

Annual Audit Letter

Greater Manchester Integrated Transport Authority

Audit 2008/09

November 2009



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Status of our reports

The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission explains the respective responsibilities of auditors and of the audited body. Reports prepared by appointed auditors are addressed to non-executive directors/ members or officers. They are prepared for the sole use of the audited body. Auditors accept no responsibility to:

- any director/member or officer in their individual capacity; or
 - any third party.
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Key messages

This report summarises the findings from our 2008/09 audit. It includes messages arising from the audit of your financial statements and the results of the work I have undertaken to assess your arrangements to secure value for money in your use of resources.

Audit opinion

- 1 I issued an unqualified opinion on the Authority's financial statements on 30 September 2009. Before giving my opinion, I reported to the Audit Committee on the findings of the 2008/09 audit.
 - 2 The Authority met all statutory deadlines for the production of the financial statements and provided comprehensive working papers in accordance with agreed requirements and timescales.
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Financial statements

- 3 During the course of the audit I raised a number of queries with officers of the Authority. I am pleased to report that these were responded to promptly.
 - 4 The arrangements in place for production of your financial statements have again proven to be effective, enabling the Authority to meet statutory deadlines and produce good quality accounts. I am pleased to report that the quality of supporting working papers and presentation of the financial statements has continued to improve.
 - 5 The Authority's group accounts were amended following audit to remove intra-group transactions, to reflect the financing of group capital expenditure and to reflect the audit amendments made to the Greater Manchester Passenger Transport Executive (GMPTE's) 2008/09 accounts.
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Whole of government accounts

- 6 The Authority is required to submit a whole of government accounts 'consolidation pack' to the Department for Communities and Local Government (DCLG) and I am required, as your auditor, to undertake a range of procedures and report on the pack.
 - 7 The Authority provided the consolidation pack on a timely basis, enabling me to conclude my review and submit the pack to DCLG in accordance with the prescribed timescale.
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Value for money

- 8 I issued an unqualified opinion on the Authority's arrangements for securing economy, efficiency and effectiveness in the use of resources on 30 September 2009. I qualified the Authority's 2007/08 value for money conclusion in September 2008 as the Authority had not put in place adequate arrangements to manage its significant business risks or to produce a Medium Term Financial Strategy designed to deliver its strategic objectives.
- 9 I am satisfied that the Authority has made sufficient improvements during the 2008/09 financial year and now performs at least adequately in all areas assessed under the Audit Commission's Value for Money framework.
- 10 There remains scope for the Authority to further improve its risk management arrangements, particularly by preparing its own risk management strategy and documenting assurance and scrutiny arrangements in relation to the Passenger Transport Executive's management of its own risks.

Audit fees

- 11 I have contained my audit fee to the total previously agreed with you for the 2008/09 audit.

Table 1 **Audit fees**

	Actual	Proposed	Variance
Financial statements and annual governance statement and whole of government accounts	49,537	49,537	0
Value for money	13,463	13,463	0
Total audit fees	63,000	63,000	0

Actions

- 12 Recommendations are shown within the body of this report and have been agreed with the Authority.

Independence

- 13 I can confirm that the audit has been carried out in accordance with the Audit Commission's policies on integrity, objectivity and independence.

Financial statements and annual governance statement

The Authority's financial statements and annual governance statement are an important means by which the Authority accounts for its stewardship of public funds.

Material weaknesses in internal control

14 I did not identify any significant weaknesses in your internal control arrangements.

Accounting Practice and financial reporting

- 15 I considered the qualitative aspects of your financial reporting. I am pleased to report that management agreed to correct all non-trivial errors identified during the course of the audit.
- 16 Manchester City Council (the Council) acts as the host body for the Authority and provide accounting and financial services to the Authority under contract. One aspect of this is to manage any surplus cash balances the Authority has from time to time and invest them through a group banking arrangement with the Council. During 2008/09 the Authority invested funds on a short-term basis with the Council but the funds were not transferred from the Authority's bank account to the Council's bank account. As a result the amount the Authority had invested with the Council at the year end could not be determined with absolute accuracy but was in the region of £20 million. The Authority considers that this mechanism provides additional security compared to investments in the money markets and generated a better return than the Government's own deposit account.
- 17 The Authority identified that they could make improvements to formalise the administration of deposits between the Authority and Council in the same way that deposits with other institutions are managed. The Authority is also considering operating a stand-alone bank account outside of the Council's group banking arrangement.

Value for money conclusion

I assessed whether the Authority put in place adequate corporate arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the value for money (VFM) conclusion.

VFM conclusion

- 18** I assessed your arrangements to secure economy, efficiency and effectiveness in your use of resources against criteria specified by the Audit Commission. From 2008/09, the Audit Commission will specify each year, which of the use of resources key lines of enquiry are the relevant criteria for the VFM conclusion at each type of audited body. The key factors that I took into account in reaching my conclusions on each of the areas are set out below.
- 19** I issued an unqualified conclusion stating that the Authority had adequate arrangements to secure economy, efficiency and effectiveness in its use of resources.

Financial planning

- 20** The Authority approved a comprehensive, balanced and realistic budget for 2008/09 and reported a small surplus for the year. The Authority approved the Passenger Transport Executive's 2008-2011 Business Plan which is prepared to achieve the Authority's strategic objectives. The Plan included detailed budget information for the 2008/09 financial year and summary budget information for future years.
- 21** Following the outcome of the referendum on the Greater Manchester Transport Innovation Fund (TIF) bid, the Association of Greater Manchester Authorities (AGMA) formally resolved in December 2008 not to pursue the TIF proposals.
- 22** In January 2009 the Authority commissioned the Greater Manchester Passenger Transport Executive (GMPTE) to prioritise transport investment proposals in Greater Manchester and began to identify funding scenarios. AGMA and the Authority agreed in May and June 2009 to establish a Greater Manchester Transport Fund, incorporating prioritised transport schemes based on delivery of the maximum economic benefit.
- 23** Capital funding of approximately £1.5 billion has initially been identified for the fund from Authority levy contributions, future fare revenues, prudential borrowings, regional funding allocations, DfT and local transport plan funding. This funding will be used to deliver prioritised transport schemes in the period from 2009 to 2019.
- 24** GMPTE will act as the delivery body for the public transport schemes within the Transport Fund, with assistance from the Greater Manchester district councils as appropriate. The PTE is putting in place a dedicated Programme Team and Programme Board to provide direction and co-ordination across the public transport schemes within the Transport Fund. At scheme level, Project Management Plans will be developed to detail how each scheme will be delivered.

Value for money conclusion

- 25 A governance and assurance structure has been established for the Transport Fund. A multi-disciplinary Programme Assurance team will report quarterly to the PTE's Programme Board and updates are to be provided to the Authority and AGMA on a regular basis.

Understanding costs and achieving efficiencies

- 26 The Authority has a sound understanding of its costs and performance. Together with the Association of Greater Manchester Authorities, the Authority monitors the progress made by the Passenger Transport Executive in achieving efficiencies.
- 27 The Authority has undertaken efficiency and improvement reviews during 2008/09 in priority areas of flexible transport services and safety and security. The Authority also achieved savings in the cost of its governance functions through implementing a more streamlined committee structure.

Financial reporting

- 28 The Authority monitors the consolidated Authority and Passenger Transport Executive budget regularly throughout the year. Budget monitoring is relevant, reliable and accompanied by a commentary on an exception reporting basis.
- 29 The Authority prepared its accounts in accordance with statutory requirements and timetables and provided adequate working papers for audit purposes. The Authority's audited 2007/08 and 2008/09 accounts are available on its website.

Risk management and internal control

- 30 The Authority approved its risk register, which reflects the Authority's strategic objectives, in June 2008 and has kept this under regular review.
- 31 The Authority acknowledges that further work is required to improve its risk management arrangements and has planned further risk management training for members. The Authority does not currently have its own risk management strategy, although the management of the risks to the delivery of the Authority's aims and objectives is largely conducted through the Passenger Transport Executive's own arrangements which are overseen by senior Authority officers. In the context of the significant investments to be made through the Transport Fund, it is important that the Authority drives improvement in its risk management arrangements.

Recommendation

- R1** The Authority should prepare its own risk management strategy and document its assurance and scrutiny arrangements in relation to the Passenger Transport Executive's management of its own risks.

Closing remarks

- 32** I have discussed and agreed this letter with the Authority's officers. I will present this letter at the Audit Committee and will provide copies to all Authority members.
- 33** Further detailed findings, conclusions and recommendations in the areas covered by our audit are included in the reports issued to the Authority during the year.

Table 2 **Reports issued**

Report	Date issued
Audit Plan	September 2008
Report to those charged with governance	September 2009
Opinion on financial statements	September 2009
Value for money conclusion	September 2009
Annual Audit Letter	November 2009

- 34** The Authority has taken a positive and constructive approach to our audit. I wish to thank the Authority's staff for their support and co-operation during the audit.

Jackie Bellard
 District Auditor
 November 2009

The Audit Commission

The Audit Commission is an independent watchdog, driving economy, efficiency and effectiveness in local public services to deliver better outcomes for everyone.

Our work across local government, health, housing, community safety and fire and rescue services means that we have a unique perspective. We promote value for money for taxpayers, auditing the £200 billion spent by 11,000 local public bodies.

As a force for improvement, we work in partnership to assess local public services and make practical recommendations for promoting a better quality of life for local people.

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