

# The Annual Audit Letter for Transport for Greater Manchester

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**Year ended 31 March 2016**

August 2016

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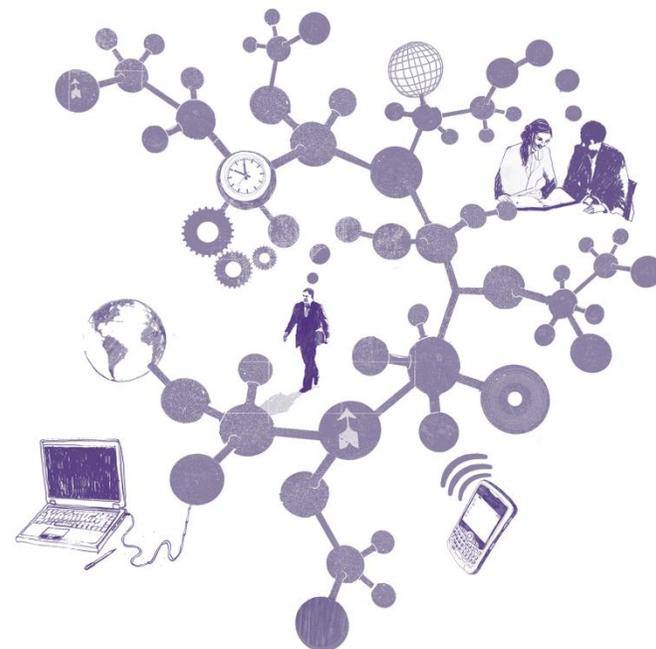
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# Executive summary

## **Purpose of this letter**

Our Annual Audit Letter (Letter) summarises the key findings arising from the work that we have carried out at Transport for Greater Manchester (TfGM) for the year ended 31 March 2016.

This Letter is intended to provide a commentary on the results of our work to TfGM and its external stakeholders, and to highlight issues that we wish to draw to the attention of the public. In preparing this letter, we have followed the National Audit Office (NAO)'s Code of Audit Practice (the Code) and Auditor Guidance Note (AGN) 07 – 'Auditor Reporting'.

We reported the detailed findings from our audit work to TfGM's Audit Committee as those charged with governance in our Audit Findings Report on 5 July 2016.

## **Our responsibilities**

We have carried out our audit in accordance with the NAO's Code of Audit Practice, which reflects the requirements of the Local Audit and Accountability Act 2014 (the Act). Our key responsibilities are to:

- give an opinion on TfGM's financial statements (section two)
- assess TfGM's arrangements for securing economy, efficiency and effectiveness in its use of resources (the value for money conclusion) (section three).

In our audit of TfGM's financial statements, we comply with International Standards on Auditing (UK and Ireland) (ISAs) and other guidance issued by the NAO.

## **Our work**

### **Financial statements opinion**

We gave an unqualified opinion on TfGM's financial statements on 15 July 2016.

### **Value for money conclusion**

We were satisfied that TfGM put in place proper arrangements to ensure economy, efficiency and effectiveness in its use of resources during the year ended 31 March 2016. We reflected this in our audit opinion on 15 July 2016.

### **Certificate**

We certified that we had completed the audit of the accounts of TfGM in accordance with the requirements of the Code on 15 July 2016.

### **Working with TfGM**

We would like to record our appreciation for the assistance and co-operation provided to us during our audit by TfGM's officers.

**Grant Thornton UK LLP**  
**August 2016**

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# Audit of the accounts

## Our audit approach

### Materiality

In our audit of TfGM's accounts, we use the concept of materiality to determine the nature, timing and extent of our work, and in evaluating the results of our work. We define materiality as the size of the misstatement in the financial statements that would lead a reasonably knowledgeable person to change or influence their economic decisions.

We determined materiality for our audit of TfGM's accounts to be £6,480,000, which is 2% of TfGM's gross revenue expenditure. We used this benchmark, as in our view, users of TfGM's accounts are most interested in how it has spent income funded from levy and grants during the year.

We also set a lower level of specific materiality for certain areas such as the disclosure of officers' remuneration and auditor's remuneration, due to the public interest in these disclosures.

We set a lower threshold of £327,000, above which we reported errors to the Audit Committee in our Audit Findings Report.

### The scope of our audit

Our audit involves obtaining enough evidence about the amounts and disclosures in the financial statements to give reasonable assurance that they are free from material misstatement, whether caused by fraud or error.

This includes assessing whether:

- TfGM's accounting policies are appropriate, have been consistently applied and adequately disclosed;
- significant accounting estimates made by management are reasonable; and
- the overall presentation of the financial statements gives a true and fair view.

We also read the Directors Report and Narrative Report, and the Annual Governance Statement to check they are consistent with our understanding of TfGM and with the accounts on which we give our opinion.

We carry out our audit in line with ISAs (UK and Ireland) and the NAO Code of Audit Practice. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit approach was based on a thorough understanding of TfGM's business and was risk based.

We identified key risks and set out overleaf the work we performed in response to these risks and the results of this work.

# Audit of the accounts

These are the risks which had the greatest impact on our overall strategy and where we focused more of our work.

Risks identified in our audit plan	How we responded to the risk
Creditors understated or not recorded in the correct period (Operating expenses understated)	<p>As part of our audit work we:</p> <ul style="list-style-type: none"><li>• documented our understanding of processes and key controls over the operating expenses cycle</li><li>• undertook walkthrough tests of the key controls to assess the whether those controls were in line with our documented understanding</li><li>• completed detailed testing of creditor balances and new-year payments.</li></ul> <p><b>We did not identify any significant issues to report. Our testing of new-year payments identified one omitted creditor balance and we were able to conclude this was an isolated and non-material omission.</b></p>
Property, Plant & Equipment activity not valid	<p>As part of our audit work we:</p> <ul style="list-style-type: none"><li>• documented our understanding of processes and key controls over the transaction cycle</li><li>• completed detailed testing of capital expenditure and balances.</li></ul> <p><b>We did not identify any issues to report.</b></p>

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# Audit of the accounts

## **Audit opinion**

We gave an unqualified opinion on TfGM's accounts on 15 July 2016, in advance of the national deadline.

TfGM made the accounts available for audit in line with the agreed timetable, and provided high quality working papers to support them. The finance team responded promptly and efficiently to all of our queries during the course of the audit.

## **Issues arising from the audit of the accounts**

We reported the key issues from our audit of the accounts of TfGM to the Audit Committee on 5 July 2016.

## **Annual Governance Statement and Narrative Report**

We are also required to review TfGM's Annual Governance Statement and Directors Report and Narrative Report. These were published on TfGM's website with the draft accounts in line with the national deadlines.

Both documents were prepared in line with the relevant guidance and were consistent with the supporting evidence provided by TfGM and with our knowledge of TfGM.

## **Other statutory duties**

We also have additional powers and duties under the Act, including powers to issue a public interest report, make written recommendations, apply to the Court for a declaration that an item of account is contrary to law, and to give electors the opportunity to raise questions about TfGM's accounts and to raise objections received in relation to the accounts.

We did not identify any issues that required us to apply our statutory powers and duties under the Act.

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# Value for Money conclusion

## **Background**

We carried out our review in accordance with the NAO Code of Audit Practice (the Code), following the guidance issued by the NAO in November 2015 which specified the criterion for auditors to evaluate:

*In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people.*

## **Key findings**

Our first step in carrying out our work was to perform a risk assessment and identify any key risks where we might need to concentrate our work. We did not identify any significant risks requiring us to undertake further work.

## **Overall VfM conclusion**

We are satisfied that in all significant respects TfGM put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2016.

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# Working with Transport for Greater Manchester

## **Our work with you in 2015/16**

We are really pleased to have worked with you over the past year. We have established a positive and constructive relationship and together we have delivered some great outcomes.

An efficient audit – we delivered an audit report over two months before the deadline, and one of the earliest in the country for a local government body. Our audit team are knowledgeable and experienced in your financial accounts and systems. Our relationship with your team provides you with a financial statements audit that continues to finish ahead of schedule releasing your finance team for other important work.

Sharing our insight – we provided regular Audit Committee updates covering best practice and providing updates on relevant matters. Areas we covered included Audit Committee effectiveness, accounting developments including IFRS 13 'Fair Value Measurement' and accounting for Highways Networks, and various National Audit Office documents.

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# Working with Transport for Greater Manchester

## **Working with you in 2016/17**

We will continue to work with you and support you over the next financial year.

Nationally we are planning to provide:

- thought leadership – we will continue to share with you relevant national reports relating to governance, financial management and developments in the public sector
- audit updates - we will continue to provide regular Audit Committee updates, covering best practice and emerging issues of relevance to TfGM
- training – we will continue to provide accountants' workshop training, focussing on accounting developments and complex issues.

Locally our focus will be on:

- understanding the challenges and opportunities arising from the development of TfGM's responsibilities
- an efficient audit – continuing to work with you to deliver an efficient audit
- support outside of the audit – our advisory team will continue to support you as you review your governance arrangements.

# Appendix A: Reports issued and fees

We confirm below our final fees charged for the audit and provision of non-audit services.

## Fees

	2015/16 Planned £	2015/16 Actual fees £	2014/15 fees £
Statutory audit of TfGM	43,730	43,730	58,307
<b>Total fees (excluding VAT)</b>	<b>43,730</b>	<b>43,730</b>	<b>58,307</b>

## Reports issued

Report	Date issued
Audit Plan	3 March 2016
Audit Findings Report	24 June 2016
Annual Audit Letter	26 August 2016

## Fees for other services

Service	Fees
Telecommunications and energy cost assurance services	Contingent on refunds or credits achieved, but nevertheless capped at a maximum of £30,000 plus VAT. To date, fees of £12,179 plus VAT have been invoiced, representing a proportion of amounts recovered by TfGM.
Valuation services provided to Axis Property Consultancy LLP, acting as agent for TfGM, in connection with a Section 10 claim.	£10,821 plus VAT.
Audit Committee and Risk Management Effectiveness Review (2016/17)	£12,365 plus VAT.



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