

A meeting of the
WECA Audit Committee

will be held on

Date: Thursday, 10 December 2020
Time: 1.30 pm
Place: Zoom virtual meeting, to be broadcast on the WECA YouTube channel

Please note that the 10 December 2020 WECA Audit Committee will be broadcast via this link:
<https://youtu.be/x-9sxSkMDQg>

Notice of this meeting is given to members of the West of England Audit Committee as follows

Cllr Gary Hopkins, Bristol City Council
Mark Hatcliffe, Independent Member of WECA Audit Committee
Cllr Geoff Gollop, Bristol City Council
Cllr Andy Wait, Bath and North East Somerset Council
Cllr Tom Davies, Bath and North East Somerset Council
Cllr Mark Bradshaw, Bristol City Council
Cllr Cleo Lake, Bristol City Council
Cllr Brenda Massey, Bristol City Council
Cllr Donald Alexander, Bristol City Council
Cllr John Ashe, South Gloucestershire Council
Cllr John O'Neill, South Gloucestershire Council
Cllr Brenda Langley, South Gloucestershire Council

Enquiries to:

West of England Combined Authority Office
Rivergate 3
Temple Way
Bristol, BS1 6ER
Email: democratic.services@westofengland-ca.gov.uk
Tel: 0117 456 6982

Members of the public may:

- Attend all WECA Committee and Sub-Committee meetings unless the business to be dealt with would disclose 'confidential' or 'exempt' information.
- Inspect agendas and public reports five clear working days before the date of the meeting.
- Inspect agendas, reports and minutes of all WECA Committees and Sub-Committees for up to six years following a meeting.
- Inspect background papers used to prepare public reports for a period of up to four years from the date of the meeting.
- Have access to a list setting out the decision making powers the WECA has delegated to their officers and the title of those officers.
- For further information about this agenda or how the Council works please contact Democratic Services, telephone 0117 42 86210 or e-mail: democratic.services@westofengland-ca.gov.uk

1. WELCOME AND INTRODUCTIONS

2. APOLOGIES FOR ABSENCE

To receive apologies for absence from Members.

3. DECLARATIONS OF INTEREST UNDER THE LOCALISM ACT 2011

Members who consider that they have an interest to declare are asked to: a) State the item number in which they have an interest, b) The nature of the interest, c) Whether the interest is a disclosable pecuniary interest, non-disclosable pecuniary interest or non-pecuniary interest. Any Member who is unsure about the above should seek advice from the Monitoring Officer prior to the meeting in order to expedite matters at the meeting itself.

4. MINUTES OF THE MEETING HELD 16 OCTOBER 2020

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To consider and approve the minutes from the 16 October 2020 meeting of the West of England Combined Authority Audit Committee.

5. ITEMS FROM THE PUBLIC (QUESTIONS; PETITIONS; STATEMENTS)

Note: WECA virtual public committee meetings are currently being arranged as 'Zoom' video conferencing meetings, broadcast on the WECA YouTube channel.

Please note: the 10 December 2020 West of England Combined Authority Audit Committee will be broadcast via this link:

<https://youtu.be/x-9sxSkMDQg>

WRITTEN PUBLIC QUESTIONS

1. Any member of the public can submit a maximum of two written questions to this meeting.

2. The deadline for the submission of questions is 5.00 pm, at least 3 clear working days ahead of a meeting. For this meeting, the deadline for questions is 5.00 pm on Friday 4 December 2020.

3. Questions should be addressed to the Chair of the meeting and e-mailed to democratic.services@westofengland-ca.gov.uk

4. Under the direction of the Chair, wherever possible, written replies to questions will be sent to questioners by the end of the working day prior to the meeting.

5. Please note - under WECA committee procedures, there is no opportunity for oral supplementary questions to be asked at committee meetings.

6. Questions and replies will be circulated to committee members in advance of the meeting and published on the WECA website.

PUBLIC STATEMENTS

1. Any member of the public may submit a written statement (or petition) to this meeting.

2. Please note that one statement per individual is permitted.

3. Statements must be submitted in writing and received by the deadline of 12 noon on the working day before the meeting. For this meeting, the deadline for statements is 12 noon on Wednesday 9 December 2020. Statements should be emailed to

democratic.services@westofengland-ca.gov.uk

4. Statements will be listed for the meeting in the order of receipt. All statements will be sent to committee members in advance of the meeting and published on the WECA website.

5. Please note – if any member of the public wishes to ‘attend’ the virtual meeting to orally present their statement, they are asked please to notify the WECA Democratic Services team of this by 12 noon on the working day before the meeting at latest.

6. In presenting a statement at the meeting, members of the public are generally permitted to speak for up to 3 minutes each if they so wish. The total time available for the public session at this meeting is 30 minutes. Within the time available, every effort will be made to enable individuals to verbally present their statements; at the discretion of the Chair, speaking time may sometimes be reduced depending on how many public items are received.

6. CHAIR'S BUSINESS / ANNOUNCEMENTS

7. GRANT THORNTON ANNUAL AUDIT LETTER 2019/20

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The Grant Thornton Annual Audit Letter summarises the key findings arising from the work that they have carried out at the West of England Combined Authority for the year ended 31 March 2020.

The Letter provides a commentary on the results of Grant Thornton's work to the Authority and external stakeholders, and to highlight issues that they wish to draw to the attention of the public.

Also included is the 2019/20 'Audit Findings Report' highlighting updated information received since the draft report was presented to the audit committee on 16 October 2020.

8. TREASURY MANAGEMENT STRATEGY 2021/22 AND TREASURY MANAGEMENT 2020/21 MONITORING UPDATE

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The Chartered Institute of Public Finance and Accountancy's, (CIPFA), Treasury Management in the Public Services Code of Practice, requires the authority to approve a Treasury Management Strategy before the start of each financial year. The 2021/22 Strategy will be submitted to the January 2021 WECA Committee for approval alongside the 2021/22 budget papers.

9. INTERNAL AUDIT UPDATE

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To update the Committee on Internal Audit work in 2020/21.

Next meeting: Thursday, 25 February 2021

Agenda Item 4

West of England Combined Authority WECA Audit Committee

Friday, 16 October 2020, 2pm

Meeting held “virtually”

Present:

Cllr Gary Hopkins, Bristol City Council
Mark Hatcliffe, Independent Member of WECA
Audit Committee
Cllr Geoff Gollop, Bristol City Council, Chair
Cllr Andy Wait, Bath and North East Somerset
Council
Cllr Tom Davies, Bath and North East Somerset
Council
Cllr Mark Bradshaw, Bristol City Council

Cllr Brenda Massey, Bristol City Council
Cllr Donald Alexander, Bristol City Council
Cllr John Ashe, South Gloucestershire Council
Cllr John O'Neill, South Gloucestershire Council
Cllr Brenda Langley, South Gloucestershire
Council

Officers In Attendance:

Malcolm Coe, Director of Investment and
Corporate Services
Selonge Russell, Head of Finance

Steve Finnegan, Financial Accountant
Jeff Wring, Audit West, Internal Audit
Pete Charles, Audit West, Internal Audit
Barrie Morris, Grant Thornton, External Audit

Apologies:

Cllr Cleo Lake, Bristol City Council

Minutes

1	WELCOME AND INTRODUCTIONS The Chair welcomed everybody to the meeting which was being held virtually via zoom and broadcast on the authority's youtube channel.
2	APOLOGIES FOR ABSENCE An apology for absence had been received from Cllr Cleo Lake.
3	DECLARATIONS OF INTEREST UNDER THE LOCALISM ACT 2011 There were no declarations of interest declared.
4	MINUTES OF THE MEETING HELD 17 JULY 2020 The minutes of the meeting held on 17 July 2020 were agreed as a correct record.
5	ITEMS FROM THE PUBLIC (QUESTIONS; PETITIONS; STATEMENTS) The meeting received one question and four statements from members of the public as follows. All the public submissions had been circulated to the Committee prior to the meeting and were published on the Authority's website. Questions: 1. Dick Daniel - Subject: Investment in Road Building and Road Improvements (the response to the question had been circulated to the questioner prior to the meeting).

	<p>Statements:</p> <ol style="list-style-type: none"> 1. Dick Daniel – Trams/light rail 2. Dave Redgewell – Transport Issues 3. Christina Biggs – Rail and Transport Issues 4. Andy O’Brien - WECA’s transport thinking and funding strategies <p>Dave Redgewell, Christina Biggs and Andy O’Brien attended the meeting and addressed the Committee on the topics of their statements in accordance with the Authority’s procedural rules.</p> <p>The Chair stated that as the matters raised did not fall within the remit of the WECA Audit Committee the remarks would be forwarded to Mayor Bowles and Cllr Stephen Clarke (as Chair of WECA’s Overview & Scrutiny Committee) for their consideration.</p>
6	<p>CHAIR’S BUSINESS / ANNOUNCEMENTS</p> <p>No items were raised.</p>
7	<p>STATUTORY ACCOUNTS 2019/20</p> <p>Malcolm Coe, Director of Investment and Corporate Services presented a report to Members setting out the West of England Combined Authority’s Annual Statement of Accounts for 2019-20 for their review and approval. The following had been appended to the report:</p> <p>Appendix 1 – Grant Thornton (ISA 260) Audit Findings Report Appendix 2 – WECA Statement of Accounts for 2019/20 Appendix 3 – Letter of Representation.</p> <p>The Authority had been assessed as a viable ‘going concern’ although it was noted that future uncertainty on volatile funding streams, such as 100% Business Rate Retention and Mayoral Capacity funding, remained risks that were being kept under regular review.</p> <p>Barrie Morris, Grant Thornton (External Auditors) attended the meeting and raised the following points in respect of the Audit Findings:</p> <ul style="list-style-type: none"> • Draft Accounts had been provided well before the deadline on 22 July 2020 and asked that the efforts of the finance team be placed on record, especially during the additional challenges of the current situation; • Receipt of letter of assurance of Avon Pensions Fund had not yet been received but was expected soon; • This would be the last year of a scored value for money conclusion – significant progress had been made in terms of recommendations from previous years; • A Covid update appendix was included and no additional issues had been found – no material uncertainty needed to be made in terms of pension investments; • There were no issues regarding ‘going concerns’; • Pages 36-37 set out the three recommendations made and management’s response thereon; • All of last year’s recommendations had been fully implemented; • Adjustments in relation to 5G had been included in error on page 39; • Audit Fees – the Audit had taken longer due to Covid and further discussions on the final fee would take place; • The Audit opinion was set out on pages 43-45;

	<p>The Committee discussed the report and the following points were raised:</p> <ul style="list-style-type: none"> • In regards to the payroll archive data management - confirmation was sought on whether this process had been completed. This related to information held by Bath & North East Somerset and the issue was in regards to historical data and internal audit would follow this up later in the year; • Inflation assumption – was this better or worse than the current situation. It was confirmed that this was the actuarial expert opinion from 31 March 2020. Pension Fund liabilities had been reduced since this point. The inflation assumption may change but was based on a long-term forecast; <p>Malcolm Coe assured the Committee that all relevant papers had been made available in respect to the letter of representation and that there was nothing additional to be drawn to Grant Thornton's, or the audit committee's, attention.</p> <p>Resolved:</p> <ul style="list-style-type: none"> (a) To note the content of the External Auditor ISA 260 Audit Findings report (as detailed in Appendix 1); (b) to approve the West of England Combined Authority Annual Statement of Accounts for 2019-20 (as detailed in Appendix 2); (c) to approve the Letter of Representation as detailed at Appendix 3. <p>The Committee placed on its record its appreciation of the hard work undertaken by WECA's finance team in bringing this report to fruition.</p>
8	<p>WECA WHISTLEBLOWING AUDIT REVIEW (2020/21)</p> <p>Jeff Wring, Audit West (Internal Audit) presented the summary findings of the Internal Audit review of WECA's Whistleblowing arrangements following work completed in September 2020. A summary of the initial findings set out in Appendix 1 and the initial management response to these findings were set out in Appendix 2;</p> <p>The following points were raised:</p> <ul style="list-style-type: none"> • The report had been commissioned following a discussion at the last meeting of the Committee; • Whistleblowing was defined as wrongdoing that would harm the public interest and therefore did not include grievance issues for example; • Audit had concluded a reasonable assurance level 3 (satisfactory but room for improvement); • The issues found were around communication of the policy, reporting lines and more formalisation of training for senior officers; • The Committee recommended that the Chair of WECA Audit Committee could be named as a suitable 'independent person' in terms of reporting any concerns; • Some of the recommendations were already starting to be implemented; • Internal Audit would follow-up their recommendations and report back on any changes made by the organisation to the Audit Committee at that point; <p>Resolved:</p> <ul style="list-style-type: none"> (1) That the findings of the Whistleblowing audit at the West of England Combined Authority (WECA) attached at Appendix 1 be noted; (2) That the Management response set out in Appendix 2 be noted;

Next meeting: Thursday, 10 December 2020 at 2.00 pm (virtual meeting to be broadcast on the WECA YouTube channel).
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The meeting closed at 3:00pm.



ITEM: 07

REPORT TO: AUDIT COMMITTEE

DATE: 10 DECEMBER 2020

REPORT TITLE: GRANT THORNTON ANNUAL AUDIT LETTER 2019/20

**DIRECTOR: MALCOLM COE, DIRECTOR OF INVESTMENT &
CORPORATE SERVICES (s73 OFFICER)**

AUTHOR: MALCOLM COE

Purpose of Report

1. The Grant Thornton Annual Audit Letter summarises the key findings arising from the work that they have carried out at the West of England Combined Authority for the year ended 31 March 2020.
2. The Letter provides a commentary on the results of Grant Thornton's work to the Authority and external stakeholders, and to highlight issues that they wish to draw to the attention of the public.
3. Also included is the 2019/20 'Audit Findings Report' highlighting updated information received since the draft report was presented to the audit committee on 16 October 2020.

Impact of Covid-19 pandemic

4. The Combined Authority has actively reviewed its key activities and work programme to reflect changing priorities as a result of the Covid-19 pandemic. Specific issues relating to the Covid-19 situation that impact on or are addressed through this report are as follows:
 - The deadline for the statutory approval of local authority accounts was amended to 30 November 2020 as a result of the Covid situation;
 - WECA has reviewed its 'going concern' status in relation to Covid. We have assessed that Covid has not had any material impact on the authority's accounts for 2019/20.

Recommendations

That the committee:

- (a) note the content of the (Grant Thornton) Annual Audit Letter (as detailed in Appendix 1) and**
- (b) note the (Grant Thornton) Audit Findings Report in relation to WECA's 2019-20 Statement of Accounts (as detailed in Appendix 2).**

Background / Issues for Consideration

5. The Accounts and Audit Regulations (England) 2015 require the Annual Statement of Accounts to be certified by the Chief Financial Officer no later than 31 May each year. Due to the Covid pandemic, this deadline was extended to 31 August 2020 for the 2019/20 Accounts with the deadline for Audit Committee approval extended to 30 November 2020. The Audit Committee approved WECA's 2019/20 Accounts on 16 October 2020.
6. Grant Thornton, as the appointed external auditors for the authority, reported the detailed findings from their audit work in October 2020. At that time there were a few areas remaining to be finalised. All audit work on the Accounts has now been completed with the updated 'Audit Findings Report' detailed as Appendix 2 to this report (highlighting the information which has been updated). Grant Thornton gave an unqualified opinion on WECA's 2019/20 Accounts on 16 November 2020.
7. Appendix 1 is the Annual Audit Letter from Grant Thornton which summarises the key findings from all of the audit work that they have completed for the year ending March 2020.
8. It is again worth noting the significant progress made by the WECA finance team throughout the 2019/20 financial year, being the first year in which we have led our own accounts production process.

Consultation

9. The draft accounts for 2019-20 were published on the West of England Combined Authority website by the required deadline of 31 August 2020 and made available for public inspection as required under the Accounts and Audit Regulations (England) 2015.
10. WECA's Audited Accounts for 2019/20 are published on the authority's website alongside the Audit Findings Report and Letter of Representation.
11. All draft audit committee findings and reports are presented to, and considered by, WECA's Senior Management Team.

Risk Management/Assessment

12. The publication of the Authority's Financial Statements forms a core part of WECA's governance and risk management processes. As required by statute, an Annual

Governance Statement has been published and is integrated within the core Statement of Accounts document.

13. The External Annual Audit Letter details any concerns and findings to the audit committee being the body responsible for governance. There have been no material concerns identified in terms of the audit work undertaken in 2019/20

Public Sector Equality Duties

14. The public sector equality duty created under the Equality Act 2010 means that public authorities must have due regard to the need to:
 - Eliminate unlawful discrimination, harassment and victimization and other conduct prohibited by the Act.
 - Advance equality of opportunity between people who share a protected characteristic and those who do not.
 - Foster good relations between people who share a protected characteristic and those who do not.
15. The Act explains that having due regard for advancing equality involves:
 - Removing or minimising disadvantages suffered by people due to their protected characteristics.
 - Taking steps to meet the needs of people from protected groups where these are different from the needs of other people.
 - Encouraging people from protected groups to participate in public life or in other activities where their participation is disproportionately low.
16. The general equality duty therefore requires organisations to consider how they could positively contribute to the advancement of equality and good relations. It requires equality considerations to be reflected in the design of policies and the delivery of services, including policies, and for these issues to be kept under review.
17. There are no direct implications arising from this report.

Finance Implications, including economic impact assessment where appropriate:

18. The Statement of Accounts reflect the financial accounting position of the Combined Authority as at 31 March 2020 (as required by legislation). Management Accounting reports are published throughout the year evidencing progress and spend against the authority's set budget.
19. Following the 2018/19 audit process we were aware that external audit fees would be increasing, (as they are nationally), due to statutory increases in the scope of audit work. As such, WECA have made suitable provision within the revenue budget set for 2020/21.

Legal Implications:

20. The publication and audit of the Authority's Financial Statements is in accordance with the Accounts and Audit Regulations (England) 2015.

Appendices:

Appendix 1 – Grant Thornton Annual Audit Letter for the year ending 31 March 2020

Appendix 2 – Grant Thornton (ISA 260) Audit Findings Report

Background papers:

WECA Statement of Accounts 2019-20: Audit Committee 16 October 2020

WECA 2019/20 Statement of Accounts Draft Narrative Report: Audit Committee 17 July 2020

WECA Annual Governance Statement 2019/20: Audit Committee 17 July 2020

West of England Combined Authority Contact:

Any person seeking background information relating to this item should seek the assistance of the contact officer for the meeting who is Ian Hird / Tim Milgate on 0117 332 1486; or by writing to West of England Combined Authority, 3 Rivergate, Temple Way, Bristol BS1 6ER; email: democratic.services@westofengland-ca.gov.uk

The Annual Audit Letter for the West of England Combined Authority

Year ended 31 March 2020

25/11/2020



Contents



Your key Grant Thornton
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Section

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2. Audit of the Financial Statements
3. Value for Money conclusion

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Appendices

- A Reports issued and fees

Executive Summary

Purpose

Our Annual Audit Letter (Letter) summarises the key findings arising from the work that we have carried out at West of England Combined Authority (the Authority for the year ended 31 March 2020).

This Letter is intended to provide a commentary on the results of our work to the Authority and 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 and Auditor Guidance Note (AGN) 07 – 'Auditor Reporting'. We reported the detailed findings from our audit work to the Authority's Audit Committee as those charged with governance in our Audit Findings Report on 16 October 2020.

Our work

Materiality	We determined materiality for the audit of the Authority's financial statements to be £1,150,000, which is 1.5% of the Authority's gross expenditure.
Financial Statements opinion	We gave an unqualified opinion on the Authority's financial statements on 18 November 2020.
Whole of Government Accounts (WGA)	We undertook work which confirmed the Authority was below the audit threshold and therefore submitted the return confirming this to the NAO on 18 November 2020.
Use of statutory powers	We did not identify any matters which required us to exercise our additional statutory powers.
Value for Money arrangements	We were satisfied that the Authority put in place proper arrangements to ensure economy, efficiency and effectiveness in its use of resources. We reflected this in our audit report to the Authority on 18 November 2020.
Certificate	We certified that we have completed the audit of the financial statements of West of England Combined Authority in accordance with the requirements of the Code of Audit Practice on 18 November 2020.

Working with the Authority

We would like to take this opportunity to record our appreciation for the assistance and timely collaboration provided by the finance team and other staff during these unprecedented times. Further, we would like to acknowledge the significant progress made by the finance team in addressing the improvement areas we identified in the preparation of the financial statements following last years audit.

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

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

Grant Thornton UK LLP
November 2020

Audit of the Financial Statements

Our audit approach

Materiality

In our audit of the Authority's financial statements, 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 the audit of the Authority's financial statements to be £1,150,000, which is 1.5% of the Authority's gross expenditure. We used this benchmark as, in our view, users of the Authority's financial statements are most interested in where the Authority has spent its revenue in the year.

We also set a lower level of specific materiality for senior officer remuneration of £20,000.

We set a lower threshold of £57,500 above which we reported errors to the Audit Committee in our Audit Findings Report.

The scope of our audit

Our audit involves obtaining sufficient 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:

- the accounting policies are appropriate, have been consistently applied and adequately disclosed;
- the 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 remainder of the Statement of Accounts to check it is consistent with our understanding of the Authority and with the financial statements included in the Statement of Accounts on which we gave our opinion.

We carry out our audit in accordance with ISAs (UK) and the NAO Code of Audit Practice. We believe that 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 the Authority's business and is 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 Financial Statements

Significant Audit Risks

These are the significant 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	Findings and conclusions
<p>Covid-19</p> <p>The Covid-19 pandemic brought heightened uncertainty on the valuation of assets and liabilities as at the financial year end. In addition, the associated restrictions on movement and remote working produced challenges to the normal processes and having access to key information to produce the financial statements and required greater scepticism from auditors in assessing the veracity of supporting evidence provided for key financial transactions and balances.</p>	<p>As part of our audit work we have:</p> <ul style="list-style-type: none"> • worked with management to understand the implications the response to the Covid-19 pandemic had on the organisation's ability to prepare the financial statements and update financial forecasts and assessed the implications for our materiality calculations. No changes were made to materiality levels as a result of Covid-19. The draft financial statements were provided on 22 July 2020; • liaised with other audit suppliers, regulators and government departments to co-ordinate practical cross-sector responses to issues as and when they arose; • evaluated the adequacy of the disclosures in the financial statements that arose in light of the Covid-19 pandemic; • evaluated whether sufficient audit evidence could be obtained through remote technology; • evaluated whether sufficient audit evidence could be obtained to corroborate significant management estimates such as the pension fund liability valuations; and • evaluated management's assumptions that underpin the revised financial forecasts and the impact on management's going concern assessment. 	<p>The finance team responded proactively and positively to our audit enquiries and provided sufficient and appropriate evidence to support transactions and balances within the financial statements.</p>

Audit of the Financial Statements

Significant Audit Risks

These are the significant 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	Findings and conclusions
<p>Valuation of net pension liability Authority's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements.</p> <p>The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£2.7 million in the Authority's balance sheet) and the sensitivity of the estimate to changes in key assumptions.</p> <p>We therefore identified valuation of the Authority's pension fund net liability as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>As part of our audit work we have:</p> <ul style="list-style-type: none"> • updated our understanding of the processes and controls put in place by management to ensure that the Authority's pension fund net liability is not materially misstated, and evaluated the design of the associated controls; • evaluated the instructions issued by management to their management expert (the actuary) for this estimate, and the scope of the actuary's work; • assessed the competence, capabilities and objectivity of the actuary who carried out the Authority's pension fund valuation; • assessed the accuracy and completeness of the information provided by the Authority to the actuary to estimate the liability; • tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary; • undertook procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performed additional procedures suggested within the report; and • obtained assurances from the auditor of Avon Pension Fund as to the controls surrounding the validity and accuracy of membership data, contributions data, and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements 	<p>Our audit work did not identify any issues in respect of valuation of the net liability. We received the IAS19 letter of assurance from the Pension Fund auditor which noted that there was a material uncertainty in respect to the valuation of property funds owned by Avon Pension Fund. Although a proportion of these assets is attributable to WECA, the value of its share of the property assets is not material to WECA and therefore, in our view, we agreed that there was no need for a material uncertainty to be disclosed in WECA's financial statements.</p>

Audit of the Financial Statements

Significant Audit Risks

These are the significant 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	Findings and conclusions
<p>Management override of internal controls</p> <p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities.</p> <p>We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>As part of our audit work we have:</p> <ul style="list-style-type: none"> evaluated the design effectiveness of management controls over journals; analysed the journals listing and determined the criteria for selecting high risk unusual journals; tested unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration; and gained an understanding of the accounting estimates and critical judgments applied by management and considered their reasonableness with regard to corroborative evidence. 	<p>Our audit work has not identified any issues in respect of management override of controls.</p>
<p>The revenue cycle includes fraudulent transactions</p> <p>Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue.</p> <p>This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p>	<p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Authority, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> there is little incentive to manipulate revenue recognition opportunities to manipulate revenue recognition are very limited <p>The culture and ethical frameworks of combined authorities, including West of England Combined Authority, mean that all forms of fraud are seen as unacceptable</p>	<p>Our audit work has not identified any issues in respect of fraudulent recognition of revenue.</p>

Audit of the Financial Statements

Audit opinion

We gave an unqualified opinion on the Authority's financial statements on 16 November 2020.

Preparation of the financial statements

The Authority presented us with draft financial statements in July 2020 in accordance with the agreed timescale, and provided a good set of working papers to support them. The finance team responded promptly and efficiently to our queries during the course of the audit.

As highlighted in Appendix A, despite the positive and proactive approach taken by officers at the Authority, the nature of the new remote access working arrangements, i.e. remote accessing financial systems, video calling, and verifying the completeness and accuracy of information produced by the Authority, resulted in additional time to complete the audit and, consequently, the cost of delivering the final audit.

Issues arising from the audit of the financial statements

We reported the key issues from our audit to the Authority's Audit Committee on 16 October 2020.

In addition to the key audit risks reported above, we reported on the good progress that had been made in improving the arrangements for the preparation of financial statements. The in-house finance team had greater stability and capacity which enabled more robust financial statements to be produced for audit. Whilst there were a number of issues arising during the course of the audit, these were reflective of the team becoming more experienced in their roles.

Annual Governance Statement and Narrative Report

We are also required to review the Authority's Annual Governance Statement and Narrative Report. It published them on its website in the Statement of Accounts in October 2020.

Both documents were prepared in line with the CIPFA Code and relevant supporting guidance. We confirmed that both documents were consistent with the financial statements prepared by the Authority and with our knowledge of the Authority.

Whole of Government Accounts (WGA)

We undertook work which confirmed the Authority was below the audit threshold and therefore submitted the return confirming this to the NAO on 18 November 2020.

Certificate of closure of the audit

We certified that we have completed the audit of the financial statements of the West of England Combined Authority in accordance with the requirements of the Code of Audit Practice on 18 November 2020.

Value for Money conclusion

Background

We carried out our review in accordance with the NAO Code of Audit Practice, following the guidance issued by the NAO in April 2020 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 the risks where we concentrated our work.

The risks we identified and the work we performed are set out overleaf.

As part of our Audit Findings report agreed with the Authority in October 2020, we agreed recommendations to address our findings.

Overall Value for Money conclusion

We are satisfied that in all significant respects the Authority put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2020.

Value for Money conclusion

Value for Money Risks

Significant risk

Medium Term Financial Plan (MTFP)

- The Combined Authority did not develop a detailed MTFP in 2018/19. We recognised that WECA is an evolving organisation meaning there are a number of emerging factors which will have an impact on its financial sustainability and medium term financial plan.
- Following the approval in July 2019 of the regional investment programme of £350m to March 2023. WECA has revised its future funding assumptions and formalised a MTFP.
- We will review the revised MTFP prepared as part of the 2020/21 budget process to assess the clarity of the information provided and the factors used to inform the assumptions that underpin the strategy.

Findings and Conclusion

WECA's Local Growth Assurance Framework commits WECA to developing a 20-year programme of investment with a series of indicative allocations based on strategic criteria. Individual schemes are then subject to a business case development process. WECA has adopted an indicative 20-year programme, running to 2035/26 for funding secured from the WEIF, Transforming Cities Fund and other expected income.

As part of the 20-year programme, WECA has developed a 4 year Investment Strategy which deals with the prioritisation and allocation of capital projects up to March 2023. The programme aligns investment proposals with the operating framework, key regional strategies and core objectives. This was approved by the WECA Committee on 19 July 2019. This programme demonstrates a reasonable geographical and functional split across priority areas and will be vital in supporting the first government gateway review of investment progress.

The strategy primarily covers the WECA Investment Fund and Transforming Cities Funding amounting to £350m over the period. The Investment Strategy covers the parameters, priorities, use and constraints of the £1bn Investment Fund and Transforming Cities Funding for the initial period up to March 2023. As reported to the January 2020 WECA committee meeting, WECA had approved £198.9 million of awards and allocations to projects in with an additional £20 million put aside to respond to opportunities and challenges and £7.9m allocated for operating costs and elections to 2023. A further £191.6 million has been allocated for 'tails' of projects but this has not been formally awarded to projects which are in development.

The proposed budget for 2020/21 and Medium-Term Financial Forecast (MTFF) was presented to the West of England Combined Authority Committee in January 2020. This included a three-year capital programme of £76 million which includes both approved and indicative capital schemes. The indicative schemes will need to be brought back to the WECA committee for further approval before they can be progressed. All capital costs are to be met from government grants, devolution investment funding or revenue contributions.

A separate mayoral budget presented also included a 3-year medium term forecast for running costs based on reasonable assumptions in respect of pay and inflation.

The MTFF includes reasonable assumptions in respect of treasury management income with proposed plans to invest any short-term surpluses in reserves to manage future financial risks and projects.

The 2020/21 Revenue budget and MTFF takes account of the £350m WECA Investment Programme. Budget approvals have now been phased over the period to March 2023 to provide an indicative MTFF for the WECA revenue budgets. A Programme approach has been applied to mix and match funding to projects based on timing to ensure best use if made of public funding. The MTFF has been developed to be coterminous with the period of the Investment Programme.

In addition to the projects in delivery, future funding has been allocated by theme on the basis of the Local Industrial Strategy, Joint Local Transport Plan, spatial strategy, and Business Plan. Through comparison with previous projects, an estimation of the potential impact of these allocations can be undertaken. It is emphasised that for this group of schemes this is based on the average performance of historical projects and does not reflect the specific deliverables of forthcoming projects, which are yet to be set.

Value for Money conclusion

Significant risk

Medium Term Financial Plan (MTFP) *continued*

- The Combined Authority did not develop a detailed MTFP in 2018/19. We recognised that WECA is an evolving organisation meaning there are a number of emerging factors which will have an impact on its financial sustainability and medium term financial plan.
- Following the approval in July 2019 of the regional investment programme of £350m to March 2023. WECA has revised its future funding assumptions and formalised the MTFP.
- We will review the revised MTFP prepared as part of the 2020/21 budget process to assess the clarity of the information provided and the factors used to inform the assumptions that underpin the strategy.

Findings and Conclusion

Funding allocations to projects will be subject to successful compliance with the approved assurance stage gate process. All costs must be clearly evidenced, and verified by the WECA Section 73, (Statutory Finance Officer), prior to receiving formal allocation. In addition to criteria that must be applied for every proposed scheme, there are a few criteria that must be applied to the WECA Investment Fund programme as a whole in order to:

- maintain a balanced portfolio of projects;
- ensure sustainability of future resource levels of the fund;
- promote consistency in the allocation and drawdown of funding

A formal process has been developed for responding to forecasted cost over runs, actions are dependent upon the level of overrun and whether the project continues to represent value for money.

The Business Rates Retention Pilot will continue in 2020/21. 2020/21 is the final year of the pilot with 75% Business Rate Retention being implemented nationally from April 2021. The majority of this funding (£17.6m) is payable directly to the mayoral budget to replace the highways and transport grants from the Department for Transport. From 2021/22 onwards it is assumed that government will provide highways and transport capital grants direct to the three unitary authorities. Funding of £1m from the Mayoral Capacity Fund Grant for 2020/21 to meet core operating costs at WECA has no certainty beyond this period. The WECA have started to increase the general fund reserve to manage any future financial risk. This remains at 2 per cent of the 2021/21 revenue.

The MTFP includes reasonable assumptions in respect of specific revenue grant funding including Adult Education Budget (£14.7 million), Housing Capacity Fund (£1 million) and Future Bright grant (£3.6 million). Specific grant income streams amount to £46.4 million over the period to 2022/23. Total revenue funding for 2020/21 of £53 million is included in the MTFP, with a total of £142m to the three years to 2022/23.

WECA continue to integrate the various funding streams available, incorporating the Investment Fund, Transforming Cities Fund, Economic Development Fund, Local Growth Fund, Business Rates Retention and other available grant funding in order to build a longer-term strategic approach to financial planning.

Conclusion

Following the development of a 4-year Investment Programme to prioritise resources and develop detailed projects, WECA formalised a MTFP which was approved by the WECA committee in January 2020. The MTFP is based on valid assumptions and reflects known and agreed projects and associated funding streams once they are confirmed. The plan should remain flexible as new opportunities for projects and funding are identified as well as reflecting any changes that may be required as a result of the Covid-19 pandemic.

Recommendation

Officers should consider producing a single page MTFP to provide a summary of the expected financial outturn.

Value for Money conclusion

Significant risk

Findings and Conclusion

Measuring and Monitoring Performance

- Progress was made during 2018/19 to develop a performance framework and regular performance reporting. The emphasis of the main source of WECA funding has been on feasibility and business case development for various programmes and projects. SMART objectives and planned outcomes could now be linked to the £350m investment programme to March 2023, against which the Authority can measure its impact and effectiveness and be accountable to stakeholder and tax payers.
- We will review progress made in developing and monitoring SMART objectives developed for key projects and key metrics to measure and monitor the performance and impact of the Combined Authority.

The West of England Local Industrial Strategy developed by leaders and businesses from across the region was published in July 2019. It sets out the region's ambitions to be a driving force for clean and inclusive growth. Following the development of the strategy, WECA has worked closely with partners to develop individual projects during 2019. In July 2019, WECA produced a four-year, prioritised investment programme, each approved scheme business case has its own monitoring and evaluation plans. An economic model has been developed which will enable different types of investment (transport, housing, employment land, and other land use changes) or a programme of investment to be considered on a consistent basis, against the criteria of economic output, as measured by the GVA generated by the investment alongside other 'balancing' social, environmental and geographic metrics.

The 2020/21 business plan was agreed by WECA and the Joint Committee in February 2020. The business plan aligns the Local Industry Strategy with the WECA operating framework and identifies strategic activities to be undertaken to realise the ambitions identified in the Local Industrial Strategy. It also provides details of schemes in delivery, funded through the Investment Fund, Local Growth Fund and other funding sources. The business plan set out how the authority are working to meet the two overarching objectives of achieving inclusive economic growth and addressing the climate emergency. Specific actions have been identified to help further progress these priorities.

The business plan includes details of schemes in delivery and business cases in development to present a full picture of WECA's role in delivering infrastructure and providing support to residents and businesses. The LEP delivery plan is incorporated into the business plan along with details of all schemes funded through the Investment Fund, Local Growth Fund and other funding sources to present a full picture of WECA's role in delivering infrastructure and providing support to residents and businesses. The delivery plan focused on specific metrics for LEP-funded activity including Local Growth Fund, Growth Hub and Invest in Bristol and Bath. The LEP delivery plan references relevant indicators for LEP funded activities including businesses supported, jobs created, funding provided and leveraged.

Progress in delivering the business plan is reported quarterly to WECA and Joint Committee. The quarterly progress reports are also shared with the West of England Chief Executives and WECA Overview and Scrutiny Committee. It provides a summary of key achievements and details any significant exceptions to delivery together with mitigating activities, the plan also highlights upcoming activities. An annual report on delivery of the 2019/20 business plan is presented to the WECA and Joint Committee mid year.

In July 2019, the Authority declared a climate emergency, recognising the huge significance of climate change and its impact on the health, safety and wellbeing of the region's residents. The business plan is to be updated following publication of the regional climate emergency action plan which sets out ambitions to reach carbon neutrality by 2030. All proposals and projects will be subject to detailed environmental assessment/consideration as part of their project specific management arrangements.

Value for Money conclusion

Significant risk

Measuring and Monitoring Performance *continued*

- Progress was made during 2018/19 to develop a performance framework and regular performance reporting. The emphasis of the main source of WECA funding has been on feasibility and business case development for various programmes and projects. SMART objectives and planned outcomes could now be linked to the £350m investment programme to March 2023, against which the Authority can measure its impact and effectiveness and be accountable to stakeholder and tax payers.
- We will review progress made in developing and monitoring SMART objectives developed for key projects and key metrics to measure and monitor the performance and impact of the Combined Authority.

Findings and Conclusion

WECA's Local Growth Assurance framework published in November 2019 sets out the prioritisation, appraisal, monitoring and evaluation requirements for each scheme. The framework was shared with Government in November 2019, feedback received from Government was positive and highlighted the strategy included clear logic models, well specified data requirements and clearly allocated responsibility to senior responsible officers.

The monitoring and evaluation framework sets out WECA's overall approach to performance management and provides links to the monitoring and evaluation plans for each activity. This is reviewed on an annual basis and was updated in February 2020. This brings together all WECA's reporting requirements into one place and provides a clear structure for reporting focused on three levels:

- Delivery of Annual Business Plan – this includes in-year activities that support WECA, the LEP, implementation of the devolution deal and elements of longer term project and programme delivery delivered through the Investment Fund and One Front Door Programme.
- Project and Programme delivery - this focuses on schemes funded through the WECA Investment Fund and West of England One Front Door Programme. Evaluation criteria have been established for each project/programme, and progress will be monitored during project and evaluation will be undertaken once projects are completed. Monitoring and evaluation plans are now in place for the majority of projects or are in development and end of project delivery reports will confirm the monitoring activities set out in the Monitoring and Evaluation Plan. All monitoring and evaluation reports will be published on the WECA website. An overall monitoring plan for the investment programme will be reported to the WECA committee periodically, highlighting the extent to which projects have contributed to the overall objectives of WECA.
- Longer Term Organisational Impact - measured through five-year gateway reviews. WECA's first Gateway Review is due in December 2020.

The Authority's main source of funding, the Investment Fund, is the most flexible in terms of timing and availability of both revenue and capital resources. A substantial focus of the fund so far has been on feasibility and business case development work across a number of projects and programmes. During 2019/20 the WECA committee approved a number of business cases within the Investment Fund allocation to 2023 which are currently in delivery. When projects are completed, they will be expected to deliver significant benefits to the period. The 2020-21 Business Plan includes estimates of the impact of the projects, including where matched funding has been leveraged. The impact includes £615m of gross value added; 3,650 jobs; 1,220 people moving into work or gaining increased earnings; 10,220 learners gaining new qualification or skills; 33,000 businesses receiving enterprise support; 19,650m² of commercial floor space enabled; 0.5 million new bus journeys per year; £1.3 million new rail journeys per year; and 5 new railway stations opened. These measures will not capture the full value of the projects, which will provide a range of specific benefits, some of which are hard to estimate precisely at this stage. The committee are to be regularly updated on the impacts as more schemes progress through to delivery and completion. Clearly the impact of Covid-19 needs to be considered in relation to these targets and an assessment made of whether the current measures are appropriate or need to be revisited.

Value for Money conclusion

Significant risk

Measuring and Monitoring Performance *continued*

- Progress was made during 2018/19 to develop a performance framework and regular performance reporting. The emphasis of the main source of WECA funding has been on feasibility and business case development for various programmes and projects. SMART objectives and planned outcomes could now be linked to the £350m investment programme to March 2023, against which the Authority can measure its impact and effectiveness and be accountable to stakeholder and tax payers.
- We will review progress made in developing and monitoring SMART objectives developed for key projects and key metrics to measure and monitor the performance and impact of the Combined Authority.

Findings and Conclusion

WECA have identified a number of 'regional indicators' across the priorities of the operating framework. They summarise the state of the region for each priority area and WECA have concluded that the activities set out in the Business Plan will contribute to positive change. WECA do not have total control over these measures due to many other factors playing a role, but they have established a baseline position and indicators have been developed across the priority areas of economic growth, climate emergency, inclusive growth, infrastructure, business and skills.

It will be important to be able to provide some robust evidence of outputs both to the public and as part of the first government gateway review scheduled to report in December 2020 on the impact achieved by the Investment Fund. The review is currently ongoing and six projects have been identified which will provide the focus for the first review. As part of the context for the evaluation, a tailored baseline forecast has been developed using historic data and modelling to provide a 'baseline projection' in terms of employment, GVA and productivity which can then be compared to actual outcomes as part of the gateway review. WECA are collecting monitoring data on expenditure and delivery of outputs and outcomes to inform the evaluation.

Conclusion

Good progress has been made during 2019/20 to further develop and embed a performance framework. Tangible metrics have been developed for each strategic theme of the WECA operating model detailing existing baselines and anticipated progress to be made by 2023. A baseline has now been formalised and SMART objectives developed against key projects and key metrics against which the Authority can measure its impact and effectiveness and be accountable to stakeholders and taxpayers.

Recommendations

WECA should consider the use of RAG rating to clearly highlight where indicators have improved in the last year.

WECA will now need to consider the impact that the covid-19 pandemic will have on the regions' plans for achieving inclusive economic growth and addressing the climate emergency and potential refocus on priorities.

A. Reports issued and fees

Audit fees	Proposed fee
Combined Authority scale fee	18,634
Additional proposed audit fee at planning stage	11,750
Total proposed audit fees (excluding VAT) at planning	£30,384
Further additional fees proposed at completion	4,558
Total proposed audit fees (excluding VAT) on completion	£34,942

Reports issued

Report	Dated issued
Audit Plan	3 February 2020
Audit Findings Report	16 October 2020 (Updated 18 November 2020)
Annual Audit Letter	27 November 2020

We confirm above our final fees charged for the audit and final reports issued.

There were no fees for the provision of non audit services.

The West of England Combined Authority Audit Plan presented in February 2020 included £11,750 of proposed addition fees to the scale fee to take account of the additional scepticism required on the audit, the raising of the bar by our regulator and the further work arising from local developments, including increased activity by the Authority since its inception. This is reflected in the total proposed audit fees at planning above.

Since the presentation of the audit plan, we have added a significant risk to the audit following the impact of Covid-19. We have now reflected on the time taken to discharge our responsibilities this year and are proposing a further increase in fees of £4,558 in addition to those proposed at the planning stage of the audit. This brings the total proposed audit fee up to £34,942. Further details on the breakdown is provided on the next page.

This further charge has not been entered into lightly but reflects only a proportion of the significant additional work we have had to undertake this year to discharge our responsibilities.

We have been discussing this issue with PSAA over the last few months and note these issues are similar to those experienced in the commercial sector and NHS. In both sectors there has been a recognition that audits will take longer with commercial audit deadlines being extended by four months and NHS deadline by a month. The FRC has also issued guidance to companies and auditors setting out its expectation that audit standards remain high and of additional work needed across all audits. The link attached <https://www.frc.org.uk/covid-19-guidance-and-advice> (see guidance for auditors) sets out the expectations of the FRC.

We have discussed and agreed these additional fees with the Director of Investment and Corporate Services. Please note that these proposed additional fees are subject to approval by PSAA in line with the Terms of Appointment.

Appendix A – West of England Combined Authority audit fee variations – Further analysis

Final proposed audit fees

The table below shows the proposed variations to the original scale fee for 2019/20 subject to PSAA approval.

Audit area	£	Rationale for fee variation
Scale fee	£18,634	
Raising the bar	2,500	The Financial Reporting Authority (FRC) has highlighted that the quality of work by all audit firms needs to improve across local audit. This will require additional supervision and leadership, as well as additional challenge and scepticism in areas such as journals, estimates, financial resilience and information provided by the entity.
Pensions – valuation (IAS) 19	1,750	We have increased the granularity, depth and scope of coverage, with increased levels of sampling, additional levels of challenge and explanation sought, and heightened levels of documentation and reporting.
Developments, new standards and local issues	7,500	The role and scope of the West of England Combined Authority's functions have changed significantly over the last two years due to its success in applying for, and obtaining, funding for new projects and initiatives beyond their original scope and objectives. As a consequence of this growth, the Authority has become more complex with a wider range of risks and increased sample sizes and testing. In addition, the Authority has had challenges in producing accurate financial statements with adequate supporting schedules and working papers. The increased complexity of the organisation and its activities presents further risks to the timely delivery of the financial statements.
Revised planning fee	£30,384	
Covid-19	4,558	<p>Over the past six months the current Covid-19 pandemic has had a significant impact on all of our lives, both at work and at home. The impact of Covid-19 on the audit of the financial statements for 2019/20 has been multifaceted. This includes:</p> <ul style="list-style-type: none"> • Revisiting planning - we have needed to revisit our planning and refresh risk assessments, materiality and testing levels. This has resulted in the identification of a significant risk at the financial statements level in respect of Covid-19 necessitating the issuing of an addendum to our original audit plan as well as additional work on areas such as going concern and disclosures in accordance with IAS1 particularly in respect to material uncertainties. • Management's assumptions and estimates - there is increased uncertainty over many estimates including pension and other investment valuations. Many of these valuations are impacted by the reduction in economic activity and we are required to understand and challenge the assumptions applied by management. • Financial resilience assessment – we have been required to consider the financial resilience of audited bodies. Our experience to date indicates that Covid-19 has impacted on the financial resilience of all local government bodies. This has increased the amount of work that we need to undertake on the sustainable resource deployment element of the VFM criteria necessitating enhanced and more detailed reporting in our ISA260. • Remote working – the most significant impact in terms of delivery is the move to remote working. We, as other auditors, have experienced delays and inefficiencies as a result of remote working, including the delays in receiving accounts, quality of working papers, and delays in responses. These are understandable and arise from the availability of the relevant information and/or the availability of key staff (due to shielding or other additional Covid-19 related demands). In many instances the delays are caused by our inability to sit with an officer to discuss a query or working paper. Gaining an understanding via Teams or phone is more time-consuming.
Total proposed final audit fees	£34,943	



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The Audit Findings for West of England Combined Authority

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18 November 2020

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The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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Headlines

This table summarises the key findings and other matters arising from the statutory audit of West of England Combined Authority ('WECA') and the preparation of the WECA's financial statements for the year ended 31 March 2020 for those charged with governance.

<p>Covid-19</p>	<p>The outbreak of the Covid-19 coronavirus pandemic has had a significant impact on the normal operations of the WECA. The key impact on WECA has been the change to all staff working from home. The finance team has been able to continue accessing all necessary systems and continued to work as normal despite this change.</p> <p>Authorities are still required to prepare financial statements in accordance with the relevant accounting standards and the Code of Audit Practice, albeit to an extended deadline for the preparation of the financial statements up to 31 August 2020 and the date for audited financials statements to 30 November 2020.</p>	<p>We updated our audit risk assessment to consider the impact of the pandemic on our audit. This required us to make an addendum to our audit plan which has been included as Appendix F. In that addendum we report an additional financial statement risk in respect of Covid -19 and highlight the impact on our VfM approach. Further detail is set out on page 6.</p> <p>Restrictions for non-essential travel has meant both WECA and audit staff have had to work remotely. This has not impacted access to financial systems as staff are well-equipped for remote working, and have been very responsive. We have kept in regular contact via telephone and Teams calls. The financial statements were received well ahead of time on 22 July 2020. The key challenge has been access to data stored in physical form which is kept in the office which was closed until recently.</p>
<p>Financial Statements</p>	<p>Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion, the WECA's financial statements:</p> <ul style="list-style-type: none"> • give a true and fair view of the financial position of WECA's income and expenditure for the year; and • have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014. <p>We are also required to report whether other information published together with the audited financial statements (including the Annual Governance Statement (AGS), Narrative Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p>	<p>Our audit work was completed remotely during July-October 2020. Our findings are summarised on pages 5 to 13. We have identified 3 adjustments to the financial statements that have resulted in a £11k adjustment to the WECA's Comprehensive Income and Expenditure Statement. Audit adjustments are detailed in Appendix C. We have also raised recommendations for management as a result of our audit work in Appendix A. Our follow up of recommendations from the prior year's audit are detailed in Appendix B.</p> <p>Our work is complete, subject to the following outstanding matters;</p> <ul style="list-style-type: none"> • review of the final set of financial statements. <p>We have concluded that the other information to be published with the financial statements is consistent with our knowledge of your organisation.</p> <p>Our anticipated audit report opinion will be unmodified.</p>

Headlines

This table summarises the key findings and other matters arising from the statutory audit of West of England Combined Authority ('WECA') and the preparation of WECA's financial statements for the year ended 31 March 2020 for those charged with governance.

Value for Money arrangements

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report if, in our opinion, the WECA has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources ('the value for money (VfM) conclusion').

We have completed our risk based review of the WECA's value for money arrangements. We have concluded that WECA has proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

We have updated our VfM risk assessment to document our understanding of your arrangements to ensure critical business continuity in the current environment. We have not identified any new VfM risks in relation to Covid-19.

We therefore anticipate issuing an unqualified value for money conclusion, as detailed in Appendix E. Our findings are summarised on pages 14 to 21.

Statutory duties

The Local Audit and Accountability Act 2014 ('the Act') also requires us to:

- report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and
- to certify the closure of the audit.

We have not exercised any of our additional statutory powers or duties.

We have completed the majority of work under the Code and expect to be able to certify the completion of the audit when we give our audit opinion.

Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance and timely collaboration provided by the finance team and other staff during these unprecedented times. Further, we would like to acknowledge the significant progress made by the finance team in addressing the improvement areas we identified in the preparation of the financial statements following last years audit.

Audit approach

Overview of the scope of our audit

This Audit Findings Report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ('the Code'). Its contents have been discussed with management. As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK) and the Code, which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

Audit approach

Our audit approach was based on a thorough understanding of WECA's business and is risk based, and in particular included

- An evaluation of WECA's internal controls environment, including its IT systems and related controls.
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks

We have had to alter our audit plan to reflect our response to the Covid-19 pandemic. This involved the identification of a new significant risk and a review of the materiality levels of the audit. We did not identify any changes in our materiality assessment as a result of the risk identified due to Covid-19.

Conclusion

We have substantially completed our audit of your financial statements and we anticipate issuing an unqualified audit opinion following the Audit Committee meeting on 16 October 2020, as detailed in Appendix E. These outstanding items are identified on page 3.

Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

We have revised our materiality at year end following the receipt of the year end statements. For the final audit our materiality was set at £1.15m as opposed to £1.50m reported in the Audit plan dated 3 February 2020.

	Amount (£)	Qualitative factors considered
Materiality for the financial statements	£1,150,000	Prior year adjustments and delays in accounts preparation
Performance materiality	£863,000	
Trivial matters	£57,500	
Materiality for remuneration of senior officers disclosure	£20,000	

Significant audit risks

Risks identified in our Audit Plan

Auditor commentary

Covid- 19

We:

- worked with management to understand the implications the response to the Covid-19 pandemic had on the organisation's ability to prepare the financial statements and update financial forecasts and assessed the implications for our materiality calculations. No changes were made to materiality levels as a result of Covid-19. The draft financial statements were provided on 22 July 2020;
- liaised with other audit suppliers, regulators and government departments to co-ordinate practical cross-sector responses to issues as and when they arose;
- evaluated the adequacy of the disclosures in the financial statements that arose in light of the Covid-19 pandemic;
- evaluated whether sufficient audit evidence could be obtained through remote technology;
- evaluated whether sufficient audit evidence could be obtained to corroborate significant management estimates such as the pension fund liability valuations; and
- evaluated management's assumptions that underpin the revised financial forecasts and the impact on management's going concern assessment.

The revenue cycle includes fraudulent transactions

We rebutted this risk in our Audit Plan. Our assessment has not changed since the issue of the Audit Plan.

Significant audit risks

Risks identified in our Audit Plan

Management override of controls

Auditor commentary

We:

- evaluated the design effectiveness of management controls over journals;
- analysed the journals listing and determined the criteria for selecting high risk unusual journals;
- tested unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration; and
- gained an understanding of the accounting estimates and critical judgments applied by management and considered their reasonableness with regard to corroborative evidence.

Our audit work has not identified any issues in respect of management override of controls.

Valuation of pension fund net liability

We:

- updated our understanding of the processes and controls put in place by management to ensure that the Authority's pension fund net liability is not materially misstated, and evaluated the design of the associated controls;
- evaluated the instructions issued by management to their management expert (the actuary) for this estimate, and the scope of the actuary's work;
- assessed the competence, capabilities and objectivity of the actuary who carried out the Authority's pension fund valuation;
- assessed the accuracy and completeness of the information provided by the Authority to the actuary to estimate the liability;
- tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary;
- undertook procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performed additional procedures suggested within the report; and
- obtained assurances from the auditor of Avon Pension Fund as to the controls surrounding the validity and accuracy of membership data, contributions data, and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements

Our audit work has not identified any issues in respect of valuation of the net liability. **We have received the IAS19 letter of assurance from the Pension Fund auditor which notes there is a material uncertainty in respect to the valuation of property funds owned by Avon Pension Fund.** Although a proportion of these assets is attributable to WECA, the value of your share of the property assets is not material to WECA and therefore, in our view, we agree that there is no need for a material uncertainty to be disclosed in WECA's financial statements.

Other audit risks

Risks identified in our Audit Plan

International Financial Reporting Standard (IFRS) 16 Leases – (issued but not adopted)

Although the implementation of IFRS 16 has been delayed to 1 April 2021, audited bodies still need to include disclosure in their 2019/2020 statements to comply with the requirement of IAS 8 para 31. As a minimum, we would expect audited bodies to disclose the title of the standard, the date of initial application and the nature of the changes in accounting policy for leases.

Auditor commentary


In our Audit Plan we identified that the public sector was due to implement this standard from 1 April 2020. It was therefore identified as a risk. Due to the Covid-19 pandemic the implementation of IFRS 16 has been delayed until 1 April 2021. WECA has appropriately included a disclosure in their 2019/20 statements in compliance with the requirements of IAS8 para 31, including the title of the standard, the date of initial application, and the nature of the changes. The potential impact has not yet been possible to identify.

Incomplete or inaccurate financial information and standing data transferred to the new payroll system

In our Audit Plan we identified the implementation of the new payroll system in November 2019 as a risk. We have completed an information technology (IT) environment review to document, evaluate and test the IT controls operating within the payroll system hosted by North Somerset Council. We have also reviewed the payroll data in year, which has not identified any issues with the accuracy and completeness of the data.

We have received the Internal Audit report performed in September 2019 on the data transfer, which has identified that the controls in this area were weak, as archive data held by BANES Council had not been migrated. We have received confirmation of how management has overseen this process and satisfied itself that all appropriate data has been transferred. **We are satisfied that the data transfer has been completed appropriately.**

Significant findings – key estimates and judgements

Accounting area	Summary of management's policy	Auditor commentary	Assessment
Provisions for NNDR appeals - £3.092m	WECA are responsible for repaying a proportion of successful rateable value appeals. The level of provision required is calculated by the three constituent authorities. The calculation is based upon the latest information about outstanding rates appeals provided by the Valuation Office Agency (VOA) and previous success rates. Due to an increase in outstanding appeals, the provision has increased by £0.232m in 2019/20.	<p>The underlying information used to determine the estimate is considered to be appropriate. There have not been any changes to valuation method in year.</p> <p>The increase in the estimate is considered to be reasonable in line with the evidence of the constituent authorities.</p> <p>The estimate has been adequately disclosed in the financial statements.</p>	 Green

Assessment

- We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- We consider management's process is appropriate and key assumptions are neither optimistic or cautious

Significant findings – key estimates and judgements

Accounting area	Summary of management's policy	Auditor commentary	Assessment																								
Net pension liability – £6.566m	<p>The WECA's net pension liability at 31 March 2020 is £6.566m (PY £2.715m). The WECA uses Mercers to provide actuarial valuations of the WECA's assets and liabilities derived from (this scheme/these schemes). A full actuarial valuation is required every three years.</p> <p>The latest full actuarial valuation was completed on 31 March 2019. A roll forward approach is used in intervening periods which utilises key assumptions such as life expectancy, discount rates, salary growth and investment return. Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements. There has been a £2.99m net actuarial loss during 2019/20.</p>	<p>We formed an assessment of management's expert (Mercers). We considered that they are an appropriate expert to undertake the valuations of the pension liability.</p> <p>We undertook detailed work to assess the movement in the pension liability in year, with no issues arising.</p> <p>We utilised PwC as and auditor's expert to assess actuary and assumptions made by actuary – per the table below, assumptions were considered to be appropriate.</p> <table border="1"> <thead> <tr> <th>Assumption</th> <th>Actuary Value</th> <th>PwC range</th> <th>Assessment</th> </tr> </thead> <tbody> <tr> <td>Discount rate</td> <td>2.3%</td> <td>2.3% to 2.4%</td> <td>● Green</td> </tr> <tr> <td>Inflation assumption</td> <td>2.1%</td> <td>2.1%</td> <td>● Green</td> </tr> <tr> <td>Salary growth</td> <td>3.6%</td> <td>3.35% to 3.6%</td> <td>● Green</td> </tr> <tr> <td>Life expectancy – Males currently aged 45 and 65</td> <td>24.7 and 23.2</td> <td>22.5 - 24.7 and 20.9 - 23.2</td> <td>● Green</td> </tr> <tr> <td>Life expectancy – Females currently aged 45 and 65</td> <td>27.3 and 25.3</td> <td>25.9 - 27.7 and 24.0 - 25.8</td> <td>● Green</td> </tr> </tbody> </table>	Assumption	Actuary Value	PwC range	Assessment	Discount rate	2.3%	2.3% to 2.4%	● Green	Inflation assumption	2.1%	2.1%	● Green	Salary growth	3.6%	3.35% to 3.6%	● Green	Life expectancy – Males currently aged 45 and 65	24.7 and 23.2	22.5 - 24.7 and 20.9 - 23.2	● Green	Life expectancy – Females currently aged 45 and 65	27.3 and 25.3	25.9 - 27.7 and 24.0 - 25.8	● Green	<p>● Green</p>
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The underlying information used to calculate the estimate was considered to be complete and appropriate. The increase in the liability was considered to be appropriate, following our testing of the experience items which contributed. The estimate was properly disclosed in the financial statements.

Assessment

- We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- We consider management's process is appropriate and key assumptions are neither optimistic or cautious

Significant findings – going concern

Our responsibility

As auditors, we are required to “obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern” (ISA (UK) 570).

Going concern commentary

Management's assessment process

Management has prepared a going concern assessment based on an analysis of future cash flows, including a detailed assessment up to March 2022 and taking into account the three year Medium Term Financial Strategy.

Auditor commentary

Based on our review of management's assessment, we consider that it is appropriate for management to use the going concern assumption in preparing the WECA financial statements. There is strong evidence of future cash flows which are indicative of the ability to continue as a going concern.

Work performed

We made a preliminary assessment of the going concern assumption. We followed this by examining the events and conditions which underline the going concern assumption and reviewing management's assessment of going concern.

No material uncertainty identified with management's assessment of going concern. Disclosures in the financial statements were considered to be adequate.

Concluding comments

Our audit opinion is unmodified in relation to going concern.

We note that Covid-19 is not expected to be a post-balance sheet event as its impact on the authority is immaterial.

Other matters for communication

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.

Issue	Auditor commentary
Matters in relation to fraud	We have previously discussed the risk of fraud with the Audit Committee. We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit procedures.
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed.
Matters in relation to laws and regulations	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
Written representations	A letter of representation has been requested from the WECA and was received on 17 November 2020.
Disclosures	Our review found no material omissions in the financial statements.
Audit evidence and explanations/significant difficulties	All information and explanations requested from management was provided.

Other responsibilities under the Code

Issue	Commentary
Other information	<p>We are required to give an opinion on whether the other information published together with the audited financial statements (including the Annual Governance Statement and Narrative Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p> <p>No inconsistencies have been identified. We plan to issue an unmodified opinion in this respect – refer to appendix E.</p>
Matters on which we report by exception	<p>We are required to report on a number of matters by exception in a numbers of areas:</p> <ul style="list-style-type: none"> • If the Annual Governance Statement does not meet the disclosure requirements set out in the CIPFA/SOLACE guidance or is misleading or inconsistent with the other information of which we are aware from our audit • If we have applied any of our statutory powers or duties <p>We have nothing to report on these matters.</p>
Specified procedures for Whole of Government Accounts	<p>We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA audit instructions. This work is not required for WECA, as WECA does not exceed the threshold.</p>
Certification of the closure of the audit	<p>We intend to certify the closure of the 2019/20 audit of West of England Combined Authority in the audit report, as detailed in Appendix E.</p>

Value for Money

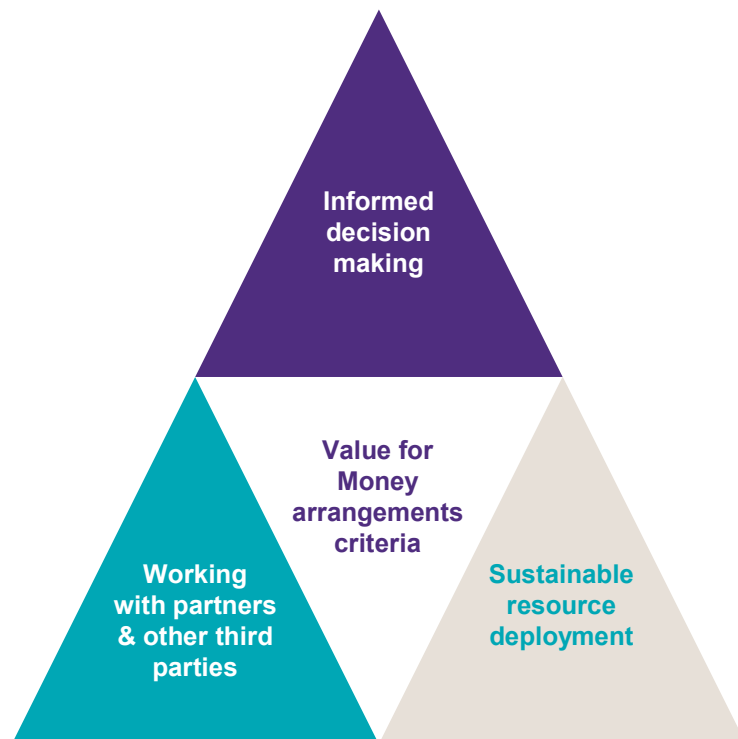
Background to our VFM approach

We are required to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources and report by exception where we are not satisfied. This is known as the Value for Money (VFM) conclusion.

We are required to carry out sufficient work to satisfy ourselves that proper arrangements are in place at the Authority. In carrying out this work, we are required to follow the NAO's Auditor Guidance Note 3 (AGN 03) issued in November 2019. AGN 03 identifies one single 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."

This is supported by three sub-criteria, as set out below:



Risk assessment

We carried out an initial risk assessment in January 2020 and identified a number of significant risks in respect of specific areas of proper arrangements using the guidance contained in AGN03. We communicated these risks to you in our Audit Plan dated February 2020.

We have updated our VFM risk assessment to document our understanding of your arrangements to ensure critical business continuity in the current environment. We have not identified any new VFM risks in relation to the Covid-19 pandemic.

We have continued our review of relevant documents up to the date of giving our report, and have not identified any further significant risks where we need to perform further work.

We carried out further work only in respect of the significant risks we identified from our initial and ongoing risk assessment. Where our consideration of the significant risks determined that arrangements were not operating effectively, we have used the examples of proper arrangements from AGN 03 to explain the gaps in proper arrangements that we have reported in our VFM conclusion.

Value for Money

Our work

AGN 03 requires us to disclose our views on significant qualitative aspects of the CCG's arrangements for delivering economy, efficiency and effectiveness.

We have focused our work on the significant risks that we identified in the CCG's arrangements. In arriving at our conclusion, our main considerations were:

- the development of the 2019/20 medium term financial forecast (MTFF) (informed decision making and sustainable resource deployment)
- the progress made by the Authority measuring and monitoring performance (informed decision making)

We have set out more detail on the risks we identified, the results of the work we performed, and the conclusions we drew from this work on pages 17 and 20.

Overall conclusion

Based on the work we performed to address the significant risks, we are satisfied that the Authority had proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

The text of our report, which confirms this, can be found at Appendix E.

Recommendations for improvement

We discussed findings arising from our work with management and have agreed recommendations for improvement.

Our recommendations and management's response to these can be found in the Action Plan at Appendix A

Significant difficulties in undertaking our work

We did not identify any significant difficulties in undertaking our work on your arrangements which we wish to draw to your attention.

Significant matters discussed with management

There were no matters where no other evidence was available or matters of such significance to our conclusion or that we required written representation from management or those charged with governance.

Value for Money

Key findings

We set out below our key findings against the significant risks we identified through our initial risk assessment and further risks identified through our ongoing review of documents.

Significant risk

Findings and Conclusion

Medium Term Financial Plan (MTFP)

- The Combined Authority did not develop a detailed MTFP in 2018/19. We recognised that WECA is an evolving organisation meaning there are a number of emerging factors which will have an impact on its financial sustainability and medium term financial plan.
- Following the approval in July 2019 of the regional investment programme of £350m by March 2023. WECA has revised its future funding assumptions and formalised a MTFP.
- We will review the revised MTFP prepared as part of the 2020/21 budget process to assess the clarity of the information provided and the factors used to inform the assumptions that underpin the strategy.

WECA's Local Growth Assurance Framework commits WECA to developing a 20-year programme of investment with a series of indicative allocations based on strategic criteria. Individual schemes are then subject to a business case development process. WECA has adopted an indicative 20-year programme, running to 2035/26 for funding secured from the WEIF, Transforming Cities Fund and other expected income.

As part of the 20-year programme, WECA has developed a 4 year Investment Strategy which deals with the prioritisation and allocation of capital projects up to March 2023. The programme aligns investment proposals with the operating framework, key regional strategies and core objectives. This was approved by the WECA Committee on 19 July 2019. This programme demonstrates a reasonable geographical and functional split across priority areas and will be vital in supporting the first government gateway review of investment progress.

The strategy primarily covers the WECA Investment Fund and Transforming Cities Funding amounting to £350m over the period. The Investment Strategy covers the parameters, priorities, use and constraints of the £1bn Investment Fund and Transforming Cities Funding for the initial period up to March 2023. As reported to the January 2020 WECA committee meeting, WECA had approved £198.9 million of awards and allocations to projects in with an additional £20 million put aside to respond to opportunities and challenges and £7.9m allocated for operating costs and elections to 2023. A further £191.6 million has been allocated for 'tails' of projects but this has not been formally awarded to projects which are in development.

The proposed budget for 2020/21 and Medium-Term Financial Forecast (MTFF) was presented to the West of England Combined Authority Committee in January 2020. This included a three-year capital programme of £76 million which includes both approved and indicative capital schemes. The indicative schemes will need to be brought back to the WECA committee for further approval before they can be progressed. All capital costs are to be met from government grants, devolution investment funding or revenue contributions.

A separate mayoral budget presented also included a 3-year medium term forecast for running costs based on reasonable assumptions in respect of pay and inflation.

The MTFF includes reasonable assumptions in respect of treasury management income with proposed plans to invest any short-term surpluses in reserves to manage future financial risks and projects.

The 2020/21 Revenue budget and MTFF takes account of the £350m WECA Investment Programme. Budget approvals have now been phased over the period to March 2023 to provide an indicative MTFF for the WECA revenue budgets. A Programme approach has been applied to mix and match funding to projects based on timing to ensure best use if made of public funding. The MTFF has been developed to be coterminous with the period of the Investment Programme.

In addition to the projects in delivery, future funding has been allocated by theme on the basis of the Local Industrial Strategy, Joint Local Transport Plan, spatial strategy, and Business Plan. Through comparison with previous projects, an estimation of the potential impact of these allocations can be undertaken. It is emphasised that for this group of schemes this is based on the average performance of historical projects and does not reflect the specific deliverables of forthcoming projects, which are yet to be set.

Value for Money

Significant risk

Medium Term Financial Plan (MTFP) *continued*

- The Combined Authority did not develop a detailed MTFP in 2018/19. We recognised that WECA is an evolving organisation meaning there are a number of emerging factors which will have an impact on its financial sustainability and medium term financial plan.
- Following the approval in July 2019 of the regional investment programme of £350m to March 2023. WECA has revised its future funding assumptions and formalised the MTFP.
- We will review the revised MTFP prepared as part of the 2020/21 budget process to assess the clarity of the information provided and the factors used to inform the assumptions that underpin the strategy.

Findings and Conclusion

Funding allocations to projects will be subject to successful compliance with the approved assurance stage gate process. All costs must be clearly evidenced, and verified by the WECA Section 73, (Statutory Finance Officer), prior to receiving formal allocation. In addition to criteria that must be applied for every proposed scheme, there are a few criteria that must be applied to the WECA Investment Fund programme as a whole in order to:

- maintain a balanced portfolio of projects;
- ensure sustainability of future resource levels of the fund;
- promote consistency in the allocation and drawdown of funding

A formal process has been developed for responding to forecasted cost over runs, actions are dependent upon the level of overrun and whether the project continues to represent value for money.

The Business Rates Retention Pilot will continue in 2020/21. 2020/21 is the final year of the pilot with 75% Business Rate Retention being implemented nationally from April 2021. The majority of this funding (£17.6m) is payable directly to the mayoral budget to replace the highways and transport grants from the Department for Transport. From 2021/22 onwards it is assumed that government will provide highways and transport capital grants direct to the three unitary authorities. Funding of £1m from the Mayoral Capacity Fund Grant for 2020/21 to meet core operating costs at WECA has no certainty beyond this period. The WECA have started to increase the general fund reserve to manage any future financial risk. This remains at 2 per cent of the 2021/21 revenue.

The MTFP includes reasonable assumptions in respect of specific revenue grant funding including Adult Education Budget (£14.7 million), Housing Capacity Fund (£1 million) and Future Bright grant (£3.6 million). Specific grant income streams amount to £46.4 million over the period to 2022/23. Total revenue funding for 2020/21 of £53 million is included in the MTFP, with a total of £142m to the three years to 2022/23.

WECA continue to integrate the various funding streams available, incorporating the Investment Fund, Transforming Cities Fund, Economic Development Fund, Local Growth Fund, Business Rates Retention and other available grant funding in order to build a longer-term strategic approach to financial planning.

Conclusion

Following the development of a 4-year Investment Programme to prioritise resources and develop detailed projects, WECA formalised a MTFP which was approved by the WECA committee in January 2020. The MTFP is based on valid assumptions and reflects known and agreed projects and associated funding streams once they are confirmed. The plan should remain flexible as new opportunities for projects and funding are identified as well as reflecting any changes that may be required as a result of the Covid-19 pandemic.

Recommendation

Officers should consider producing a single page MTFP to provide a summary of the expected financial outturn.

Value for Money

Significant risk

Measuring and Monitoring Performance

- Progress was made during 2018/19 to develop a performance framework and regular performance reporting. The emphasis of the main source of WECA funding has been on feasibility and business case development for various programmes and projects. SMART objectives and planned outcomes could now be linked to the £350m investment programme to March 2023, against which the Authority can measure its impact and effectiveness and be accountable to stakeholder and tax payers.
- We will review progress made in developing and monitoring SMART objectives developed for key projects and key metrics to measure and monitor the performance and impact of the Combined Authority.

Findings and Conclusion

The West of England Local Industrial Strategy developed by leaders and businesses from across the region was published in July 2019. It sets out the region's ambitions to be a driving force for clean and inclusive growth. Following the development of the strategy, WECA has worked closely with partners to develop individual projects during 2019. In July 2019, WECA produced a four-year, prioritised investment programme, each approved scheme business case has its own monitoring and evaluation plans. An economic model has been developed which will enable different types of investment (transport, housing, employment land, and other land use changes) or a programme of investment to be considered on a consistent basis, against the criteria of economic output, as measured by the GVA generated by the investment alongside other 'balancing' social, environmental and geographic metrics.

The 2020/21 business plan was agreed by WECA and the Joint Committee in February 2020. The business plan aligns the Local Industry Strategy with the WECA operating framework and identifies strategic activities to be undertaken to realise the ambitions identified in the Local Industrial Strategy. It also provides details of schemes in delivery, funded through the Investment Fund, Local Growth Fund and other funding sources. The business plan set out how the authority are working to meet the two overarching objectives of achieving inclusive economic growth and addressing the climate emergency. Specific actions have been identified to help further progress these priorities.

The business plan includes details of schemes in delivery and business cases in development to present a full picture of WECA's role in delivering infrastructure and providing support to residents and businesses. The LEP delivery plan is incorporated into the business plan along with details of all schemes funded through the Investment Fund, Local Growth Fund and other funding sources to present a full picture of WECA's role in delivering infrastructure and providing support to residents and businesses. The delivery plan focused on specific metrics for LEP-funded activity including Local Growth Fund, Growth Hub and Invest in Bristol and Bath. The LEP delivery plan references relevant indicators for LEP funded activities including businesses supported, jobs created, funding provided and leveraged.

Progress in delivering the business plan is reported quarterly to WECA and Joint Committee. The quarterly progress reports are also shared with the West of England Chief Executives and WECA Overview and Scrutiny Committee. It provides a summary of key achievements and details any significant exceptions to delivery together with mitigating activities, the plan also highlights upcoming activities. An annual report on delivery of the 2019/20 business plan is presented to the WECA and Joint Committee mid year.

In July 2019, the Authority declared a climate emergency, recognising the huge significance of climate change and its impact on the health, safety and wellbeing of the region's residents. The business plan is to be updated following publication of the regional climate emergency action plan which sets out ambitions to reach carbon neutrality by 2030. All proposals and projects will be subject to detailed environmental assessment/consideration as part of their project specific management arrangements.

Value for Money

Significant risk

Measuring and Monitoring Performance *continued*

- Progress was made during 2018/19 to develop a performance framework and regular performance reporting. The emphasis of the main source of WECA funding has been on feasibility and business case development for various programmes and projects. SMART objectives and planned outcomes could now be linked to the £350m investment programme to March 2023, against which the Authority can measure its impact and effectiveness and be accountable to stakeholder and tax payers.
- We will review progress made in developing and monitoring SMART objectives developed for key projects and key metrics to measure and monitor the performance and impact of the Combined Authority.

Findings and Conclusion

WECA's Local Growth Assurance framework published in November 2019 sets out the prioritisation, appraisal, monitoring and evaluation requirements for each scheme. The framework was shared with Government in November 2019, feedback received from Government was positive and highlighted the strategy included clear logic models, well specified data requirements and clearly allocated responsibility to senior responsible officers.

The monitoring and evaluation framework sets out WECA's overall approach to performance management and provides links to the monitoring and evaluation plans for each activity. This is reviewed on an annual basis and was updated in February 2020. This brings together all WECA's reporting requirements into one place and provides a clear structure for reporting focused on three levels:

- Delivery of Annual Business Plan – this includes in-year activities that support WECA, the LEP, implementation of the devolution deal and elements of longer term project and programme delivery delivered through the Investment Fund and One Front Door Programme.
- Project and Programme delivery - this focuses on schemes funded through the WECA Investment Fund and West of England One Front Door Programme. Evaluation criteria have been established for each project/programme, and progress will be monitored during project and evaluation will be undertaken once projects are completed. Monitoring and evaluation plans are now in place for the majority of projects or are in development and end of project delivery reports will confirm the monitoring activities set out in the Monitoring and Evaluation Plan. All monitoring and evaluation reports will be published on the WECA website. An overall monitoring plan for the investment programme will be reported to the WECA committee periodically, highlighting the extent to which projects have contributed to the overall objectives of WECA.
- Longer Term Organisational Impact - measured through five-year gateway reviews. WECA's first Gateway Review is due in December 2020.

The Authority's main source of funding, the Investment Fund, is the most flexible in terms of timing and availability of both revenue and capital resources. A substantial focus of the fund so far has been on feasibility and business case development work across a number of projects and programmes. During 2019/20 the WECA committee approved a number of business cases within the Investment Fund allocation to 2023 which are currently in delivery. When projects are completed, they will be expected to deliver significant benefits to the period. The 2020-21 Business Plan includes estimates of the impact of the projects, including where matched funding has been leveraged. The impact includes £615m of gross value added; 3,650 jobs; 1,220 people moving into work or gaining increased earnings; 10,220 learners gaining new qualification or skills; 33,000 businesses receiving enterprise support; 19,650m² of commercial floor space enabled; 0.5 million new bus journeys per year; £1.3 million new rail journeys per year; and 5 new railway stations opened. These measures will not capture the full value of the projects, which will provide a range of specific benefits, some of which are hard to estimate precisely at this stage. The committee are to be regularly updated on the impacts as more schemes progress through to delivery and completion. Clearly the impact of Covid-19 needs to be considered in relation to these targets and an assessment made of whether the current measures are appropriate or need to be revisited.

Value for Money

Significant risk

Measuring and Monitoring Performance *continued*

- Progress was made during 2018/19 to develop a performance framework and regular performance reporting. The emphasis of the main source of WECA funding has been on feasibility and business case development for various programmes and projects. SMART objectives and planned outcomes could now be linked to the £350m investment programme to March 2023, against which the Authority can measure its impact and effectiveness and be accountable to stakeholder and tax payers.
- We will review progress made in developing and monitoring SMART objectives developed for key projects and key metrics to measure and monitor the performance and impact of the Combined Authority.

Findings and Conclusion

WECA have identified a number of 'regional indicators' across the priorities of the operating framework. They summarise the state of the region for each priority area and WECA have concluded that the activities set out in the Business Plan will contribute to positive change. WECA do not have total control over these measures due to many other factors playing a role, but they have established a baseline position and indicators have been developed across the priority areas of economic growth, climate emergency, inclusive growth, infrastructure, business and skills.

It will be important to be able to provide some robust evidence of outputs both to the public and as part of the first government gateway review scheduled to report in December 2020 on the impact achieved by the Investment Fund. The review is currently ongoing and six projects have been identified which will provide the focus for the first review. As part of the context for the evaluation, a tailored baseline forecast has been developed using historic data and modelling to provide a 'baseline projection' in terms of employment, GVA and productivity which can then be compared to actual outcomes as part of the gateway review. WECA are collecting monitoring data on expenditure and delivery of outputs and outcomes to inform the evaluation.

Conclusion

Good progress has been made during 2019/20 to further develop and embed a performance framework. Tangible metrics have been developed for each strategic theme of the WECA operating model detailing existing baselines and anticipated progress to be made by 2023. A baseline has now been formalised and SMART objectives developed against key projects and key metrics against which the Authority can measure its impact and effectiveness and be accountable to stakeholders and taxpayers.

Recommendations

WECA should consider the use of RAG rating to clearly highlight where indicators have improved in the last year.

WECA will now need to consider the impact that the covid-19 pandemic will have on the regions' plans for achieving inclusive economic growth and addressing the climate emergency and potential refocus on priorities.

Independence and ethics




We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting WECA's Ethical Standard and confirm that we, as a firm, and each covered person, are independent and are able to express an objective opinion on the financial statements

Audit and Non-audit services




For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the WECA. No non-audit services were identified during the period from 1 April 2019 to the present date.

Action plan

We have identified a small number of recommendations for WECA as a result of issues identified during the course of our audit. We have agreed our recommendations with management and we will report on progress on these recommendations during the course of the 2020/21 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
 Medium	Preparation of Financial Statements Good progress has been made in improving the arrangements for the preparation of financial statements. The in-house finance team has greater stability and capacity which has enabled more robust financial statements to be produced for audit. Whilst there have been a number of issues arising during the course of the audit, these are reflective of the fact that the team are becoming more experienced in their roles.	Continue the positive progress in enhancing the capacity and experience of the finance team to produce accurate financial statements in a timely way.
 Medium Page 52	Medium Term Financial Plan Officers have developed a robust medium term financial plan that is based on appropriate assumptions and reflects known projects and funding streams. However, the impact of the Covid-19 pandemic now needs to be considered and reflected in future updates to the plan. There is also an opportunity to summarise the financial information into a single page.	Officers should review the MTFF to reflect any changes required as a result of the Covid-19 pandemic. Officers should consider producing a single page MTFF to provide a summary of the expected financial outturn.
 Medium	Measuring and Monitoring Performance Good progress has been made in developing and embedding a performance framework. Tangible metrics have been developed for each strategic theme of the WECA operating model detailing existing baselines and anticipated progress to be made by 2023. A baseline has now been formalised and SMART objectives developed against key projects and key metrics against which the Authority can measure its impact and effectiveness and be accountable to stakeholders and taxpayers.	WECA should consider the use of RAG rating to clearly highlight where indicators have improved compared to the prior year. WECA should consider the impact that the covid-19 pandemic will have on the regions' plans for achieving inclusive economic growth and addressing the climate emergency and potential re-focus on priorities.

Controls

-  High priority
-  Medium priority
-  Low priority

Follow up of prior year recommendations

We identified the following issues in the audit of WECA's 2018/19 financial statements, which resulted in four recommendations being reported in our 2018/19 Audit Findings report. We are pleased to report that management have implemented all of our recommendations.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	Draft accounts were not available from the start of the audit	Financial accounts closedown process was enormously improved in 2019/20. Accounts were available on time as agreed with minimal errors. It is clear that this recommendation has been fully implemented.
✓	A detailed MTFP has not yet been developed	A detailed MTFP has now been developed and included in our assessment of the VfM arrangements.
✓	Progress had been made during 2018/19 to develop a performance framework and regular performance reporting. SMART objectives have not yet been developed.	An appropriate performance framework is now in place.
✓	The memorandum of understanding which sets out the operation and allocation of risk for the IBB has not been formally updated to reflect the fact that the West of England Combined Authority is now the accountable body.	We have now been provided with the updated memorandum of understanding which has formally addressed this.

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Assessment

- ✓ Action completed
- X Not yet addressed

Audit adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Impact of adjusted misstatements

All adjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year ending 31 March 2020.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000
Debtors and creditors were overstated due to the inclusion of prior year NNDR balances which should have been excluded. These netted out on the balance sheet.	0	+/- 3,577	0
A balance of REFCUS in year was identified as Capital Grants Received in Advance.	11	11	11
Assets held at fair value through profit or loss were overstated on the balance sheet.	940	940	940
An adjustment to the 5G spend reducing income in year (note that the figure was corrected in the draft accounts however was not reflected in the underlying notes).	1,043	1,043	1,043
Overall impact	1,994	1,994	1,994

Audit adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Disclosure omission	Detail	Auditor recommendations	Adjusted?
There were a number of minor changes to the cash flow statement.	<p>The release of impairment on investments was adjusted from £0k to -£19k</p> <p>The interest received was adjusted from £1,999k to £2,018k</p> <p>The increase in long and short-term investments was adjusted from -£11,000k to -£12,000k</p> <p>The increase in financial assets at fair value through other comprehensive income was adjusted from £0k to -£14,000k</p> <p>The increase in short term loans was adjusted from £0k to £15,000k</p>	All recommended adjustments made.	✓
Changes to capital commitments.	A number of changes were required to Capital Commitments (Note 31) following WECA's receipt of grant notifications.	All recommended adjustments made.	✓
Senior officer remuneration disclosure omitted the last month of pension contributions made	We identified that the amounts disclosed did not agree to the backing data provided. On examination, the disclosure note did not include the last month of pension contributions.	All recommended adjustments made.	✓
IIFRS 16	A minor change to the disclosure stating the impact is not yet known for standard IFRS 16 leases.	All recommended adjustments made.	✓
Note 3 amendment	Concessionary fares disclosure was removed from Note 3 "Significant judgements and estimation uncertainty" as it was not considered to represent a significant judgement or an estimation uncertainty.	All recommended adjustments made.	✓
Note 27 amendment	Minor clarification added to identify how the estimation of the defined benefit obligation is sensitive to the actuarial assumptions.	All recommended adjustments made.	✓
Note 22 amendment	Correction was required to Note 22 – the LEP net agency creditor – to reflect actual balances in year.	All recommended adjustments made.	✓

Audit adjustments

Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2019/20 audit which have not been made within the final set of financial statements. The Audit Committee is required to approve management's proposed treatment of all items recorded within the table below:

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000	Reason for not adjusting
An extrapolated amount of £184k in relation to the under-accrual of a creditor has not been adjusted.	£184	£184	£184	This is a non-material extrapolation and therefore does not require to be adjusted.
Overall impact	£184	£184	£184	

Appendix D

Fees

We confirm below our final fees charged for the audit. There were no fees for the provision of non audit services.

Audit fees	Proposed fee	Final fee
WECA Audit	£30,384	£30,384
Total audit fees (excluding VAT)	£30,384	£30,384

* NB – the final fee will be reported to the Audit Committee in the Annual Audit Letter due to the need to revisit these, as set out below. These fees currently reported agree to the £30k identified in Note 13 – External Audit Costs in the Statement of Accounts.

Over the past six months the current Covid-19 pandemic has had a significant impact on all of our lives, both at work and at home. The impact of Covid-19 on the audit of the financial statements for 2019/20 has been multifaceted. This includes:

- Revisiting planning - we have needed to revisit our planning and refresh risk assessments, materiality and testing levels. This has resulted in the identification of a significant risk at the financial statements level in respect of Covid-19 necessitating the issuing of an addendum to our original audit plan as well as additional work on areas such as going concern and disclosures in accordance with IAS1 particularly in respect to material uncertainties.
- Management's assumptions and estimates - there is increased uncertainty over many estimates including pension and other investment valuations. Many of these valuations are impacted by the reduction in economic activity and we are required to understand and challenge the assumptions applied by management. There are similar challenges for management and ourselves on areas such as credit loss allowances, financial guarantees, and other provisions.
- Financial resilience assessment – we have been required to consider the financial resilience of audited bodies. Our experience to date indicates that Covid-19 has impacted on the financial resilience of all local government bodies. This has increased the amount of work that we need to undertake on the sustainable resource deployment element of the VFM criteria necessitating enhanced and more detailed reporting in our ISA260.
- Remote working – the most significant impact in terms of delivery is the move to remote working. We, as other auditors, have experienced delays and inefficiencies as a result of remote working. These are understandable and arise from the availability of the relevant information and/or the availability of key staff (due to shielding or other additional Covid-19 related demands). In many instances the delays are caused by our inability to sit with an officer to discuss a query or working paper. Gaining an understanding via Teams or phone is more time-consuming.

We have been discussing this issue with PSAA over the last few months and note these issues are similar to those experienced in the commercial sector and NHS. In both sectors there has been a recognition that audits will take longer with commercial audit deadlines being extended by 4 months and NHS deadline by a month. The FRC has also issued guidance to companies and auditors setting out its expectation that audit standards remain high and of additional work needed across all audits. The link attached <https://www.frc.org.uk/covid-19-guidance-and-advice> (see guidance for auditors) sets out the expectations of the FRC.

Please note that these proposed additional fees are subject to approval by PSAA in line with the Terms of Appointment.

Audit opinion

We anticipate we will provide the WECA with an unmodified audit report.

Independent auditor's report to the members of West of England Combined Authority

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of West of England Combined Authority (the 'Authority') for the year ended 31 March 2020 which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies. The notes to the financial statements include the Significant Accounting Policies and Judgements, the Expenditure and Funding Analysis (EFA), the Combined Authority's services, Mayoral Funds and Notes to the Core Statements. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2020 and of its expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

The impact of macro-economic uncertainties on our audit

Our audit of the financial statements requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of the effects of macro-economic uncertainties such as Covid-19 and Brexit. All audits assess and challenge the reasonableness of estimates made by the Director of Investment and Corporate Services and Director of Investment and Corporate Services and Chief Finance Officer and the related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the Authority's future operational arrangements.

Covid-19 and Brexit are amongst the most significant economic events currently faced by the UK, and at the date of this report their effects are subject to unprecedented levels of uncertainty, with the full range of possible outcomes and their impacts unknown. We applied a standardised firm-wide approach in response to these uncertainties when assessing the Authority's future operational arrangements. However, no audit should be expected to predict the unknowable factors or all possible future implications for an authority associated with these particular events.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Director of Investment and Corporate Services and Chief Finance Officer's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Director of Investment and Corporate Services and Chief Finance Officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Audit opinion

In our evaluation of the Director of Investment and Corporate Services and Chief Finance Officer's conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20 that the Authority's financial statements shall be prepared on a going concern basis, we considered the risks associated with the Authority's operating activities, including effects arising from macro-economic uncertainties such as Covid-19 and Brexit. We analysed how those risks might affect the Authority's financial resources or ability to continue operations over the period of at least twelve months from the date when the financial statements are authorised for issue. In accordance with the above, we have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Authority will continue in operation.

Other information

The Director of Investment and Corporate Services and Chief Finance Officer is responsible for the other information. The other information comprises the information included in the Statement of Accounts, the Narrative Report and the Annual Governance Statement, other than the financial statements and, our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge of the Authority obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other information we are required to report on by exception under the Code of Audit Practice

Under the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with the 'delivering good governance in Local Government Framework 2016 Edition' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

Opinion on other matter required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority gained through our work in relation to the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources, the other information published together with the financial statements in the Statement of Accounts, the Narrative Report and the Annual Governance Statement, for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters.

Responsibilities of the Authority, the Director of Investment and Corporate Services and Chief Finance Officer and Those Charged with Governance for the financial statements

As explained more fully in the Statement of Responsibilities set out on [page 20](#), the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Director of Investment and Corporate Services and Chief Finance Officer. The Director of Investment and Corporate Services and Chief Finance Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20, for being satisfied that they give a true and fair view, and for such internal control as the Director of Investment and Corporate Services and Chief Finance Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Audit opinion

In preparing the financial statements, the Director of Investment and Corporate Services and Chief Finance Officer is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention by government that the services provided by the Authority will no longer be provided.

The Audit Committee is Those Charged with Governance. Those charged with governance are responsible for overseeing the Authority's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on other legal and regulatory requirements - Conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Conclusion

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in April 2020, we are satisfied that the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

Responsibilities of the Authority

The Authority is responsible for putting in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

Auditor's responsibilities for the review of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in April 2020, as to whether in all significant respects the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to be satisfied that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Report on other legal and regulatory requirements – Certificate

We certify that we have completed the audit of the financial statements of the West of England Combined Authority in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.



ITEM: 08

REPORT TO: AUDIT COMMITTEE

DATE: 10 DECEMBER 2020

**REPORT TITLE: TREASURY MANAGEMENT STRATEGY 2021/22 AND
TREASURY MANAGEMENT 2020/21 MONITORING UPDATE**

**DIRECTOR: MALCOLM COE, DIRECTOR OF INVESTMENT &
CORPORATE SERVICES (s73 OFFICER)**

AUTHOR: STEVE FINNEGAN

Purpose of Report

1. The Chartered Institute of Public Finance and Accountancy's, (CIPFA), Treasury Management in the Public Services Code of Practice, requires the authority to approve a Treasury Management Strategy before the start of each financial year. The 2021/22 Strategy will be submitted to the January 2021 WECA Committee for approval alongside the 2021/22 budget papers.

Impact of Covid-19 pandemic

2. The Combined Authority has actively reviewed its key activities and work programme to reflect changing priorities as a result of the Covid-19 pandemic. Specific issues relating to the Covid-19 situation that impact on or are addressed through this report are as follows:
 - The impact of Covid on the financial markets means that returns achievable on cash investments are at a historically low level;
 - WECA, through their Treasury Management advisors, ArlingClose, will regularly review the stability and security of all investments made.

Recommendations. That the committee:

- (a) **note the Treasury Management Strategy for 2021/22 and recommend any amendments prior to it being submitted to the January 2021 WECA Committee for approval;**
- (b) **note the 2020/21 Treasury Management monitoring update as detailed at the end of Appendix 1.**

Background / Issues for Consideration

3. The 2020/21 Treasury Management Strategy, as informed through our Treasury advisors, ArlingClose, was approved by the WECA Committee on 31 January 2020. The 2021/22 Strategy builds on the foundations of the previous year and has been updated to reflect Covid and economic factors, credit risk and cash flow forecasts.
4. WECA's Treasury Transactions are entirely investment based at present with the authority being debt free with no identified need for long term borrowing within the immediate future. Short term borrowing will be considered as part of normal cashflow operations where appropriate.
5. From April 2019, WECA took on responsibility for managing its own investment portfolio, a service that was previously managed on our behalf by Bath and North East Somerset, (BANES), Council.
6. In the early years of operation, WECA has continued to maintain significant cash balances as detailed business cases and feasibility studies are developed. The focus of Treasury Management is to protect the security of public funding whilst continuing to generate healthy financial returns from our cash holdings which has become increasingly challenging in the current economic climate.
7. The 2021/22 Treasury Management Strategy, and update on 2020/21 performance, is detailed as Appendix 1 to this report.

Consultation

8. Decisions on treasury management investments and borrowing are made daily as delegated to the Director of Investment and Corporate Services, (and designated staff), who must act in compliance with the Treasury Management Strategy. Reports on treasury management performance are presented to the WECA Committee, with the Audit Committee being responsible for scrutinising the governance framework that drives treasury management decisions.
9. Regular dialogue is maintained with our treasury advisor's, ArlingClose, particularly in relation to the consideration of longer-term investment opportunities.

Risk Management/Assessment

10. Treasury risk management at the Authority is conducted within the framework of the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice 2017 Edition* (the CIPFA Code).
11. The primary objective of the strategy is to safeguard public funding whilst generating reasonable financial returns from cash balances held. Within the strategy, there is a list of approved investment options with financial values and durations firmly linked to the credit worthiness, and risk, of each investment option.
12. ArlingClose provide regular updates in terms of changes to individual credit ratings and/or economic outlooks which might impact on current or future investment holdings.

Public Sector Equality Duties

13. The public sector equality duty created under the Equality Act 2010 means that public authorities must have due regard to the need to:
- Eliminate unlawful discrimination, harassment and victimization and other conduct prohibited by the Act.
 - Advance equality of opportunity between people who share a protected characteristic and those who do not.
 - Foster good relations between people who share a protected characteristic and those who do not.
14. The Act explains that having due regard for advancing equality involves:
- Removing or minimising disadvantages suffered by people due to their protected characteristics.
 - Taking steps to meet the needs of people from protected groups where these are different from the needs of other people.
 - Encouraging people from protected groups to participate in public life or in other activities where their participation is disproportionately low.
15. The general equality duty therefore requires organisations to consider how they could positively contribute to the advancement of equality and good relations. It requires equality considerations to be reflected in the design of policies and the delivery of services, including policies, and for these issues to be kept under review.
16. There are no direct implications arising from this report.

Finance Implications, including economic impact assessment where appropriate:

17. The base budget for the income generated from WECA investments is £670k per annum for 2021/22. As per 2020/21 we are predicting to exceed this base budget next financial year due to
- (a) the holding of high cash balances and
 - (b) generating financial returns over and above the budgeted level through 'forward deals' and diversifying the authority's investment portfolio.
18. Any surpluses generated in 2021/22 will be transferred to a specific Treasury Management earmarked reserves in order to address predicted shortfalls in investment income in future years.

Legal Implications:

19. Treasury management at the Authority is conducted within the framework of the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice 2017 Edition* (the CIPFA Code) which requires the Authority to approve a treasury management strategy before the start of each financial year. This report fulfils the Authority's legal obligation under the *Local Government Act 2003* to have regard to the CIPFA Code

Appendices:

Appendix 1 – WECA Treasury Management Strategy for 2021/22 and Monitoring update for 2020/21

Background papers:

WECA Treasury Management Strategy 2020/21 – approved by WECA Committee on 31 January 2020

West of England Combined Authority Contact:

Any person seeking background information relating to this item should seek the assistance of the contact officer for the meeting who is Ian Hird / Tim Milgate on 0117 332 1486; or by writing to West of England Combined Authority, 3 Rivergate, Temple Way, Bristol BS1 6ER; email: democratic.services@westofengland-ca.gov.uk

West of England Combined Authority

Treasury Management Strategy Statement 2021/22

1. Introduction

- 1.1 Treasury management is the management of the Authority's cash flows, borrowing and investments, and the associated risks. The Authority has substantial sums of money invested and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of financial risk are therefore central to the Authority's prudent financial management.
- 1.2 Treasury risk management at the Authority is conducted within the framework of the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice 2017 Edition* (the CIPFA Code) which requires the Authority to approve a treasury management strategy before the start of each financial year. This report fulfils the Authority's legal obligation under the *Local Government Act 2003* to have regard to the CIPFA Code.

2. External Context

- 2.1 **Economic background:** The impact on the UK from coronavirus, together with its exit from the European Union and future trading arrangements with the bloc, will remain a major influence on the Authority's treasury management strategy for 2021/22.
- 2.2 The Bank of England (BoE) maintained Bank Rate at 0.10% in November 2020 and also extended its Quantitative Easing programme by £150 billion to £895 billion. The Monetary Policy Committee voted unanimously for both, but no mention was made of the potential future use of negative interest rates. Within the latest forecasts, the Bank expects the UK economy to shrink -2% in Q4 2020 before growing by 7.25% in 2021, lower than the previous forecast

of 9%. The BoE also forecasts the economy will now take until Q1 2022 to reach its pre-pandemic level rather than the end of 2021 as previously forecast.

- 2.3 UK Consumer Price Inflation (CPI) for September 2020 registered 0.5% year on year, up from 0.2% in the previous month. Core inflation, which excludes the more volatile components, rose to 1.3% from 0.9%. The most recent labour market data for the three months to August 2020 showed the unemployment rate rose to 4.5% while the employment rate fell to 75.6%. Both measures are expected to deteriorate further due to the ongoing impact of coronavirus on the jobs market, particularly when the various government job retention schemes start to be unwound in 2021, with the BoE forecasting unemployment will peak at 7.75% in Q2 2021.
- 2.4 GDP growth fell by -19.8% in the second quarter of 2020, a much sharper contraction from -2.0% in the previous three months, with the annual rate falling -21.5% from -1.6%. All sectors fell quarter-on-quarter, with dramatic declines in construction (-35.7%), services (-19.2%) and production (-16.3%), and a more modest fall in agriculture (-5.9%). Monthly GDP estimates have shown the economy is recovering but remains well below its pre-pandemic peak. Looking ahead, the BoE's November Monetary Policy Report forecasts economic growth will rise in 2021 with GDP reaching 11% in Q4 2021, 3.1% in Q4 2022 and 1.6% in Q4 2023.
- 2.5 **Credit outlook:** After spiking in late March as coronavirus became a global pandemic, credit default swap (CDS) prices for the larger UK banks have steadily fallen back to almost pre-pandemic levels. Although uncertainty around COVID-19 related loan defaults lead to banks provisioning billions for potential losses in the first half of 2020, drastically reducing profits, reported impairments for Q3 were much reduced in some institutions. However, general bank profitability in 2020 is likely to be significantly lower than in previous years.
- 2.6 **Challenger** The credit ratings for many UK institutions were downgraded on the back of downgrades to the sovereign rating. Credit conditions more generally though in banks and building societies have tended to be relatively benign, despite the impact of the pandemic. Looking forward, the potential for bank losses to be greater than expected when government and central bank support starts to be removed remains a risk, as does the UK not achieving a Brexit deal, suggesting a cautious approach to bank deposits in 2021/22 remains advisable.
- 2.7 **Interest rate forecast:** The Authority's treasury management adviser Arlingclose is forecasting that BoE Bank Rate will remain at 0.1% until at least the end of 2023. The risks to this forecast are judged to be to the downside as

the BoE and UK government continue to react to the coronavirus pandemic and the Brexit transition period ends. The BoE extended its asset purchase programme to £895 billion in November while keeping Bank Rate on hold. However, further interest rate cuts to zero, or possibly negative, cannot yet be ruled out but this is not part of the Arlingclose central forecast.

- 2.8 Gilt yields are expected to remain very low in the medium-term while short-term yields are likely remain below or at zero until such time as the BoE expressly rules out the chance of negative interest rates or growth/inflation prospects improve. The central case is for 10-year and 20-year to rise to around 0.5% and 0.75% respectively over the time horizon. The risks around the gilt yield forecasts are judged to be broadly balanced between upside and downside risks, but there will almost certainly be short-term volatility due to economic and political uncertainty and events.
- 2.9 For the purpose of setting the budget, it has been assumed that new investments will be made at an average rate of 0.8% for WECA balances, and 0.4% for LGF and RIF balances. These rates can only be achieved through retaining a proportion of our portfolio as long terms investments such as property, equities and mixed asset funds.

3. Local Context

- 3.1 On 31st October 2020, the Authority held £250m of investments and no borrowing. This is set out in further detail at **Appendix A**.
- 3.2 The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while usable reserves and working capital are the underlying resources available for investment.
- 3.3 The Authority is currently debt free and its capital expenditure plans do not currently imply any need to borrow over the forecast period. Investments are forecast to fall to £210m by the end of 2021/22 as capital grants are used to finance capital expenditure and earmarked reserves are spent on their intended purpose.

4. Investment Strategy

- 4.1 The Authority holds significant invested funds, representing income received in advance of expenditure plus balances and reserves held. Since 1 April 2020, the Authority's investment balance has ranged between £178m and £285m, and similarly for 2021/22 the balances are expected to range between £125m and £210m (slightly lower due to capital grants and reserves being used to finance spend).

- 4.2 As well as holding investments in its own right, the Authority also acts as Accountable Body for the West of England Revolving Investment Fund (RIF) and Local Growth Fund (LGF), holding Government Grants until they are ready to be distributed to Local Authorities and other organisations for approved project spend over the coming years.
- 4.3 The funds are invested primarily to protect the capital and, to achieve a high level of capital security, investments are made predominantly with Central Government, Local Authorities and Banks with high credit ratings. See **Appendix B** for Treasury Monitoring.
- 4.4 Interest earned on RIF investments is re-invested into the Fund. LGF investment returns are earmarked to fund the corporate support and governance costs that come with performing the Accountable Body function for the Local Enterprise Partnership (LEP). Government requires LGF to be fully spent by the end of March 2021 however, we have recently received confirmation of the Getting Building Fund, (GBF), which will add £13.7m of cash balance, and corresponding spend, in 2021/22.
- 4.5 **Objectives:** The CIPFA Code requires the Authority to invest its funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The Authority's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income. Where balances are expected to be invested for more than one year, the Authority will aim to achieve a total return that is equal or higher than the prevailing rate of inflation, in order to maintain the spending power of the sum invested. Given the current level of CPI at 0.9% this will be difficult to achieve with fixed term deposits alone. However, we will continue to consider further longer-term investments within our overall investment portfolio, such as pooled funds, which will achieve a higher rate of return. Any temporary liquidity issues that may arise throughout the year will be dealt with by short term borrowing.
- 4.6 **Negative interest rates:** The COVID-19 pandemic has increased the risk that the Bank of England will set its Bank Rate at or below zero, which is likely to feed through to negative interest rates on all low risk, short-term investment options. Since investments cannot pay negative income, negative rates will be applied by reducing the value of investments. In this event, security will be measured as receiving the contractually agreed amount at maturity, even though this may be less than the amount originally invested.
- 4.7 **Strategy:** Given the increasing risk and very low returns from short-term unsecured bank investments, the Authority aims to further diversify into more secure and/or higher yielding asset classes during 2021/22. A reduced

proportion of the Authority’s surplus cash remains invested in short-term unsecured bank deposits and money market funds. This diversification will represent a continuation of the strategy adopted in 2020/21 with outer limits set for treasury management operations.

4.8 **Business models:** Under the IFRS 9 standard, the accounting for certain investments depends on the Authority’s “business model” for managing them. The Authority aims to achieve value from its internally managed treasury investments by a business model of collecting the contractual cash flows and therefore, where other criteria are also met, these investments will continue to be accounted for at amortised cost.

4.9 **Approved counterparties:** The Authority may invest its surplus funds with any of the counterparty types as detailed in *Figure 1*, subject to the cash limits (per counterparty), and the time limits shown.

Figure 1: Approved investment counterparties and limits

Sector	Time limit	Counterparty limit	Sector limit
The UK Government	50 years	Unlimited	n/a
Local authorities & other government entities	25 years	£10m	Unlimited
Secured investments *	25 years	£15m	Unlimited
Banks (unsecured) *	13 months	£10m	Unlimited
Building societies (unsecured) *	13 months	£10m	£20m
Registered providers (unsecured) *	5 years	£5m	£50m
Money market funds *	n/a	£10m	Unlimited
Strategic pooled funds	n/a	£10m	£50m
Real estate investment trusts	n/a	£10m	£50m
Other investments *	5 years	£10m	£20m

This table must be read in conjunction with the following notes

- a) **Minimum Credit rating:** Treasury investments in the sectors marked with an asterisk will only be made with entities whose lowest published long-term credit rating is **no lower than A-**. Where available, the credit rating relevant to the

specific investment or class of investment is used, otherwise the counterparty credit rating is used. However, investment decisions are never made solely based on credit ratings, and all other relevant factors including external advice will be considered.

For entities without published credit ratings, investments may be made either:

- (i) where external advice indicates the entity to be of similar credit quality; or
- (ii) to a maximum of £10m per counterparty as part of a diversified pool e.g. via a peer-to-peer platform.

- b) **Banks and building societies unsecured:** Accounts, deposits, certificates of deposit and senior unsecured bonds with banks and building societies, other than multilateral development banks. These investments are subject to the risk of credit loss via a bail-in should the regulator determine that the bank is failing or likely to fail. See below for arrangements relating to operational bank accounts.
- c) **Secured investments:** Investments secured on the borrower's assets, which limits the potential losses in the event of insolvency. The amount and quality of the security will be a key factor in the investment decision. Covered bonds, reverse repurchase agreements and other collateralised arrangements with banks and building societies. These investments are secured on the bank's assets, which limits the potential losses in the unlikely event of insolvency, and means that they are exempt from bail-in. Where there is no investment specific credit rating, but the collateral upon which the investment is secured has a credit rating, the higher of the collateral credit rating and the counterparty credit rating will be used to determine cash and time limits. The combined secured and unsecured investments in any one bank will not exceed the cash limit for secured investments.
- d) **Government:** Loans, bonds and bills issued or guaranteed by national governments, regional and local authorities and multilateral development banks. These investments are not subject to bail-in, and there is generally a lower risk of insolvency, although they are not zero risk. Investments with the UK Central Government may be made in unlimited amounts for up to 50 years.
- e) **Corporates:** Loans, bonds and commercial paper issued by companies other than banks and registered providers. These investments are not subject to bail-in, but are exposed to the risk of the company going insolvent. Loans to unrated companies will only be made either following an external credit assessment or to a maximum of £50,000 per company as part of a diversified pool in order to spread the risk widely.

- f) **Registered providers (unsecured):** Loans and bonds issued by, guaranteed by or secured on the assets of registered providers of social housing and registered social landlords, formerly known as housing associations. These bodies are tightly regulated by the Regulator of Social Housing (in England), the Scottish Housing Regulator, the Welsh Government and the Department for Communities (in Northern Ireland). As providers of public services, they retain the likelihood of receiving government support if needed.
- g) **Money Market Funds:** Pooled funds that offer same-day or short notice liquidity and very low or no price volatility by investing in short-term money markets. They have the advantage over bank accounts of providing wide diversification of investment risks, coupled with the services of a professional fund manager in return for a small fee. Although no sector limit applies to money market funds, the Authority will take care to diversify its liquid investments over a variety of providers to ensure access to cash at all times.
- h) **Strategic Pooled funds:** Shares or units in diversified investment vehicles consisting of any of the above investment types, plus equity shares and property. These funds have the advantage of providing wide diversification of investment risks, coupled with the services of a professional fund manager in return for a fee. Short-term Money Market Funds that offer same-day liquidity and very low or no volatility will be used as an alternative to instant access bank accounts, while pooled funds whose value changes with market prices and/or have a notice period will be used for longer investment periods.

The Authority may consider further investment in Pooled Funds during 2021/22 with a view to providing further diversification and the potential for earning a higher investment yield on long-term investment balances. Cash that is not required to meet any short or medium-term liquidity can be invested for the longer term with a greater emphasis on achieving returns that will support spending on local WECA services.

Bond, equity and property funds offer enhanced returns over the longer term, but are more volatile in the short term. These allow the Authority to diversify into asset classes other than cash without the need to own and manage the underlying investments. Because these funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the Authority's investment objectives will be monitored regularly.

- i) **Real estate investment trusts:** Shares in companies that invest mainly in real estate and pay the majority of their rental income to investors in a similar manner to pooled property funds. As with property funds, REITs offer enhanced returns over the longer term, but are more volatile especially as the share price

reflects changing demand for the shares as well as changes in the value of the underlying properties.

- j) **Other investments:** This category covers treasury investments not listed above, for example unsecured corporate bonds and company loans. Non-bank companies cannot be bailed-in but can become insolvent placing the Authority's investment at risk.
- k) **Operational bank accounts:** The Authority may incur operational exposures, for example through current accounts, collection accounts and merchant acquiring services, to any UK bank with credit ratings no lower than BBB- and with assets greater than £25 billion. These are not classed as investments, but are still subject to the risk of a bank bail-in, and balances will therefore be kept below £250,000 per bank. This is a relatively low risk as deposits tend to be only held overnight and can be moved without notice. The Bank of England has stated that in the event of failure, banks with assets greater than £25 billion are more likely to be bailed-in than made insolvent, increasing the chance of the Authority maintaining operational continuity.
- l) **Risk assessment and credit ratings:** Credit ratings are obtained and monitored by the Authority's treasury advisers, ArlingClose, who will notify changes in ratings as they occur. Where an entity has its credit rating downgraded so that it fails to meet the approved investment criteria then:
- no new investments will be made,
 - any existing investments that can be recalled or sold at no cost will be, and
 - full consideration will be given to the recall or sale of all other existing investments with the affected counterparty.

Where a credit rating agency announces that a credit rating is on review for possible downgrade (also known as "rating watch negative" or "credit watch negative") so that it may fall below the approved rating criteria, then only investments that can be withdrawn on the next working day will be made with that organisation until the outcome of the review is announced. This policy will not apply to negative outlooks, which indicate a long-term direction of travel rather than an imminent change of rating.

- m) **Other information on the security of investments:** The Authority understands that credit ratings are good, but not perfect, predictors of investment default. Full regard will therefore be given to other available information on the credit quality of the organisations in which it invests, including credit default swap prices, financial statements, information on potential government support, reports in the quality financial press and analysis and advice from the Authority's treasury management adviser. No investments

will be made with an organisation if there are substantive doubts about its credit quality, even though it may otherwise meet the above criteria.

When deteriorating financial market conditions affect the creditworthiness of all organisations, as happened in 2008 and 2020, this is not generally reflected in credit ratings, but can be seen in other market measures. In these circumstances, the Authority will restrict its investments to those organisations of higher credit quality and reduce the maximum duration of its investments to maintain the required level of security. The extent of these restrictions will be in line with prevailing financial market conditions. If these restrictions mean that insufficient commercial organisations of high credit quality are available to invest the Authority's cash balances, then the surplus will either be deposited with the UK Government, (via the Debt Management Office), invested in government treasury bills or with other local authorities. This will cause a reduction in the level of investment income earned, but will protect the principal sum invested.

- n) **Environmental, Social & Governance (ESG) Investments:** With many LA's declaring a climate emergency to tackle the impacts of climate change, the Authority recognises it can further enhance its efforts through its investment decisions and activity. The Authority will continue to use the Arlingclose ESG and Responsible Investment Service, designed to guide and advise authorities on incorporating and monitoring ESG in its treasury investment decisions.
- o) **UA Short Term Loan Facility:** In order to assist the West of England Unitary Authorities who may be facing cashflow challenges as a result of Covid, the Authority has implemented a short-term loan facility and this will be operated within the parameters of the approved Treasury Management Strategy.
- p) **Investment limits:** The maximum that will be lent to any one organisation, (other than the UK Government), will be £10 million. A group of banks under the same ownership will be treated as a single organisation for limit purposes. Limits will also be placed on fund managers, investments in brokers' nominee accounts, foreign countries and industry sectors. Investments in pooled funds and multilateral development banks do not count against the limit for any single foreign country, since the risk is diversified over many countries. The Authority's revenue reserves, which could be made available to cover any investment losses, are forecast to be £1.7 million on 31st March 2021.

Figure 2: Investment Limits

	Cash limit
Any single organisation, except the UK Central Government	£10m each
UK Central Government	unlimited
Any group of organisations under the same ownership	£10m per group
Any group of pooled funds under the same management	£10m per manager
Negotiable instruments held in a broker's nominee account	£10m per broker
Foreign countries	£15m per country (AAA sovereign rating)
	£10m per country (AA+ sovereign rating)
Registered providers and registered social landlords	£50m in total
Unsecured investments with building societies	£20m in total
Loans to unrated corporates	£20m in total
Money market funds	unlimited
Real estate investment trusts	£50m in total

q) **Liquidity management:** The Authority uses cash flow forecasting to determine the maximum period for which funds may prudently be committed. The forecast is compiled on a prudent basis to minimise the risk of the Authority being forced to borrow on unfavourable terms to meet its financial commitments. Limits on long-term investments are set by reference to the Authority's medium-term financial plan and cash flow forecast.

5. Borrowing Strategy

5.1 The Authority currently holds no borrowing. The balance sheet forecast shows that the Authority does not expect to need to borrow in 2021/22.

5.2 **Objectives:** The Authority's chief objective when borrowing money is to strike an appropriately low risk balance between securing low interest costs and achieving certainty of those costs over the period for which funds are required.

The flexibility to renegotiate loans should the Authority's long-term plans change is a secondary objective.

5.3 **Strategy:** The Authority does not currently have any underlying need to borrow long-term to fund capital expenditure. WECA holds no long-term loans and no long-term borrowing is anticipated during 2021/22. Therefore, a debt-free strategy will be maintained until such time as the Authority determines that its capital strategy and prioritised programme of investment requires consideration of any borrowing decision.

5.4 As part of its approach to liquidity management, the Authority may borrow short-term loans to cover any unplanned cash flow shortages as they arise. Rather than always keeping cash on instant access for unplanned cash flows, (where security and liquidity will mean yields will be low), the Authority will retain the option of short-term borrowing at current low rates to enable it to explore increasing investments in longer-term and more diversified assets. The Authority will test access to borrowing occasionally even where this is not required to ensure liquidity is available.

5.5 **Sources of borrowing:** The approved sources of short-term borrowing are:

- Public Works Loan Board (PWLB) and any successor body
- any institution approved for investments (see below)
- any other bank or building society authorised to operate in the UK
- any other UK public sector body
- UK public and private sector pension funds (except Avon Pension Fund)
- capital market bond investors
- UK Municipal Bonds Agency plc and other special purpose companies created to enable local authority bond issues

5.6 **Other sources of debt finance:** In addition, capital finance may be raised by the following methods that are not borrowing, but may be classed as other debt liabilities:

- leasing
- hire purchase
- Private Finance Initiative
- sale and leaseback

5.7 **Short-term and variable rate loans:** These loans leave the Authority exposed to the risk of short-term interest rate rises and are therefore subject to the interest rate exposure limits as detailed in the treasury management indicators.

6. Treasury Management Indicators

6.1 The Authority measures and manages its exposures to treasury management risks using the following indicators.

6.2 **Security:** The Authority has adopted a voluntary measure of its exposure to credit risk by monitoring the value-weighted average credit rating of its investment portfolio. This is calculated by applying a score to each investment (AAA=1, AA+=2, etc.) and taking the arithmetic average, weighted by the size of each investment.

Credit risk indicator	Target
Minimum portfolio average credit rating	A-

6.3 **Liquidity:** The Authority has adopted a voluntary measure of its exposure to liquidity risk by monitoring the amount it can borrow each quarter without giving prior notice.

Liquidity risk indicator	Target
Total sum borrowed in past 3 months without prior notice	£30m

6.4 **Interest rate exposures:** This indicator is set to control the Authority's exposure to interest rate risk. The upper limits on the one-year revenue impact of a 1% rise or fall in interest rates will be:

Interest rate risk indicator	Limit
Upper limit on one-year revenue impact of a 1% <u>fall</u> in interest rates	£1m

The impact of a change in interest rates is calculated on the assumption that maturing loans and investments will be replaced at current rates.

6.5 **Principal sums invested for periods longer than a year:** The purpose of this indicator is to control the Authority's exposure to the risk of incurring losses by seeking early repayment of its investments. The limits on the long-term principal sum invested to final maturities beyond the period end will be:

Price risk indicator	2021/22	2022/23	2023/24	+3 years
Limit on principal invested beyond 364 Days as % of total cash balance	50%	30%	20%	20%

7. Related Matters

The CIPFA Code requires the Authority to include the following in its treasury management strategy.

7.1 Financial Derivatives: In the absence of any explicit legal power to do so, the Authority will not use standalone financial derivatives (such as swaps, forwards, futures and options). Derivatives embedded into loans and investments, including pooled funds and forward starting transactions, may be used, and the risks that they present will be managed in line with the overall treasury risk management strategy.

7.2 Markets in Financial Instruments Directive (MiFID II): As a result of the directive, Local Authorities will be treated as retail clients, but can opt up to professional client status, providing that they meet certain criteria which includes having an investment balance of at least £10m and the persons authorised to make investment decisions on behalf of WECA having at least a year's relevant professional experience. In addition, the regulated financial services firms to whom this directive applies must assess that these persons have the expertise, experience and knowledge to make investment decisions and understand the risks involved.

The Authority has opted up to professional client status with its providers of financial services, including advisers, banks, brokers and fund managers, allowing it access to a greater range of services but without the greater regulatory protections afforded to individuals and small companies. Given the size and range of the Authority's treasury management activities, the Chief Financial Officer believes this to be the most appropriate status.

8. Financial Implications

The budget for WECA investment income in 2021/22 is £1.03 million, based on an average investment portfolio of £129 million at an interest rate of 0.8% and making an allowance for impairment as required. In addition, the budget for the LEP investment income in 2021/22 is £0.05 million, based on an average investment of £13.7 million at an interest rate of 0.4%. The differing levels of interest expected to be achieved reflect the ability to invest WECA funds for longer terms and hence achieve a higher return. Longer term investment of LEP funds is limited as the remaining LGF and GBF grants will be fully spent by March 2022. Actual levels of investments, and interest rates attained, will be updated in budget monitoring reports to committee throughout the financial year.

Where investment income exceeds budget, e.g. from higher risk investments including pooled funds, then 50% of the revenue savings will be transferred to a treasury management reserve to cover the risk of capital losses or lower interest rates payable in future years.

9. Other Options Considered

- 9.1 The CIPFA Code does not prescribe any particular treasury management strategy for local authorities to adopt. The Chief Financial Officer, having consulted the West of England Mayor and Chief Executive, believes that the above strategy represents an appropriate balance between risk management and cost effectiveness. Some alternative strategies, with their financial and risk management implications, are listed below.

Alternative	Impact on income and expenditure	Impact on risk management
Invest in a narrower range of counterparties and/or for shorter times	Interest income will be lower	Lower chance of losses from credit related defaults, but any such losses may be greater
Invest in a wider range of counterparties and/or for longer times	Interest income will be higher	Increased risk of losses from credit related defaults, but any such losses may be smaller

Appendix A – Investment & Debt Portfolio Position

	31-Oct-20 Actual Portfolio £m	31-Oct-20 Average Rate %
External borrowing:	0	0
Other long-term liabilities:	0	0
Total gross external debt	0	0
Treasury investments:		
Banks & building societies (unsecured)	0	0
Covered bonds & repo (secured)	0	0
Government (incl. local authorities)	208	0.84
Corporate bonds and loans	0	0
Money Market Funds	18	0.04
Other pooled funds:		
CCLA Property Fund	10	4.11
Investec	7	3.66
Kames	7	3.33
Real estate investment trusts	0	0
Total treasury investments	250	1.05
Net debt	0	0

Appendix B – Treasury Management Monitoring

The Authority's investment position as at 31st October 2020 is detailed below. This shows a balance held of £250m which is an increase from £178m at 31st March 2019.

As shown in the charts, the investment portfolio has been diversified across UK banks, Building Societies and Local Authorities. The Authority also uses AA rated Money Market Funds to maintain short term liquidity with £17.9m invested as at 31st October 2020. The Authority also retains units in pooled funds with £10m invested with the CCLA Property Fund, £7m with Investec and £7m with Kames.

The forecast investment income to 31st March 2021 is £1.7m with an average rate of interest earned of circa 1%.

Investments are forecast to fall to £210m by the end of the 2020/21 financial year as capital grants are used to finance capital expenditure and project spend. Investments have been staggered, in terms of maturity dates, to ensure that there is a reasonable balance of available liquidity to finance required spend.

The Authority's term of investments are as follows:	Balance as at 31st Oct 2020 £000s
Instant Access Funds	17,900
Pooled	23,957
Up to 1 month	10,000
1 month to 3 months	53,185
4 months to 6 months	20,000
6 months to 12 months	85,000
More than 12 months	40,000
	250,042

Summary of Investments

31/10/2020

Type / Lendee	Credit Rating	Amount	Average Rate	Start	End
Notice					
Lloyds - 95 Day	A	185,462	0.11%		
		185,462			
Money Market Funds					
Aberdeen Liquidity	AA-	9,700,000	0.04%		
Federated	AA-	800,000			
Blackrock	AA-	6,700,000			
Insight	AA-	700,000			
		17,900,000			
Pooled Funds					
CCLA		9,956,738	3.92%		
Investec		7,000,000			
Kames		7,000,000			
		23,956,738			
Local Authorities & Banks					
Fife County Borough Council	LA	10,000,000		26/05/2020	26/11/2020
Surrey Heath Borough Council	LA	5,000,000		16/06/2020	16/12/2020
Thurrock Council	LA	8,000,000		19/12/2019	17/12/2020
Bournemouth Council	LA	10,000,000		21/09/2020	08/01/2021
Cheshire East Council	LA	5,000,000		22/06/2020	22/01/2021
West Dumbartonshire Council	LA	10,000,000		27/01/2020	25/01/2021
Dundee City Council	LA	5,000,000		28/01/2020	26/01/2021
London Borough Of Croydon	LA	5,000,000		28/01/2020	26/01/2021
North Lanarkshire Council	LA	5,000,000		29/01/2019	29/01/2021
Cambridgeshire County Council	LA	5,000,000		01/02/2019	01/02/2021
Dundee City Council	LA	5,000,000		26/05/2020	26/02/2021
Peterborough City Council	LA	5,000,000		29/04/2020	15/04/2021
Birmingham City Council	LA	5,000,000		29/10/2020	29/04/2021
Derbyshire County Council	LA	10,000,000		30/06/2020	30/04/2021
North East Lincolnshire	LA	5,000,000		05/05/2020	04/05/2021
Sedgemoor District Council	LA	5,000,000		05/05/2020	04/05/2021
Gosport Borough Council	LA	2,000,000		02/09/2020	02/06/2021
Slough Borough Council	LA	5,000,000		08/06/2020	07/06/2021
London Borough Of Islington	LA	10,000,000		09/06/2020	08/06/2021
Slough Borough Council	LA	5,000,000		15/06/2020	14/06/2021
Cambridge County Council	LA	5,000,000		01/07/2020	30/06/2021
Cheltenham Borough Council	LA	3,000,000		30/09/2020	30/06/2021
Liverpool City Council	LA	5,000,000		06/07/2020	05/07/2021
Mid Suffolk	LA	5,000,000		06/07/2020	05/07/2021
London Borough Of Croydon	LA	5,000,000		27/07/2020	27/07/2021
Rotherham MBC	LA	10,000,000		31/07/2020	30/07/2021
Uttlesford DC	LA	10,000,000		15/09/2020	09/09/2021
Walsall Met Borough Council	LA	10,000,000		27/04/2020	27/04/2022
North Lanarkshire Council	LA	5,000,000		26/05/2020	26/05/2022
Doncaster MBC	LA	10,000,000		18/06/2020	20/06/2022
Mid Suffolk District Council	LA	5,000,000		30/06/2020	30/06/2022
Swindon Council	LA	10,000,000		29/05/2020	30/05/2023
		208,000,000	0.84%		
		250,042,200	1.05%		

Chart 1 : WECA Investments by Funding Source (£250.04m) at 31st October 2020

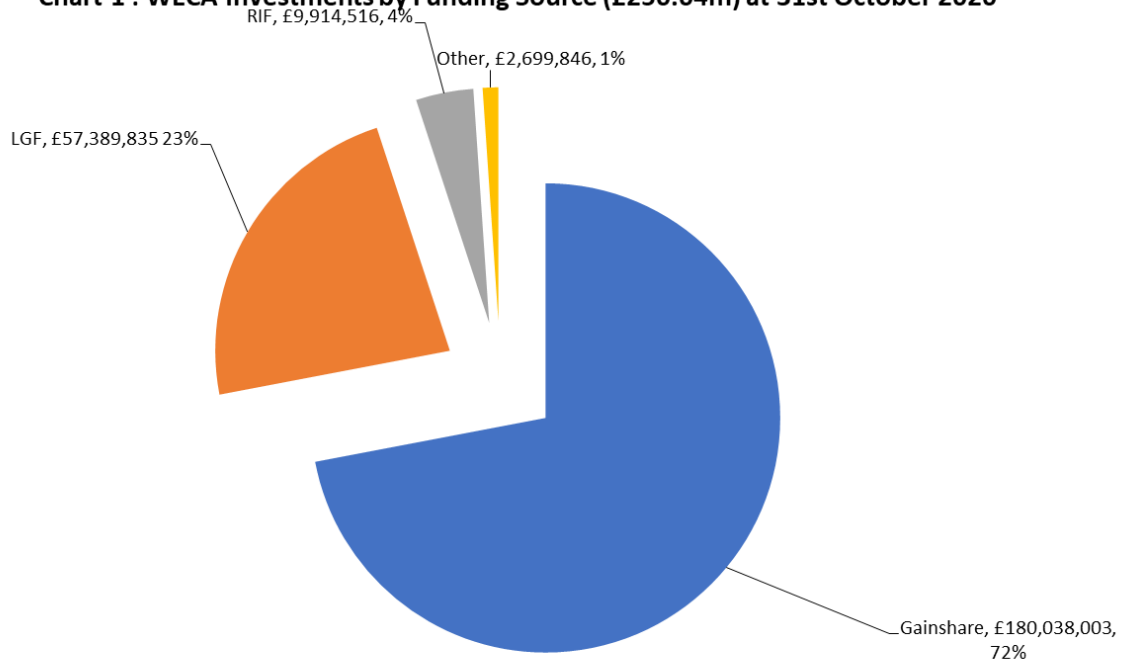


Chart 2: WECA Investments per lowest equivalent Long Term credit rating (£250.04m) at 31st October 2020

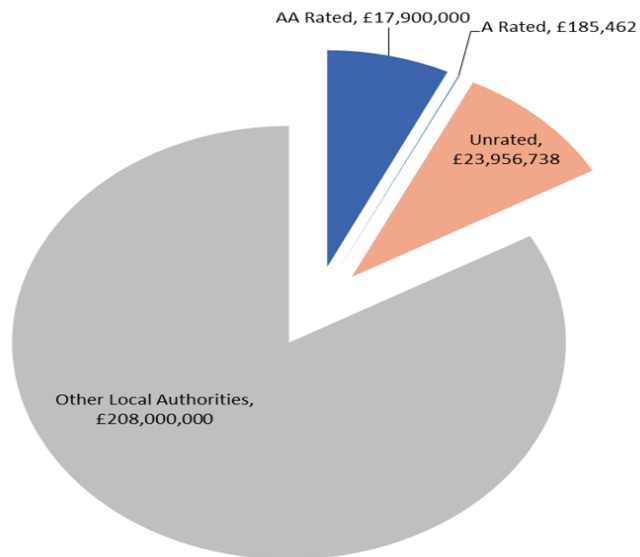
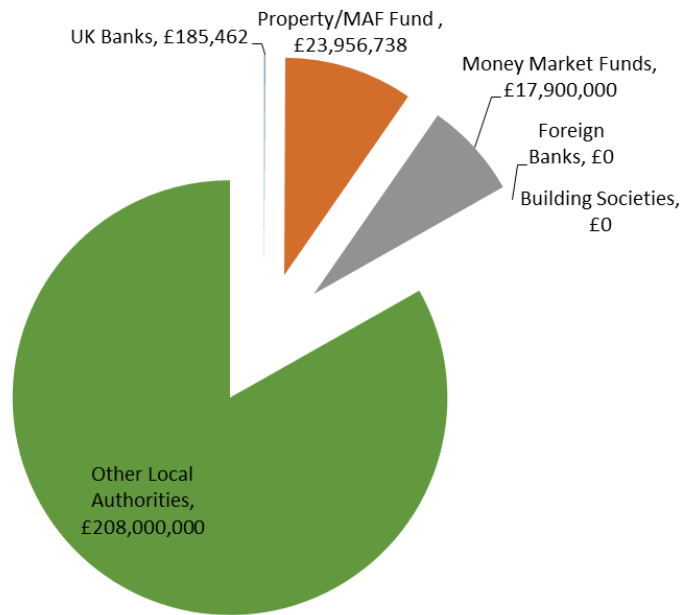


Chart 3: WECA Investments by Type (250.04m) as at 31st October 2020



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ITEM 09

**REPORT TO: WEST OF ENGLAND COMBINED AUTHORITY
AUDIT COMMITTEE**

DATE: 10 DECEMBER 2020

REPORT TITLE: INTERNAL AUDIT UPDATE

AUTHOR: JEFF WRING, AUDIT WEST (INTERNAL AUDIT)

Purpose of Report

1. To update the Committee on Internal Audit work in 2020/21.

Impact of Covid-19 pandemic

The Combined Authority has actively reviewed its key activities and work programme to reflect changing priorities as a result of the Covid-19 pandemic. Specific issues relating to the Covid-19 situation that impact on or are addressed through this report are as follows:

- While organisational priorities across the public sector continue to be realigned due to the impacts of COVID-19, there are no specific internal audit reviews currently planned in this area as WECA's position is different to a traditional Local Authority. COVID-19 impacts will continue to be taken account of when undertaking reviews in each audit area. We will continue to work closely with the S151 Officer and Senior Management in assessing how the focus of any reviews needs to change at the point of agreeing audit briefs. As the COVID-19 pandemic continues, this position may change and if so, this will be done in consultation with the Chair of the Audit Committee and the S151 Officer.

Recommendation

- To note the report.

Issues for Consideration

1. To note the areas audit under review and progress made to date against the 2019/20 internal audit plan as at 1st November 2020.
2. To ensure that the Audit Committee can rely on the independent assurance given by its Internal Auditors.

Report Narrative / Main Content

3. The Committee was presented with the proposed Audit Plan at its meeting on 17th July 2020 (Appendix 1). The approach involved a mixture of formal audit work along with an assessment of the internal control framework to inform the plan for future years using our Reasonable Assurance Model.
4. Commencement of the Annual Audit Plan was significantly impacted by COVID-19 in the first quarter of this financial year as WECA and Audit West established working practices to enable audits to be completed remotely. As a result, only two audit reviews (Growth Hub – Grant Certification and IT Risks – Penetration Testing) were completed during this initial period. Once an appropriate protocol had been established, good progress has been made although it is acknowledged that, as a result of this delay, the commencement of reviews will be condensed into the final two quarters of this year.
5. The table in paragraph 8 summarises the status of work as either complete, work in progress, or scheduled. There are currently no significant areas or issues of concern to raise with the Committee. We continue to focus on providing assurance over the significant ICT and Financial Systems programme.
6. We have adopted a flexible approach to the annual audit plan in order to react to resourcing and external impacts. In consultation with the Director of Business and Skills and the Head of People and Skills, the audit of Adult Education Budget has been moved to Q4 due to organisational priorities. In addition, the audit of Whistleblowing was conducted as the focus of the Counter Fraud Arrangements review following a request from the Audit Committee. We will continue to be agile and supportive to Senior Management to ensure the right work gets done at the right time and provide whatever support we can where it is needed for the remainder of the year.
7. The Committee will receive another update on the work undertaken at its April 2021 meeting when it will receive summaries of work completed for each individual audit area.

8. Summary of Audit Work and Status – 2020/21

Ref	Area Under Review	Status
20-001W	Workforce for the Future	In Progress
20-002W	Adult Education Budget	Scheduled for Q4
20-003W	Grant Certification – IBB	In Progress
20-004W	Core Financial Systems – Ledgers / Control Accounts	In Progress
20-005W	Follow Up – Land Acquisition Fund.	In Progress
20-005W	Follow Up – Treasury Management	Scheduled for November 2020
20-005W	Follow Up – ICT & Financial Systems Programme	Scheduled for Q4
20-006W	Reasonable Assurance Model – Corporate Governance	In Progress
20-006W	Reasonable Assurance Model – Financial Management	In Progress
20-006W	Reasonable Assurance Model – Risk Management	In Progress
20-006W	Reasonable Assurance Model – Performance Management	In Progress
20-006W	Reasonable Assurance Model – Programme & Project Management	In Progress
20-006W	Reasonable Assurance Model – Procurement & Commissioning	In Progress
20-006W	Reasonable Assurance Model – Information Management	In Progress
20-006W	Reasonable Assurance Model – Asset Management	In Progress
20-007W	Grant Certification – Growth Hub	Complete – Final Satisfactory.
20-008W	Core Financial Systems – VAT	In Progress
20-009W	IT Risks – Penetration Testing	Complete – Report Issued
20-010W	Counter Fraud Arrangements – Programme of Testing – Whistleblowing Arrangements	Complete – Final - Satisfactory
20-011W	Local Enterprise Partnership (LEP) – Grant Funding Assurance	Scheduled for Q4
20-012W	Procurement	Scheduled for Q4
20-013W	Core Financial Systems Overview - Accounts Payable / Accounts Receivable	Scheduled for Q4

Consultation

9. This report, and work undertaken, is consulted with the Director of Investment & Corporate Services with the draft internal audit plan being considered by the WECA Senior Management Team prior to committee approval.

Public Sector Equality Duties:

10. No direct implications

Economic Impact Assessment:

11. No direct implications.

Finance Implications:

12. No direct implications, the cost of the internal audit service is within existing base revenue budgets.

Legal Implications:

13. No direct implications

Land/Property Implications;

14. No direct implications.

Human Resources Implications:

15. No direct implications

Appendices:

Appendix 1 – Internal Audit Plan

Report Author: Jeff Wring – Audit West (Internal Audit)

West of England Combined Authority Contact: Malcolm Coe – Director of Investment and Corporate Services

Background Papers

Any person seeking background information relating to this item should seek the assistance of the contact officer for the meeting who is Ian Hird / Tim Milgate on 0117 332 1486; or by writing to West of England Combined Authority, 3 Rivergate, Temple Way, Bristol BS1 6ER; email: democratic.services@westofengland-ca.gov.uk

Internal Audit Plan 2020/21



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Audit West

Delivering Independent Assurance to the Public Sector

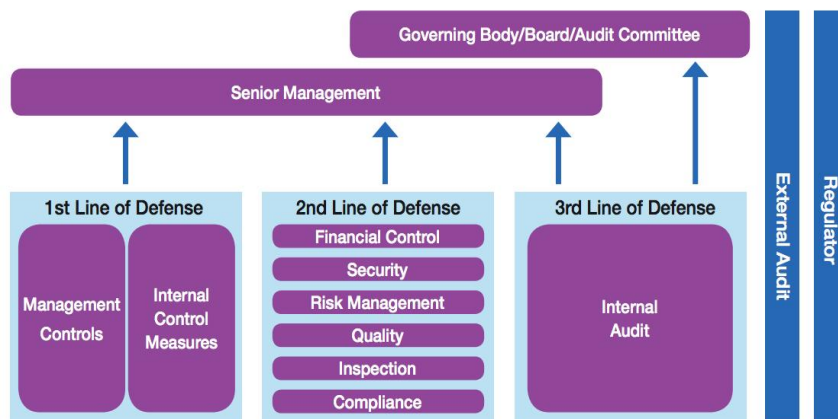
1. Our Role

Introduction

The West of England Combined Authority is striving to be a driving force for clean and inclusive economic growth in the West of England with the aim to ensure that people benefit from more job opportunities, a stronger economy and a higher quality of life. To achieve this the Authority has recognised the importance of excellence in resource management and sound governance as fundamental to achieving these priorities.

Audit West fully recognizes its need to be flexible and agile in the face of the significant changes affecting the whole of the public sector and meet the needs of its stakeholders. Independent assurance which is strong but supportive can provide a helpful and positive role not just to services but to elected Members and the Community at large by demonstrating that the Authority is operating effectively and protecting its assets and resources for the benefit of all its stakeholders.

Three Lines of Defence Model



By being independent of management Audit West maintain the third line of defence and we continue to do this effectively by working with all our stakeholders - especially the Audit Committee, Statutory Officers and Senior Management – to improve the service we offer but also to provide an independent voice in supporting service change and transformation.

We also aim to offer continued value to all our clients based on the following key priorities –

- Use of our Reasonable Assurance Model
- Maximising Use of Technology
- Investment in Skills
- Offering complimentary assurance services
- Providing Value for Money

The remainder of this document outlines our approach and also the indicative areas for our audit and assurance plan for 2020/21.

2. Your Priorities & Plans

OPERATING FRAMEWORK

Our operating framework sets out our priorities for clean and inclusive economic growth in the West of England.

OUR AMBITIONS

The West of England is a place of growth and innovation, where economic, cultural and environmental diversity is celebrated and forms the foundation of prosperity for all.

We are investing in people and places – including jobs, skills, transport, homes, and digital connections – to ensure we are creating healthy communities where people want to live, work and visit.

Central to everything we do is our ambition to address climate change, secure good jobs and ensure decent homes for all our people.

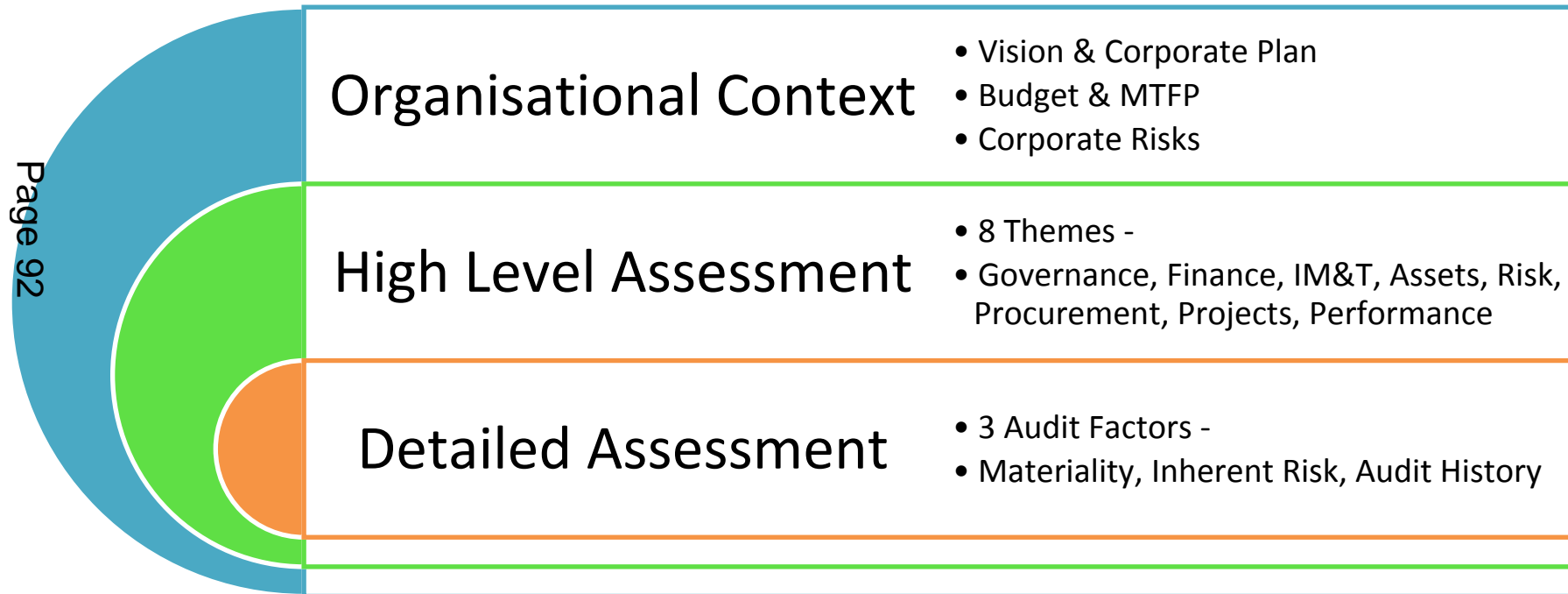
We will achieve our ambitions by working with our communities to deliver our priorities for infrastructure, skills and business.



3. Reasonable Assurance Model – Producing the Audit Plan

The model is based on the fundamental requirement that the audit plan proposed will deliver sufficient work to enable the Head of Audit to independently assess the internal control framework and give a reasonable assurance opinion at the end of each year.

This involves considering current context of the Authority, what a 'healthy organisation' requires to operate effectively and then assessing independently against this in a staged process as follows –



HIGH LEVEL ASSESSMENT AREAS – REASONABLE ASSURANCE

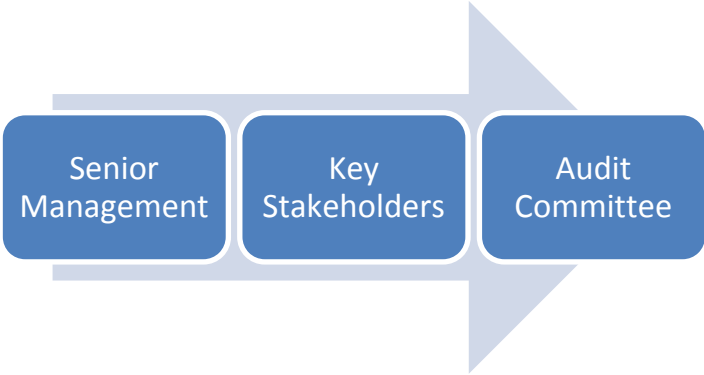


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DETAILED CRITERIA – AUDIT PLAN LISTING



CONSULTATION & APPROVAL



Results of our Reasonable Assurance Model Risk Assessment –

HIGH		PROGRAMME & PROJECT MANAGEMENT			
	CORPORATE GOVERNANCE	FINANCIAL MANAGEMENT	PROCUREMENT		
		INFORMATION MANAGEMENT	RISK MANAGEMENT		
			PERFORMANCE MANAGEMENT		
			ASSET MANAGEMENT		
HIGH		LEVEL OF ASSURANCE			LOW

Areas for Review – 2020/21

Internal Audit Areas	Reasonable Assurance Theme
Organisational & Corporate Functions (70 Days)	
Workplace for the Future – Governance & Funding Overview	Financial Management/Programme & Project Management/Corporate Governance
Adult Education Budget - Phase 2 Review of Commissioning	Financial Management/Programme & Project Management/ Corporate Governance
Core Financial Systems – Various incl Ledger, Control A/C's, VAT, Financial Controls Overview	Financial Management/ Programme & Project Management/ Corporate Governance
Procurement – Strategy & Governance Overview	Financial Management/Risk Management/ Corporate Governance
IT Risks – Programme of Testing	Financial Management/ Programme & Project Management/ Corporate Governance
Counter Fraud Arrangements – Programme of Testing	Financial Management / Risk Management
Local Enterprise Partnership (LEP) - Grant Funding Assurance	Financial Management / Corporate Governance
Corporate Governance (15 Days)	
Annual Governance Review (AGS)	Corporate Governance
Reasonable Assurance Model – Corporate Governance	Corporate Governance
Reasonable Assurance Model – Financial Management	Financial Management
Reasonable Assurance Model – Performance Management	Performance Management
Reasonable Assurance Model – Risk Management	Risk Management
Reasonable Assurance Model – Programme & Project Management	Programme & Project Management
Reasonable Assurance Model – Procurement	Procurement
Reasonable Assurance Model – Information Management	Information Management & Technology
Reasonable Assurance Model – Asset Management	Asset Management
Follow-Up Reviews (5 Days)	
Treasury Management	Financial Management/Corporate Governance
ICT & Financial Systems Programme	Financial Management/Programme & Project Management/Corporate Governance
Land Acquisition Fund	Financial Management/Programme & Project Management/Corporate Governance
Grant Audit Certification – Various (10 Days)	Financial Management / Corporate Governance

CONTACT DETAILS

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