Auditor’s Annual Report

Transport for Greater Manchester – year ended 31 March 2024

February 2025

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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 Transport for Greater Manchester (‘the Authority’) for the year ended 31 March 2024. 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 26 February 2025 . Our opinion on the financial statements was unqualified. Our audit report did however include a paragraph drawing attention to disclosures in the financial statements relating to going concern.

Value for Money arrangements
We did not identify any significant weaknesses in the Authority’s arrangements to secure economy, efficiency and effectiveness in its use of resources. Section 3 provides our commentary on the Authority’s arrangements.

Wider reporting responsibilities
We have received the group instructions from the National Audit Office confirming as in previous years, we are not required to complete Whole of Government Accounts work at TfGM (as data is included in Greater Manchester Combined Authority’s WGA return on a group basis).

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Audit of the financial statements

Audit of the financial statements

Our audit of the financial statements

Our audit was 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. We do this by expressing an opinion on whether the statements are prepared, in all material respects, in line with the financial reporting framework applicable to the Authority and whether they give a true and fair view of the Authority's financial position as at 31 March 2024 and of its financial performance for the year then ended. Our audit report, issued on 26 February 2025 gave an unqualified opinion on the financial statements for the year ended 31 March 2024

Our audit report also included a paragraph on the material uncertainty in relation to going concern, drawing readers' attention to the disclosures made in TfGM's financial statements.

A summary of the significant risks we identified when undertaking our audit of the financial statements and the conclusions we reached on each of these is outlined in Appendix A. In this appendix we also outline the uncorrected misstatements we identified.

Other reporting responsibilities

Reporting responsibility	Outcome
Narrative Report	We did not identify significant inconsistencies between the content of the annual report and our knowledge of the Authority.
Annual Governance Statement	We did not identify any matters where, in our opinion, the governance statement did not comply with the guidance issued by CIPFA/LASAAC Code of Practice on Local Authority Accounting.

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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 or 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 on page 12.

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?
Financial sustainability	11	Yes – see risk on page 12	No	No
Governance	15	No	No	No
Improving economy, efficiency and effectiveness	18	No	No	No

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

Risks of significant weaknesses in arrangements in relation to Financial Sustainability

We have outlined below the risk 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
1	**Financial Sustainability** TfGM is operating in an increasingly challenging financial environment. The severe inflationary pressures on the cost base and the reduction in farebox revenues means TfGM continues to face funding challenges. The DfT funding has gradually tapered off and there is no additional funding planned to be made available for 2024/25. This creates a risk to the financial sustainability of TfGM which will need to be closely monitored and managed in the short to medium term.	**Work undertaken** We have reviewed the arrangements TfGM has in place for ensuring financial resilience, specifically that medium term financial plan has taken into consideration factors such as: • funding reductions, • salary and general inflation, • demand changes, • restructuring costs and • the sensitivity analysis undertaken given the degree of variability in the above factors. We have also reviewed the arrangements in place to monitor TFGM's progress in delivering its budget and related savings plans. **Results of our work** Although we included an emphasis of matter paragraph within our auditor's report, we are satisfied there is no evidence of a significant weaknesses in the arrangement TfGM has in place in relation to financial sustainability.

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VFM arrangements – Financial Sustainability

Overall commentary on the Financial Sustainability reporting criteria

Background to TfGM's operating environment in 2023/24

As in prior years, most of TfGM's operational activities are funded from the Transport Levy and the Mayoral Precept, as far as the latter relates to transport matters. The Transport Levy is provided by Greater Manchester Combined Authority ("GMCA") from funding received from the ten Greater Manchester local authorities. The Transport Levy is set annually by the GMCA which approves the Transport Levy and the amount provided to TfGM. Certain activities, which are Mayoral functions, are also funded from the Mayoral Budget and the Mayoral Precept. This includes the costs associated with developing, updating and delivering the Local Transport Plan.

The Bee Network Committee (BNC) was established in May 2023. It replaced the former Greater Manchester Transport Committee with a smaller and more strategically focussed body to lead transport decision-making at the regional level and so takes greater ownership and responsibility for Greater Manchester's transport network.

The roll out of bus franchising across GM commenced in 2023/24. This marked a new era of buses across the region being back under public control, making it easier and more affordable to travel with the new multi modal tickets across bus and tram. It is being rolled out in three phases or 'tranches', consistent with geographic areas in GM. Tranche 1 went live in September 2023, followed by Tranche 2 in March 2024. Tranches 1 and 2 represent c.50% of the network. Tranche 3 which covers the remainder of the network was franchised from January 2025.

As at March 2024, patronage had broadly recovered to the levels experienced before the pandemic, but this brought lower than the projected growth in revenues in the original funding strategy. This reduction in farebox revenues, allied with severe inflationary pressures on the cost base, means that the network continues to face funding challenges over the coming period. These funding challenges have been largely mitigated over the post-pandemic period through exceptional DfT funding (including £18m of exceptional funding received in 2023/24) but this funding support has tapered off gradually over the period. However, the impact has largely has been mitigated by Government providing increased settlements from other funding streams (particularly Bus Service Improvement Programme and Bus Service Opertor's Grant) and growing passenger revenues together with continued cost management through the ongoing TfGM Financial Sustainability Plan.

2023/24 Financial statement performance

We have undertaken a high-level analysis of the audited financial statements, including the Movement in Reserves Statement and the Balance Sheet.

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TfGM's net assets have increased from £1,974m to £2,029m at 31 March 2024. The most significant changes in the balance sheet relate to reduction in long term borrowings and cash due to loan repayments. Investment property also increased significantly due to the purchase of Downing street industrial estate which is expected to bring a revenue stream from commercial rentals TfGM's usable reserves have reduced slightly from £48.1m at 31 March 2023 to £47.8m at 31 March 2024. In addition to these reserves, TfGM also has access to transport reserves held by GMCA, Together these reserves provide some mitigation against future financial challenges.

TfGM's financial planning and monitoring arrangements

As in previous years TfGM works closely with GMCA as part of its financial planning process. The budgeting process spans several months and includes detailed discussions with departments about the savings necessary to deliver a balanced position. Departments are subject to appropriate challenge about their proposals. Throughout the year, TfGM updates its budget through a formal reforecasting exercise. This enables budgets to remain up-to-date. As part of our review, we obtained budget documents for a sample of TfGM's functions. We confirmed that the underlying assumptions made by management appeared reasonable and were updated throughout the year.

The revenue budget was forecast to reach a balanced position in the context of the settlement received from DfT and assuming the Financial Sustainability Plan mitigations were delivered in full. We have considered the arrangements in place in respect of the Governance criteria on page 16.

During the year TfGM reported its financial position to the Executive Board on a regular basis. We reviewed a sample of reports presented during 2023/24, which contain details of performance against levy funded and Metrolink related budgets, with explanations for any significant variances detailed in the report. The Finance reports also contains information on progress against TfGM's approved capital programme and reasons for over or underspends against the budget profile.

TfGM continues to be adversely impacted by cost inflation and other cost and supply pressures which are impacting the supply of services and infrastructure. This includes, but is not limited to, service delivery costs, including in particular for Metrolink and bus, which are largely staff and energy related costs, and supplies for construction projects. TfGM continues to monitor and mitigate these costs as far as possible and adjusting, as appropriate, its expenditure and funding budgets and the Medium-Term Financial Plan to reflect this position.

As part of the annual accounts process TfGM completes a detailed review of its ability to operate as a going concern, highlighting any risk areas for the following financial year. TfGM highlighted a material uncertainty regarding the ongoing level of Metrolink net revenues and bus franchising net revenues together with the level of funding that will be received. Notwithstanding this, on the basis of the cashflow forecasts prepared and the current levels of available cash and reserves, the TfGM Executive Board considers that it remains appropriate to prepare the Accounts on the 'Going Concern'.

VFM arrangements – Financial Sustainability

Overall commentary on the Financial Sustainability reporting criteria

TfGM's arrangements for the identification, management and monitoring of funding gaps and savings

The annual budget setting process and in year quarterly reforecast address how TfGM plans to monitor funding gaps and savings.

At the start of the budget process for 2024/25 a gap of almost £99million was identified in the initial 'top down' budget to cover the estimated operational losses of Metrolink and Bus Franchising before using additional funding sources. This gap has been 'eliminated' through the budget setting process and a medium-term financial plan has been prepared which takes this estimate of the operational losses for Metrolink and Bus Franchising and identifies funding sources to cover these losses. This is currently being reviewed and updated for 2025/26.

TfGM's arrangements and approach to 2024/25 financial planning

The arrangements for the 2024/25 budget setting process have largely followed the arrangements in place for 2023/24. The budget for 2024/25 was approved GMCA in Feb 2024. The budget took account of known changes to TfGM's operations, such as the implementation of bus franchising, and the Greater Manchester Infrastructure Programme supporting TfGM's five-year transport plan.

The Budget report to GMCA in February 2024 set out how TfGM are continuing to address challenges such as exceptional inflationary pressures on the cost base of the transport network and patronage and revenue remaining below pre pandemic actual or planned levels, through the ongoing delivery of a Financial Sustainability Plan. This plan was originally presented as part of the Budget plans for 2023/24. As well as setting out challenging targets in the generation of income, and the control of costs, the Plan includes additional local funding being made available in 2024/25 through the Transport Levy.

In addition, TfGM continues to make the case to central government to provide a longer-term and more stable funding environment for local transport that recognises the long-term structural impact of the pandemic and the period afterwards.

Based on the above considerations we are satisfied there is no evidence of a significant weakness in TfGM's arrangements 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

Overall commentary on the Governance reporting criteria

TfGM's risk management and monitoring arrangements

As reported in previous years, TfGM has a comprehensive risk management system in place which is embedded into the governance structure of the organisation. As part of TfGM's corporate governance framework, the Executive Board has overall responsibility for the risk management framework and the Audit and Risk Assurance Committee has the responsibility for providing the Board with assurance that the risk management process in place is effective. Risk management activities are overseen by the Corporate Risk Manager, with support from a network of Risk Champions who lead on risk management within each function.

Each function maintains and updates its own risk register, which then feeds into the strategic risk register at the organisation level. We have reviewed an example register and confirmed it is sufficiently detailed to allow for effective oversight of risk management. Each risk has an assigned risk owner and a risk score based on a probability and impact matrix. Where mitigating actions are identified, they are assigned a risk owner and a due date is required. This provides for an appropriate level of accountability and allows for effective oversight of the risk. Each risk register is accompanied by a dashboard providing an 'at-a-glance' view of the risk activities within the function.

The strategic risk register is built from the functional risk registers, and provides the senior leadership team with oversight of the key risks faced by TfGM. Regular updates are taken to the Audit and Risk Assurance Committee on key risk management activities within the organisation, providing assurance over the effectiveness of the arrangements in place.

TfGM has a team of internal auditors, led by the Deputy Director of Audit and Assurance, in a joint appointment with GMCA. This team provides assurance over the effective operation of internal controls, including the arrangements to prevent and detect fraud, The annual Internal Audit plan is agreed with management at the start of the financial year and reviewed by the Audit and Risk Assurance Committee prior to final approval.

Our review of the Internal Audit Plans for 2023/24 and 2024/25 confirmed work was planned on a risk based approach. The risk rating of each audit area determines the frequency of audit, with key areas such as information systems and finance being subject to annual audit procedures. Progress reports have been presented to each Audit and Risk Assurance Committee meeting, including follow up reporting of recommendations not fully implemented by agreed dates. This allows the Committee to effectively hold management to account on behalf of the Board. At the end of each financial year the Deputy Director of Audit and Assurance provides an opinion on the overall adequacy and effectiveness of TfGM's framework of governance, risk management and control. For 2023/24, this gave a reasonable level of assurance. In the 2024/25 Internal Audit Plan, it was noted work was taking place within GMCA to provide additional internal audit resources as part of the GMCA next phase works which includes short and longer-term funding approaches once the commitments of the single settlement are understood.

TfGM's arrangements for budget setting and budgetary control

The budget setting and budgetary control processes are as reported. Having undertaken a top down review of the likely financial position, TfGM runs a detailed 'bottom up' annual budget setting process whereby all budget holders are required to provide detailed line by line budgets for all cost and income headings within their cost centre.

The detailed budgets prepared include the workforce plan which provides a detailed person by person analysis of each cost centre, including assumptions such as grade and hours worked. The consolidated budget is then presented to Executive Board for approval. As part of our review of a sample of functional budgets we were able to confirm the budget returns were supported by detailed workforce plans,

Each department is allocated a management accountant to provide support, advise and challenge throughout the year.

In parallel, all Heads of Function are required to prepare a Functional Plan. This details the objectives for the function for the next year and how this supports organisational objectives. This information is captured for the organisation in the Business Plan which is created and aligned to the yearly budget cycle. The Functional Plans must include information on the function's budget and therefore the financial implications of these plans.

Following approval of the budget, progress against targets is then monitored on a regular basis including the preparation of monthly management accounts and challenge on key variances to agreed budgets. A member of the finance team attends each of the Functional and Programme Boards, to provide central oversight of any financial issues raised, and to provide appropriate challenge to ensure the financial aspects of any key decisions have been appropriately considered.

Budget holders are required to produce an updated budget, or reforecast, for the full year at intervals during the year. This is based on actual results for the year to date and a re-review of the budget for the remainder of the year to reflect recent trends and known changes to future projections. The results of these reviews are consolidated centrally and reported to the Executive and Performance board.

As set out in the previous section the financial position is reported to the Executive Board each month and includes sufficient detail to allow for effective review and challenge at the senior leadership level.

VFM arrangements – Governance

Overall commentary on the Governance reporting criteria - continued

TfGM's decision making arrangements and control framework

TfGM has an established governance structure in place. However, in July 2023, the Constitution was reviewed and changes made to clarify and strengthen the decision making framework to ensure:

- Clarity and transparency in decision making;
- Improved distribution and delegation of responsibilities; and
- Better support for transformation both internally and across the transport network.

Importantly, the changes also recognised the Bee Network Committee which was set up by GMCA to replace the former Greater Manchester Transport Committee.

TfGM's constitution and scheme of delegation set out the levels of authority required for all key decisions. Executive Directors have clear responsibilities linked to their roles and the Board Sub-Committee structure in place at TfGM allows for effective oversight of TfGM's operations and activity. These levels were updated as part of the July 2023 refresh to ensure they were appropriate for the nature of the business as it now operates.

Reports are presented to Functional, Performance and Executive Boards in accordance with the Scheme of Delegation. This allows for the appropriate level of scrutiny and approval of decisions. The scheme of delegation was also updated in 2023 to ensure levels of authority remained appropriate, were clear and were properly aligned with responsibilities. Contract and procurement rules and the financial regulations were also updated. We reviewed these documents as part of our audit and confirmed they were consistent with our understanding of the arrangements TfGM have in place.

Decisions which require 'new' investment or expenditure for projects or schemes not included in the annual budget must be presented to the new Infrastructure Pipeline Board for consideration and approval before any expenditure can be incurred. Reports to the Board must follow a standard format which ensures that all financial, legal, risk and regulatory matters have been considered in reaching the recommended decision.

In addition to the Constitution, TfGM 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. TfGM also has a Gifts and Hospitality policy which sets out the limited occasions when gifts or hospitality may be acceptable.

In addition, there are a number of policies including anti bribery, money laundering, and other areas of regulatory compliance that staff are expected to adhere to. Training is provided to staff to support these policies through the use of regular mandatory e-training modules. There is a mechanism in place to monitor completion rates by function where training is assessed as mandatory and this is reported to the Performance Board.

Based on the above considerations we are satisfied there is no evidence of a significant weakness in TfGM's arrangements in relation to governance.

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 the Improving Economy, Efficiency and Effectiveness reporting criteria

TfGM's arrangements for assessing performance and evaluating service delivery

During 2023/24, TfGM reviewed and updated it's business plan. In doing so, it refreshed the values that underpin all that it does. The refreshed values are to Deliver, Adapt and Care. Work has also been undertaken to ensure the values link through from business planning to the performance management framework, including individual performance.

Each function within TfGM prepares a monthly functional plan which includes the financial results for the month and certain KPI data, including performance against capitalisation targets. This forms the focus of monthly discussions with finance support and also at Functional Boards.

The year to date information is also factored into the quarterly budget reforecast process, which, when consolidated identifies any areas of concern in the organisation level budget and also identifies where resources may be refocused when there are emerging or new pressures.

Operational reports, including KPI data are also presented to Functional and Executive Board. We have reviewed examples of these reports presented to Functional Board and confirmed these include RAG ratings of the function's performance against both financial and operational KPIs, with key successes and risk areas highlighted for discussion. Financial information includes performance against year-to-date budgets and explanations of any movement in forecasts for the function's full year position. The operational reports also link more widely into the function's performance, with information on progress against risks identified in the functional risk register, and work completed on addressing audit actions, FOI requests and other areas pertinent to the function's activities. The information in these reports provide a holistic view of the performance of each function and supports a rounded evaluation of effectiveness.

Monthly Business Performance Reports and monthly Finance Reports, provide an update on progress against both budget and operational objectives to Executive Board. Through our review of Executive Board minutes we have confirmed the Finance Reports are sufficiently detailed to allow for effective performance analysis, covering key areas such as budget updates, spend against budget, forecast revenue outturn and capital outturn. Variances are accompanied by detailed explanations with remedial actions highlighted where necessary.

On an annual basis, TfGM's overall performance is summarised in the Narrative Report as part of the Statement of Accounts. This outlines TfGM's progress against the Business Plan, highlighting key successes and risk areas. The Narrative Report also includes an agreed plan for subsequent years, including any areas for improvement. This provides wider stakeholders, including service users, with an overall assessment of TfGM's activities for the financial year.

Bus Franchising

In 2021, a decision was taken by the Mayor to create the Bee Network, an integrated public transport system, similar to that in place in London. This included bus reform, intended to bring bus services back into public sector control through bus franchising. Since then, a programme of work has been in place to provide bus services that better meet the needs of passengers across Greater Manchester through a network that is more reliable and joined up, provides bus services more frequently and over a longer day, and has a clear and understandable fare structure. The buses used on the Bee Network were also intended to be electrified to contribute to improvements in air pollution.

During 2023/24, TfGM continued its work to agree contracts with bus operators for the new franchised services. TfGM also took responsibility for placing orders for the new electric buses which would be used by those operators. This, together with other activity to date, including new fittings and livery on existing buses, has allowed the Bee Network to launch Tranche 1 of the service in September 2023 and Tranche 2 in March 2024. This provided regulated bus services across 50% of the area. The final Tranche 3 went live in January 2025.

TFGM has put in place arrangements to monitor the service provided by the bus operators and regular reports are provided the Bee Network Committee on passenger numbers and the timeliness of services. These reports show an improvement in performance of both indicators over time.

TfGM's arrangements for effective partnership working

TfGM works closely with the ten local authorities in Greater Manchester (GM) and GMCA in delivering agreed transport priorities. This work is informed by the strategic vision set out in the 2040 GM Transport Strategy which was prepared in partnership with the local authorities and the five year Delivery Plan which sets the objectives over this timescale.

TfGM has representation on, and regularly presents reports to, various pan-Greater Manchester bodies including the Wider Leadership Team, which is attended by the Chief Executives of the Local Authorities, Fire, Police and other public bodies. TfGM also attends and reports to various other bodies as part of coordinating its outputs and ensuring these support the overall strategic priorities for GM.

In March 2023, GMCA agreed terms with central government for the Trailblazer Deeper Devolution Deal. This is a significant step since it will allow GMCA to have more influence on regional rail services. It provides the platform for integrating rail services into the Bee Network over a period to 2030. Work is now underway across a wider partnership including Central Government (Ministry of Housing Communities and Local Government and the Department for Transport), Great British Railways and train operators, together with the local authorities to take this forward.

Overall commentary on the Improving Economy, Efficiency and Effectiveness reporting criteria - continued

This means by 2030, TfGM will have an integrated ticketing system, with fare capping that applies across the train, bus, Metrolink and cycle hire network and it will facilitate Bee Network branding across all forms of transport. Importantly, it will allow greater input to the management of rail services as well as improvements to stations.

Work is now underway to ensure the programme of activity needed to deliver this is fully mapped and that appropriate governance arrangements are in place to support it.

We have seen examples of this effective partnership working continuing throughout the year, including to support the introduction of bus franchising across Greater Manchester and through the Bee Active network which is supported by the Mayor's cycling and walking challenge fund. The partnership with the districts has also supported work to improve junctions and road crossings in some areas.

TfGM 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 TfGM collaborates with. The register is reviewed bi-annually by management and presented to Performance Board. The Audit and Risk Assurance Committee receives assurance on the arrangements for maintaining the register on an annual basis.

TfGM's arrangements for commissioning services

As previously reported TfGM has a well-developed Procurement Strategy and approach which is designed to ensure compliance with all legal and regulatory requirements as well as achieving best value in procurement processes. The Procurement Policy is available to all staff via the Intranet. This is supported by detailed process notes which provide advice and instruction on all processes involved.

Standardised templates are used throughout the procurement process to ensure consistency of approach. We have reviewed an example template and confirmed it includes the areas expected, including funding and governance considerations. The template also includes an authorisation matrix clearly setting out the approvals required in order to authorise the expenditure, depending on the values involved.

Regular reports are provided to Performance Board summarising the work of the procurement function throughout the year, along with detailed exception reports where waivers are required. Our review of a sample of reports confirmed the exceptions included a detailed justification of the value for money consideration and appropriate consideration of potential exit strategies from contracts where necessary. TfGM's Code of Conduct and Gifts and Hospitality Policy help to support the procurement process by mitigating the risk of conflicts of interests arising.

Based on the above considerations, we are satisfied there is no evidence of significant weakness in TfGM's arrangements in relation to improving economy, efficiency and effectiveness.

04

Other reporting responsibilities

Other 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 NAO in respect of Whole of Government Accounts consolidation data

We have received the group instructions from the National Audit Office confirming as in previous years, we are not required to complete Whole of Government Accounts work at TfGM (as data is included in Greater Manchester Combined Authority’s WGA return on a group basis).

05

Audit fees and other services

Audit fees and other services

Fees for our work as the auditor

We reported our proposed fees for the delivery of our work under the Code of Audit Practice in our Audit Strategy Memorandum presented to the Audit Committee in September 2024. Having completed our work for the 2023/24 financial year, we can confirm that our fees are as follows:

Area of work	2023/24 fees	2022/23 fees
Planned fee in respect of our work under the Code of Audit Practice	£111,499	£36,672
Additional Testing on Defined Benefit Pensions Schemes as a result of changes in regulatory expectations	-	£3,748
Additional work in relation to net pension asset ceiling	£3,000	£3,000
Additional testing as a result of the implementation of new auditing standards: ISA 220 (Revised): Quality control of an audit of financial statements; ISA 540 (Revised): Auditing accounting estimates and related disclosures; and ISA570 (Revised) Going Concern	-	£2,500
Other additional costs mainly relating to additional testing and reporting of uncertainties in key estimates and going concern disclosures as a result of Covid-19.	£8,000	£3,125
Implementation of new ISA315 (revised)	£9,410	£5,000
Additional work arising from the change in the Code of Audit Practice in respect of Value for Money arrangements	-	£6,250
Additional work arising from the change to the CIPFA Code of Audit Practise in respect of Infrastructure assets	-	£2,500
Total fees	**£131,909**	**£62,795**

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Appendices

Appendix A: Further information on our audit of the financial statements

Appendix A: Further information on our audit of the financial statements

Significant risks and audit findings

As part of our audit, we identified significant risks to our opinion on the financial statements during our risk assessment. The tables below summarise these risks, how we responded and our findings.

Significant Risks

Management override of controls	**Description of the risk** In all entities, management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur, we consider there to be a risk of material misstatement due to fraud and thus a significant risk on all audits.
	How we addressed this risk We addressed this risk through performing audit work over: • accounting estimates impacting amounts included in the financial statements; • consideration of identified significant transactions outside the normal course of business; and • journal entries recorded in the general ledger and other adjustments made in preparation of the financial statements
	Audit conclusion We have completed our work on this area. There are no matters to bring to the attention of members.

Appendix A: Further information on our audit of the financial statements

Valuation of the net defined benefit asset/liability

Description of the risk

The net pension asset / liability represents a material element of TfGM’s balance sheet. TfGM is an admitted body of Greater Manchester Pension Fund (GMPF), which had its last triennial valuation completed as at 31 March 2022.

The valuation of the Local Government Pension Scheme relies on a number of assumptions, most notably around the actuarial assumptions, and actuarial methodology which results in TfGM’s overall valuation.

There are financial assumptions and demographic assumptions used in the calculation of TfGM’s valuation, such as the discount rate, inflation rates and mortality rates. The assumptions should also reflect the profile of TfGM’s employees, and should be based on appropriate data. The basis of the assumptions is derived on a consistent basis year to year, or updated to reflect any changes.

There is a risk the assumptions and methodology used in valuing TfGM’s pension obligation are not reasonable or appropriate to TfGM’s circumstances. This could have a material impact to the net pension asset/liability in 2023/24.

How we addressed this risk

We addressed the risk by completing the following procedures:

- Obtaining an understanding of the skills, experience and qualifications of the actuary, and considering the appropriateness of the instructions to the actuary from TFGM.
- Obtaining confirmation from the auditor of the Greater Manchester Pension Fund that the Pension Fund has designed and implemented controls to prevent and detect material misstatement. This included the controls in place to ensure data provided to the Actuary by the Pension Fund for the purposes of the IAS19 valuation of the gross asset and liability is complete and accurate.
- Reviewing a summary of the work performed by the Pension Fund auditor on the Pension Fund investment assets,and evaluating whether the outcome of their work would affect our consideration of TFGM’s share of Pension Fund assets.
- Reviewing the actuarial allocation of Pension Fund assets to TFGM by the actuary, including comparing TFGM’s share of the assets to other corroborative information.
- Reviewing the appropriateness of the Pension Asset and Liability valuation methodology applied by the Pension Fund Actuary, and the key assumptions included within the valuation. This includes comparing them to expected ranges, utilising information provided by PwC, consulting actuary engaged by the National Audit Office.
- Agreeing the data in the IAS 19 valuation report provided by the Pension Fund Actuary for accounting purposes to the pension accounting entries and disclosures in TFGM’s financial statements.

Audit conclusion

We have completed our work on this area. We have identified three unadjusted misstatements that are outlined in pages 32 and 33.

Appendix A: Further information on our audit of the financial statements

Valuation of Property Plant and Equipment

Description of the risk

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

The valuation of Property, Plant & Equipment involves the use of a management expert (the valuer), and incorporates assumptions and estimates which impact materially on the reported value. There are risks relating to the valuation process which reflect the significant valuation judgements and assumptions and degree of estimation uncertainty.

As a result of the rolling programme of revaluations, there is a risk that individual assets which have not been revalued for up to four years are not valued at their materially correct fair value.

How we addressed this risk

We addressed the risk by completing the following procedures:

- Obtaining an understanding of the skills, experience and qualifications of the valuer, and considering the appropriateness of TFGM's instructions to the valuer.
- Obtaining an understanding of the basis of valuation applied by the valuer in the year.
- Sample testing the completeness and accuracy of underlying data provided by TFGM and used by the valuer as part of their valuations.
- Obtaining an understanding of TFGM's approach to ensure that assets not subject to revaluation in 2023/24 are materially fairly stated.
- Obtaining an understanding of TFGM's approach to ensure that assets revalued through 2023/24 are materially fairly stated at the year end.
- Using relevant market and cost data to assess the reasonableness of the valuation as at 31 March 2024.
- Testing the accuracy of how valuation movements were presented and disclosed in the financial statements.

Audit conclusion

We have completed our work on this area. have identified one unadjusted misstatements that are outlined on page 32 .

Appendix A: Further information on our audit of the financial statements

Going Concern

Description of the risk

The Covid-19 pandemic has continued to have a significant effect on TfGM's operations. This includes, in particular, on passenger revenue from Metrolink, which has continued to be impacted with a slower recovery of passenger numbers. Uncertainty remains around the ongoing levels of Metrolink net revenues and future bus support costs. Additional financial support has been received from government to date. However, there are uncertainties over the future levels.

Whilst the CIPFA Code requires the accounts to be prepared on a going concern basis, management must ensure any material uncertainties are appropriately disclosed in the accounts.

How we addressed this risk

We addressed the risk by completing the following procedures:

- obtaining and reviewing management's assessment of going concern;
- considering the completeness of management's assessment based on our knowledge of TfGM;
- challenging the underlying assumptions used in preparing the going concern assessment and obtaining supporting evidence regarding these assumptions;
- reviewing the disclosures made in the accounts in respect of going concern; and
- considering the impact of any disclosures on our auditor's report.

Audit conclusion

We have completed our work on this area. Our audit report contains a section on going concern which draws attention to the disclosures in the financial statements. This is an emphasis of matter not a modification of our audit opinion.

Appendix A: Further information on our audit of the financial statements

Revenue Recognition

Description of the risk

The risk of fraud in revenue recognition is presumed to be a significant risk on all audits due to the potential to inappropriately shift the timing and basis of revenue recognition as well as the potential to record fictitious revenues or fail to record actual revenues.

For TFGM we deem the risk to relate specifically to:

- revenue cut-off - the recognition of income and receivables around the year end.

How we addressed this risk

We addressed the risk by completing the following procedures:

- Reviewing the agreement of balances exercise with Greater Manchester Combined Authority
- Testing a sample of receipts either side of the year-end to confirm the transactions have been accounted for in the correct period

Audit conclusion

We have completed our work. There are no matters to bring to the attention of members.

Appendix A: Further information on our audit of the financial statements

Enhanced risks

Valuation of Investments

Description of the management judgement

TfGM hold investments in joint ventures at fair value on the Balance Sheet. As at 31 March 2023 the investments were not material.

There is a risk that as the joint ventures continue to develop, the valuation assumptions used by management may need updating, with input from valuation specialists. We will need to obtain assurance that accounting entries are not materially misstated.

How our audit addressed this area of management judgement

We addressed the risk by completing the following procedures:

- discussing with management the latest position and developments on the joint ventures, and the potential impacts these have on the valuations;
- where management decide to obtain a formal valuation, we will assess the terms of engagement, qualifications, objectivity and independence and scope of work of the expert engaged to carry out the valuation assessment of the investments;
- where a formal valuation has been undertaken, we will review the work completed by management's expert and evaluate the appropriateness of the assumptions applied to arrive at the figure in the financial statements.
- Where a formal valuation has not been undertaken we will review the information available to assess the reasonableness of the fair value disclosed and where required use our specialist valuation team.

Audit conclusion

We have completed our work. There are no matters to bring to the attention of members.

Appendix A: Further information on our audit of the financial statements

Summary of uncorrected misstatements

Details of adjustment	Comprehensive Income and Expenditure Statement		Balance Sheet	
	Dr (£ '000)	Cr (£ '000)	Dr (£ '000)	Cr (£ '000)
Dr: Property, plant and equipment Cr: Revaluation reserve Adjustment relates to the valuation movement since the last full valuation that had not been reflected in TFGM's accounts on the basis of materiality.			1,714	1,714
Dr: Net pension liability Cr: Pension reserve Represents TFGM share of a net £70m error identified in the GMPF auditor testing of pension assets. This related to the valuation of pooled investment vehicles which had been understated.			895	895
Dr: Financing and investment expenditure Cr: Other comprehensive income- Remeasurement of Net Defined Liability/asset Relates to the adjustment to recognise the financing element of the movement in the pension asset ceiling.	2,387			2,387
Continues overleaf				

Appendix A: Further information on our audit of the financial statements

Summary of uncorrected misstatements

Details of adjustment	Comprehensive Income and Expenditure Statement		Balance Sheet	
	Dr (£ '000)	**Cr (£ '000)**	**Dr (£ '000)**	**Cr (£ '000)**
Dr: Accruals Cr: Expenditure- Highways and Transport Services During our testing of accruals we identified two sample items that was not correctly accrued for in 23/24. Applying our audit methodology, we extrapolated this, and if the error was representative of the whole population, expenditure would be misstated by £1,766k.		1,766	1,766	
Dr: Pension reserve Cr: Net pension liability Represents the difference between the LGPS actuary report used to compile the accounts and a revised LGPS actuary report from Hymans based a full year actuals			1,927	1,927
Aggregate effect of unadjusted misstatements	**2,387**	**1,766**	**6,302**	**6,923**

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