Auditor's Annual Report

Transport for Greater Manchester – year ended 31 March 2025

February 2026

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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 ('TFGM') for the year ended 31 March 2025. Although this report is addressed to TFGM, 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 for the year ended 31st March 2025 on 23/02/2026. Our audit report included a disclaimer of opinion. This means our audit report did not express an opinion on the financial statements and no assurance was provided. It was necessary to issue a disclaimer of opinion as amendments to the Account and Audit Regulations introduced a statutory deadline for publication of TFGM's financial statements. We were unable to complete the audit procedures necessary to obtain sufficient appropriate audit evidence on which to base our opinion before the date TFGM published its audited financial statements.

Reporting to the group auditor
TFGM is consolidated into the Greater Manchester Combined Authority Group Accounts. Whole of government accounts (WGA) reporting requirements are undertaken at group level as part of the Greater Manchester Combined Authority audit.

Value for Money arrangements
Our audit report outlines that we are not satisfied TFGM have arrangements in place to secure economy, efficiency and effectiveness in its use of resources. This is because we issued a recommendation in relation to significant weaknesses in those arrangements that are relevant to the year ended 31 March 2025. Section 3 provides our commentary on TFGM's arrangements, and a summary of our recommendations and the weaknesses identified.

Wider reporting responsibilities
The Local Audit and Accountability Act 2014 outlines our additional powers and duties as appointed auditor of TFGM. 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 accepting eligible objections from local electors. We have not exercised any of these additional powers in relation to TFGM to date.

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Audit of the financial statements

Audit of the financial statements

Our audit of the financial statements

Our audit has been conducted in accordance with the requirements of the Code, and International Standards on Auditing (UK) (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 TFGM and whether they give a true and fair view of TFGM's financial position as at 31 March 2025 and of its financial performance for the year then ended.

It has not been possible to complete sufficient procedures as part of the current year's audit to enable us to issue a non-disclaimed opinion. For this reason, we will be issuing a disclaimed opinion in time for the Authority to publish its financial statements by the backstop date of 27 February 2026 as required by the relevant legislation. When an opinion is disclaimed the auditor does not express an opinion on the financial statements and, consequently, no assurance is provided on the financial statements.

Qualitative aspects of Transport for Greater Manchester's accounting practices

Draft accounts were received from TfGM on 3rd September 2025 which was after the deadline of 30th June 2025. Working papers to support the audit of the financial statement were provided alongside the financial statements.

We have reviewed TfGM's accounting policies and disclosures and conclude that, except for the basis on which land and building valuations have been stated, they comply with the 2024/25 Code of Practice on Local Authority Accounting, appropriately tailored to TfGM's circumstances.

Audit opinion

We identified the following issues which have resulted in us proposing to issue a modified audit opinion. Our draft auditor's report, in full, is set out in Appendix C.

Issue	Impact on our audit opinion
Valuation of land and buildings within property, plant and equipment: the valuations obtained for freehold bus depots were undertaken on a fair value basis. Code requirements dictate these should be valued on an existing use value basis using a depreciated replacement cost methodology.	Following identification of the issue, there has been insufficient time for management to implement an effective resolution. We have been unable to obtain sufficient appropriate evidence to obtain assurance over the related items of account and associated disclosures. Combined, these issues have a pervasive impact on the financial statements. The inability to complete sufficient audit procedures means it is unknown if the matters materially impact the financial statements. We are unable to form a view as to whether the financial statements are true and fair and therefore disclaim our opinion.
Valuation of right of use assets: the valuations obtained for leasehold bus depots were undertaken on a fair value basis. Code requirements dictate these should be valued on an existing use value basis using a depreciated replacement cost methodology. In addition, approximately 80 other leasehold land and building assets were valued on a fair value basis at 31 March 2024. It is unclear if fair value is the appropriate basis for initial recognition in all instances and it appears Code requirements to subsequently remeasure at existing use value have not been applied.	
Bus lease liabilities and right of use assets: our review of TfGM's bus franchising working papers identified incorrect lease terms being applied, incorrect initial costs of right of use assets being applied and assets being excluded from working papers. TfGM's work to resolve these issues has recently concluded, leaving insufficient time for us to perform audit procedures on the associated account balances and disclosures.	

Audit of the financial statements

Significant matters discussed with management

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

- **Accounting for land and building valuations:** the code requires specific assets to be carried at valuation and further outlines the basis these under which these valuations should be taken for each category of asset. TfGM have arrangements in place to obtain appropriate valuations for the year end. However, the asset register and financial records are only updated to reflect these valuations if the movement is material. As a result, unadjusted misstatements arise. All valuations should be recorded through the financial statements.
- **Valuation of bus depots:** audit review identified that TfGM's bus depots, both freehold and leasehold, had been valued on a fair value basis. Code requirements dictate land and buildings should be carried at current value in existing use. Management have formed the judgement that the bus depots, when valued at current value in existing use, would have to be valued using a depreciated replacement cost methodology. We have worked closely with management and discussed this significant judgement and reached agreement on managements final view.
- **Valuation of right of use assets:** audit review identified that TfGM had valued approximately 80 land and building leasehold interests at a fair value of £1 on 31 March 2024. We discussed the concerns this raised in relation to the appropriate application of initial recognition and subsequent remeasurement principles in line with the requirements of the code. Management have formed the judgement that further valuations in relation to these assets need to be obtained.
- **Bus franchising lease accounting judgements:** accounting arrangements in relation to leases associated with bus franchising are extremely complex. We have had extensive discussion with management in relation to significant bus franchising related judgements, including, but not limited to:
    - determining if franchising arrangements contain a lease;
    - determining if management retain a residual interest in buses following the termination of existing contracts; and
    - determining the appropriate initial recognition costs for buses that are partially grant funded.
- **Disclaimer of opinion:** We have discussed the implications of the significant matters and difficulties encountered during the audit with management, agreeing that there is insufficient time to reach a satisfactory resolution ahead of the backstop deadline. As a result, we propose to issue a disclaimed opinion. Significant discussions were held with both TfGM and Group management to outline the implications of the disclaimed opinion for the group and the arrangements necessary to facilitate the completion of the audit.

Significant difficulties encountered during the audit

- **Delay in the preparation and publication of the draft Statement of Accounts:** the delay in publication of TFGM's draft Statement of Accounts required us to reschedule our final audit visit from July and August 2025 to October and November 2025. This has resulted in a compressed timeline for the completion of our audit procedures resulting in additional senior staff mix being deployed to the audit to facilitate completion against reduced timeframes.
- **Implementation of IFRS16:** implementation of the new accounting standard for leases is complex. TFGM is party to significant number of lease arrangements, comprised of some of the most complex arrangements in the sector. The volume and complexity of these arrangements has placed considerable pressure on both the finance team and audit team. Explaining numerous complex arrangements and preparing supporting accounting treatment papers has placed excessive pressure on a capacity constrained finance team. Understanding, considering and consulting on numerous complex arrangements has placed considerable pressure on the audit team working against significant time constraints.

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Audit of the financial statements

Other minor difficulties encountered during the audit

- **Accruals testing:** our accruals testing identified a number of accruals that were based on invoices that had been received prior to the year end and should have been classified as trade receivables. Whilst isolated to a disclosure and not impacting a primary statement, we were required to undertake significant additional testing, requiring additional audit resources to be deployed to the audit.
- **Income classification:** our testing of Metrolink income identified a classification misstatement which resulted in a requirement to perform additional sample testing to obtain assurance that the financial statements were not materially misstated.
- **Multiple versions of accounts:** the number and significance of the identified misstatements resulted in the requirement for multiple versions of the financial statements to be both prepared by the finance team and reviewed by the audit team, placing significant additional burden on both teams.

Other reporting responsibilities

Reporting responsibility	Outcome
Narrative Report	Our initial accounts review did not identify significant inconsistencies between the content of the annual report and our knowledge of TFGM. Our detailed consistency work is ongoing and yet to be concluded.
Annual Governance Statement	Our initial accounts review did not identify 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. Our detailed work is ongoing and yet to be concluded.

Approach to collaboration and commitment to quality

We acknowledge TfGM's arrangements in relation to lease accounting are some of the most complex and extensive in the sector. We would like to extend our thanks to management and the Audit and Risk Assurance Committee for maintaining an open, collaborative and cooperative outlook throughout an incredibly challenging audit process.

We acknowledge and emphasize managements commitment to producing a true and fair set of financial statements throughout the audit and extend our thanks for understanding and supporting the audit team to take the necessary steps to complete a high-quality audit.

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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 TFGM 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 TFGM plans and manages its resources to ensure it can continue to deliver its services.

Governance - How TFGM ensures that it makes informed decisions and properly manages its risks.

Improving economy, efficiency and effectiveness - How TFGM 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 TFGM 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 later in this section of the 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 TFGM. 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 TFGM'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 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.

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VFM arrangements – Overall summary

Overall summary by reporting criteria

Reporting criteria	Commentary page reference	Actual significant weakness identified in the prior year required to be followed up in the current year?	Identified risks of significant weakness in the current year?	Actual significant weaknesses identified in the current year?	Other recommendations made?
Financial sustainability	13	No	Yes – see risk 1 on page 14	No	Yes – see recommendation 2 on page 26
Governance	17	No	Yes – see risk 2 on page 18	Yes – see recommendation 1 on page 25	No
Improving economy, efficiency and effectiveness	21	No	No	No	No

Foreword

Established in April 2011, Transport for Greater Manchester (TFGM) is the local government body responsible for the delivery of Greater Manchester's transport strategy and commitments. It is an executive arm of the Greater Manchester Combined Authority (GMCA), the city region's administrative authority. To this end, the strategies and policies of TFGM are set by the GMCA, with TFGM ultimately being responsible for their execution.

The Bee Network is the integrated transport network of the Greater Manchester city region. The network comprises bus, tram, cycling and walking routes and is expected to have commuter rail services joining the network from 2028. The design of the network is inspired around the Greater Manchester symbol, the worker bee.

Following the Bus Services Act 2017, mayoral authorities have been granted the power to bring bus services back under the control of local government by means of franchising schemes. Through TFGM, GMCA was the first authority to use its new powers under the Act, re-regulating its system in three tranches between September 2023 and January 2025. Completion of the scheme during the year ended 31 March 2025 represents a major milestone for TFGM and the GMCA.

Whilst Passenger journeys have returned to pre-pandemic levels; growth is still behind pre-pandemic forecasts and rising inflation is increasing the costs of running the Bee Network. Despite these challenges, TFGM managed to deliver on its transport strategy within budget. Within the 2024/25 narrative, TFGM have also reported several other key achievements during 2024/25, incusing but not limited to: launching a simpler and cheaper range of bus tickets, launching multimodal contactless payments across bus and tram networks, improved customer satisfaction from 76% to 85%, improved bus service accessibility and upgraded the Bee Network to include Audio Visual Announcements.

VFM arrangements

Financial Sustainability

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

Risks of significant weaknesses in arrangements in relation to financial sustainability

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
1	**Financial sustainability – how Transport for Greater Manchester plans to bridge future funding gaps** Both in the current year and previous years, Transport for Greater Manchester has disclosed in its accounts a significant level of uncertainty in relation to funding to support Metrolink and bus network services as a result in revenues not growing in line with pre-pandemic forecasts. TFGM has been in receipt of non-recurrent funding to support Metrolink and bus network services and has previously drawn down on group reserves to achieve a balanced outturn. Whilst proportionally, non-recurrent funding is decreasing, to balance the 2025/26 budget, there is a planned use of £30.9m (with approximately £6m being from earmarked reserves) of GMCA transport reserves during 2025/26 after delivering planned efficiency savings of £16m to fund the operating deficit not covered by agreed recurrent and non-recurrent funding. There is a risk TFGM has become reliant on group reserve drawdowns to support the delivery of services and is committing to efficiency savings without suitable supporting plans to bridge identified future funding gaps.	**Work undertaken** We have reviewed TFGM's medium term financial plan (MTFP) which, after the application of Integrated Settlement capital to revenue flexibilities, sees further use of GMCA's transport reserves over the medium term. This means year end budgeted reserves are forecast as follows: Year: 2025/26	2026/27	2027/28	2028/29	2029/30 Reserves (£m): 112	95	71	57	51 Whilst this shows a recurrent use of reserves, this reduces towards the later years of MTFP as the implementation of current policy decisions, such as bus franchising and the integration of commuter rail into the Bee Network concludes. Some drawdown of reserves for these major service delivery transformations should be expected and the MTFP maintains reserves above the minimum level deemed acceptable by TFGM of £50m over the life of the MTFP. The MTFP also reflects the financial impact of potential future policy decisions. This includes the currently unutilised further funding flexibilities afforded by the Integrated Settlement, together with levy and precept funding and the fare pricing schemes available to TFGM and which could be applied to ensure future reserve balances remain above the minimum level required. We have reviewed the schemes supporting the £16m of efficiency savings TFGM has committed to for 2025/26. The efficiency savings are supported by schemes that have clear ownership from a responsible officer and deadlines for delivery. TFGM has a track record of delivering efficiency savings previously committed to and has made positive progress against its 2025/26 plan. **Results of our work** Based on the work undertaken above, we are satisfied there is not a significant weakness in TFGM's arrangements to secure value for money. This is because TFGM is taking appropriate steps to ensure the drawdown of reserves in each year does not take reserves below the minimum level it has deemed adequate and has appropriate action plans to support the efficiency savings it is committed to. However, we have made an 'other recommendation' detailed on page 24 to support the arrangements for future years.

VFM arrangements – Financial Sustainability

Overall commentary on financial sustainability

Financial planning and monitoring arrangements

TFGM is funded by the GMCA, which in turn funds the regions transport strategy and ambitions via the Transport Levy collected from the ten Greater Manchester local authorities and the Mayoral Precept. The Transport Levy is set annually by the GMCA as it approves the Transport Levy and then paid over 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.

TFGM works closely with the GMCA and wider GMCA group, completing its budgeting process for 2025/26 during the 2024/25 financial year. TFGM operates a 'bottom-up' process, starting with individual budget holders providing line by line budgets for individual cost centres within the organisation. These cost centre budgets are challenged centrally by members of the finance team ahead of being consolidated to form the basis of the budget. The budget is presented annually to the Executive Board for approval. The budget for 2025/26 was approved in February 2025.

TFGM has set a balanced budget for 2025/26 following due consideration of considerable inflationary cost pressures, uncertainty in central government funding, increasing costs of operating an expanding network and for the preparation and development costs relating to the future incorporation of commuter rail services into the Bee Network scheme development. The culmination of the budgeting process led to a forecast net spend of £344m in 2025/26 against a prior year outturn of approximately £332m. Reaching a balanced budget at TFGM is reliant on a budgeted drawing of £30.9m from GMCA held transport related reserves.

During 2024/25, TFGM had arrangements in place for monitoring progress against the previously agreed 2024/25 budget. Three times a year, budget holders are required to produce updated forecasts of year-to-date performance against budget and forecast the outturn for the year. These forecasts are consolidated into the quarterly financial performance report, which is presented to the Executive Board and GMCA and used to identify areas of challenge and slippage, and to inform any required remedial actions. This process was repeated at the year end to produce the final outturn report, which is the key metric used by TFGM in assessing financial performance.

For 2024/25, TFGM reported a favourable outturn of £11.2m against budgeted net expenditure after passenger and commercial revenues. This was largely driven by bus franchising revenues being above forecast levels and lower than expected operating costs. This favourable position resulted in £8.1m of recurrent funding not being drawn down from the GMCA. Review of the 2024/25 outturn report demonstrates TFGM had arrangements in place to support the delivery of services within the 2024/25 budget envelope.

During 2024/25, TFGM has continued to work on the next phase on its financial sustainability plan, which includes the preparation of a financial plan into the medium-term, to identify opportunities for generating additional income and reducing operational costs.

Managing and monitoring funding gaps and savings

TFGM operates on a net operating loss basis. Passenger and commercial revenues alone are insufficient to cover the operational costs of the Bee Network. As such these revenues are supplemented by additional funding from GMCA on both a recurrent and non-recurrent basis.

The 2025/26 budgeting process initially identified a funding shortfall following the operational costs and passenger and commercial revenues being forecast and the available recurrent and non-recurrent funding being considered. In both the current and prior years, TFGM have disclosed within the narrative report and financial statements the level of uncertainty around funding passenger revenues for Metrolink and bus networks not achieving levels forecast prior to the pandemic. In 2025/26, this initial shortfall has been covered by additional sources of income in the form of grants and drawdowns from group reserves related to transport from the GMCA.

In acknowledgement of the ongoing financial pressures TFGM face, a financial sustainability plan has been developed, to estimate potential operational losses into the future for Metrolink and bus franchising. This plan is then used to inform a savings plan and to identify potential sources of additional future funding, with the intention of reducing the reliance on group reserves and exceptional financial support.

Overall commentary on financial sustainability - continued

TFGM intend to make ‘efficiencies’ through delivering spend within a budget envelope rather than cutting back services provided. Key to the process of tracking efficiencies is monthly management accountant reporting and challenge. TFGM, in July 2025, has reported that it is on track with its 2025/26 efficiency schedule, indicating a forecast favourable outturn of £1.1m.

The 2025-26 budget identifies £55m as the level of reserves determined to be adequate, based on covering 1 months’ worth of operational payments. Whilst this broadly aligns with the current scale of TFGM’s operations, management will need to keep this minimum level of reserves under review so that it remains adequate as the scale and nature of TFGM’s operations evolves. TFGM’s budget considers GMCA group reserves relating to transport as they are specifically designated for use on transport related resources and expenditure. TFGM’s usable reserves and the GMCA reserves designated for transport purposes are considerably more than the level determined to be adequate of £55m, at approximately £150m.

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

TFGM prepares an annual business plan that outlines its strategic priorities and the services that are to be delivered in line with these. This annual business plan is prepared alongside the annual budget setting process to ensure consistency with TFGM’s financial plan.

Below these high-level plans sit several organisational plans. Organisational plans such as workforce plans set to achieve TFGM’s ambition to create a working environment where everyone can achieve their potential. The associated costs of implementing the organisation plans are clearly built into the budget process to ensure TFGM has a clear approach to ensuring plans support the sustainable delivery of services.

Major capital investments are made in accordance with the priority areas outlined in the capital budget.

Alongside function financial performance monitoring, operational performance is monitored alongside wider financial information. This provides an analysis of the organisation’s operational performance correlated to financial outlay. This analysis is consolidated into Performance Board reports which are scrutinised by management, Performance Board and the Executive Board as required.

Managing risk to financial resilience

Key to supporting TFGM’s process for managing risks to financial resilience are the risk registers maintained by each function of the entity. Each risk is categorised, with financial risk forming one of the applicable categories, and then assessed in terms of likelihood and magnitude of impact. The outcome of this assessment then determines TFGM’s actions in the context of risk appetite. If the combination of likelihood and magnitude results in an unacceptable risk score, mitigating actions will be planned and implemented. These functional risk registers form a core section of functional board reports that are scrutinised by functional boards, the Audit and Risk Assurance Committee and then the Executive Board as appropriate. A member of the finance team is present at every functional board to ensure financial risks are fully understood and so any challenge from members can be suitably responded to.

Also, key to managing the risk to TFGM’s financial resilience is maintaining an appropriate level of reserves. In the 2025/26 budget, based on a business risk review, TFGM determined the appropriate level of usable reserves is required to be £50m. This equates to approximately one month's worth of operating expenditure. TFGM has maintained usable reserves at this level in the current year and previous years. These usable reserves act as a ‘safety buffer’, guarding against unforeseen events impacting demand and unforeseen expenditure.

Overall view on arrangements in relation to financial sustainability

As a result of the programme of work performed, we are satisfied there is not a significant weakness in TFGM’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
2	**Governance – how TFGM ensures effective processes and systems are in place to support statutory financial reporting requirements** Transport for Greater Manchester was unable to publish its draft statement of accounts by the statutory deadline of 30th June. This is because the substantial work required to implement IFRS16 in respect of lease agreements was not complete by 30th June 2025. The impact of implementing this new standard on TFGM is material. Along with all local government entities, the implementation of the standard has been expected for the sector for several years. There is a risk TFGM does not have suitable arrangements in place to ensure processes and systems support statutory financial reporting requirements within statutory deadlines.	**Work undertaken** In response to the risk of weakness identified, we have performed the following procedures: 1. Considered if implementation of the new accounting standard for leases, IFRS16, is material to TFGM; and 2. Documented our understanding of the reasons for the delay in preparing IFRS16 disclosures for inclusion in the Statement of Accounts beyond the statutory deadline. **Results of our work** The draft Statement of Accounts 2024-25 indicate the implementation of IFRS16 is material for TFGM. TFGM made an assessment in their 2023/24 Statement of Accounts of the potential impact of transition to the new standard and concluded at that stage it was likely to be material. TFGM began preparations for transition from IAS17 to IFRS16 in late 2022. External support was commissioned to support TFGM 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, resourcing challenges and increased demand on TFGM's land and building valuation expert. 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 collating information in relation to the leases held meant the accounting information could not be provided in time to meet the 30 June 2025 reporting deadline. TFGM 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.

Overall commentary on governance

Risk management and monitoring arrangements

TFGM has an established risk management framework. 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 the risk management process in place is effective. This is defined in the Committee's terms of reference.

Each function maintains and updates its own risk register, which then feeds into the strategic risk register at the organisation level. 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.

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, in the form of the quarterly risk management update, are taken to the Audit and Risk Assurance Committee for review and challenge. The report outlines key risks under the 'strategy' heading and then further risks under the 'organisational' heading. In the context of the risk appetite, the report outlines TFGM's approach to managing or mitigating the risk.

TFGM'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 and Risk Assurance 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. The work completed during 2024/25 resulted in the head of internal audit issuing "reasonable assurance" opinion over the effective operation of TFGM's internal control and risk management system. This opinion was based on 9 limited assurance reports being issued and 10 reasonable assurance reports being issued (1 substantial, 13 reasonable and 6 limited in 2023/24).

TFGM also had a Counter Fraud Strategy in place for 2024/25. The strategy includes the operation of key risk management processes such as clear whistleblowing, anti-money laundering and bribery policies alongside a clear programme of e-learnings and other training provided to officers in relation to the prevention and detection of fraud. Whilst the Head of Internal Audit opinion for 2024/25 confirms appropriate counter fraud arrangements were in place during the year, it notes there are several areas where there are opportunities for further, and continuous improvement in the counter fraud arrangements. Progress on implementing these actions is reliant on resourcing, particularly in recruiting to the Counter Fraud Specialist role. TFGM intends to fill the role in early 2026.

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

As the appointed auditor of TFGM, historically we have not identified many significant control deficiencies and issued an unqualified opinion on TFGM's 2023/24 financial statements. In prior years, when following up on previously issued internal control recommendations, we have noted management have a proactive attitude to implementing recommendations.

Budget setting, budget control and financial reporting

TFGM operates a 'bottom-up' process, starting with individual budget holders providing line by line budgets for individual cost centres within the organisation. These cost centre budgets are challenged centrally by members of the finance team to drive savings year on year and increase income. In parallel to this bottom-up approach, a 'top-down' approach is undertaken to gain early insight of areas of potential challenge. Forecasts of operational expenditure and passenger and commercial revenues are calculated based on uplifts to prior year outturns. These are then compared to known sources of recurrent and non-recurrent funding available for the year. If shortfalls are identified, this indicates areas within the budget requiring TFGM to either source additional funding or identify savings. Variances between expenditure based on the 'bottom-up' and 'top-down' approaches also direct scrutiny from the finance team, to ensure all budget holders are using reasonable assumptions.

Overall commentary on governance - continued

During 2024/25, TFGM had arrangements in place for monitoring progress against the previously agreed budget for the year. Three times during the year, budget holders are required to produce updated forecasts of year-to-date performance against budget and forecast performance against budget. These forecasts are consolidated into the quarterly financial performance report, which is presented to the Executive Board and used to identify areas of challenge and slippage, and inform any required remedial action.

At an operational level, monthly budget monitoring is undertaken. Reviews of actual results compared to budget are performed on a cost centre basis, and on an account line basis within each cost centre. The management accountants meet to discuss the results with the budget holders monthly, focussing on the larger variances to budget. Directorate level performance is then derived from consolidated cost centre level information and reported monthly via functional board meetings.

Through investigation and explanation of key variances, corrective actions are identified and implemented. These arrangements have resulted in TFGM broadly delivering its services during 2024/25 within its agreed budget envelope.

TFGM failed to publish its Statement of Accounts for 2024/25 by the statutory deadline of 30th 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. Due to the complexity of implementing the new standard, TFGM engaged an external expert to support with the preparation of the required disclosures. However, challenges faced by TFGM in gathering the required data meant the required outputs were not prepared in sufficient time to meet the statutory deadline. The accounts were published on 2nd September 2025

Decision making framework

The TFGM Constitution includes a Scheme of Delegation which shows the levels of authority required for all key decisions. Reports are presented to Functional, Performance and Executive Board in accordance with the Scheme of Delegation for the appropriate scrutiny and approval of decisions. 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.

Decisions which require 'new' investment or expenditure for projects and schemes not included in the annual budget must be presented to the Infrastructure Pipeline Board for consideration and approval before any expenditure can be incurred. Contract and procurement rules and the financial regulations were also in place and form part of the Constitution to ensure financial decision making is appropriately managed and structured.

Ensuring legislative and regulatory requirements are met

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. 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.

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 several 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 using regular mandatory e-training modules.

Overall view on arrangements in relation to governance

As a result of the programme of work performed, we are not satisfied that TFGM'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

Overall commentary on Improving economy, efficiency and effectiveness

Assessing performance and evaluating service delivery

On an annual basis, TFGM summarise its annual performance against its objectives in the Narrative Report that forms part of the Statement of Accounts. This provides wider stakeholders with oversight of TFGM's key achievements, both financial and non-financial, in the year.

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 at functional boards.

Operational reports, including KPI data are also presented to Functional, Performance and Executive Boards. We have reviewed examples of these reports presented to Functional Boards 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 functions full year position. The operational reports also link more widely into the functions 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. Variances are accompanied by detailed explanations with remedial actions highlighted where necessary.

TFGM also prepares targeted reports on business areas considered to be of interest to the Executive Board. For example, during the year a report evaluating the measures implemented by TFGM to assess the impact of actions taken to mitigate the risk of fare evasion on Metrolink was presented to the Executive Board. The report mapped the date of mitigating actions being implemented against revenue collection. This provided senior leadership with a clear means for assessing the effectiveness of each action, supporting informed decisions moving forwards. The actions taken have supported actual revenues for Metrolink in 2024/25 being above those initially forecast.

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 and the Greater Manchester Strategy which was prepared in partnership with the local authorities along with the five-year Delivery Plan which sets the objectives over this shorter timescale. Together these form the basis of the cross-GM projects and programmes delivered by TFGM.

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.

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 has a small number of joint venture and associate arrangements. These arrangements have been entered into largely for the purpose of securing private sector investment and expertise to support the redevelopment of land and buildings previously owned by TFGM. To maintain oversight of the entities, employees of TFGM form part of the management structure of the joint ventures. In addition, reporting by exception is provided to the TFGM Audit and Risk Assurance committee to ensure they have oversight of operations, and performance of the entities.

TFGM has significant partnership arrangements to support the operation of both Metrolink and bus franchising. TFGM has contract management processes in place to ensure delivery of these services is in line with strategic priorities and ambitions, and to ensure value for money for passengers and taxpayers.

Overall commentary on Improving economy, efficiency and effectiveness - continued

Procuring and commissioning services

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. The strategy is supported by detailed process notes which provide advice and instructions 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 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.

In February 2025, the Procurement Act 2023 became effective for TFGM. In response to the update requirements, TFGM have provided in depth training to officers involved in the procurement process to ensure the legislation is complied with.

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 associated recommendations and other recommendations

VFM arrangements - Identified significant weaknesses in arrangements and our associated recommendations and other recommendations

Identified significant weaknesses in arrangements and recommendations for improvement

As a result of our work we have identified significant weaknesses in TFGM's arrangements to secure economy, efficiency and effectiveness it 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
1	**Governance – how Transport for Greater Manchester ensures effective processes and systems are in place to support statutory financial reporting requirements** Transport for Greater Manchester (TfGM) 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. Management is responsible for ensuring appropriate systems and processes are in place to support timely and accurate statutory financial reporting. TfGM 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. We have concluded that this is evidence of a significant weakness in TfGM's arrangements for governance, specifically to ensure processes and systems support statutory financial reporting requirements within statutory deadlines.		●		We recommend TFGM review: 1. The capacity and capability of the finance team to ensure it can meet the statutory reporting timetable; and 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.	TFGM are undertaking a review of resourcing across the finance team to provide additional support to the Statement of Accounts preparation process in future years. 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.

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VFM arrangements - Identified significant weaknesses in arrangements and our associated recommendations and other recommendations

Other recommendations for improvement

As a result of our work, we have not identified significant weaknesses in TFGM's arrangements to secure economy, efficiency and effectiveness it its use of resources in relation to the matters below but have provided other recommendations to support and improve TFGM's arrangements in future years.

	Identified significant weakness in arrangements	Financial sustainability	Governance	Improving the 3Es	Recommendation for improvement	Our views on the actions taken to date
2	**Financial sustainability – how Transport for Greater Manchester plans to bridge future funding gaps** Both in the current year and previous years, Transport for Greater Manchester have disclosed in their accounts a significant level of uncertainty in relation to funding to support Metrolink and bus network services as a result in revenues never fully returning to pre-pandemic levels. The Authority has been in receipt of non-recurrent funding to support Metrolink and bus network services and have previously drawn down on group reserves to achieve a balanced outturn. TFGM's MTFP plans to make use of reserves in all years throughout the life of the plan but ensures reserves remain above the minimum level deemed to be acceptable. The MTFP presents a number of contingencies that could be applied to protect the levels of reserves based on potential future policy decisions. Throughout the life of the MTFP, TFGM have determined the minimum level of reserves deemed to be adequate to remain at £50m based on this representing 1 month's worth of operational expenditure. Whilst this is broadly consistent with TFGM's 2024/25 operations, current and potential policy decisions may significantly expand operations. As a result, TFGM may need to consider if £50m remains an appropriate deemed minimum level of reserves.	●			We recommend TFGM: 1. ensures financial plans support the maintenance of the minimum level of adequate reserves taking account of future policy decisions; and 2. reviews the deemed minimum level of adequate reserves annually in the context of changes in scale and nature of operations.	

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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)

TFGM is consolidated into the Greater Manchester Combined Authority Group Accounts. WGA reporting requirements are undertaken at group level as part of the Greater Manchester Combined Authority audit by the group auditor. There a no WGA reporting requirements for the TFGM audit.

05

Audit fees and other services

Audit fees and other services

Fees for our work as TFGM's 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 and Risk Assurance Committee in September 2025. Our fees are subject to approval by PSAA. Our current estimate of the fee range based on the additional risks we have had to address, and challenges encountered to date is as follows:

Area of work	2024/25 fees	2023/24 fees
Planned fee in respect of our work under the Code of Audit Practice	£125,020	£111,499
Additional work in relation to testing the valuation of the net defined benefit pension asset – asset ceiling	£3,000	£3,000
Additional work in relation to testing and reporting of uncertainties in key estimates and going concern disclosures because of Covid-19.	£5,000	£8,000
Additional work in relation to new auditing standard – ISA315 (revised)	-	£9,410
Additional work arising from the change to the CIPFA Code of Audit Practise in respect of Infrastructure assets	£2,500	£2,500
Additional work in relation to implementation of the new accounting standard for leases – IFRS16	£45,000	-
Additional work in relation to property, plant and equipment and right of use asset valuations	£20,000	-
Additional work arising in relation to property, plant and equipment presentation errors	£5,000	-
Additional work arising in relation to Metrolink income classification errors	£3,000	-
Additional work in relation to accruals and trade receivables classification errors	£10,000	-
Additional work in respect of prior period adjustments	£15,000	-
Additional work arising from provision of multiple versions of the financial statements	£10,000	
Additional work arising due to work on Value for Money arrangements – additional reporting due to risks of weakness in arrangements, actual weakness in arrangements and associated recommendations	£10,000	-
Total fees	**£253,520**	**£131,909**

Appendices

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

Appendix A: Further information on our audit of Transport for Greater Manchester's financial statements

Significant risks and audit findings

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

	Risk name	Fraud	Error	Judgement	Audit response	Audit findings
1	**Management override of controls** This is a mandatory significant risk on all audits due to the unpredictable way in which such override could occur. 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 there is a risk of material misstatement due to fraud on all audits.	●	○	○	We addressed the management override of controls risk through performing audit work over: • Accounting estimates; • Areas of management judgement; • Journal entries; and • Significant transactions outside the normal course of business or otherwise unusual.	We have been unable to complete our procedures on land and building valuations and lease liabilities due to the matters outlined in section 2 of this report. We have determined a set of criteria to identify journals displaying characteristics of potential management override. Testing of these journals identified no issues. We have not identified any significant or unusual transactions.
2	**Risk of fraud in revenue recognition** The risk of fraud in revenue recognition, whilst rebuttable, is presumed to be a significant risk on all audits due to the potential for entities 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 to manipulate financial performance results reported.	●	●	○	We risk assessed each of TFGM's revenue streams based on the figures reported in the draft Statement of Accounts to determine the most significant opportunities and greatest incentive for manipulation by management to influence financial reporting. We performed testing at the significant risk level for the revenue streams scoped in by our risk assessment for the periods immediately before and immediately after year end to confirm revenue has been appropriately recognised in line with the requirements of IFRS15.	Our risk assessment of TfGM's revenue streams identified income in relation to Metrolink and bus franchising as presenting both opportunity and incentive for manipulation by management. We performed sample testing of transactions immediately before and after year end. We have not identified any misstatements.

Appendix A: Further information on our audit of Transport for Greater Manchester's financial statements

Significant risks (continued)

	Risk name	Fraud	Error	Judgement	Audit response	Audit findings
3	**Valuation of the net defined benefit pension asset / liability** 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 (valuation as at 31 March 2025 is currently being completed). The valuation of the Local Government Pension Scheme relies on several 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 2024/25.	○	●	●	Our audit procedures included: • 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.	We have completed our work in relation to the valuation of TfGM's net defined benefit pension liability. We have identified a small number highly immaterial disclosure errors outlined later in this appendix of this report.

Appendix A: Further information on our audit of Transport for Greater Manchester's financial statements

Significant risks (continued)

	Risk name	Fraud	Error	Judgement	Audit response	Audit findings
4	**Valuation of property, plant and equipment** 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. TFGM have a rolling valuation programme of full revaluations every 5 years and desktop valuations in intervening years. As a result of the rolling programme of revaluations, there is a risk that individual assets which have not been subject to full revaluation during the year are not valued at their materially correct fair value.	○	●	●	Our audit procedures included: • Obtaining an understanding of the skills, experience and qualifications of TFGM's valuer, and considering the appropriateness of instructions issued 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 ensuring assets revalued through 2024/25 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 2025. • Obtaining an understanding of TFGM's approach to ensuring assets not subject to revaluation in 2024/25 are materially fairly stated and testing the reasonableness of this approach. • Testing the accuracy of how valuation movements were presented and disclosed in the financial statements.	Review of valuations identified that depot valuations had been undertaken on an incorrect basis. Management have formed the judgement that depreciated replacement cost valuations need to be undertaken to appropriately value bus depots but that there is insufficient time to complete this work ahead of the backstop deadline. We have been unable to complete sufficient appropriate procedures to obtain our planned assurance.

Appendix A: Further information on our audit of Transport for Greater Manchester's financial statements

Significant risks (continued)

	Risk name	Fraud	Error	Judgement	Audit response	Audit findings
5	**Valuation of investment property** The CIPFA Code requires investment property to be revalued annually at fair value, in line with the requirements of IAS40. TFGM holds a material balance of investment property that is subject to annual valuation. The valuation of investment property 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.	○	●	●	Our audit procedures included: • 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 ensuring assets revalued through 2024/25 are materially fairly stated at the year end. • Using relevant market data to assess the reasonableness of the valuation as at 31 March 2025. • Testing the accuracy of how valuation movements were presented and disclosed in the financial statements.	We have completed our work in relation to the valuation of TfGM's investment property. We have identified that TfGM accounting practise is to only post valuation movements if they have a material impact on the financial statements. As a result, we have identified a small number of immaterial errors outlined later in this appendix of this report.

Appendix A: Further information on our audit of Transport for Greater Manchester's financial statements

Significant risks (continued)

	Risk name	Fraud	Error	Judgement	Audit response	Audit findings
6	**New accounting standard for leases – implementation of IFRS16** IFRS 16 has been applicable from 1 April 2024 and is designed to report information that better shows lease transactions and provides a better basis for users of financial statements to assess the amount, timing and uncertainty of cash flows arising from leases. TFGM is required to apply the requirements of the new standard to all its operating and finance leases and process adjustments to recognise right-of-use assets and lease liabilities on its balance sheet and make associated disclosures in its 2024/25 accounts as required by IFRS 16. These adjustments are technically complex and application of the standard may require judgement.	○	●	●	As part of our planning work, we held discussions with management around the work TFGM carried out in preparation for the implementation of IFRS 16. We have substantively tested all related disclosures associated with the accounting standard transition and the transition adjustments. We have substantively tested lease liabilities and sought evidence to support they have been accurately measured on initial recognition and suitably subsequently remeasured accurately under the new standard. We have substantively tested right of use assets to ensure they have been accurately measured on initial recognition and that they have been subsequently remeasured accurately under the new standard. In addition, for those assets which have been revalued during the year we have: • Assessed the valuer's qualifications; • Assessed the valuer's objectivity and independence; • Reviewed the methodology used; • For a sample of assets, performed testing of the associated underlying data and assumptions; • Ensured the accounting treatment of the valuation and associated movements are compliant with relevant accounting framework; and • Sought assurances from management that they have appropriately challenged the valuer's work.	Review of valuations identified that depot valuations and the valuation of other land and building assets had been undertaken on an incorrect basis. Management have formed the judgement that depreciated replacement cost valuations need to be undertaken but that there is insufficient time to complete this work ahead of the backstop deadline. We have identified material misstatements to bus franchising lease liabilities and right of use assets detailed in section 6 due to inappropriate lease terms and assets costs being applied. We have been unable to complete sufficient appropriate procedures to obtain our planned assurance.

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Appendix A: Further information on our audit of Transport for Greater Manchester's financial statements

Unadjusted misstatements

Management has assessed the misstatements in the table below as not being material, individually or in aggregate, to the financial statements and does not plan to adjust. We only report to Audit and Risk Assurance Committee unadjusted misstatements that are either material by nature or which exceed our reporting threshold.

Description	Nature	Comprehensive Income and Expenditure Statement		Balance Sheet	
		Dr (£ '000)	Cr (£ '000)	Dr (£ '000)	Cr (£ '000)
DR: Financing and investing expenditure CR: Investment property *Due to TFGM's accounting practise of only posting valuation movements when they are material, this error represents the misstatement to investment property as a result of valuations undertaken not being reflected. The reported error is a current estimate based on the work performed to date.*	Actual error	2,697			2,697
DR: Cost of services income (Metrolink) CR: Cost of services income (other operational) *Other operational income was incorrectly classified as Metrolink income. The actual error identified of £560k was extrapolated across the total population.*	Extrapolated error	2,692	2,692		
DR: Intangible assets CR: Property, plant and equipment *Our testing of property, plant and equipment assets identified that two assets had been incorrectly classified and should have been classified as intangibles.*	Actual error			652	652
Aggregate effect of unadjusted misstatements		**5,389**	**2,692**	**652**	**3,349**

We have obtained written representations confirming that, after considering the unadjusted misstatements, both individually and in aggregate, in the context of the financial statements taken as a whole, no adjustments are required.

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Appendix A: Further information on our audit of Transport for Greater Manchester's financial statements

Adjusted misstatements

The misstatements in the table below have been adjusted by management. We report all individual misstatements above our reporting threshold that we identify during our audit and which management had adjusted and any other misstatements we believe the Audit and Risk Assurance Committee should be made aware of.

Because our audit opinion is being disclaimed, we do not provide assurance that the adjustments outlined in the following table are appropriate.

Description	Nature	Comprehensive Income and Expenditure Statement		Balance Sheet	
		Dr (£ '000)	Cr (£ '000)	Dr (£ '000)	Cr (£ '000)
DR: Right of use assets CR: Property, plant and equipment *Leasehold land and buildings were incorrectly included in property, plant and equipment, but should have been reclassified to right of use assets on transition to IFRS16. The finance team are currently preparing the required amendment, which is likely to be material.*	Actual error			3,022	3,022
DR: Short-term creditors CR: Taxation and non-specific grant income *Grant income provided in relation to right of use assets was incorrectly recognised as a grant receipt in advance and not as a capital grant provided for the purpose of purchasing lease premiums.*	Actual error	13,556	13,556		
DR: Taxation and nonspecific grant income CR: Cost of service expenditure *Costs directly attributable to bringing right of use assets into use were incorrectly recognised as revenue and not capitalised as right of use assets.*	Actual error	1,644	1,644		

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Appendix A: Further information on our audit of Transport for Greater Manchester's financial statements

Adjusted misstatements - continued

Description	Nature	Comprehensive Income and Expenditure Statement		Balance Sheet	
		Dr (£ '000)	Cr (£ '000)	Dr (£ '000)	Cr (£ '000)
DR: Cost of services expenditure CR: Property, plant and equipment *Adjustments have been posted to recognise a downward valuation on a bus depot. However, the depot is valued under an inappropriate methodology and we have not obtained assurance that this adjustment is correct.*	Actual error	6,452			6,452
DR: Cost of services income CR: Financing and investment income *Investment property income was incorrectly recognised in other operational income in cost of services but should have been recognised in financing and investment income and surplus / deficit on provision of services level in the comprehensive income and expenditure statement.*	Actual error	549	549		
DR: Other operating expenditure CR: Right of use assets *Right of use assets were incorrectly recognised within property, plant and equipment, but were incorrectly disposed of rather than transferred to right of use assets.*	Actual error	324			324
DR: Other operating expenditure CR: Short-term creditors *Right of use assets lease premiums were incorrectly recognised within short term creditors, but were incorrectly disposed of rather than transferred to right of use assets.*	Actual error	969			969
DR: Right of use assets CR: Property, plant and equipment *Audit review identified a number of infrastructure assets subject to leases that were recorded within property, plant and equipment and not right of use assets.*	Actual			5,014	5,014

Appendix A: Further information on our audit of Transport for Greater Manchester's financial statements

Adjusted misstatements - continued

Description	Nature	Comprehensive Income and Expenditure Statement		Balance Sheet	
		Dr (£ '000)	Cr (£ '000)	Dr (£ '000)	Cr (£ '000)
DR: Cost of services expenditure (Metrolink)	Actual error	73,440			
DR: Cost of service expenditure (Bus franchised services)		20,055			
CR: Cost of services expenditure (Operational and other costs)			94,495		
Capital charges such as depreciation were recorded within operational and other cost. The Code requires capital charges to be apportioned between service areas to which the use of assets relates.					
CR: Cost of services expenditure (Other transport expenditure)	Actual error		684		
CR: Long term lease liabilities					13,676
DR: General fund				88,392	
DR: Short term creditors				1,818	
DR: Finance and investment expenditure (Interest charge)		405			
DR: Finance and investment income (Gain on peppercorn)		68			
CR: Taxation and non specific grant income			99,794		
DR: Other operating expenditure (loss on disposal of assets)		3			
DR: Cost of services expenditure (franchised bus services)		14,282			
CR: Short term lease liabilities					24,282
CR: Capital adjustment account					88,392
DR: Right of use assets				121,860	
Acknowledging the complexity of the judgement, inappropriate lease terms were applied to buses forming part of TfGM's bus franchising arrangements understating both right of use assets and lease liabilities.					
Aggregate effect of adjusted misstatements		**131,747**	**210,722**	**220,106**	**141,131**

Appendix A: Further information on our audit of Transport for Greater Manchester's financial statements

Prior period adjusted misstatements

The misstatements in the table below relate to the prior period, have an impact on a primary statement, and have been adjusted by management.

Description	Nature	Comprehensive Income and Expenditure Statement		Balance Sheet	
		Dr (£ '000)	Cr (£ '000)	Dr (£ '000)	Cr (£ '000)
DR: Cost of services expenditure (Metrolink) DR: Cost of service expenditure (Bus franchised services) CR: Cost of services expenditure (Operational and other costs) *Capital charges such as depreciation were recorded within operational and other cost. The Code requires capital charges to be apportioned between service areas to which the use of assets relates.*	*Actual error*	72,561 2,448	75,009		
Aggregate effect of prior period adjusted misstatements		**75,009**	**75,009**		

Appendix A: Further information on our audit of Transport for Greater Manchester's financial statements

Disclosure misstatements

If during our review of the financial statements/ annual report we have identified significant misstatements in disclosures, these misstatements, whether adjusted or not, should be reported to you. Unadjusted disclosure misstatements should be included within your management representation letter as appropriate.

We identified the following disclosure misstatements during our audit that have been corrected by management:

- **Annual governance statement:** the Annual Governance Statement has been updated to reflect the challenges faced as a result of implanting the new accounting standard for leases.
- **Cashflow statement:** the initial cashflow statement did not cast and several items were misclassified. These have since been updated.
- **Note 5 – Expenditure and funding analysis statement:** the note has been updated to reflect the adjustment to the Comprehensive Income and Expenditure Statement on page 30 of this report.
- **Note 10 – Property, plant and equipment:** TfGM recorded all in year additions within the assets under construction category and for those that were immediately operational, reclassified them to the relevant category. These additions should be recoded directly within the operation asset categories and have been updated by TfGM.
- **Note 10 – Property, plant and equipment:** TfGM identified assets with gross accumulated cost and depreciation of £10.7m and net book value of nil within their fixed asset register that were no longer in use. These have been treated as disposals in note 10.
- **Note 14 – Intangible assets:** TfGM reports all intangible assets under operational asset headings even though some were under construction at the year end. The disclosure has been amended to appropriately reflect an assets under construction group.
- **Note 15 – Debtors:** within the debtors note of the accounts, the other debtors and prepayments balances were disclosed under the incorrect headings and have been swapped by TfGM.
- **Note 18 – Current liabilities:** a number of short term creditors, for which invoices had been received prior to the year end, were recorded as accruals in the financial statements. These have been reclassified to trade payables.
- **Note 20 – Financial instruments:** the current liabilities balance was not internally consistent with note 18 of the accounts and has been updated.
- **Note 21 – employer benefits pension costs:** TFGM did not include narrative in relation to the implications of the ongoing Virgin Media case.
- **Note 24 – Agency services:** TFGM did not include a description of the arrangements treated as agency in relation to passenger transport facilities.
- **Note 25 – related party disclosures:** we identified a £33k variance between the income statement and related parties' disclosure for income received from Piccadilly Triangle Developments.

Appendix A: Further information on our audit of Transport for Greater Manchester's financial statements

Disclosure misstatements

We identified the following disclosure misstatement during the audit in relation to the prior period. In line with the requirements of IAS8, due to the misstatement being deemed to be material, this has been corrected by management:

- **Note 5 – Expenditure and funding analysis statement:** the note has been updated to reflect the adjustment to the prior period Comprehensive Income and Expenditure Statement on page 32 of this report.
- **Note 10 – Property, plant and equipment:** TfGM recorded all in year additions in the prior year within the assets under construction category and for those that were immediately operational, reclassified them to the relevant category. These additions should be recoded directly within the operation asset categories and have been updated by TfGM.
- **Note 11 – Right of use assets:** the arrangement in relation to buses owned by operators for use on the Bee network under franchising agreements contains a lease arrangements. This was not identified, quantified and disclosed appropriately as an operating lease in the 2023/24 Statement of Accounts.
- **Note 14 – Intangible assets:** TfGM reports all intangible assets under operational asset headings even though some were under construction at the year end. The disclosure has been amended to appropriately reflect an assets under construction group.

We identified the following disclosure misstatements during our audit that have not been corrected by management:

- **Cashflow statement:** finance costs and income are misclassified in the statement. They are treated as adjustments to operating income for financing and investing activities when they should be treated as noncash adjustments.
- **Note 21 – employer benefits pension costs:** there are trivial differences between the pension disclosures in the Statement of Accounts and figures provided by the actuary.

We will obtain written representations confirming that, after considering the unadjusted disclosure misstatements, both individually and in aggregate, in the context of the annual report and financial statements taken as a whole, no adjustments are required.

Appendix A: Further information on our audit of Transport for Greater Manchester's financial statements

Significant deficiencies in internal control

In our view, the deficiencies in internal control set out in this section result in a potential for financial loss, damage to reputation, or a loss of information. This may have implications for the achievement of business strategic objectives. Our recommendations should be considered for immediate action.

Completeness review of lease arrangements

Description of deficiency

As part of our audit of TfGM's lease disclosures, we identified a material prior period misstatement because operating leases for buses within the contractual arrangements with bus franchise operators was not identified in 2023/24. Management did not perform a sufficiently detailed review of their contractual arrangements to identify all leases TfGM may be party to.

Potential effects

Whilst we have performed sufficient procedures over TFGM's 2024/25 Statement of Accounts disclosures, failure to complete an annual review of all TfGM's contractual arrangements may result in the failure to identify further material leases in future years.

Recommendation

Management should complete and document an annual review of all its contractual arrangements to ensure all lease arrangements are identified.

Management response

TfGM conducts an annual review of contracts; however, this particular complex agreement, which does not constitute a typical operating lease, was inadvertently omitted from the disclosure note. TfGM acknowledges the control finding and confirms that this will not be a concern in future financial years, as new controls have been implemented with the adoption of IFRS16.

Reviewing and challenging the work of external experts

Description of deficiency

Our audit procedures identified managements land and building valuations had been undertaken on an incorrect basis and lease liabilities and right of use asset costs had been incorrectly calculated. Whilst this work is undertaken by experts, management did not review and challenge the outputs provided sufficiently to identify these significant matters.

Potential effects

Whilst we have been unable to complete sufficient appropriate audit procedures, failure to review and challenge the work of external experts could result in material misstatements.

Recommendation

Management should ensure a robust process of review and challenge of the work of external experts is in place.

Management response

Contact

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