

A meeting of the  
**WECA Audit Committee**

will be held on

**Date: Thursday, 1 July 2021**

**Time: 10.30 am**

**Place: Council Chamber, Bristol City Hall, College Green, Bristol BS1  
5TR**

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

Cllr Rob Appleyard, Bath & North East Somerset Council  
Cllr John Ashe, South Gloucestershire Council  
Cllr Mark Bradshaw, Bristol City Council  
Cllr Geoff Gollop, Bristol City Council  
Cllr Alex Hartley, Bristol City Council  
Mark Hatcliffe, Independent Member of WECA Audit Committee  
Cllr Tim Kent, Bristol City Council  
Cllr Brenda Langley, South Gloucestershire Council  
Cllr Heather Mack, Bristol City Council  
Cllr Brenda Massey, Bristol City Council  
Cllr John O'Neill, South Gloucestershire Council  
Cllr Joanna Wright, Bath & North East Somerset Council

**Enquiries to:**

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# West of England Combined Authority Committee Agenda

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- Inspect agendas and public reports five days before the date of the meeting
- Inspect agendas, reports and minutes of the WECA and 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 public reports for a period of up to four years from the date of the meeting. (A list of background papers to a report is given at the end of each report.) A background paper is a document on which the officer has relied in writing the report.
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Please phone 0117 42 86210**

### Guidance for press and public attending this meeting

The Openness of Local Government Bodies Regulations 2014 mean that any member of the public or press attending this meeting may take photographs, film or audio record proceedings and may report on the meeting including by use of social media (oral commentary is not permitted during the meeting as it would be disruptive). This will apply to the whole of the meeting except where there are confidential or exempt items, which may need to be considered in the absence of the press or public.

If you intend to film or audio record this meeting please contact the Democratic Services Officer named on the front of the agenda papers beforehand, so that all necessary arrangements can be made.

Some of our meetings are webcast. By entering the meeting room and using the public seating areas you are consenting to being filmed, photographed or recorded. At the start of the meeting, the Chair will confirm if all or part of the meeting is to be filmed. If you would prefer not to be filmed for the webcast, please make yourself known to the camera operators.

An archived recording of the proceedings will also be available for viewing after the meeting. The Combined Authority may also use the images/sound recordings on its social media site or share with other organisations, such as broadcasters.

To comply with the Data Protection Act 2018, we require the consent of parents or guardians before filming children or young people. For more information, please speak to the camera operator.

## **1. EVACUATION PROCEDURE**

*In the event of a fire, please await direction from the West of England Combined Authority staff who will help assist with the evacuation. Please do not return to the building until instructed to do so by the fire warden(s).*

## **2. COMMITTEE MEMBERSHIP & APOLOGIES FOR ABSENCE**

*To note the committee's membership as set out on the agenda and to receive apologies for absence from Members.*

## **3. ELECTION OF CHAIR FOR MUNICIPAL YEAR 2021/22**

*The WECA Audit Committee to elect a Chair for municipal year 2021/22.*

## **4. ELECTION OF VICE-CHAIR FOR MUNICIPAL YEAR 2021/22**

*Having elected a Chair for the Municipal Year 2021/22, the WECA Audit Committee is requested to elect a Vice-Chair for the same period.*

## **5. 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.*

## **6. TERMS OF REFERENCE**

*To note the Terms of Reference for the WECA Audit Committee.*

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## **7. MINUTES OF THE MEETING OF WECA AUDIT COMMITTEE HELD ON 25 FEBRUARY 2021**

*To consider and approve the minutes from 25 February 2021 of the West of England Combined Authority Audit Committee.*

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## **8. ITEMS FROM THE PUBLIC**

### **WRITTEN PUBLIC QUESTIONS (written procedure)**

*1. Any member of the public can submit a maximum of two written questions in advance of 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 25 June 2021.*

*3. Questions should be addressed to the Chair of the meeting and e-mailed to [democratic.services@westofengland-ca.gov.uk](mailto: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 the Combined Authority's committee procedures, there is no opportunity for oral supplementary questions to be asked at committee meetings.*

*6. The written questions and replies will be circulated to committee members in advance of the meeting and published on the Combined Authority 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 30 June 2021. Statements should be emailed to [democratic.services@westofengland-ca.gov.uk](mailto: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 Combined Authority website.

### **5. Please note:**

If any member of the public wishes to attend the meeting to orally present their statement, they are asked please to notify the Combined Authority's Democratic Services team of this at the point when their statement is submitted and by 12 noon on the working day before the meeting at the very latest.

For those presenting their statements at the meeting, up to 3 minutes 'speaking time' is permitted for each statement. The total time available for the public session at this meeting is 30 minutes.

All members of the public attending to present statements are requested please to take a Covid-19 lateral flow test 24 hours before the day of the meeting.

## **9. PETITIONS**

Any member of the public in the West of England Combined Authority may present a petition at a West of England Combined Authority Audit Meeting.

## **10. EXTERNAL AUDIT PLAN FOR YEAR ENDING 31 MARCH 2021** 15 - 40

The Authority's External Auditors, Grant Thornton, to present the Audit Plan for year ending 31 March 2021

## **11. INFORMING THE AUDIT RISK ASSESSMENT FOR WECA 2020/21** 41 - 66

The purpose of this report is to contribute towards the effective two-way communication between the Combined Authority's external auditors and Audit Committee (as those charged with governance). The report covers some important areas of the auditor risk assessment where Grant Thornton, WECA's appointed auditors, are required to make inquiries of the Audit Committee under auditing standards.

## **12. DRAFT ANNUAL GOVERNANCE STATEMENT 2020/21** 67 - 82

It is the responsibility of the audit committee to formally approve the authority's annual Statement of Accounts. This report contains the Annual Governance Statement which is an integral section of the accounts detailing the framework, and effectiveness, of the authority's governance arrangements.

## **13. STATEMENT OF ACCOUNTS DRAFT NARRATIVE REPORT 2020/21** 83 - 102

It is the responsibility of the audit committee to formally approve the authority's annual Statement of Accounts. This report contains the draft narrative report which is the important opening section of the accounts explaining the activities and performance throughout the 2020/21 financial year.

## **14. INTERNAL AUDIT ANNUAL REPORT 2020/21** 103 - 112

*This is the Annual Report of the Internal Audit service detailing progress against the Plan, a summary of audit performance and key issues, as well as the formal opinion on the internal control framework.*

**15. INTERNAL AUDIT PLAN 2021/22** 113 - 132

*To present the Internal Audit Plan for 2021/22 for approval.*

**16. FINANCE (AGRESSO) SYSTEM CONTROLS** 133 - 152

*To provide an update to the Audit Committee on the controls that have been put in place with regard to WECA's automated Finance System (Agresso)*

**17. DATES OF COMMITTEE**

*WECA Audit Committee will meet on the following dates in 2021/22 (all dates/times subject to change):*

*(All 10:30am)*

*Wednesday 22 September 2021*

*Thursday 9 December 2021*

*Wednesday 23 February 2022*

**Next meeting: Wednesday, 22 September 2021**

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## The West of England Combined Authority Audit Committee

The functions of the audit committee shall include:

- (i) reviewing and scrutinising the authority's financial affairs;
- (ii) reviewing and assessing the authority's risk management, internal control and corporate governance arrangements;
- (iii) reviewing and assessing the economy, efficiency and effectiveness with which resources have been used in discharging the authority's functions; and
- (iv) making reports and recommendations to the Combined Authority in relation to the reviews they have conducted.
- (v) To consider and approve the Annual Statutory Accounts

Save for the provision in Section A – Standing Orders (Descriptions and Rules of Procedure), that can only apply to a meeting of the West of England Combined Authority, the rules of procedure will apply to meetings of the Audit Committee.

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# Agenda Item 7

## West of England Combined Authority WECA Audit Committee

Thursday, 25 February 2021, 10:30am  
Zoom virtual meeting, broadcast on the WECA YouTube channel

### Present:

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

### Officers In Attendance:

Malcolm Coe, Director of Investment and Corporate Services	Tim Milgate, Democratic Services Officer
Selonge Russell, Head of Finance & Procurement	Lynda Bird, Head of Performance, Planning and Projects
Steve Finnegan, Financial Accountant	

### Apologies:

## Minutes

1	<b>WELCOME AND INTRODUCTIONS</b>  The Chair welcomed everybody to the meeting which was being held via Zoom and broadcast on the Authority's Youtube channel.
2	<b>APOLOGIES FOR ABSENCE</b>  No apologies for absence had been received.
3	<b>DECLARATIONS OF INTEREST UNDER THE LOCALISM ACT 2011</b>  There were no declarations of interest declared under the Localism Act 2011.
4	<b>MINUTES OF THE MEETING HELD 10 DECEMBER 2020</b>  The minutes of the meeting held on 10 December 2020 were agreed as a correct record.
5	<b>ITEMS FROM THE PUBLIC (QUESTIONS; PETITIONS; STATEMENTS)</b>  One statement had been received on behalf of the WECA Overview & Scrutiny Committee by the Chair of that Committee, Councillor Stephen Clarke. The statement was circulated prior to the meeting and published on the Authority's website.
6	<b>CHAIR'S BUSINESS / ANNOUNCEMENTS</b>

	<p>Jon Roberts and David Bray from the Authority’s external auditors, Grant Thornton, were welcomed to their first meeting of WECA Audit Committee.</p>
7	<p><b>AUDIT PLAN CONSULTATION</b></p> <p>Jeff Wring, Internal Audit (Audit West) introduced a report updating the WECA Audit Committee on the methodology used to create the Internal Audit Plan and seeking comments on areas or themes that Members of the Committee would like to be considered within the plan for 2021/22.</p> <p>It was noted that, currently, the Plan had resources of 100 days per year which have currently been allocated and left approximately 30 days for consideration of input from key stakeholders. Professional bodies such as The Chartered Institute of Internal Auditors had provided advice on key areas for organisations to consider when compiling audit plans and these had been set out in the report. The plan was flexible and could be adjusted through the year as necessary.</p> <p>The following comments were raised:</p> <ul style="list-style-type: none"> <li>• It was asked whether there were any differences in conducted audits during the current pandemic. In response it was noted that working from home did provide some issues and challenges and after a partial return to the work place, WECA would still need to ensure processes were being followed correctly;</li> <li>• Was there any particular area of risk that Internal Audit were concerned about? It was noted that Fraud Risk and Cyber Risk were areas of focus but the risk was lower in the Combined Authority due to the lower number of grants administered;</li> <li>• It was welcomed that “Managing talent, staff wellbeing and diversity challenges post pandemic” was listed as a key area of focus although it was noted that WECA had a much smaller number of staff compared to a constituent unitary authority;</li> <li>• It was asked that IT Audit and Counter Fraud and Corruption include cyber crime specifically as well as a focus on corporate governance of the LEP;</li> <li>• A query was raised on how systems and controls were audited when staff were working from home and paper copies of documents were not being produced. It was suggested that a ‘case study’ or flow chart be brought before members as way of illustration;</li> <li>• It was asked whether Brexit was a concern specifically around “Supply chain disruption and third-party solvency for critical suppliers”. It was a key risk for constituent authorities but was more easily contained within WECA which had fewer critical suppliers. Malcolm Coe stated that the supply chain was an issue coming out of the pandemic, for example around delivery of major capital projects;</li> <li>• A point was raised about the climate emergency declaration and queried how consideration to this was imbedded in an internal audit approach. It was noted that Internal Audit had been looking at this issue and whether there was a corporate plan in place to tackle the issue throughout the corporate governance and decision-making process. Malcolm Coe stated that the biggest issue was where the Authority placed its main project investments, and audit could give a steer on this if necessary. There were other risks such as reputational risks to take into account, and this could be an issue for the Authority’s Risk Management Register to link these issues together;</li> </ul> <p><b>Agreed:</b> That the WECA Audit Committee’s comments on the areas or themes that they would like to be considered be taken into account for the Internal Audit Plan 2021/22.</p>
8	<p><b>RISK MANAGEMENT FRAMEWORK</b></p> <p>Lynda Bird, Head of Performance, Planning and Projects introduced a report which provided an annual update to Audit Committee on WECA’s approach to managing risk.</p>

	<p>The risk management framework sets out the Authority's approach to identifying and managing the risks associated with delivery of the WECA business plan. The framework had evolved over the past three years and formed an integral part of WECA's performance reporting process. The framework had been reviewed by WECA's SMT and no substantive changes have been recommended this year. A draft of the updated risk management framework had been attached as an appendix together with the current corporate risk register.</p> <p>The following points were raised:</p> <ul style="list-style-type: none"> <li>• It was asked how the impact of a declaration of climate emergency and statements of intent could be embedded into the corporate risk register. The climate change item was on the register but whether sufficient mitigation was in place was possibly a debate for the WECA Overview &amp; Scrutiny Committee. It was noted that £250,000 had been allocated to business cases to see whether the Authority had included the correct mitigations in its programmes and overall plan. It was suggested that the Chairs and Vice-Chairs of WECA Audit &amp; Overview and Scrutiny Committees look at this issue in more detail at a later time;</li> <li>• A question was asked about how the goals within the framework were challenged. Internal Audit looked at the reasonable assurance model yearly where the scoring criteria was challenged, and in terms of operational challenge each directorate risk register was reported regularly to SMT who ensured the RAG status was consistent throughout the authority;</li> </ul> <p><b>Agreed:</b></p> <p>(1) That the updated risk management framework be endorsed;</p> <p>(2) That following the local and Mayoral elections in May 2021, the Chairs and Vice-Chairs of WECA Audit &amp; Overview &amp; Scrutiny Committees be asked to look in detail at how the climate emergency declaration and statements of intent were embedded within WECA's activities;</p>
9	<p><b>MONITORING &amp; EVALUATION FRAMEWORK</b></p> <p>Lynda Bird, Head of Performance, Planning and Projects submitted a report on the annual review and update of the WECA Monitoring &amp; Evaluation Framework.</p> <p>The monitoring and evaluation framework brought together WECA's reporting requirements into one single document and a draft had been appended to the report. The Framework was updated annually and shared with Government. Due to the pandemic the date for submission of a draft had been postponed and would be shared as a draft following feedback and discussion with WECA Audit Committee.</p> <p>The following points were raised:</p> <ul style="list-style-type: none"> <li>• Submission of such a document was a requirement by BEIS for all Mayoral Combined Authorities;</li> <li>• The current funded projects included delivery of 13km of improved cycle and walking paths but this was a short term measure with an additional £10m of WECA funding being invested into Walking and Cycling schemes with business cases still to be finalised. Some of the estimated outcomes from the Investment Programme had been calculated prior to the Covid pandemic and were constantly reviewed;</li> <li>• Projects and Programme evaluation – it was asked how the monitoring of grants was carried out and that they could be delivered. All the plans had a requirement to</li> </ul>

	<p>provide enough resources to carry out effective monitoring and evaluation. Regular updates on the investment fund were also submitted to WECA Committee/Joint Committee. Malcolm Coe also confirmed that each project had defined outcomes which were constantly monitored. In terms of the Adult Education Budget (AEB) the information was reported quarterly and could be brought before the Committee if needed;</p> <p><b>Agreed:</b> That the Monitoring &amp; Evaluation Framework for 2021 be endorsed.</p>
10	<p><b>AUDIT PROGRESS REPORT AND SECTOR UPDATE</b></p> <p>WECA Audit Committee received a report on the progress on delivering Grant Thornton’s responsibilities as the Authority’s external auditors. Jon Roberts, Engagement Lead, Grant Thornton and David Bray, Engagement Senior Manager, Grant Thornton attended the meeting and introduced the report.</p> <p>Grant Thornton had reported its work in the Audit Findings Report and gave its opinion on the Statement of Accounts on 18 November 2020. Grant Thornton’s planning procedures for the 2020/21 audit were underway for the financial statements and Value for Money work. This work would be summarised in the Audit Plan which would be brought to the next WECA Audit Committee.</p> <p>Jon Roberts and David Bray highlighted the following aspects of their update:</p> <ul style="list-style-type: none"> <li>• In terms of timing of the external audit it was noted that the timetable had not yet been agreed and guidance from MHCLG was awaited. Only around 50% of local authorities had been audited by November 2020;</li> <li>• A change to the Code of Practice set out changes to the Value for Money (VfM) aspect of the audit. This change was described as significant;</li> <li>• There had been a change to ISA (UK) 540 (Revised December 2018) where auditors were required to understand and assess an entity’s internal controls over accounting estimates. As part of this process auditors would also need to obtain an understanding of the role of those charged with governance, particularly important where the estimates had high estimation uncertainty, or require significant judgement. This included a more formal role for the WECA Audit Committee including overseeing management’s process for making accounting estimates, including the use of models, and the monitoring activities undertaken by management;</li> <li>• The Redmond Review had been an Independent Review into the Oversight of Local Audit and the Transparency of Local Authority Financial Reporting and was published on 8 September 2020. The review examined the effectiveness of local audit and its ability to demonstrate accountability for audit performance to the public. It also considered whether the current means of reporting the Authority’s annual accounts enabled the public to understand this financial information and receive the appropriate assurance that the finances of the authority were sound. Key recommendations in the review included: <ul style="list-style-type: none"> <li>○ Scope to revise fees - the current fee structure for local audit be revised to ensure that adequate resources are deployed to meet the full extent of local audit requirements;</li> <li>○ Move back to a September deadline for Local Authorities - the deadline for publishing audited local authority accounts be revisited with a view to extending it to 30 September from 31 July each year;</li> <li>○ Accounts simplification - CIPFA/LASAAC be required to review the statutory accounts to determine whether there is scope to simplify the presentation of local authority accounts.</li> </ul> </li> </ul>

	<p>MHCLG's response to Sir Tony Redmond's independent review into the effectiveness of external audit and transparency of financial reporting in local authorities was published on 17 December 2020.</p> <p>It was noted that the Audit would be carried out once again during the Covid pandemic restrictions.</p> <p>The following issues were raised:</p> <ul style="list-style-type: none"> <li>• Officers were asked to give their thoughts on meeting the timetable for the external audit. It was noted that draft accounts should be on the website by 30 June 2021 but challenges included the implementation of the new finance system. An additional layer of information had been added to the system to assist with the audit. It was hoped that the data flow could be driven through the accounts to the Audit. It was noted that the challenges of home working exacerbated some of these issues although the Authority was in a better position than a year ago;</li> <li>• Assurances were sought that the accounts could be audited in time. Jon Roberts stated that the current deadlines were considered to be unachievable. Around 45% of all national audits were signed by November 2020, and some still remained unsigned now. The complexity of local authority accounts had placed extreme pressure on the audit market. However, WECA was more straightforward than a local authority. It was anticipated that the timescale would be around autumn 2021. A staggered approach would help;</li> </ul> <p><b>Agreed:</b> That the Audit Progress Report and Sector update be welcomed.</p>
11	<p><b>FUTURE MEETING DATES</b></p> <p>The Committee noted the proposed dates for meetings in 2021/22 as follows:</p> <p>(All Meetings to commence at 10:30am, timings will be adjusted if necessary depending on level of business, etc.). All dates subject to change.</p> <p>Thursday 27 May 2021 [this is a provisional date. The date of this meeting will be confirmed in due course]</p> <p>Wednesday 22 September 2021  Thursday 9 December 2021  Wednesday 23 February 2022</p>
	<p>The next meeting was provisionally arranged for Thursday, 27 May 2021, 10.30 am, to be held virtually (subject to review depending on Covid situation).</p>

The meeting commenced at 10:30am and closed at 11:44pm.

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**ITEM: 10**

**REPORT TO: WECA AUDIT COMMITTEE**

**DATE: 1 JULY 2021**

**REPORT TITLE: EXTERNAL AUDIT PLAN FOR YEAR ENDING 31 MARCH 2021**

**DIRECTOR: MALCOLM COE, DIRECTOR OF INVESTMENT AND CORPORATE SERVICES**

**AUTHOR: GRANT THORNTON, EXTERNAL AUDITORS**

## **Purpose of Report**

- 1 The External Audit Plan details the key industry and local risks that feed into the planned external audit work that will be undertaken by Grant Thornton for the year ended 31 March 2021.

## **Recommendation**

- To approve the (Grant Thornton) External Audit Plan for year ended 31 March 2021.

## **Background / Issues for Consideration**

- 2 Grant Thornton are the appointed external auditors for the WECA. They carry out their audit work in accordance with the National Audit Office's Code of Audit Practice, which reflects the requirements of the Local Audit and Accountability Act 2014. The auditor's key responsibilities are to:

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

- 2.1 The External Audit Plan is attached as **Appendix 1**.

## **Consultation**

- 3 The (Grant Thornton) External Audit plan for the year ended 31 March 2020 was presented to, and approved by, the WECA Audit Committee on 27 February 2020.
  - 3.1 Findings from the work undertaken by the external auditor are published, alongside the authority's Statement of Accounts, on the WECA website following reports to the WECA Audit committee on 17 July 2020.

- 3.2 This report enables the committee to consider, and comment on, the planned external audit work for the financial year ending 31 March 2021.

### **Other Options Considered**

- 4 Grant Thornton have been appointed as the external auditor for the West of England Combined Authority through an open process governed by Public Sector Audit Appointments (PSAA). Having an independent external audit service is a statutory requirement for the authority.

### **Risk Management/Assessment**

- 5 Internal and external audit set their annual work programmes using a risk-based approach, focusing on areas of materiality and higher risk.
- 5.1 An Annual Governance Statement is published as an integral part of the WECA Statement of Accounts detailing the risk management and assurance framework.
- 5.2 Grant Thornton detail their 'significant audit risks', 'reason for risk identification' and proposed work that they plan to undertake, within the Audit Plan for year ending 31 March 2021.

### **Public Sector Equality Duties**

- 6 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.
- 6.1 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.
- 6.2 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.
- 6.3 The authority's core financial documents are made available in different formats and / or languages, as required, in order to improve ease of access.



### **Finance Implications, including economic impact assessment where appropriate:**

- 7 The annual (external) audit fee is determined through the Public Sector Audit Appointments framework.
- 7.1 The proposed fee of £39,384 reflects the additional work on Value for Money under the new National Audit Office Code and increased audit requirements of revised International Standards of Auditing (ISA).

*Advice given by: Malcolm Coe, Director of Investment and Corporate Services*

### **Legal Implications:**

- 8 The publication, and audit, of the Authority's Financial Statements is in accordance with the Accounts and Audit Regulations (England) 2015.
- 8.1 External audit work is undertaken in accordance with the National Audit Office's Code of Audit Practice, which reflects the requirements of the Local Audit and Accountability Act 2014.

*Advice given by: Shahzia Daya, Director of Legal Services*

### **Climate Change Implications**

- 9 On 19 July 2019, the West of England Combined 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 Combined Authority is committed to taking climate change considerations fully into account as an integral part of its governance and decision making process.

Each report/proposal submitted for Combined Authority / Joint Committee approval is assessed in terms of the following:

Will the proposal impact positively or negatively on:

- \* The emission of climate changing gases?
- \* The region's resilience to the effects of climate change?
- \* Consumption of non-renewable resources?
- \* Pollution to land, water or air?

Particular projects will also be subject to more detailed environmental assessment/consideration as necessary as part of their detailed project-specific management arrangements

- 9.1 There are no direct climate change implications from the proposed external audit work to be undertaken on the 2020/21 financial year.

### **Appendices:**

Appendix 1: (Grant Thornton) External Audit Plan for the year ending 31 March 2021.

**Background papers:**

External Audit Plan for year ending 31 March 2020: Report to audit committee on 25 February 2020

Statutory Accounts 2019/20: Reports to the audit committee on 17 July 2020 & 16 October 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.service@westofengland-ca.gov.uk](mailto:democratic.service@westofengland-ca.gov.uk)

# The West of England Combined Authority audit plan

Year ending 31 March 2021

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## Your key Grant Thornton team members are:

### Jon Roberts

Key Audit Partner

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### David Bray

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### Liam Royle

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T 0117 305 7687

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## Section

Key matters

Introduction and headlines

Significant risks identified

Accounting estimates and related disclosures

Other matters

Materiality

Value for Money Arrangements

Risks of significant VFM weaknesses

Audit logistics and team

Audit fees

Independence and non-audit services

Appendix 1: Revised Auditor Standards and application guidance

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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Authority or all weaknesses in your internal controls. 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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# Key matters

## Factors

### Authority developments

The WECA Investment Fund brings £30m of new finance per annum to the West of England over a 30-year period. This is subject to five-year Gateway Reviews by the Government, and the first Gateway review will be concluded by Government in 2021. A positive outcome will unlock the next five years (£150m) of Investment Funding.

A new Metro Mayor for the West of England was elected in May 2021 and we expect future plans to emerge during the course of our audit.

### Impact of Covid 19 pandemic

The current lockdown restrictions and Government guidance mean that we will have to continue to work completely remotely for a longer period and potentially through much of the audit for 2020-21. Working in cooperation with the Authority, we aim to build on our experience from last year.

### Financial Reporting and Audit – raising the bar

The Financial Reporting Council (FRC) has set out its expectation of improved financial reporting from organisations and the need for auditors to demonstrate increased scepticism and challenge, and to undertake more robust testing. Our work in 2019/20 has highlighted areas where Local Government financial reporting needs to be improved, with a corresponding increase in audit procedures. We have also identified an increase in the complexity of financial transactions in the Local Government sector which require greater audit scrutiny.

## Our response

We will assess the Gateway review as part of our work on assessing the Combined Authority's arrangements to support the achievement of value for money (VFM).

We will also be alert to the future plans of the Combined Authority during our VFM assessment and assessment of the narrative report..

As restrictions ease we will consider the implications on how we complete the audit.

We will build on our experience from last year will expand the use of Inflo, a leading audit software package for sharing and analysing information.

As a firm, we are absolutely committed to audit quality and financial reporting in the local government sector. Our proposed work and fee, as set further in our Audit Plan, has been agreed with the Director of Investment and Corporate Services.

# Key matters

## Factors

### Accounting and auditing developments

On 1 April 2020, the National Audit Office introduced a new Code of Audit Practice which comes into effect from audit year 2020/21. The Code introduced a revised approach to the audit of Value for Money. (VFM) There are three main changes arising from the NAO's new approach:

- A new set of key criteria, covering financial sustainability, governance and improvements in economy, efficiency and effectiveness;
- More extensive reporting, with a requirement on the auditor to produce a commentary on arrangements across all of the key criteria, rather than the current 'reporting by exception' approach; and

The replacement of the binary (qualified / unqualified) approach to VFM conclusions, with more sophisticated judgements on performance, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

In the period December 2018 to January 2020 the Financial Reporting Council issued a number of updated International Auditing Standards (ISAs (UK)) which are effective for audits of financial statements for periods beginning on or after 15 December 2019. ISA (UK) 540 (revised): Auditing Accounting Estimates and Related Disclosures includes significant enhancements in respect of the audit risk assessment process for accounting estimates. As part of this process auditors also need to obtain an understanding of the effectiveness of the role of those charged with governance relating to accounting estimates adopted by management, which is particularly important where the estimates have high estimation uncertainty, or require significant judgement.

## Our response

Members of the finance team attended our annual final accounts workshop earlier in the year, hosted by our highly experienced public sector assurance team as they help you prepare for your 2021 financial statements audit by highlighting potential risk areas and providing you with practical advice.

We will continue to provide you with sector updates via our Audit Committee updates.

# Introduction and headlines

## Purpose

This document provides an overview of the planned scope and timing of the statutory audit of The West of England Combined Authority ('the Combined Authority') for those charged with governance.

## Respective responsibilities

The National Audit Office ('the NAO') has issued a document entitled Code of Audit Practice ('the Code'). This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. Our respective responsibilities are also set out in the agreed in the Terms of Appointment and Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA), the body responsible for appointing us as auditor of The West of England Combined Authority. We draw your attention to both of these documents.

## Scope of our audit

The scope of our audit is set in accordance with the Code and International Standards on Auditing (ISAs) (UK). We are responsible for forming and expressing an opinion on the Combined Authority's financial statements that have been prepared by management with the oversight of those charged with governance (the Audit committee).

We are also responsible for undertaking sufficient work to be able to satisfy ourselves as to whether, in our view, the Authority has put arrangements in place that support the achievement of value for money.

The audit of the financial statements does not relieve management or the Audit Committee of your responsibilities. It is the responsibility of the Combined Authority to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Authority is fulfilling these responsibilities.

Our audit approach is based on a thorough understanding of the Combined Authority's business and is risk based.

## Significant risks

Those risks requiring special audit consideration and procedures to address the likelihood of a material financial statement error have been identified as:

- Valuation of the net defined benefit liability
- Management override of controls

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings (ISA 260) Report.

## Materiality

We have determined planning materiality to be £1.375m (PY £1.15m) for the Combined Authority, which equates to 1.8% of your prior year's gross expenditure. We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. Clearly trivial has been set at £70k (PY £60k).

## Value for Money arrangements

We have not identified any risks of significant weaknesses from our initial planning work. We will continue our review of your arrangements, including reviewing your Annual Governance Statement, before we issue our auditor's annual report.

## Audit logistics

Our planning work took place in March and April 2021, and our final audit will take place in July and August 2021. Our key deliverables are this Audit Plan, our Audit Findings Report and Auditor's Annual Report. Our audit approach is detailed in Appendix A.

Our fee for the audit will be £39,384 (PY: £34,943) for the Combined Authority, subject to the delivery of a good set of financial statements and supporting working papers.

We have complied with the Financial Reporting Council's Ethical Standard (revised 2019) and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements..

# Significant risks identified

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of net defined benefit liability	<p>The Authority's net defined benefit liability, as reflected in its balance sheet, represents a significant estimate in the financial statements.</p> <p>The pension fund liability is considered a significant estimate due to its size (£6.6m in the Authority's prior year balance sheet) and the sensitivity of the estimate to changes in key assumptions.</p> <p>We have therefore identified the valuation of the Authority's pension fund liability as a significant risk.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>• update our understanding of the processes and controls put in place by management to ensure that the Authority's net defined benefit liability is not materially misstated and evaluate the design of the associated controls;</li> <li>• evaluate the instructions issued by management to their management expert (the actuary) for this estimate and the scope and the actuary's work;</li> <li>• assess the competence, capabilities and objectivity of the actuary who carried out the Authority's pension fund valuation;</li> <li>• assess the accuracy and completeness of the information provided by the Authority to the actuary to estimate the liability;</li> <li>• test 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;</li> <li>• undertake procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report; and</li> <li>• obtain 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.</li> </ul>



# Significant risks identified (cont'd)

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Management over-ride of controls	<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. Management override is one of the two presumed risks that under auditing standards have to be reflected in all audits, whether in the public or private sector.</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>We will:</p> <ul style="list-style-type: none"> <li>• evaluate the design effectiveness of management controls over journals;</li> <li>• analyse the journals listing and determine the criteria for selecting high risk unusual journals;</li> <li>• test unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration;</li> <li>• gain an understanding of the accounting estimates and critical judgments applied/made by management and consider their reasonableness with regard to corroborative evidence; and</li> <li>• evaluate the rationale for any changes in accounting policies, estimates, or significant unusual transactions.</li> </ul>
The revenue cycle includes fraudulent transactions (rebutted)	<p>Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue 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 WECA, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> <li>• there is little incentive to manipulate revenue recognition;</li> <li>• opportunities to manipulate revenue recognition are very limited; and</li> <li>• the culture and ethical frameworks of local authorities, including WECA, mean that all forms of fraud are seen as unacceptable.</li> </ul> <p>We therefore do not consider this to be a significant risk for The West of England Combined Authority.</p>	
The expenditure cycle includes fraudulent transactions (rebutted)	<p>Practice Note 10: Audit of Financial Statements of Public Sector Bodies in the United Kingdom (PN10) states:</p> <p>"As most public bodies are net spending bodies, then the risk of material misstatement due to fraud related to expenditure may be greater than the risk of material misstatements due to fraud related to revenue recognition". Public sector auditors therefore need to consider whether they have any significant concerns about fraudulent financial reporting of expenditure which would need to be treated as a significant risk for the audit.</p> <p>We have rebutted this presumed risk for WECA because:</p> <ul style="list-style-type: none"> <li>• expenditure is well controlled and the Authority has a strong control environment;</li> <li>• there is very little incentive for management to mis-represent expenditure; and</li> <li>• the Authority has clear and transparent reporting of its financial plans and financial position to those charged with governance.</li> </ul> <p>We therefore do not consider this to be a significant risk for The West of England Combined Authority.</p>	

# Accounting estimates and related disclosures

The Financial Reporting Council issued an updated ISA (UK) 540 (revised): *Auditing Accounting Estimates and Related Disclosures* which includes significant enhancements in respect of the audit risk assessment process for accounting estimates.

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## Introduction

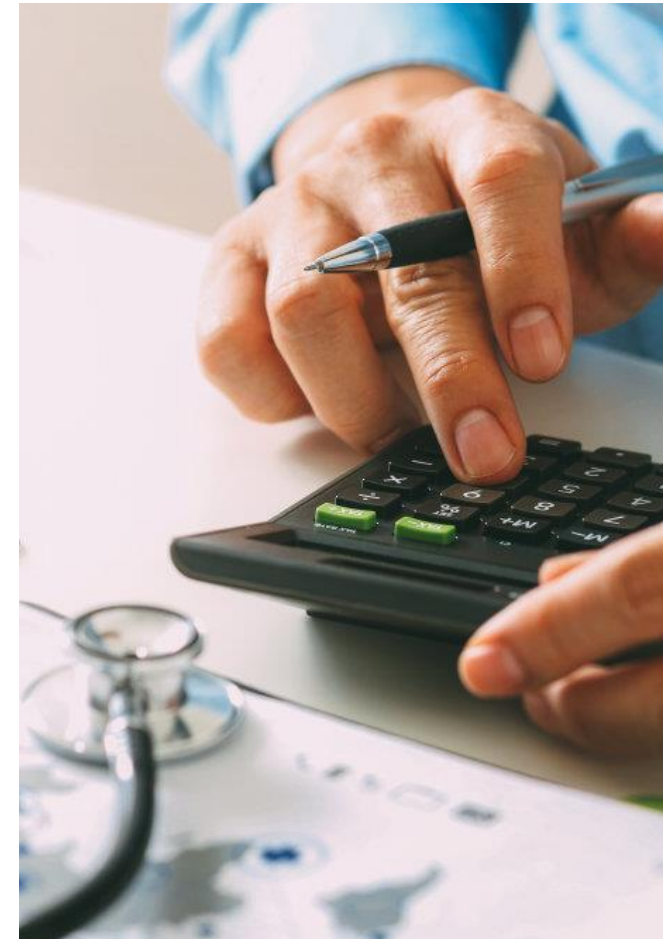
Under ISA (UK) 540 (Revised December 2018) auditors are required to understand and assess an entity's internal controls over accounting estimates, including:

- The nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates;
- How management identifies the need for and applies specialised skills or knowledge related to accounting estimates;
- How the entity's risk management process identifies and addresses risks relating to accounting estimates;
- The entity's information system as it relates to accounting estimates;
- The entity's control activities in relation to accounting estimates; and
- How management reviews the outcomes of previous accounting estimates.

As part of this process auditors also need to obtain an understanding of the role of those charged with governance, which is particularly important where the estimates have high estimation uncertainty, or require significant judgement.

Specifically do Audit Committee members:

- Understand the characteristics of the methods and models used to make the accounting estimates and the risks related to them;
- Oversee management's process for making accounting estimates, including the use of models, and the monitoring activities undertaken by management; and
- Evaluate how management made the accounting estimates?



# Accounting estimates and related disclosures

## Additional information that will be required

To ensure our compliance with this revised auditing standard, we will be requesting further information from management and those charged with governance during our audit for the year ended 31 March 2021.

Based on our knowledge of the Authority we have identified the following material accounting estimates for which this is likely to apply:

- Valuation of defined benefit net pension fund liabilities
- Year end provisions and accruals

Fair value estimates

## The Authority's Information systems

In respect of the Authority's information systems we are required to consider how management identifies the methods, assumptions and source data used for each material accounting estimate and the need for any changes to these. This includes how management selects, or designs, the methods, assumptions and data to be used and applies the methods used in the valuations.

When the models used include increased complexity or subjectivity, as is the case for many valuation models, auditors need to understand and assess the controls in place over the models and the data included therein. Where adequate controls are not in place we may need to report this as a significant control deficiency and this could affect the amount of detailed substantive testing required during the audit.

If management has changed the method for making an accounting estimate we will need to fully understand management's rationale for this change. Any unexpected changes are likely to raise the audit risk profile of this accounting estimate and may result in the need for additional audit procedures.

We are aware that the Authority uses management experts in deriving some of its more complex estimates, e.g. pensions liabilities. However, it is important to note that the use of management experts does not diminish the responsibilities of management and those charged with governance to ensure that:

- All accounting estimates and related disclosures included in the financial statements have been prepared in accordance with the requirements of the financial reporting framework, and are materially accurate;
- There are adequate controls in place at the Authority (and where applicable its service provider or management expert) over the models, assumptions and source data used in the preparation of accounting estimates.



### Estimation uncertainty

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Under ISA (UK) 540 we are required to consider the following:

- How management understands the degree of estimation uncertainty related to each accounting estimate; and
- How management address this estimation uncertainty when selecting their point estimate.

For example, how management identified and considered alternative, methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the point estimate used.

The revised standard includes increased emphasis on the importance of the financial statement disclosures. Under ISA (UK) 540 (Revised December 2018), auditors are required to assess whether both the accounting estimates themselves and the related disclosures are reasonable.

Where there is a material uncertainty, that is where there is a significant risk of a material change to the estimated carrying value of an asset or liability within the next year, there needs to be additional disclosures. Note that not all material estimates will have a material uncertainty and it is also possible that an estimate that is not material could have a risk of material uncertainty.

Where there is material estimation uncertainty, we would expect the financial statement disclosures to detail:

- What the assumptions and uncertainties are;
- How sensitive the assets and liabilities are to those assumptions, and why;
- The expected resolution of the uncertainty and the range of reasonably possible outcomes for the next financial year; and
- An explanation of any changes made to past assumptions if the uncertainty is unresolved.

### Planning enquiries

As part of our planning risk assessment procedures we raised enquiries with management. We have received a response to these enquires which will be endorsed by the Combined Authority's Audit Committee on 1 July 2021.

### Further information

Further details on the requirements of ISA (UK) 540 (Revised December 2018) can be found in the auditing standard on the Financial Reporting Council's website:

[https://www.frc.org.uk/getattachment/0fa69c03-49ec-49ae-a8c9-cc7a2b65382a/ISA-\(UK\)-540\\_Revised-December-2018\\_final.pdf](https://www.frc.org.uk/getattachment/0fa69c03-49ec-49ae-a8c9-cc7a2b65382a/ISA-(UK)-540_Revised-December-2018_final.pdf)

# Other matters

## Other work

In addition to our responsibilities under the Code of Practice, we have a number of other audit responsibilities, as follows:

- We read your Narrative Report and Annual Governance Statement to check that they are consistent with the financial statements on which we give an opinion and our knowledge of the Authority.
- We carry out work to satisfy ourselves that disclosures made in your Annual Governance Statement are in line with requirements set by CIPFA.

We carry out work on your consolidation schedules for the Whole of Government Accounts process in accordance with NAO group audit instructions.

We consider our other duties under legislation and the Code, as and when required, including:

- giving electors the opportunity to raise questions about your 2020/21 financial statements, consider and decide upon any objections received in relation to the 2020/21 financial statements;
- issuing a report in the public interest or written recommendations to the Combined Authority under section 24 of the Local Audit and Accountability Act 2014 (the Act).
- application to the court for a declaration that an item of account is contrary to law under section 28 or a judicial review under section 31 of the Act
- issuing an advisory notice under section 29 of the Act
- We certify completion of our audit.

## Other material balances and transactions

Under International Standards on Auditing, "irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure". All other material balances and transaction streams will therefore be audited. However, the procedures will not be as extensive as the procedures adopted for the risks identified in this report.

## Going concern

As auditors, we are required to obtain sufficient appropriate audit evidence regarding, and conclude on:

- whether a material uncertainty related to going concern exists; and
- the appropriateness of management's use of the going concern basis of accounting in the preparation of the financial statements.

The Public Audit Forum has been designated by the Financial Reporting Council as a "SORP-making body" for the purposes of maintaining and updating Practice Note 10: Audit of financial statements and regularity of public sector bodies in the United Kingdom (PN 10). It is intended that auditors of public sector bodies read PN 10 in conjunction with (ISAs) (UK).

PN 10 has recently been updated to take account of revisions to ISAs (UK), including ISA (UK) 570 on going concern. The revisions to PN 10 in respect of going concern are important and mark a significant departure from how this concept has been audited in the public sector in the past. In particular, PN 10 allows auditors to apply a 'continued provision of service approach' to auditing going concern, where appropriate. Applying such an approach should enable us to increase our focus on wider financial resilience (as part of our VfM work) and ensure that our work on going concern is proportionate for public sector bodies. We will review the Combined Authority's arrangements for securing financial sustainability as part of our Value for Money work and provide a commentary on this in our Auditor's Annual Report (see page 13).

# Materiality

## The concept of materiality

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. Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

## Materiality for planning purposes

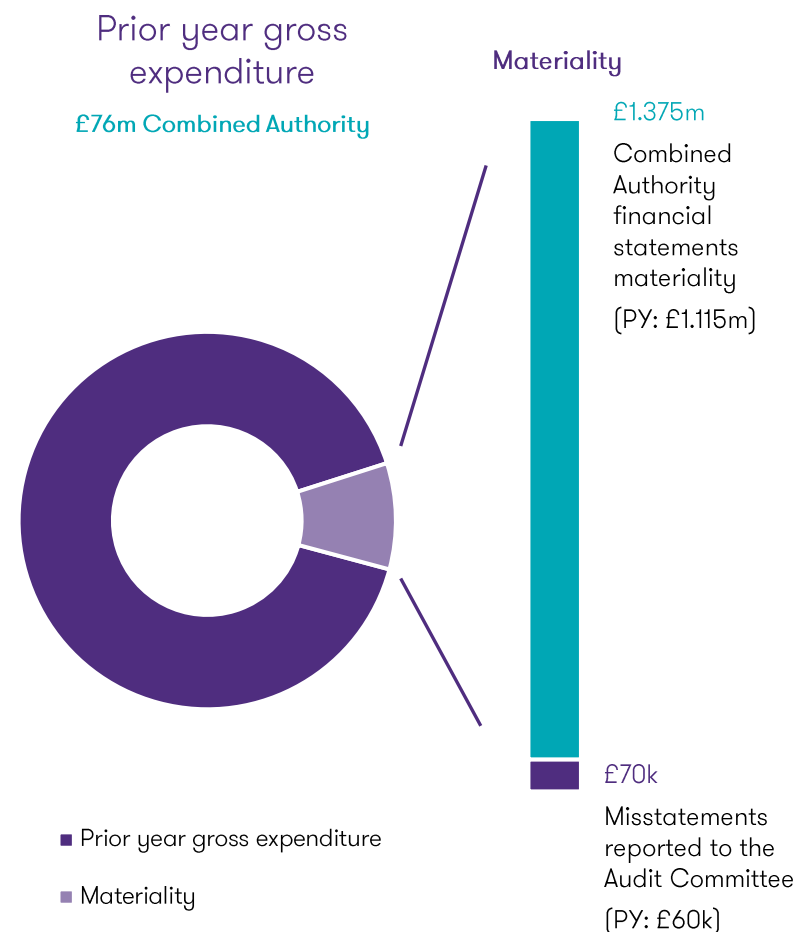
We have determined financial statement materiality based on a proportion of the gross expenditure of the Combined Authority. In the prior year we used the same benchmark. Materiality at the planning stage of our audit is £1.375m (PY £1.115m), which equates to 1.8% of your gross expenditure for the previous financial year. We will keep this under review and will update this if the draft financial statements show a higher level of gross expenditure in the year. We design our procedures to detect errors in specific accounts at a lower level of precision which we have determined to be £20k for Senior officer remuneration.

We reconsider planning materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality.

## Matters we will report to the Audit Committee

Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. Under ISA 260 (UK) 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 (UK) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria. In the context of the Combined Authority, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £70k (PY £60k).

If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Audit Committee to assist it in fulfilling its governance responsibilities.



# Value for Money arrangements

## Revised approach to Value for Money work for 2020/21

On 1 April 2020, the National Audit Office introduced a new Code of Audit Practice which comes into effect from audit year 2020/21. The Code introduced a revised approach to the audit of Value for Money. (VFM)

There are three main changes arising from the NAO's new approach:

- A new set of key criteria, covering financial sustainability, governance and improvements in economy, efficiency and effectiveness
- More extensive reporting, with a requirement on the auditor to produce a commentary on arrangements across all of the key criteria, rather than the previous 'reporting by exception' approach
- The replacement of the binary (qualified / unqualified) approach to VFM conclusions, with far more sophisticated judgements on performance, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

The Code require auditors to consider whether the body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. When reporting on these arrangements, the Code requires auditors to structure their commentary on arrangements under three specified reporting criteria. These are as set out to the right:



### Improving economy, efficiency and effectiveness

Arrangements for improving the way the body delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.



### Financial Sustainability

Arrangements for ensuring the body can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3-5 years)



### Governance

Arrangements for ensuring that the body makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the body makes decisions based on appropriate information



# Risks of significant VFM weaknesses

As part of our planning work, we considered whether there were any risks of significant weakness in the body's arrangements for securing economy, efficiency and effectiveness in its use of resources that we needed to perform further procedures on.

We have not identified any risks of significant weaknesses from our initial planning work. We will continue our review of your arrangements, including reviewing your Annual Governance Statement, before we issue our auditor's annual report.

## Potential types of recommendations

A range of different recommendations could be made following the completion of work on risks of significant weakness, as follows:



### Statutory recommendation

Written recommendations to the body under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the body to discuss and respond publicly to the report.



### Key recommendation

The Code of Audit Practice requires that where auditors identify significant weaknesses in arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the body. We have defined these recommendations as 'key recommendations'.



### Improvement recommendation

These recommendations, if implemented should improve the arrangements in place at the body, but are not made as a result of identifying significant weaknesses in the body's arrangements.



# Audit logistics and team



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## Jon Roberts, Key Audit Partner

Jon leads our relationship with you and takes overall responsibility for the delivery of a high quality audit, meeting the highest professional standards and adding value to the Authority.



## David Bray, Senior Manager

David plans, manages and leads the delivery of the audit, is your key point of contact for your finance team and is your first point of contact for discussing any issues.



## Liam Royle, Assistant Manager

Liam's role is to assist in planning, managing and delivering the audit fieldwork, ensuring the audit is delivered effectively, efficiently and supervises and co-ordinates the on-site audit team.

## Audited body responsibilities

Where audited bodies do not deliver to the timetable agreed, we need to ensure that this does not impact on audit quality or absorb a disproportionate amount of time, thereby disadvantaging other audits. Where the elapsed time to complete an audit exceeds that agreed due to an audited body not meeting its obligations we will not be able to maintain a team on site. Similarly, where additional resources are needed to complete the audit due to an audited body not meeting their obligations we are not able to guarantee the delivery of the audit to the agreed timescales. In addition, delayed audits will incur additional audit fees.

## Our requirements

To minimise the risk of a delayed audit, you need to ensure that you:

- produce draft financial statements of good quality by the agreed timetable you have agreed with us, including all notes, the Narrative Report and the Annual Governance Statement;
- ensure that good quality working papers are available at the start of the audit, in accordance with the working paper requirements schedule that we have shared with you;
- ensure that the agreed data reports are available to us at the start of the audit and are reconciled to the values in the accounts, in order to facilitate our selection of samples for testing;
- ensure that all appropriate staff are available throughout (or as otherwise agreed) the planned period of the audit; and
- respond promptly and adequately to audit queries.

# Audit fees

In 2017, PSAA awarded a contract of audit for The West of England Combined Authority to begin with effect from 2018/19. The fee agreed in the contract was £18,634. Since that time, there have been a number of developments, particularly in relation to the size and role of the Combined Authority as well as the revised Code and ISA's which are relevant for the 2020/21 audit.

As referred to on page 13, the 2020/21 Code introduces a revised approach to our VFM work. This requires auditors to produce a commentary on arrangements across all of the key criteria, rather than the current 'reporting by exception' approach. Auditors now have to make far more sophisticated judgements on performance, as well as issue key recommendations if any significant weaknesses in arrangements are identified during the audit. We will be working with the NAO and other audit firms to discuss and share learning in respect of common issues arising across the sector.

The new approach will be more challenging for audited bodies, involving discussions at a wider and more strategic level. Both the reporting, and the planning and risk assessment which underpins it, will require more audit time, delivered through a richer skill mix than in previous years. Our estimate is that for your audit, this will result in an increased fee of £5,000. This is in line with increases we are proposing at all our local audits.

Additionally, across all sectors and firms, the FRC has set out its expectation of improved financial reporting from organisations and the need for auditors to demonstrate increased scepticism and challenge and to undertake additional and more robust testing, as noted in the number of revised ISA's issued by the FRC that are applicable to audits of financial statements commencing on or after 15 December 2019, as detailed in Appendix 1.

As a firm, we are absolutely committed to meeting the expectations of the FRC with regard to audit quality and public sector financial reporting. Our proposed work and fee for 2020/21, as set out below, is detailed overleaf and has been agreed with the Director of Investment and Corporate Services.

	Actual Fee 2018/19	Actual Fee 2019/20	Proposed fee 2020/21
The West of England Combined Authority [scale fee]	£18,634	£18,634	£18,634
Additional Fees	£18,500	£16,309*	£20,750
Total audit fees (excluding VAT)	£37,134	£34,943	£39,384

\* Included within the additional fees for 2019/20 was £4,558 (15%) for the factors related to Covid-19

## Assumptions

In setting the above fees, we have assumed that the Authority will:

- prepare a good quality set of accounts, supported by comprehensive and well presented working papers which are ready at the start of the audit
- provide appropriate analysis, support and evidence to support all critical judgements and significant judgements made during the course of preparing the financial statements
- provide early notice of proposed complex or unusual transactions which could have a material impact on the financial statements.

## Relevant professional standards

In preparing our fee estimate, we have had regard to all relevant professional standards, including paragraphs 4.1 and 4.2 of the FRC's [Ethical Standard \(revised 2019\)](#) which stipulate that the Engagement Lead (Key Audit Partner) must set a fee sufficient to enable the resourcing of the audit with partners and staff with appropriate time and skill to deliver an audit to the required professional and Ethical standards.

# Audit fees – detailed analysis

Scale fee published by PSAA	£18,634
<i>Ongoing increases to scale fee first identified in 2019/20</i>	
Increase in size and complexity of the Combined Authority	£7,500
Raising the bar/regulatory factors	£2,500
Enhanced audit procedures for Pensions	£1,750
<b>Audit fee 2019/20</b>	<b>£30,384</b>
<i>New issues for 2020/21</i>	
Additional work on Value for Money (VfM) under new NAO Code	£5,000
Increased audit requirements of revised ISAs	£4,000
<i>Proposed increase to agreed 2019/20 fee</i>	<i>£9,000</i>
<b>Total audit fees (excluding VAT)</b>	<b>£39,384</b>

# Independence and non-audit services

## Auditor independence

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant facts and matters that may bear upon the integrity, objectivity and independence of the firm or covered persons, relating to our independence. We encourage you to contact us to discuss these or any other independence issues with us. We will also discuss with you if we make additional significant judgements surrounding independence matters.

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 Council's Ethical Standard (Revised 2019) and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements. Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

We confirm that we have implemented policies and procedures to meet the requirements of the Ethical Standard. For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Authority.

## Other services








No other services provided by Grant Thornton.

Any changes and full details of all fees charged for audit related and non-audit related services by Grant Thornton UK LLP and by Grant Thornton International Limited network member Firms will be included in our Audit Findings Report at the conclusion of the audit.









# Appendix 1: Revised Auditor Standards and application guidance

## FRC revisions to Auditor Standards and associated application guidance


The following Auditing Standards and associated application guidance that were applicable to 19/20 audits, have been revised or updated by the FRC, with additional requirements for auditors for implementation in 2020/21 audits and beyond.

	Date of revision	Application to 2020/21 Audits
ISQC (UK) 1 – Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and other Assurance and Related Service Engagements	November 2019	
ISA (UK) 200 – Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing (UK)	January 2020	
ISA (UK) 220 – Quality Control for an Audit of Financial Statements	November 2019	
ISA (UK) 230 – Audit Documentation	January 2020	
ISA (UK) 240 – The Auditor’s Responsibilities Relating to Fraud in an Audit of Financial Statements	January 2020	
ISA (UK) 250 Section A – Consideration of Laws and Regulations in an Audit of Financial Statements	November 2019	
ISA (UK) 250 Section B – The Auditor’s Statutory Right and Duty to Report to Regulators of Public Interest Entities and Regulators of Other Entities in the Financial Sector	November 2019	

# Appendix 1: Revised Auditor Standards and application guidance continued

	Date of revision	Application to 2020/21 Audits
ISA (UK) 260 – Communication With Those Charged With Governance	January 2020	
ISA (UK) 315 – Identifying and Assessing the Risks of Material Misstatement Through Understanding of the Entity and Its Environment	July 2020	
ISA (UK) 500 – Audit Evidence	January 2020	
ISA (UK) 540 – Auditing Accounting Estimates and Related Disclosures	December 2018	
ISA (UK) 570 – Going Concern	September 2019	
ISA (UK) 580 – Written Representations	January 2020	
ISA (UK) 600 – Special considerations – Audits of Group Financial Statements (Including the Work of Component Auditors)	November 2019	
ISA (UK) 620 – Using the Work of an Auditor’s Expert	November 2019	
ISA (UK) 700 – Forming an Opinion and Reporting on Financial Statements	January 2020	

# Appendix 1: Revised Auditor Standards and application guidance continued

	Date of revision	Application to 2020/21 Audits
ISA (UK) 701 – Communicating Key Audit Matters in the Independent Auditor’s Report	January 2020	
ISA (UK) 720 – The Auditor’s Responsibilities Relating to Other Information	November 2019	
Practice Note 10: Audit of Financial Statements of Public Sector Bodies in the United Kingdom	December 2020	



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## ITEM: 11

**REPORT TO:** WECA AUDIT COMMITTEE

**DATE:** 1 JULY 2020

**REPORT TITLE:** INFORMING THE AUDIT RISK ASSESSMENT FOR WECA 2020/21

**DIRECTOR:** MALCOLM COE, DIRECTOR OF INVESTMENT AND CORPORATE SERVICES

**AUTHOR:** MALCOLM COE

### Purpose of Report

1 The purpose of this report is to contribute towards the effective two-way communication between the Combined Authority's external auditors and Audit Committee (as those charged with governance). The report covers some important areas of the auditor risk assessment where Grant Thornton, WECA's appointed auditors, are required to make inquiries of the Audit Committee under auditing standards.

### Recommendation

*The committee is requested to confirm that the WECA management response to the auditor risk assessment is a true reflection of the authority's management processes.*

### Background / Issues for Consideration

- 2 The West of England Combined Authority, (WECA), like all other public sector bodies, has to produce statutory accounts on an annual basis. These accounts have to be formally approved by those charged with governance, being the audit committee.
- 2.1 To help inform the external audit opinion of the accounts, our auditor, Grant Thornton, undertake an initial risk assessment, to obtain an understanding of management processes and the Audit Committee's oversight of the following areas:
- General Enquiries of Management
  - Fraud,
  - Laws and Regulations,
  - Going Concern,
  - Related Parties, and
  - Accounting Estimates.
- 2.2 This report includes a series of questions on each of these areas and the response that Grant Thornton has received from the West of England Combined Authority's

management as detailed in Appendix 1 and Appendix 2. The Audit Committee should consider whether these responses are consistent with its understanding and whether there are any further comments it wishes to make.

- 2.3 The full set of Statutory accounts will be presented to the audit committee in September 2021 for approval following the external audit review which is programmed for July - August 2021.

### **Consultation**

- 3 Consultation has taken place on this particular element of the accounts between Grant Thornton and various financial management staff within WECA. The report, as presented to this committee, is another important element of the consultation process.
- 3.1 The Accounts and Audit Regulations (England) 2015 require the Annual Statement of Accounts to be certified by the Chief Financial Officer and made available for public inspection. WECA will issue a full copy of the draft 2020/21 accounts on the authority's website in advance of the statutory deadline of 31 July 2021.

### **Other Options Considered**

- 4 WECA could have waited for the entire accounts to be available for review by the Audit Committee in September 2021 but chose the option of presenting various elements of the process early in order to obtain initial feedback and direction prior to publication of a draft on the authority's website.

### **Risk Management/Assessment**

- 5 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, (AGS), has been produced, (considered as a separate item on this committee agenda), and is integrated within the core Statement of Accounts document.
- 5.1 The AGS and narrative statement both detail the framework that the authority has developed, and implemented, for governing, managing and reporting risks.
- 5.2 This report reflects our external auditor's initial risk assessment in order to obtain an understanding of management processes.

### **Public Sector Equality Duties**

- 6 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.

- 6.1 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.
- 6.2 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.
- 6.3 There are no direct implications arising from this report.

**Finance Implications, including economic impact assessment where appropriate:**

- 7 The Statement of Accounts reflect the financial accounting position of the Combined Authority as at 31 March 2021. Management Accounting reports are published throughout the year evidencing progress and spend against the authority's set budget. The management accounting 2020/21 outturn positions for WECA and Mayoral Fund are detailed within the draft narrative statement which is considered elsewhere on this committee agenda.

*Advice given by: Malcolm Coe, Director of Investment and Corporate Services*

**Legal Implications:**

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

*Advice given by: Shahzia Daya, Director of Legal Services*

**Climate Change Implications**

- 9 On 19 July 2019, the West of England Combined 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 Combined Authority is committed to taking climate change considerations fully into account as an integral part of its governance and decision making process.

Each report/proposal submitted for Combined Authority / Joint Committee approval is assessed in terms of the following:

Will the proposal impact positively or negatively on:

- \* The emission of climate changing gases?
- \* The region's resilience to the effects of climate change?
- \* Consumption of non-renewable resources?
- \* Pollution to land, water or air?

Particular projects will also be subject to more detailed environmental assessment/ consideration as necessary as part of their detailed project-specific management arrangements

- 9.1 The statement of accounts has no direct impact on climate change issues. However, WECA considers climate change when determining their priorities and investment decisions.

**Appendices:**

Appendix 1 – Grant Thornton: Informing the audit risk assessment for West of England Combined Authority 2020/21

Appendix 2 – Accounting Estimate Management Summary

**Background papers:**

WECA Statutory Accounts 2019/20 – approved by the Audit Committee on 16 October 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](mailto:democratic.services@westofengland-ca.gov.uk)



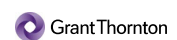
## Informing the audit risk assessment for West of England Combined Authority 2020/21



Jon Roberts  
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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect your business or any weaknesses in your internal controls. 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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### Purpose

The purpose of this report is to contribute towards the effective two-way communication between West of England Combined Authority's external auditors and West of England Combined Authority's Audit Committee, as 'those charged with governance'. The report covers some important areas of the auditor risk assessment where we are required to make inquiries of the Audit Committee under auditing standards.

#### Background

Under International Standards on Auditing (UK), (ISA(UK)) auditors have specific responsibilities to communicate with the Audit Committee. ISA(UK) emphasise the importance of two-way communication between the auditor and the Audit Committee and also specify matters that should be communicated.

This two-way communication assists both the auditor and the Audit Committee in understanding matters relating to the audit and developing a constructive working relationship. It also enables the auditor to obtain information relevant to the audit from the Audit Committee and supports the Audit Committee in fulfilling its responsibilities in relation to the financial reporting process.

#### Communication

As part of our risk assessment procedures we are required to obtain an understanding of management processes and the Combined Authority's oversight of the following areas:

- General Enquiries of Management
- Fraud,
- Laws and Regulations,
- Related Parties, and
- Accounting Estimates.

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## Purpose

This report includes a series of questions on each of these areas and the response we have received from West of England Combined Authority's management. The Audit Committee should consider whether these responses are consistent with its understanding and whether there are any further comments it wishes to make.

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## General Enquiries of Management

Question	Management response
1. What do you regard as the key events or issues that will have a significant impact on the financial statements for 2020/21?	COVID-19 which impacted the economy from mid- March 2020 onwards. Continued agency accounting approach for funds held on behalf of parties represented at Joint Committee. Continued increase in grant funding which increases the responsibilities and capacity of the organisation. Significant increase in staff establishment and payroll and pensions liabilities for the organisation as a result of approved investment fund activity and regional economic recovery.
2. Have you considered the appropriateness of the accounting policies adopted by West of England Combined Authority? Have there been any events or transactions that may cause you to change or adopt new accounting policies?	Due to Covid-19, the implementation of IFRS 16 Leases had been delayed and is now effective 1 April 2022. The main changes include the recognition of almost all leases on the Balance Sheet by lessees due to the distinction between operating and finance leases being removed. The standard will affect primarily the accounting for the Authority's operating leases. The Authority's activities as a lessor are not material and hence WECA does not expect any significant impact on the financial statements. WECA intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. Right-of-use assets for property leases will be measured on transition as if the new rules had always been applied. All other right-of-use assets will be measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses).
3. Is there any use of financial instruments, including derivatives?	Financial Instruments are held in accordance with the Annual Approved Treasury Management Strategy. We can confirm that the Authority holds no derivatives.
4. Are you aware of any significant transaction outside the normal course of business?	We are not aware of any transactions that have been made outside the normal course of business.

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## General Enquiries of Management

Question	Management response
5. Are you aware of any changes in circumstances that would lead to impairment of non-current assets?	We are not aware of any changes in circumstances that would lead to impairment of non-assets.
6. Are you aware of any guarantee contracts?	We are not aware of any guarantee contracts.
7. Are you aware of the existence of loss contingencies and/or un-asserted claims that may affect the financial statements?	We are not aware of loss contingencies nor un-asserted claims that may affect the financial statements.
8. Other than in house solicitors, can you provide details of those solicitors utilised by West of England Combined Authority during the year. Please indicate where they are working on open litigation or contingencies from prior years?	There are no open litigations. WECA only has one in house lawyer so additional capacity is bought in from the constituent authority in house legal teams, other Combined Authority legal teams, legal firms on the Crown Commercial and Wiltshire Legal framework agreements and Counsel as and when required.

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## General Enquiries of Management

Question	Management response
9. Have any of the West of England Combined Authority's service providers reported any items of fraud, non-compliance with laws and regulations or uncorrected misstatements which would affect the financial statements?	We are not aware of any reported items of fraud or non-compliance with laws and regulations or uncorrected misstatements from our service providers that would affect the financial statements.
10. Can you provide details of other advisors consulted during the year and the issue on which they were consulted?	PSTax – VAT, SDLT and ET advice Arlingclose – Treasury Management advice CIPFA – Business Rates and Capital G7 – Financial System

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## Fraud

### Issue

#### Matters in relation to fraud

ISA (UK) 240 covers auditors responsibilities relating to fraud in an audit of financial statements.

The primary responsibility to prevent and detect fraud rests with both the Audit Committee and management. Management, with the oversight of the Audit Committee, needs to ensure a strong emphasis on fraud prevention and deterrence and encourage a culture of honest and ethical behaviour. As part of its oversight, the Audit Committee should consider the potential for override of controls and inappropriate influence over the financial reporting process.

As West of England Combined Authority's external auditor, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error. We are required to maintain professional scepticism throughout the audit, considering the potential for management override of controls.

As part of our audit risk assessment procedures we are required to consider risks of fraud. This includes considering the arrangements management has put in place with regard to fraud risks including:

- assessment that the financial statements could be materially misstated due to fraud,
- process for identifying and responding to risks of fraud, including any identified specific risks,
- communication with the Audit Committee regarding its processes for identifying and responding to risks of fraud, and
- communication to employees regarding business practices and ethical behaviour.

We need to understand how the Audit Committee oversees the above processes. We are also required to make inquiries of both management and the Audit Committee as to their knowledge of any actual, suspected or alleged fraud. These areas have been set out in the fraud risk assessment questions below together with responses from West of England Combined Authority's management.

## Fraud risk assessment

Question	Management response
<p>1. Have West of England Combined Authority assessed the risk of material misstatement in the financial statements due to fraud?</p> <p>How has the process of identifying and responding to the risk of fraud been undertaken and what are the results of this process?</p> <p>How do the Combined Authority's risk management processes link to financial reporting?</p>	<p>The work of Audit West provides assurance that material misstatement due to fraud is not occurring.</p> <p>In relation to the risk management processes linked to the Financial Reporting - The Authority has an established system of reporting for revenue and capital budgets which takes account of this. Financial risks are outlined within the budget setting report and will continue to be monitored and reported through regular budget monitoring reports. The Authority's wider risk management processes continue to be aligned to our Business Plan which is formally reported through the WECA Audit Committee..</p>
<p>2. What have you determined to be the classes of accounts, transactions and disclosures most at risk to fraud?</p>	<p><b>Procurement</b> - Tendering issues, split contracts (value disaggregated to circumvent thresholds), double-invoicing, price-fixing, bid rigging, cartels. Spanning whole period from agreeing a project to contract monitoring, extensions and re-letting. Inflated claims by consultants (low volume of contracts to date)</p> <p><b>Payroll</b> - False employees, fraudulent overtime, allowance and expenses claims.</p> <p><b>Grants</b> - Work not carried out, funds diverted, ineligibility not declared. False application or payment of grants to any person, agency or organisation.</p> <p><b>Internal fraud</b> - Any employee might perpetrate fraud against his or her employer and delegation of responsibilities to officers brings inherent risks. Diverting monies to a personal account, accepting bribes, working elsewhere while claiming to be off sick, wrongfully claiming benefit while working, failing to declare conflicts of interest or acceptance of gifts and hospitality. Staff pre-employment fraud, where false information given to gain employment. Stealing property and selling it on for personal gain.</p> <p><b>Mandate fraud</b> - Change to a direct debit or bank transfer mandate by fraudster purporting to be an organisation you make regular payments to, for example, a subscription or membership organisation or business supplier.</p> <p><b>Manipulation of data fraud</b> - Most commonly, employees changing data in order to indicate better performance than actually occurred and staff removing data from the organisation.</p>

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## Fraud risk assessment

Question	Management response
<p>3. Are you aware of any instances of actual, suspected or alleged fraud, errors or other irregularities either within West of England Combined Authority as a whole or within specific departments since 1 April 2020?</p> <p>As a management team, how do you communicate risk issues (including fraud) to those charged with governance?</p>	<p>There has been one suspected fraud case raised since April 2020. This is in the area of Adult Education, whereby it is alleged that a provider has falsified their returns on the number of learners supported. This case is awaiting the conclusion to a formal investigation but will not materially impact upon the authority's accounts.</p> <p>We communicate risk issues (including fraud) to those charged with governance in the following way:  The Risk Management Framework - updates provided to the Audit Committee;  Decision making reports to the WECA Committee;  S73 Officer Reports as necessary;  Internal Audit Reports - regular updates to the Audit Committee;  Whistle blowing procedures;  Annual Governance Statement &amp; Assurance Framework to Audit Committee;  The WECA Business Plan - regular updates to WECA Committee and Scrutiny;  Risk management routinely discussed and considered at Directorate Management Team meetings;  Revenue Budget setting and Capital Programme reports  We have also run informal fraud workshops with staff and members of the WECA Audit Committee</p>
<p>4. Have you identified any specific fraud risks?</p> <p>Do you have any concerns there are areas that are at risk of fraud?</p> <p>Are there particular locations within West of England Combined Authority where fraud is more likely to occur?</p>	<p>As mentioned above, there is an alleged fraud that we are aware of in Adult Education. Falsifying data required to confirm the appropriate and relevant use of grant funding is a growing risk. Upon the conclusion of the investigation we will review our processes to determine whether any additional internal controls are required.</p> <p>As we accelerate the Combined Authority's role in the delivery of major capital projects, there will be a growing risk in terms of the commissioning of major construction contracts. We will keep this risk under review.</p>
<p>5. What processes do West of England Combined</p>	<p>The Authority has a Counter-Fraud Strategy which has been approved by the Senior Management Team</p>

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## Fraud risk assessment


Question	Management response
<p>6. How do you assess the overall control environment for West of England Combined Authority, including:</p> <ul style="list-style-type: none"> <li>the existence of internal controls, including segregation of duties; and</li> <li>the process for reviewing the effectiveness the system of internal control?</li> </ul> <p>If internal controls are not in place or not effective where are the risk areas and what mitigating actions have been taken?</p> <p>What other controls are in place to help prevent, deter or detect fraud?</p> <p>Are there any areas where there is a potential for override of controls or inappropriate influence over the financial reporting process (for example because of undue pressure to achieve financial targets)?</p>	<p>Reasonably strong.</p> <p>The work of Audit West provides assurance along with the Head of Internal Audit Opinion, We have an Assurance Model and Annual Governance Statement also in place.</p> <p>The Financial Reporting process and internal controls and governance processes, including Audit West's Reasonable Assurance model, assessment of specific areas of audit work, segregation of duties and counter fraud policies minimise the potential for misreporting.</p> <p>Whistleblowing policy in place;</p> <p>The audit committee continues to grow in their awareness and effectiveness in terms of constructive challenge of internal controls. An independent, business member of the Audit Committee has recently been appointed which will add to the committee's strength.</p>
<p>7. Are there any areas where there is potential for misreporting?</p>	<p>We are not aware of any areas where there is potential for misreporting.</p>

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## Fraud risk assessment

Question	Management response
<p>8. How do West of England Combined Authority communicate and encourage ethical behaviours and business processes of it's staff and contractors?</p> <p>How do you encourage staff to report their concerns about fraud?</p> <p>What concerns are staff expected to report about fraud?</p> <p>Have any significant issues been reported?</p>	<p>All HR and IT Policies are available to all staff and they have been signposted to these on several occasions.</p> <p>The Whistle blowing policy applies to staff, members, suppliers, contractors, volunteers and anybody acting on behalf of the Authority.</p> <p>The WECA Anti Money Laundering Policy and WECA Counter Fraud Strategy have been communicated and are available to all staff in the Useful Information Section of the website.</p> <p>No significant issues have been reported to date.</p>
<p>9. From a fraud and corruption perspective, what are considered to be high-risk posts?</p> <p>How are the risks relating to these posts identified, assessed and managed?</p>	<p>Highest risk posts are those who are able to commit the authority to significant spend, mainly Chief Executive and Directors of Infrastructure, Business and Skills and Corporate Services. Also the Head of Capital Projects Delivery in terms of commissioning major construction contracts;</p> <p>WECA has a clear and tight levels of financial delegation whereby only few officers are able to commit high levels of spend. Segregation of duties is in place and dual authorisation required for higher spend.</p>
<p>10. Are you aware of any related party relationships or transactions that could give rise to instances of fraud?</p> <p>How do you mitigate the risks associated with fraud related to related party relationships and transactions?</p>	<p>We are not aware of any related party relationships or transactions that could give rise to instance of fraud.</p> <p>All LEP Board members have to formally declare any known relationship with the operations of the Combined Authority.</p>

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## Fraud risk assessment

Question	Management response
<p>11. What arrangements are in place to report fraud issues and risks to the Audit Committee?</p> <p>How does the Audit Committee exercise oversight over management's processes for identifying and responding to risks of fraud and breaches of internal control?</p> <p>What has been the outcome of these arrangements so far this year?</p>	<p>In order to ensure that the Audit Committee have oversight of the management processes in relation to reporting fraud and issues in this area the following are presented to Audit Committee:</p> <ul style="list-style-type: none"> <li>• Monitoring &amp; Evaluation Framework</li> <li>• Risk Management Framework</li> <li>• The Assurance framework</li> <li>• Annual Governance Statement;</li> <li>• Whistleblowing Policy;</li> <li>• Internal Audit Reports</li> </ul> <p>The audit committee have continued to provide positive feedback in terms of progress made in improving the internal controls and governance within WECA. An internal audit review was undertaken on the effectiveness of our whistleblowing arrangements which was reported to the audit committee with some further enhancements made to controls.</p>
<p>12. Are you aware of any whistle blowing potential or complaints by potential whistle blowers? If so, what has been your response?</p>	<p>There have been no referrals made to date.</p>
<p>13. Have any reports been made under the Bribery Act?</p>	<p>None that we are aware of.</p>

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## Law and regulations

### Issue

#### Matters in relation to laws and regulations

ISA (UK) 250 requires us to consider the impact of laws and regulations in an audit of the financial statements.

Management, with the oversight of the Audit Committee, is responsible for ensuring that West of England Combined Authority's operations are conducted in accordance with laws and regulations including those that determine amounts in the financial statements.

As auditor, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error, taking into account the appropriate legal and regulatory framework. As part of our risk assessment procedures we are required to make inquiries of management and the Audit Committee as to whether the entity is in compliance with laws and regulations. Where we become aware of information of non-compliance or suspected non-compliance we need to gain an understanding of the non-compliance and the possible effect on the financial statements.

Risk assessment questions have been set out below together with responses from management.

## Impact of laws and regulations

Question	Management response
<p>1. How does management gain assurance that all relevant laws and regulations have been complied with?</p> <p>What arrangements does West of England Combined Authority have in place to prevent and detect non-compliance with laws and regulations?</p> <p>Are you aware of any changes to the Combined Authority's regulatory environment that may have a significant impact on the Combined Authority's financial statements?</p>	<p>Decision reports to WECA and Joint Committees require legal and financial implications to be signed off. The work of Statutory Officers and Internal Audit includes a focus on compliance with law and regulation. In addition, it takes assurance through S151 Reports, Internal audit reports, Whistle blowing procedures and the Annual Governance Statement and Assurance Framework.</p> <p>Staff employed in critical posts have the relevant professional qualifications, skills and knowledge.</p> <p>Statutory Officers – Head of Paid Service, Monitoring Officer and Section 151 Officer meet on a regular basis to consider key Financial and legal issues faced by the authority.</p> <p>We are not aware of any changes to WECA's regulatory environment that would have a significant impact on WECA's financial statements.</p>
<p>2. How is the Audit Committee provided with assurance that all relevant laws and regulations have been complied with?</p>	<p>The following reports are taken to the Audit Committee on a cyclical basis in order to provide assurance:</p> <ul style="list-style-type: none"> <li>• The Monitoring &amp; Evaluation Framework</li> <li>• The Risk Management Framework</li> <li>• Internal Audit Reports</li> <li>• The Assurance Framework</li> <li>• Decision making reports to WECA</li> <li>• S73 Officer Reports as necessary</li> </ul>
<p>3. Have there been any instances of non-compliance or suspected non-compliance with laws and regulation since 1 April 2020 with an on-going impact on the 2020/21 financial statements?</p>	<p>There are no instances of non-compliance or suspected non-compliance with laws and regulation since 1st April 2020 that we are aware of.</p>

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## Impact of laws and regulations

Question	Management response
5. What arrangements does West of England Combined Authority have in place to identify, evaluate and account for litigation or claims?	All claims are controlled by the legal team, in conjunction with our insurers. Where appropriate these are taken to the Board for approval.
6. Have there been any report from other regulatory bodies, such as HM Revenues and Customs which indicate non-compliance?	There have been no reports that indicate non-compliance that we are aware of.

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## Related Parties

### Issue

#### Matters in relation to Related Parties

West of England Combined Authority are required to disclose transactions with entities/individuals that would be classed as related parties. These may include:

- entities that directly, or indirectly through one or more intermediaries, control, or are controlled by West of England Combined Authority;
- associates;
- joint ventures;
- an entity that has an interest in the authority that gives it significant influence over the Combined Authority;
- key management personnel, and close members of the family of key management personnel, and
- post-employment benefit plans (pension fund) for the benefit of employees of the Combined Authority, or of any entity that is a related party of the Combined Authority.

A disclosure is required if a transaction (or series of transactions) is material on either side, i.e. if a transaction is immaterial from the [type of body]'s perspective but material from a related party viewpoint then the Combined Authority must disclose it.

ISA (UK) 550 requires us to review your procedures for identifying related party transactions and obtain an understanding of the controls that you have established to identify such transactions. We will also carry out testing to ensure the related party transaction disclosures you make in the financial statements are complete and accurate.

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## Related Parties

Question	Management response
<p>1. Have there been any changes in the related parties including those disclosed in West of England Combined Authority's 2019/20 financial statements?</p> <p>If so please summarise:</p> <ul style="list-style-type: none"> <li>the nature of the relationship between these related parties and West of England Combined Authority</li> <li>whether West of England Combined Authority has entered into or plans to enter into any transactions with these related parties</li> <li>the type and purpose of these transactions</li> </ul>	<p>There have been no changes to the related parties that were stated in the 2019/20 Financial Statements all are still relevant and apply.</p>
<p>2. What controls does West of England Combined Authority have in place to identify, account for and disclose related party transactions and relationships?</p>	<p>Members and Senior Officers are required to complete a register of interests. Members and officers are also required to declare any interests relating to matters to be discussed in each meeting.</p>
<p>3. What controls are in place to authorise and approve significant transactions and arrangements with related parties?</p>	<p>Robust procurement controls are operated with contract authorisation limits. The process applies to all commercial activity regardless of whether it involves related parties.</p>
<p>4. What controls are in place to authorise and approve significant transactions outside of the normal course of business?</p>	<p>Not applicable. All financial transactions are within the scope of the Financial Delegated Authorities. Delegation to the WECA CEO was approved for emergency spend in response to the Covid pandemic in April 2020, but this delegation was not required.</p>

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## Accounting estimates

### Issue

#### Matters in relation to Related Accounting estimates

ISA (UK) 540 (Revised December 2018) requires auditors to understand and assess an entity's internal controls over accounting estimates, including:

- The nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates;
- How management identifies the need for and applies specialised skills or knowledge related to accounting estimates;
- How the entity's risk management process identifies and addresses risks relating to accounting estimates;
- The entity's information system as it relates to accounting estimates;
- The entity's control activities in relation to accounting estimates; and
- How management reviews the outcomes of previous accounting estimates.

As part of this process auditors also need to obtain an understanding of the role of those charged with governance, which is particularly important where the estimates have high estimation uncertainty, or require significant judgement.

Specifically do Audit Committee members:

- Understand the characteristics of the methods and models used to make the accounting estimates and the risks related to them;
- Oversee management's process for making accounting estimates, including the use of models, and the monitoring activities undertaken by management; and
- Evaluate how management made the accounting estimates?

We would ask the Audit Committee to satisfy itself that the arrangements for accounting estimates are adequate.

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## Accounting Estimates - General Enquiries of Management

Question	Management response
1. What are the classes of transactions, events and conditions, that are significant to the financial statements that give rise to the need for, or changes in, accounting estimate and related disclosures?	The main estimate is in relation to Business Rate Appeals.
2. How does the Combined Authority's risk management process identify and addresses risks relating to accounting estimates?	Estimates are based upon accounting knowledge, historical data, review of transactions or known events after the end of the financial year to determine the calculations to provide the necessary provisions.
3. How do management identify the methods, assumptions or source data, and the need for changes in them, in relation to key accounting estimates?	As above.
4. How do management review the outcomes of previous accounting estimates?	Reviewed as part of ongoing monitoring.
5. Were any changes made to the estimation processes in 2020/21 and, if so, what was the reason for these?	No changes were made to the estimation processes in 2020/21.

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## Accounting Estimates - General Enquiries of Management

Question	Management response
6. How do management identify the need for and apply specialised skills or knowledge related to accounting estimates?	The S73 Officer is a member of Strategic Management Team (SMT). The Finance team have a significant number of staff qualified to Chartered or AAT standard including the Head of Finance. Knowledge acquired as part of that training is applied to relevant areas together with any further training or developments provided by CIPFA in relation to specific areas. Support is also provided by experienced external consultants.
7. How does the Combined Authority determine what control activities are needed for significant accounting estimates, including the controls at any service providers or management experts?	Internal audit reports are considered where they report on any relevant control weaknesses.
8. How do management monitor the operation of control activities related to accounting estimates, including the key controls at any service providers or management experts?	By monthly reporting of financial data.
9. What is the nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates, including: <ul style="list-style-type: none"> <li>- Management's process for making significant accounting estimates</li> <li>- The methods and models used</li> <li>- The resultant accounting estimates included in the financial statements.</li> </ul>	Reporting financial data to SMT; Consideration and examination is also made within the Finance team to consider the robustness of estimates and challenged. Budget managers provide updates - if material on any significant developments. The S73 Officer undertakes a comprehensive review of the draft Statutory Statement of Accounts as they develop through the process.

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## Accounting Estimates - General Enquiries of Management

Question	Management response
10. Are management aware of transactions, events, conditions (or changes in these) that may give rise to recognition or disclosure of significant accounting estimates that require significant judgement (other than those in Appendix A)?	Yes. Experts in particular fields are used to provide estimates and there is a reasonableness check on the advice given.
11. Are the management arrangements for the accounting estimates, as detailed in Appendix A reasonable?	Yes, the management arrangements set out relating to the accounting estimates in Appendix A are reasonable.
12. How is the Audit Committee provided with assurance that the arrangements for accounting estimates are adequate ?	For 2020/21 Accounts, similar to the previous financial year, the audit committee will consider the draft accounts through an informal workshop in advance of formal presentation to committee.

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## Appendix A Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Valuation of defined benefit net pension fund liabilities	The actuarial gains and losses figures are calculated by the actuarial expert Mercer. These figures are based on making % adjustments to the closing values of assets/liabilities.	The Combined Authority responds to queries raised by the administering body, Avon Pension Fund.	The Combined Authority are provided with an actuarial report by Avon Pension (LGPS).	The nature of these figures forecasting into the future are based upon the best information held at the current time and are developed by experts in their field.	No.
Fair value estimates (including categorisation in the fair value hierarchy)	Financial assets are required to be classified and measured at fair value, with any changes in fair value recognised in Profit and Loss. The valuation should, where material, reflect any change in expected future cash flows. Thus for instance if there arises an expectation that future cash flows from an investment will be reduced this would impact on the current carrying value of that financial instrument.	Annual review of financial instruments to identify where possibility of changed future cash flows	When considered necessary the Treasury advisers will be consulted.	The Authority's Treasury Management Strategy is such that investments are restricted to low risk entities.	No.

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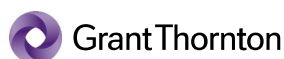




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### Appendix A Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Provisions	<p>Provisions are identified through detailed monthly management accounts which flags any potential issues to management.</p> <p>Under the 100% Business Rate Retention Pilot, WECA is liable for its proportionate share of successful appeals against Business Rates charged. A provision has been estimated by officers at each of the Billing Authorities for the amount that businesses have been overcharged up to 31 March. The estimate is made using Valuation Office Agency data and analysis of successful appeals to date.</p>	Reviewed by the Finance Business Partner and a working is put together to support the calculation.	CIPFA	Each provision is assessed on an individual basis to ensure that it meets the criteria of a provision per IAS 37. The degree of uncertainty is assessed when determining whether a provision is the correct treatment for an item.	No.
Accruals	We use standard accruals accounting –accruals are based on expenses incurred	Monthly management accounts provides rigorous analysis so that	Recognition of income and expenditure is	N/A.	No.



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**Pensions liability valuation estimate**

Question	Management response
1. Were any risks identified relating to the material accuracy of this accounting estimate for the financial year and, if so, how were these risks addressed?	<p>The pension fund liability and any in year actuarial gain/loss is inherently risky due to its material nature and sensitivity to small changes in assumptions.</p> <p>The risk is addressed by placing reliance on the actuarial expert, Mercer and ensuring the data and assumptions used by the actuary are reasonable.</p>
2. How do management select, or design, the methods, used in respect of this accounting estimate, including the models used?  Were any changes made to these methods or models in 2020/21, and if so what was the reason for the change?	<p>The WECA is an admitted body to the Avon Pension Fund Local Government Pension Scheme. The administering body, (Bath and North East Somerset Council), engage Mercer (the actuary) who provide the estimate of the pension liability. Payroll data is provided to the actuary from Agilisys Payroll.</p> <p>No changes in methods/model used for 2020/21.</p>
3. How do management select the assumptions used in respect of this accounting estimate?  Were any changes made to these assumptions in 2020/21, and if so what was the reason for the change?	<p>The assumptions used for estimating actuarial gains and losses are calculated by Mercer as the actuarial expert. Assumptions include discount rate used, rate of salary increases, changes in retirement age, mortality rates and expected return on Pension Fund Investments.</p> <p>Assumptions are updated on an annual basis and are shared with the WECA.</p>
4. How do management select the source data used in respect of this accounting estimate?  Were any changes made to this source data in 2020/21, and if so what was the reason for the change?	<p>The source data is held by Avon Pension Fund, payroll data is submitted on a monthly basis from the Agilisys payroll team to Avon Pension Fund.</p> <p>No changes were made to this source data in 2020/21.</p>
5. Were any specialised skills or knowledge used in respect of this accounting estimates, and if so how were these specialist skills procured?	<p>The administering body (BANES) engage Mercer (the actuary) who provide the estimate of the pension liability.</p>
6. How do management monitor the operation of control activities in relation to this accounting estimates, including the control activities at any service providers or management experts?	<p>Reliance is placed on the work of the Actuary as an expert.</p> <p>Data disclosed in the IAS 19 report provided by the Actuary to the Avon Pension Fund is reviewed by the finance team for reasonableness and any unexplained variances challenged or queried with the actuary and Avon Pension Fund.</p> <p>Assurances are provided to both the Combined Authority and External audit in respect of the qualifications, independence, professionalism and experience of Mercers.</p>
7. In management's opinion, are their adequate controls in place over the calculation of this accounting estimate, including those at any service provider or management expert used, and if so how is the robustness of the key controls assessed?	<p>Adequate controls are in place.</p> <p>The Combined Authority challenges any unusual movements or assumptions with the actuary and responds to any queries raised by the administering body.</p>

8. Were any changes made to the key control activities this year? If so please provide details.	No changes made to key control activities in year.
9. How do management consider the estimation uncertainty related to this accounting estimate and address this uncertainty when selecting the point estimate to use?	<p>Management recognise that there is a large degree of estimation uncertainty in relation to the pension liability.</p> <p>The estimate is based upon a number of factors and judgements applied by the scheme's actuary including discount rate used, rate of salary increases, changes in retirement age, mortality rates and expected return on Pension Fund Investments.</p> <p>Estimates are made upon judgements and conditions, as seen by the actuary, at a point in time.</p> <p>The Combined Authority engage Mercers via the Administrating Body as its actuary to provide expert advice about the assumptions to apply.</p>
10. How do management consider the sensitivity of the estimate to the methods and assumptions used and identify the range of reasonably possible outcomes for disclosure in the financial statements?	The effect of changing assumptions will result in changes in the valuation of the pension fund's assets and liabilities. Further details of the impact of variations in key assumptions will be disclosed in the Pensions Note to the financial statements.

#### Accruals estimates

Question	Management response
1. Were any risks identified relating to the material accuracy of this accounting estimate for the financial year and, if so, how were these risks addressed?	No risks identified.
<p>2. How do management select, or design, the methods, used in respect of this accounting estimate, including the models used?</p> <p>Were any changes made to these methods or models in 2020/21, and if so what was the reason for the change?</p>	<p>We use standard accruals accounting. Accruals are based on expenditure incurred that has not yet been paid or income due that has not yet been received. Activity is accounted for in the year it takes place, not when money is paid or received. Monthly budget monitoring provides analysis so that accruals are identified. Accruals for income and expenditure are principally based on known values. Where accruals are estimated they are based on the latest information available.</p> <p>No changes were made to the methods or models.</p>
<p>3. How do management select the assumptions used in respect of this accounting estimate?</p> <p>Were any changes made to these assumptions in 2020/21, and if so what was the reason for the change?</p>	<p>Procedures for identifying accruals are included in the closedown instructions distributed to budget holders.</p> <p>No changes in assumptions.</p>
<p>4. How do management select the source data used in respect of this accounting estimate?</p> <p>Were any changes made to this source data in 2020/21, and if so what was the reason for the change?</p>	<p>Various sources of data are used in calculating accruals.</p> <p>No changes were made to source data.</p>
5. Were any specialised skills or knowledge used in respect of this accounting estimates, and if so how were these specialist skills procured?	Accruals identified by finance team and through discussion and return of accruals forms from budget holders.

6. How do management monitor the operation of control activities in relation to this accounting estimates, including the control activities at any service providers or management experts?	Significant accruals are reviewed as part of the accounts preparation process. Supporting documentation is maintained to support accruals and any assumptions made in the estimation process.
7. In management's opinion, are their adequate controls in place over the calculation of this accounting estimate, including those at any service provider or management expert used, and if so how is the robustness of the key controls assessed?	Adequate controls are in place.  Controls are subject to review from both internal and external audit.
8. Were any changes made to the key control activities this year? If so please provide details.	No changes to the key control activities.
9. How do management consider the estimation uncertainty related to this accounting estimate and address this uncertainty when selecting the point estimate to use?	Accruals are largely based on known values, where estimates are used the level of uncertainty is not deemed to be material.
10. How do management consider the sensitivity of the estimate to the methods and assumptions used and identify the range of reasonably possible outcomes for disclosure in the financial statements?	See comment above.

## Provisions estimate

Question	Management response
1. Were any risks identified relating to the material accuracy of this accounting estimate for the financial year and, if so, how were these risks addressed?	No specific risk identified other than inherent estimation uncertainty on the Business Rate Appeals.
2. How do management select, or design, the methods, used in respect of this accounting estimate, including the models used?  Were any changes made to these methods or models in 2020/21, and if so what was the reason for the change?	Under the 100% Business Rate Retention Pilot, WECA is liable for its proportionate share of successful appeals against Business Rates charged.  A provision is estimated by technical officers at each of the Billing Authorities for the amount that businesses have been overcharged up to 31 March. The estimate is made using Valuation Office Agency data and analysis of successful appeals to date.  No changes since last year.
3. How do management select the assumptions used in respect of this accounting estimate?  Were any changes made to these assumptions in 2020/21, and if so what was the reason for the change?	The provision is calculated based on outstanding appeals losses and past experience of successful appeals.  The Officers at the relevant Billing Authorities will revisit the assumptions as part of the 2020/21 accounts process to ensure that they remain prudent and soundly based.
4. How do management select the source data used in respect of this accounting estimate?  Were any changes made to this source data in 2020/21, and if so what was the reason for the change?	The Billing Authorities use source data including appeals settled during the financial year.
5. Were any specialised skills or knowledge used in respect of this accounting estimates, and if so how were these specialist skills procured?	CIPFA approached during the year. Review of the process and level of provision for the WECA was undertaken by Business Partner Accountant.
6. How do management monitor the operation of control activities in relation to this accounting estimates, including the control activities at any service providers or management experts?	The WECA provision is calculated by the Business Partner Accountant and based on the UA's NNDR3 returns - the calculation and assumptions applied are reviewed by the Head of Finance.
7. In management's opinion, are their adequate controls in place over the calculation of this accounting estimate, including those at any service provider or management expert used, and if so how is the robustness of the key controls assessed?	Adequate controls are in place in respect of the calculation of the estimate.  The provision value is taken from individual UA's NNDR3 returns, which are signed off by their Chief Financial Officer and submitted to MHCLG.  Business Partner Accountant reviews the reasonableness of assumptions applied.
8. Were any changes made to the key control activities this year? If so please provide details.	No changes in key control activities planned.
9. How do management consider the estimation uncertainty related to this accounting estimate and address this uncertainty when selecting the point estimate to use?	There is a significant level of estimation uncertainty in relation to business rate appeals due to the volume of outstanding appeals, which are processed by the Valuation Office.  The value of provision is assessed by the Technical Officers using information on outstanding appeals rates.

<p>10. How do management consider the sensitivity of the estimate to the methods and assumptions used and identify the range of reasonably possible outcomes for disclosure in the financial statements?</p>	<p>Where appeals are successful, refunds of business rates are generally repayable back to the latest valuation date which reduces the business rate yield in the year in which the refund is made.</p> <p>Management disclose there is significant estimation uncertainty surrounding this estimate within the statement of accounts.</p>
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**Fair value estimates (including categorisation in the fair value hierarchy)**

<b>Question</b>	<b>Management response</b>
1. Were any risks identified relating to the material accuracy of this accounting estimate for the financial year and, if so, how were these risks addressed?	No risk identified.
2. How do management select, or design, the methods, used in respect of this accounting estimate, including the models used?  Were any changes made to these methods or models in 2020/21, and if so what was the reason for the change?	We use our treasury advisors Arlingclose for information on fair values.  No changes
3. How do management select the assumptions used in respect of this accounting estimate?  Were any changes made to these assumptions in 2020/21, and if so what was the reason for the change?	We use our treasury advisors Arlingclose for information on fair values.  No changes
4. How do management select the source data used in respect of this accounting estimate?  Were any changes made to this source data in 2020/21, and if so what was the reason for the change?	We use our treasury advisors Arlingclose for information on fair values.  No changes
5. Were any specialised skills or knowledge used in respect of this accounting estimates, and if so how were these specialist skills procured?	Arlingclose calculators
6. How do management monitor the operation of control activities in relation to this accounting estimates, including the control activities at any service providers or management experts?	The contract with Arlingclose, internal audit of treasury management, experience and expertise of finance team, approval of journals relating to fair value adjustments.
7. In management's opinion, are there adequate controls in place over the calculation of this accounting estimate, including those at any service provider or management expert used, and if so how is the robustness of the key controls assessed?	Yes adequate controls are in place in respect of the calculation of the estimate.
8. Were any changes made to the key control activities this year? If so please provide details.	No changes
9. How do management consider the estimation uncertainty related to this accounting estimate and address this uncertainty when selecting the point estimate to use?	We use Arlingclose for information on fair values
10. How do management consider the sensitivity of the estimate to the methods and assumptions used and identify the range of reasonably possible outcomes for disclosure in the financial statements?	See comment above



## Credit loss and impairment estimates

Question	Management response
1. Were any risks identified relating to the material accuracy of this accounting estimate for the financial year and, if so, how were these risks addressed?	No risk identified
2. How do management select, or design, the methods, used in respect of this accounting estimate, including the models used?  Were any changes made to these methods or models in 2020/21, and if so what was the reason for the change?	Expected credit losses are recognised on all financial assets held at amortised cost (or where relevant Fair Value through Other Comprehensive Income (FVOCI)). Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations.  No changes were made to these methods or models in 2020-2021.
3. How do management select the assumptions used in respect of this accounting estimate?  Were any changes made to these assumptions in 2020/21, and if so what was the reason for the change?	Assumptions are based on the reasonable and supportable credit risk information available e.g. the nature of the debt, the age of the debt and the likelihood of recovery. We rely on the expert knowledge and experience of the valuers and other relevant officers for the asset type.  No changes
4. How do management select the source data used in respect of this accounting estimate?  Were any changes made to this source data in 2020/21, and if so what was the reason for the change?	Source data comes from the Agresso financial system  No changes
5. Were any specialised skills or knowledge used in respect of this accounting estimates, and if so how were these specialist skills procured?	No
6. How do management monitor the operation of control activities in relation to this accounting estimates, including the control activities at any service providers or management experts?	All valuations provided to management will be subject to review and challenge if appropriate. This will ensure any significant movements or assumptions are understood and consistent with the knowledge and experience of the team. Management ensure that valuers appointed are independent, professional, suitably experienced and qualified
7. In management's opinion, are there adequate controls in place over the calculation of this accounting estimate, including those at any service provider or management expert used, and if so how is the robustness of the key controls assessed?	Yes – management has oversight of the source data and assumptions
8. Were any changes made to the key control activities this year? If so please provide details.	No
9. How do management consider the estimation uncertainty related to this accounting estimate and address this uncertainty when selecting the point estimate to use?	Management considers the potential materiality and risk as part of their review process.

<p>10. How do management consider the sensitivity of the estimate to the methods and assumptions used and identify the range of reasonably possible outcomes for disclosure in the financial statements?</p>	<p>See comment above.</p>
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**ITEM: 12**

**REPORT TO: WECA AUDIT COMMITTEE**

**DATE: 1 JULY 2021**

**REPORT TITLE: DRAFT ANNUAL GOVERNANCE STATEMENT  
2020/21**

**DIRECTOR: MALCOLM COE, DIRECTOR OF INVESTMENT AND  
CORPORATE SERVICES**

**AUTHOR: MALCOLM COE**

#### **Purpose of Report**

- 1 The Annual Governance Statement is a mandatory requirement published as an integral part of the WECA Statement of Accounts detailing the risk management and assurance framework.

#### **Recommendation**

The Committee are requested to approve the Draft Annual Governance Statement attached at Appendix 1.

#### **Background / Issues for Consideration**

- 2 The West of England Combined Authority (WECA) is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for, and used economically, efficiently and effectively.
  - 2.1 In discharging this overall responsibility, the Authority is responsible for putting in place proper arrangements for the governance of its affairs, which includes ensuring a sound system of internal control and effective arrangements for the management of risk.
  - 2.2 WECA has adopted a Local Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government.
  - 2.3 WECA's Local Code of Corporate Governance aims to ensure that in conducting its business it will:
    - operate in a lawful, open, inclusive and honest manner
    - make sure public money is safeguarded, properly accounted for and spent wisely
    - has effective arrangements in place to manage and control risk

- secure continuous improvements in the way it operates.

2.4 The attached Draft Annual Governance Statement explains how the Authority has complied with the Local Code of Corporate Governance and also meets the requirements of The Accounts and Audit (England) Regulations 2015, specifically Regulation 6(1) in respect of the annual review of the effectiveness of its system of internal control and preparation and publication of an Annual Governance Statement.

### **Consultation**

3 Consultation has taken place with Internal Audit and WECA Senior Management Team. An informal session has also been held with the Chair of the Audit Committee.

3.1 The Accounts and Audit Regulations (England) 2015 require the Annual Statement of Accounts to be certified by the Chief Financial Officer and made available for public inspection. WECA will issue a full copy of the draft 2020/21 accounts on the authority's website in advance of the statutory deadline of 31 July 2021.

### **Other Options Considered**

4 The Annual Governance Statement is a mandatory requirement published as an integral part of the WECA Statement of Accounts detailing the risk management and assurance framework.

### **Risk Management/Assessment**

5 As required by statute, an Annual Governance Statement, (AGS), has been produced and is integrated within the core Statement of Accounts document.

5.1 The AGS and narrative statement both detail the framework that the authority has developed, and implemented, for governing, managing and reporting risks.

### **Public Sector Equality Duties**

6 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.

6.1 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.

- 6.2 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.
- 6.3 There are no direct implications arising from this report.

**Finance Implications, including economic impact assessment where appropriate:**

- 7 The Statement of Accounts reflect the financial accounting position of the Combined Authority as at 31 March 2021. Management Accounting reports are published throughout the year evidencing progress and spend against the authority's set budget. The management accounting 2020/21 outturn positions for WECA and Mayoral Fund budgets are detailed within the draft narrative statement.

*Advice given by: Malcolm Coe, Director of Investment and Corporate Services*

**Legal Implications:**

- 8 The AGS is the requirement of The Accounts and Audit (England) Regulations 2015, specifically Regulation 6 (1) in respect of the annual review of the effectiveness of its system of internal control and preparation and publication of an Annual Governance Statement.
- Advice given by: Shahzia Daya, Director of Legal Services*

**Climate Change Implications**

- 9 On 19 July 2019, the West of England Combined 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 Combined Authority is committed to taking climate change considerations fully into account as an integral part of its governance and decision making process.

Each report/proposal submitted for Combined Authority / Joint Committee approval is assessed in terms of the following:

Will the proposal impact positively or negatively on:

- \* The emission of climate changing gases?
- \* The region's resilience to the effects of climate change?
- \* Consumption of non-renewable resources?
- \* Pollution to land, water or air?

Particular projects will also be subject to more detailed environmental assessment/consideration as necessary as part of their detailed project-specific management arrangements

- 9.1 The AGS has no direct impact on climate change issues. However, WECA considers climate change when determining their priorities and investment decisions.

**Appendices:**

Appendix 1 – West of England Combined Authority (WECA) Draft Annual Governance Statement 2020/21

**Background papers:**

WECA Statutory Accounts 2019/20 – approved by the Audit Committee on 16 October 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](mailto:democratic.services@westofengland-ca.gov.uk)

# **West of England Combined Authority (WECA)**

## **Annual Governance Statement 2020/21**

### **1. Scope of Responsibility – Context for Statement**

- 1.1 West of England Combined Authority (WECA) is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for, and used economically, efficiently and effectively.
- 1.2 In discharging this overall responsibility, WECA is responsible for putting in place proper arrangements for the governance of its affairs, which includes ensuring a sound system of internal control and effective arrangements for the management of risk.
- 1.3 WECA has adopted a Local Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. A copy of our code is available from our website.
- 1.4 WECA's Local Code of Corporate Governance aims to ensure that in conducting its business it will:
- operate in a lawful, open, inclusive and honest manner
  - make sure public money is safeguarded, properly accounted for and spent wisely
  - has effective arrangements in place to manage and control risk
  - secure continuous improvements in the way it operates.
- 1.5 This Annual Governance Statement explains how WECA has complied with our Local Code of Corporate Governance and also meets the requirements of:
- The Accounts and Audit (England) Regulations 2015, specifically Regulation 6 (1) in respect of the annual review of the effectiveness of its system of internal control and preparation and publication of an Annual Governance Statement.

### **2. Governance Framework – Background & Overview for 2020/21**

- 2.1 In preparing the Annual Governance Statement WECA has:
- Reviewed the Authority's existing governance arrangements against the revised CIPFA / SOLACE framework - 2016 Edition' good practice guidance;
  - Assessed the effectiveness of WECA's Local Code of Corporate Governance;
  - Taken into consideration the findings of external inspection agencies, CIPFA guidance notes and the auditor's formal opinion on the internal control framework.
- 2.2 During the last year the governance framework was tested by the Covid-19 pandemic and as a result of the emergency legislation introduced by government the Authority responded promptly to ensure it could continue to function and make key decisions.
- 2.3 This led in the initial phase of the pandemic - in March 2020 - to enact emergency decision making through the Chief Executive Officer in consultation with the Mayor. Each of these decisions were then published on the Authority's website. This phase only lasted for a short period whilst the Authority adjusted to the national lockdown requirements and implemented the detail of the coronavirus regulations so that its governance framework could move to online delivery. This entailed all formal (& informal) governance boards and committees meeting virtually through the use of Zoom. This was

accomplished quickly and meant that no further significant changes were required to the processes underpinning key decision making, policy development and the Corporate Governance of the Authority.

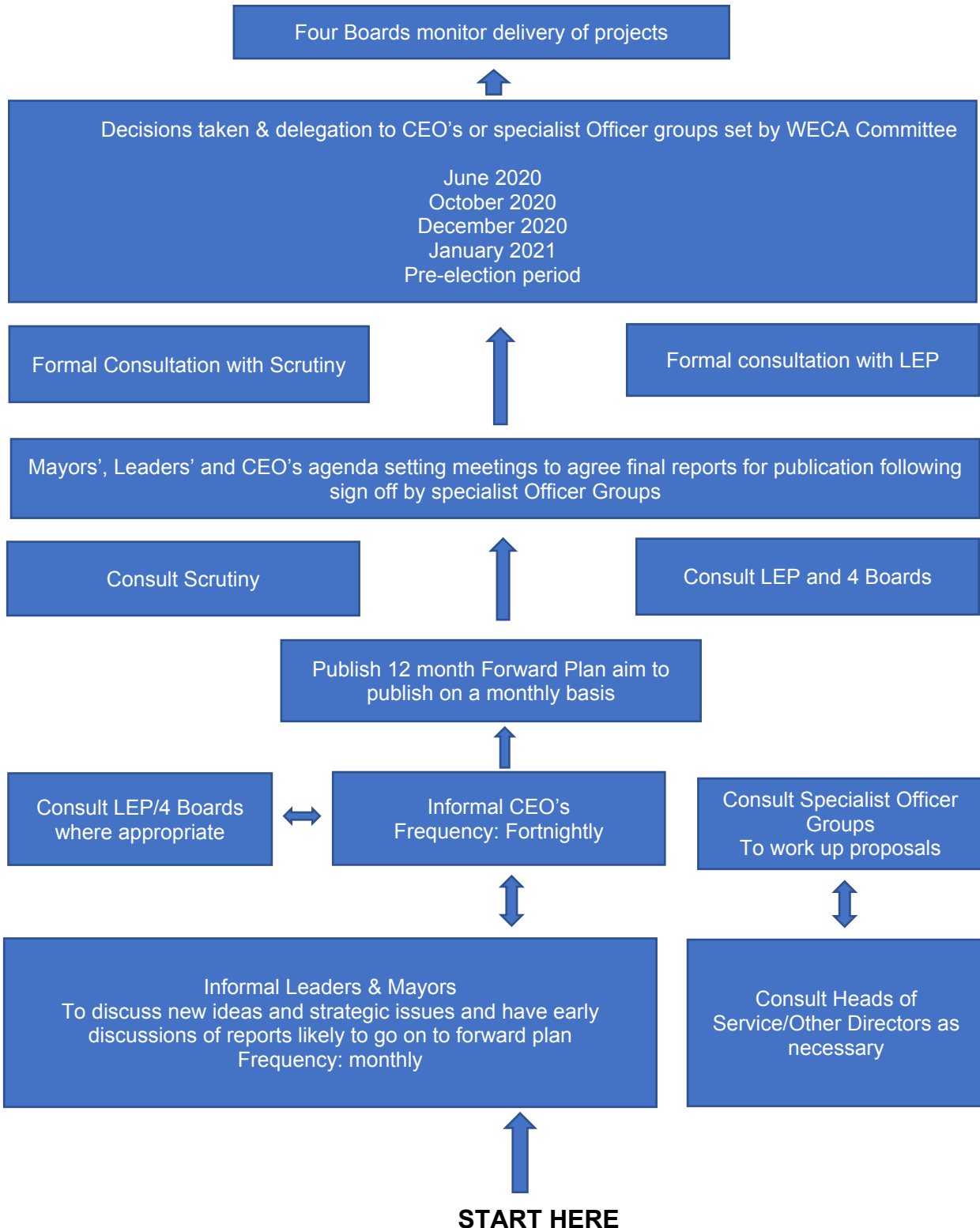
- 2.4 WECA’s Constitution, which sets out how the Authority operates, is kept under constant review and updated as necessary through the year. It clearly defines the roles of councillors and officers and this clarity contributes to effective working relationships.
- 2.5 As part of this ongoing review the WECA Committee, at its June 2020 meeting, approved further changes to its Constitution and governance framework including –
- a) Updates to Terms of Reference of the WECA Committee, Scrutiny Committee and Advisory Boards primarily in relation to tackling the Climate Emergency;
  - b) Widening delegations around transport to the Head of Transport as a result of the transfer of various responsibilities to WECA;
  - c) Referencing the move to online meetings to make key decisions;
  - d) Increasing the level of delegations for key officers in managing their respective functions;
- 2.6 There are two main decision-making committees being the WECA Committee, which oversees the operations of the Combined Authority, and the Joint Committee which governs decisions across the wider West of England region, including North Somerset Council. From January 2020 this became the West of England Combined Authority Committee and the West of England Joint Committee (for ease of reference through this document this is referred as the WECA Committee).
- 2.7 Prior to January 2020, the WECA Committee and the Joint Committee met separately on the same day. To streamline arrangements and to enable more efficient meetings, Mayors and Leaders agreed in January 2020 that the WECA Committee and the Joint Committee should meet together at a joint meeting. This enables, for example, all reports to be published as one, unified agenda and means that a combined public forum session can take place at the start of the meeting thus avoiding duplication. The two committees are separate bodies in legal terms but now meet as a joint meeting.
- 2.8 To supplement formal committees there are a number of established senior officer and member forums which facilitate full engagement and consultation on all significant issues and decisions for committee consideration. *Figure 1* details the governance structure for both formal member meetings and key internal officer groups.
- 2.9 Alongside the preparation of this statement we also rely on independent assurance provided by Internal Audit in reviewing the effectiveness of our governance arrangements. They do this through assessing the level of assurance provided against the eight themes of their ‘Reasonable Assurance Framework’ as detailed. This forms part of the core work of Internal Audit and is reported on through the WECA Audit Committee.





2.10 Elections were held during May 2021 for a new Metro Mayor for the West of England, with Dan Norris duly elected to represent WECA for the next four years. The process for elections was overseen by the Monitoring Officer acting as Returning Officer for the election taking into account the restrictions of the pandemic.

**Figure 1: West of England Combined Authority Structure and Arrangements**



### 3. WECA assessment against the 7 'good practice' Governance Framework Principles

The following section provides an update on the current status of WECA's governance and operations against the seven good practice governance framework principles as laid out within the CIPFA / SOLACE framework:

#### i. **Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law**

WECA has both a Members Code of Conduct and an Employees Code of Conduct which the respective Individuals are required to adhere to in their respective roles. The Members Code is recorded within the Constitution.

All members appointed to WECA roles have a full induction and training programme, including the Members Code of Conduct. Dependent on the roles allocated to members additional tailored training is provided. The Monitoring Officer has overall responsibility for member induction and support services for elected members.

Officers sign contracts of employment and are required to complete a probationary period of employment as standard. All relevant HR policies are in place and include a formal disciplinary procedure, a Whistleblowing Policy, Information Governance Policies, Counter Fraud Strategy bringing together the Authority's Anti-Fraud and Corruption Policy, Anti-Bribery Policy and Money Laundering Policy under one umbrella. We maintain electronic registers of interests and gifts & hospitality for staff.

Members are required to declare interests, as a standing item at each committee, with declarations at meetings being recorded. There is also a member complaint policy which is overseen and administered by the Monitoring Officer.

WECA's Constitution sets out the legal requirements around its business including decision making. Guidance is available through the website to ensure that decisions are taken by the appropriate committee or nominated officer under the approved Scheme of Delegation.

All reports requiring decision must be cleared by the S151 and Monitoring Officers. The adopted report template requires the author to record consultation undertaken, a risk management assessment, public sector equalities duties and finance, legal, property, human resources and climate change implications.

All WECA contracts must comply with the Authority's Contract Standing Orders and guidance from specialist procurement officers and legal advice is available in order to comply with legal requirements e.g. EU Procurement regulations.

#### ii. **Ensuring openness and comprehensive stakeholder engagement**

The Constitution outlines citizen's rights to access information including rights to attend meetings; notice of meetings being held; access to agendas and reports; access to meeting minutes; and rules around the exclusion of access by the public to meetings.

Key decisions are all recorded and the templates for decisions require officers to provide all necessary and pertinent information to make an informed decision. The forward plan of business is published in advance in accordance with access to information requirements.

To help ensure decision making rules are followed an intranet page provides officers with information about the stages to be followed for formal decision making and urgent decisions.

WECA's website contains information about services and provides key links such as 'Committee Meetings and Decisions'.

WECA also comply with the Local Government Transparency Code and the Transparency page on the internet provides the links to access business operations and outcomes (such as payments to suppliers / expenditure over £500) as required by the Code.

We have developed an effective and efficient system for managing Freedom of Information (FoI) and data protection requests and have an excellent record in terms of providing responses within required timescales.

**iii. Defining outcomes in terms of sustainable, economic, social and environmental benefits**

WECA has had a published Operating Framework in place since 2018, as detailed under the Narrative report – Operating Framework section, which states the high-level objectives and priority areas that drives and determines the authority’s decision making.

Building on this, working in partnership with the Local Enterprise Partnership and other key regional stakeholders, WECA published a, strongly evidenced based, Local Industrial Strategy in the summer of 2019 which is the core strategic document that will direct and influence our future investment priorities.

Annual Business Plans are published and reviewed regularly at public committees. Business Plans translate longer term strategy into specific targets, measures and actions for the forthcoming financial year. Performance metrics are detailed within the 2020 WECA Business Plan which detail the anticipated outcomes that will be achieved through WECA investment by March 2023.

**iv. Determining the interventions necessary to optimize the achievement of the intended outcomes**

WECA published a £350m regional investment programme in July 2019 which details all priority interventions that will be made over the next three years. A Capital Investment Strategy is published in December each year which details the different funding streams available to the region explicitly detailing the purpose and uses of WECA funding. This is then regularly reviewed and updated through the WECA Committee.

Each individual project has to comply with published criteria prior to entry into the WECA investment programme which includes a transparent value for money assessment in terms of the outcomes achievable through investment.

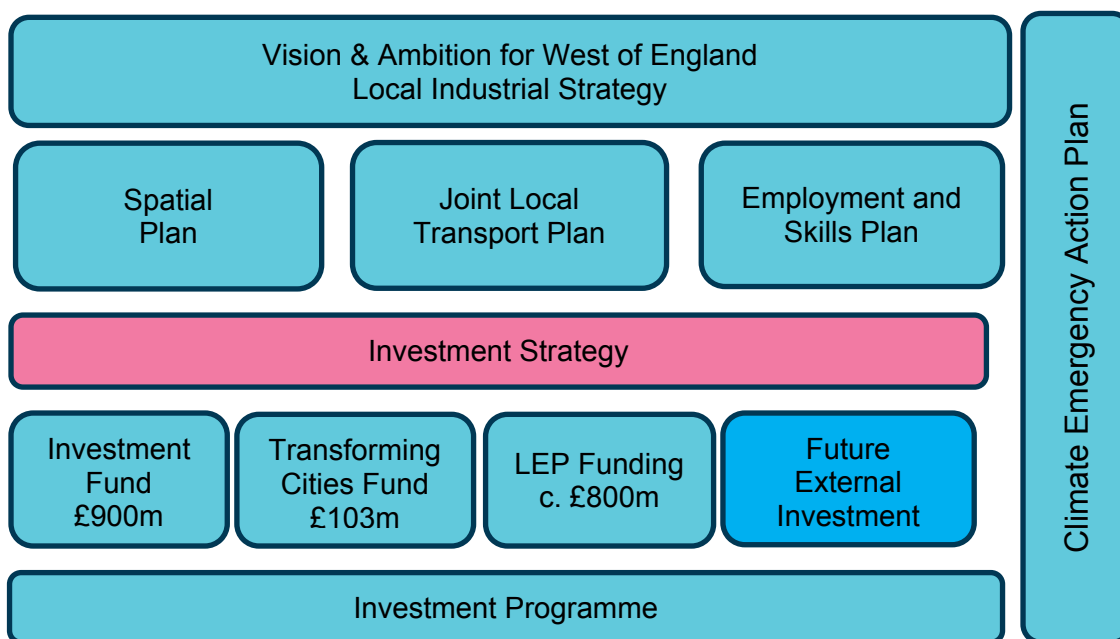
WECA Director of Infrastructure holds regular meetings with his counterparts within the neighbouring Unitary Councils to determine the priority interventions required for transportation and housing enabling - working jointly to develop a coherent regional investment programme. A similar process is facilitated through WECA Director of Business and Skills ensuring that investment is prioritised to deliver the core strands of the region’s Local Industrial Strategy.

Additionally, the Chief Executives meet on a regular basis to discuss strategic matters and current major cross-authority issues. This is chaired by the WECA Chief Executive Officer with the other constituent council Chief Executive Officers in attendance (B&NES, South Gloucestershire and Bristol) and is also attended by the North Somerset Chief Executive Officer.

There is also a separate (Local Growth) Assurance Framework which WECA operates and updates are provided each year to the Audit Committee.

*Figure 2* details how WECA investment is aligned to the delivery of regional strategies and priorities. This graphic is detailed within our Capital Investment Strategy and Business Plan.

**Figure 2: Linkage between WECA Strategic Direction and Funding decisions.**



WECA’s decision making processes are set by its Constitution and citizens and service users are consulted where appropriate prior to decisions being taken.

The decision making process requires objective and rigorous analysis of options and associated risks. A Risk Management Strategy and Toolkit has been adopted and this provides guidance on the assessment of risks related to recommended actions / decisions.

**v. Developing the entity’s capacity, including the capability of its leadership and the individuals within it**

WECA has an established senior management structure and has recruited suitably experienced officers into its leadership team. A structured organisational development programme was introduced from September 2019 which supplements and complements the authority’s appraisal process.

A comprehensive induction programme has been rolled out to all employees which incorporates a presentation from the Chief Executive on the vision, mission and objectives of the Combined Authority. A formal training budget has been established to fund bespoke training needs which supplements the organisational development programme.

WECA undertook its first formal staff survey in July/August 2019 with the overall results being extremely positive. Action plans have been developed by the Senior Management Team and Directorate Management teams to respond to identified areas requiring further development and this is repeated on an annual basis.

In terms of financial capacity, WECA has set about growing the expertise, knowledge and capabilities of in-house staff resource. Further investment has been made in the Finance service utilising funding that was previously allocated to third party support. Treasury Management was brought back in-house, (previously provided through Bath and North East Somerset), in April 2019 and reliance on contractor support for developing the authority’s Statement of Accounts has been reduced with WECA firmly leading the process for 2019/20. Bespoke support is still contracted on an identified needs basis for example, for specific tax advice, (through Public Sector (PS) Tax), and technical aspects of the accountancy requirements (through CIPFA).

WECA published a three-year Medium-Term Financial Plan on 31 January 2020 as an integral part of the 2020/21 budget setting process and this was updated in 2021. This plan details the revenue resources available to the Combined Authority through Investment Fund approvals along with various confirmed, and

anticipated, grant allocations. Contributions have been made to WECA General Fund Reserve throughout 2019/20 and 2020/21, with non-earmarked reserves increased.

WECA maintains strong relationships and networks both regionally, and nationally. Finance Directors and Monitoring Officers across the West of England meet regularly, developing regional solutions to issues and sharing best practice, and the authority is a key member and co-ordinator for the M9 Combined Authority (national) network, and the Monitoring Officer chairs the Urban Transport Group Legal arm.

**vi. Managing risks and performance through robust internal control and strong public financial management**

WECA adopted a Risk Management Strategy and Toolkit during 2019/20 which has been endorsed by the Audit Committee. The Strategy records key activities and frequency with the toolkit providing detailed guidance on risk management processes.

WECA continues to raise awareness of the importance of good risk management and embed the adopted processes. Directors give on-going assurance to the Chief Executive regarding the management of risks within their area of service delivery. Risk management objectives are monitored through the Audit Committee in line with its terms of reference to evaluate the effectiveness of the risk management strategy and framework.

Performance Management arrangements continue to be strengthened with an adopted Monitoring and Evaluation Framework, (as endorsed by the Audit Committee), key performance metrics incorporated within WECA Business Plan and transparent published criteria in relation to outcomes being delivered through approved investments.

The Combined Authority Local Growth Assurance Framework was revised and approved by WECA Committee in January 2020. This embeds a 'single pot' approach to governing all core LEP and WECA funding streams including the:

- Investment Fund;
- Transforming Cities Fund;
- Local Growth Fund;
- Getting Building Fund;
- Revolving Infrastructure Fund;
- Economic Development Fund; and;
- Adult Education Budget

WECA maintains a robust system of internal control with a, (risk assessed), review and monitoring of internal controls undertaken by Internal Audit and other 'independent' inspectors. The Audit Committee's 'Terms of Reference' includes approving the Internal Audit Plan alongside monitoring its delivery and effectiveness (including the implementation of audit recommendations).

WECA's Financial Regulations require Members and staff to inform the Chief Finance Officer and / or the 'Chief Audit Executive' immediately of any suspected financial irregularity. This enables the Internal Audit function to investigate all reported cases promptly to ensure the integrity of the system of internal control.

Financial updates are regularly reported to WECA Committee and this includes budget monitoring and outturn reports. All decision papers for Committees, or officer delegated decisions, require S73 financial sign-off before the decision can be taken. The Director of Investment and Corporate Services acts as the S73 Chief Financial Officer for the Combined Authority.

As part of good governance WECA has also carried out an initial assessment against the CIPFA Financial Management code 2019. A key goal of the Code is to improve the financial resilience of organisations by embedding enhanced standards of financial management which is especially important considering the last 12 months. Whilst 2020/21 is a shadow year in terms of compliance, preparations have commenced including a full self-assessment by the Finance function to understand if any key actions are necessary. The outcome of this process has been positive with 32 out of 36 areas assessed as high compliance with the remaining 4 at medium compliance. This is an ongoing process and during 2021/22 any necessary actions or updates will be monitored through the Audit Committee.

The Director of Investment and Corporate Services has confirmed that the principles outlined in the CIPFA Statement on the Role of the Chief Financial Officer, (s151/s73 Officer), in Local Government have been compiled with in performing his duties.

**vii. Implementing good practices in transparency, reporting and audit, to deliver accountability**

Transparency is a key condition and driver for the delivery of WECA services. As a publicly funded organisation, we have a duty to our residents to be transparent about our business operations and outcomes.

Committee meetings and reports are easily accessible through WECA's website and the public are encouraged to engage with the operations of the authority and contribute to public committee meetings. Public Scrutiny Committees are held in advance of all WECA and Joint Committee meetings in order to scrutinise papers in advance of formal consideration. The respective Chairs of Scrutiny and the Local Enterprise Partnership have a standard slot on WECA committee agendas to feed in their comments in advance of the formal debate. Strong governance arrangements have remained fully effective, in a virtual environment, throughout the lockdown period.

WECA constitution requires decisions to be taken by an appropriate committee, or officer delegation, and requires formal 'sign-off' by the S73 and Monitoring Officers in advance. All decisions taken are published in a Decision Notice template.

The annual governance review, which has been carried out to produce this statement, requires a robust methodology to be followed to enable a statement to be published within the statutory Statement of Accounts.

#### **4. Independent Assessment & Opinion – Internal Audit**

Internal Audit works independently of the management of the organisation and reports through to the Audit Committee. During 2020/21 whilst work was naturally affected by the pandemic, no significant changes were necessary to planned work and the opinion of the Head of Internal Audit is that he is satisfied that the risk, governance and control environment of the Authority is adequate to ensure delivery of WECA's priorities. Through the work of Internal Audit and delivery of the Annual Audit Plan, some control issues have been identified, however none are deemed significant when assessed against the key criteria. Internal Audit is content that management have accepted responsibility to address the control weaknesses.

The Plan focused on core financial and other systems and areas presenting the greatest risk to the authority and was designed to ensure sufficient depth and breadth of audit coverage to meet the requirements of those charged with governance. In forming an opinion on the governance, risk and control environment Internal Audit also considered other sources of assurance including reports from external regulators, external audit and commissioned reviews.

# West of England Combined Authority (WECA)

## Annual Governance Statement (continued)

### 5a. Conclusion - Certification

As laid out in the statement WECA's governance arrangements have been reviewed and considered in line with the CIPFA/SOLACE code of practice. To the best of our knowledge the governance arrangements as defined have been effectively operating during the year 2020/21. Significant governance issues identified through the Annual Governance Statement Review process are recorded in Section 5.

We propose to take actions to address the issues raised with the objective of enhancing the WECA's governance arrangements. The issues and related actions will be monitored as part of the annual governance review process.

**SIGNED BY:**

**DAN NORRIS**

**WECA MAYOR**

**PATRICIA GREER**

**CHIEF EXECUTIVE**

**DATE:**

# West of England Combined Authority (WECA)

## Annual Governance Statement (continued)

### 5b. Conclusion – Significant Governance Issues

#### SIGNIFICANT GOVERNANCE ISSUES 2020/21

Having considered all of the evidence, data and input from regulators, the following significant governance issues have been identified within the 2020/21 financial year:

	Issues identified in 2020/21	Commentary & Mitigating actions for 2020/21
1	<p><b>Coronavirus/Covid-19 Impacts:</b> The impacts of Covid-19 both internationally, nationally and regionally have been unprecedented in both Health and Economic terms. The country has been under emergency legislation which has led to a wider range of measures to manage the wide-ranging impacts.</p> <p>On a regional level this has significantly impacted on the Public Sector and the Constituent Authorities of WECA. Whilst WECA is less exposed economically due to its role as a Combined Authority it still has an important role to work with its constituent Authorities to support its local communities, specifically the business sector.</p> <p>The scale and scope of various grants has been significant and WECA has been central to this support process to assist regional business and to lobby central government on behalf of its constituent Authorities.</p> <p>The WECA Committee formally considered its response to the pandemic at its June and October 2020 meetings setting out its current position and the range of actions it was taking to support its communities.</p> <p>The recovery plan should be considered as an initial approach to address the known impacts of the crisis. Whilst the pandemic has had a significant impact on the region, the situation continues to evolve and the full extent of the long term implications are not yet clear. Work to respond to the impacts of the pandemic will continue over the coming months with further WECA funding allocated to recovery activity.</p>	<p>Actions to support recovery from Covid-19 are set out in detail within the papers for the WECA Committee. In summary these include –</p> <p>Establishment of a regional economic recovery taskforce and creating of specific actions around 5 key pillars –</p> <ul style="list-style-type: none"> <li>a) Rebuild business to help new and existing businesses to survive and thrive in order to safeguard existing and create new jobs.</li> <li>b) Get residents back to work in jobs which pay above the living wage and offer security of employment through targeted training and brokerage to available opportunities.</li> <li>c) Strengthening inclusion to prevent further widening of inequalities and build an inclusive economy where everyone has the opportunity to achieve their potential and reducing inequality gaps.</li> <li>d) Green recovery to use the changes in behaviour brought about by the pandemic to accelerate our transition to net zero carbon.</li> <li>e) Renew places to re-think our approach to ‘place’ creating greener, healthier, more vibrant places to live and work and so continuing to attract people from across the world.</li> </ul>



# West of England Combined Authority (WECA)

## Annual Governance Statement (continued)

### Update on Previous Year – 2019/20

	Issues identified in 2019/20	Update on Mitigating actions delivered through 2020/21
1	<p><b>Coronavirus:</b> The current (March 2020) global known, and anticipated, impact of the coronavirus might have a material impact on core governance issues. Flexibility will need to be exercised on areas such as delegated decision making and procurement practices. There could also be an impact on the transition to operating our new Agresso financial system through Agilisys from April 2020.</p>	<ul style="list-style-type: none"> <li>• Refreshed WECA business continuity arrangements;</li> <li>• Ensured that core groupings of staff are able to process and authorise financial information remotely;</li> <li>• Equipped all WECA staff for effective homeworking;</li> <li>• Regular updates and communications provided to staff;</li> <li>• All relevant WECA events were re-scheduled as virtual sessions;</li> <li>• Maintained effective networks with neighbouring Unitary Councils and other Combined Authorities in terms of controls put in place in response to coronavirus;</li> <li>• Incorporated climate change considerations within WECA decision making processes;</li> <li>• Successfully facilitated, and enabled, virtual meetings of full WECA Committee and WECA Scrutiny Committee</li> </ul>
2	<p><b>Robustness of the Statement of Accounts:</b> Problems were encountered when finalising the Combined Authority's Statement of Accounts for 2018/19. Although draft accounts were issued on WECA website by the statutory deadline of 31 May 2019, the external auditors, Grant Thornton UK LLP, were not able to complete their audit, or form an opinion on the accounts, in time for the scheduled audit committee on 31 July 2019 due to a number of errors and incomplete information. Lack of functionality of our previous Finance system and problems encountered with external contractors, (commissioned to produce a draft set of accounts), were key contributing factors.</p>	<ul style="list-style-type: none"> <li>• Conducted 'lessons learnt' sessions to identify improvements needed for the 2019/20 accounts closedown process – subsequently developed a finance improvement plan;</li> <li>• Increased in-house finance capacity in WECA and reduced reliance on external contractors for drafting a full set of accounts;</li> <li>• Commissioned, and developed, a new version of the Agresso finance system through a new ICT provider, Agilisys;</li> <li>• Commissioned expertise to help design the new finance system with a clear focus on improving automation and reducing reliance on manual systems;</li> <li>• Engaged CIPFA as technical experts, to supplement internal finance capacity, on specific elements of 2019/20 technical accounting identified as being high risk.</li> </ul>

**West of England Combined Authority (WECA)**

**Annual Governance Statement (continued)**



**ITEM: 13**

**REPORT TO: WECA AUDIT COMMITTEE**

**DATE: 1 JULY 2021**

**REPORT TITLE: (STATEMENT OF ACCOUNTS) DRAFT NARRATIVE REPORT 2020/21**

**DIRECTOR: MALCOLM COE, DIRECTOR OF INVESTMENT AND CORPORATE SERVICES**

**AUTHOR: MALCOLM COE**

## **Purpose of Report**

- 1 It is the responsibility of the audit committee to formally approve the authority's annual Statement of Accounts. Appendix 1 details the draft narrative report which is the important opening section of the accounts explaining the activities and performance throughout the 2020/21 financial year.

## **Recommendation**

- *The committee are requested to note the draft narrative report and suggest any areas where further refinement might be needed.*

## **Background / Issues for Consideration**

- 2 The West of England Combined Authority, (WECA), like all other public sector bodies, has to produce statutory accounts on an annual basis. These accounts have to be formally approved by those charged with governance, being the audit committee.
  - 2.1 Due to the Covid pandemic, the deadline for issuing 2020/21 draft accounts has been amended from 31 May 2021 to 31 July 2021 with the full Statement of Accounts having to be signed off by our external auditors, Grant Thornton, by 31 September 2021.
  - 2.2 In 2020/21 WECA has continued as in 2019/20 to take full responsibility for leading and developing their own Statement of Accounts, prior to the previous year statements that were led by consultants.
  - 2.3 The 'narrative statement', (as detailed in Appendix 1), forms the opening section of the accounts and provides the opportunity to detail the strategic operating framework, priorities, performance and challenges and risks faced by the authority during the year.
  - 2.4 The full set of accounts will be presented to the audit committee in September 2021

for approval following the external audit review which is programmed for July - August 2021.

- 2.5 In this meeting, the audit committee are requested to review the draft narrative statement and annual governance statements and indicate areas, (if any), where further refinement might be required.

### **Consultation**

- 3 Consultation has taken place with Senior Management Team. An informal session has also been held with the Chair of the Audit Committee.
- 3.1 The Accounts and Audit Regulations (England) 2015 require the Annual Statement of Accounts to be certified by the Chief Financial Officer and made available for public inspection. WECA will issue a full copy of the draft 2020/21 accounts on the authority's website in advance of the statutory deadline of 31 July 2021.

### **Other Options Considered**

- 4 WECA could have waited for the entire accounts to be available for review by the audit committee in September 2021 but chose the option to present the draft narrative statement and annual governance statement early in order to obtain initial feedback and direction prior to publication of a draft on the authority's website.

### **Risk Management/Assessment**

- 5 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, (AGS), has been produced, (considered as a separate item on this committee agenda), and is integrated within the core Statement of Accounts document.
- 5.1 The AGS and narrative statement both detail the framework that the authority has developed, and implemented, for governing, managing and reporting risks.

### **Public Sector Equality Duties**

- 6 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.
- 6.1 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.

6.2 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.

6.3 There are no direct implications arising from this report.

#### **Finance Implications, including economic impact assessment where appropriate:**

7 The Statement of Accounts reflect the financial accounting position of the Combined Authority as at 31 March 2021. Management Accounting reports are published throughout the year evidencing progress and spend against the authority's set budget. The management accounting 2020/21 outturn positions for WECA and Mayoral Fund budgets are detailed within the draft narrative statement.

*Advice given by: Malcolm Coe, Director of Investment and Corporate Services*

#### **Legal Implications:**

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

*Advice given by: Shahzia Daya, Director of Legal Services*

#### **Climate Change Implications**

9 On 19 July 2019, the West of England Combined 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 Combined Authority is committed to taking climate change considerations fully into account as an integral part of its governance and decision making process.

Each report/proposal submitted for Combined Authority / Joint Committee approval is assessed in terms of the following:

Will the proposal impact positively or negatively on:

- \* The emission of climate changing gases?
- \* The region's resilience to the effects of climate change?
- \* Consumption of non-renewable resources?
- \* Pollution to land, water or air?

Particular projects will also be subject to more detailed environmental assessment/ consideration as necessary as part of their detailed project-specific management arrangements

9.1 The statement of accounts has no direct impact on climate change issues. However, WECA considers climate change when determining their priorities and investment decisions.

**Appendices:**

Appendix 1 – WECA (Statement of Accounts) Draft Narrative Statement 2020/21

**Background papers:**

WECA Statutory Accounts 2019/20 – approved by the Audit Committee on 16 October 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](mailto:democratic.services@westofengland-ca.gov.uk)

# West of England Combined Authority (WECA)

## Introduction

### Overview

During 2020/21, the West of England Combined Authority (WECA) responded to the unprecedented challenge of Covid-19 for businesses, residents and public services across the region. WECA and the Local Enterprise Partnership, (LEP), have been working to support businesses and residents through this crisis period and seeking to ensure that the support and infrastructure is in place to prepare for recovery.

This report is retrospective and provides an overview of performance during the 2020/21 financial year.

As the pandemic hit, we swiftly adapted our work to help the West of England recover focusing on three key areas:

- **Transport** – making sure public transport was in place to support key workers and others who need to travel; supporting transport companies to expand services safely.
- **Business Support** - helping businesses of all sizes get the support they need as well as capturing their concerns and ensuring their voices are heard by government.
- **Skills and Employment** - bringing local partners together to protect jobs and incomes and ensuring the right support is in place for people affected.

We set up a new West of England Taskforce, a partnership between the West of England Combined Authority, the Local Enterprise Partnership, business, universities and the region's councils. The taskforce put together a Regional Recovery Plan which includes measures to help businesses adapt to the new economic landscape and improve resilience, as well as support for residents to develop new skills, training and employment opportunities. This builds on support offered to businesses throughout the pandemic via the Growth Hub and successful schemes such as Future Bright helping residents to gain new skills and find employment.

The West of England Combined Authority (WECA) Committee, committed £9.395m for recovery activity during the year across business support, skills and employment initiatives. This takes the total investment in our region's businesses and skills to over £100m over the next four years.

Our Regional Recovery Plan prioritises a green recovery, using changes in behaviour brought about by Covid-19 to accelerate the transition to net zero carbon.

### Climate Emergency Action Plan

We published our Climate Emergency Action Plan in September 2020 – setting an ambitious goal for tackling climate change, committing to net zero carbon by 2030. To achieve this our Climate Emergency Action Plan is being integrated into all that we do.

This vision is shared by our council partners and is a key part of our Covid-19 Regional Recovery Plan. This integrated approach provides us with an opportunity to reboot our economy in a way that also benefits the environment.

Work is already underway, as we continue to deliver carbon reduction programmes and initiatives. For example, through the Local Energy Scheme, Low Carbon Challenge Fund and South West Energy Hub we are increasing regional renewable energy, supporting residents and businesses to be more energy efficient and creating new green jobs.

However, we must go further to deliver our goal and have identified five high level challenge areas where we need to act:

## West of England Combined Authority (WECA)

- **Low Carbon Transport System**  
Work to decarbonise the transport system, increase cycling, walking and the use of public transport
- **Low Carbon Business**  
Help businesses and local people benefit from growth in the green economy; maximising government investment in the region & supporting our businesses to build back better
- **Renewable Energy**  
Work to decarbonise our energy system and increase local renewable energy
- **Low Carbon Buildings and Places**  
Increase the energy performance of buildings and develop low carbon standards in new developments
- **The Green Environment**  
Protect and enhance the environment through a proactive approach to green infrastructure

WECA is already making progress on these ambitions and our Regional Recovery Plan prioritises a green recovery, using changes in behaviour brought about by Covid-19 to accelerate the transition to net zero carbon.

### Infrastructure:

Covid-19 had a huge impact on the way we travel. As the regional transport authority, WECA has worked with bus and rail operators to ensure that the transport network continued to operate safely with social distancing measures in place. We also worked with businesses to share government travel advice and help them access sustainable travel support.

We want to capture the positive changes to travel habits during the pandemic and significantly increase walking and cycling to help reduce congestion and improve air quality. We committed £13m to measures to help more people to cycle and walk in the region and launched a regional campaign to encourage residents walk or cycle. The West of England Combined Authority continues to invest millions in bus and train travel, and walking and cycling routes, to tackle congestion and improve air quality.

Other key activities during 2020/21 included:

- Supporting public transport operators through Covid-19
- Investing £13m in walking and cycling
  - Leading e-scooter trials, as one of the Government's first Future Transport Zones
- £30m of national and local funding committed to Future Mobility Zone proposals. This includes an e-scooter trial that started in October 2020- one of the first projects that will offer a new way to travel around our region.
- Publishing the region's first 10-year rail plan
- Consulting on and agreeing a regional Bus Strategy and Cycling and Walking Plan
- Our Transport Delivery Plan sets out the currently funded transport projects (2021 – 2026) that are progressing to delivery over the next 5 years in the West of England region.
- We have consulted on a new station at Ashley Down - part of improving the Severn Beach line to provide direct more frequent services to Bath and Westbury, Plans are in place to re-open the Portishead line and provide more frequent services to Yate and Gloucester.
- Delivered Joy in the Journey - A behaviour change campaign to encourage walking and cycling in the region.

Through the Local Growth and Economic Development Funds, we're investing in our Enterprise Zones to create jobs and support opportunities for businesses to start, grow and collaborate. This has included £55m at Temple Quarter, £32 million at Bath Quays, £64m at Avonmouth and £12m at Somer Valley



# West of England Combined Authority (WECA)

## Business support

We led work to help kick-start the region's economy - helping businesses build their financial resilience, innovate and adopt best practice, and boost their productivity.

We expanded our West of England Growth Hub which helps SMEs find the right support, acting as a 'shop window' for business support services and initiatives in the West of England, such as Green Business Grants. We've expanded the Growth Hub service to help more businesses access the funding, loans and support they need to adapt and survive.

£80m current investment fund (£999m with pipeline schemes) targeted at business and skills. Support will focus on innovation-led changes in business processes and behaviours, and have a strong focus on decarbonised, inclusive and digitally-connected recovery.

We adapted a number of different business support programmes to reflect the changing needs of businesses. This includes Creative Scale Up, Mentoring for Growth and Workforce for the Future.

Launched new initiatives in response to business feedback - eg Trading Better Online; Accountancy Support; Business Growth Grants; Creative Freelancer Grants and Thrive West, to support mental health for employees.

We're working with our partners to provide entrepreneurship & business support to non-EU migrants as well as supporting residents looking to start a business and existing businesses looking to grow.

We put together and promoted a business support guide which sets out all the support available <https://www.westofengland-ca.gov.uk/wp-content/uploads/2021/03/Business-Support-Guide-March-21-Update-1.pdf>

## Skills and employment

We expanded our career coaching and support service, Future Bright, to help people whose jobs and income were affected by Covid-19.

We expanded the Careers Hub which helps young people get better careers advice. This now includes engaging young people in low carbon and "green" careers. Helping ensure the West of England has access to the skilled workforce it needs to tackle the climate emergency.

We supported adult education providers to ensure that thousands of people continued to have access to training and re-training opportunities during lockdown.

We reformed our adult education funding rules to enable adults aged 19-24 and 50+ to undertake a first full and second full Level 3 qualification for free (equivalent to A-levels). We're also supporting adults aged 24 and over who don't have A-levels, an advanced technical diploma or equivalent, to take their first full Level 3 qualification for free.

We launched a £2m Digital Skills Investment programme to help give residents and businesses the skills they need.

We launched Workforce for the Future – supporting businesses to identify ongoing skills needs and invest in their workforce.

Through our Employability and Skills portal, we're working with partners to ensure that all our residents have the opportunity to get the skills and training they need to succeed, and to secure the jobs that are being created here.

Further detail about the West of England Combined Authority's programme of work and delivery

# West of England Combined Authority (WECA)

against targets is detailed in the following Narrative Report.

## Narrative Report

These financial statements provide the reader with a view of West of England Combined Authority's (WECA) financial performance and its effectiveness in its use of resources during 2020/21. They are a key element in demonstrating how the Authority has delivered economy, efficiency and effectiveness in its use of resources, as well as ensuring that key stakeholders understand the financial position of the Authority.

The Narrative Report provides an outline of the activities for the year, providing both a guide to WECA's financial statements and to its achievements in delivering inclusive economic growth through investing in transport, skills and economic development.

### Organisational overview and external environment

The West of England Combined Authority (WECA) is made up of three of the councils in the region – Bath & North East Somerset, Bristol and South Gloucestershire. WECA also supports the Local Enterprise Partnership, which is business-led, and covers the four West of England councils, including North Somerset Council.

Prior to Covid-19 the West of England economy was worth over £33 billion a year, with a population of over 1.1 million people, one of the highest rates of employment in the country (79%), and over 45,000 businesses.

The West of England Combined Authority is working to drive clean economic growth to benefit all residents. We're making decisions about transport, homes, jobs and skills at regional level, decisions previously made in central Government.

Our ambitious councils came together to actively lobby for devolution because they could see the value in this new way of doing things, looking beyond council boundaries, to benefit all of us who live and work in the region.

Since we were established, we have secured over £180 million in extra funding from government to invest in our region; this is in addition to the £1 billion over 30 years agreed in the devolution deal.

### Aims, Objectives and Achievements

The West of England Combined Authority aims to be a driving force for clean, inclusive growth. We are delivering this ambition through the following objectives.

#### Overarching objectives:

Our Regional Recovery plan sets out five key ambitions:

- Rebuilding business, helping new and existing businesses to survive and thrive; to safeguard existing, and create new jobs;
- Getting residents back into jobs that pay above the living wage and offer employment security, through training and work to match skills to opportunities;
- Strengthen inclusion, preventing further widening of inequalities and building an inclusive economy where everyone has the opportunity to achieve their potential;
- A green recovery, using changes in behaviour brought about by the pandemic to accelerate transition to net zero carbon;
- Renewing places, creating greener, healthier, more vibrant places to live and work.

# West of England Combined Authority (WECA)

Measures include:

- Expanding the region's business support offer to help businesses to adapt and survive, including redundancy support, trading online, training and workforce development.
- Driving job creation through investment in new regional innovation projects, to address the climate emergency, health and equality of opportunity.
- Developing a regional Employment and Skills Opportunities Portal to help unemployed residents find new jobs, support and training opportunities.
- Addressing youth unemployment with a regional apprenticeship support service.
- Growing the Low Carbon Challenge Fund through a Green Business Grant programme and Local Energy Schemes.
- An innovative town centre re-structuring programme, building on the increased need for 'local liveability'.
- Development of a Regional Tourism Zone and new Cultural, Creative and Digital Development programme.

The full plan can be found at <https://www.westofengland-ca.gov.uk/wp-content/uploads/2020/11/Recovery-plan-version-2.pdf>

## Delivery objectives

Our objectives are centred around three core areas of delivery:

### Infrastructure

Our ambition is to enable residents to move seamlessly around the West of England region between work, home and leisure activities, and to provide high quality, affordable homes. We are working towards that ambition in a way that addresses our commitment to achieving zero net carbon by 2030. The right infrastructure is central to that commitment, both physical and digital. Infrastructure is also key to maximising productivity across the region, connecting rural and urban communities, and driving clean and inclusive growth.

Our activities are aligned with five objectives for infrastructure:

1. Better links to connect people and encourage use of sustainable transport;
2. Improved national and international connections;
3. Regional housing growth that promotes a mix of sustainable and affordable homes;
4. Employment spaces that meet the needs of businesses and communities;
5. World-leading digital connections to support innovation and collaboration.

### Business Growth

Our focus is on rebuilding a strong regional economy, to enable long-term recovery for the West of England, following the impact of Covid-19. We will help business build their financial resilience, innovate and adopt best practice, and boost their productivity. In line with our Regional Recovery Plan, we will help our businesses to achieve their potential through recovery as well as attracting more businesses to start, grow and thrive in the region.

Our activities are aligned with four objectives for business growth:

1. Help businesses to start-up, grow and flourish, nurturing inclusivity and entrepreneurial spirit;
2. Support businesses to invest in the region and realise export opportunities;
3. Drive an innovative and collaborative economy;
4. Protect and promote our region's culture.

# West of England Combined Authority (WECA)

## Skills

By 2036, the West of England will be internationally recognised for its sustainable, inclusive and diverse economy, providing a high quality of life, prosperity and opportunities for all its residents. Our people will be skilled, healthy and able to achieve their potential. Our businesses will play an active role in shaping employment and skills provision across the region and they will be able to find the skills and talent they need to innovate, add greater value and thrive. Our Employment and Skills Plan sets out how we will support residents to achieve their potential, and businesses to find the skills and talent they need to innovate, add greater value and thrive.

Our activities are aligned with five objectives for skills:

1. Integrate our employment, skills and education system to align with employers' needs;
2. Enable all young people to achieve their potential;
3. Address barriers to employment and progression;
4. Empower people to progress in employment and access higher paid opportunities;
5. Ensure employers can recruit and retain the skills and talent they need to thrive.

## Operating Framework:

Our operating framework sets out our priorities for clean and inclusive economic growth in the West of England. It incorporates the four themes from the West of England Local Industrial Strategy and forms the basis of WECA's annual business planning cycle, focused on priority areas for delivery:

- Infrastructure fit for the future
- World class skills
- Businesses that succeed

Our Climate Emergency Action Plan sets out five strategic principles:

- **Low carbon transport system:** working to decarbonise the transport system, increase cycling, walking and the use of public transport;
- **Low carbon business:** helping business & local people benefit from growth in the green economy; maximising government investment in the region & supporting our businesses to build back better;
- **Renewable energy:** working to decarbonise our energy system & increase local renewable energy;
- **Low carbon buildings and places:** increasing the energy performance of buildings & develop low carbon standards in new developments;
- **The green environment:** protecting & enhancing the environment through a proactive approach to green infrastructure.

Together with our operating framework these principles set out our long-term vision and shape the shorter-term actions required to achieve this that are included in our Business Plan - <https://www.westofengland-ca.gov.uk/wp-content/uploads/2021/02/WECA-Business-Plan-2021-22.pdf>

# West of England Combined Authority (WECA)



## Local Industrial Strategy

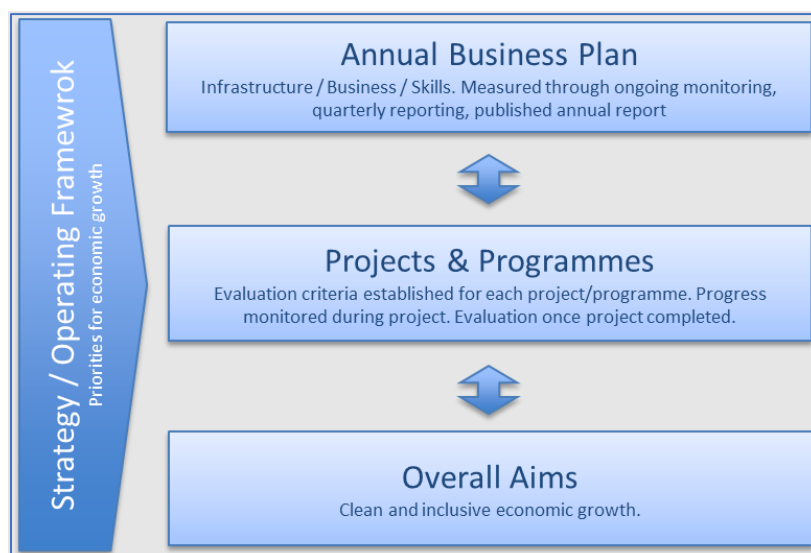
Developed by leaders and businesses from across the region, working closely with government, the Local Industrial Strategy (LIS) draws on the unique strengths of the people and places across the West of England. The strategy represents a strong partnership between local and national partners and a recognition of the shared ambition and opportunity for the region. It identifies the strengths and challenges of the West of England and plans the foundations upon which the region will thrive, for the benefit of all its residents.

Our Local Industrial Strategy and Climate Emergency Action Plan provide the framework for policy development and to identify priorities for investment in planning, transport, employment and skills. The actions from the Local Industrial Strategy are embedded in WECA's business plan.

## Performance

WECA's monitoring & evaluation framework sets out our overall approach to the monitoring and evaluation of activities across WECA and the Local Enterprise Partnership. The approach is structured around three levels as set below:

## West of England Combined Authority (WECA)



- Annual business plan. Delivery of the annual business plan which includes in-year activity to support WECA and the Local Enterprise Partnership. Our business plan for 2020/21 was approved by WECA and Joint Committee on 31<sup>st</sup> January 2020;
- Project and Programme delivery. This is focused on schemes funded through the WECA Investment Fund, Transforming Cities Fund, West of England One Front Door Programme and other significant grant funding streams. WECA have implemented a comprehensive [Local Growth Assurance Framework](#) which clearly sets out the process, and governance, for accessing and approving funding allocations and awards.

WECA's overall aim of achieving clean and inclusive economic growth will require longer term measurement which takes into account the impact of key schemes that are yet to be delivered. We are working closely with the national suppliers who are leading the Gateway review work across the Combined Authorities on the evaluation of the West of England Investment Fund. The Final Report from the independent evaluation of the Investment Fund was submitted to Government in November, and it is expected that the outcome will be known shortly. In parallel WECA submitted a Complementary Report which sets out the wider context surrounding the use of the Investment Fund.

The Monitoring & Evaluation Framework is reviewed annually and shared with Government. The latest version, approved in March 2021, is available on the WECA website and includes links to detailed project monitoring & evaluation plans. [Monitoring & Evaluation Framework 2021](#)

### Financial Performance

The following paragraphs provide a brief overview of the financial position in terms of WECA's management accounting framework rather than the statutory accounting framework, to aid in understanding the statutory financial statements.

Under the Order establishing the Combined Authority, WECA must maintain a separate fund to record the expenditure of the Mayor's Office, including the annual running costs of his immediate support staff, the costs of the Mayoral elections and grant expenditure which is incurred under the Mayor's powers of determination.

- **Mayoral Fund**

## West of England Combined Authority (WECA)

The Mayoral Fund's outturn revenue position for the 2020/21 financial year is as detailed in the table below.

<b>Mayoral Fund April to March 2021</b>			
	2020/21 Budget £'000s	2020/21 Outturn £'000s	Variance £'000s
Staff	206	181	(25)
Premises Services	13	12	(1)
Support Services	15	0	(15)
Supplies & Services	10	10	0
Project Spend	0	0	0
	<b>244</b>	<b>203</b>	<b>(41)</b>
<b>Mayoral Election Costs</b>	396	396	0
<b>Payment to Reserve</b>	0	41	41
<u>Contribution to Highway Grants</u>			
Integrated Highway	5,183	5,183	0
Highway Maintenance Grants	10,254	10,254	0
Highway Incentive Grants	2,135	2,135	0
	<b>17,572</b>	<b>17,572</b>	<b>0</b>
<b>Total Expenditure</b>	<b>18,212</b>	<b>18,212</b>	<b>0</b>
<b><u>Income</u></b>			
Business Rates Retention Pilot	17,572	17,572	0
Government Grant	0	0	0
Funding Contribution from WECA	640	640	0
<b>Total Income</b>	<b>18,212</b>	<b>18,212</b>	<b>0</b>
<b>NET TOTAL - Under / (Over) Spent</b>	<b>0</b>	<b>0</b>	<b>0</b>

## West of England Combined Authority (WECA)

### WECA Fund Revenue Budget

A net outturn of £1.127m (2019/20: £551k) surplus was achieved in 2020/21 which reflects a higher return from investments on cash balances. This position has been reported consistently throughout the financial year as we maintained relatively high balances and achieved above average returns through diversifying our investment portfolio.

In year spend on specific projects was £2.1m lower than originally budgeted with the main variations being due to delays in spend linked to the Covid pandemic. These include 'We Work for Everyone' (conditionally approved subject to confirmation of external grant), Workforce for the Future, and Future Bright.

The Revenue Transport levy returned an overall end of year surplus on spend of £719k. The main reason for the Levy underspend is due to the receipt and application of Covid grants. Concessionary Fares and Community Transport reduced as some providers, and routes, stopped operating. In addition, North Somerset Council reduced their reimbursement to operators to reflect the historic trend of decline (8%). There was also some underspending in the Integrated Transport Team costs which were lower than planned due to staff vacancies.

A summary of the WECA out-turn position is detailed in the following table:



## West of England Combined Authority (WECA)

WECA Fund April to March 2020/21			
EXPENDITURE	Budget £'000s	Outturn £'000s	Variance £'000s
<b>Staff</b>			
Core Staff	4,896	5,184	288
Integrated Transport Authority Team	892	765	(127)
Project Staff	1,300	1,094	(206)
<b>Total Staff</b>	<b>7,088</b>	<b>7,043</b>	<b>(45)</b>
<b>Supplies &amp; Services</b>			
Premises Services	464	334	(130)
Support Services	44	8	(36)
Supplies & Services	761	817	56
<b>Total Supplies &amp; Services</b>	<b>1,269</b>	<b>1,159</b>	<b>(110)</b>
<b>Project Spend</b>	<b>25,808</b>	<b>23,707</b>	<b>(2,101)</b>
<b>ICT Implementation</b>	<b>297</b>	<b>586</b>	<b>289</b>
<b>Transport Functions</b>			
Community Transport	1,621	1,355	(266)
Concessionary Fares	14,325	14,286	(39)
Bus Real Time Information	453	419	(34)
Supported Bus Services	2,743	8,686	5,943
Metrobus	226	125	(101)
Bus Information	149	145	(4)
Travel West	61	4	(57)
Integrated Ticketing	247	206	(41)
<b>Total Transport Functions</b>	<b>19,825</b>	<b>25,226</b>	<b>5,401</b>
<b>Contribution to Mayoral Fund</b>	<b>640</b>	<b>640</b>	<b>0</b>
Overheads	(451)	(909)	(458)
Departmental Recharges	(1,644)	(1,391)	253
Payment to Reserves	204	2,207	2,003
<b>Total Expenditure</b>	<b>53,036</b>	<b>58,268</b>	<b>5,232</b>
<b>INCOME</b>			
Transport Levy	20,716	20,961	245
Supported Bus Services Government Grant	0	5,749	5,749
Business Rates Retention Pilot	1,200	792	(408)
Government Grants	17,055	17,553	498
Investment Fund Grant	13,045	10,018	(3,027)
Interest on Balances	1,020	2,238	1,218
Transfer from Reserves	0	2,084	2,084
<b>Total Income</b>	<b>53,036</b>	<b>59,395</b>	<b>6,359</b>
<b>NET TOTAL – Under / (Over) Spent</b>	<b>0</b>	<b>1,127</b>	<b>1,127</b>

# West of England Combined Authority (WECA)

## Financial Reserves

Upon formation, there were no general or earmarked reserves or balances allocated to WECA from the constituent councils. Therefore, in April 2018, WECA Committee agreed to establish appropriate risk assessed levels of reserves.

The level of Business Rates growth has slowed down in the region, even prior to the Covid situation. WECA's share of the business rates retention pilot is 5% budgeted at £1.2m for 2021/22 which is unlikely to be achieved. £408k was drawn down from the Business Rates Reserve in 2020/21 to meet with the estimated in-year shortfall; With £500k transferred from the 2020/21 WECA revenue surplus to the business rates retention reserves to address future expected shortfalls.

The future revenue position for WECA remains volatile whilst core operating costs are funded through temporary sources such as Mayoral Capacity Fund and Business Rates Retention pilot share. The remaining balance of **£627k** (from the overall **£1.127m** end of year surplus) will transfer into the WECA General Reserve bringing the balance of this reserve up to £1.765m. Whereas we have worked hard to increase the General reserve over recent years, this level is still relatively low representing only **3%** of the £56.7m WECA revenue budget for 2021/22. We will continue to keep the holding of reserves under constant review.

## WECA Fund April to March 2020/21

### Capital

In July 2019, the Committee approved a £350m investment programme to March 2023 spanning the Investment Fund and Transforming Cities Fund. This sits within the framework of the Capital Strategy report, approved in February 2019, which set out the planned approach for establishing a thematic 20-year programme aligned with regional priority outcomes and objectives as detailed within the published WECA Operating Framework.

The funding available through the Investment Fund and Transforming Cities Fund over the period to 2022/23 includes a level of structured over programming. For each allocation and award, an allowance needs to be accounted for in terms of the subsequent costs for final delivery of the full scheme, referred to as the 'tail' which is based upon the current opinion of the most likely level of spend that will be incurred over the next four years.

A high-level summary of the approved programme, as at January 2021, is detailed in the following table:

## West of England Combined Authority (WECA)

	Funding Awards and Allocations £000s	
	Dec 2020	Jan 2021
<b><i>Transport Infrastructure</i></b>		
Approved Awards and Allocations	67,485	71,482
Associated 'tail' required to deliver all projects up to March 2023	47,445	43,448
<b>Total Investment in Transport Infrastructure</b>	<b>114,930</b>	<b>114,930</b>
<b><i>Housing, High Streets and Green Infrastructure</i></b>		
Approved Awards and Allocations	87,513	92,773
Associated 'tail' required to deliver all projects up to March 2023	26,494	26,494
<b>Total Investment in Housing Infrastructure</b>	<b>114,007</b>	<b>119,267</b>
<b><i>Business and Skills</i></b>		
Approved Awards and Allocations	80,070	80,070
Associated 'tail' required to deliver all projects up to March 2023	18,854	18,854
<b>Total Investment in Business and Skills Infrastructure</b>	<b>98,924</b>	<b>98,924</b>
<b><i>Opportunities and Challenges / Other</i></b>		
Funding put aside to respond to opportunities and challenges	14,321	9,061
Approved WECA set up, operating costs and elections up to 2023	7,818	7,818
<b>Total Investment Programme up to March 2023</b>	<b>350,000</b>	<b>350,000</b>
<b>Total Investment Programme post March 2023</b>	<b>31,189</b>	<b>32,841</b>

It is recognised that the Investment Fund programme will need to be kept under review and that some fundamental reallocations may be required in response to Covid-19 as the impacts and actions required to support economic recovery, including gaps in national programmes, continue to emerge.

The Investment Fund proportion of the WECA Investment Programme is flexible in terms of being 50% revenue and 50% capital. This allows swift progress for developing feasibility studies and early business case development prior to the need for capitalisation. In terms of capital spend, the 2020/21 outturn position is spend of £34.3m against a revised budget of £51.6m as detailed in the table below:

## West of England Combined Authority (WECA)

### WECA and Mayoral Capital Programme 2020/21

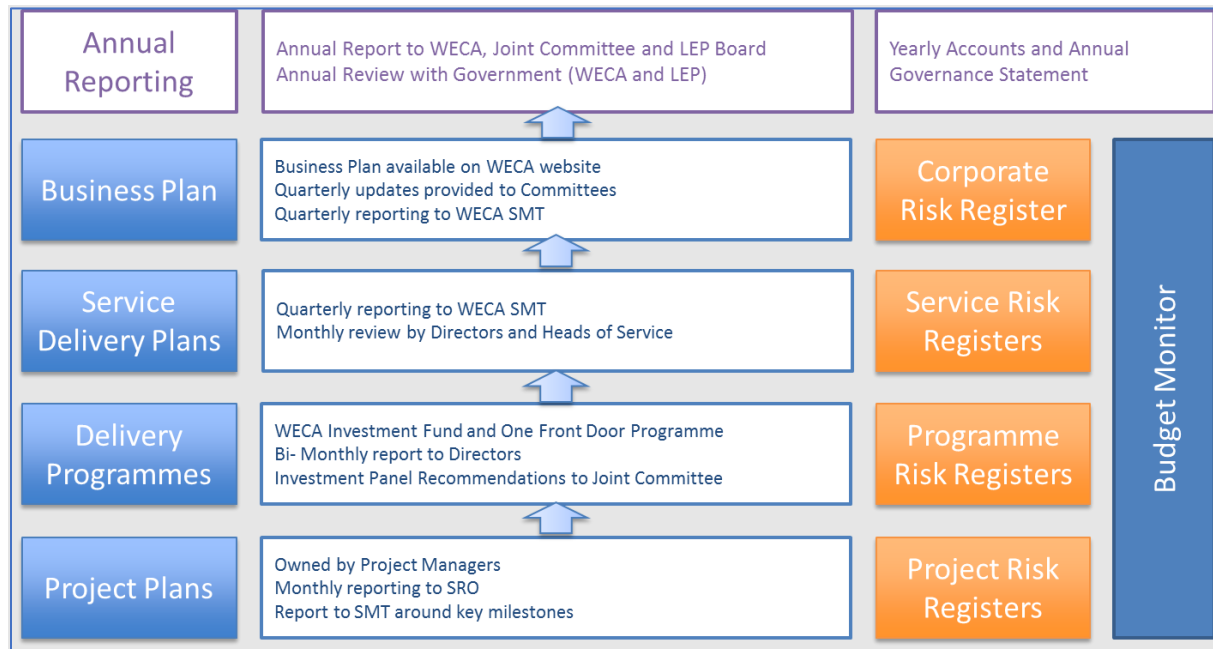
	Revised Budget £'000	Outturn £'000	Variance £'000
WECA Capital			
Transport Scheme Business Case Development	3,790	1,956	1,834
Real Time Information	94	93	1
Cribbs Patchway Metrobus Extension	9,443	1,863	7,580
CPNN Cycle Links	1,656	992	664
On Bus Contactless Payment	6	2	4
Great Stoke Roundabout Improvements	1,956	1,342	614
Wraxall Rd	1,131	1,046	85
Whitfield Tabernacle Kingswood (Love our High St)	80	-	80
South Bristol Industrial Light Workspace	131	-	131
Metrowest phase 2	305	372	-67
Unlocking Lockleaze	3,006	-	3,006
Yate A432 Park & Ride	1,300	-	1,300
	<b>22,898</b>	<b>7,666</b>	<b>15,232</b>
WECA Capital – other			
FTZ DfT funding to the capital programme	905	517	388
DfT Active Travel Fund to the capital programme	1,745	45	1,700
	<b>2,650</b>	<b>562</b>	<b>2,088</b>
Mayoral Capital			
Highways and Transport Grants	17,572	17,572	-
Pothole Action Fund Grant	8,519	8,519	-
	<b>26,091</b>	<b>26,091</b>	<b>-</b>
<b>Grand Total</b>	<b>51,639</b>	<b>34,319</b>	<b>17,320</b>

# West of England Combined Authority (WECA)

## Risks and Opportunities

The West of England Combined Authority is committed to deliver its strategic objectives of clean and inclusive economic growth whilst retaining a clear focus on the potential risks and opportunities associated with the activities set out in the annual business plan.

The corporate risk framework ensures that key risks are identified, managed and monitored and that risk management is an integral part of WECA's reporting process as set out in the diagram below.



The Corporate Risk Register is reviewed each month by WECA Management Team (SMT plus Heads of Service) alongside the Directorate Risk Registers. A quarterly update on the Corporate Risk Register is provided to WECA SMT as part of our wider reporting processes and a summary of key risks is provided in our quarterly progress reviews to WECA and Joint Committee.

The risk management framework is reviewed annually by the Audit Committee. The latest version, approved in March 2021, is available on the WECA website [Risk Management Framework](#)

WECA has in place an effective system of internal control designed to identify and manage risks to a reasonable level. A risk based Internal Audit Plan is considered by Senior Officers and approved through the audit committee. Grant Thornton UK LLP are the external auditors for WECA who maintain an independent view on the strength of our financial governance and delivery of value for money.

## West of England Combined Authority (WECA)

### Medium Term Financial Outlook

WECA published a Medium-Term Financial Forecast, in January 2021, as part of the 2021/22 Revenue Budget setting. Anticipated spend of revenue budgets have been profiled across the three financial years to 2024/25. Overall grants and committee approvals amount to **£261.9m** for the period, with **£56.7m** relating to 2021/22 as detailed in the following table:

	2020/21	2021/22	2022/23	2023/24	2024/25	Total
	£000s	£000s	£000s	£000s	£000s	£000s
Core Revenue Funding	3,860	4,222	3,552	3,531	3,540	18,705
Specific Grant Funding	17,246	17,372	16,632	15,528	14,902	81,680
Investment Fund (managed by WECA)	12,154	9,028	5,600	2,582	0	29,364
Transport Levy (and NSC Recharge)	20,990	21,455	21,884	22,322	22,768	109,419
<b>WECA Managed Revenue Budgets</b>	<b>54,250</b>	<b>52,077</b>	<b>47,668</b>	<b>43,963</b>	<b>41,210</b>	<b>239,168</b>
Investment Fund (UA and third parties)	7,906	4,635	5,875	4,302	36	22,754
<b>Total WECA Revenue Budget</b>	<b>62,156</b>	<b>56,712</b>	<b>53,543</b>	<b>48,265</b>	<b>41,246</b>	<b>261,922</b>

Volatility of core revenue funding for WECA remains an issue, with annual income from the Business Rates Retention pilot, (£1.2m), and Mayoral Capacity Fund, (£1m), remaining uncertain beyond the 2021/22 financial year.



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

**DATE: 1 July 2021**

**REPORT TITLE: INTERNAL AUDIT ANNUAL REPORT 2020/21**

**AUTHOR: JEFF WRING – AUDIT WEST (INTERNAL AUDIT)**

#### **Purpose of Report**

1. This is the Annual Report of the Internal Audit service detailing progress against the Plan, a summary of audit performance and key issues, as well as the formal opinion on the internal control framework.

#### **Impact of the Covid-19 pandemic**

2. Due to the pandemic and subsequent working from home, audit reviews have in some cases taken more time to complete and there have been limitations to testing due to accessing records in alternative ways. Whilst measures have been taken to improve processes throughout the year, this has nonetheless impacted on the level of assurance that can be provided for the areas reviewed during the year.

#### **Recommendation**

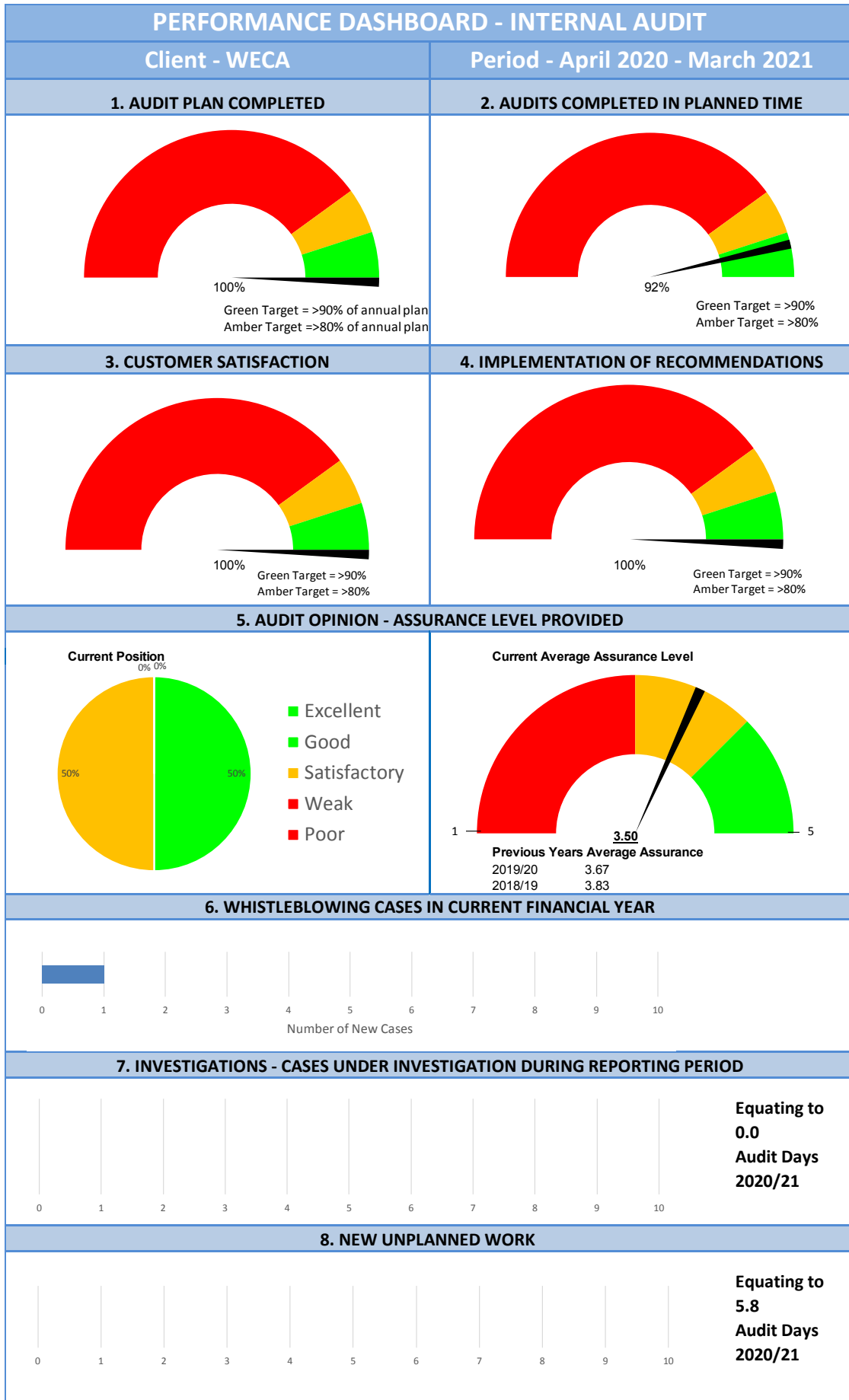
3. The Audit Committee notes that Internal Audit Report 2020/21 and formal opinion on the internal control framework.

#### **Background / Issues for Consideration**

##### **4.1 THE REPORT**

4.2 The Annual Internal Audit Plan for 2020/21 was presented to the West of England (WECA) Audit Committee on the 17<sup>th</sup> July 2020. This approach involved a mixture of formal audit work along with an assessment of the internal control framework to inform the plan for future years. The Plan forms the principal work of the Internal Audit Service and is a significant source of assurance of the effectiveness of the WECA's internal control environment.

4.3 The Committee receives verbal updates at each meeting and received a formal update on delivery against the plan in December 2020. This report builds upon that update and the chart overleaf records the position as at the end of the year.





## 5. PERFORMANCE SUMMARY

### 5.1 COMPLETION OF THE INTERNAL AUDIT PLAN

- 5.2 The performance dashboard shows that 100% of the plan is 'substantially completed'. This includes work that is either finalised or at reporting stage. Two reviews (Procurement and Adult Education Budget) are in the final stage of reporting and one review (Local Enterprise Partnership – Grant Funding Assurance) will be delivered in the first half of 2021/22 as part of a larger audit of LEP assurance.
- 5.3 Appendix 1 records the status of each audit review within the 2020/21 Audit Plan at the end of the year.
- 5.4 During 2020/21 it has been important to ensure that the Internal Audit Plan has remained fluid to enable the service to respond to WECA's changing risk environment.
- 5.5 In particular, with the impacts of the COVID-19 pandemic and the subsequent impacts on the services being audited, as detailed in paragraph 2, several audits were delayed or pushed back into Quarters 3 and 4, in consultation with the relevant service Directors.

### 6.1 AUDIT REVIEWS COMPLETED IN ASSIGNED DAYS

- 6.2 The percentage of audits completed within the initial allocated days is recorded at 92%. This figure was calculated based on audits recorded as being at 'Final' and 'Completed' Report stage.
- 6.3 Whilst there have been individual audits which have exceeded the original budget, the overall plan remains within the agreed allocation. This flexible approach to each audit has enabled shifting of resources to key areas as required throughout the year.

## 7. CUSTOMER SERVICE

- 7.1 Customer service and providing value to clients is essential to the provision of a quality internal audit service. We are pleased to report that all questionnaires completed through the Internal Audit Computer System recorded good or excellent responses and this matched feedback received verbally from individual Service Managers.
- 7.2 Customer feedback is initially reviewed by the Audit Manager and the scores and comments are communicated onto the relevant auditor
- 7.3 Some of the comments received throughout the year across the spectrum of audit work are recorded below:

***“Approachable but challenge was provided where needed and felt that they grasped the complex subject matter extremely quickly.”***

***“Thank you so much for taking the time out to carry out the session on Fraud today. It was very useful indeed.”***

***“The level of involvement was spot on, sufficient number of meetings for me to convey the programme and for the auditor to gather information required.”***

***“Thanks again for the session yesterday – really interesting, had feedback about good delivery too.”***

***“Most grateful to you. We really appreciated your time on this”***

## 8. IMPLEMENTATION & FOLLOW UP OF RECOMMENDATIONS

- 8.1 The dashboard records the implementation of recommendations at the time the audit was 'Followed-Up' at 100%. This is an improvement from 80% implementation from 2019-20.

## 9. INVESTIGATIONS/WHISTLEBLOWING

- 9.1 During 2020/21 Audit West has been involved in one formal investigation which was the result of a Whistleblowing allegation against a supplier and relates to potential falsification of performance data. The investigation is ongoing and was taken over at an early stage by the Central Government body that provides the funding in this area. No further details can be provided at this time while the investigation continues.
- 9.2 Audit West has forwarded fraud alerts and fraud bulletins for distribution within WECA to alert staff to potential frauds which have been circulating. In addition, a fraud briefing was provided to staff across WECA and also to the Audit Committee in Q4 to reinforce a strong counter fraud culture.

## 10. ASSURANCE LEVEL PROVIDED

- 10.1 Appendix 1 details all the work undertaken and a summary of our opinions. Of the nine completed audit assignments, four were not suitable for an assurance opinion, for example compulsory grant certification reviews which require only an assurance letter for Central Government, and advisory work when reviewing new processes prior to, or during implementation. Of the five completed audit reports, three recorded an assurance level of level 3 – reasonable assurance and two received level 4 – substantial assurance. Please see Appendix 3 for a description of our assurance levels.
- 10.2 In addition to the formal audits, an advisory piece of work was carried out around I.T. systems penetration testing.
- 10.3 Further to this Internal Audit also supported the production of the Annual Governance Statement by reviewing all the sources of assurance and independently assessed the evidence with no significant issues identified for the statement, aside from the general risks and impacts of the COVID-19 pandemic. This was also validated by the work on Audit West's Reasonable Assurance Model which independently assesses eight key themes of organisational health and rates them based on levels of assurance and risk. Again, there were no significant concerns to report outside of those already discussed at recent Audit Committee meetings and broadly progress continues to be positive.
- 10.4 Finally, Internal Audit has also carried out grant certification work for the Growth Hub, with no significant issues being identified and the grant return was subsequently signed off.

## 11. UNPLANNED AUDITS / WORK

- 11.1 There was one unplanned piece of work carried out in 2019/20 which relates to the investigation outlined in section 9. The amount of time was small and did not impact the overall service days provided to WECA.

## 12. FORMAL OPINION ON THE INTERNAL CONTROL FRAMEWORK

- 12.1 The Service Director – One West (Acting as Chief Audit Executive for WECA) is required to give an opinion on the internal control framework.
- 12.2 Statement of the Chief Audit Executive - In forming an opinion on the internal control framework I have considered the work of the Audit & Assurance function as well as consideration of other assurances I can rely on and the wider governance framework and performance of the WECA.

It is my opinion that at the current time the WECA's internal control framework and systems to manage risk are reasonable.

- Reasonable assurance can be provided over the WECA's systems of internal control, helping to ensure corporate priorities can be achieved;
- Agreed policies, Financial Regulations and Contract Standing Orders are broadly being complied with;
- Managers throughout the WECA are aware of the importance of maintaining adequate and effective governance arrangements;
- Appropriate arrangements are operated to deter and detect fraud and investigations and did not identify any systemic failures;
- There were no fundamental system failures or control breakdowns to business-critical functions or any identified fraud. We remain alert however to the pandemic outbreak towards the end of the financial year which could significantly impact during 2020/21;
- There were no poor or weak ratings from Audit Work;
- The Audit Committee's support in ensuring this balance and maintaining effective corporate governance is appreciated and I would like to thank all members of the committee for their input and guidance over the past year.
- Finally, I can confirm that the Internal Audit Charter has been reviewed, is still relevant and up to date and we are able to exercise our independence to perform our role against our professional standards.

**Consultation**

13. The Annual Report refers to facts and opinions that have been included within individual audit reports which were distributed to, and agreed with, senior managers. The service meets regularly with the Senior Management Team and the Director of Investment and Corporate Services to update them on the audit plan and ensures the plan continues to reflect the risks.

**Other Options Considered**

14. Not applicable

**Risk Management/Assessment**

15. Risk assessment is a core building block of internal audit work. The audit plan and the associated audits and reports are drawn up and/or scored on a risk-basis.

**Public Sector Equality Duties**

16. Embedded within the audit process is consideration of compliance with statutory guidance and regulations which includes those relating to equality and diversity.

**Finance Implications, including economic impact assessment where appropriate:**

17. No direct implications – Cost of service within existing budgets.

**Legal Implications:**

18. No direct implications.

**Climate Change Implications**

19. Climate Change has been considered as a key point during the Reasonable Assurance Model and subsequently the 2021-22 Annual Internal Audit Plan, which includes a proposed audit of the Climate Change Action Plan.

**Land/property Implications**

20. No direct implications.

**Human Resources Implications:**

21. No Direct Implications.

**Appendices:**

*List any appendices to the report:*

Appendix 1 – Audit Plan End of Year Position Statement 2020/21

Appendix 2 – Highlight Summary of Audit Reviews Undertaken

Appendix 3 – Audit Opinion Descriptions

**Background papers:**

*None*

**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 Quay, Bristol BS1 6EW; email:

[democratic.services@westofengland-ca.gov.uk](mailto:democratic.services@westofengland-ca.gov.uk)

## Appendix 1 – Audit Plan End of Year Position Statement 2020/21

Audit Area	Assurance Level or Risk Rating
<b>Organisational &amp; Corporate Functions</b>	
Workforce for the Future – Governance & Funding Overview	Level 4 – Substantial Assurance
Adult Education Budget – Phase 2 Review of Commissioning	In progress
Core Financial Systems – Control Accounts	Level 3 – Reasonable Assurance
Core Financial Systems – VAT	Level 4 – Substantial Assurance
Core Financial Systems – Accounts Payable and Accounts Receivable	Level 3 – Reasonable Assurance
Grant Certification – Invest in Bristol and Bath	N/A
Grant Certification – Growth Hub	N/A
IT Risks – Programme of Testing	Advisory only
Counter Fraud Arrangements – Whistleblowing	Level 3 – Reasonable Assurance
Local Enterprise Partnership (LEP) – Grant Funding Assurance	In progress
Procurement	In progress
Reasonable Assurance Model – Corporate Governance	Assurance & Risk Rating – Amber
Reasonable Assurance Model – Financial Management	Assurance & Risk Rating – Amber
Reasonable Assurance Model – Risk Management	Assurance & Risk Rating – Amber
Reasonable Assurance Model – Performance Management	Assurance & Risk Rating – Amber
Reasonable Assurance Model – Procurement	Assurance & Risk Rating – Amber
Reasonable Assurance Model – Information Management	Assurance & Risk Rating – Amber
Reasonable Assurance Model – Asset Management	Assurance & Risk Rating - Green
Reasonable Assurance Model – Project Management	Assurance & Risk Rating – Amber
<b>Follow – Up Area</b>	<b>Original Assurance Level</b>
Follow – Up – Treasury Management	Level 4 – Substantial Assurance
Follow – Up – ICT Core Financial Systems	Level 3 – Reasonable Assurance
Follow – Up – Land Acquisition Fund	Level 4 – Substantial Assurance

## Appendix 2 – Highlight Summary of Audit Reviews Completed

Audit Name	Scope of review	Selected strengths	Recommendations
<b>Counter Fraud and Corruption – Whistleblowing Policy</b>  Page 110	<p>To ensure there is a clearly defined Whistleblowing Policy which is written in line with best practice</p> <p>To ensure the arrangements in the Whistleblowing Policy are put into practice effectively</p>	<p>The Whistleblowing Policy:</p> <ul style="list-style-type: none"> <li>provides appropriate details of the protection possible for individuals raising genuine whistleblowing concerns.</li> <li>provides suitable information for how to raise a concern, such as providing the background of the concern, whether it has been raised before and dates of actions.</li> <li>provides suitable routes for disclosers to take if they are not satisfied with the outcome of their concern, such as the Police and Trade Unions.</li> <li>provides suitable information to explain the limitations when whistle-blowers stay anonymous, or the circumstances where it may be required for whistle-blowers to act as witnesses to improve the chances of successful action.</li> </ul>	<ul style="list-style-type: none"> <li>Whistleblowing Policy should form part of the staff induction and should be communicated to all staff via email either when updates have been made or at least on an annual basis</li> <li>Consideration should be given to using an independent organisation to manage /support whistleblowing concerns.</li> <li>Formal version control process should be introduced to record details of the changes to and reviews undertaken of the Whistleblowing Policy.</li> <li>Basic contact details for the main routes for Whistleblowing should be provided on the policy itself</li> <li>Officers with Whistleblowing responsibilities, as listed in the Policy should receive appropriate training and/or guidance on at least an annual basis to ensure they are familiar with their duties and responsibilities</li> <li>The Whistleblowing Policy should be easily accessible on the WECA website in a logical place, such as the 'contact us' section</li> </ul>
<b>Core Financial Systems – Control Accounts</b>	<p>To ensure that control accounts are maintained accurately and timely to assist in the production of financial statements.</p>	<ul style="list-style-type: none"> <li>Any reconciliation differences are investigated and resolved to ensure the control accounts reconcile.</li> <li>The Finance Team has a designated Officer who is independently carrying out the control account reconciliations.</li> <li>The member of staff responsible for the reconciliation of the Control Accounts is aware of the documented procedures and familiar with the prescribed roles and responsibilities of the Finance team.</li> </ul>	<ul style="list-style-type: none"> <li>It is recommended that a record is held of completed control account reconciliations which is checked by the Head of Finance to ensure they are independently reviewed and approved each month in line with guidance and policy.</li> <li>The Financial Accountant should ensure the operational control account reconciliation procedure documents are reviewed, updated and disseminated to appropriate staff. In addition, procedure notes should be developed for Fixed Asset Depreciation reconciliation and made accessible for staff.</li> <li>It is recommended that the reconciliations for the control accounts should be carried out monthly in line with procedures.</li> </ul>
<b>Core Financial Systems – VAT</b>	<p>To ensure that VAT is processed in accordance with the Combined Authorities VAT Policy Manual and current VAT</p>	<ul style="list-style-type: none"> <li>A VAT Manual and separate individual VAT procedure documents are in place. These are available to staff as required within their job responsibilities and are</li> </ul>	<ul style="list-style-type: none"> <li>The Financial Accountant should ensure the VAT Policy and Procedure documents are reviewed, updated, and disseminated to appropriate staff.</li> <li>It is recommended that the VAT independent</li> </ul>

**ITEM 14**

	<p>legislation.</p> <p>To ensure that management and staff understand and comply with formally adopted systems and processes which are designed to effectively manage VAT.</p>	<p>accessible on a shared drive.</p> <ul style="list-style-type: none"> <li>• WECA uses a well-known and widely used professional financial management system to store and report on all its financial information.</li> <li>• A sample of 42 (10%) purchase invoices between April and September was reviewed and VAT information on each invoice was found to be accurately processed on the Financial Management System (Agresso) in accordance with VAT regulations.</li> </ul>	<p>quality checking exercise is undertaken each quarter and signed off by either the Head of Finance &amp; Procurement or the Financial Accountant prior to the VAT return being submitted to the HMRC.</p>
<p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 111</p> <p><b>Workforce for the Future</b></p>	<p>To ensure that the process to select delivery partners is consistent, transparent and in line with central government guidance and WECA adopted strategy / objectives.</p> <p>To ensure appropriate communications, records management and eligibility checks are in place to enable sufficient numbers of suitable and eligible SMEs to participate in the programme.</p> <p>To ensure appropriate project governance, monitoring and scrutiny are in place to support the achievement of project objectives.</p> <p>To ensure that all Workforce for the Future budget expenditure is processed accurately and timely, in accordance with ESF and DWP regulations (and in line WECA scheme of delegation).</p>	<ul style="list-style-type: none"> <li>• There was appropriate approval for the partners selected to deliver the core programme</li> <li>• Suitable evidence is obtained such as company accounts, to evidence that participating SMEs are eligible under the ESF definitions of an SME.</li> <li>• A Monitoring and Evaluation Plan is in place which details the overall targets for the project delivery, in line with those agreed and required by the ESF agreement.</li> <li>• Applications were assessed and compared on template spreadsheets which clearly detail the high-level costs and benefits, in line with the key ESF indicators.</li> <li>• There was appropriate approval for the partners selected to deliver the core programme.</li> </ul>	<ul style="list-style-type: none"> <li>• A corporate project management framework should be rolled out for management of projects across WECA.</li> <li>• A secure file sharing system should be implemented to share personal or sensitive data with delivery partners, for example SME contact details, performance data and financial data, in line with data protection best practice.</li> </ul>

## Appendix 3 – Audit Opinion Descriptions

Assurance Rating	Opinion
<b>Level 5 - Full Assurance</b>	The systems of internal control are excellent with a number of strengths, no weaknesses have been identified and full assurance can be provided over all the areas detailed in the Assurance Summary.
<b>Level 4 - Substantial Assurance</b>	The systems of internal control are good with a number of strengths evident and substantial assurance can be provided as detailed within the Assurance Summary.
<b>Level 3 - Reasonable Assurance</b>	The systems of internal control are satisfactory and reasonable assurance can be provided. However, there are a number of areas detailed in the Assurance Summary which require improvement and specific recommendations are detailed in the Action Plan.
<b>Level 2 - Limited Assurance</b>	The systems of internal control are weak and only limited assurance can be provided over the areas detailed in the Assurance Summary. Prompt action is necessary to improve the current situation and reduce the levels of risk exposure.
<b>Level 1 - No Assurance</b>	The systems of internal control are poor, no assurance can be provided and there are fundamental weaknesses in the areas detailed in the Assurance Summary. Urgent action is necessary to reduce the high levels of risk exposure.





## ITEM: 15

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

**DATE: 1 July 2021**

**REPORT TITLE: INTERNAL AUDIT PLAN (2021/22)**

**AUTHOR: JEFF WRING – AUDIT WEST (INTERNAL AUDIT)**

### **Purpose of Report**

1. To present the Internal Audit Plan for 2021/22 for approval.

### **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:

- A flexible approach will continue to be applied for the 2021/22 Internal Audit Plan to take account of any changing risks caused by COVID-19 pandemic. The plan will therefore be kept under review and adjusted as necessary throughout the year with a formal update six months into the year.
- Consideration has been given to the changing risk environment due to the Covid-19 pandemic when undertaking planning for the 2021/22 Audit Plan. This is reflected in the audits of cyber security, and fraud and corruption, with online crime having increased nationally in the past year. Consideration of impacts will also be given at planning stage for each individual review during the year.

### **Recommendation**

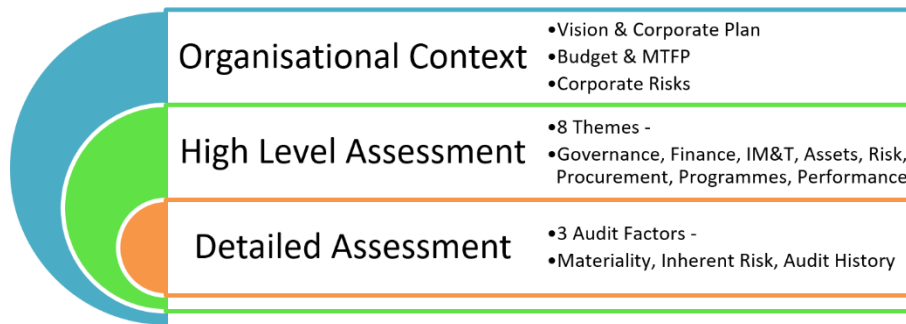
- To note the report and approve the Internal Audit Plan attached at Appendix 1.

### **Background / Issues for Consideration**

#### **2 Internal Audit Annual Plan 2021/22 (Appendix 1)**

- 2.1 The Public Sector Internal Audit Standards require Internal Audit to prepare a risk-based plan. This is the fifth year of WECA's operation and most of the key foundations of good governance are now in place and have been reviewed as part of our planned activities.
- 2.2 As detailed in our report to Audit Committee in February 2021 with our indicative list of areas the Audit Plan attached reflects our current assessments of assurances and risk facing WECA as outlined in detail at the last Audit Committee meeting.

2.3 The Plan has been subject to consultation with the Director of Investment and Corporate Services (S151 Officer) and WECA’s Senior Management. The Internal Audit service (Audit West) use the reasonable assurance model to compile the plan, of which the essential elements are as follows –



2.4 As presented to the last Audit Committee in detail at its last meeting we have used the Reasonable Assurance Model as one of our core assurance processes as well as informing the plan for this year. Notwithstanding the assessment, specific circumstances (such as a significant reputational issue or request of S151 Officer or Senior Management Team) may on occasion mean that a new audit area may be included in the Plan.

2.5 Resources available to deliver the Plan will also inform the quantum of the Plan which amounts to approximately 100 days in total and the areas indicated in the plan relate to these numbers of days.

2.6 The Committee will receive an update on the work undertaken later in the year.

**2.7 Internal Audit Charter & Professional Standards**

2.8 The Public Sector Internal Audit Standards (PSIAS) came into effect from 1st April 2013 and replaced the CIPFA Code of Practice for Internal Audit in Local Government, Central Government and the NHS. The PSIAS was revised wef 1st April 2017 and are based on the Institute of Internal Auditors’ International Standards. The objectives of the PSIAS are to:

- Define the nature of internal auditing within the UK public sector.
- Set basic principles for carrying out internal audit in the UK public sector.
- Establish a framework for providing internal audit services, which add value to the organisation, leading to improved organisational processes and operations.
- Establish the basis for the evaluation of internal audit performance and to drive improvement planning.

2.9 A key requirement of the PSIAS is an Internal Audit Charter which defines the internal audit activity’s purpose, authority and responsibility. The Internal Audit Charter establishes its position within the organisation; the nature of the Chief Audit Executive (CAE’s) functional reporting relationship with the Audit Committee; formally records its access to property, records and personnel; and defines the scope of internal audit activities. The CAE must periodically review the Internal Audit Charter and present it to the Audit Committee for approval. Attached at Appendix 2 is the latest version.

2.10 As part of best practice we always review the Charter annually to the Audit Committee

(which you approved last year) so that they are aware of how Internal Audit delivers its services and derives its authority and to re-confirm our independence.

2.11 Each year we will assess ourselves against the required standards and ensure a quality assurance and improvement programme (QA&IP) is in place requiring both internal and external assessment with an external assessment being required once every 5 years.

2.12 were externally assessed in 2018 and are pleased to confirm we have received the highest rating – general confirming to standards – and will ensure we keep the Committee apprised on an annual basis of our ongoing compliance.

### **Consultation**

3 Draft Plan was consulted with Senior Management team and Director of Investment & Corporate Services.

### **Other Options Considered**

4 Not applicable.

### **Risk Management/Assessment**

5 The internal audit plan is drawn up on a risk basis, using the Reasonable Assurance Model.

### **Public Sector Equality Duties**

6 Embedded within the audit process is consideration of compliance with statutory guidance and regulations which includes those relating to equality and diversity.

### **Finance Implications, including economic impact assessment where appropriate:**

7 No direct implications – Cost of service within existing budgets.

### **Legal Implications:**

8 No direct implications.

### **Climate Change Implications**

9 Climate Change has been considered as a key point during the Reasonable Assurance Model and subsequently the 2021-22 Annual Internal Audit Plan, which includes a proposed audit of the Climate Change Action Plan.

### **Land/property Implications**

10 No direct implications.

### **Human Resources Implications:**

11 No direct implications.

### **Appendices:**

*List any appendices to the report:*

Appendix 1 – Internal Audit Plan 2021/22.

Appendix 2 – Internal Audit Charter

**Background papers:**

None.

**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 Quay, Bristol BS1 6EW; email: [democratic.services@westofengland-ca.gov.uk](mailto:democratic.services@westofengland-ca.gov.uk)

# Internal Audit Plan 2021/22



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**Audit West**

Delivering Independent Assurance to the Public Sector

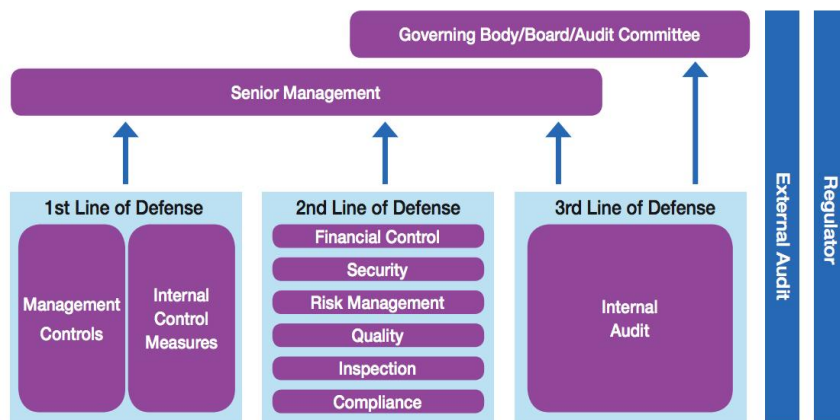
# 1. Our Role

## 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 2021/22.

## 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.

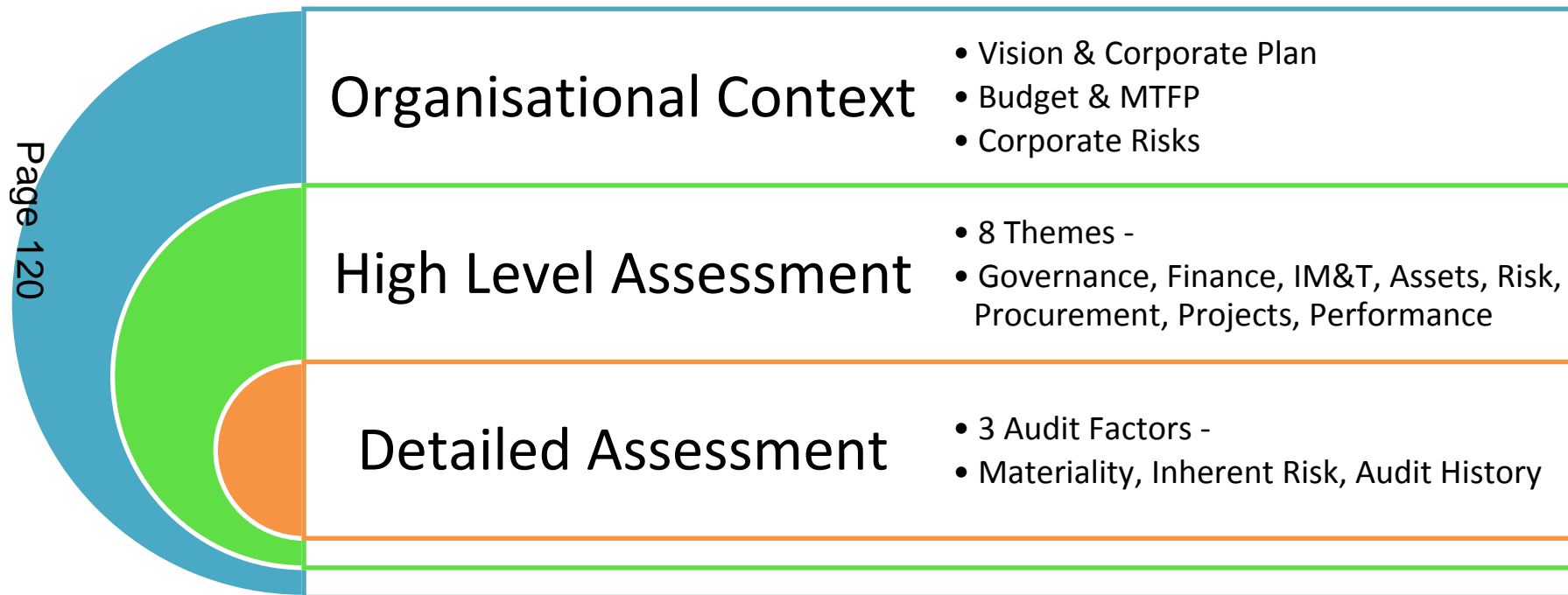
We will achieve our ambitions by working with our communities to deliver our priorities for infrastructure, skills and business.



### 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**

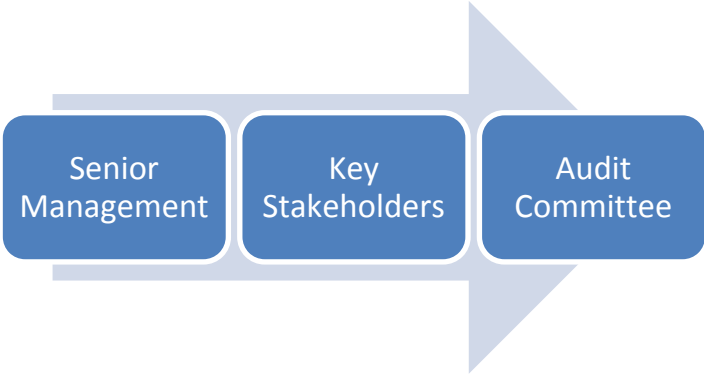


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**DETAILED CRITERIA – AUDIT PLAN LISTING**



**CONSULTATION & APPROVAL**



**Results of our Reasonable Assurance Model Risk Assessment –**

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HIGH		<b>PROGRAMME &amp; PROJECT MANAGEMENT</b>			
	<b>CORPORATE GOVERNANCE</b>	<b>FINANCIAL MANAGEMENT</b>		<b>PROCUREMENT</b>	
		<b>RISK MANAGEMENT</b>	<b>PERFORMANCE MANAGEMENT</b>		
		<b>INFORMATION MANAGEMENT</b>			
			<b>ASSET MANAGEMENT</b>		
	<b>HIGH</b>	<b>LEVEL OF ASSURANCE</b>			<b>LOW</b>

## 4 Areas for Review – 2021/22

ANNEX A

Internal Audit Areas	Reasonable Assurance Theme
<b>Organisational &amp; Corporate Functions (62 Days)</b>	
Core Financial Systems – Data Analytics	Financial Management / Corporate Governance
Climate Emergency Action Plan	Corporate Governance / Programme & Project Management / Risk Management
Project / Programme Management	Financial Management / Corporate Governance / Programme and Project Management / Performance Management
IT Audit – Cyber Security	Financial Management / Information Management / Risk Management
Counter Fraud and Corruption	Financial Management / Risk Management
Local Enterprise Partnership (LEP) – Corporate Governance	Financial Management / Corporate Governance
Concessionary Travel	Programme and Project Management / Information Management
<b>Corporate Governance (20 Days)</b>	
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

<b>Follow-Up Reviews (6 Days)</b>	
Core Financial Systems – Control Accounts	Financial Management / Corporate Governance
Core Financial Systems – VAT	Financial Management
Core Financial Systems – Accounts Payable / Accounts Receivable	Financial Management / Corporate Governance
Procurement	Financial Management / Procurement / Programme and project Management
Workforce for the Future	Financial Management/Programme & Project Management/Corporate Governance
Whistleblowing	Financial Management / Corporate Governance / Risk Management
<b>Grant Audit Certification – Various (12 Days)</b>	Financial Management / Corporate Governance

## CONTACT DETAILS

<b>Engagement Lead –</b>	Jeff Wring 01225 477323 <a href="mailto:jeff_wring@bathnes.gov.uk">jeff_wring@bathnes.gov.uk</a>
<b>Audit Manager -</b>	Pete Charles 07866 897357 <a href="mailto:Pete_Charles@bathnes.gov.uk">Pete_Charles@bathnes.gov.uk</a>
<b>Address</b>	One West Bath & North East Somerset Council The Guildhall High Street BATH, BA1 5AW

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## **Internal Audit Charter**

**This document sets out the purpose, authority and principal responsibilities of the Internal Audit Service for West of England Combined Authority.**

### **1 Internal Audit's Purpose and Mission**

- 1.1 Internal Audit is an assurance function that primarily provides an independent and objective opinion to the West of England Combined Authority (WECA) on its control environment.
- 1.2 Internal Audit helps the organisation to achieve its objectives through a systematic and disciplined approach to evaluate and improve the effectiveness of governance, risk management and control processes. Its mission is to enhance and protect organisational value by providing risk based and objective assurance, advice and insight.

### **2 Internal Audit's Statutory Role**

- 2.1 The Accounts & Audit Regulations 2015 (Local Government England & Wales) states that:

“A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance”.
- 2.2 Section 151 of the Local Government Act 1972 requires the Authority to designate an Officer to be responsible for “making arrangements for the proper administration” of the Council’s financial affairs. One of the ways by which this duty is discharged is by maintaining an adequate and effective Internal Audit Service.
- 2.3 The Audit Committee responsibilities are recorded in its’ own Terms of Reference, and are also subject to regular review.

### **3 Standards for Professional Practice of Internal Auditing**

- 3.1 Internal Audit will govern itself by adherence to the mandatory elements of The Institute of Internal Auditors' International Professional Practices Framework, including the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the International Standards for the Professional Practice of Internal Auditing, and the Definition of Internal Auditing. The Service Director – One West (representing Audit West) will report periodically to the WECA S151 Officer and the WECA Audit Committee regarding Internal Audit conformance to the Code of Ethics and the Standards.

### **4 Management's Responsibilities for Internal Control**

- 4.1 Responsibility for internal control rests fully with Management, who shall ensure that arrangements are appropriate and adequate. Management shall establish and maintain an adequate system of internal control to enable them to discharge their responsibilities and to ensure that the Council's resources are properly applied in the manner intended. This includes responsibility for the prevention and detection of fraud.

### **5 Audit West's Responsibility & Objectives**

- 5.1 Audit West is responsible for carrying out an appraisal of all the WECA's activities, financial or otherwise, in line with this Internal Audit Charter. Audit West will provide an annual opinion to the WECA Audit Committee, and will carry out Audits and other assurance work in order to deliver this opinion. In addition, Audit West will report to Management any material facts that may affect the delivery of the opinion.
- 5.2 As stated in Section 3 Audit West will be governed and will comply with the Professional Practices Framework, (including the Public Sector Internal Audit Standards), and will complete an annual fully evidenced internal assessment of compliance with the Standards and an evaluation of whether internal auditors apply the Code of Ethics. The findings and any required actions will be reported to the WECA Audit Committee. Compliance will also be verified through an external review assessment every five years.
- 5.3 One of the key service objectives of Audit West will be to produce a risk based Annual Audit Assurance Plan for approval by the WECA Audit Committee. The Audit Plan will remain flexible to take account of the WECA's changing environment and risk profile.
- 5.4 Completion of all or a significant proportion of the approved Audit Plan will be a key performance measure of the Internal Audit Service.
- 5.5 Audit West will directly employ staff and contract as necessary to provide a service to the WECA.



## **6 The Scope of Internal Audit**

- 6.1 Audit West's work is not limited to the WECA's financial systems and records, but extends to all activities of the WECA. This enables Audit West to give an independent and objective opinion on the adequacy and effectiveness of governance, risk management and the control environment as a source of assurance to management.
- 6.2 This will include: reviewing and evaluating compliance with policies, laws and regulations; assessing the reliability and integrity of information; and, safeguarding the WECA's assets. In addition to this core internal audit work, it will undertake, where appropriate, other non-assurance work at the request of management. This may include consultancy and fraud / irregularity related work.
- 6.3 Where appropriate, there may be instances whereby Internal Audit works in partnership to meet objectives and deliver services. In these instances, Internal Audit will decide whether to conduct the work required itself or can place reliance on the work carried out by other Auditors or sources of assurance. If Internal Audit were to carry out the work, then access rights need to be established to all systems and documents. Management should ensure these are established as part of the partnership arrangements.

## **7 Audit West's Reporting lines**

- 7.1 Audit West is employed via a contractual agreement from Bath & North East Somerset Council so have no conflicts with regard to management reporting lines. They shall have direct access and the right of report to the WECA Mayor, Chief Executive, Monitoring Officer, Chief Finance Officer, the External Auditor, Chair of the Audit Committee and Chair of the WECA's Scrutiny Committee, where appropriate.
- 7.2 The WECA has an Audit Committee whose Terms of Reference include responsibility for monitoring the performance of the Internal Audit Service and approving its Annual Audit Plan. The Service Director – One West (representing Audit) West reports regularly to the WECA Audit Committee and is required on an annual basis to provide a formal opinion of the adequacy of the Internal Control Framework and systems to manage risk.

## **8 Internal Audit Independence**

- 8.1 A critical element of the performance of the Internal Audit function is independence from the activities it audits. This independence enables Audit West to form impartial and effective judgment for the opinions and recommendations made. To help ensure independence the Service Director – One West (representing Audit West) shall have direct access and the right of report to the Mayor, Chief Executive, Monitoring Officer, Chief Finance Officer, the External Auditor and the Chair of the Audit Committee.

- 8.2 Internal Auditors will be impartial, have an unbiased attitude and avoid any conflict of interest. Auditors will not undertake audit reviews in services where they have previously worked (directly working for the function or carrying out 'consultancy services') in the last two years. In terms of 'consultancy services' this is work which is going beyond providing an opinion on the control environment, i.e. they are designing or developing systems to fulfil an objective.
- 8.3 Internal auditors will disclose any impairments of independence or objectivity, in fact or appearance, to appropriate parties.
- 8.4 Before Audit West agrees to carry out consultancy services consideration will be given to any potential conflicts of interest. If it is concluded that the proposed work would compromise delivery of Audit West's prime function then the work would be declined.
- 8.5 Where the Service Director – One West (representing Audit West) has or is expected to have roles and/or responsibilities that fall outside of internal auditing, safeguards will be established to limit impairments to independence or objectivity.
- 8.6 The Service Director – One West (representing Audit West) will confirm to the WECA Audit Committee at least annually of the independence of the internal audit activity.

## **9 Internal Audit Fraud related work**

- 9.1 Audit West does not have responsibility for the prevention and detection of fraud. However, Audit West staff shall be alert in all their work, to risks and exposures that could allow fraud or corruption. Audit West work alone cannot guarantee that fraud and irregularities will be picked up even when work is performed in compliance with the Public Sector Internal Audit Standards.
- 9.2 The main source for Audit West to be alerted to possible fraud and irregularities will be through the awareness of the Officers and Members of the WECA, the Counter Fraud Strategy and associated policies (Money Laundering Policy; Anti-Bribery Policy and Whistleblowing Policy).
- 9.3 Audit West may also be requested by Management to assist with the investigation of potential cases of fraud and financial irregularities. The objective of the Internal Audit Service is to ensure that: 1) the matter is fully investigated and if necessary referred for Police or disciplinary action; and 2) the system of internal control is enhanced to avoid a repeat of the issue. All reported irregularities would be investigated in line with adopted Strategies, Policies and protocols.

## **10 Audit West's Right of Access**

- 10.1 The Accounts & Audit Regulations 2015 provides that any Officer of the WECA must make available such documents of the Council which relates to its' accounts and other records as appear to be necessary for the purpose of the Audit.

In addition the WECA's Financial Regulations state that the Internal Auditors shall have authority to:

- Enter at any reasonable times, any operational or administrative WECA premises or land and have access to all WECA property.
- Have access to (and where necessary to copy or retain) all records whether manually or electronically held, documentation, correspondence and computer systems relating to any transaction of the WECA, or non-official funds operated by WECA staff,
- Require and receive such explanations as are necessary concerning any matter under examination,
- Require any employee of the WECA to produce or account for cash, stores or any other property under their custody or control,
- Examine any work or services carried out for the WECA by an employee or contractor, and any goods purchased on behalf of the WECA,
- Review appraise and report on the soundness, adequacy and application of internal controls. This includes those controls to protect WECA resources, property and assets from loss / waste.

The Authority's Internal Auditors shall have direct access and the right of report to the WECA Mayor, Chief Executive, Monitoring Officer, Chief Finance Officer, the External Auditor, Chair of the Audit Committee and Chair of the WECA's Scrutiny Committee, where appropriate.

## **11 Relationship with External Audit & other assurance providers**

11.1 The relationship between Audit West and the WECA's External Audit should take account of their differing roles. The External Auditor has a statutory responsibility to express an opinion on the WECA's financial statements, whilst Audit West is responsible for assessing the adequacy and evaluate the effectiveness of its risk management, control and governance processes and advising Management accordingly.

11.2 Audit West will co-operate and co-ordinate with External Audit and other review agents to:

- Ensure that duplication of work is minimised
- Consider joint delivery where appropriate
- Determine the level of assurance that can be obtained from their work
- Review the reliance that can be placed on that assurance as part of Audit West's opinion on the control environment
- To enable access to all Audit West records as appropriate.

- 11.3 As part of its drive to secure efficiencies, Audit West will use all sources of assurance available to it to inform its opinion.

## **12 Quality Assurance and Improvement Plan**

- 12.1 The Service Director – One West (representing Audit West) has developed a quality assurance and improvement programme that covers all aspects of the internal audit activity. It has been designed to enable an evaluation of the Audit West’s conformance with the Public Sector Internal Audit Standards and an evaluation of whether internal auditors apply the Institute of Internal Auditors Code of Ethics. Identifying opportunities for improvement is a key requirement of the programme.
- 12.2 An annual internal assessment will be carried out using a methodology developed to review compliance with the mandatory elements of the Institute of Internal Auditors International Professional Practices Framework. The results of the internal assessment including any action plans will be reported as necessary to the WECA Audit Committee.
- 12.3 An external assessment will be carried out at least every five years by a qualified, independent assessor from outside the organisation.
- 12.4 The Service Director – One West (representing Audit West) will inform the WECA Audit Committee of the form of the external assessment and clarify the qualifications and independence of the external assessor. The results of the external assessment including any action plans will be reported in the relevant annual report to the WECA Audit Committee.
- 12.5 Any non-conformance to the International Standards for the Professional Practice of Internal Auditing and Code of Ethics will be highlighted for consideration for inclusion in the Council’s Annual Governance Statement.



**REPORT TO: AUDIT COMMITTEE**

**DATE: 1 JULY 2021**

**REPORT TITLE: FINANCE (AGRESSO) SYSTEM CONTROLS**

**DIRECTOR: MALCOLM COE, DIRECTOR OF FINANCE**

**AUTHOR: SELONGE RUSSELL, HEAD OF FINANCE AND PROCUREMENT**

### **Purpose of Report**

- 1 To provide an update to the Audit Committee on the controls that have been put in place with regard to WECA's automated Finance System (Agresso)

### **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:

- Implementation of the Combined Authority's new Agresso Finance system (Agresso) was delayed from April 2020 until September 2020 due largely to the Covid pandemic;
- Throughout the pandemic, the percentage of staff working at home has significantly increased. Adequate and effective controls have to be maintained in any automated financial system to enable remote working.

### **Recommendation**

- Members are asked to note the controls that have been implemented and procedures adopted with regard to the WECA Finance System (Agresso)

### **Background / Issues for Consideration**

- 2 Up until November 2019, all ICT systems and services were provided to the West of England Combined Authority by Bath and North East Somerset Council, (BANES). The BANES arrangement was always considered to be transitional and, as such, WECA engaged in a commercial dialogue with Agilisys, (under an existing delivery contract with North Somerset Council), when BANES served notice in early 2019.

- 2.1 Whereas the ICT hardware and iTrent payroll system were mobilised and implemented at the end of 2019, the intended implementation of a new (Agresso) Finance System was scheduled for the beginning of April 2020 to coincide with the start of a new financial year.
- 2.2 Unfortunately due to the Covid pandemic escalating from March 2020 and knock on capacity issues with our new ICT provider, Agilisys, several delays were encountered with final implementation of Agresso not completed until September 2020.
- 2.3 Agresso is a fully automated financial system with core functionality including:
- Processing accounts payable;
  - Processing accounts receivable;
  - Purchase ordering;
  - Budget management online information and reporting and;
  - Generation of core Statement of Account information
- 2.4 Prior to implementing Agresso, WECA financial transactions and reporting were largely reliant on manual systems and stand-alone spreadsheets.
- 2.5 Agresso is an established Financial System which is used widely across the Public Sector. In order to minimise control risks when developing the system specification for the Combined Authority we used the existing structure, controls and system architecture that was already operating effectively for North Somerset Council.
- 2.6 We applied the WECA coding structure, financial regulations and approved scheme of delegation to the system architecture to ensure that the final product was 'fit for purpose'. Other key controls and assurances that we have put in place throughout the development and implementation of Agresso include:
- Involving internal audit in project group meetings throughout the system development stages;
  - Commissioning specialist resources from North Somerset and G7, (Agresso specialists), to ensure that configuration matched with our requirements;
  - Appropriate segregation of duties built into the system for all financial transactions in compliance with approved regulations;
  - Regular exception reports generated by the system which are reviewed by the WECA Head of Finance and Procurement;
  - System generated published quarterly reports showing all financial transactions over £500;
  - Monthly budget monitoring meetings held between Finance 'Business Partners' and all major budget holders within the Combined Authority
  - Annual core system compliance audits undertaken by Audit West
- 2.7 The new Combined Authority Agresso system has enabled significant improvements on how the finance service operates whilst delivering tangible efficiencies through automated transaction processing. WECA's 2020/21 Statutory Accounts, which will be presented to the Audit Committee later this year, will be largely system generated and build on the positive progress, (as recognised by external audit), that we delivered through the 2019/20 Accounts process.
- 2.8 Detailed WECA procedure notes for Agresso, including work flows, reporting and controls are detailed in Appendix 1.

## **Consultation**

- 3 Throughout the development stage of Agresso, consultation was undertaken with a wide range of WECA budget holders along with key stakeholders such as Internal Audit and North Somerset Council.

## **Other Options Considered**

- 4 Having already entered into a commercial agreement with Agilisys for the provision of ICT services, WECA could not consider any alternative options with regards to the development of a new financial system.

## **Risk Management/Assessment**

- 5 Risks regarding the integrity, accuracy and security of WECA financial data have been considered and managed throughout the development and implementation of the WECA Agresso financial system using a structured project management approach.

## **Public Sector Equality Duties**

- 6 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.
- 6.1 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.
- 6.2 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.
- 6.3 There are no equality implications arising directly from this paper. Equalities implications are considered as part of the planning and implementation of specific activities.

### **Finance Implications, including economic impact assessment where appropriate:**

7 Having a fully operational and integrated financial system promotes strong governance and delivers efficiencies through increasing the volume of automated financial transactions.

7.1 An ICT development budget was approved by committee for the transition of moving ICT providers from BANES to Agilisys.

Advice given by: Malcolm Coe, Director of Investment and Corporate Services.

### **Legal Implications:**

8 The Accounts and Audit (England) Regulations 2015 state that “A relevant authority (the Council) must ensure that it has a sound system of internal control which includes effective arrangements for the management of risk”.

Advice given by: Shahzia Daya, Director of Legal

### **Climate Change Implications**

9 On 19 July 2019, the West of England Combined 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 Combined Authority is committed to taking climate change considerations fully into account as an integral part of its governance and decision making process.

Each report/proposal submitted for Combined Authority / Joint Committee approval is assessed in terms of the following:

Will the proposal impact positively or negatively on:

- \* The emission of climate changing gases?
- \* The region’s resilience to the effects of climate change?
- \* Consumption of non-renewable resources?
- \* Pollution to land, water or air?

Particular projects will also be subject to more detailed environmental assessment/consideration as necessary as part of their detailed project-specific management arrangements

9.1 *Taking the above specifically into account, please comment on any climate change implications arising as a result of this report, and include details of any mitigation:*

9.2 There are no specific climate change implications arising as a result of this report. Risks arising from the declaration of the Climate Change Emergency, in relation to the delivery of WECA’s business plan, are highlighted in the corporate risk register.

### **Appendices:**

Appendix 1 – WECA Agresso Financial System Procedure Notes (June 2021)



**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 Quay, Bristol BS1 6EW; email: [democratic.services@westofengland-ca.gov.uk](mailto:democratic.services@westofengland-ca.gov.uk)

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## **APPENDIX 1**

# Agresso Controls

## Accounts Payable

### 1.1 Supplier Setups

New suppliers are sent the Supplier Information Form by the requisitioner. Once completed, the supplier sends the form to Accounts Payable (AP) to be checked and set up on the system.

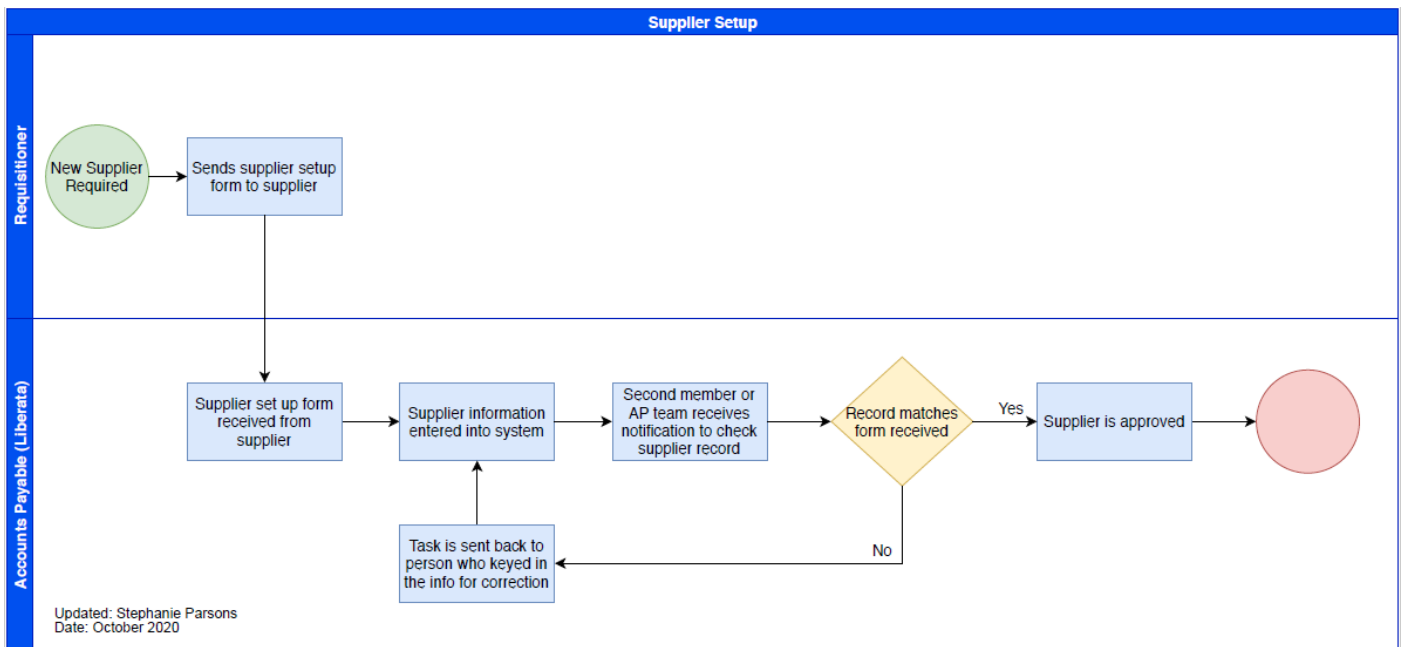
AP complete several checks on the form before they process the setup, these include;

- If the form has been fully completed - CIS suppliers are required to complete a second page with their UTR information.
- Whether the supplier is already on the system.
- That the bank details are correct and haven't been tampered with.

AP calls the supplier, using a phone number found on the suppliers' website, to confirm the bank details provided. If there are any inconsistencies/errors on the form, it is returned to the supplier and they are asked to resubmit after making the corrections.

One member of AP will enter the supplier information into Agresso and create a new supplier record. The Supplier Information Form is imported into the document archive which is accessible to all staff and is used as backing for the record.

Another member of the AP team is responsible for checking the supplier record to ensure that the details entered match the form provided. If there are differences, the supplier is rejected with a comment explaining the error, this will be resubmitted. If the information matches, the supplier can be approved.



The supplier is only visible for requisitions/invoices once the approval has been completed.

## 1.2 Supplier Amendments

Requests for changes to supplier information and records are sent directly to AP. There is a requirement for this information to be provided on letter-headed paper - preferably in PDF format.

AP is responsible for checking all supplier record amendment requests with the supplier, using contact details from the approved supplier record. If the update is incorrect/fraudulent, the supplier is asked to send their correct information on letter-headed paper to confirm. The initial update request is discarded, Finance and the remainder of AP are notified, and further action is taken if required.

If correct, AP will enter the changes on the system. Major changes, such as those to the trading name or bank details, are required to go for approval from another member of the team to ensure the accuracy of the record. This is checked against the amendment request.

Once approved, the supplier is available for staff to raise requisitions and process invoices against.

## 1.3 Purchase Orders

WECA operates a No Purchase Order (PO), No Pay policy which was implemented in April 2020. This approach has been taken to minimise the risk of duplicate/incorrect/fraudulent payments. All suppliers, other than those listed on the agreed PO exemption list are required to quote a PO number on their invoices. Those without are returned to the supplier with an explanation of the policy asking them to quote a valid PO, which should be obtained from the requisitioner.

Requisitioners input the purchase information into Agresso, this includes the product information and the coding in the general ledger - the coding used will determine the approval process.

There is a two-step approval process, which requires approval from both the budget holder and the financial approver (Financial approvers are those who have delegated authority by Committee). These levels are:

- Head of Services - up to £25,000
- Directors - up to £100,000
- CEO - over £100,000

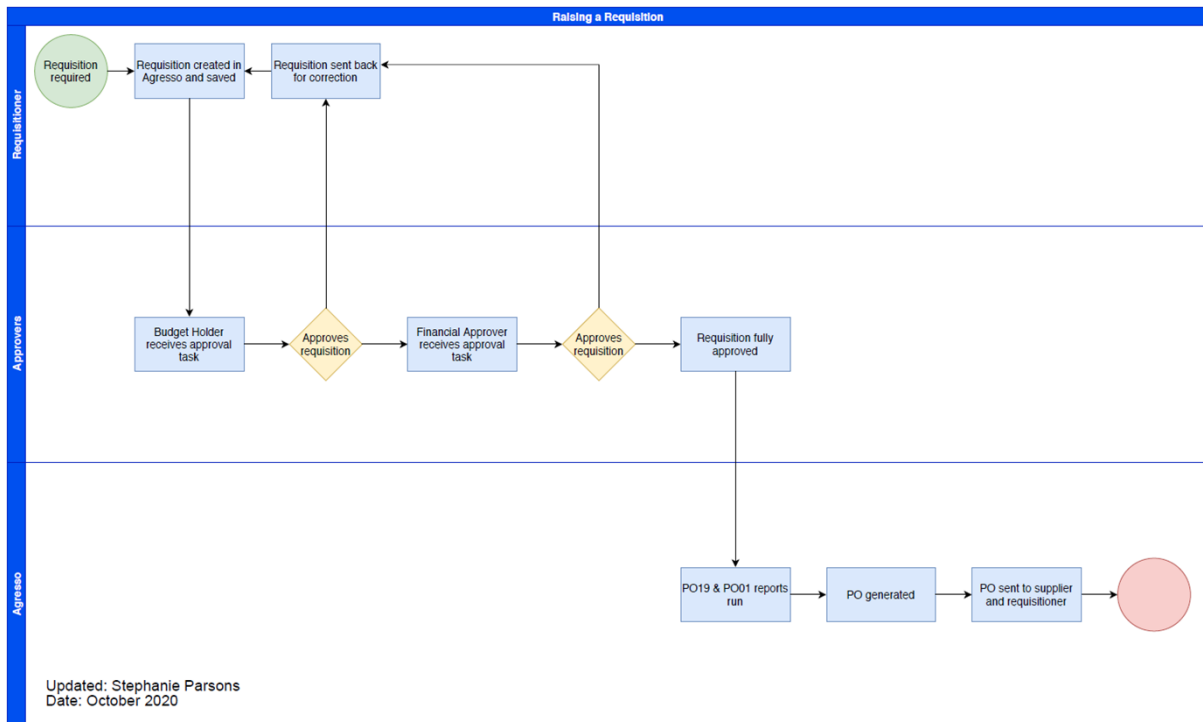
There are some areas of the business where specific delegated authority has been granted. These are:

- Head of Grant Management and Assurance - up to £2,000,000 (specific to Investment Fund; Local Growth Fund; Transforming Cities Fund; Regional Infrastructure Fund; Various other approved grants).
- Director of Business and Skills - up to £700,000 (specific to budgeted payments to approved AEB providers).
- Head of Strategic Transport - up to £2,000,000 (specific to operational transport functions within approved levels).

Each approver has the option to reject the requisition - sending it back to the requisitioner with their comments of the changes/corrections required - or approving it.

Approvers are responsible for checking the full detail of the requisition - including the product information, the coding information, and ensuring that the contract standing orders have been followed where appropriate).

After approval, the requisition is picked up in the PO19 and PO01 reports which run once an hour. These reports generate the PO and send a copy to both the supplier and the requisitioner.



## 1.4 Invoice Payments

Invoices are submitted directly to AP for works completed - WECA's financial regulations prevent us from paying invoices for works/services not yet received, excluding things such as venue hire where a down payment is mandatory to secure the booking.

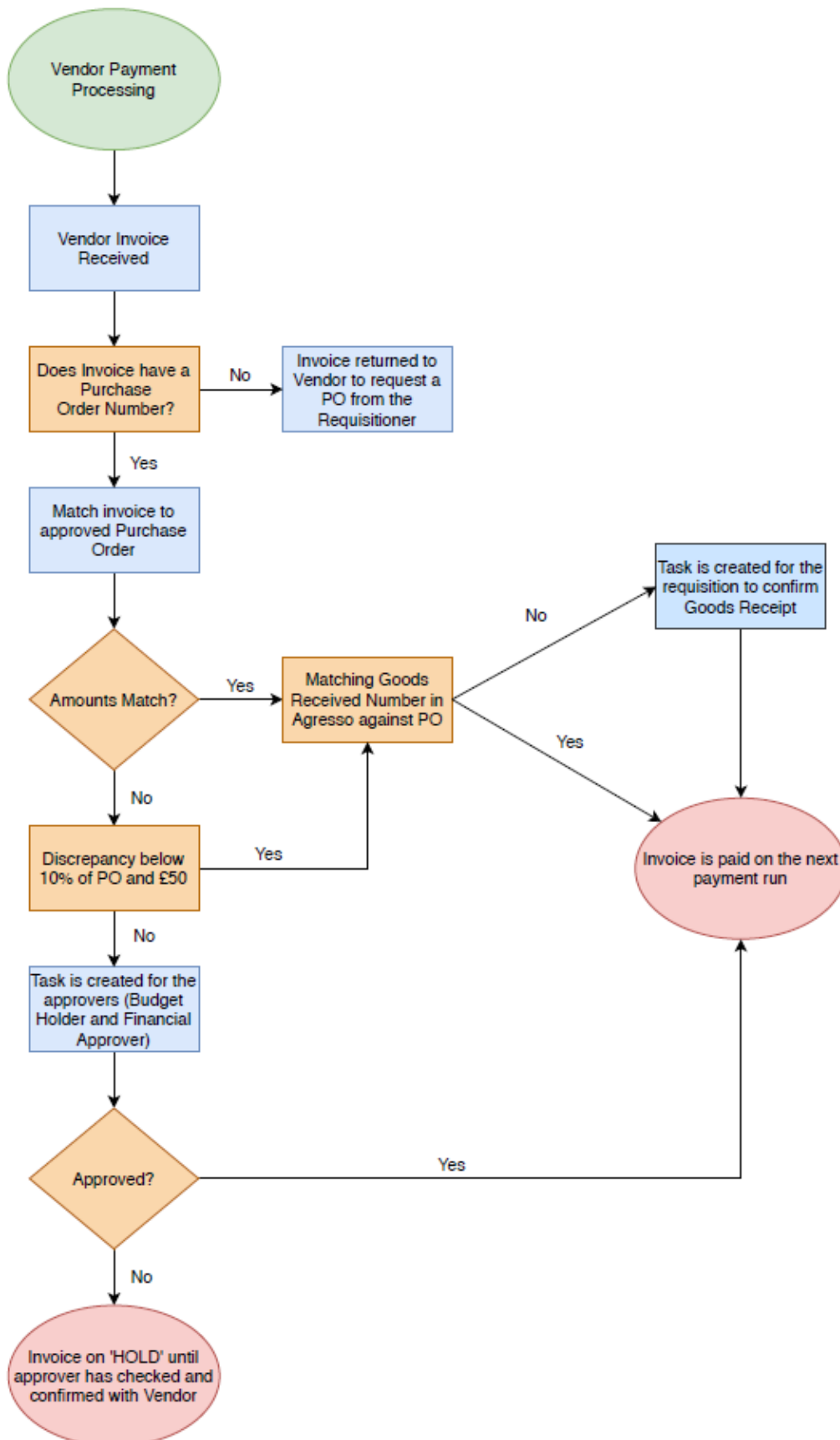
AP checks all invoices received to ensure that all required information is quoted, the bank details match the supplier record, and that the PO number has been quoted. If any information is missing or incorrect, the invoice is returned to the supplier with a brief explanation and they are requested to submit a new/amended invoice for payment to be made.

Correct invoices are input on Agresso and matched against the PO. There is a three-way matching process between the invoice, PO, and Goods Receipt Number (GRN). The system checks whether all three things match and if so, the invoice is paid on the next payment run.

If these three things do not match, a task is created to move the invoice along. The most common task is a Missing GRN - this informs the requisitioner that the invoice has been received and that they need to process the GRN for it to be paid. If there is a dispute on the invoice, the requisitioner is required to notify AP so they can enter the dispute code on the system.

Once GRN has been processed, the system will then check the invoice against the PO to see if there is a discrepancy. There is an allowance of £50 or 10% of the PO (whichever is

lowest) which will still go through for payment. Anything above this value will need to be approved by the budget holder and the financial approver before payment can be made.



## 1.5 Grants/Non-Invoice Payments

All teams running grant programmes are responsible for checking the claims received. This ensures that only eligible expenses are included in grant claims so that we are compliant with the grant conditions. In some cases, evidence is required to fulfil the criteria - this can be in the form of audit reports or invoices.

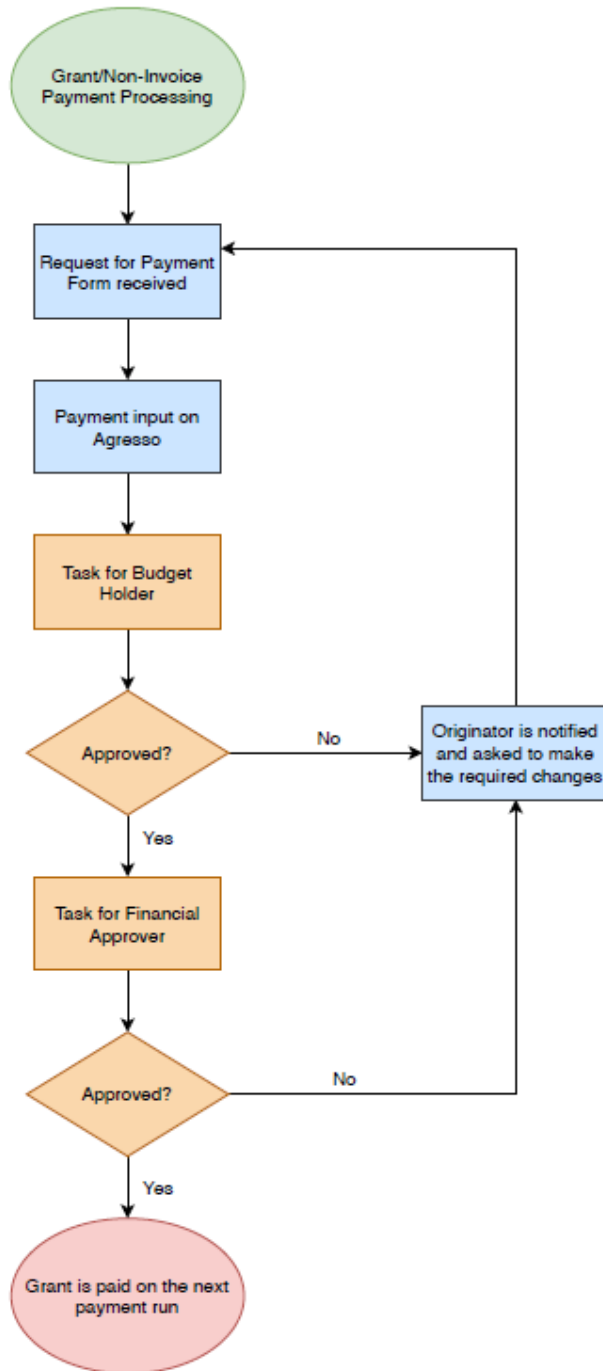
When this is complete, the request for payment form is sent to AP for processing.

Accounts Payable register the payment onto the system, attaching the request for payment form as backing. The payment will be sent as a task for approval, most of which will go through the specific service delegations:

- Head of Grant Management & Assurance – up to £2,000,000 (specific to Investment Fund; Local Growth Fund; Transforming Cities Fund, Regional Infrastructure Fund; Various other approved grants).
- Head of Business & Skills – up to £700,000 (specific to budgeted payments to approved AEB providers)
- Head of Integrated Transport – up to £2,000,000 (specific to operational transport functions within approved budget levels).

The approvers have the option to approve or reject the repayment – a comment on what is needed to be changed is mandatory so that the corrections can be made. Once approved, the payment will be made on the next payment run.





## Accounts Receivable

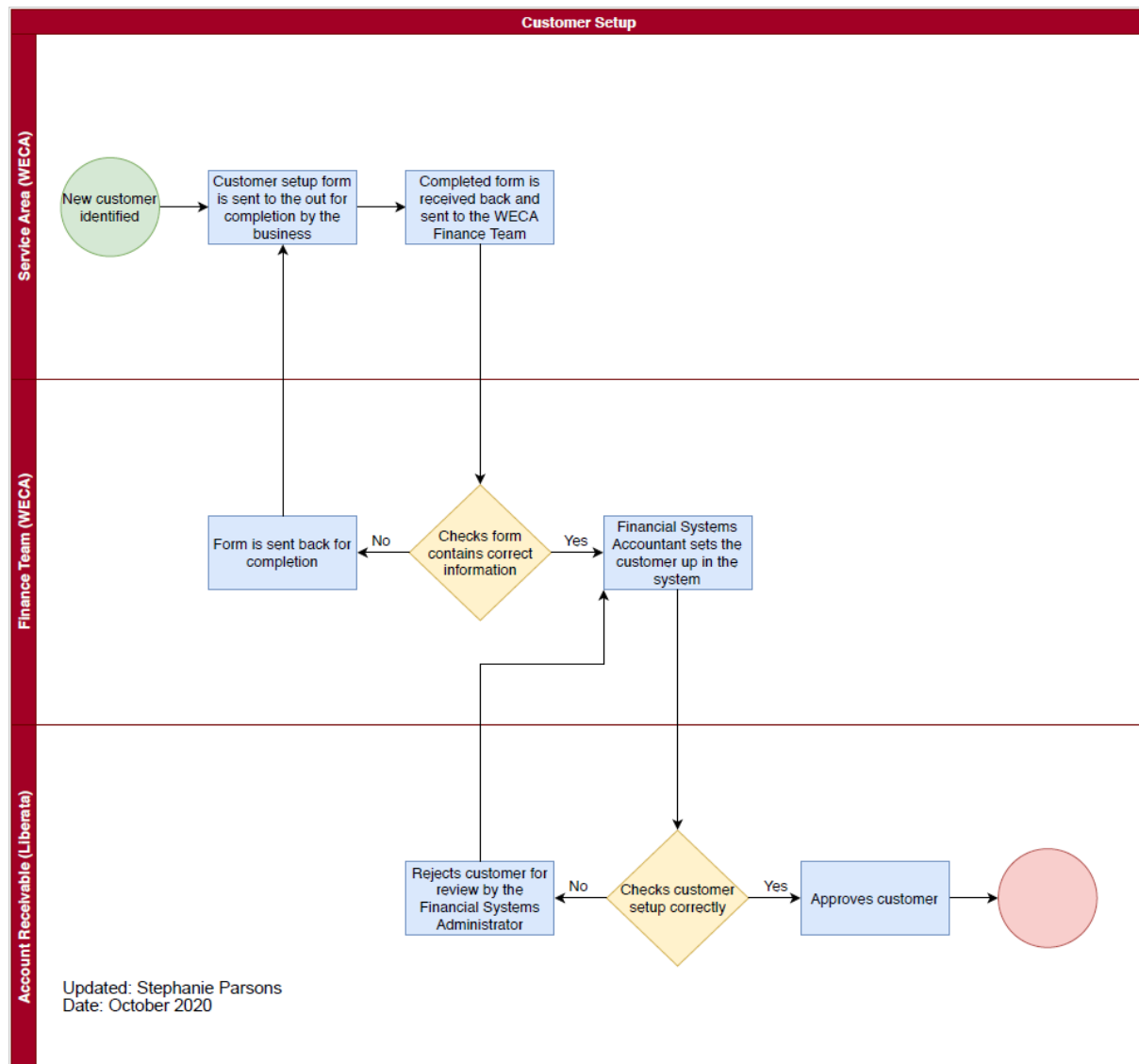
### 2.1 Customer Setup

The new customer is sent the Debtor Setup Form which they are required to complete and send back to the Finance team.

The Financial Systems Administrator checks the form to ensure that the information provided is correct and complete. If any errors/missing information is detected, the customer is notified and asked to resubmit a corrected version. The customer is then set up in the system.

Before the customer can be used for invoices, the Accounts Receivable team receives a task to review the customer. This check is in place to ensure the customer has been set up correctly and to ensure that there has been no duplicate, if there is an issue with this record, Accounts Receivable will reject the customer giving a reason for the rejection. This can then either be closed from the system or corrected and resubmitted.

After the customer is approved, they are assigned a customer ID code which is used to raise any invoices/credit notes. There is a report in Agresso which allows all staff to see the list of customers available for use.



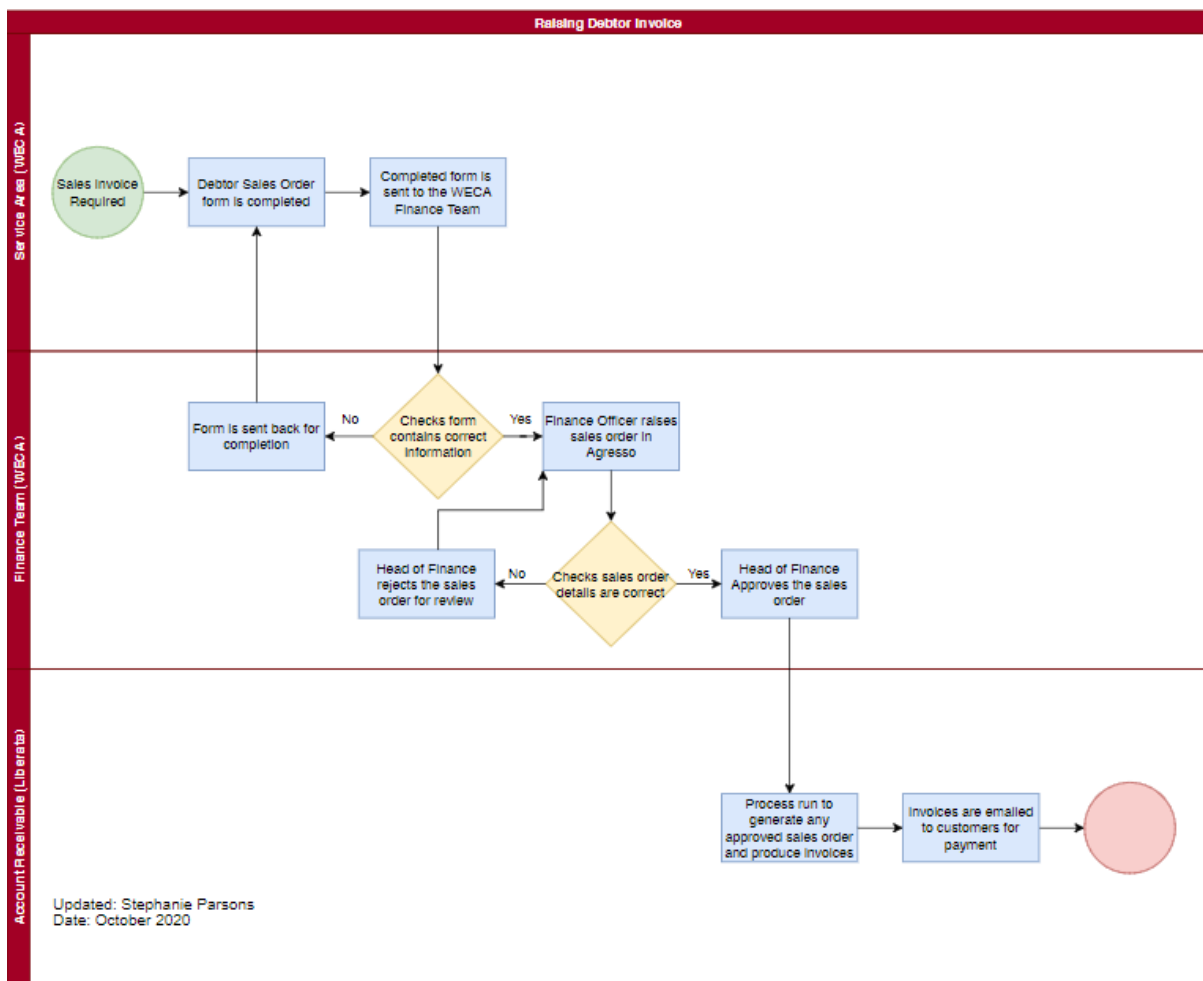
## 2.2 Customer Invoices

The debtor sales invoice form is completed by the salesperson and sent to the Finance team for review and input.

The form is checked to ensure it is fully completed (with a valid PO number and coding). If this is correct, the sales invoice details are input in Agresso and sent for approval. If there are any errors the form is returned to the salesperson who is asked to correct and resubmit their form. It is required that the budget holder either signs or email approves the sales invoice form.

After the sales invoice has been submitted, a task is created for the Head of Finance and Procurement to review and approve it. This is to confirm that the tax treatment is correct and that it is consistent with other invoices raised for the same purpose. Where there are queries over this, the issue is raised with the Financial Accountant to advise or raise with PS Tax (tax specialists) to confirm.

Accounts Receivable run a weekly process to generate the invoices. Once approved, the invoice will be picked up on this process and then sent out to the customer requesting payment (a copy is saved in the Agresso document archive for reference).



## 2.3 Raising Credit Notes

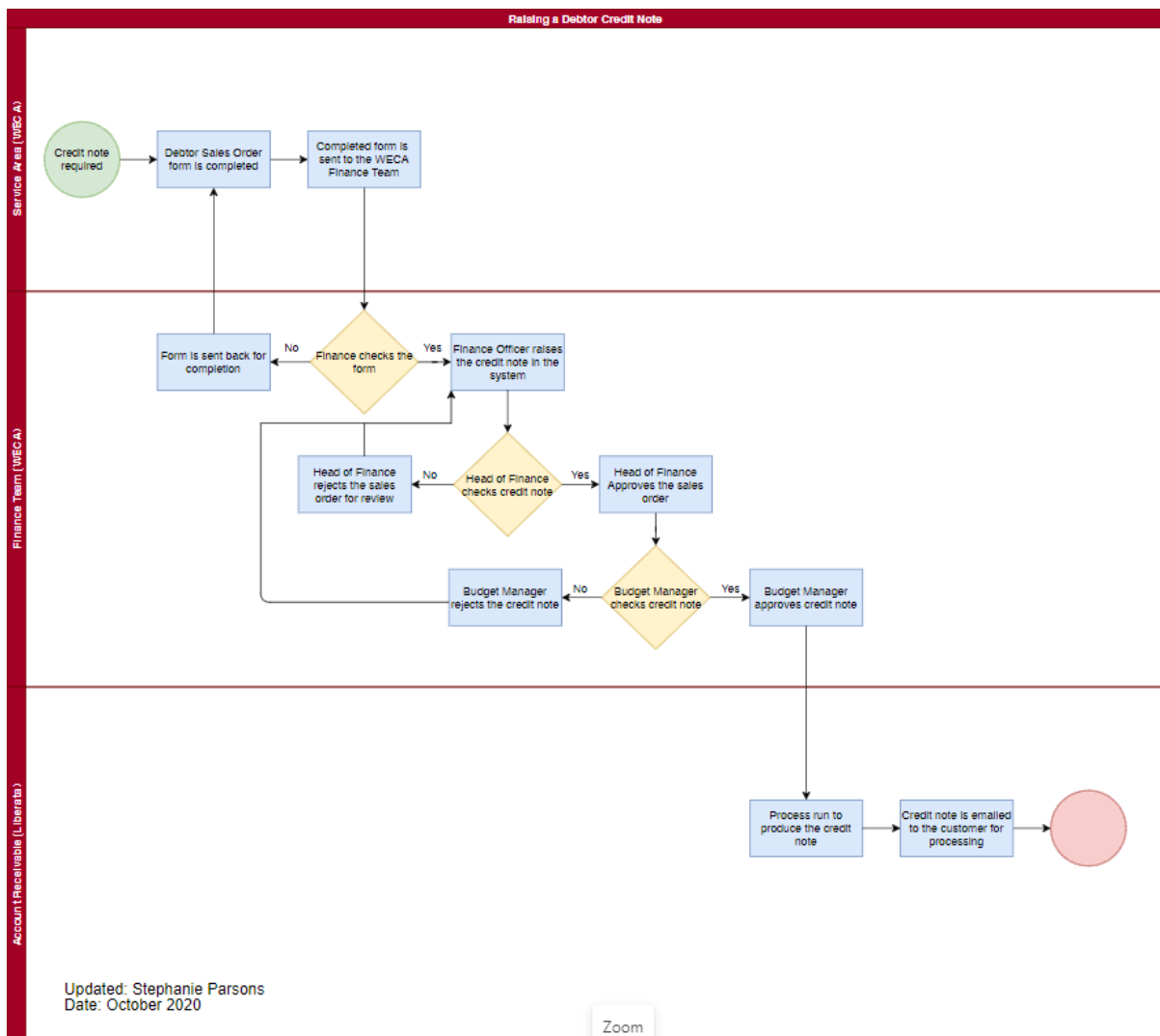
If a credit note is required, the salesperson completes the sales invoice form (noting the reason for the credit note being required). This is sent to the Finance team to check and review.

If this form is fully complete and correct, the credit note is entered into Agresso (matching the original invoice number to the credit note so the invoice no longer shows as outstanding). This is saved and starts the workflow.

The budget manager of the cost centre receives a task for approval – they are responsible for confirming that the credit note is required and that the coding/description is accurate. Once processed, the Head of Finance and Procurement to approve (to confirm that the credit note matches the invoice completely and is correct).

If either approver has an issue with the credit note (wrong code/amount/supplier) they reject the credit note with a brief description of the error. This is sent back to Finance to check with the salesperson and resubmit a correct version.

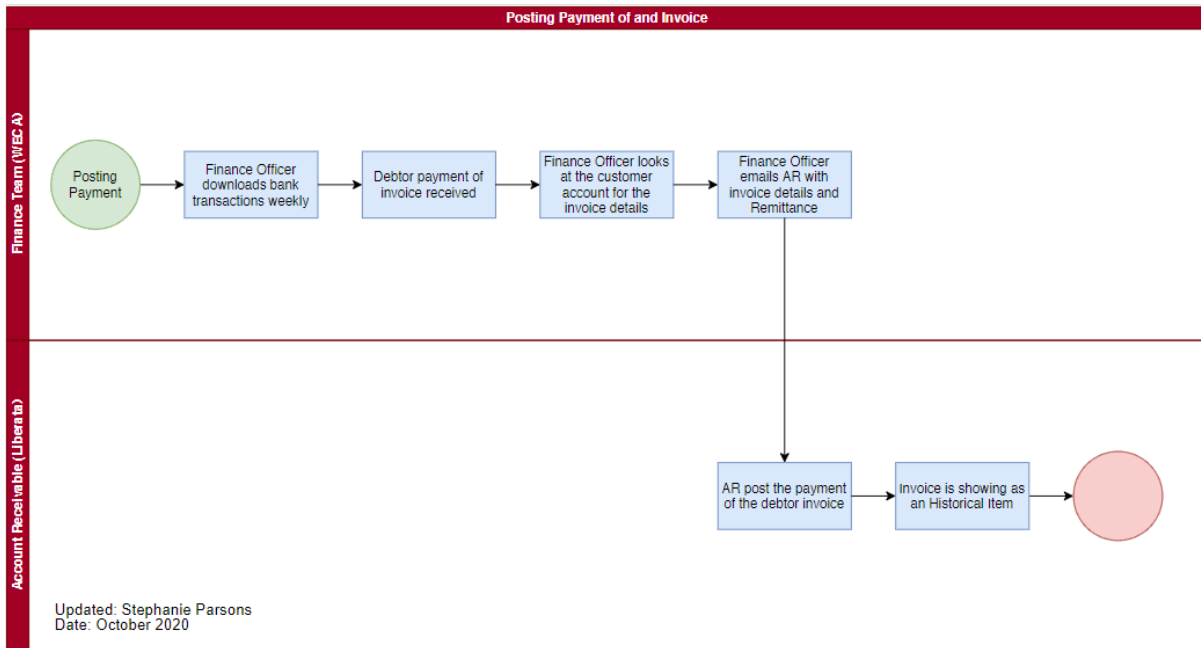
Once fully approved, the credit note is processed and generated. The credit note is sent to the customer and a copy is saved in the Agresso document archive for reference.



### 3.3 Debtor Payments

The Finance Officer is responsible for maintaining the bank reconciliation and posting the transactions weekly. When a debtor payment is received, the Finance Officer send the details of the payment to Accounts Receivable (including amount, customer ID, invoice number) or the remittance is received.

The Accounts Receivable team posts the transaction between the bank and the debtor control account.



When a customer doesn't pay their invoice within the 30-day payment terms, the first reminder letter is generated and sent out. This letter notifies them that the payment run has passed and asks them to make payment within 14 days. A copy of this is saved in the document archive for reference.

If the customer has not made payment after the 14 days, the second reminder letter is generated and sent out to the customer. This letter notifies them that the 14 days has passed and requests that they pay within 7 days.

Throughout this process, the Finance team will reach out to the customer to let them know that we can send them a copy of the invoice and to ask for an update on the payment status.

If payment has still not been received, the Director of Corporate Services and Head of Finance and Procurement will make the decision on whether to start formal recovery/legal action. All invoices have been paid before this stage in the recovery process, so we have not yet had to start a formal recovery process.

## System Administration

### 3.1 Supplier Amendments

One recommendation from Internal Audit was to regularly complete a check of supplier changes/amendments. We have decided to complete this check monthly.

A report is run at the beginning of every month containing all information where a change/amendment has been made to a supplier record - this includes new supplier records and supplier records that have been closed/terminated.

Any supplier record where a 'major' change has been made - changes that will affect the payment of an invoice such as bank details or trading name - are compiled in a list and a sample of 10% is taken. These are checked to ensure that the backing for change is saved against the supplier in the document archive and that the change matches the request submitted.

The suppliers sampled are listed on the front of the report and the result of the sample is recorded - whether the evidence was saved and correct.

The report is signed off by either the Head of Finance and Procurement or the Financial Accountant.

If one of the suppliers sampled with no backing saved or incorrect updated details, the issue would be raised with Accounts Payable as a matter of urgency. All changes to the supplier's name/bank details would then be checked to ensure that this was not a recurring issue.

### **3.2 Customer Amendments**

Another Internal Audit recommendation was to perform a regular check of changes/amendments to customer records. We have decided to complete this check monthly.

A report is run at the beginning of every month to show all customers where a change/amendment has been made to their record - this includes new customer records and customer records that have been closed/terminated.

Any customer records where a 'major' change has been made - changes that will affect the ability of WECA to receive prompt payment such as changes to trading name or payment terms - are compiled in a list as a sample of 10% is taken. These are checked against to ensure that the backing for changes is saved against the customer in the document archive and that the change matches the request submitted.

The customers sampled are listed on the front of the report and the result of the sample is recorded - whether the evidence was saved and correct. There are currently no changes to customers other than new records in the system.

The report is signed off by the Head of Finance and Procurement or by the Financial Accountant.

If there was a customer sampled with no backing or incorrect updated details, the issue would be raised with the Head of Finance and Procurement or the Financial Accountant as a matter of urgency. All changes to the customer's name/payment terms would then be checked to ensure that this is not a recurring issue.

### **3.3 User Access Review**

One of the recommendations from Internal Audit was to complete a User Audit on at least an annual basis to ensure that only current staff have Agresso accounts. We have chosen to do this monthly so we can also monitor the roles/data controls in place.

A report is run at the beginning of every month to show all new/amended/closed user records. Amendments will relate to both changes to the user record information - email address, phone number, address - and changes to the access/role information - data control rules, new roles.

Account code data control rules have been implemented to limit access to the payroll information in the system. This has allowed reports to be rolled out to staff that they can run themselves, but still ensure that only authorised members of staff can see sensitive information. These users are:

- Heads of Service
- Directors
- CEO
- Relevant members of Finance

All users are checked against the access levels they should have and the menus available to them. Any changes to the structure since the previous month are made.

The report is signed off by the Head of Finance and Procurement or the Financial Accountant.

### **3.4 Invoice to PO Matching**

WECA operates a No PO, No Pay policy. This policy was implemented with the new system to help tackle the threat of fraud/overpayments/duplicate payments/incorrect invoices.

To ensure compliance with this policy, there is a monthly report run from Agresso which pulls off all supplier payments made during the month to check if any invoice payments have been made without a purchase order being in place.

The report is checked, and all grant payments are excluded as these are processed via a Request for Payment Form. The remaining payments are invoice payments, and they are filtered to show any invoices that have been processed without a purchase order.

The invoices without purchase orders are then checked against the PO exemption list and any that are not on that list are followed up. Reminders are sent to staff to remind them of the process and ask if they need a refresher.

There are very few instances where an invoice has been processed without a PO or being on the PO exemption list, these invoices were all brought to the attention of the Finance team and it was agreed that the best course of action was to process them without the PO. These invoices are from the beginning of the Financial year where we did experience some VPN connection issues and people were unable to access the system.

This report is signed off by either the Head of Finance and Procurement or the Financial Accountant.

### **3.5 Attribute Amendment**

There is a monthly report run from Agresso which pulls off all attributes where there has been a change made. This can include the setup/amendment/close.

The report is checked by the Financial System Administrator and is used to ensure that only required attributes have been created, those no longer needed have been closed, amendments have been made correctly and to ensure that access to changing this data is restricted to the approved group.

Any amendments required to the data required are recorded on the report and the changes are made.

Any instances where an unauthorised member of staff amends the attributes will be recorded and data control measures will be checked and implemented if required.

The report is checked by either the Head of Finance and Procurement or the Financial Accountant.

### **3.6 Duplicate Payments**

There is a quarterly report run from Agresso which pulls off all payment information of invoices and grants made.

The report is used to check for any duplicate payments made. This is done by checking the invoice number, purchase order number, amount, and description against each supplier id. Where one or more of these are the same, the invoices are checked to that they are correct and unique payments.

Any duplicate payments found will be recorded and the Financial Accountant and the Head of Finance and Procurement will be notified. The supplier will be notified of the issue and a refund request will be sent out requesting the money of the duplicate payment is returned. This will be monitored until the funds are received.

The report is checked by either the Head of Finance and Procurement or the Financial Accountant.