes a small amount of investment activity. GMCA's investments through the Fund of Funds LP (FoFLP) and Urban Development Fund LP (UDFLP) are managed by independent, FCA-regulated fund managers under Limited Partnership Agreements. GMCA has no role in day-to-day investment management but maintains oversight through participation in advisory structures, review of quarterly and annual fund manager reports (including audited accounts), and scrutiny by GMCA's internal finance and investment teams. Performance is monitored against the agreed financial and regeneration objectives, with further assurance provided through reporting into GMCA's governance framework, the Audit Committee, and external audit.

### Ensuring legislative and regulatory requirements are met

GMCA has a Code of Conduct that all staff need to be aware of and adhere to. All formal meetings include a request for declarations of interests from all attendees at the start of the meeting. Alongside frequent declarations, a register of staff and member interests is also maintained. Frequent returns are provided to staff members to ensure the register is updated frequently and interests are actively tracked. GMCA has a Standards Committee to deal with matters of conduct and ethical standards regarding members of the Greater Manchester Combined Authority and its committees should they arise. It also provides a reviewing function for key policies in relation to the behaviour and actions of elected members whilst serving in their Greater Manchester capacities.

### Overall view on arrangements in relation to governance

As a result of the programme of work performed, we are not satisfied that GMCA's arrangements in relation to governance are appropriate to secure value for money.

# VFM arrangements

## Improving Economy, Efficiency and Effectiveness

How the body uses information about its costs and performance to improve the way it manages and delivers its services



# VFM arrangements – Improving Economy, Efficiency and Effectiveness

## Overall commentary on Improving Economy, Efficiency and Effectiveness

### Assessing performance and evaluating service delivery

The business planning process has been enhanced over recent years to incorporate a greater level of operational staff involvement. As part of this approach, directorates and individual teams within a required to undertake a quarterly review of corporate metrics and milestones outlined as objectives in the business plan. This has enhanced directorate's ability to monitor performance on an ongoing basis and identify improvement continuously.

A performance management framework has also been introduced which summarises the GMCA approach to driving a high-performance culture. Work to enhance this framework is currently being undertaken to outline and formalise the roles of performance boards.

The services and contracts GMCA enter contain some form of evaluation arrangements. The extent of these will vary, reflecting the overall size, complexity and potential learning from each contract. Many projects include a budget for evaluation activity, with evaluation arrangements outlined. GMCA also often includes a requirement on organisations it is contracting with to undertake appropriate self-evaluation.

There are also several other high-level arrangements in place to support the assessment and evaluation of service delivery, such as:

- the formal (and enhanced) role of GMCA Scrutiny Committee
- the 6 monthly reporting of progress against the Greater Manchester Strategy (new GMS now launched in July 2025)
- the monthly monitoring of economic and cost of living trends via dashboards presented to the Combined Authority
- regular tracking of the experiences and capabilities of our residents through surveys with representative samples of our population.

Specifically for fire and police, the Deputy Mayor has separate monthly meetings with Chief officers of both services. The meeting considers a formal performance report which is used to identify areas for deeper focus and scrutiny. These meetings also consider the budget position and progress of

new programmes that are part of agreed improvement approaches.

The Police, Fire and Crime Panel provides external scrutiny on the work of the Deputy Mayor as it relates to Police, Fire and Crime and the delivery of key strategies. The Police, Fire and Crime Panel receives a summary report of all financial decisions made since the previous meeting. Panel members can request further information on any decision.

Greater Manchester Police are subject to regulation by HMICFRS. The latest Police Effectiveness, Efficiency and Legitimacy (PEEL) assessment places 5 aspects in good, 8 in adequate and 1 in requires improvement. None of the important areas were assessed as inadequate. This shows a continued trend of positive improvements in the service delivery of policing since the force was moved out of special measures in October 2022.

GMP has also undergone a specific review from HMICFRS in relation to investigating allegations of child criminal and sexual exploitation. The inspection draws positive conclusions in relation to safeguarding, investigating and approaching victims. There are a small number of suggested improvements to support GMP on its journey of continued improvement.

Greater Manchester Fire and rescue Service is also subject to regulation by HMICFRS. The most recent inspection of the service for 2023-25 was published in March 2024. It assessed 10 key areas as good and 1 key area as adequate. This marks positive improvement from inspections in 2021/22 and 2018/19 that assessed the service as requiring improvement.

### Effective partnership working

GMCA and the Greater Manchester Mayor have a major role in partnership working in Greater Manchester across all sectors (public, voluntary and private), very often playing a central role in coordinating and convening partnerships. The development and delivery of the Greater Manchester Strategy and other portfolio strategies are undertaken by the GMCA on behalf of the wider Greater Manchester partnership. GMCA supports governance through the Local Enterprise Partnership with four GM leaders sitting on the Board.

# VFM arrangements – Improving Economy, Efficiency and Effectiveness

## Overall commentary on Improving Economy, Efficiency and Effectiveness - continued

GMCA also meets regularly with all 10 Greater Manchester Districts to ensure they are all driving the joint priorities. This includes Greater Manchester wide strategies like the Greater Manchester Strategy and Local Industrial Strategy.

Oversight is built into all partner relationships and is bespoke to reflect the type of partner, what they are delivering and the level of control that GMCA has. The oversight includes an assessment of how the partner is delivering against the key objectives that have been agreed, and may include key performance indicators, milestones and/or financial performance, dependent upon the type of partnership.

Transport For Greater Manchester, the transport executive of the GMCA group, is a major partner and operates both Metrolink and the bus services which are now under franchised arrangements. As passenger transport services are provided by external partners, TFGM has rigorous contract management processes in place to ensure delivery is in line with strategic priorities and ambitions.

GMCA maintains a Partnership and Collaborative Working register which records all key strategic partnerships and relationships. This provides management with a risk-based view of the organisations GMCA collaborates with. The Audit Committee receives assurance on the arrangements for maintaining the register on an annual basis.

GMCA has several subsidiaries and associates / joint ventures. To maintain oversight, GMCA employees are appointed to key governance roles, such as non-executive positions, in these entities to ensure GMCA maintain a level of oversight over the strategic direction of the entities. GMCA also undertakes a small amount of investment activity. GMCA's investments through the Fund of Funds LP (FoFLP) and Urban Development Fund LP (UDFLP) are managed by independent, FCA-regulated fund managers under Limited Partnership Agreements. GMCA has no role in day-to-day investment management but maintains oversight through participation in advisory structures, review of quarterly and annual fund manager reports (including audited accounts), and scrutiny by GMCA's internal finance and investment teams.

### Procuring and commissioning services

The GMCA contract procedure rules have been issued in accordance with section 135 of the Local Government Act 1972. These rules are designed to promote good practice and public accountability, alongside embedding the delivery of social value and the application of ethical procurement principles.

Officers responsible for purchasing must comply with these Contract Procedure Rules. They lay down minimum requirements and a more thorough procedure may be appropriate for a particular contract.

The basic principles are that all purchasing and disposal procedures must:

- Achieve Best Value for public money spent;
- Be consistent with the highest standards of integrity;
- Ensure fairness in allocating public contracts;
- Comply with all legal requirements;
- Ensure that Non-Commercial Considerations do not influence any Contracting Decision;
- Support the GMCA's corporate aims and policies;
- Comply with the GMCA's corporate Procurement Strategy and other relevant policies;
- include considerations of social value in line with the GMCAs policy and the Public Services (Social Value) Act 2012;

Following the implementation of the Procurement Act 2023 which came into effect in February 2025, all procedures were reviewed and amended in line with the new act. A series of 'dry-run' procurements were carried out in a "team test" environment to check robustness and inform refinements ahead of Procurement Act 2023 coming into force.

### Overall view on arrangements in relation to governance

As a result of the programme of work performed, we are satisfied there isn't a significant weakness in TFGM's arrangements to secure value for money in relation to improving economy, efficiency and effectiveness.

# VFM arrangements

Identified significant weaknesses in arrangements and our recommendations



# VFM arrangements - Identified significant weaknesses and our recommendations

## Identified significant weaknesses in arrangements and recommendations for improvement

As a result of our work we have identified significant weaknesses in the Authority's arrangements to secure economy, efficiency and effectiveness in its use of resources. These identified weaknesses have been outlined in the table below.

Identified significant weakness in arrangements	Financial sustainability	Governance	Improving the 3Es	Recommendation for improvement	Our views on the actions taken to date
<p><b>Governance – how Greater Manchester Combined Authority ensures effective processes and systems are in place to support statutory financial reporting requirements</b></p> <p>1 GMCA and the GMCA group was unable to publish its draft Statement of Accounts for the year ending 31 March 2025 by the statutory deadline of 30th June due to work in relation to the implementation of the accounting standard 'IFRS16 – leases' not being complete. The impact of the new standard on the figures recognised in the financial statements had previously been assessed as expected to be material based by management, with the implementation of the standard in the local government sector planned for several years. Despite this, an appropriate plan for identification of all leases affected by the new standard and subsequent calculation and review of appropriate accounting entries was not put in place.</p> <p>Management is responsible for ensuring appropriate systems and processes are in place to support timely and accurate statutory financial reporting. GMCA and the GMCA group was unable to prepare IFRS16 disclosures by the statutory deadline because the accounts preparation processes did not build in sufficient time to prepare for the transition to the new standard.</p> <p>We have concluded that this is evidence of a significant weakness in GMCA's arrangements for governance, specifically to ensure processes and systems support statutory financial reporting requirements within statutory deadlines.</p>		●		<p>We recommend GMCA and the GMCA group reviews:</p> <ol style="list-style-type: none"> <li>1. The capacity and capability of the Group finance team to ensure it can meet the statutory reporting timetable; and</li> <li>2. the account closedown plan to ensure project milestones are identified to help meet the statutory deadline, including the provision of high quality supporting working papers to the draft financial statements.</li> </ol>	<p>GMCA are undertaking a review of resourcing across the finance team to provide additional support to the Statement of Accounts preparation process in future years.</p> <p>A review of the accounts preparation process is taking place, with a view to identifying further efficiencies in the closedown process to support the timely preparation of the annual Statement of Accounts.</p>

Other reporting responsibilities

# Other reporting responsibilities

## Wider reporting responsibilities

### Matters we report by exception

The Local Audit and Accountability Act 2014 provides auditors with specific powers where matters come to our attention that, in their judgement, require specific reporting action to be taken. Auditors have the power 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 the law; and
- issue an advisory notice.

We have not exercised any of these statutory reporting powers.

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 did not receive any such objections or questions.

## Reporting to the group auditor

### Whole of Government Accounts (WGA)

The National Audit Office (NAO), as group auditor, requires us to complete the WGA Assurance Statement in respect of its consolidation data and complete testing of this consolidation data where the entity is over a certain threshold, or is a sampled component. We have been unable to conclude our work as we have not yet received group audit instructions and therefore confirmation from the NAO that the group audit of the WGA has been completed and that no further work is required to be completed by us.

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Audit fees and other services

# Audit fees and other services

## Fees for work as the Authority's appointed auditor

Our fees (exclusive of VAT and disbursements) as the Authority's appointed for the year ended 31 March 2025 are outlined below.

Our fees are designed to reflect the time, professional experience, and expertise required to perform our audit. The scale fee is set by PSAA each year, covering the work required as the Authority's appointed auditor under the NAO Code of Audit Practice. The scale fee for 2024/25 was set at £257,585 (£238,450 for 2023/24). As we have been unable to complete the required procedures to complete our audit before the backstop date, we have proposed a reduction in the scale fee in line with previous years.

Final fees are subject to review and approval by PSAA.

	2023//24 Fee £	2024/25 Fee (*) £
Work to support the financial statements audit including time to plan the audit and issue the disclaimed opinion	44,915	51,517
Work to complete the core Value for Money work and to issue our commentary	68,774	77,276
Additional work on risks of significant weakness in respect of Value for Money	N/A	12,000
<b>Total fee charged</b>	<b>113,688</b>	<b>140,793</b>
PSAA Scale Fee for information	238,450	257,585

(\*) The fee for 2024/25 is subject to final confirmation from PSAA

## Fees for other services

We have not provided any other services to the Authority.

## Appendix

Appendix A: Further information on our audit of the Combined Authority's financial statements

# Appendix A: Further information on our audit of the Authority's financial statements

## Audit scope

Our audit approach is designed to provide an audit that complies with all professional requirements. Our audit of the financial statements has been conducted in accordance with International Standards on Auditing (UK), relevant ethical and professional standards, our own audit approach and in accordance with the terms of our engagement. We have also had regard to the Local Audit Reset and Recovery Implementation Guidance ('LARRIG') issued by the National Audit Office and endorsed by the Financial Reporting Council in delivering our audit in the context of the backstop arrangements introduced by the 2024 amendments to the Accounts and Audit Regulations.

## Our approach to the audit of the financial statements

In the absence of the backstop arrangements, our audit would be risk-based and primarily driven by the issues that we consider lead to a higher risk of material misstatement of the accounts. After completing our detailed risk assessment work and developing our audit strategy, we would design and complete audit procedures in response to the risks identified.

The conditions created by the imposition of the backstop arrangements mean that we have not carried out all the work necessary to issue a detailed audit plan and to complete all the required audit procedures to provide an opinion on the financial statements. The approach we took to carry out the audit has been designed so that we can comply with International Standards on Auditing (UK) and issue our audit report to allow GMCA to meet the backstop date of 27 February 2026 for publishing the financial statements and other relevant information.

We summarise below the work we undertook to inform our audit strategy and our determination that it is necessary to issue a disclaimer of opinion on GMCA's financial statements. As we have not completed all our planning procedures, including all risk assessment work, we do not include a summary of significant and enhanced risks as part of this report.

Area of the audit	Summary of our procedures
Acceptance and continuance	We carried out all acceptance and continuance procedures including consideration of: <ul style="list-style-type: none"><li>• The financial reporting framework adopted by the Authority and the existence of any unusual or controversial accounting policies</li><li>• The form, timing and expected content of our communication with Those Charged with Governance</li><li>• Any actual or potential threats to our independence</li><li>• The existence of any other factors that indicate we should not continue as GMCA's auditor</li></ul>
Understanding the entity	We carried out audit procedures to understand and document our understanding of the Authority across a range of areas, including but not limited to: <ul style="list-style-type: none"><li>• The Authority's structure, including its wider group</li><li>• Key accounting policies</li><li>• Accounting estimates</li><li>• The use of experts</li><li>• IT environment</li><li>• Key business processes and controls</li></ul>
Control environment assessment	We documented our consideration of the Authority's control environment. We carry out this work to inform both our work on the financial statements and as an element of our Value for Money arrangements risk assessment work.

## Appendix A: Further information on our audit of the Authority’s financial statements

Area of the audit	Summary of our procedures
Fraud	We carried out work on identifying potential fraud risks and made specific inquiries of management and Those Charged with Governance in respect of actual, potential or suspected fraud.
Materiality	We considered the application of materiality for the audit of the Authority’s financial statements. Further details on the materiality thresholds determined, is included later in this section of our report.
Laws and regulations	We obtained an understanding of the legal and regulatory framework applicable to the Authority and made specific inquiries with management and Those Charged with Governance in respect of any instances of noncompliance with laws and regulations.
Written representations	We requested certain written representations from management in accordance with ISA (UK) 580.
Completion, review and reporting	<p>We undertook sufficient review procedures to ensure our audit complies with the requirements of ISA (UK) 230. This includes specific work to document our consideration of the implications of the backstop arrangements on our audit and the reporting implications.</p> <p>We also considered whether any matters have come to our attention that we deem should be reported to Those Charged with Governance or that may be relevant to our auditor’s report. Such matters may include misstatements identified in the draft financial statements or internal control recommendations.</p> <p>As issued a disclaimer of opinion, additional quality and risk management processes were followed.</p>

# Appendix A: Further information on our audit of the Authority's financial statements

## Background and modification of the audit opinion

As a result of the backstop arrangements, we have not been able to complete sufficient audit procedures to enable us to provide an unmodified opinion on the Authority's financial statements. As we have determined the effects, or potential effects on the financial statements of the lack of sufficient appropriate evidence are material and pervasive, we will be issuing a disclaimer of opinion. This means we are expressing no opinion on the financial statements.

Our audit report explains the basis for our disclaimer of opinion being the introduction of the backstop arrangements which require the Authority to publish its audited 2024/25 financial statements by 28 February 2026.

Members will note the draft audit report does not report on other matters that would usually appear in an unmodified audit report. These include:

- the use of the going concern assumption in the preparation of the financial statements; and
- the consistency of the other information presented with the financial statements.

Although we are disclaiming our audit opinion, auditing standards require us to report matters to you that have come to our attention during the course of our audit, which we include in this section 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 2024/25 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 have been raised.

## Significant matters discussed with management

During our audit we communicated the following significant matters to management:

- Implications of the backstop arrangements

As part of our audit, we sought and obtained information from management in relation to actual or suspected non-compliance with laws and regulations, and any actual or suspected fraud which could materially impact upon the financial statements.

Based on our review of the information received, we have no matters to report in relation to fraud and the Authority's compliance with laws and regulations. We have not undertaken any further work in these areas and do not provide any assurance the financial statements are free from material error .

## Significant difficulties during the audit

During the course of the audit we did not encounter any significant difficulties. We have had the full co-operation of management.

# Appendix A: Further information on our audit of the Authority's financial statements

## Observations on internal control

As part of our planning procedures, we obtained an understanding of Authority's internal control environment and control activities relevant to the preparation of the financial statements, sufficient to inform our audit strategy. Although our audit was not designed to express an opinion on the effectiveness of Authority's internal controls, we are required to evaluate any deficiencies in internal control that come to our attention, even though we intend to issue a disclaimer of opinion.

A deficiency in internal control exists if:

- a control is designed, implemented, or operated in such a way that it is unable to prevent, detect, and/ or correct potential misstatements in the financial statements; or
- a necessary control to prevent, detect, and/ or correct misstatements in the financial statements on a timely basis is missing.

The matters reported in this section of our report are limited to those deficiencies and other control recommendations identified through the audit procedures we were able to complete. If we had performed more extensive procedures on internal control, we may have identified more matters to report. Our comments in this section should not be regarded as a comprehensive record of all deficiencies that may exist or improvements that could be made.

## Significant deficiencies in internal control

A significant deficiency in internal control is one which, in our professional judgement, has the potential for financial loss, damage to reputation, or a loss of information which may have implications on the achievement of business strategic objectives. In our view, observations categorised as a significant deficiency are of sufficient importance to merit the attention of the Audit Committee.

We have not identified any significant deficiencies in the Authority's internal controls as at the date of this report.

## Other observations on internal control

We also report to you, our observations on the Authority's internal controls where, in our professional judgement, there is a need to strengthen internal control or enhance business efficiency that do not constitute significant deficiencies in internal control but which we view as being important for consideration by management.

We do not have any other internal control observations to bring to your attention as at the date of this report.

Whether internal control observations merit attention by the Audit Committee and/ or management is a matter of professional judgment, taking into account the risk of misstatement that may arise in the financial statements as a result of those observations.

# Appendix A: Further information on our audit of the Authority's financial statements

## Misstatements

The Authority's S151 Officer authorised the Authority's draft financial statements for issue on 07/10/2025. Although we intend to issue a disclaimer of opinion, we still report any amendments management have made to the draft financial statements, identified either through the audit procedures we have undertaken, or separately by management.

This information is provided to the audit committee for information and to support it to discharge its responsibilities. It is important to note that because we are issuing a disclaimer of opinion, we provide no assurance over the material accuracy of the amendments made to the draft financial statements.

## Unadjusted misstatements

When we issue a disclaimer of opinion, auditing standards require us to consider whether we are aware of any matter otherwise requiring a modification to our opinion. Such matters may include, for example, material misstatements that have been identified but not been amended by management.

We confirm no such matters have come to our attention.

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