

A meeting of the
WECA Audit Committee

will be held on

Date: Wednesday, 22 September 2021

Time: 10.30 am

Place: Brunswick Room, Guildhall, Bath

Notice of this meeting is given to members of the West of England 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 Hal MacFie, Bath and North East Somerset Council
Cllr Heather Mack, Bristol City Council
Cllr Brenda Massey, Bristol City Council
Cllr John O'Neill, South Gloucestershire Council

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West of England Combined Authority Committee Agenda

YOU HAVE THE RIGHT TO:-

- Attend all WECA, Committee and Sub-Committee meetings unless the business to be dealt with would disclose 'confidential' or 'exempt' information.
- Inspect agendas and public reports five 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.
- Have access to the public register of names, addresses and wards of all Councillors sitting on WECA, Committees and Sub-Committees with details of the membership of all Committees and Sub-Committees.
- Have a reasonable number of copies of agendas and reports (relating to items to be considered in public) made available to the public attending meetings of WECA, Committees and Sub-Committees
- Have access to a list setting out the decisions making powers the WECA has delegated to their officers and the title of those officers.
- Copy any of the documents mentioned above to which you have a right of access. There is a charge of 15p for each side of A4, subject to a minimum charge of £4.
- For further information about this agenda or how the Council works please contact Democratic Services, telephone 0117 42 86210 or e-mail: democratic.services@westofengland-ca.gov.uk

OTHER LANGUAGES AND FORMATS

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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 Thursday 16 September 2021.

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

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

5. Please note - under 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 Tuesday 21 September 2021. Statements should be emailed to democratic.services@westofengland-ca.gov.uk

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

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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. STATUTORY ACCOUNTS 2020/21

67 - 246

The purpose of this Report is to present to Members of the WECA Audit Committee the West of England Combined Authority Annual Statement of Accounts for 2020-21 for their review and approval.

13. INTERNAL AUDIT ANNUAL REPORT 2020/21

247 - 256

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.

14. INTERNAL AUDIT PLAN 2021/22

257 - 276

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

15. DATES OF COMMITTEE

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

(All 10:30am)

Thursday 9 December 2021

Wednesday 23 February 2022

Next meeting: Thursday, 9 December 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	WELCOME AND INTRODUCTIONS The Chair welcomed everybody to the meeting which was being held via Zoom and broadcast on the Authority's Youtube channel.
2	APOLOGIES FOR ABSENCE No apologies for absence had been received.
3	DECLARATIONS OF INTEREST UNDER THE LOCALISM ACT 2011 There were no declarations of interest declared under the Localism Act 2011.
4	MINUTES OF THE MEETING HELD 10 DECEMBER 2020 The minutes of the meeting held on 10 December 2020 were agreed as a correct record.
5	ITEMS FROM THE PUBLIC (QUESTIONS; PETITIONS; STATEMENTS) 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	CHAIR'S BUSINESS / ANNOUNCEMENTS

	<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>AUDIT PLAN CONSULTATION</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"> • 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; • 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; • 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; • 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; • 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; • 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; • 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; <p>Agreed: 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>RISK MANAGEMENT FRAMEWORK</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"> • 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 & 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 & Overview and Scrutiny Committees look at this issue in more detail at a later time; • 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; <p>Agreed:</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 & Overview & 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>MONITORING & EVALUATION FRAMEWORK</p> <p>Lynda Bird, Head of Performance, Planning and Projects submitted a report on the annual review and update of the WECA Monitoring & 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"> • Submission of such a document was a requirement by BEIS for all Mayoral Combined Authorities; • 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; • 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

	<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>Agreed: That the Monitoring & Evaluation Framework for 2021 be endorsed.</p>
10	<p>AUDIT PROGRESS REPORT AND SECTOR UPDATE</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"> • 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; • 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; • 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; • 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"> ○ 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; ○ 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; ○ 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.

	<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"> • 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; • 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; <p>Agreed: That the Audit Progress Report and Sector update be welcomed.</p>
11	<p>FUTURE MEETING DATES</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: 22 SEPTEMBER 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

The West of England Combined Authority audit plan

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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

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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"> • 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; • evaluate the instructions issued by management to their management expert (the actuary) for this estimate and the scope and the actuary's work; • assess the competence, capabilities and objectivity of the actuary who carried out the Authority's pension fund valuation; • assess the accuracy and completeness of the information provided by the Authority to the actuary to estimate the liability; • 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; • 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 • 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.

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"> • evaluate the design effectiveness of management controls over journals; • analyse the journals listing and determine the criteria for selecting high risk unusual journals; • test unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration; • gain an understanding of the accounting estimates and critical judgments applied/made by management and consider their reasonableness with regard to corroborative evidence; and • evaluate the rationale for any changes in accounting policies, estimates, or significant unusual transactions.
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"> • there is little incentive to manipulate revenue recognition; • opportunities to manipulate revenue recognition are very limited; and • the culture and ethical frameworks of local authorities, including WECA, mean that all forms of fraud are seen as unacceptable. <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"> • expenditure is well controlled and the Authority has a strong control environment; • there is very little incentive for management to mis-represent expenditure; and • the Authority has clear and transparent reporting of its financial plans and financial position to those charged with governance. <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

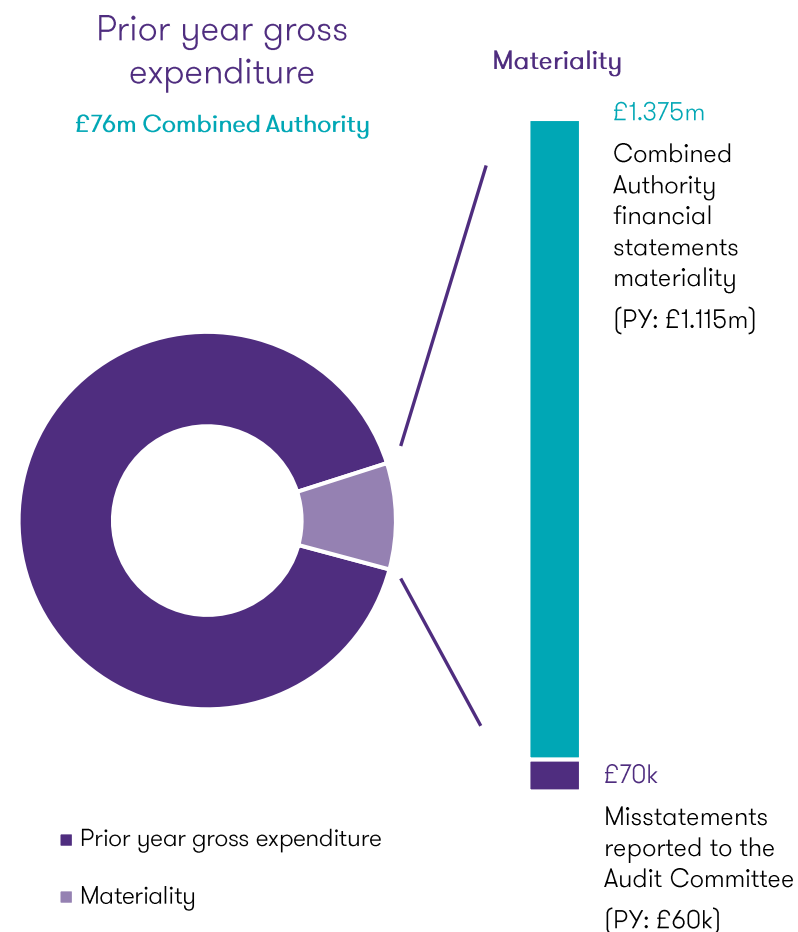
We have determined financial statement materiality based on a proportion of the gross expenditure of the Combined Authority. In the prior year we used the same benchmark. Materiality at the planning stage of our audit is £1.375m (PY £1.115m), which equates to 1.8% of your gross expenditure for the previous 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
Audit fee 2019/20	£30,384
<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>
Total audit fees (excluding VAT)	£39,384

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: 22 SEPTEMBER 2021

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

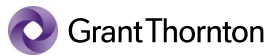
Appendix 2 – Accounting Estimate Management Summary

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



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

Jon Roberts
Partner
T 01173 057 699
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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.

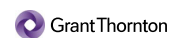


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Purpose

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>Procurement - 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>Payroll - False employees, fraudulent overtime, allowance and expenses claims.</p> <p>Grants - Work not carried out, funds diverted, ineligibility not declared. False application or payment of grants to any person, agency or organisation.</p> <p>Internal fraud - 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>Mandate fraud - 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>Manipulation of data fraud - 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 & 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"> the existence of internal controls, including segregation of duties; and the process for reviewing the effectiveness the system of internal control? <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"> • Monitoring & Evaluation Framework • Risk Management Framework • The Assurance framework • Annual Governance Statement; • Whistleblowing Policy; • Internal Audit Reports <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"> • The Monitoring & Evaluation Framework • The Risk Management Framework • Internal Audit Reports • The Assurance Framework • Decision making reports to WECA • S73 Officer Reports as necessary
<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"> the nature of the relationship between these related parties and West of England Combined Authority whether West of England Combined Authority has entered into or plans to enter into any transactions with these related parties the type and purpose of these transactions 	<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"> - Management's process for making significant accounting estimates - The methods and models used - The resultant accounting estimates included in the financial statements. 	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.

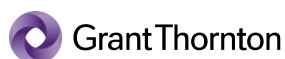
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Appendix A Accounting Estimates

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
<p>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>	<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>
<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>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>
<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>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>
<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>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>
<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>	<p>The administering body (BANES) engage Mercer (the actuary) who provide the estimate of the pension liability.</p>
<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>	<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>
<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>	<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)

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?	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: AUDIT COMMITTEE
DATE: 22 SEPTEMBER 2021
REPORT TITLE: STATUTORY ACCOUNTS 2020/21
DIRECTOR: MALCOLM COE, DIRECTOR OF INVESTMENT & CORPORATE SERVICES (s73 OFFICER)
AUTHOR: MALCOLM COE

Purpose of Report

1. The purpose of this Report is to present to Members of the WECA Audit Committee the West of England Combined Authority Annual Statement of Accounts for 2020-21 for their review and approval.

Impact of Covid-19 pandemic

2. The Combined Authority has actively reviewed its key activities and work programme to reflect changing priorities as a result of the Covid-19 pandemic. Specific issues relating to the Covid-19 situation that impact on or are addressed through this report are as follows:
 - The deadline for the statutory approval of local authority accounts has been amended to 30 September 2021 as a result of the Covid situation;
 - WECA has reviewed its 'going concern' status in relation to Covid. We have assessed that Covid has not had any material impact on the authority's accounts for 2020/21.

Recommendations

That the committee:

- (a) note the content of the External Auditor ISA 260 Audit Findings report (as detailed in Appendix 1) and
- (b) approve the West of England Combined Authority Annual Statement of Accounts for 2020-21 (as detailed in Appendix 2).

(c) approve the Letter of Representation as detailed at Appendix 3.

Background / Issues for Consideration

3. The Accounts and Audit Regulations (England) 2015 require the Annual Statement of Accounts to be certified by the Chief Financial Officer no later than 31 May each year. Due to the Covid pandemic, this deadline was extended to 31 July 2021 for the 2020/21 Accounts. WECA complied with the statutory deadline with the accounts placed on the website as per the link below:

<https://www.westofengland-ca.gov.uk/wp-content/uploads/2021/07/DRAFT-WECA-Statement-of-Accounts-2020-21.pdf>

4. The Statutory Statement of Accounts have been produced in accordance with the CIPFA Code of Practice on Local Authority Accounting based on International Financial Reporting Standards.
5. 2020/21 has been the second year that the WECA Finance team have fully led on, and 'owned', the Statement of Accounts process having terminated the contract previously held with PriceWaterhouseCoopers (PWC). To retain an element of support on specialist technical areas, we commissioned the Chartered Institute of Public Finance and Accountancy (CIPFA) on a 'light touch', advisory basis.
6. The Accounts and Audit Regulations 2015 require the Statement of Accounts to be approved by a resolution of a Committee of the relevant body and that following approval, the Statement of Accounts be signed and dated by the person presiding at the Committee. The revised Covid timescale requires this to be completed by 30 September 2021.
7. In advance of the full accounts, we presented the 'Narrative Statement' and 'Annual Governance Statement' sections as separate reports to the audit committee informal briefing on 6 August 2021.
8. Grant Thornton have completed their external audit of the WECA Accounts with their (ISA 260) audit Findings report detailed in Appendix 1.
9. The full set of WECA Accounts for the 2020/21 financial year are contained within Appendix 2 of this report.

Consultation

10. The draft accounts for 2020-21 were published on the West of England Combined Authority website by the required deadline of 31 July 2021 and made available for public inspection as required under the Accounts and Audit Regulations (England) 2015.

Risk Management/Assessment

11. The publication of the Authority's Financial Statements forms a core part of WECA's governance and risk management processes. As required by statute, an Annual Governance Statement has been published and is integrated within the core Statement of Accounts document.

12. The Authority has been assessed as a viable 'going concern' although future uncertainty on volatile funding streams, such as 100% Business Rate Retention and Mayoral Capacity funding, remains a risk that is kept under regular review.

Public Sector Equality Duties

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

Finance Implications, including economic impact assessment where appropriate:

17. The Statement of Accounts reflect the financial accounting position of the Combined Authority as at 31 March 2021 (as required by legislation). Management Accounting reports are published throughout the year evidencing progress and spend against the authority's set budget.

Legal Implications:

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

Appendices:

Appendix 1 – Grant Thornton (ISA 260) Audit Findings Report

Appendix 2 – WECA Statement of Accounts for 2020/21

Appendix 3 – Letter of Representation

Appendix 4 – VfM Extension letter

Background papers:

WECA Draft Statement of Accounts 2020-21:

<https://www.westofengland-ca.gov.uk/wp-content/uploads/2021/07/DRAFT-WECA-Statement-of-Accounts-2020-21.pdf>

WECA 2020/21 Statement of Accounts Draft Narrative Report published as part of the Audit Committee 1 July 2021 papers.

WECA Annual Governance Statement 2020/21 published as part of the Audit Committee 1 July 2021 papers.

West of England Combined Authority Contact:

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

The Audit Findings for The West of England Combined Authority

Year ended 31 March 2021

4 September 2021
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Section

1. Introduction
2. Headlines
3. Financial statements
4. Value for money arrangements
5. Independence and ethics

Appendices

- A. Action plan
- B. Follow up of prior year recommendations
- C. Audit adjustments
- D. Fees
- E. Audit Opinion

This Audit Findings Report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260. Its contents have been discussed with management.

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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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1. Introduction

This Audit Findings Report sets out the results of our financial statements audit of The West of England Combined Authority for the year ended 31 March 2021.

We will report our assessment of the Authority's Value for Money arrangements later this year.

The Authority was formed in 2017 and whilst it has been operating for four financial years, this is only the second set of financial statements that have been produced in-house, as prior to 2019/20 this has been undertaken with assistance from a third party.

We have noted that, overall, there has been a continued improvement in the quality of the Authority's financial statements and supporting working papers. This is particularly creditable this year as the Authority also moved to a new financial system at relatively short notice.



2. Headlines

This table summarises the key findings and other matters arising from the statutory audit of The West of England Combined Authority ('the Authority') and the preparation of the Authority's financial statements for the year ended 31 March 2021 for those charged with governance.

Financial Statements

Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion:

- the Authority's financial statements give a true and fair view of the financial position of the Authority and its income and expenditure for the year; and
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014.

We are also required to report whether other information published together with the audited financial statements, including the Annual Governance Statement (AGS) and Narrative Report, is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Our audit work was completed on remotely during July to September. Our findings are summarised on pages 6 to 17. We have identified 7 adjustments to the financial statements that have resulted in a £4.6m adjustment to the Authority's Comprehensive Income and Expenditure Statement.

This mainly arose because:

- There were a number of new starters that were not originally reflected in the actuarial report, and as this had an estimated material impact on the defined benefit net liability the Authority therefore needed to request an updated report from its actuary and to produce a revised set of financial statements. Officers have informed us that the Pension Fund was advised of the staff additions, although the impact on the liability was not appreciated when the initial figures were produced. This was because far more of the new starters were generally long-standing members of the Local Government Pension Scheme than would normally be the case.
- A number of required material adjustments were identified in relation to the creditors balance, which also affected the agency liability. We extended our sample of creditors items and this identified additional errors which we are currently working through.

Audit adjustments are detailed in Appendix C. We have also raised recommendations for management as a result of our audit work in Appendix A. Our follow up of recommendations from the prior year's audit are detailed in Appendix B.

Our work is still in progress and based on the work completed to date there are no matters of which we are aware that would require modification of our audit opinion [Appendix E] or material changes to the financial statements, subject to the following outstanding matters:

- work on the pensions defined benefit net liability following the revised actuarial report and updated financial statements;
- completion of testing on creditors/agency liability, including the extended sample referred to above;
- receipt of remaining evidence to support completion of journals testing;
- completion of testing on grants received in advance;
- receipt of the letter of assurance from the auditor of Avon Pension Fund;
- final partner review of audit work completed;
- receipt of formal approval of the Authority's response to our planning inquiries (discussed informally on 6 August as the July Audit Committee was postponed);
- receipt of management representation letter; and
- review of the final set of financial statements.

2. Headlines

Value for Money (VFM) arrangements

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Authority has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are now required to report in more detail on the Authority's overall arrangements, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

Auditors are required to report their commentary on the Authority's arrangements under the following specified criteria:

- Improving economy, efficiency and effectiveness;
- Financial sustainability; and
- Governance

We have not yet completed all of our VFM work and so are not in a position to issue our Auditor's Annual Report. An audit letter explaining the reasons for the delay is attached in the Appendix G to this report. We expect to present our Auditor's Annual Report to the Audit Committee on 9 December 2021. This is in line with the National Audit Office's revised deadline, which requires the Auditor's Annual Report to be issued no more than three months after the date of the opinion on the financial statements.

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

As noted in our audit plan, we did not identify any risks of significant weaknesses during this initial planning work.

Statutory duties

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

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

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

We expect to certify the completion of the audit upon the completion of our work on the Authority's VFM arrangements, which will be reported in our Annual Auditor's Report in December 2021.

Significant Matters

We did not encounter any significant difficulties or identify any significant matters arising during our audit. However, as noted on page 4 the Authority did need to request an updated report from its Actuary and then provide us with a revised set of financial statements, which resulted in additional work for both us and the Authority. We also encountered difficulties in testing creditors balances and needed to extend our sample based on the level of errors that were identified.

3. Financial Statements

Overview of the scope of our audit

This Audit Findings Report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ("the Code"). Its contents have been discussed with management.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK) and the Code, which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

Audit approach

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

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

We have not had to alter our audit plan, as communicated to you on 6 August 2021.

Conclusion

We have substantially completed our audit of your financial statements and subject to outstanding work being satisfactorily completed, we anticipate issuing an unqualified audit opinion following the Audit Committee meeting on 22 September 2021, as detailed in [Appendix E]. These outstanding items are detailed on page 4 of this report.

Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff.

The impact of the pandemic has meant that both your finance team and our audit team faced audit challenges again this year, such as remotely accessing financial systems, video calling, verifying the completeness and accuracy of information produced by the Authority.

This resulted in us having to carry out additional audit procedures to gain sufficient audit assurance in respect of our auditor's opinion on the financial statements.

3. Financial Statements



Our approach to materiality

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

We have revised the materiality due to the actual gross expenditure changing significantly from that at the planning stage.

We detail in the table opposite our determination of materiality for the Authority.

Amount (£) Comments

	Amount (£)	Comments
Materiality for the financial statements	£1.775m	This is 1.8% of your gross expenditure (£1.375m at planning stage)
Performance materiality	£1.24m	This is 70% of the headline materiality (£960k at planning stage)
Trivial matters	£90k	This is 5% of the headline materiality (£70k at planning stage)
Materiality for senior officer remuneration	£20k	A lower level has been selected due to the interest in this disclosure. No change since planning.



3. Financial Statements - Significant risks

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.

This section provides commentary on the significant audit risks communicated in the Audit Plan.

Risks identified in our Audit Plan

Commentary

Valuation of net defined benefit liability

The Authority's net defined benefit liability, as reflected in its balance sheet, represents a significant estimate in the financial statements.

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. A small change in the key assumptions (discount rate, inflation rate, salary increase and life expectancy) can have a significant impact on the IAS19 liability. In particular the discount and inflation rates.

We have therefore concluded that there is a significant risk of material misstatement in the IAS19 estimate due to the assumptions used in their calculation.

We have:

- updated 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 evaluated the design of the associated controls;
- evaluated the instructions issued by management to their management expert (the actuary) for this estimate and the scope and the actuary's work;
- assessed the competence, capabilities and objectivity of the actuary who carried out the Authority's pension fund valuation;
- assessed the accuracy and completeness of the information provided by the Authority to the actuary to estimate the liability; it was this work which identified the need for a revised actuarial report
- tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary; and
- undertaken 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.

We still need to:

- complete our documentation in this area regarding the assumptions made by the actuary; and
- be provided with 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. This can only be provided once the Pension Fund audit is complete.
- As noted on page 4 of this Audit Findings Report, the Authority needed to request an updated report from its actuary and to produce a revised set of financial statements. Our progress in this area was therefore delayed as a number of elements of our work needed to be re-performed or otherwise updated. Officers have advised us that the Pension Fund was advised of the staff additions, although of this the impact on the liability was not appreciated when the initial figures were produced.

3. Financial Statements - Significant risks

Risks identified in our Audit Plan

Management over-ride of controls

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.

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.

Commentary

We have:

- evaluated the design effectiveness of management controls over journals;
- analysed the journals listing and determined the criteria for selecting high risk unusual journals;
- gained an understanding of the accounting estimates and critical judgments applied/made by management and considered their reasonableness with regard to corroborative evidence; and
- evaluated the rationale for any changes in accounting policies, estimates, or significant unusual transactions.

We still need to:

- complete our testing of unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration, upon receipt of the remaining supporting evidence.



3. Financial Statements - key judgements and estimates

This section provides commentary on key estimates and judgements inline with the enhanced requirements for auditors.

Significant judgement or estimate	Summary of management's approach	Audit Comments	Overall Assessment																								
Net pension liability – £13.8m	<p>The Authority's net pension liability at 31 March 2021 is £13.8m (PY £6.6m) comprising the Avon Local Government Pension Fund defined benefit pension scheme obligation.</p> <p>The Authority uses Mercer to provide actuarial valuations of the Authority's assets and liabilities derived from this scheme. A full actuarial valuation is required every three years.</p> <p>The latest full actuarial valuation was completed as at 31 March 2019.</p> <p>Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements. There has been a £757k net actuarial loss during 2020/21.</p>	<ul style="list-style-type: none"> We formed an assessment of management's expert (Mercer). We considered that they are an appropriate expert to undertake the valuation of the pension liability; We undertook detailed work to assess the movement of the pension liability in the year and identified the need for a revised actuarial report to be produced; We utilised PwC as an auditor's expert to assess the actuary and their assumptions which were considered to be appropriate. See table below. 	Light purple																								
<table border="1"> <thead> <tr> <th data-bbox="943 756 1305 831">Assumption</th> <th data-bbox="1305 756 1503 831">Actuary Value</th> <th data-bbox="1503 756 1715 831">PwC range</th> <th data-bbox="1715 756 1899 831">Assessment</th> </tr> </thead> <tbody> <tr> <td data-bbox="943 831 1305 879">Discount rate</td> <td data-bbox="1305 831 1503 879">2.2%</td> <td data-bbox="1503 831 1715 879">2.1 to 2.2%</td> <td data-bbox="1715 831 1899 879">●</td> </tr> <tr> <td data-bbox="943 879 1305 927">Pension increase rate</td> <td data-bbox="1305 879 1503 927">2.8%</td> <td data-bbox="1503 879 1715 927">2.8%</td> <td data-bbox="1715 879 1899 927">●</td> </tr> <tr> <td data-bbox="943 927 1305 975">Salary growth</td> <td data-bbox="1305 927 1503 975">4.2%</td> <td data-bbox="1503 927 1715 975">4.2%</td> <td data-bbox="1715 927 1899 975">●</td> </tr> <tr> <td data-bbox="943 975 1305 1023">Life expectancy – Males currently aged 45 / 65</td> <td data-bbox="1305 975 1503 1023">24.8 and 23.3</td> <td data-bbox="1503 975 1715 1023">22.5 to 24.7 and 20.9 to 23.2</td> <td data-bbox="1715 975 1899 1023">●</td> </tr> <tr> <td data-bbox="943 1023 1305 1070">Life expectancy – Females currently aged 45 / 65</td> <td data-bbox="1305 1023 1503 1070">27.4 and 25.4</td> <td data-bbox="1503 1023 1715 1070">25.9 to 27.7 and 24.0 to 25.8</td> <td data-bbox="1715 1023 1899 1070">●</td> </tr> </tbody> </table>				Assumption	Actuary Value	PwC range	Assessment	Discount rate	2.2%	2.1 to 2.2%	●	Pension increase rate	2.8%	2.8%	●	Salary growth	4.2%	4.2%	●	Life expectancy – Males currently aged 45 / 65	24.8 and 23.3	22.5 to 24.7 and 20.9 to 23.2	●	Life expectancy – Females currently aged 45 / 65	27.4 and 25.4	25.9 to 27.7 and 24.0 to 25.8	●
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Overall Assessment		<ul style="list-style-type: none"> The underlying information used to calculate the final estimate was considered to be complete and appropriate; The increase in liability was considered to be appropriate, given the increase in staff numbers; and The estimate was properly disclosed in the financial statements. 																									

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

3. Financial Statements - Internal Control

Assessment	Issue and risk	Recommendations
●	<p>The Authority has recently changed IT provider and its financial system and were aware that the underlying policies and procedures needed to be updated. During the audit these were agreed as:</p> <ul style="list-style-type: none"> • there was no formal cybersecurity framework in place and employees did not receive regular cybersecurity training; • the Authority's ICT team required additional training in relation to cybersecurity risks; and • ICT security policies had not been updated since July 2018 and refer to the previous IT environment hosted by BANES Council. 	<ul style="list-style-type: none"> • Policies and frameworks should be updated to reflect the current ICT environment and specifically address cybersecurity. • Regular training in relation to cybersecurity risks should be provided to employees, with specific focus on training for the ICT team. <p>Management response</p> <ul style="list-style-type: none"> • We were aware of the need to update our policies and have developed a 10 step plan to enhance the Authority's ICT security. The majority of the actions had a completion date of on or before 31 August 2021.

Assessment

- Significant deficiency – risk of significant misstatement
- Deficiency – risk of inconsequential misstatement

3. Financial Statements - matters discussed with management

This section provides commentary on the significant matters we discussed with management during the course of the audit.

Significant matter	Commentary	Auditor view and management response
<p>During the year a number of staff joined the Authority from a number of other Local Authorities.</p> <p>These were not originally reflected in the actuarial report, and as this had an estimated material impact on the defined benefit net liability the Authority therefore needed to request an updated report from its actuary and to produce a revised set of financial statements.</p> <p>Officers have informed us that the Pension Fund was advised of the staff additions, although the impact on the liability was not appreciated when the initial figures were produced. This was because far more of the new starters were generally long-standing members of the Local Government Pension Scheme than would normally be the case.</p>	<p>We have discussed with the Authority:</p> <ul style="list-style-type: none"> • Whether or not the narrative report contains adequate disclosure in this area. • How the pension liabilities relating to these new staff are disclosed in the financial statements; and • Whether or not services have been transferred to WECA from other Local Authorities. 	<p>Our discussions in this area are still continuing.</p> <p>Management response</p> <p>TBC</p>
<p>The liabilities on the Authority's balance sheet include 'trade and other creditors' of £28.6m. We identified a number of material adjustments in this balance as noted in Appendix C.</p> <p>We therefore needed to extend our testing in this area.</p>	<p>At the time of writing, the errors identified included:</p> <ul style="list-style-type: none"> • An incorrect netting off of debtors and creditors due to a mis-posting (£1.8m). • An incorrect posting re the opening balances of the agency liability which overstated creditors and understated the agency liability (£4.6m). • A misclassification of grants received in advance (GRIA) balances to creditors. This overstated creditors and understated GRIA (£2.9m). • A number of smaller items which were collectively immaterial where expenditure incurred prior to the year end was incorrectly included within the liabilities on the balance sheet at the year end. <p>We also noted that the Authority did not use reversing journals for in-year accruals and this makes quality assurance over the management accounts difficult and hindered the audit process.</p>	<p>Our testing in this area is still in progress.</p> <p>Management response</p> <p>We have amended the financial statements to reflect the issues identified and have noted the recommendation made on page 22 of the report.</p> <p>Subsequent to this audit we have improved our controls going forward.</p>

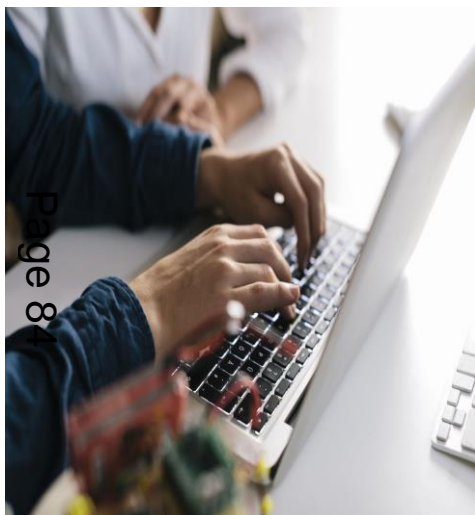
3. Financial Statements - other communication requirements

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

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Issue	Commentary
Matters in relation to fraud	We have previously discussed the risk of fraud with the Audit Committee. We have been discussing on ongoing Internal Audit investigation but have not been made aware of any other incidents in the period and no further issues have been identified during the course of our audit procedures.
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed. However, the Authority did update its financial statements to remove the transactions with North Somerset Council as this is not considered to be a related party.
Matters in relation to laws and regulations	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
Written representations	A letter of representation has been requested from the Authority, which is included in the Audit Committee papers.

3. Financial Statements - other communication requirements



Page 8

Issue	Commentary
Confirmation requests from third parties	We requested from management permission to send confirmation requests to its bankers and those organisations with whom the Authority has funds invested. This permission was granted and the requests were sent. Of these requests all that were returned contained positive confirmation, however one request was not received so we undertook alternative procedures, including verifying subsequent transactions.
Accounting practices	We have evaluated the appropriateness of the Authority's accounting policies, accounting estimates and financial statement disclosures. Our review found no material omissions in the financial statements.
Audit evidence and explanations/ significant difficulties	All information and explanations requested from management was provided.

3. Financial Statements - other communication requirements



Our responsibility

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

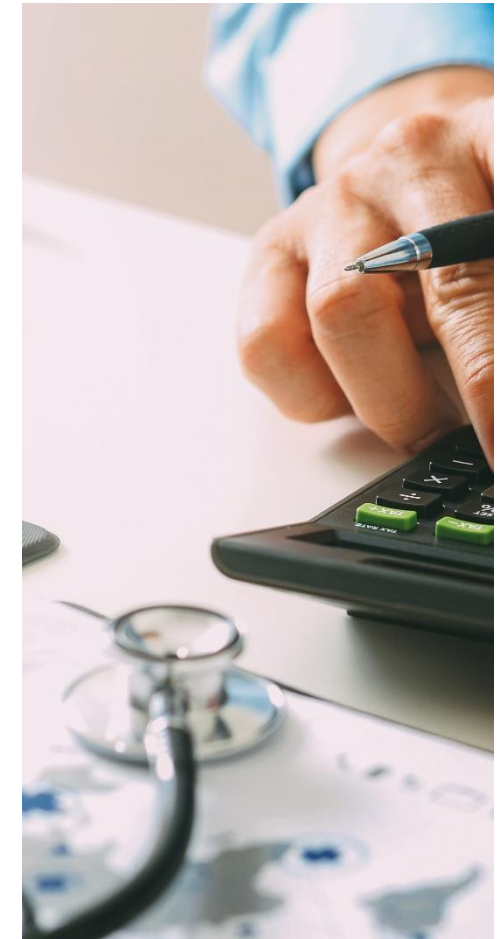
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Issue	Commentary
Going concern	<p>In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2020). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies.</p> <p>Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities:</p> <ul style="list-style-type: none"> the use of the going concern basis of accounting is not a matter of significant focus of the auditor's time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the entity's services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entities for many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting. Our consideration of the Authority's financial sustainability is addressed by our value for money work, which is covered elsewhere in this report. <p>Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by the Authority meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated:</p> <ul style="list-style-type: none"> the nature of the Authority and the environment in which it operates the Authority's financial reporting framework the Authority's system of internal control for identifying events or conditions relevant to going concern management's going concern assessment. <p>On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that:</p> <ul style="list-style-type: none"> a material uncertainty related to going concern has not been identified management's use of the going concern basis of accounting in the preparation of the Authority's financial statements is appropriate.

3. Financial Statements - other responsibilities under the Code

Issue	Commentary
Other information	<p>We are required to give an opinion on whether the other information published together with the audited financial statements, including the Annual Governance Statement and Narrative Report, is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p> <p>No inconsistencies have been identified to date. We therefore expect to issue an unmodified opinion in this respect – refer to Appendix E.</p>
Matters on which we report by exception	<p>We are required to report on a number of matters by exception in a number of areas:</p> <ul style="list-style-type: none"> • if the Annual Governance Statement does not comply with disclosure requirements set out in CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit, • if we have applied any of our statutory powers or duties. • where we are not satisfied in respect of arrangements to secure value for money and have reported one or more significant weaknesses. <p>Based on the work completed to date, we have nothing to report on these matters.</p>

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3. Financial Statements - other responsibilities under the Code

Issue	Commentary
Specified procedures for Whole of Government Accounts	<p>We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions.</p> <p>Note that no additional work is required as the Authority does not exceed the threshold set by the NAO.</p>
Certification of the closure of the audit	<p>We intend to delay the certification of the closure of the 2020/21 audit of the Authority in the audit report, as detailed in Appendix E, due to the fact we have yet to complete and report our Value for Money (VFM) work for 2020/21.</p> <p>This work will be finalised in line with the deadline specified by the NAO.</p>

4. 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.

- Auditors undertaking sufficient analysis on the Authority's VFM arrangements to arrive at 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 the three specified reporting criteria.



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.

Potential types of recommendations

A range of different recommendations could be made following the completion of work on the body's arrangements to secure economy, efficiency and effectiveness in its use of resources, which are 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.

4. VFM - our procedures and conclusions

We have not yet completed all of our VFM work and so are not in a position to issue our Auditor's Annual Report.

We expect to issue our Auditor's Annual Report by the Audit Committee meeting on 9 December 2021. This is in line with the National Audit Office's revised deadline, which requires the Auditor's Annual Report to be issued no more than three months after the date of the opinion on the financial statements.

As part of our work, we considered whether there were any risks of significant weakness in the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources. We did not identify any risks of significant weaknesses from our initial planning work and no new matters have come to light during our financial statements audit.

5. Independence and ethics

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

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard 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.

Details of fees charged are detailed in Appendix D

Transparency

Grant Thornton publishes an annual Transparency Report, which sets out details of the action we have taken over the past year to improve audit quality as well as the results of internal and external quality inspections. For more details see [Transparency report 2020 \(grantthornton.co.uk\)](https://www.grantthornton.co.uk)

Audit and non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams and no non-audit services were identified which were charged from the beginning of the financial year to 10 September 2021.

Appendices

A. Action plan – Audit of Financial Statements

We have identified one recommendation for the Authority as a result of issues identified during the course of our audit. We have agreed this recommendation with management and we will report on progress on it during the course of the 2021/22 audit. The matter reported here is limited to those deficiencies that we have identified during the course of our financial statements audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

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Assessment	Issue and risk	Recommendations
Purple	There were a number of issues identified regarding the accuracy of the Authority's creditors as noted on page 12 and in Appendix C.	<p>The Authority should improve the working papers and internal quality assurance over its working papers for creditors and the associated figures such as grants received in advance and the agency creditor.</p> <p>Consideration should be given to using auto-reversing journals for in-year accruals in order to improve the audit trail for the year-end figures.</p> <p>Management response</p> <p>We have implemented a newly developed reversing journal import template which the entire Finance Team have been instructed to use going forward. We are in the process of creating a detailed monthly balance sheet reconciliation review process for the accrued income and expenses and prepayments in order to improve the process throughout the year.</p>

Controls

- High – Significant effect on financial statements (purple)
- Medium – Limited Effect on financial statements (blue)
- Low – Best practice (grey)

B. Follow up of prior year recommendations

We identified the following issues in the audit of the Authority's 2019/20 financial statements, which resulted in three recommendations being reported in our 2019/20 Audit Findings report.

We have followed up on the implementation of our recommendations and a summary is attached below. Two of the recommendations will be followed up in more detail as part of our Value for Money assessment.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
Partially completed	<p>Preparation of financial statements</p> <p>We reported that good progress had been made in the arrangements for preparing the Authority's financial statements.</p> <p>We recommended that the Authority should continue the progress in enhancing the capacity and experience of its finance team.</p>	<p>The Authority has had a stable finance team throughout 2020/21 and its financial reporting has improved compared to earlier years. However, a number of material audit adjustments have been made as per Appendix C, and consequently we have raised a recommendation in Appendix A regarding this.</p>
TBC	<p>Medium Term Financial Forecast (MTFF)</p> <p>Although a robust MTFF had been developed, we recommended that this was updated to reflect the impact of the Covid-19 pandemic.</p> <p>We also recommended that management consider producing a single-page MTFP in order to provide a summary of the expected financial outturn.</p>	<p>A combined Authority Budget for 2021/22 and a Medium Term Financial Forecast covering the 2021/22 and 2022/23 were approved in January 2021.</p> <p>We will review this as part of our Value for Money work.</p>
TBC	<p>Measuring and monitoring performance</p> <p>We reported that good progress had been made in developing and embedding a performance framework.</p> <p>We recommended that the Authority should consider:</p> <ul style="list-style-type: none"> the use of RAG ratings to highlight changes in performance compared the previous year; and the impact of Covid-19 on the plans for achieving inclusive economic growth, addressing the climate emergency as well as a potential re-focus on its priorities. 	<p>The overarching objectives of the 2021/22 business plan include 'climate emergency' and 'recovery from Covid-19'.</p> <p>We will review the performance management arrangements as part of our Value for Money work.</p>

Assessment

✓ Action completed

X Not yet addressed

TBC To be followed up in more detail during our Value for Money assessment

C. Audit Adjustments

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

Impact of adjusted misstatements

All adjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year ending 31 March 2021.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000
As reported on pages 4 and 8, the Authority requested a new IAS19 report from its actuary. This materially changed the CIES and Statement of Financial Position figures relating to pensions, as the liability had increased by £4,491k.	£4,491	£4,491	£4,491
£4,624k relating to the opening balances of the agency liability was misposted to general creditors, overstating the creditors balance and understating the agency liability. A further balance of £1,580k of in-year LEP reversals had been posted to creditors but were attributable to the agency liability and therefore there was net change in the agency liability of £3,044k. There was no net impact on the Statement of Financial Position.	No net effect	£3,044	No net effect
Items which were grants received in advance were misclassified as general creditors, overstating the general creditors balance and understating the GRIA balance. There was no net impact on the Statement of Financial Position.	No net effect	£2,871	No net effect
£1,811k of in-year accruals were intended to be reversed but the reversal was misposted, materially reducing both the debtors asset and the creditors liability. There was no net impact on the Statement of Financial Position.	No net effect	£1,811	No net effect
Capital expenditure during the year had been coded to operating expenditure. At year end this was correctly reclassified as capital but this was done by increasing income instead of reducing expenditure. Both income and expenditure were incorrectly stated by £660k.	No net effect	£660	No net effect
During the audit, South Gloucestershire Council provided an updated business rates form with new balances attributable to WECA – the statements were updated accordingly to incorporate this	£141	£141	£141
Total	£4,632	£13,018	£4,632

C. Audit Adjustments

Misclassification and disclosure changes

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

Disclosure	Comments	Adjusted?
REFCUS and Capital Grants	REFCUS was understated in the Capital Adjustment Account (CAA) and Capital Financing Reserve (CFR) by £62k. Capital grants were understated in note 10 by £165k.	✓
Cash flow statement	Due to the above issues, the cash flow statement did not originally balance.	✓
Borrowings Investments	Borrowings and investments notes showed net movements rather than gross, obscuring material additions/disposals in the year.	✓
Pooled investment fund adjustment account	No disclosure made for the pooled investment fund adjustment account.	✓
Related parties	Transactions with North Somerset Council included in the related party transactions note, but NSC is not a related party.	✓
Financial Instruments	The financial instruments note sensitivity analysis which excluded sensitivities in relation to 2 property funds.	✓
Financial Instruments	The financial instruments note did not include a table presenting the change in the fair value hierarchy even though assets held at fair value transferred from level 2 to level 1 in year. There was no accounting policy to support this.	✓

C. Audit Adjustments



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Impact of unadjusted misstatements

The table below sets out what the potential impact the unadjusted errors and uncertainties identified during our audit could have when extrapolated across the entire population. This is not material and we would not expect the Authority to adjust for an extrapolated amount.

Detail

We identified a number of trivial errors within our creditors testing which, if extrapolated across the whole population would equate to £101k. We would not expect the Authority to adjust for this extrapolation.

Impact of prior year unadjusted misstatements

There were no adjustments identified during the prior year audit which had not been made within the final set of 2019/20 financial statements.

D. Fees

We confirm below our final fees charged for the audit and confirm there were no fees for the provision of non-audit or audited related services.

Audit fees	Proposed fee	Final fee
Authority Audit (per audit plan)	£39,384	£39,384
Additional work on revised actuarial report and updated financial statements*		TBC
Additional work required on creditors and agency liability*		TBC
Additional work as a result of Covid-19*		TBC
Total audit fees (excluding VAT)	£39,384	£TBC

The proposed fees per the audit plan agree to Note 13 of the Authority's financial statements.

- Note that any fee variations are subject to approval by Public Sector Audit Appointments Ltd (PSAA)
- PSAA is currently in the process for arranging fee rebates which are expected to be in the region of £5m nationally. MHCLG have stated their intention to provide financial support in respect of External Audit fees to all Local Authorities totalling £15m.

E. Audit opinion

Our audit opinion is included below.

We anticipate we will provide the Authority with an unmodified audit report

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

Report on the Audit of the Financial Statements

Opinion on financial statements

We have audited the financial statements of The West of England Combined Authority (the 'Authority') for the year ended 31 March 2021, which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2021 and of its expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law, as required by the Code of Audit Practice (2020) ("the Code of Audit Practice") approved by the Comptroller and Auditor General. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

E. Audit opinion

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the Director of Investment and Corporate Services and Chief Finance Officer's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Authority to cease to continue as a going concern.

In our evaluation of the Director of Investment and Corporate Services and Chief Finance Officer's conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21 that the Authority's financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the Authority. In doing so we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2020) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the Authority and the Authority's disclosures over the going concern period.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Authority's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the Director of Investment and Corporate Services and Chief Finance Officer's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

The responsibilities of the Director of Investment and Corporate Services and Chief Finance Officer with respect to going concern are described in the 'Responsibilities of the Authority, Director of Investment and Corporate Services and Chief Finance Officer and Those Charged with Governance for the financial statements' section of this report.

Other information

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

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

We have nothing to report in this regard.

E. Audit opinion

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

Under the Code of Audit Practice published by the National Audit Office in April 2020 on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with 'delivering good governance in Local Government Framework 2016 Edition' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

Opinion on other matters required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority, the other information published together with the financial statements in the Statement of Accounts for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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

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

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

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

As explained in the Statement of Responsibilities set out on pages 22 and 23, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Director of Investment and Corporate Services and Chief Finance Officer. The Director of Investment and Corporate Services and Chief Finance Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21, for being satisfied that they give a true and fair view, and for such internal control as the Director of Investment and Corporate Services and Chief Finance Officer's determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

E. Audit opinion

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Authority and determined that the most significant, which are directly relevant to specific assertions in the financial statements, are those related to the reporting frameworks (international accounting standards as interpreted and adapted by the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21, The Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015 and the Local Government Act 1972.
- We enquired of senior officers and the Audit Committee, concerning the Authority's policies and procedures relating to:
 - the identification, evaluation and compliance with laws and regulations;
 - the detection and response to the risks of fraud; and
 - the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.
- We enquired of senior officers, internal audit and the Audit Committee, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.

E. Audit opinion

- We assessed the susceptibility of the Authority's financial statements to material misstatement, including how fraud might occur, by evaluating officers' incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls. We determined that the principal risks were in relation to:

- journal entries posted by senior officers.

Our audit procedures involved:

- evaluation of the design effectiveness of controls that the Director of Investment and Corporate Services and Chief Finance Officer has in place to prevent and detect fraud;
- journal entry testing, with a focus on large and unusual journals and those posted by senior officers;
- assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.

- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. However, detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as those irregularities that result from fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.
- The team communications in respect of potential non-compliance with relevant laws and regulations, including the potential for fraud in revenue and expenditure recognition, and the significant accounting estimate related to the defined benefit pensions liability valuation.
- Assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's:
 - understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation
 - knowledge of the local government sector
 - understanding of the legal and regulatory requirements specific to the Authority including:
 - the provisions of the applicable legislation
 - guidance issued by CIPFA, LASAAC and SOLACE
 - the applicable statutory provisions.
- In assessing the potential risks of material misstatement, we obtained an understanding of:
 - the Authority's operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.
 - the Authority's control environment, including the policies and procedures implemented by the Authority to ensure compliance with the requirements of the financial reporting framework.

E. Audit opinion

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

Matter on which we are required to report by exception – the Authority’s arrangements for securing economy, efficiency and effectiveness in its use of resources

Under the Code of Audit Practice, we are required to report to you if, in our opinion, we have not been able to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2021.

Our work on the Authority’s arrangements for securing economy, efficiency and effectiveness in its use of resources is not yet complete. The outcome of our work will be reported in our commentary on the Authority’s arrangements in our Auditor’s Annual Report. If we identify any significant weaknesses in these arrangements, these will be reported by exception in a further auditor’s report. We are satisfied that this work does not have a material effect on our opinion on the financial statements for the year ended 31 March 2021.

Responsibilities of the Authority

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

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

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

We undertake our review in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in April 2021. This guidance sets out the arrangements that fall within the scope of ‘proper arrangements’. When reporting on these arrangements, the Code of Audit Practice requires auditors to structure their commentary on arrangements under three specified reporting criteria:

- Financial sustainability: how the Authority plans and manages its resources to ensure it can continue to deliver its services;
- Governance: how the Authority ensures that it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness: how the Authority uses information about its costs and performance to improve the way it manages and delivers its services.

We document our understanding of the arrangements the Authority has in place for each of these three specified reporting criteria, gathering sufficient evidence to support our risk assessment and commentary in our Auditor’s Annual Report. In undertaking our work, we consider whether there is evidence to suggest that there are significant weaknesses in arrangements.

E. Audit opinion

Report on other legal and regulatory requirements – Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate for The West of England Combined Authority for the year ended 31 March 2021 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have completed our work on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources and issued our Auditor's Annual Report.

Use of our report

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

Signature:

Jon Roberts, Key Audit Partner

for and on behalf of Grant Thornton UK LLP, Local Auditor

Bristol

Date:

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West of England Combined Authority

Statement of Accounts

For the year ended 31st March 2021

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UNAUDITED

Introduction

Overview

This is a report looking at activity for the financial year 20/21. As a retrospective account, it reflects priorities for previous Mayor and administration. A new Metro Mayor was elected in May 2021 and the West of England Combined Authority is now refreshing its strategies and priorities in line with his manifesto commitments.

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

As the pandemic hit in March 2020, 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 Recovery Taskforce in May 2020, 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 included 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 built 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 Committee, committed £9.395m for recovery activity during the financial year across business support, skills and employment initiatives. At that time, this took 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.

West of England Combined Authority

Climate Emergency Action Plan

We declared a Climate Emergency in July 2019 and published our first Climate Emergency Action Plan in October 2020.

We are delivering 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.

This action plan identified five high level challenge areas:

- **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

Infrastructure

COVID-19 had a huge impact on the way we travel. As the regional transport authority, WECA 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 to 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

West of England Combined Authority

- 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.
- 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. To date, this has included £55m at Temple Quarter, £32 million at Bath Quays, £64m at Avonmouth and £12m at Somer Valley.

Business support

During 2020/21, 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. This helped more businesses access the funding, loans and support they need to adapt and survive.

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.

We 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](#) setting out all the support

West of England Combined Authority

available. Following excellent feedback from our business community this is being regularly updated.

Skills and employment

In response to the pandemic, we expanded our career coaching and support service, Future Bright, to help people whose jobs and income were affected.

We also expanded the Careers Hub which helps young people get better careers advice. This now includes engaging young people in low carbon and green careers, to 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 improve digital skills to benefit residents and businesses, and Workforce for the Future – supporting businesses to identify ongoing skills needs and invest in their workforce.

Through our Employability and Skills portal, we worked 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 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 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 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.

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.

The Combined Authority is led by the Metro Mayor, with the membership of the Combined Authority committee also including the leaders of three councils – Bath & North East Somerset, Bristol and South Gloucestershire. The Combined Authority 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.

Aims, objectives and achievements

During 2020/21 the West of England Combined Authority focussed on responding to COVID-19, whilst continuing to align with the aims of our region's Local Industrial Strategy - to be a driving force for clean, inclusive growth.

The [Regional Recovery Plan](#) published in October 2020, set out five key ambitions:

West of England Combined Authority

- 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.

Business Plan 2021/22

Our [Business Plan](#) was published in January 2021, and builds on our [Local Industrial Strategy](#), [Climate Emergency Action Plan](#) and [Regional Recovery Plan](#).

It sets out how we will achieve our ambitions by investing in three priorities areas – infrastructure, skills and business.

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.

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.

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

West of England Combined Authority

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.

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Performance

The Combined Authority’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:



- 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 31st 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 take 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

West of England Combined Authority

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.

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.

West of England Combined Authority

- **Mayoral Fund**

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

Mayoral Fund April to March 2021			
	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
	244	203	(41)
Mayoral Election Costs	396	396	0
Payment to Reserve	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
	17,572	17,572	0
Total Expenditure	18,212	18,212	0
Income			
Business Rates Retention Pilot	17,572	17,572	0
Government Grant	0	0	0
Funding Contribution from WECA	640	640	0
Total Income	18,212	18,212	0
NET TOTAL - Under / (Over) Spent	0	0	0

West of England Combined Authority

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-19 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-19 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.

UNAUDITED

West of England Combined Authority

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

WECA Fund April to March 2020/21			
EXPENDITURE	Budget £'000s	Outturn £'000s	Variance £'000s
Staff			
Core Staff	4,896	5,184	288
Integrated Transport Authority Team	892	765	(127)
Project Staff	1,300	1,094	(206)
Total Staff	7,088	7,043	(45)
Supplies & Services			
Premises Services	464	334	(130)
Support Services	44	8	(36)
Supplies & Services	761	817	56
Total Supplies & Services	1,269	1,159	(110)
Project Spend	25,808	23,707	(2,101)
ICT Implementation	297	586	289
Transport Functions			
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)
Total Transport Functions	19,825	25,226	5,401
Contribution to Mayoral Fund	640	640	0
Overheads	(451)	(909)	(458)
Departmental Recharges	(1,644)	(1,391)	253
Payment to Reserves	204	2,207	2,003
Total Expenditure	53,036	58,268	5,232
INCOME			
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
Total Income	53,036	59,395	6,359
NET TOTAL – Under / (Over) Spent	0	1,127	1,127

West of England Combined Authority

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-19 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.

West of England Combined Authority

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

	Funding Awards and Allocations £000s	
	Dec 2020	Jan 2021
Transport Infrastructure		
Approved Awards and Allocations	67,485	71,482
Associated 'tail' required to deliver all projects up to March 2023	47,445	43,448
Total Investment in Transport Infrastructure	114,930	114,930
Housing, High Streets and Green Infrastructure		
Approved Awards and Allocations	87,513	92,773
Associated 'tail' required to deliver all projects up to March 2023	26,494	26,494
Total Investment in Housing Infrastructure	114,007	119,267
Business and Skills		
Approved Awards and Allocations	80,070	80,070
Associated 'tail' required to deliver all projects up to March 2023	18,854	18,854
Total Investment in Business and Skills Infrastructure	98,924	98,924
Opportunities and Challenges / Other		
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
Total Investment Programme up to March 2023	350,000	350,000
Total Investment Programme post March 2023	31,189	32,841

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 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
	22,898	7,666	15,232
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
	2,650	562	2,088
Mayoral Capital			
Highways and Transport Grants	17,572	17,572	-
Pothole Action Fund Grant	8,519	8,519	-
	26,091	26,091	-
Grand Total	51,639	34,319	17,320

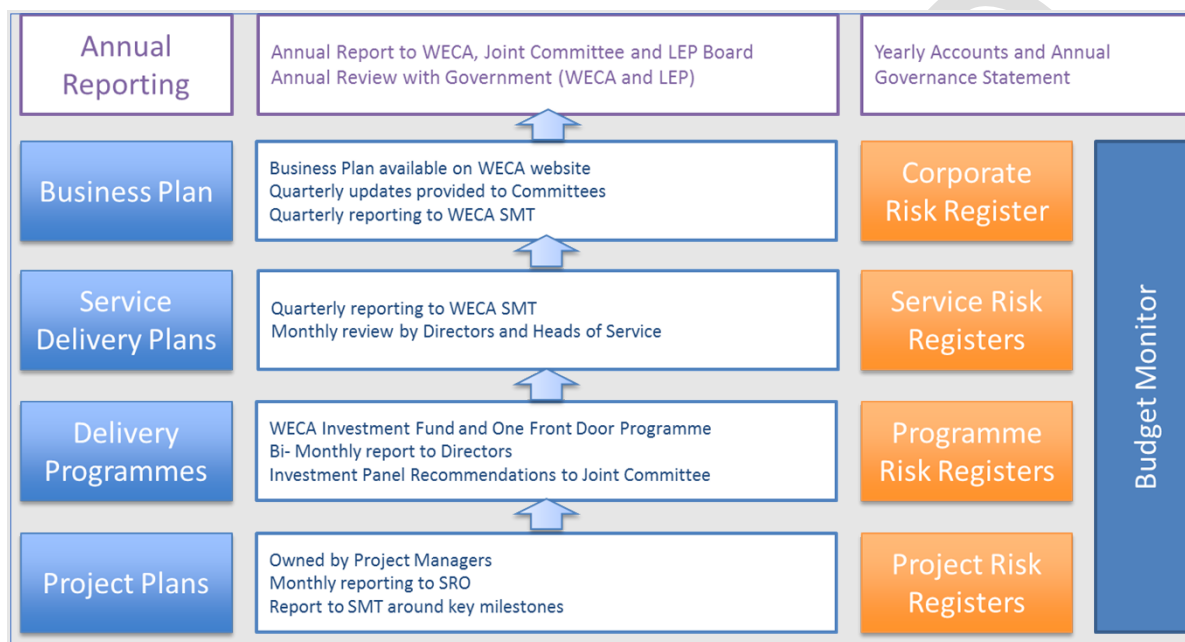
The reduced capital spend primarily reflects the re-phasing of activities in relation to the various schemes which are taking place slightly later than originally planned. The main variances at the end of March were contained within the Cribbs Patchway MetroBus extension capital scheme due to the switch in funding for the programme to the Local Growth Funding. Unlocking Lockleaze also had a £3m allocation which is awaiting funding conditions requirements.

West of England Combined Authority

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 the Management Team (Senior 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 Committees.

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

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

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 has been profiled across financial years up 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 £000s	2021/22 £000s	2022/23 £000s	2023/24 £000s	2024/25 £000s	Total £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
WECA Managed Revenue Budgets	54,250	52,077	47,668	43,963	41,210	239,168
Investment Fund (UA and third parties)	7,906	4,635	5,875	4,302	36	22,754
Total WECA Revenue Budget	62,156	56,712	53,543	48,265	41,246	261,922

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.

West of England Combined Authority

Statement of Accounts 2020/21

The Statement of Accounts which follows set out the Authority's income and expenditure for the year and its financial position as at 31 March 2021. It is prepared on a single entity basis in accordance with the requirements of the Accounts and Audit Regulations 2015. The format and content of the statements is prescribed by the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 (the Code). This is based on International Financial Reporting Standards (IFRSs) adapted for use in a local government sector context.

The Statement of Accounts comprises:

- **Comprehensive Income and Expenditure Statement:**

This statement shows the accounting cost of providing services in the year, according to the Code. An adjustment is required to be made between the accounting basis and the funding basis due to the different accounting treatments for capital grants and pension costs, further details of which are shown in the Movement in Reserves Statement.

- **Movement in Reserves Statement:**

This statement shows the movement of the different reserves in the year. These are analysed between 'usable reserves' (those that can be applied to fund expenditure) and 'unusable reserves' (those allocated for specific statutory responsibilities).

- **Balance Sheet:**

The Balance Sheet shows the value of the assets and liabilities of WECA. The net assets (assets less liabilities) are matched by the reserves held.

- **Cash Flow Statement:**

The Cash Flow Statement shows the changes in cash and cash equivalents during the year. The statement shows how the Combined Authority generates and uses cash and cash equivalents by classifying the cash flows as operating, investing and financing activities.

- **Statement of Accounting Policies:**

Sets out the accounting policies that have been followed in preparing the financial statements and how Code requirements have been met in practice.

- **Disclosure Notes:**

These provide more detail about individual transactions and balances.

West of England Combined Authority

Governance

Governance arrangements continue to be strengthened under the political leadership of the West of England Mayor ably supported by an experienced Senior Management Team of Officers. WECA have an established constitution, clear financial regulations and delegations and established policies and procedures for managing risks, fraud and freedom of information requests

Further details of our governance arrangements are set out in the Annual Governance Statement that can be found on pages 23 to 32; a formal statement that covers all significant corporate systems, processes and controls, spanning the whole range of its activities. It is approved by the Audit and Accounts Committee and signed by the Authority's Chief Executive and the Mayor.

Auditors

Grant Thornton UK LLP are the auditors of the WECA for 2019/20. Their appointment was made under the Local Audit and Accountability Act 2014 through Public Sector Audit Appointments.

On behalf of the Combined Authority

Malcolm Coe
Director of Investment & Corporate Services

Date: 30th July 2021

Statement of Responsibilities

1. The Authority's Responsibilities

The Authority is required to:

- (i) Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. These responsibilities are discharged through the role of the Chief Finance Officer (CFO) Malcolm Coe in the role of Director of Investment and Corporate Services
- (ii) Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- (iii) Approve the Statement of Accounts.

2. The CFO's Responsibilities

The CFO is responsible for the preparation of the Combined Authority's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

In preparing this Statement of Accounts, the CFO has:

- Selected suitable accounting policies and then applied them consistently
- Made judgements and estimates that were reasonable and prudent.
- Complied with the Local Authority Code.

The CFO has also:

- Kept proper accounting records which were up to date
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

3. Certification of the financial statements

I certify that this Statement of Accounts gives a true and fair view of the financial position of the West of England Combined Authority at the reporting date and of its income and expenditure for the period ended 31 March 2021.

Malcolm Coe
Director of Investment and Corporate Services and Chief Finance Officer
Date: 30th July 2021

4. Approval of the financial statements

I certify that this Statement of Accounts for the period ended 31 March 2021 was approved by a resolution of WECA Audit Committee at its meeting on

Chair, West of England Combined Authority Audit Committee

Date:

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.

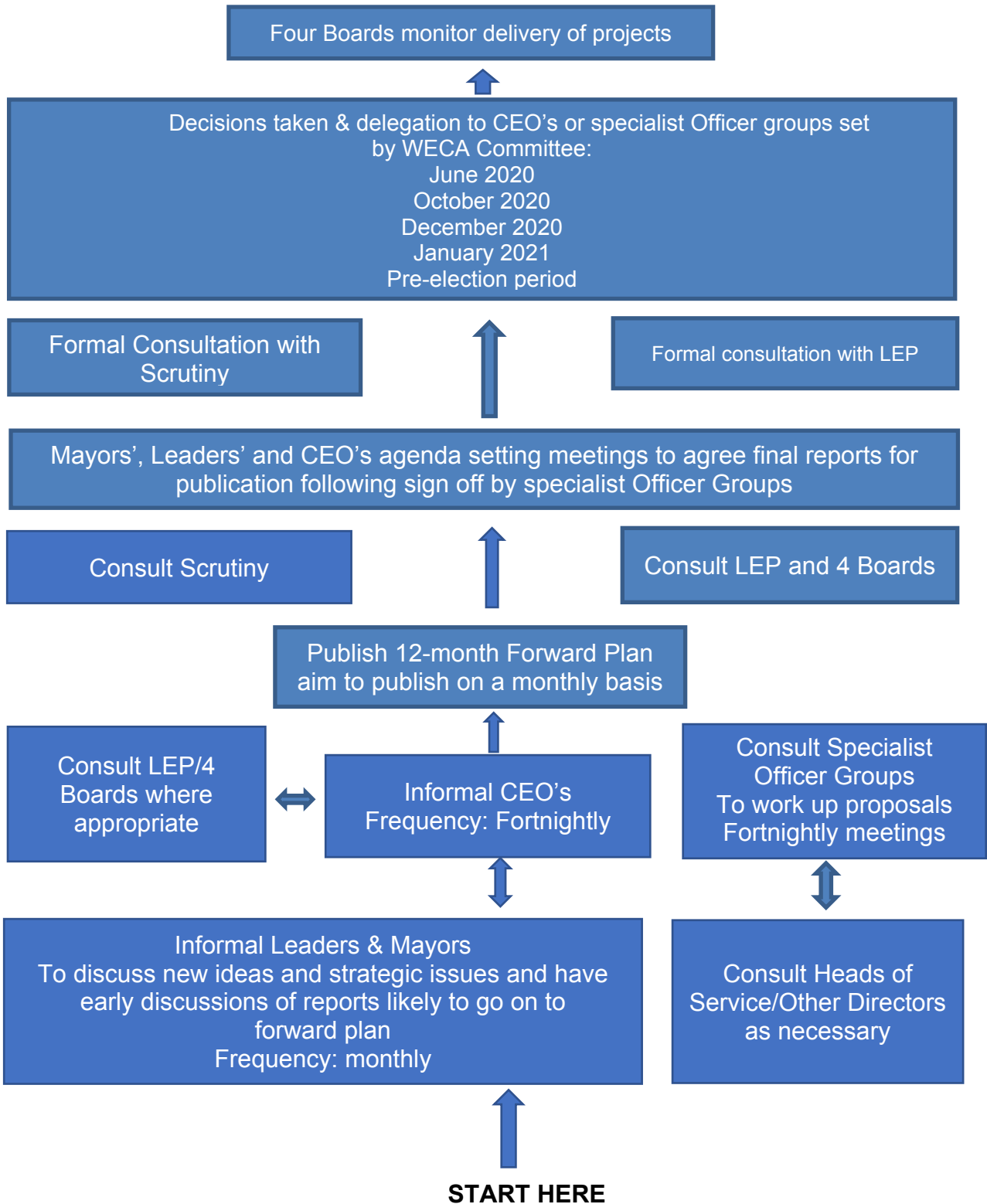
2.8 To supplement formal committees there are a number of established senior officer and member forums which facilitate full engagement and consultation on all significant issues and decisions for committee consideration. *Figure 1* details the governance structure for both formal member meetings and 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 (Fol) 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.

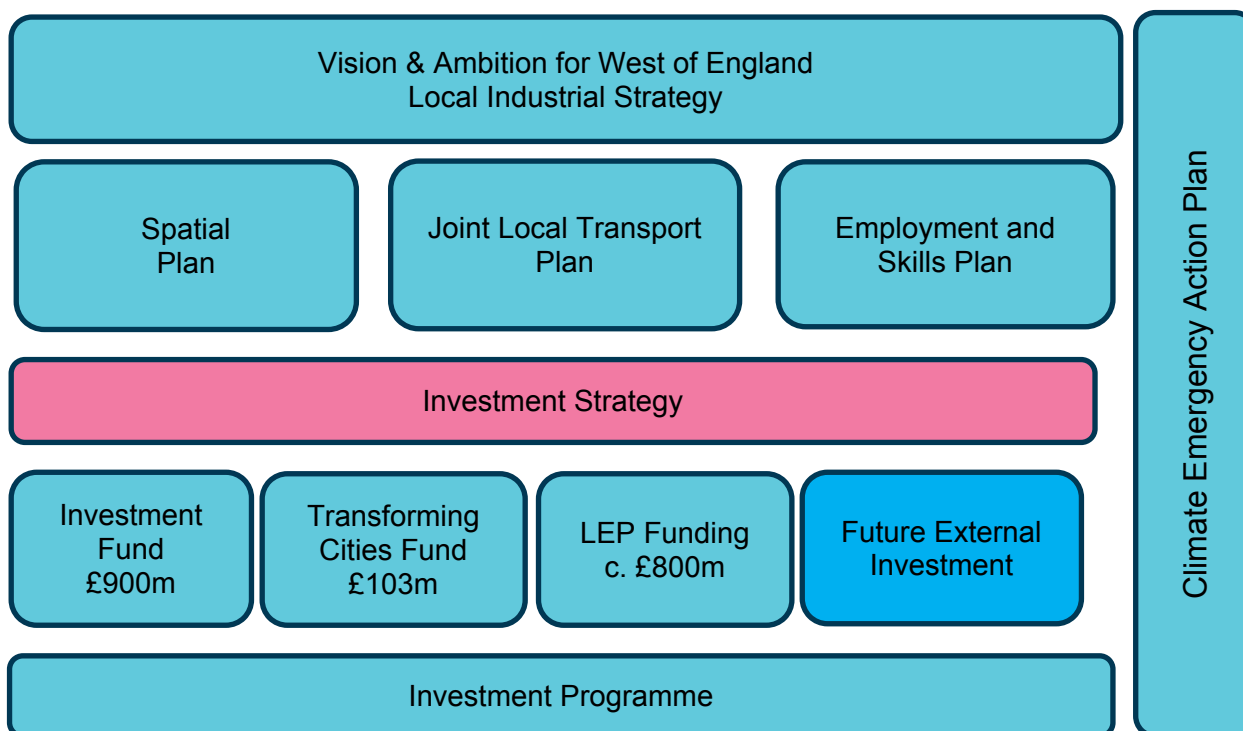
WECA Director of Infrastructure holds regular meetings with his counterparts within the neighbouring Unitary Councils to determine the priority interventions required for transportation and housing enabling - working jointly to develop a coherent regional investment programme. A similar process is facilitated 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.

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SIGNED BY:

DAN NORRIS

WEST OF ENGLAND METRO 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>Coronavirus/COVID-19 Impacts: 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</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"> a) Rebuild business to help new and existing businesses to survive and thrive in order to safeguard existing and create new jobs. 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. 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.

West of England Combined Authority (WECA)

Annual Governance Statement (continued)

	Issues identified in 2020/21	Commentary & Mitigating actions for 2020/21
	<p>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>d) Green recovery to use the changes in behaviour brought about by the pandemic to accelerate our transition to net zero carbon.</p> <p>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.</p>

Update on Previous Year – 2019/20

	Issues identified in 2019/20	Update on Mitigating actions delivered through 2020/21
1	<p>Coronavirus: 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"> • Refreshed WECA business continuity arrangements; • Ensured that core groupings of staff are able to process and authorise financial information remotely; • Equipped all WECA staff for effective homeworking; • Regular updates and communications provided to staff; • All relevant WECA events were re-scheduled as virtual sessions; • Maintained effective networks with neighbouring Unitary Councils and other Combined Authorities in terms of controls put in place in response to coronavirus;

West of England Combined Authority (WECA)

Annual Governance Statement (continued)

	Issues identified in 2019/20	Update on Mitigating actions delivered through 2020/21
		<ul style="list-style-type: none"> • Incorporated climate change considerations within WECA decision making processes; • Successfully facilitated, and enabled, virtual meetings of full WECA Committee and WECA Scrutiny Committee
2	<p>Robustness of the Statement of Accounts: 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"> • Conducted ‘lessons learnt’ sessions to identify improvements needed for the 2019/20 accounts closedown process – subsequently developed a finance improvement plan; • Increased in-house finance capacity in WECA and reduced reliance on external contractors for drafting a full set of accounts; • Commissioned, and developed, a new version of the Agresso finance system through a new ICT provider, Agilisys; • Commissioned expertise to help design the new finance system with a clear focus on improving automation and reducing reliance on manual systems; • Engaged CIPFA as technical experts, to supplement internal finance capacity, on specific elements of 2019/20 technical accounting identified as being high risk.

West of England Combined Authority (WECA)

Independent Auditor's Report

HOLD

Independent Auditor's Report
UNAUDITED

West of England Combined Authority (WECA)

Independent Auditor's Report

HOLD

Independent Auditor's Report
UNAUDITED

West of England Combined Authority (WECA)

Independent Auditor's Report

HOLD

Independent Auditor's Report
UNAUDITED

Comprehensive Income and Expenditure Statement

For the year ended 31 March 2021

The Comprehensive Income and Expenditure Statement shows the accounting cost in the year of providing the Combined Authority's services in accordance with generally accepted accounting practices, rather than the amount to be funded from resources. The reconciliation from the accounting cost to the funding position is shown in both the Expenditure and Funding Analysis and the Movement in Reserves Statement.

	Gross Expenditure £'000	Gross Income £'000	2019/20 Net Expenditure £'000		Notes	Gross Expenditure £'000	Gross Income £'000	2020/21 Net Expenditure or (Income) £'000
56,799	(16,632)	40,167	Combined Authority Services	6	80,048	(32,558)	47,490	
19,565	(1,066)	18,499	Mayoral Fund	7	18,067	(640)	17,427	
76,364	(17,698)	58,666	Cost of services		98,115	(33,198)	64,917	
61	306	367	Financing and investment income and expenditure	8	194	(4,120)	(3,926)	
2,965	(60,349)	(57,384)	Taxation and non-specific grant income and expenditure	9	3,300	(65,693)	(62,393)	
79,390	(77,741)	1,649	(Surplus) or deficit on provision of services		101,609	(103,011)	(1,402)	
		-	Fair value movement on financial assets		-	-	-	
		2,990	Remeasurement of the net defined benefit liability	27	-	-	5,792	
		2,990	Other comprehensive (income) and expenditure		-	-	5,792	
		4,639	Total comprehensive (income) and expenditure	-	-	-	4,390	

Movement in Reserves Statement

For the year ended 31 March 2021

The Movement in Reserves Statement shows the movement in the year on the different reserves held by the Combined Authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure) and 'unusable reserves' (i.e. those allocated for specific purposes). This statement shows how the movements in the year are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts to be funded from resources.

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	Usable reserves			Unusable reserves						Total reserves £'000
	General fund balance £'000	Ear-marked reserves (note 24) £'000	Total usable reserves £'000	Pooled Investment Fund Adjustment Account £'000	Accumulated Absences Account £000	Collection Fund Adjustment Account £000	Capital adjustment account £'000	Pensions reserve £'000	Total unusable reserves £'000	
Balance at 31 March 2019	989	3,993	4,982	(342)	(28)	(42)	928	(2,715)	(2,199)	2,783
Movements in reserves										
Total comprehensive income and expenditure	(1,649)	-	(1,649)	-	-	-	-	(2,990)	(2,990)	(4,639)
Adjustments between accounting basis under regulations	3,432	-	3,432	(2,348)	-	(86)	(137)	(861)	(3,432)	-
Increase before transfer to earmarked reserves	1,783	-	1,783	(2,348)	-	(86)	(137)	(3,851)	(6,422)	(4,639)
Transfers (from)/to reserves	(1,134)	1,134	-	-	-	-	-	-	-	-
Movement in reserves in the year	649	1,134	1,783	(2,348)	-	(86)	(137)	(3,851)	(6,422)	(4,639)
Balance at 31 March 2020	1,638	5,127	6,765	(2,690)	(28)	(128)	791	(6,566)	(8,621)	(1,856)
Movements in reserves										
Total comprehensive income and expenditure	1,402	-	1,402	-	-	-	-	(5,792)	(5,792)	(4,390)
Adjustments between accounting basis under regulations	9,427	-	9,427	1,693	(85)	(9,747)	132	(1,420)	(9,427)	-
Increase before transfer to earmarked reserves	10,829	-	10,829	1,693	(85)	(9,747)	132	(7,212)	(15,219)	(4,390)
Transfers (from)/to reserves	(10,514)	10,514	-	-	-	-	-	-	-	-
Movement in reserves in the year	315	10,514	10,829	1,693	(85)	(9,747)	132	(7,212)	(10,291)	(4,390)
Balance at 31 March 2021	1,953	15,641	17,594	(997)	(113)	(9,875)	923	(13,778)	(23,840)	(6,246)

Balance Sheet as at 31 March 2021

Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Combined Authority. The net assets (assets less liabilities) are matched by the reserves held by the Combined Authority. Reserves are reported in two categories — usable and unusable. Usable reserves are those that may be used to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use. Unusable reserves are those that the Combined Authority is not able to use for the provision of services. This category of reserves includes reserves that hold unrealised gains and losses and reserves that hold timing differences in capital investment (the Capital Adjustment Account).

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West of England Combined Authority (WECA)

		2021	2020
	Note	£'000	£'000
Intangible assets	14	424	507
Property, plant and equipment	15	499	285
Long-term investments	16	45,434	-
Long term assets		46,357	792
Short-term investments	17	175,548	128,601
Trade and other debtors	18	18,177	4,943
Financial assets at fair value through other comprehensive income	29	-	-
Financial assets at fair value through income and	29	32,966	21,274
Cash and cash equivalents	19	25,726	27,302
Current assets		252,417	182,120
Short Term Loans	20	(20,005)	
Trade and other creditors	21	(23,373)	(15,005)
Grant receipts in advance - revenue	10	(57,994)	(48,990)
Current liabilities		(101,372)	(74,749)
Net current assets		151,045	107,371
Grant receipts in advance - capital	10	(99,425)	(58,506)
Net pensions liability	27	(13,778)	(6,566)
Provisions	23	(3,067)	(3,092)
Agency creditor	22	(87,376)	(41,853)
Non-current liabilities		(203,646)	(110,017)
Net assets/(liabilities)		(6,244)	(1,854)
General fund balance	24	1,956	1,638
Earmarked reserves	24	15,641	5,127
Usable reserves		17,597	6,765
Pooled Investment Fund Adjustment Account	25	(997)	(2,689)
Accumulated Absences Account		(113)	(28)
Collection Fund Adjustment Account	25	(9,875)	(128)
Capital adjustment account	25	923	792
Pensions reserve	25	(13,778)	(6,566)
Unusable reserves	25	(23,840)	(8,619)
Total reserves		(6,244)	(1,854)

West of England Combined Authority (WECA)

The financial statements were approved and authorised for issue by:

Malcolm Coe
Director of Investment and Corporate Services and Chief Finance Officer
Date: 30th July 2021

UNAUDITED

Cash Flow Statement

For the year ended 31 March 2021

The Cash Flow Statement shows the changes in cash and cash equivalents of the Combined Authority during the reporting period. The statement shows how the Combined Authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations are funded by way of grant income or from the recipients of services provided by the Combined Authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Combined Authority's future service delivery.

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West of England Combined Authority (WECA)

	Note	2021 £'000	2020 £'000
Net (Deficit)/surplus on the provision of services		1,402	(1,649)
Adjustments to net surplus or deficit on the provision of services for non-cash movements			
Depreciation of property, plant and machinery	15	191	121
Amortisation of intangible assets	14	344	277
Release of impairment on investments		24	(18)
Change in pensions reserves	27	1,420	861
Increase in trade and other debtors	18	(13,234)	1733
Increase in trade and other creditors	21	12,619	4516
Decrease in provisions	23	(25)	232
Increase in agency creditor	22	45,523	(34,852)
Net interest receivable	8	(4,120)	306
Interest received		2,023	2,018
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and			
Capital grants received	10	(23,383)	(24,062)
Net cash flows from operating activities		22,784	(50,516)
Investing activities			
Purchase of property, plant and machinery	15	(405)	(70)
Purchase of intangible assets	14	(261)	(192)
Capital grants received for the purchase of property, plant and equipment	10	23,383	24,062
Increase in long and short-term investments	16,1	(92,000)	(12,000)
Increase in financial assets at fair value through other comprehensive income	29	(10,000)	(14,000)
Net cash flows from investing activities		(79,283)	(2,200)
Financing activities			
Increase in capital grants receipts in advance	10	40,919	9,654
Increase in revenue grants receipts in advance	10	9,004	11,501
Increase in short term loans	20	5,000	15,000
Net cash flows from financing activities		54,923	36,155
Net increase or decrease in cash and cash equivalents	19	(1,576)	(16,561)
Cash and cash equivalents at 1 April	19	27,302	43,863
Cash and cash equivalents at 31 March	19	25,726	27,302

Notes to the Financial Statements

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West of England Combined Authority (WECA)

1. Basis of preparation

a) General principles

The Statement of Accounts summarises the West of England Combined Authority's (WECA) transactions for the financial year 2020/21 and its position as at 31 March 2021. The Authority is required to prepare an Annual Statement of Accounts in accordance with the Accounts and Audit Regulations 2015 which require the financial statements to be completed in accordance with proper accounting practices. These practices primarily comprise the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 (the Code), supported by International Financial Reporting Standards (IFRS).

b) Basis of preparation

The accounting convention adopted by the Statement is principally historic cost, modified by the revaluation of certain categories on non-current assets and financial instruments in accordance with the Code.

c) Going concern

The Statement of Accounts has been completed on a going concern basis as it is considered that the activities will continue in operational existence for the foreseeable future by meeting the Authority's liabilities as they fall due for payment.

d) Changes in accounting policies and disclosures

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Authority's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

e) Accounting Standards issued but not yet adopted

The Code of Practice on Local Authority Accounting in the United Kingdom (the Code) requires changes in accounting policy to be applied retrospectively unless alternative transitional arrangements are specified in the Code.

The Code requires local authorities to disclose information relating to the impact of an accounting change that will be required by a new standard under the International Financial Reporting Standard (IFRS) that has been issued but not yet adopted by the Code. The accounting standards that are to be introduced in the 2021/22 CIPFA Code of Practice are:

- Definition of a Business: Amendments to IFRS 3 Business Combinations
- Interest Rate Benchmark Reform: Amendments to IFRS 9, IAS 39 and IFRS 7
- Interest Rate Benchmark Reform –Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16.

Most of these standards will not be applicable to the Authority. For those standards that apply, they are not anticipated to have a material impact on the financial statements.

CIPFA/LASAAC has deferred implementation of IFRS16 Leases for local government to 1st April 2022. The standard will require authorities that are lessees to recognise most leases on their balance sheet as right of use assets with corresponding lease liabilities. The estimated impact of this standard is not yet known.

2. Significant accounting policies

Taxation

Corporation, income and capital gains tax

The Combined Authority is exempt from corporation, income and capital gains tax by virtue of regulations section 74 of the Local Government Finance Act 1988.

Value added tax (VAT)

VAT payable is included as an expense only to the extent that it is not recoverable from HMRC. VAT receivable is excluded from income.

Irrecoverable VAT on the purchase of assets or services is recognised as an expense in the Comprehensive Income and Expenditure statement.

a) Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Revenue from the sale of goods is recognised when the Authority transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
- Revenue from the provision of services is recognised when the Authority can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
- Supplies are recorded as expenditure when they are received. There are no material supplies where there is a gap between the date supplies are received and their consumption, which would require them to be carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments is accounted for as income on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- The Authority has determined that transactions occurring in respect of the collection of Non- Domestic Rates arise from non-exchange transactions and IPSAS 23 may be applied in accounting for these.

WECA does not engage in any material transactions that would meet the definition of a contract under IFRS 15.

Details regarding the accounting treatment for agency income and expenditure is provided in note 3.

b) Government grants and other contributions

Grants and contributions are accounted for on an accruals basis and recognised immediately in the Comprehensive Income and Expenditure Statement, except to the extent that the grant or contribution has a condition that the Combined Authority has not satisfied. Where a grant has been received and conditions remain outstanding at the Balance Sheet date, the grant is recognised in the Balance Sheet as grants receipts in advance. Once the condition has been met, the grant or contribution is transferred from grants receipts in advance and recognised as income in the Comprehensive Income and Expenditure Statement.

With respect to capital grants, if the expenditure to be financed from the grant has been incurred at the Balance Sheet date, the grant is transferred from the general fund to the Capital Adjustment Account via the Movement in Reserves Statement. If the expenditure has not been incurred at the Balance Sheet date, the grant is transferred from the general fund to the capital grants unapplied reserve via the Movement in Reserves Statement. When the expenditure is incurred, the grant is transferred from the general fund to the Capital Adjustment Account via the Movement in Reserves Statement.

With respect to revenue grants, if the expenditure has not been incurred at the Balance Sheet date, the grant is transferred from the general fund to earmarked reserves via the Movement in Reserves Statement. When the expenditure is incurred, the grant is transferred back via the Movement in Reserves Statement.

c) Revenue expenditure funded from capital under statute

Revenue expenditure funded from capital under statute (REFCUS) is expenditure of a capital nature that does not result in the creation of a non-current asset on the Balance Sheet. The Combined Authority receives grants from Central Government which it administers and passes onto Constituent Authorities. This expenditure is included within REFCUS.

REFCUS is charged to the Cost of Services as the expenditure is incurred and reversed out through the Movement in Reserves Statement and a transfer made to the Capital Adjustment Account.

d) Pensions scheme

Employees of the Combined Authority are members of the Avon Pension Fund.

Pension costs have been charged to the Comprehensive Income and Expenditure Statement and the Combined Authority's share of the fund's assets and liabilities are recognised in the Balance Sheet in accordance with IAS 19. The Comprehensive Income and Expenditure Statement has therefore been charged with the full cost of providing for future pension liabilities arising from in year service.

In the Movement in Reserves Statement an appropriation equal to the difference between this amount and the actual employer's pension contribution is made to the Pensions Reserve, so that any additional costs arising from applying IAS 19 do not impact on the amount to be levied on the Local Authorities, and therefore ensuring no additional impact on local taxation. This appropriation is made under the general application of the Code. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the general fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits earned by employees.

e) Financial assets

The Combined Authority's financial assets include trade debtors, long-term investments, short-term investments and cash and cash equivalents.

Classification

The Combined Authority classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss); and
- those to be measured at amortised cost.

The classification depends on the Combined Authority's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will be recorded either in profit or loss or in OCI.

For investments in equity instruments that are not held for trading, this will depend on whether the Combined Authority has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The Combined Authority reclassifies debt investments when and only when its business model for managing those assets changes.

Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade date (that is, the date on which the Combined Authority commits to purchase or sell the asset). Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Combined Authority has transferred substantially all the risks and rewards of ownership.

Subsequent measurement

At initial recognition, the Combined Authority measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Trade debtors are recognised and carried at invoice or contract value, less an allowance for any amounts which may not be collectible. Should such an amount become uncollectible, it is written off to the Comprehensive Income and Expenditure Statement in the period in which it is recognised.

Cash and cash equivalents

Cash is represented by deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash Equivalents are highly liquid investments that mature in three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

f) Fair Value Measurement

The Combined Authority measures some of its assets at fair value at the end of the reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

- i) In the principal market for the asset or liability, or
- ii) In the absence of a principal market, in the most advantageous market for the asset or liability.

The Combined Authority measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The Combined Authority uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Inputs to the valuation techniques in respect of the Combined Authorities fair value measurement of its assets and liabilities are categorised within the fair value hierarchy as follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the authority can access at the measurement date.

Level 2 – inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly or indirectly.

Level 3 – unobservable inputs for the asset or liability.

g) Financial liabilities

The financial liabilities of the Combined Authority consist of trade creditors.

Classification

Finance liabilities within the scope of IFRS 9 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge. The Authority determines the classification of its financial liabilities at initial recognition.

Recognition and derecognition

All financial liabilities are recognised initially at fair value.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Subsequent measurement

Subsequent to initial recognition trade creditors are recognised and carried at invoice or contract value, which is materially equivalent to measurement at amortised cost using the effective interest method. Should an amount become non-payable, it is written back to the Comprehensive Income and Expenditure Statement in the period in which it is recognised.

Financial assets and liabilities are offset and the net amount presented in the Balance Sheet when, and only when, the Combined Authority has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

h) Property, plant and equipment

Recognition and measurement

All assets are measured at depreciated historical cost (as a proxy for current

value), the carrying value is the initial cost less accumulated depreciation. Depreciation is calculated on a straight line basis over the expected useful life.

Cost includes expenditure that is directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the assets to a working condition for their intended use.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment. The Combined Authority has a de-minimis level for capitalisation of £5,000. Each capital project is reviewed on an individual basis and the costs considered for capitalisation. Non-enhancing expenditure is written off to the Comprehensive Income and Expenditure Statement.

Given the short asset life of office equipment and fit out costs, depreciated historical cost is considered to be a reasonable proxy for current value.

Depreciation

Depreciation is calculated on a straight line basis over the estimated useful life of the asset. Leased assets are depreciated over the shorter of the lease term and their useful lives. Depreciation is charged from the date that the asset first comes into use and depreciation is charged in the year up to the date of disposal. The mid-year point is taken as a proxy for the date the asset comes into useful life, and the date it is disposed of.

Fixed assets are recorded at significant component level. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost is depreciated separately. The estimated useful lives for the current and comparative periods are as follows:

- Computer Equipment: 3 years
- Fixtures & Fittings: Over length of office lease term of 5 years and 4 months

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

i) Intangible assets

Intellectual property – The 5G Smart Tourism Project

Acquired intellectual property is capitalised on the basis of the costs incurred to acquire and bring to use the specific assets. These costs are amortised over their estimated useful lives of three years.

Development costs that are directly attributable to the design and testing of a 5G solution as part of the 5G Smart Tourism project are recognised as intangible assets where the following criteria are met:

- it is technically feasible to complete the project so that the asset will be available for use;
- management intends to complete the project;
- there is an ability to use the asset;
- it can be demonstrated how the project will deliver service potential by demonstrating the usefulness of the asset;
- adequate technical, financial and other resources to complete the development are available; and
- the expenditure attributable to the asset during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the asset include employee costs, an appropriate portion of relevant overheads, materials and capital usage.

Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use.

Economic Model

The acquired Economic Model is capitalised on the basis of the costs incurred to acquire and bring to use the model.

j) Impairment of Non-financial assets

The carrying value of non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the assets recoverable amount is estimated.

Impairment losses are recognised in the Comprehensive Income and Expenditure Statement. Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

k) Impairment - Financial assets (including debtors)

Financial assets are assessed at each reporting date to determine whether there is objective evidence of impairment. The Authority assesses, on a forward-looking basis, the expected credit losses associated with its debt instruments carried at

amortised cost and fair value through profit or loss. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

l) Provisions and contingent liabilities

Provisions are recognised when the Combined Authority has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to the provision is recognised in the Comprehensive Income and Expenditure Statement.

A contingent liability arises where an event has taken place that gives the Authority a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Authority.

Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably. Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the financial statements.

m) Events after the Reporting Period

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- Those that provide evidence of conditions that existed at the end of the reporting period — the Statement of Accounts is adjusted to reflect such events
- Those that are indicative of conditions that arose after the reporting period — the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

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3. Significant Judgements and Estimation Uncertainty

The preparation of the financial report in conformity with the Code requires the Authority to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimates are revised and in any future periods affected.

Judgements

In applying the accounting policies set out in note 2, WECA has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

Agency

The Authority took over the Accountable Body role for the West of England Local Enterprise Partnership (LEP) in 2017/18 and the balance of funds was transferred from Bath & North East Somerset Council to WECA during the Financial Year. The reporting approach is that total expenditure is not shown in the Financial Statements, rather the following accounting treatment is adopted:

- WoE LEP expenditure is incurred as an agent, acting as an intermediary on behalf of the four Unitary Authorities. Each Authority's financial statements will reflect its own contribution towards expenditure.
- Where the LEP has received grant funding directly, this is on behalf of all authorities, but the share for any individual authority is not considered material to show.

Similarly, WECA assumed the Accountable Body role for the Invest in Bristol and Bath inward investment function.

This agency accounting approach has been taken because;

- Expenditure decisions on these service areas are taken at a separate Joint Committee of the four Unitary Authorities and involve funding and expenditure decisions for a geographic area, North Somerset, which is outside the Combined Authority area. They do not form part of the decision-making process at WECA Committee that governs the business of the Mayoral and Combined Authority Funds.

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- WECA is not exposed to significant risks or rewards associated with its actions in relation to these functions. Separate budgets are maintained and reported to the Joint Committee and where staff time and office overheads are shared between WECA and LEP/other agency duties, the actual costs are apportioned between those budgets on an appropriate basis.
- Any surpluses that are held on behalf of the four Unitary Authorities, whether from their own contributions or grant funding, may only be redistributed by a decision of the Joint Committee, WECA itself has no control over determining the use or remaining benefits of such assets and they do not result in an increase in equity for the Combined Authority.

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A separate Disclosure for all the above functions, where the Authority acts as Agent, is shown at Note 22.

This provides a reconciliation between expenditure and income for agency functions and the cash balances held at 31 March 2021, where these are held on behalf of other organisations, and treated as a creditor liability in the Balance Sheet.

Estimates and assumptions

The financial report contains estimated figures that are based on assumptions about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Balance Sheet at 31 March 2021 for which there is a risk of material adjustment in the forthcoming financial year are as follows:

Pension benefits

The cost of defined benefit pension plans is determined using independent actuarial valuation involving the use of assumptions about discount rates, returns on assets, future salary increases, mortality rates and future pension increases. Such assumptions are reviewed at each period end, and determined jointly between the pension fund management and the actuaries. The effects of changes in individual assumptions have been measured by the funds actuaries in their IAS 19 valuation report:

- A 0.1% p.a. increase in the discount rate will reduce the pension fund liability by £0.525m.
- An increase of life expectancy at retirement by 1 year will increase the pension fund liability by £0.645m.
- 0.1% p.a. increase in inflation will increase the pension fund liability by £0.537m.
- 0.1% p.a. increase in pay growth will increase the pension fund liability by £0.102m.

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Investment Fund Grant Income

In the 2017/18 and 2018/19 accounts, WECA treated the Investment Fund Grant as 'conditional'. This was due to the uncertainty surrounding the forthcoming 5-year government gateway review on how the fund had been deployed and subsequent outcomes delivered.

During 2019/20 a 4-year investment programme has been developed that allocates all Investment and Transforming Cities Funding against regional strategic priorities. The programme to 2022/23 was agreed at the WECA Committee in July 2019. We have been working closely with the government's commissioned contractors, SQW, to better understand the specifics of the review. The contractors have been engaged to undertake the evaluation of investment fund type arrangements across all localities who have these nationally. The One Year Out (baseline) Report has now been agreed and work progresses to complete the Final Report by the end of the year which will trigger the release of the next 5-year tranche of £150m funding from 2021/22.

4. Expenditure and Funding Analysis

(a) Expenditure and Funding Analysis

The Expenditure and Funding analysis shows how annual expenditure is used and funded from resources (business rates, levies, government grants, interest and other income) by WECA in comparison with those resources consumed or earned in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated between WECA's services.

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2020/21	Net expenditure/ (income) as reported per Management Outturn £'000	Remove transfers to and from reserves from Outturn £'000	Adjustment to arrive at the net amount chargeable to the General Fund Balance (b i) £'000	Net expenditure chargeable to the general fund £'000	Adjustments between funding and accounting basis (bii) £'000	2020/21 Net expenditure in the comprehensive income and expenditure statement £'000
Combined Authority	(1,117)	(6)	24,136	23,013	24,477	47,490
Mayoral fund	-	(145)	17,572	17,427	-	17,427
Cost of services	(1,117)	(151)	41,708	40,440	24,477	64,918
Other income chargeable to the General Fund	-	(9,562)	(41,708)	(51,270)	(15,049)	(66,319)
Surplus or deficit on provision of services	(1,117)	(9,713)	-	(10,830)	9,428	(1,402)
Opening General Fund balance				(1,638)		
Transfers to earmarked reserves				10,514		
Closing General Fund balance				(1,954)		

West of England Combined Authority (WECA)

2019/20	Net expenditure/ (income) as reported per Management Outturn £'000	Remove transfers to and from reserves from Outturn £'000	Adjustment to arrive at the net amount chargeable to the General Fund Balance (b i) £'000	Net expenditure chargeable to the general fund £'000	Adjustments between funding and accounting basis (bii) £'000	2019/20 Net expenditure in the comprehensive income and expenditure statement £'000
Combined Authority	(551)	(836)	17,881	16,494	23,673	40,167
Mayoral fund	-	(396)	17,572	17,176	1,325	18,501
Cost of services	(551)	(1,232)	35,453	33,670	24,998	58,668
Other income chargeable to the General Fund	-	-	(35,453)	(35,453)	(21,567)	(57,020)
Surplus or deficit on provision of services	(551)	(1,232)	-	(1,783)	3,431	1,648
Opening General Fund balance				(989)		
Transfers to earmarked reserves				1,134		
Closing General Fund balance				(1,638)		

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(b i) Note to the Expenditure and Funding Analysis

Adjustments for 2020/21

	Combined Authority Services			Mayoral Fund	Total Adjustments
	Interest Income	Transport Levy Income	Net Business Rates Retention Income	Business Rates Retention Income	
Combined Authority	2,404	20,961	771	-	24,136
Mayoral fund	-	-	-	17,572	17,572
Net cost of services	2,404	20,961	771	17,572	41,708
Other income chargeable to the General Fund	(2,404)	(20,961)	(771)	(17,572)	(41,708)
(Surplus) or deficit on provision of services	-	-	-	-	-

Adjustments for 2019/20

	Combined Authority Services			Mayoral Fund	Total Adjustments
	Interest Income	Transport Levy Income	Net Business Rates Retention Income	Business Rates Retention Income	
Combined Authority	2,060	14,503	1,318	-	17,881
Mayoral fund	-	-	-	17,572	17,572
Net cost of services	2,060	14,503	1,318	17,572	35,453
Other income chargeable to the General Fund	(2,060)	(14,503)	(1,318)	(17,572)	(35,453)
(Surplus) or deficit on provision of services	-	-	-	-	-

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(b ii) Note to the Expenditure and Funding Analysis

This note provides an analysis of the adjustments to Net Expenditure Chargeable to the General Fund to arrive at the amounts in the Comprehensive Income and Expenditure Statement. The relevant transfers between reserves are shown in the Movement in Reserves Statement.

Adjustments for 2020/21

	Adjustments for capital purposes			Grants/ contribu- tions	Collec- tion Fund Adjust- ment Account	Pensions adjust- ments	Accumu- lated Absences Account	Pooled Investment Fund adjustment Account	Total adjust- ments
	Deprecia- tion/loss on disposal	REFCUS	RCCO						
Combined Authority	535	23,382	(666)	-	-	1226	-	-	24,477
Mayoral fund	-	17,572	(17,572)	-	-	-	-	-	-
Net cost of services	535	40,954	(18,238)	-	-	1,226	-	-	24,477
Other income chargeable to the General Fund	-	-	-	(23,382)	9,747	194	85	(1,693)	(15,049)
(Surplus) or deficit on provision of services	535	40,954	(18,238)	(23,382)	9,747	1,420	85	(1,693)	9,428

The amounts disclosed in tables (b i) and (b ii) are not included in the management outturn report but have been recognised in the Comprehensive Income and Expenditure Statement.

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Adjustments for 2019/20

Adjustments for capital purposes

	Deprecia- tion/loss on disposal	REFCUS	RCCO	Grants/ contribu- tions	Collec- tion Fund Adjust- ment Account	Pensions adjust- ments	Accumu- lated Absences Account	Pooled Investment Fund adjustment Account	Total adjust- ments
Combined Authority	399	22,546	(70)	-	-	800	-	-	23,675
Mayoral fund	-	18,895	(17,572)	-	-	-	-	-	1,323
Net cost of services	399	41,441	(17,642)	-	-	800	-	-	24,998
Other income chargeable to the General Fund	-	-	-	(24,061)	86	61	-	2,347	(21,567)
(Surplus) or deficit on provision of services	399	41,441	(17,642)	(24,061)	86	861	-	2,347	3,431

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Depreciation

Charges for depreciation of non-current assets are chargeable to the Comprehensive Income and Expenditure Statement under proper accounting practices.

REFCUS - Revenue expenditure funded from capital under statute

Revenue expenditure funded from capital under statute in respect of capital development schemes is charged to Cost of Services as the expenditure is incurred and reversed out through the movement in reserves statement and a transfer made to the capital adjustment account.

RCCO - Revenue Contribution to Capital Outlay

Capital expenditure may be funded from revenue budgets. This method of funding is known as Revenue Contribution to Capital Outlay (RCCO).

Grants/contributions

The taxation and non-specific grant income and expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

Collection Fund Adjustment Account

The charge under Taxation and non-specific grant income and expenditure represents the difference between what is chargeable under statutory regulations for NNDR that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing difference, as any difference will be brought forward in future Surpluses or Deficits on the Collection Fund.

Pension Adjustments

The adjustment to Combined Authority Services represents the removal of the employer contributions made by WECA as allowed by statute and the replacement with current service costs and administration costs calculated under accepted accounting practices (IAS 19).

The adjustment to Financing and investment income and expenditure is the net interest on the defined benefit liability charged to the Comprehensive Income and Expenditure Statement under IAS 19.

Accumulated absences account

The adjustment for the removal of the accrued element of short-term

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accumulating compensated absences (for example holiday pay) to the salaries actually payable in the financial year in accordance with relevant statutory provisions.

WECA is considered a local authority following its existence by virtue of the Order, it has applied the statutory provisions that allow authorities to adjust the effect of accounting for benefits on the General Fund in the Movement in Reserves Statement, via the use of an Accumulated Absences Account.

Available for Sale Reserve

The adjustment to recognise the change in the fair value of financial assets held at fair value through income and expenditure that is recognised in Financing and investment income and expenditure in the Comprehensive Income and Expenditure Statement under IFRS 9.

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5. Expenditure and income analysed by nature

WECA's expenditure and income is analysed as follows:

	2021 £'000	2020 £'000
Expenditure		
Employee benefits expenses including pension	8,612	4,250
Other service expenses	48,243	30,336
Depreciation, amortisation and impairment	535	399
Revenue expenditure funded from capital under statute	40,954	41,441
Business Rates Retention Tariff	3,300	2,965
Total Expenditure	101,644	79,391
Income		
Local Authority business rates growth and contributions	(21,348)	(22,852)
Levies	(20,961)	(14,503)
Government revenue grants and contributions	(31,818)	(16,553)
Capital grants and contributions	(23,382)	(24,061)
Interest and investment income	(4,120)	306
Other service income	(1,417)	(79)
Total Income	(103,046)	(77,742)
(Surplus)/Deficit on provision of services	(1,402)	1,649

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6. Combined Authority's services

2020/21	Gross Expenditure £000	Grants Received £000	Other Income £000	Net Expenditure £000
Implementation & set up costs	755	-	-	755
Combined Authority Services	3,247	-	-	3,247
Concessionary fares	14,102	-	-	14,102
Community transport	1,251	-	-	1,251
RTI costs	418	-	-	418
Futurebright	1,188	-	-	1,188
Adult Education	14,960	-	-	14,960
Supported Bus Services	8,686	-	-	8,686
Other projects	7,062	-	-	7,062
Mayoral capacity fund	197	-	-	197
Housing capacity fund	1,085	-	-	1,085
Mass Transit Options	1,093	-	-	1,093
Workforce for the Future	995	-	-	995
Productivity Challenge	532	-	-	532
Gainshare - Revenue Contribution	-	(163)	-	(163)
Grant Income	-	(30,830)	-	(30,830)
Other Income	-	-	(1,565)	(1,565)
Amounts chargeable to the General	55,571	(30,993)	(1,565)	23,013
Adjustments between funding and accounting basis, including - Capital REFCUS (note 4)	24,477	-	-	24,477
Per Comprehensive Income and Expenditure Statement	80,048	(30,993)	(1,565)	47,490

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2019/20	Gross Expenditure £000	Grants Received £000	Other Income £000	Net Expenditure £000
Implementation & set up costs	144	-	-	144
Combined Authority Services	3,553	-	-	3,553
Concessionary fares	12,622	-	-	12,622
Community transport	1,691	-	-	1,691
RTI costs	502	-	-	502
Futurebright	1,346	-	-	1,346
Adult education	9,219	-	-	9,219
Apprenticeship grants for employers	94	-	-	94
Other projects	1,604	-	-	1,604
Mayoral capacity fund	852	-	-	852
Housing capacity fund	599	-	-	599
Housing infrastructure bid	611	-	-	611
Workforce for the Future	298	-	-	298
Gainshare - Revenue Contribution	-	(689)	-	(689)
Grant Income	-	(15,723)	-	(15,723)
Other Income	-	-	(220)	(220)
Amounts chargeable to the General Fund	33,135	(16,412)	(220)	16,503
Adjustments between funding and accounting basis - Capital REFCUS (note 4)	23,664	-	-	23,664
Per Comprehensive Income and Expenditure Statement	56,799	(16,412)	(220)	40,167

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7. Mayoral Funds

	2021 £'000	2020 £'000
Expenditure		
Mayoral office running costs	195	206
Joint Spatial Plan Scheme Development	-	-
Transport Feasibility Studies	-	464
Election preparation costs	300	-
Revenue expenditure funded from capital under statute:		
- <i>Highways Maintenance Grants</i>	10,254	10,254
- <i>Transport Grants</i>	5,183	5,183
- <i>Highways Incentive Grants</i>	2,135	2,135
- <i>Pothole Action Fund</i>	-	662
- <i>Transport Scheme Business Case Grants</i>	-	661
Gross Expenditure	18,067	19,565
Income		
Gainshare - Revenue Contribution	(640)	(1,066)
Gross Income	(640)	(1,066)
Net Expenditure	17,427	18,499

Within the Narrative Statement, WECA fund, a transfer of the Gainshare Revenue income has been shown gross in expenditure and income. For the financial statements this is shown only within the Mayoral Fund as the net value.

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8. Financing and investment income and expenditure

	2021 £'000	2020 £'000
Net interest on the net defined benefit liability (note 27)	194	61
Fair value movement on financial assets	(1,716)	2,366
Interest receivable and similar income	(2,404)	(2,060)
Net financing and investment income and expenditure	(3,926)	(367)

9. Taxation and non-specific grant income and expenditure

	2021 £'000	2020 £'000
National Non-Domestic Rates	(10,708)	(20,272)
Section 31 National Non-Domestic Rates Grant -	(10,640)	(1,512)
Business Rates Retention Tariff	3,300	2,965
Transport levy from the Constituent Authorities	(19,018)	(14,503)
North Somerset Council contribution to transport levy	(1,943)	-
Pothole Action Fund Grant - DfT	(8,519)	(662)
Gainshare Capital Grant - MHCLG	(14,864)	(22,346)
5G Smart Tourism - DCMS	-	(1,054)
	(62,392)	(57,384)

10. Government and other grant income

Whether paid on account, by instalments or in arrears, government grants and third-party contributions are recognised as due to the Authority when there is reasonable assurance that:

- The Authority will comply with the conditions attached to the payments and
- The grants or contributions will be received.

Amounts recognised as due to the Authority are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contributions have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset in the form of the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been

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satisfied are carried in the Balance Sheet as creditors (grants receipts in advance). When conditions have been satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-specific Grant Income and Expenditure (non-ring-fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

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Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the Revenue Account in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied reserve.

Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

The following grants and contributions have been credited to the Comprehensive Income and Expenditure Statement during the year:

	2021 £'000	2020 £'000
Revenue grants credited to cost of services		
Gainshare Revenue Grant - MHCLG	9,103	-
Housing Capacity Fund	-	1,050
Mayoral Capacity Fund	1,000	2,067
Futurebright	1,106	1,346
Workforce for Future	496	-
Supported Bus Services	4,710	-
Adult Education Budget Implementation Grant - SFA	15,113	9,215
Other grants	272	2,875
Total	31,800	16,553
<i>Analysed between the following segments:</i>		
Combined Authority services	31,160	15,487
Mayoral	640	1,066
	31,800	16,553
	2021 £'000	2020 £'000
Capital grants and contributions credited to taxation and non-specific grant income		
Gainshare Capital Grant - MHCLG	14,864	22,346
Pothole Action Fund Grant - DfT	8,519	662
5G Smart Tourism - DCMS	-	1,054
	23,383	24,062

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The Combined Authority has received a number of grants and contributions that have yet to be recognised as income as they have conditions attached to them that will require the monies to be returned to the transferor if the conditions are not met or the grant is not used. The balances at the year-end are as follows:

	2021 £'000	2020 £'000
Grants received in advance - capital		
Pothole Action Fund Grant - DfT	2,121	-
Gainshare Capital - MHCLG	34,506	34,506
FTZ - Dft	12,010	-
Transforming Cities Fund - DfT	48,000	24,000
Active Travel - Dft	2,788	-
	99,425	58,506
Grants received in advance - revenue		
Gainshare Revenue Grant - MHCLG	54,730	47,380
Future Bright - DWP	-	1,471
Adult Education Budget Implementation Grant - SFA	-	106
ITA Supported Bus Service	1,615	-
Western Gateway - Dft	471	-
Active Travel - Dft	925	-
E-Cycle Extension - Dft	248	-
T Levels	5	-
Third Party Contributions	-	33
	57,994	48,990

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11. Officers' remuneration

Employees receiving more than £50,000 remuneration per year, which includes exit packages for the year

The remuneration paid to senior employees during 2019/20 and 2020/21 was as follows:

Salary of £150,000 or more for the year ending 31 March 2020 and year ending 31 March 2021

	Salary £	Expenses £	Pension Contributions £	Total Remuneration £
For the period 01/04/2020 - 31/03/2021				
Chief Executive - Patricia Greer	160,352	-	21,648	182,000
For the period 01/04/2019 - 31/03/2020				
Chief Executive – Patricia Greer	159,060	43	22,368	181,471

Salary between £50,000 and £150,000 for the year ending 31 March 2020 and year ending 31 March 2021

	For the period:	Salary £	Expenses £	Pension Contributions £	Total Remuneration £
Director of Infrastructure	01/04/2020 – 31/03/2021	131,007	407	17,686	149,100
Director of Business Skills	01/04/2020 – 31/03/2021	95,228	-	12,851	108,079
Director of Investment and Corporate Services	01/04/2020 – 31/03/2021	125,766	332	16,978	143,076
Director of Legal Services	01/04/2020 – 31/03/2021	83,006	-	11,205	94,211

Salary between £50,000 and £150,000 for the year ending 31 March 2019 and year ending 31 March 2020

	For the period:	Salary £	Expenses £	Pension Contributions £	Total Remuneration £
Director of Infrastructure	01/04/2019 – 31/03/2020	127,500	617	17,956	146,073
Director of Business Skills	01/04/2019 – 31/03/2020	81,187	187	11,431	92,805
Director of Investment and Corporate Services	01/04/2019 – 31/03/2020	122,400	372	17,238	140,100
Director of Legal Services	01/04/2019 – 31/03/2020	81,127	83	11,421	92,631

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Employees receiving more than £50,000 remuneration, which includes exit packages for the year (excluding pension contributions) were paid the following amounts:

	2021 £'000	2020 £'000
£50,000 - £54,999	8	4
£55,000 - £59,999	3	4
£60,000 - £64,999	6	3
£65,000 - £69,999	6	1
£70,000 - £74,999	1	1
£75,000 - £79,999	-	2
£80,000 - £84,999	4	3
£85,000 - £89,999	1	1
£90,000 - £94,999	-	-
£95,000 - £99,999	2	1
£100,000 - £104,999	-	-
£105,000 - £109,999	-	-
£110,000 - £114,999	-	-
£115,000 - £119,999	-	-
£120,000 - £124,999	-	1
£125,000 - £129,999	1	1
£130,000 - £134,999	1	-
£135,000 - £139,999	-	-
£150,000 - £154,999	-	-
£155,000 - £159,999	-	1
£160,000 - £164,999	1	-

Secondment costs are not included in the above table.

West of England Combined Authority (WECA)

Exit Packages

The numbers of exit packages, with total cost per band, are set out in the table below. Exit packages include any pension contributions paid to the pension fund.

Cost band (including special payments)	Voluntary redundancies		Total exit packages		Total cost of packages in each band	
	2021 No.	2020 No.	2021 No.	2020 No.	2021 £'000	2020 £'000.
£0 - £40,000	-	1	-	-	-	17
£40,000+	-	-	-	1	-	57
	-	-	-	-	-	74

12. Members' allowances

	2021 £'000	2020 £'000
Allowances	82	78
Expenses	-	1
	82	79

13. External audit costs

The table below discloses the fees paid to the Authority's external auditor, Grant Thornton UK LLP, in respect of its external audit and inspection work:

	2021 £'000	2020 £'000
Fees payable to Grant Thornton UK LLP with regard to external audit services carried out by the appointed auditor for the year	39	30
Fees payable in respect of other services provided by Grant Thornton UK LLP during the year	-	-
	39	30

A significant increase in the operations and transactions of the Combined Authority has increased audit expenditure, but, has been offset through a reduction in fees paid to consultancy support.

West of England Combined Authority (WECA)

14. Intangible Assets

	Economic Model £'000	Computer software £'000	Intellectual property £'000	Total £'000
Cost				
At 1 April 2019	115	47	603	765
Additions	-	-	192	192
At 1 April 2020	115	47	795	957
Additions	-	261	-	261
At 31 March 2021	115	308	795	1,218
Accumulated amortisation				
At 1 April 2019	48	25	100	173
Charge for the year	29	16	232	277
At 1 April 2020	77	41	332	450
Charge for the year	29	50	265	344
At 31 March 2020	106	91	597	794
Net book value				
At 31 March 2021	9	217	198	424
At 31 March 2020	38	6	463	507
At 31 March 2019	67	22	503	592

15. Property, plant and equipment

	Fixtures and fittings £'000	Computer equipment £'000	Total £'000
Cost			
At 1 April 2019	350	127	477
Additions	11	59	70
At 1 April 2020	361	186	547
Additions	-	405	405
At 31 March 2021	361	591	952
Accumulated depreciation			
At 1 April 2019	96	45	141
Charge for the year	69	52	121
At 1 April 2020	165	97	262
Charge for the year	71	120	191
At 31 March 2021	236	217	453
Net book value			
At 31 March 2021	125	374	499
At 31 March 2020	196	89	285
At 31 March 2019	254	82	336

West of England Combined Authority (WECA)

16. Long Term Investments

Loans to

	local authorities £'000
At 1 April 2019	25,181
Reclassification to short-term investments	(25,181)
Interest accrued	-
At 31 March 2020	-
Additions	45,000
Interest Accrued	434
At 31 March 2021	45,434

17. Short-term investments

Loans to

	local authorities £'000
At 1 April 2019	91,373
Additions	36,627
Interest accrued	601
At 31 March 2020	128,601
Investments Matured	(128,601)
Additions	175,000
Interest Accrued	548
At 31 March 2021	175,548

West of England Combined Authority (WECA)

18. Trade and other debtors

	2021 £'000	2020 £'000
Trade debtors	171	44
Other debtors	18,006	4,899
Prepayments and accrued income	-	-
	18,177	4,943
Analysed between the following classes of debtors:		
Central government bodies	1,324	803
Other local authorities	14,699	4,070
Other entities and individuals	2,154	70
	18,177	4,943

As at 31 March 2021 there were £Nil (2020: £Nil) trade debtors past due but not impaired.

As at 31 March 2021 other debtors of £756,270 (2020: £6,000) were impaired in relation to NNDR income and the amount of the impairment provision was £756,270 (2020: £6,000). The movement in the year on the provision for impairment was an increase of £750,270 (2020: £93,000).

West of England Combined Authority (WECA)

19. Cash and Cash Equivalents

	2021 £'000	2020 £'000
Cash at bank and in hand	77	166
Short-term deposits	25,648	27,136
	25,726	27,302

Short-term deposits consist of Money Market Funds which are highly liquid (convertible into cash within the same day) and therefore classed as a cash equivalent.

20. Short-term Loans

Loans from

	local authorities £'000
At 31 March 2020	15,005
Repayments	(15,005)
Additions	20,000
Interest Accrued	5
At 31 March 2021	20,005

As part of its approach to liquidity management, the Authority may borrow short term loans to cover any unplanned cash flow shortages as they arrive.

21. Trade and other creditors

	2021 £'000	2020 £'000
Trade creditors	14,433	2,434
Taxes and social security	370	223
Accruals and deferred income	8,570	8,097
	23,373	10,754
Analysed between the following classes of creditors:		
Central government bodies	10,344	1,668
Other local authorities	12,042	8,672
Other entities and individuals	987	414
	23,373	10,754

West of England Combined Authority (WECA)

22. Agent for West of England LEP and associated grants/functions

Bath & North East Somerset Council, Bristol City Council, North Somerset Council and South Gloucestershire Council continue to work together and co-ordinate high level planning to improve the quality of life of their residents and provide for a growing population. This joint work focuses on activities that are better planned at the West of England level, rather than at the level of the individual council areas. Decisions are made at a Joint Committee.

Similarly, WECA assumed the Accountable Body role for the Invest in Bristol and Bath inward investment function.

Reconciliation of Agency

	2021	2020
	£000	£'000
Agency Debtors		
IBB	(58)	(2,726)
MetroBus/MetroWest Communications	-	-
Total Agency Debtors	(58)	(2,726)
	2021	2020
	£000	£'000
Agency Creditors		
LEP	59,148	2,449
Grant Balances	28,286	42,130
Total Agency Creditors	87,434	44,579
Total Net Agency	87,376	41,853

Under the agency accounting approach, none of the above transactions are recognised in the Combined Authority's Comprehensive Income and Expenditure Statement. The net cash balances, totalling £84.332m at 31 March 2021 (2020: £41.853m), held by the Authority where it is acting as agent, are treated as a creditor balance within WECA's Balance Sheet, as they are held on behalf of the West of England LEP Unitary Authorities, would be paid to future grant recipients or returned to government. The significant increase in the 2021 LEP figure of £60.7m is the receipt of a Green Homes funding grant for £53m.

West of England Combined Authority (WECA)

The table below reflects the revenue expenditure incurred by WECA on behalf of the West of England Authorities in 2019/20 and 2020/21:

West of England LEP Revenue Expenditure 2019/20 and 2020/21

	2021	2020
	£'000	£'000
Expenditure		
LEP Management & Co-ordination	817	801
LEP Infrastructure	219	415
LEP Skills & Economy	396	160
Growth Hub	902	484
LEADER	23	24
Inward Investment Table	767	-
RIF Administration	-	124
SW Energy Hub	1,038	356
Local Industrial Strategy	-	95
ERDF Administration	64	-
Enterprise Advisor	-	340
Skills Advisory Panel	56	11
LEP Strategy	332	105
Infrastructure & Investment Delivery Plan	63	38
LEP Innovation & Sector Development	937	486
Other expenditure	485	209
	6,099	3,648

West of England Combined Authority (WECA)

West of England LEP Revenue Expenditure 2019/20 and 2020/21 continued...

Income		
Local Authority contributions	440	439
Investment Interest	317	415
Higher/Further Education contributions	30	320
Government Grant - Core & Strategic Economic Plan	540	530
Economic Development Grant	893	-
Government Grant - Growth Hub	904	484
Government Grant - Infrastructure & Investment Delivery Plan	167	38
Government Grant - Other	1,794	667
Government Grant – Innovation & Sector	813	432
Movement from Reserves	201	323
	6,099	3,648
	2021	2020
	£'000	£'000
Expenditure/Income yet to be defrayed/received		
Growth Hub Net Creditor	(8)	50
LEADER Net Debtor	(3)	(25)
LEP Net Creditor	6,609	1,594
LEP Reserves	982	830
Cash Balance held	7,580	2,449

West of England Combined Authority (WECA)

Invest in Bristol and Bath Revenue Expenditure 2019/20 and 2020/21

	2021 £'000	2020 £'000
Expenditure		
Inward Investment Team	767	1,122
	767	1,122
Income		
Economic Development Fund Grant	760	1,100
Other Grants	-	-
Sponsorship Income	-	-
Contributions	7	22
	767	1,122
	2021 £'000	2020 £'000
Expenditure/Income yet to be defrayed/received		
Net Debtor	(58)	(2,726)
Cash Balance Held	(58)	(2,726)

In addition, WECA is the accountable body for central government grants and acts as Agent. Balances were transferred from Bath & North East Somerset Council. Sums are distributed to specific projects, as various criteria are satisfied, with the receiving body or Authority treating as grant in their own financial statements. The balance of funds not distributed is therefore treated as a creditor in WECA's financial statements; these sums will either be paid to future grant recipients or returned to government if not used or where they are recovered:

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West of England LEP Central Government Grants 2019/20 and 2020/21

2020/21	Funds transferred £'000	Grant received /returned £'000	Interest applied £'000	Grant distributed /recovered £'000	Funds c/fwd £'000
Grants Awarded					
MHCLG - Growing Places Revolving Infrastructure Fund	5,153	-	-	10	5,163
BEIS - Regional Growth Fund 2 Revolving Infrastructure Fund	(13)	-	68	(462)	(407)
RIF - Returned Funds from completed schemes	6,285	-	-	1,938	8,223
MHCLG - Local Growth Fund	20,728	41,162	-	(62,116)	(226)
	32,153	41,162	68	(60,630)	12,753

2020/21

Grant funding yet to be distributed / (returned)

	Funds c/fwd (as above) £000	Net Creditor/ (Debtor) £'000	Impairment of Trade Debtors (RGF3) £'000	Total Cash Balance held £'000
MHCLG - Growing Places Revolving Infrastructure Fund	5,163	-	-	5,163
BEIS - Regional Growth Fund 2 Revolving Infrastructure Fund	(407)	-	-	(407)
RIF - Returned Funds from completed schemes	8,223	-	-	8,223
MHCLG - Local Growth Fund	(226)	15,533	-	15,307
Total	12,753	15,533	-	28,286

West of England Combined Authority (WECA)

2019/20	Funds transferred £'000	Grant received /returned £'000	Interest applied £'000	Grant distributed /recovered £'000	Funds c/fwd £'000
Grants Awarded					
MHCLG - Growing Places Revolving Infrastructure Fund	5,251	-	-	(81)	5,170
BEIS - Regional Growth Fund 2 Revolving Infrastructure Fund	2,715	(363)	115	(2,975)	(508)
RIF - Returned Funds from completed schemes	6,285	-	-	478	6,763
MHCLG - Local Growth Fund	38,592	13,575	-	(31,439)	20,728
	52,843	13,212	115	(34,038)	32,153

2019/20

Grant funding yet to be distributed / (returned)

	Funds c/fwd (as above) £000	Net Creditor/ (Debtor) £'000	Impairment of Trade Debtors (RGF3) £'000	Total Cash Balance held £'000
MHCLG - Growing Places Revolving Infrastructure Fund	5,170	52	-	5,222
BEIS - Regional Growth Fund 2 Revolving Infrastructure Fund	(508)	-	-	(508)
RIF - Returned Funds from completed schemes	6,763	-	-	6,763
MHCLG - Local Growth Fund	20,728	9,925	-	30,653
Total	32,153	9,977	-	42,130

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23. Provisions, Contingent Liabilities and Guarantees

Provisions are recognised when the Authority has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount. The expense relating to the provision is recognised in the Comprehensive Income and Expenditure Statement.

Provision for Appeals - NNDR Income	2021 £'000	2020 £'000
At 1 April	3,092	2,860
Charged to income and expenditure	(25)	232
At 31 March	3,067	3,092

The National Non-Domestic Rates (NNDR) Appeals Provision is for appeals made to the Valuation Office Agency in respect of NNDR valuations. These estimates of reductions to NDR income are made by officers at the three Billing Authorities participating in the 100% BRR Pilot.

The Authority has not entered into any Guarantees.

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24. Usable reserves

The purpose of the individual reserves are as follows:

General Fund Balance

The General Fund Balance is a statutory fund which represents funds available to the Combined Authority to meet unexpected short term requirements. Movements in the General Fund are detailed in the Movement in Reserves Statement.

Earmarked Reserves

Current year movements	Integrated Transport Authority reserve £'000	BRR Reserve £'000	Mayoral elections £'000	Mayoral Capacity funding £'000	Housing Capacity funding £'000	S31 Excess & TIG £'000	Central Over-heads £000	Treasury Management £000	Other £'000	Total £'000
Balance at 1 April 2020	123	500	784	703	2,181	-	-	836	5,127	
Transfers in year from/(to) general reserves	720	277	104	(196)	(1,085)	9,561	391	400	342	10,514
Net transfer from/(to) general reserves	720	277	104	(196)	(1,085)	9,561	391	400	342	10,514
Balance at 31 March 2021	843	777	888	507	1,096	9,561	391	400	1,178	15,641

Integrated Transport Authority reserve

The Integrated Transport Authority Reserve exists in order to hold variances between the costs of Concessionary Fares, Bus Information services and Community Transport support, pending the adjustment of Levy calculations in subsequent Financial Years, to maintain a revenue neutral position between WECA and contributing Authorities.

BRR Reserve

The Business Rates Reserve exists in order to meet costs arising from the volatility in NNDR income due to changes in the Rateable Value of properties or the granting of new exemptions and reliefs and is utilised to fund deficits impacting in future years.

Mayoral Elections Reserve

A contribution of £396k was made to this earmarked reserve to meet the estimated costs of the mayoral election in 2021, which is offset against a drawdown for election

West of England Combined Authority (WECA)

preparation costs.

Mayoral and Housing Capacity Funding

The balance of these two grant funding streams has been transferred into earmarked reserves to facilitate and accelerate delivery of infrastructure and investment projects, and to create a strategic housing delivery unit.

Section 31 Excess Reserve

The NNDR collection fund closed with a high deficit in 2020/21 (see note 25 for the breakdown), majority of which was due to COVID-19. To help funding the Covid related deficits, additional S31 grant has been awarded. An earmarked reserve was created to carry this over to 21/22 when the deficit will need to be repaid.

25. Unusable reserves

The purpose of the individual reserves are as follows

Pooled Investment Fund Adjustment Account

The Pooled Investment Fund Adjustment Account includes all gains and losses recognised on revaluation of financial assets held at fair value through other comprehensive income.

	2021	2020
	£'000	£'000
Balance as at 1 April	2,689	342
Amount by which the change in fair value of pooled funds charged to the Comprehensive Income & Expenditure Statement are different from that calculated for the year in accordance with statutory requirements.	(1,692)	2,347
Balance as at 31 March	997	2,689

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Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions.

The account is debited with the cost of acquisition, construction or subsequent costs as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert current and fair value figures to a historical cost basis). The account is credited with capital grants and contributions receivable and amounts set as finance for the costs of acquisition, construction and subsequent costs (MRP).

	2021 £'000	2020 £'000
Opening balance at 1 April	791	928
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement		
	(535)	(399)
Charges for depreciation and amortisation of non-current assets		
Revenue expenditure funded from capital under statute	(40,954)	(41,441)
Transfer of revenue contributions on capital outlay (RCCO)	18,239	17,642
Capital financing applied in the year		
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	23,382	24,061
Closing balance at 31 March	923	791

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Pensions Reserve

The pensions reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The balance on the reserve shows the shortfall in the benefits earned by past and current employees and the resources the Combined Authority has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

	2021 £'000	2020 £'000
Opening balance at 1 April	(6,566)	(2,715)
Remeasurements (liabilities and assets)	(5,792)	(2,990)
Reversal of items relating to retirement benefits debited or credited to the surplus or deficit on provision of services in the Comprehensive Income and Expenditure Statement	(2,264)	(1,452)
Employers pension contributions payable in the year; Current year	844	591
Closing balance at 31 March	(13,778)	(6,566)

Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of NNDR income in the Comprehensive Income and Expenditure Statement as it falls due from business rate payers, compared with the statutory arrangements for paying across amounts to the Authority from the Billing Authorities. The annual movement attributable to each of the three Billing Authorities is shown in the table below:

Collection Fund Adjustment Account 2019/20 and 2020/21

	2021 £'000	2020 £'000
Balance at 1 April	(128)	(42)
Bath & North East Somerset Council	(2,166)	23
Bristol City Council	(4,228)	80
South Gloucestershire Council	(3,353)	(189)
Balance at 31 March	(9,875)	(128)

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Majority of the deficit in 2020/21 has been caused by the unprecedented COVID-19 measures. Additional S31 grant has been awarded to fund this – Reference Section 31 Excess Reserve in Note 24.

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West of England Combined Authority (WECA)

26. Capital expenditure and capital financing

The Authority spent £41.6m (2019/20: £41.7m) on capital during 2020/21. This expenditure is summarised below:

	31 March 2021 £'000	31 March 2020
Office Fit out and ICT Set-up Costs	-	70
CPNN Cycle Links	1,482	-
IT Equipment	666	-
Great Stoke Roundabout Improvements	1,845	-
Wraxall Road	2,328	-
Metrowest Phase 2	588	-
Yate A432 Park & Ride	225	-
5G	250	-
FTZ Dft funding to capital programme	491	-
QTIC+	62	-
Dft Active Travel Fund	45	-
Transport Scheme Business Case Development	2,318	661
Highways Maintenance & Infrastructure	26,091	18,233
Real Time Information	93	-
5G Smart Tourism	-	1,054
Bristol Temple Meads Eastern Access	-	560
On Bus Contactless	67	119
Housing Land Acquisition	-	8,297
Cribbs Patchway Metrobus	5,069	12,709
Total expenditure	41,620	41,703
Analysed between the following:		
Intangible Asset (note 14)	261	192
Property, plant and equipment (note 15)	405	70
Total capital expenditure	666	262
Written off to cost of services - transport capital grants and 5G grants	40,954	41,441
	41,620	41,703

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The table below details the funding of the capital programme:

	31 March 2021 £'000	31 March 2020 £'000
Funded by:		
Central government grants	8,518	672
Gainshare Contributions	14,864	23,389
Mayoral Fund RCCO	17,572	17,572
WECA RCCO	666	70
	41,620	41,703

The Authority receives capital grants from MHCLG and DfT as well as funding via the 100% Business Rates Retention system, which it administers and passes onto Constituent Authorities. As detailed above, a significant proportion of the capital investment made by the Authority therefore relates to REFCUS. REFCUS relates to capital expenditure incurred on assets that are not in the ownership of the Authority.

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27. Defined benefit pension scheme

Employees of the Combined Authority participate in the Avon Pension Fund, a defined benefit career average salary statutory scheme whose administering Authority is Bath & North East Somerset Council in accordance with the Local Government Pension Scheme Regulations 2013.

An actuarial valuation of this fund was carried out by Mercer, an independent firm of actuaries. There are significant increases in the assets and liabilities due to the updating of the position at the 2019 actuarial valuation. In particular, a number of extra members had moved across to WECA after the inception date bringing with them accrued benefits and extra assets.

Since February 2020 there has been substantial volatility in financial markets around the world in relation to the COVID-19 pandemic, and while this has reduced in recent months, the potential for further volatility remains. This may have consequences for asset values, and this will be reflected in the 2020/21 accounting figures. Over the same period, the market volatility has also extended to corporate bonds, and after an initial spike we have seen the yields on AA-rated corporate bonds reduce from previous levels. As the discount rate for accounting purposes is based on corporate bond yields, this will also impact on accounting liabilities. Finally, there has been an impact on market-implied RPI over the period, although this will in part be related to the consultation on RPI reform and demand for gilts, rather than any fundamental shift in expectations.

The decisions of the Court of Appeal in the Sargeant/McCloud cases (generally referred to for the LGPS as “McCloud”) have ruled that the transitional protections afforded to older members when the Public Service Pension Schemes were amended constituted unlawful age discrimination. The Government has accepted that remedies relating to the McCloud judgment are needed in relation to all public service pension schemes, and a consultation was published in July 2020 including a proposed remedy for the LGPS. The key feature of the proposed remedy was to extend the final salary scheme underpin to a wider group of members for service up to 31 March 2022. This applies to all members who were active on or before 31 March 2012 and either remain active or left service after 1 April 2014 (including to those members who no longer have a benefit entitlement from the Fund). Unless specifically requested by employers, our figures already include an allowance for McCloud that is substantially in line with the above. There are some minor areas where our approach differs (principally in respect of members who left service after 1 April 2014), but other than in exceptional circumstances we would expect the impact of these minor proposed changes to be nil. Even where there would be minimal impact, an accurate assessment would be extremely difficult (if not impossible) due to lack of availability of data. Therefore, in our view no further adjustments are required in relation to McCloud.

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Based on the results of this valuation the actuaries advise that the cost of pensions to be charged to the Comprehensive Income and Expenditure Statement from 1 April 2019 should be 13% of the current employees' pensionable pay. This pension cost has been determined after allowing for the amortisation of the difference between the assets and the accrued liabilities relating to the Combined Authority over the average remaining service lives of the current members of the fund.

Calculation method

The figures as at 31 March 2021 were based on the Triennial ongoing valuation assumptions. The membership data from the 2019 Valuation was used as a basis for the 2021 IAS19 Report. The IAS19 Report had been valued on the criteria in the IAS19 Account Standards using high quality corporate bond yield returns.

Liabilities were based on benefit payment and contribution information provided by the fund's administrator as at 31 March 2021. The figures allow for the impact of a transfer of staff that took place on 1 April 2020 along with further transfers of staff throughout the year. The effect of the transfer of staff is shown in the business combination figure of £5.035m which sets out the accounting assets and liabilities at the date of transfer. This valuation was carried out by Mercer.

Net liability and pension reserve

The net amount recognised on the Balance Sheet at 31 March 2021 is a deficit of £13,778,000 (2020: £6,566,000).

Movement in net pension fund liability during the year

	2021 £'000	2020 £'000
Opening balance at 1 April	6,566	2,715
Employer's pension contributions payable in the year	(844)	(591)
Current service cost	2,031	1,273
Past service cost	-	10
Curtailment	-	84
Administrative expenses	39	24
Net interest cost	194	61
Business Combination	5,035	-
Remeasurements (liabilities and assets)	757	2,990
Closing balance at 31 March	13,778	6,566

Employer's pension contributions expected to be paid in 2021/22 are estimated at £790,000.

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Transactions relating to post-employment benefits

The cost of retirement benefits is recognised in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge required to be made against the levy is based on the cash payable in the year, so the real cost of post-employment benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

	2021 £'000	2020 £'000
Comprehensive Income and Expenditure		
Statement Cost of services		
Current service cost	2,031	1,273
Past service cost	-	10
Administration expenses	39	24
Curtailment	-	84
Financing and investment income and expenditure		
Net interest cost	194	61
Total post-employment benefit charged to the surplus or deficit on provision of services	2,264	1,452
Remeasurements (liabilities and assets)	5,792	2,990
Total post-employment benefit charged to the Comprehensive Income and	8,056	4,442

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	2021 £'000	2020 £'000
Movement in reserves statement		
Reversal of net charges made to the surplus or deficit on provision of services for post-employment benefits in accordance with the Code	(2,264)	(1,452)
Actual amount charged against the General Fund Balance for pensions in the year	844	591
	(1,420)	(861)

Assets and liabilities in relation to post-employment benefits

	2021 £'000	2020 £'000
Present value of scheme liabilities	(31,929)	(16,804)
Present value of scheme assets	18,151	10,238
Amounts recognised as liabilities	(13,778)	(6,566)

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Reconciliation of present value of the scheme liabilities (defined benefit obligation)

	2021 £'000	2020 £'000
Opening balance at 1 April	16,804	6,140
Current service cost	2,031	1,273
Past service cost	-	10
Interest on pension liabilities	492	163
Member contributions	492	329
Actuarial losses/(gains)	2,705	8,415
Curtailment	-	84
Benefits paid	222	390
Business Combination	9,183	-
Closing balance at 31 March	31,929	16,804

Reconciliation of fair value of the scheme assets

	2021 £'000	2020 £'000
Opening balance at 1 April	10,238	3,425
Employer's pension contributions payable in the	844	591
Interest on plan assets	298	102
Member contributions	492	329
Actuarial gains/(losses)	1,948	5,425
Administrative expenses	(39)	(24)
Benefits paid	222	390
Business Combination	4,148	-
Closing balance at 31 March	18,151	10,238

The plan assets at the year-end were as follows:

	2021 %	2021 £'000	2020 %	2020 £'000
Asset				
Equities	37	6,806	44	4,460
Gilts	14	2,564	6	573
Other bonds	9	1,535	9	927
Property	7	1,307	10	1,013
Cash/liquidity	3	533	2	225
Other	30	5,406	30	3,040
	100	18,151	100	10,238

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Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. The expected rate of return on plan assets is based on market expectations, at the beginning of the year, for investments returns over the entire life of the related obligation.

	2021	2020
Valuation assumptions		
Discount rate	2.2%	2.3%
Rate of salary increase	4.2%	3.6%
Rate of pension increase	2.8%	2.2%
Inflation assumption	2.7%	2.1%
Future life expectancies from age 65		
Retiring today:		
Males	23.3	23.2
Females	25.4	25.3
Retiring in 20 years:		
Males	24.8	24.7
Females	27.4	27.3

Estimates within these accounts take account of the actuary's best estimate of pension liabilities at the balance sheet date.

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring in the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

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Sensitivity analysis

	Per financial statements £'000	+ 0.1% p.a. discount rate £'000	+ 0.1% p.a. inflation £'000	+ 0.1% p.a. pay growth £'000	1 year increase in Life expectancy £'000
Liabilities	31,929	31,152	32,726	32,078	32,830
Assets	(18,151)	(18,151)	(18,151)	(18,151)	(18,151)
Deficit/(Surplus)	13,778	13,001	14,575	13,927	14,679
Projected Service Cost for	2,560	2,478	2,645	2,560	2,560
Projected Net Interest Cost for next year	293	289	311	297	289

28. Financial risk management

The Authority has existed as an entity since February 2017. During the year to 31 March 2021, the focus has been on continuing to develop appropriate governance structures and ensure that sufficient resources are in place to support the delivery of the organisation's objectives.

As part of a prudent investment strategy, the Authority seeks to invest any monies received in advance of need with public sector bodies and financial institutions of a high credit-worthiness.

The Authority's principal financial liabilities comprise trade and other creditors. The main purpose of these financial liabilities is to fund WECA's operations. The Authority has trade and other debtors, and cash, long-term investments and short-term deposits that derive directly from its operations. WECA does not enter into any derivative transactions.

WECA is exposed to credit risk, liquidity risk, market risk and price risk. Currency risk is not a significant factor for WECA since all its financial assets or liabilities are denominated in Sterling and it makes few purchases or sales in foreign currencies. It therefore has no material exposure to loss arising from movement in exchange rates.

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Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Authority is exposed to credit risk from its operating activities (primarily for trade debtors) and from its financing activities, including deposits with banks, other financial institutions and local authorities.

WECA manages the credit risk from its financing activities by restricting its exposure with financial institutions to those that are on the official lending list as compiled by the Authority's treasury management advisors. The criteria for these lending lists are set out in the Treasury Management Strategy report and credit ratings monitored constantly through the receipt of credit rating bulletins from its treasury management advisors. If a financial institution fails to meet the criteria they are removed from the official lending list. The lending list contains financial as well as duration limits to reduce risk. Minimal balances are held for daily cash-flow management and any surplus funds are invested in Money Market Funds or Fixed Term Investments.

Customer credit risk: customers for goods and services are assessed, taking into account their financial position, past experience and other factors.

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The carrying amount of financial assets represents the maximum credit exposure.
The maximum exposure to credit risk at the reporting date was:

	31 March 2021	31 March 2020
	£'000	£'000
Long-term Investments	45,434	-
Short-term Investments	175,548	128,601
Trade and other debtors	16,023	4,943
Cash and short-term deposits	25,726	27,302
	262,731	160,846

Liquidity risk

Liquidity risk covers the ease of access to finance. The Authority has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. WECA maintains a sufficient level of liquidity through the use of Money Market Funds. If short term funding was required, the Authority has ready access to borrowings from the money markets. There is no significant risk that it will be unable to raise finance to meet its commitments. All trade and other creditors are due to be paid in less than one year.

Market risk

The Authority is exposed to the risk of interest rate movements on its investments. For instance, a rise in interest rates would cause the fair value of investments at fixed rates to fall. The effect of interest rates is monitored throughout the year and the impacts are reflected in budget monitoring reports which identify the performance against budget. However, fixed rate investments are not currently carried at fair value, so nominal losses would not impact on the Comprehensive Income and Expenditure Statement.

Price Risk

The Authority invests in one pooled property fund and four multi asset funds, and is therefore exposed to losses arising from movements in these funds. During the initial phase of the pandemic, the sharp falls in corporate bond and equity markets had a negative impact on the value of the Council's pooled fund holdings which was reflected in the 31st March 2020 fund valuations with every fund registering negative capital returns over a 12 month period. Since March 2020 there has been improvement in market sentiment which is reflected in an increase in capital values of these strategic bond, equity and multi-asset income funds in the Authority's portfolio. Similar to many other property funds, dealing (i.e. buying or selling units) in the CCLA Local Authorities' Property Fund was suspended in March 2020 and lifted in September. Because these funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the Authority's investment

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objectives is regularly reviewed. These investments are made in the knowledge that capital values will move both up and down on months and quarters, but with the confidence that over a three to five-year period, total returns will exceed interest rates. They provide regular revenue income and in 2020-21 provided an average total return of 3.94%. In light of their performance over the medium-long term, investment in these funds have been maintained.

EU Referendum

Following the triggering of Article 50 on 29 March 2017, WECA continues to closely assess and manage the direct effects of the UK leaving the European Union, in relation to market reaction (i.e. returns on investments), financial stability of counter parties and likelihood of future funding opportunities. WECA are assisted in this regard by professional Treasury Management advisors, Arlingclose Limited.

Coronavirus

The Authority will continue to monitor closely the impacts of COVID-19 including the effect on financial markets and the stability of the financial institutions the Authority has dealings with to ensure that security and liquidity of Group investments are not adversely affected. WECA are assisted in this regard by professional Treasury Management advisors, Arlingclose Limited.

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29. Financial Instruments

The following categories of financial instrument are carried in the Balance Sheet. Financial assets at fair value consist of Pooled Multi Asset fund investments and Money Market Funds. Short-term debtors consist of investments, accrued interest and trade and other debtors. Cash and cash equivalents include investments in Money Market Funds. Short-term creditors consist of trade creditors and accruals.

The Combined Authorities investment in the CCLA property fund, totalling £9.211m, has been moved to level 1 of the hierarchy for 2020/21, reflecting that trading in the fund has resumed from 30th September, after being suspended on 25th March 2020, and therefore an active market in this instrument at year end. Fund managers had previously suspended redemptions, reflecting market conditions caused by the economic consequences of the coronavirus pandemic.

Reconciliation of fair value measurements for pooled property fund carried at fair value and categorised within level 1 of the fair value hierarchy

	Quoted prices in active markets Level 1 £'000	Observable inputs Level 2 £'000
CCLA Property Fund opening balance 1st April 2020	-	9,277
Transfers into Level 1 from Level 2	9,277	(9,277)
Total gains losses for period	(66)	-
CCLA Property Fund closing balance 31st March 2021	9,211	-

There has been no other change in valuation technique used during the year for the financial instruments.

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Long term	2021		2020		2021		2020	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<i>Financial assets at fair value through other income or expenditure:</i>								
Pooled funds	-	-	-	-	-	-	-	-
<i>Financial assets at fair value through profit and loss:</i>								
Pooled funds - Property FVL1	-	-	9,211	9,277	9,211	9,277	9,211	9,277
- Multi Asset FVL1	-	-	23,755	11,997	23,755	11,997	23,755	11,997
<i>Financial assets at amortised cost:</i>								
Investment assets:								
- Principal	45,000	-	175,000	128,000	220,000	128,000	220,000	128,000
- Accrued interest	434	-	548	601	982	601	982	601
Total investments	45,434	-	208,514	149,875	253,948	149,875	253,948	149,875
<i>Financial assets at fair value through profit and loss:</i>								
- Short-term deposits FVL1	-	-	19,100	6,840	19,100	6,840	19,100	6,840
<i>Financial assets at amortised cost:</i>								
- Cash at bank and in hand	-	-	77	166	77	166	77	166
- Short-term deposits	-	-	6,197	19,974	6,197	19,974	6,197	19,974
- Accrued interest	-	-	351	322	351	322	351	322
Total Cash & cash equivalents	-	-	25,725	27,302	25,725	27,302	25,725	27,302
- Trade debtors	-	-	171	44	171	44	171	44
- Other debtors	-	-	18,538	5,060	18,538	5,060	18,538	5,060
- Accrued income	-	-	-	-	-	-	-	-
- Loss allowance	-	-	(532)	(161)	(532)	(161)	(532)	(161)
Included in Trade and other debtors *	-	-	18,177	4,943	18,177	4,943	18,177	4,943
Total financial assets	-	-	252,416	182,120	297,850	182,120	297,850	182,120

* The trade and other debtors line on the Balance Sheet include £Nil (2020: £NIL) short-term debtors that do not meet the definition of a financial asset as they relate to non-exchange transactions.

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	Long term		Current		Total	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Financial liabilities at amortised cost						
- Trade creditors	-	-	(14,433)	(2,434)	(14,433)	(2,434)
- Short term borrowing	-	-	(20,005)	(15,005)	(20,005)	(15,005)
- Accruals	-	-	(8,570)	(8,096)	(8,570)	(8,096)
Total financial liabilities	-	-	(43,008)	(25,535)	(43,008)	(25,535)
Included in trade and other creditors **	-	-	(23,003)	(10,530)	(23,003)	(10,530)

** The trade and other creditors line on the Balance Sheet include no (2020: Nil) short-term creditors that do not meet the definition of a financial liability as they relate to non-exchange transactions.

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments consist of the following items:

For the year ending 31 March 2021

	Financial assets at amortised cost £'000	Financial assets at fair value through income and expenditure £000	Total £000
Interest income	(2,404)	-	(2,404)
Gain on assets at fair value through income or expenditure	-	(1,716)	(1,716)
Interest expense	-	-	-
Net impact on surplus/deficit on provision of services	(2,404)	(1,716)	(4,120)
Gain on assets at fair value through other comprehensive income	-	-	-
Net gain for the year	(2,404)	(1,716)	(4,120)

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For the year ending 31 March 2020

	Financial assets at amortised cost £'000	Financial assets at fair value through income and expenditure £000	Total £000
Interest income	(2,060)	-	(2,060)
Loss on assets at fair value through income or expenditure	-	2,366	-
Interest expense	-	-	-
Net impact on surplus/deficit on provision of services	(2,060)	2,366	306
Gain on assets at fair value through other comprehensive	-	-	-
Net loss for the year	(2,060)	2,347	306

Fair value of financial assets and liabilities

Except for financial assets carried at fair value (Pooled Property fund and short-term deposits within cash and cash equivalents), all other financial assets and financial liabilities are carried on the Balance Sheet at amortised cost in accordance with the requirements of the Code and IFRS 9.

Some of WECA's financial assets are carried on the Balance Sheet at fair value, defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Pooled Multi Asset funds (managed externally by fund managers) and Money Market Funds are valued by reference to the published unit price, and this is input level 1 in the fair value hierarchy.

The different levels in the fair value hierarchy have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets of liabilities (Level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3)

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The table below compares the Balance Sheet value of financial assets and financial liabilities to their fair value.

	2021		2020	
	Balance Sheet £'000	Fair value £'000	Balance Sheet £000	Fair value £000
Financial assets at fair value through other income and expenditure				
Pooled funds	-	-	-	-
Financial assets at fair value through profit and loss				
Pooled funds	32,966	32,966	21,274	21,274
Financial assets at amortised cost				
Investment assets:				
- Fixed-term investments	220,000	221,754	128,000	129,078
- Accrued interest	982	982	601	601
- Trade and other debtors	18,177	18,177	4,943	4,943
Total investment assets	272,125	273,879	154,818	155,896
<i>Cash and cash equivalents:</i>				
<i>Financial assets at fair value through profit and loss:</i>				
- Short-term deposits	19,100	19,100	6,840	6,840
<i>Financial assets at amortised cost:</i>				
- Cash at bank and in hand	77	77	166	166
- Short-term deposits	6,198	6,200	19,974	20,000
- Accrued interest	351	351	322	322
Total cash and cash equivalents	25,726	25,728	27,302	27,328
Total financial assets	297,851	299,607	182,120	183,224
Financial liabilities at amortised cost				
Trade and other creditors	(23,373)	(23,373)	(10,530)	(10,530)
Short term borrowing	(20,005)	(20,005)	(15,005)	(15,005)
Total financial liabilities	(43,378)	(43,378)	(25,535)	(25,535)

Short-term debtors and creditors, cash and cash equivalents (including short-term deposits) approximate to their carrying amounts largely due to the short-term nature of these instruments. Accrued interest reflects interest on fixed-term investments which is payable within 12 months of the balance sheet date.

Sensitivity analysis

Income or expenditure and the fair value of financial assets are sensitive to the following changes:

Impact on fair value	Impact on income or expenditure			
	5% property price fall £'000	1% interest rate rise £'000	5% equity price fall £'000	1% interest rate rise £'000
Pooled funds	(501)	361	(372)	14
Fixed-term investments	-	1,318	-	1,088
Short-term deposits	-	28	-	225

30. Operating leases

Under the requirements of IAS 17 Leases, the Authority is required to review all lease arrangements and apply the primary and secondary tests detailed in the standard to determine the extent to which the risks and rewards incidental to ownership lie with the lessor or lessee and therefore whether leases should be classified as operating or finance leases, with the subsequent accounting treatment being in accordance with the standard.

The Authority is a lessee for the occupation of its offices at Temple Quay. This is considered an Operating Leases.

Operating leases are not recognised in the Balance Sheet but charged as an expense in the Comprehensive Income and Expenditure Statement on a straight line basis over the lease term, even if this does not match the pattern of payments. The table below sets out the future minimum lease payments payable under non-cancellable operating leases due to be paid by the Authority:

	31 March 2021 £'000	31 March 2020 £'000
Land and buildings		
Less than one year	173	173
Between two and five years	126	299
	299	472

There are no lease payments due to be paid to the Authority.

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31. Capital commitments

As at 31 March 2021, the Authority has issued a number of Grant Offer Letters funding Transport Scheme Business Cases and Highways and Transport Grants. It has also entered into a contract for the installation of Bus Information hardware.

The major commitments are listed in the table below:

	2021/22	2022/23	2023/24
	£'000	£'000	£'000
WECA Capital			
Business Case Development Grants	660	-	-
Metrowest Phase 1	5,860	-	-
Metrowest Phase 2	5,444	843	4,228
Cribbs Patchway Metrobus Extension	7,968	-	-
CPNN Cycle Links	1,290	-	-
On Bus Contactless Payment	90	-	-
Wraxall Road	3,769	30	-
Quantum Technologies	-	8,501	16,487
Centre for Digital Engineering	140	-	-
Love our High Streets	602	-	-
Keynsham Town Centre	425	-	-
South Bristol Industrial Light Workspace	266	1,667	636
Yate Park and Ride	2,824	-	-
Low Carbon Challenge Fund	200	900	-
FTZ DfT Capital Programme	8,340	9,221	5,899
DfT Active Travel Fund	1,099	-	-
Great Stoke Roundabout Improvements	30	-	-
Mayoral Capital			
Highways and Transport Grants	14,063	-	-
Pothole Action Fund grants	7,071	-	-
	60,141	21,162	27,250

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32. Related party disclosures

The Authority is required to disclose material transactions with related parties - bodies or individuals that have the potential to control or influence WECA or to be controlled or influenced by WECA. Disclosure of these transactions allows readers to assess the extent to which WECA might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Authority. These include:

Central Government

Central Government has significant influence over the general operations of WECA. It is responsible for providing the statutory framework within which WECA operates and provides funding in the form of grants. Grants received from Government Departments are set out in note 10 together with grant receipts not yet recognised due to conditions attached to them at 31 March 2021. A significant body of funding comes from Central Government, which provides the majority of the Authority's funding as part of the Devolution deal, including through redistributed NNDR income.

Members

The Mayor has control over WECA's financial and operating policies. The total of Members allowances paid in 2020-21 is shown in note 12. There were no transactions with related parties during the year.

Officers

During the year, there were income and expenditure transactions with local authorities or central government departments which officers had registered an employment interest with (for either themselves or their partner). These transactions are included in the expenditure and income disclosures below. There were no transactions with companies in which officers had an interest.

Constituent authorities

The Leaders of Bath and North East Somerset and South Gloucestershire Councils, and the Mayor of Bristol City Council, alongside the Mayor of the West of England, have direct control over the Authority's financial and operating policies through decision-making at WECA Committee. Within this capacity, in consultation with their respective councils, they approve the level of Levy raised annually to support the transport functions of the Authority. The Authority operates several other committees, details of which are in the Annual Governance Statement.

To support the operation of the Authority, the constituent councils within the region

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have provided support to WECA to assist in the discharge of its functions, i.e. The provision of ICT, Payroll, Insurance, Financial Systems and Exchequer services. Recharges have been made by the respective councils to the Authority to recover the cost of providing elements of this support.

Details of material income and expenditure are detailed below.

The Authority received the following levy payments and funding from Related Parties:

Funding received by WECA from Related Parties

2020/21

	ITA Levy £'000	100% BRR Pilot £'000	Grants £'000	Other Contributions £'000
Government	-	-	-	-
Constituent Authorities				
Bath & North East Somerset Council	5,048	1,256	-	25
Bristol City Council	10,035	6,207	-	67
South Gloucestershire Council	3,935	3,323	-	51
	19,018	10,786	-	143

Funding received by WECA from Related Parties 2019/20

	ITA Levy £'000	100% BRR Pilot £'000	Grants £'000	Other Contributions £'000
Government	-	-	1,066	-
Constituent Authorities				
Bath & North East Somerset Council	4,104	3,281	-	-
Bristol City Council	7,912	10,497	-	223
South Gloucestershire Council	2,566	6,494	-	125
	14,582	20,272	1,066	348

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The Authority made the following payments to Related Parties:

Expenditure incurred by WECA to Related Parties 2020/21

	ITA Functions £'000	Second -ments £'000	Support Services £'000	Distribu- tion of Grants £'000	Reimburse- ment of Election Costs £'000	Other Contribu- tions £'000
Government	-	-	-	-	-	-
Constituent Authorities						
Bath & North East Somerset Council	686	89	9	10,316	-	423
Bristol City Council	124	68	5	7,048	-	434
South Gloucestershire Council	1,485	84	12	23,336	-	37
	2,295	241	26	40,700	-	894

Expenditure incurred by WECA to Related Parties 2019/20

	ITA Functions £'000	Second -ments £'000	Support Services £'000	Distribu- tion of Grants £'000	Reimburse- ment of Election Costs £'000	Other Contribu- tions £'000
Government	-	-	-	-	-	-
Constituent Authorities						
Bath & North East Somerset Council	482	23	197	216	-	-
Bristol City Council	1,372	62	15	542	-	-
South Gloucestershire Council	12,960	43	12	26	-	-
	14,814	128	224	784	-	-

Entities controlled or significantly influenced by WECA

WECA owns no subsidiary companies.

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33. Events after the Balance Sheet date

The Statement of Accounts were authorised for issue by the West of England's Responsible Financial Officer on 30th July 2021. Events taking place after this date are not reflected in the financial statements or notes to the accounts. Where events taking place before this date provided information about conditions existing as at 31 March 2021, the amounts in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

34. 100% Business Rates Retention Pilot

In 2017/18, the Authorities in WECA area joined a pilot of 100% Business Rates Retention (BRR), under which WECA receives a 5% share of Business Rates collected by the three Billing Authorities with effect from 1 April 2017.

Under the pilot, the £17.572m of Highways Maintenance Grants that WECA would have otherwise received from the Department for Transport, is instead funded from the 5% share of NNDR income (including s31 grants for compensation under the new burdens principle) with a Tariff payment to Government representing the difference between the value of the Grants and WECA's Business Rates Baseline.

As a Major Preceptor within the BRR system, WECA also has to account for its share of Business Ratepayer arrears, overpayments, appeals and bad debt provisions calculated by the Billing Authorities, who are acting as WECA's agents in collecting such amounts. NNDR income included within the Comprehensive Income and Expenditure Statement includes the Authority's share of the surplus or deficit from other Local Authorities collection funds and any surplus or deficit is subject to the statutory arrangements which allow such variances to impact on the General Fund in subsequent accounting periods.

Appendix 1: Glossary of Financial Terms

A

Accounting Period

The period of time covered by the accounts, normally a period of 12 months commencing on 1 April. The end of the accounting period is the Balance Sheet date.

Accounting Policies

Within the range of possible methods of accounting, a policy is a statement of the actual methods chosen locally and used to prepare these accounts.

Accounting Statements

The Authority's Core Financial Statements and Supplementary Financial Statements.

Accruals

Sums included in the final accounts to cover income or expenditure attributable to the accounting period for which no payment has yet been made or received at the Balance Sheet date.

Actuarial Gains and Losses (Pension Schemes)

Changes in the net pensions liability that arise because events have not matched assumptions at the last actuarial valuation or because actuarial assumptions have changed.

Amortisation

A term used to refer to the charging of the value of a transaction or asset (usually related to intangible assets or deferred income charges) to the Income and Expenditure Account over a period of time, reflecting the value to the authority; similar to the depreciation charge for Non-Current Assets.

AQM

Air Quality Management

Asset

An asset is a resource controlled by the Authority as a result of past events, and from which future economic benefits are expected to flow to the Authority. An item having value in monetary terms. See also Current Assets, Non-Current Assets and Financial Asset.

B

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Bad (and Doubtful) Debts

Debts/income which may be uneconomic to collect or un-enforceable.

Balances

The reserves of the Authority, which include the accumulated surplus of income over expenditure.

Balance Sheet

A statement of the recorded assets, liabilities and other balances at the end of an accounting period.

Budget

The forecast of net revenue and capital expenditure over an accounting period.

C

Capital Adjustment Account

This provides a balancing mechanism between the different rates at which assets are depreciated under the Code and are financed through capital control system.

Capital Expenditure

Expenditure for the acquisition, provision or improvement of non-current assets, which will be long term value to the Authority, providing services beyond the current accounting period.

Capital Financing

The raising of money to pay for capital expenditure through borrowing, usable capital receipts, capital grants and contributions or use of reserves.

Capital Programme

The capital schemes as the Authority intends to carry out over a specified period.

Capital Grants

Grants received towards capital expenditure either generally or for a particular project.

Capital Receipts

Money received from the sale of property, plant and equipment or repayment of a capital advance.

Carrying Amount

The balance sheet value recorded of an asset or a liability.

West of England Combined Authority (WECA)

Appendix 1: Glossary of Financial Terms (continued)

Cash and Cash Equivalents

This comprises cash in hand, cash overdrawn and short-term investments, which are readily convertible into known amounts of cash.

CIPFA (The Chartered Institute of Public Finance and Accountancy)

CIPFA is the leading professional accountancy body for public services.

Collection Fund

A statutory fund maintained by a billing authority, which is used to record local taxes and NonDomestic Rates collected by the authority, along with payments to precepting authorities, the national pool of Non-Domestic Rates and the billing authority's General Fund.

Consistency

The concept that the accounting treatment of like items within an accounting period and from one period to the next is the same.

Consolidated

Added together with adjustments to avoid double counting of income, expenditure or to avoid exaggeration.

Contingency

Money set aside in the budget to meet the cost of unforeseen items of expenditure, or shortfalls in income.

Contingent Asset

A possible asset that arises from past events from whose existence will be confirmed only by the occurrence of one or more uncertain future events now wholly within the Authority's control.

Contingent Liability

A contingent liability is either:

- A possible obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Authority's control;

or

- A present obligation arising from past events where it is not probable that a transfer of economic benefits will be required, or the amount cannot be measured with sufficient liability.

Council Tax

The main source of local taxation for local authorities. Council Tax is levied on households within its area by the billing authority and the proceeds are paid into the Collection Fund for distribution to precepting authorities and the Authority's General

West of England Combined Authority (WECA)

Appendix 1: Glossary of Financial Terms (continued)

Fund.

Creditors

Amounts owed by the Authority for works completed, goods received, or services rendered before the end of the accounting period but for which payments have not been made.

Current Assets

Assets which can be expected to be consumed or realised during the next accounting period.

Current Liabilities

Amounts which will become due or could be called upon during the next accounting period.

Current Service Cost (Pensions)

The increase in the present value of a defined benefit scheme's liabilities as a result of employee service earned in the current period.

D

Debtors

Amounts due to the Authority for works completed, goods received, or services rendered before the end of the accounting period but for which payments have not been received.

De-minimis

Indicates that beneath a certain low level a quantity is regarded as trivial, and treated commensurately.

Depreciation

The estimated benefit of an asset consumed during the accounting period, owing to age, wear and tear, deterioration or obsolescence.

E

Equity

The Authority's value of total assets, less total liabilities.

Equity Instrument (Financial instruments)

A contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

Events After the Reporting Period

West of England Combined Authority (WECA)

Appendix 1: Glossary of Financial Terms (continued)

Those events, both favourable and unfavourable, of such materiality that either their disclosure, or amendment to the accounts, is required for the fair presentation of the Statement of Accounts, which occur between the Balance Sheet date and the date on which the Accounts are signed by the responsible financial officer.

Expected credit losses (Financial instruments)

The weighted average of credit losses with the respective risks of a default occurring as the weights. 12-month expected credit losses is the portion of lifetime expected credit losses that represent the expected credit losses that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of a financial instruments.

Experience gain (Pension schemes)

The actuarial gains and losses element arising where actual events have not coincided with the actuarial assumptions made at the last assessment.

External Audit

The independent examination of the activities and accounts of local authorities in order to give an opinion as to whether the Statement of Accounts have been prepared in accordance with legislative requirements and proper practices, and to ensure the Authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Expected Return on Pension Assets

For a funded defined benefit pension scheme, the average return, including both income and changes in fair value but net of scheme expenses, expected over the remaining life of the related obligation on the actual assets held by the scheme.

Expenditure

Amounts paid by the Authority for goods received or services rendered of either a capital or revenue nature. This does not necessarily involve a cash payment.

F

Fair Value (FV)

The price an asset could be exchanged for in an orderly transaction between market participants at the measurement date.

Finance Leases

A lease that transfers substantially all the risks and rewards of ownership of an asset to the lessee. Accounting guidance requires that it should be presumed that such transfer of risks and rewards occurs if at the inception of a lease the present value of the minimum lease payments including any initial payment, amounts to substantially

West of England Combined Authority (WECA)

Appendix 1: Glossary of Financial Terms (continued)

all (normally 90% or more) of the fair value of the leased asset. The present value is calculated using the interest rate implicit in the lease.

Financial Asset

A right to future economic benefits controlled by the Authority that is represented by:

- cash
- an equity instrument of another entity
- a contractual right to receive cash (or another financial asset) from another entity
- a contractual right to exchange financial assets/liabilities with another entity under conditions that are potentially favourable to the Authority.

Financial assumptions (Pensions)

Finance related assumptions used by the actuary in assessing pension scheme liabilities (e.g. rates of inflation)

Financial Instruments

Any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial Liability

An obligation to transfer economic benefits controlled by the Authority that is represented by:

- a contractual obligation to deliver cash (or another financial asset) to another entity
- a contractual obligation to exchange financial assets/liabilities with another entity under conditions that are potentially unfavourable to the Authority.

G

General Fund (GF)

The main revenue fund of a billing Authority used to meet day-to-day spending.

Government Grants

Grants made by the Government towards either revenue or capital expenditure to support the cost of provision of the Authority's services. Some grants may be restricted to be used towards the cost of particular capital schemes or revenue expenditure of the Authority.

West of England Combined Authority (WECA)

Appendix 1: Glossary of Financial Terms (continued)

Gross Expenditure

The total cost of providing the Authority's services before taking into account income from government grants and fees and charges for services.

Growth

Any increase in spending from one year to another which enables the Authority to pay for more services rather than to meet higher costs.

GVA

Gross Value Added

H

Historical Cost

The actual cost of assets, goods or services, at the time of their acquisition.

I

Impairment

A permanent reduction in the value of an asset, below its carrying amount on the Balance Sheet.

Income

Amounts that the Authority receives or expects to receive from any source, including fees and charges, sales and grants.

Intangible Assets

Non-financial assets which do not have physical substance but are identified and controlled by the Authority through legal rights.

Interest Receivable

The money earned from the investment of surplus cash.

Inventories

Items of raw materials and stores the Authority has procured to use on a continuing basis and which it has not yet used.

International Financial Reporting Standards (IFRS)

These are statements prepared by the International Accounting Standards Board to ensure consistency in Accountancy matters. Many of these standards now apply to local authorities and any departure from these must be disclosed in the published accounts.

West of England Combined Authority (WECA)

Appendix 1: Glossary of Financial Terms (continued)

J

JLTP4

Joint Local Transport Plan 4

L

Levy

An amount of money, such as a tax, that you have to pay to a government or organisation.

Liability

A liability is where the Authority owes payment to an individual or another organisation. See also Contingent Liability, Current Liabilities and Financial Liability.

Long-Term Assets

Non-current and other assets which can be expected to be of use or benefit the Authority in providing its service for more than one accounting period.

Long-Term Liabilities

Amounts which will become due or could be called upon beyond the next accounting period.

M

Materiality

The concept that the Statement of Accounts should include all amounts which, if omitted, or misstated, could be expected to influence the decisions of the user of the financial statements.

N

National Non-Domestic Rates (NNDR)

A levy on businesses, based on a national rate in the pound set by the Government, multiplied by the rateable value of the premises they occupy.

Net Debt

The Council's total borrowings less cash investments.

Net Expenditure

Gross expenditure less specific service income.

Net Interest on the Net Defined Benefit Liability (Pensions)

The net interest expense - the change during the period in the net benefit liability

West of England Combined Authority (WECA)

Appendix 1: Glossary of Financial Terms (continued)

that arises from the passage of time.

Net Realisable Value

The open market value of the asset in its existence use (or open market value in the case of nonoperational assets), less the expenses to be incurred in realizing the asset.

Non-Current Assets

Property, plant and equipment and other assets that bring longer term benefit or service potential to the Authority.

O

Operating Leases

A lease other than a Finance Lease (see above). The future obligations relating to operating leases are disclosed to provide the reader with an estimate of the outstanding un-discharged obligations in relation to such leases.

Other Comprehensive Income

Consists of items that have an effect on the balance sheet amounts, but the effect is not reported on the company's income statement. Instead, these changes are reported on the statement of comprehensive income along with the amount of net income from the income statement.

Out-turn

Actual income and expenditure in a financial year (accounting period).

P

Pension Fund

An employees' pension fund maintained by an authority, or group of authorities, in order to make pension payments on the retirement of its participants. It is financed from contributions from the employing authority, the employee and from investment income.

Preceptor

Precepting authorities levy a charge on local tax payers through council tax or business rates in the same way as the local authority for provision of services across the region.

Prior Period Adjustments

Adjustments made to prior years comparator figures arising from changes in accounting policies or from the correction of material errors.

West of England Combined Authority (WECA)

Appendix 1: Glossary of Financial Terms (continued)

Provisions

Amounts set aside for the purposes of providing for any liability or loss which is likely or certain to be incurred but is uncertain as to the amount or the date on which it will arise.

R

Rateable Value

The annual assumed rental value of a property that is used for NNDR purposes.

Revenue Expenditure Funded by Capital Under Statute (REFCUS)

Expenditure of a capital nature but which gives rise to no tangible asset held by the Authority.

Recognition/Derecognition

Regular purchases and sales of financial assets are recognised on trade date (that is, the date on which the Combined Authority commits to purchase or sell the asset). Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Combined Authority has transferred substantially all the risks and rewards of ownership.

Related Parties

Two or more parties are related parties when at any time during the financial period:

- One party has direct or indirect control of the other party; or
- The parties are subject to common control from the same source; or
- One party has influence over the financial and operational policies of the other party to an extent that the other party might be inhibited from pursuing at all times its own separate interests; or
- The parties, in entering a transaction, are subject to influence from the same source to such an extent that one of the parties to the transaction has subordinated its own separate interest.

Examples of related parties to an authority include central government, local authorities and other bodies precepting or levying demands on the Council Tax, its members, its Chief Officers and its pension fund.

For individuals identified as related parties, it is also presumed that members of the close family, or the same household, or any partnerships, companies in which the individual or a member of their close family, or the same household has a controlling interest, are deemed to be related parties.

Related Party Transactions

The transfer of assets or liabilities or the performance of services by, to or for a related party irrespective of whether a charge is made. The materiality of related party transactions is judged not only in terms of their significance to the Authority, but also in relation to its related party.

West of England Combined Authority (WECA)

Appendix 1: Glossary of Financial Terms (continued)

Reserves

Amounts set aside in the accounts for the purpose of meeting general, future expenditure. Reserves may also be used to smooth the cost of certain activities over a number of years. A distinction is drawn between reserves and provisions (see above), which are set up to meet known liabilities.

Receipts in Advance

Amounts actually received in an accounting period prior to the period in which they are due.

Residual Value

The net realizable value of property, plant or equipment at the end of its useful life.

Retirement Benefits

All forms of consideration given by an employer in exchange for services rendered by employees that are payable after the completion of employment.

Return on Plan Assets (Pensions)

Changes during the period in the net benefit liability that arises from the passage of time, excluding amounts included in Net Interest on the Net Defined Benefit Liability.

Revenue Expenditure

Spending on day-to-day items including employees' pay, premises and transport costs and supplies and services.

S

Settlements (Pension schemes)

A gain or loss on settlement arises when an authority enters into a transaction that eliminates all further obligation for the benefits provided under a defined benefit plan. Settlements have the effect of extinguishing a portion of the plan liabilities, usually by transferring plan assets to or on behalf of plan members to their new employer.

T

Total Cost

The actual cost of services reflecting all of the direct, indirect and overhead costs that have been incurred in providing the service, even where the expenditure is not under the control of the service's chief officer.

T Levels

West of England Combined Authority (WECA)

Appendix 1: Glossary of Financial Terms (continued)

T Level are courses that focus on vocational skills and can help students into skilled employment, higher study or apprenticeships.

Abbreviations used in the Statement of Accounts

B&NES	Bath & North East Somerset Council
BEIS	Department for Business, Energy and Industrial Strategy
BRR	Business Rates Retention
CEO	Chief Executive Officer
CFO	Chief Finance Officer
CIPFA	Chartered Institute of Public Finance and Accountancy
CPNN	Cribbs Patchway New Neighbourhood (Cycle Scheme)
DCMS	Department for Digital, Culture, Music and Sport
DFE	Department for Education
DFT	Department for Transport
DWP	Department for Work and Pensions
ERDF	European Regional Development Fund
EU	European Union
FOI	Freedom of Information
FVOCI	Fair Value through Other Comprehensive Income
FVPL	Fair value through Profit or Loss
HR	Human Resources
IBB	Invest in Bristol and Bath
IAS	International Accounting Standards
IPSAS	International Public Sector Accounting Standards
ICT	Information Communication Technology

West of England Combined Authority (WECA)

Appendix 1: Glossary of Financial Terms (continued)

IFRS	International Financial Reporting Standard
ITA	Integrated Transport Authority
LASAAC	The Local Authority (Scotland) Accounts Advisory Committee
LEP	Local Enterprise Partnership
LGf	Local Growth Fund
LGPS	Local Government Pension Scheme
LIS	Local Industrial Strategy
LSTF	Local Sustainable Transport Fund
MHCLG	Ministry of Housing, Communities and Local Government
NNDR	National Non-domestic Rates
OCI	Other Comprehensive Income
RCCO	Revenue Contribution to Capital Outlay
REFCUS	Revenue Expenditure from Capital Under Statute
RIF	Revolving Infrastructure Fund
SFA	Skills Funding Agency
WECA	West of England Combined Authority
WIDJET	Women in Digital Jobs, Education & Training

Grant Thornton UK LLP
2 Glass Wharf
Bristol

22 September 2021

Dear Sirs

**The West of England Combined Authority
Financial Statements for the year ended 31 March 2021**

This representation letter is provided in connection with the audit of the financial statements of The West of England Combined Authority for the year ended 31 March 2021 for the purpose of expressing an opinion as to whether the Authority's financial statements are presented fairly, in all material respects in accordance with International Financial Reporting Standards, and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 and applicable law.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Financial Statements

- i. We have fulfilled our responsibilities for the preparation of the Authority's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.
- ii. We have complied with the requirements of all statutory directions affecting the Authority and these matters have been appropriately reflected and disclosed in the financial statements.
- iii. The Authority has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.
- iv. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
- v. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. Such accounting estimates include the valuation of the Authority's Pension Fund liability. We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. We understand our responsibilities includes identifying and considering 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 estimate used. We are satisfied that the methods, the data and the significant assumptions used by us in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in accordance with the Code and adequately disclosed in the financial statements.
- vi. We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and

properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.

- vii. Except as disclosed in the financial statements:
- a. there are no unrecorded liabilities, actual or contingent
 - b. none of the assets of the Authority has been assigned, pledged or mortgaged
 - c. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.
- viii. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.
- ix. All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.
- x. We have considered the adjusted misstatements, and misclassification and disclosures changes schedules included in your Audit Findings Report. The Authority's financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.
- xi. We have considered the unadjusted misstatements schedule included in your Audit Findings Report and attached. We have not adjusted the financial statements for these misstatements brought to our attention as [they are immaterial to the results of the Authority and its financial position at the year-end and are based on an extrapolation. The financial statements are free of material misstatements, including omissions.
- xii. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.
- xiii. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
- xiv. We have updated our going concern assessment and cashflow forecasts in light of the Covid-19 pandemic. We continue to believe that the Authority's financial statements should be prepared on a going concern basis and have not identified any material uncertainties related to going concern on the grounds that:
- a. the nature of the Authority means that, notwithstanding any intention to liquidate the Authority or cease its operations in their current form, it will continue to be appropriate to adopt the going concern basis of accounting because, in such an event, services it performs can be expected to continue to be delivered by related public authorities and preparing the financial statements on a going concern basis will still provide a faithful representation of the items in the financial statements
 - b. the financial reporting framework permits the entry to prepare its financial statements on the basis of the presumption set out under a) above; and
 - c. the Authority's system of internal control has not identified any events or conditions relevant to going concern.

We believe that no further disclosures relating to the Authority's ability to continue as a going concern need to be made in the financial statements

Information Provided

- xv. We have provided you with:

- a. access to all information of which we are aware that is relevant to the preparation of the Authority's financial statements such as records, documentation and other matters;
 - b. additional information that you have requested from us for the purpose of your audit; and
 - c. access to persons within the Authority via remote arrangements, in compliance with the nationally specified social distancing requirements established by the government in response to the Covid-19 pandemic. from whom you determined it necessary to obtain audit evidence.
- xvi. We have communicated to you all deficiencies in internal control of which management is aware.
- xvii. All transactions have been recorded in the accounting records and are reflected in the financial statements.
- xviii. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- xix. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the Authority and involves:
- a. management;
 - b. employees who have significant roles in internal control; or
 - c. others where the fraud could have a material effect on the financial statements.
- xx. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.
- xxi. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.
- xxii. We have disclosed to you the identity of the Authority's related parties and all the related party relationships and transactions of which we are aware.
- xxiii. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

Annual Governance Statement

- xxiv. We are satisfied that the Annual Governance Statement (AGS) fairly reflects the Authority's risk assurance and governance framework and we confirm that we are not aware of any significant risks that are not disclosed within the AGS.

Narrative Report

- xxv. The disclosures within the Narrative Report fairly reflect our understanding of the Authority's financial and operating performance over the period covered by the Authority's financial statements.

Approval

The approval of this letter of representation was minuted by the Authority's Audit Committee at its meeting on 22 September 2021.

Yours faithfully

Name.....

Position.....

Date.....

Name.....

Position.....

Date.....

Signed on behalf of the Authority



Our ref:
Your ref:

Chair of Audit Committee
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14 September 2021

Dear Chair of Audit Committee as TCWG

Under the 2020 Code of Audit Practice, for relevant authorities other than local NHS bodies we are required to issue our Auditor's Annual Report no later than 30 September or, where this is not possible, issue an audit letter setting out the reasons for delay.

As a result of the ongoing pandemic, and the impact it has had on both preparers and auditors of accounts to complete their work as quickly as would normally be expected, the National Audit Office has updated its guidance to auditors to allow us to postpone completion of our work on arrangements to secure value for money and focus our resources firstly on the delivery of our opinions on the financial statements. This is intended to help ensure as many as possible could be issued in line with national timetables and legislation.

As a result, we have therefore not yet issued our Auditor's Annual Report, including our commentary on arrangements to secure value for money. We now expect to publish our report no later than 14 December 2021, having reported our findings to the Audit Committee on 9 December 2021.

For the purposes of compliance with the 2020 Code, this letter constitutes the required audit letter explaining the reasons for delay.

Yours faithfully

A handwritten signature in black ink, appearing to read "Jon Roberts".

Jon Roberts

Partner

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REPORT TO: WEST OF ENGLAND COMBINED AUTHORITY AUDIT COMMITTEE

DATE: 22 SEPTEMBER 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

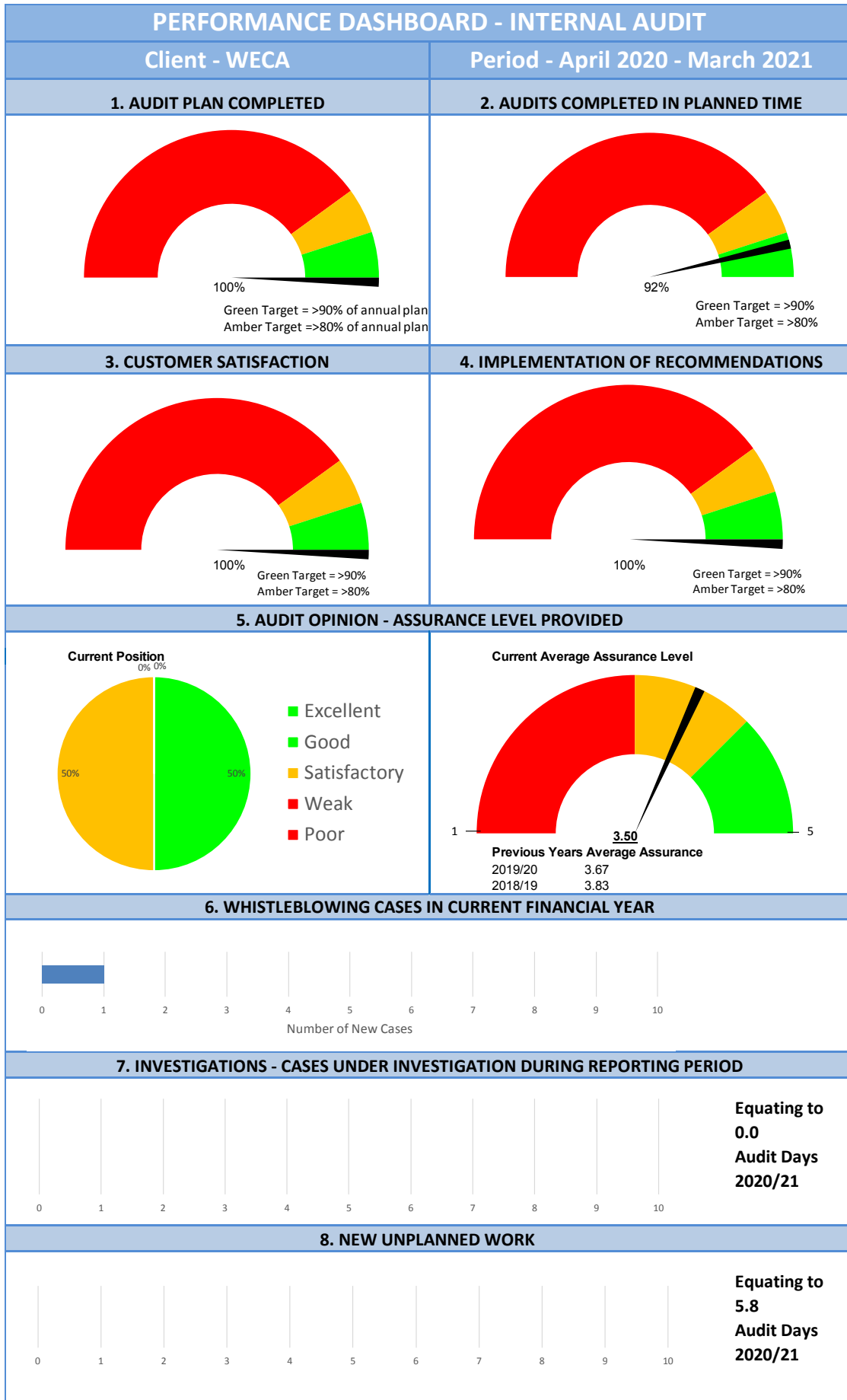
3. The Audit Committee notes that Internal Audit Report 2020/21 and formal opinion on the internal control framework.

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 17th 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

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

Audit Area	Assurance Level or Risk Rating
Organisational & Corporate Functions	
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
Follow – Up Area	Original Assurance Level
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
Counter Fraud and Corruption – Whistleblowing Policy Page 254	To ensure there is a clearly defined Whistleblowing Policy which is written in line with best practice	The Whistleblowing Policy: <ul style="list-style-type: none"> provides appropriate details of the protection possible for individuals raising genuine whistleblowing concerns. 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. 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. 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. 	<ul style="list-style-type: none"> 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 Consideration should be given to using an independent organisation to manage /support whistleblowing concerns. Formal version control process should be introduced to record details of the changes to and reviews undertaken of the Whistleblowing Policy. Basic contact details for the main routes for Whistleblowing should be provided on the policy itself 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 The Whistleblowing Policy should be easily accessible on the WECA website in a logical place, such as the 'contact us' section
	To ensure the arrangements in the Whistleblowing Policy are put into practice effectively		
Core Financial Systems – Control Accounts	To ensure that control accounts are maintained accurately and timely to assist in the production of financial statements.	<ul style="list-style-type: none"> Any reconciliation differences are investigated and resolved to ensure the control accounts reconcile. The Finance Team has a designated Officer who is independently carrying out the control account reconciliations. 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. 	<ul style="list-style-type: none"> 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. 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. It is recommended that the reconciliations for the control accounts should be carried out monthly in line with procedures.
Core Financial Systems – VAT	To ensure that VAT is processed in accordance with the Combined Authorities VAT Policy Manual and current VAT	<ul style="list-style-type: none"> 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 	<ul style="list-style-type: none"> The Financial Accountant should ensure the VAT Policy and Procedure documents are reviewed, updated, and disseminated to appropriate staff. It is recommended that the VAT independent

ITEM 13

	<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"> • WECA uses a well-known and widely used professional financial management system to store and report on all its financial information. • 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. 	<p>quality checking exercise is undertaken each quarter and signed off by either the Head of Finance & 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 255</p> <p>Workforce for the Future</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"> • There was appropriate approval for the partners selected to deliver the core programme • Suitable evidence is obtained such as company accounts, to evidence that participating SMEs are eligible under the ESF definitions of an SME. • 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. • Applications were assessed and compared on template spreadsheets which clearly detail the high-level costs and benefits, in line with the key ESF indicators. • There was appropriate approval for the partners selected to deliver the core programme. 	<ul style="list-style-type: none"> • A corporate project management framework should be rolled out for management of projects across WECA. • 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.

Appendix 3 – Audit Opinion Descriptions

Assurance Rating	Opinion
Level 5 - Full Assurance	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.
Level 4 - Substantial Assurance	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.
Level 3 - Reasonable Assurance	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.
Level 2 - Limited Assurance	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.
Level 1 - No Assurance	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: 14

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

DATE: 22 SEPTEMBER 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

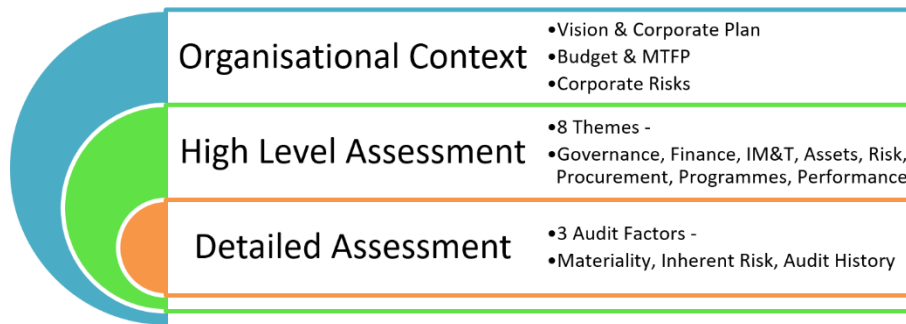
- To note the report and approve the Internal Audit Plan attached at Appendix 1.

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

Internal Audit Plan 2021/22



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Audit West

Delivering Independent Assurance to the Public Sector

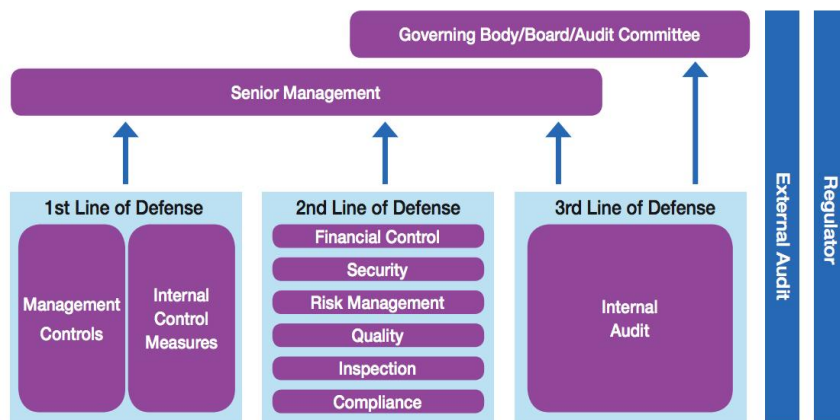
1. Our Role

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.

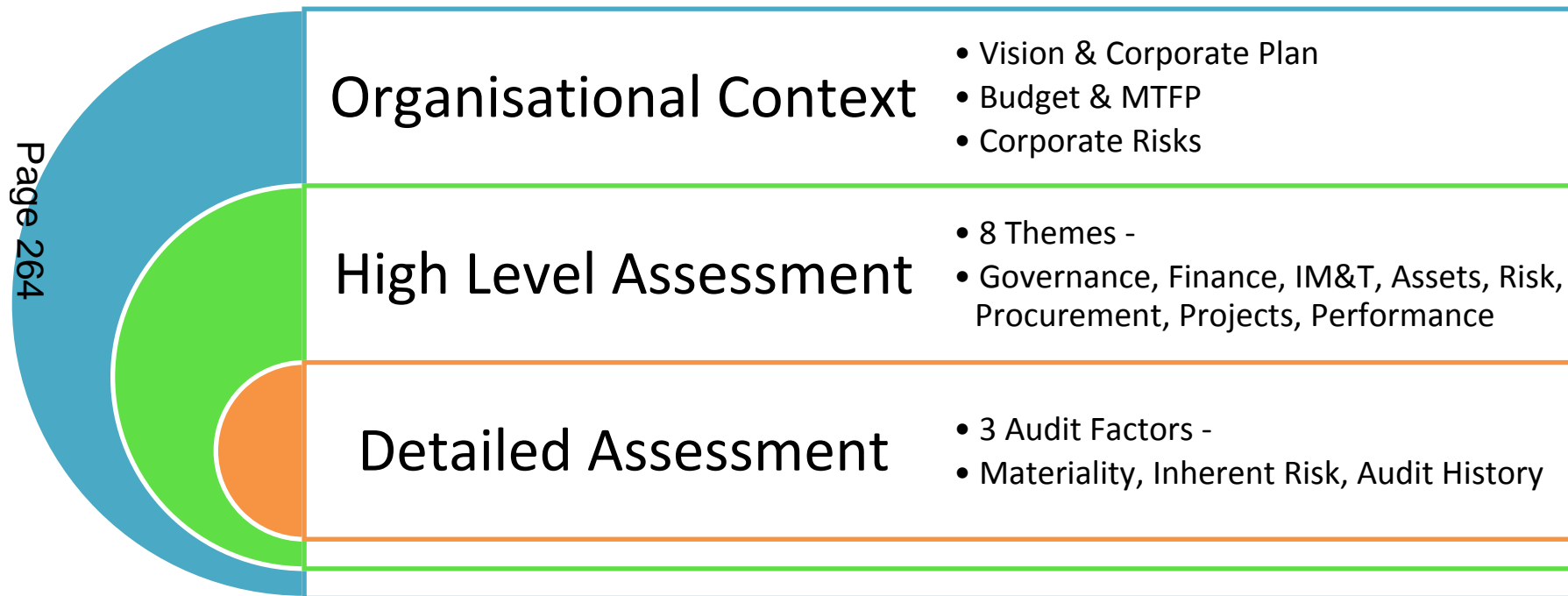
We will achieve our ambitions by working with our communities to deliver our priorities for infrastructure, skills and business.



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

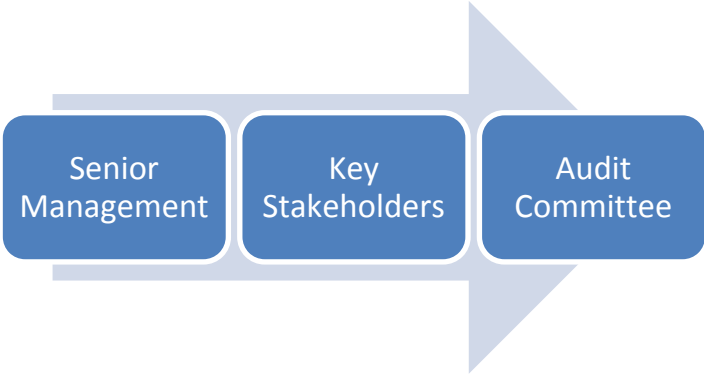


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DETAILED CRITERIA – AUDIT PLAN LISTING



CONSULTATION & APPROVAL



Results of our Reasonable Assurance Model Risk Assessment –

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

4 Areas for Review – 2021/22

ANNEX A

Internal Audit Areas	Reasonable Assurance Theme
Organisational & Corporate Functions (62 Days)	
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
Corporate Governance (20 Days)	
Annual Governance Review (AGS)	Corporate Governance
Reasonable Assurance Model – Corporate Governance	Corporate Governance
Reasonable Assurance Model – Financial Management	Financial Management
Reasonable Assurance Model – Performance Management	Performance Management
Reasonable Assurance Model – Risk Management	Risk Management
Reasonable Assurance Model – Programme & Project Management	Programme & Project Management
Reasonable Assurance Model – Procurement	Procurement
Reasonable Assurance Model – Information Management	Information Management & Technology
Reasonable Assurance Model – Asset Management	Asset Management

Follow-Up Reviews (6 Days)	
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
Grant Audit Certification – Various (12 Days)	Financial Management / Corporate Governance

CONTACT DETAILS

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Audit Manager -	Pete Charles 07866 897357 Pete_Charles@bathnes.gov.uk
Address	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.