



The Audit Findings for West of England Combined Authority

Year ended 31 March 2020

16 October 2020



Contents



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

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Headlines

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

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

Headlines

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

Value for Money arrangements	Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report if, in our opinion, the WECA has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources ('the value for money (VfM) conclusion').	<p>We have completed our risk based review of the WECA's value for money arrangements. We have concluded that WECA has proper arrangements to secure economy, efficiency and effectiveness in its use of resources.</p> <p>We have updated our VfM risk assessment to document our understanding of your arrangements to ensure critical business continuity in the current environment. We have not identified any new VfM risks in relation to Covid-19.</p> <p>We therefore anticipate issuing an unqualified value for money conclusion, as detailed in Appendix E. Our findings are summarised on pages 14 to 21.</p>
Statutory duties	<p>The Local Audit and Accountability Act 2014 ('the Act') also requires us to:</p> <ul style="list-style-type: none"> • report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and • to certify the closure of the audit. 	<p>We have not exercised any of our additional statutory powers or duties.</p> <p>We have completed the majority of work under the Code and expect to be able to certify the completion of the audit when we give our audit opinion.</p>

Acknowledgements

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

Audit approach

Overview of the scope of our audit

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

Audit approach

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

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

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

Conclusion

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

Our approach to materiality

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

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

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

Significant audit risks

Risks identified in our Audit Plan

Auditor commentary

Covid- 19

We:

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

The revenue cycle includes fraudulent transactions

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

Significant audit risks

Risks identified in our Audit Plan

Management override of controls

Auditor commentary

We:

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

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

Valuation of pension fund net liability

We:

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

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

Other audit risks

Risks identified in our Audit Plan

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

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

Auditor commentary


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

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

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

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

Significant findings – key estimates and judgements

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

Assessment

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

Significant findings – key estimates and judgements

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

Assessment

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

Significant findings – going concern

Our responsibility

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

Going concern commentary

Management's assessment process

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

Auditor commentary

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

Work performed

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

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

Concluding comments

Our audit opinion is unmodified in relation to going concern.

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

Other matters for communication

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

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

Other responsibilities under the Code

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

Value for Money

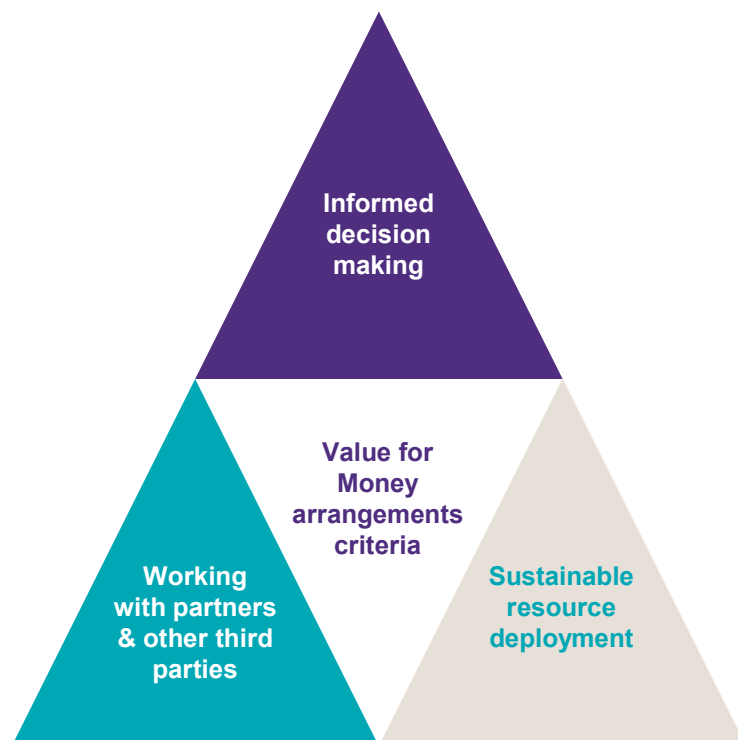
Background to our VFM approach

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

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

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

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



Risk assessment

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

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

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

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

Value for Money

Our work

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

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

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

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

Overall conclusion

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

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

Recommendations for improvement

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

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

Significant difficulties in undertaking our work

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

Significant matters discussed with management

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

Value for Money

Key findings

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

Significant risk

Findings and Conclusion

Medium Term Financial Plan (MTFP)

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

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

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

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

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

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

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

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

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

Value for Money

Significant risk

Medium Term Financial Plan (MTFP) *continued*

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

Findings and Conclusion

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

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

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

The Business Rates Retention Pilot will continue in 2020/21 but this is the final year of the pilot and it will be replaced by a 75% Business Rate Retention that is being implemented nationally from April 2021. WECA is currently reliant on £1.2m per annum of the 100% pilot to support the funding of core capacity costs, however, the majority of the funding (£17.6m) is payable directly to the mayoral budget to replace the highways and transport grants from the Department for Transport. From 2021/22 onwards it is assumed that government will provide highways and transport capital grants direct to the three unitary authorities. Funding of £1m from the Mayoral Capacity Fund Grant for 2020/21 to meet core operating costs at WECA has no certainty beyond this period. The WECA have started to increase the general fund reserve to manage any future financial risk. This remains at 2 per cent of the 2021/21 revenue.

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

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

Conclusion

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

Recommendation

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

Value for Money

Significant risk

Findings and Conclusion

Measuring and Monitoring Performance

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

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

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

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

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

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

Value for Money

Significant risk

Measuring and Monitoring Performance *continued*

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

Findings and Conclusion

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

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

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

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

Value for Money

Significant risk

Measuring and Monitoring Performance *continued*

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

Findings and Conclusion

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

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

Conclusion

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

Recommendations

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

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

Independence and ethics



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

Audit and Non-audit services




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

Action plan


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

Assessment	Issue and risk	Recommendations
 Medium	<p>Preparation of Financial Statements</p> <p>Good progress has been made in improving the arrangements for the preparation of financial statements. The in-house finance team has greater stability and capacity which has enabled more robust financial statements to be produced for audit. Whilst there have been a number of issues arising during the course of the audit, these are reflective of the fact that the team are becoming more experienced in their roles.</p>	<p>Continue the positive progress in enhancing the capacity and experience of the finance team to produce accurate financial statements in a timely way.</p> <p>Management response</p> <p>2019/20 was the first year in which WECA 'owned' and managed the Statement of Accounts through developing and utilising in-house capacity. As acknowledged in this report, we have made huge progress over the last 12 months in this area and we will continue to improve when developing the 2020/21 Statements through:</p> <ul style="list-style-type: none"> (a) improving electronic access to transactional financial data (with the new Agresso finance system being fully operational from September 2020); and (b) stabilising and increasing in-house financial capacity with a recommendation to the 9th October 2020 WECA Committee to increase the Financial Services base budget by £150k per annum.
 Medium	<p>Medium Term Financial Plan</p> <p>Officers have developed a robust medium term financial plan that is based on appropriate assumptions and reflects known projects and funding streams. However, the impact of the Covid-19 pandemic now needs to be considered and reflected in future updates to the plan. There is also an opportunity to summarise the financial information into a single page.</p>	<p>Officers should review the MTFF to reflect any changes required as a result of the Covid-19 pandemic. Officers should consider producing a single page MTFF to provide a summary of the expected financial outturn.</p> <p>Management response</p> <p>We have, and will continue, to regularly review the impact of Covid-19 on WECA's MTFF. As an example, recommendations to the 9th October 2020 WECA committee include:</p> <ul style="list-style-type: none"> (a) bringing back £32m of Investment Fund financial headroom, (for re-prioritisation), within the Infrastructure theme through challenging the relative priority and deliverability of all schemes post Covid; and (b) a further Investment Fund allocation of £4.4m, (in addition to a previously approved £5m allocation), for post Covid economic recovery activity. This £9.4m allocation will be overseen by the West of England Regional Taskforce including Mayors, Political Leaders and key representatives from the region's business and education sectors. <p>MTFF assumptions will be regularly reviewed with updates provided in published budget monitoring reports. As an example, Appendix 3 of the budget monitoring report to the 9th October 2020 WECA Committee provides a single page update in relation to key MTFF assumptions.</p>




Key

-  High priority
-  Medium priority
-  Low priority

Action plan

Assessment	Issue and risk	Recommendations
 Medium	<p>Measuring and Monitoring Performance</p> <p>Good progress has been made in developing and embedding a performance framework. Tangible metrics have been developed for each strategic theme of the WECA operating model detailing existing baselines and anticipated progress to be made by 2023. A baseline has now been formalised and SMART objectives developed against key projects and key metrics against which the Authority can measure its impact and effectiveness and be accountable to stakeholders and taxpayers.</p>	<p>WECA should consider the use of RAG rating to clearly highlight where indicators have improved compared to the prior year.</p> <p>WECA should consider the impact that the covid-19 pandemic will have on the regions' plans for achieving inclusive economic growth and addressing the climate emergency and potential re-focus on priorities.</p> <p>Management response</p> <p>WECA will be revising the assumptions regarding the medium-term indicators that support the £350m investment programme (up to March 2023) as part of the 2021/22 Business Planning process. A revised Business Plan will be published in early 2021 alongside the setting of the budget. We will consider the possibility of introducing RAG ratings as part of this process.</p>

Key

-  High priority
-  Medium priority
-  Low priority

Follow up of prior year recommendations

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

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

Assessment

- ✓ Action completed
- X Not yet addressed

Audit adjustments

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

Impact of adjusted misstatements

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

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000
Debtors and creditors were overstated due to the inclusion of prior year NNDR balances which should have been excluded. These netted out on the balance sheet.	0	+/- 3,577	0
A balance of REFCUS in year was identified as Capital Grants Received in Advance.	11	11	11
Assets held at fair vale through profit or loss were overstated on the balance sheet.	940	940	940
An adjustment to the 5G spend reducing income in year	1,043	1,043	1,043
Overall impact	1,994	1,994	1,994

Audit adjustments

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

Misclassification and disclosure changes

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

Disclosure omission	Detail	Auditor recommendations	Adjusted?
There were a number of minor changes to the cash flow statement.	The release of impairment on investments was adjusted from £0k to -£19k	All recommended adjustments made.	
	The interest received was adjusted from £1,999k to £2,018k		
	The increase in long and short-term investments was adjusted from -£11,000k to -£12,000k		✓
	The increase in financial assets at fair value through other comprehensive income was adjusted from £0k to -£14,000k		
	The increase in short term loans was adjusted from £0k to £15,000k		
One change to capital commitments – Pothole Action Fund understated.	Pothole Action Fund expenditure disclosed as £655k.	All recommended adjustments made.	
	Actual committed expenditure £8,000k		✓
Senior officer remuneration disclosure omitted the last month of pension contributions made	We identified that the amounts disclosed did not agree to the backing data provided. On examination, the disclosure note did not include the last month of pension contributions.	All recommended adjustments made.	✓

Audit adjustments

Impact of unadjusted misstatements

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

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

Fees

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

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

These fees agree to the £30k identified in Note 13 – External Audit Costs in the Statement of Accounts.

Audit opinion

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

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

Report on the Audit of the Financial Statements

Opinion

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

In our opinion, the financial statements:

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

Basis for opinion

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

The impact of macro-economic uncertainties on our audit

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

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

Conclusions relating to going concern

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

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

Audit opinion

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

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

Other information

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

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

We have nothing to report in this regard.

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

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

We have nothing to report in this regard.

Opinion on other matter required by the Code of Audit Practice

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

Matters on which we are required to report by exception

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

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

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

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

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

Audit opinion

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

Conclusion

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

Responsibilities of the Authority

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

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

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

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

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

Report on other legal and regulatory requirements – Certificate

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

Use of our report

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



External Audit Plan update

Year ending 31 March 2020

West of England Combined Authority

16 October 2020



Introduction & headlines

Purpose

- This document provides an update to the planned scope and timing of the statutory audit of West of England Combined Authority (‘the Authority’) as reported in our Audit Plan dated 3 February 2020, for those charged with governance.

The current environment

- In addition to the audit risks communicated to those charged with governance in our Audit Plan on 27 February 2020, recent events have led us to update our planning risk assessment and reconsider our audit and value for money (VfM) approach to reflect the unprecedented global response to the Covid-19 pandemic. The significance of the situation cannot be underestimated and the implications for individuals, organisations and communities remains highly uncertain. For our public sector audited bodies, we appreciate the responsibility and burden your staff have to ensure public services are provided. As far we can, our aim is to work with you in these unprecedented times, ensuring up to date communication and flexibility where possible in our audit procedures.

Introduction & headlines (continued)

Impact on our audit and VfM work

- Management and those charged with governance are still required to prepare financial statements in accordance with the relevant accounting standards and the Code of Audit Practice, albeit to an extended deadline for the preparation of the financial statements up to 31 August 2020 and the date for audited financial statements to 30 November 2020, however we will liaise with management to agree appropriate timescales. We continue to be responsible for forming and expressing an opinion on the Authority's financial statements and VfM arrangements.
- In order to fulfil our responsibilities under International Auditing Standards (ISA's (UK)) we have revisited our planning risk assessment. We may also need to consider implementing changes to the procedures we had planned and reported in our Audit Plan to reflect current restrictions to working practices, such as the application of technology to allow remote working. Additionally, it has been confirmed since our Audit Plan was issued that the implementation of IFRS 16 has been delayed for the public sector until 2020/21.

- **Changes to our audit approach**

- To date we have:
 - Identified a new significant financial statement risk, as described overleaf
 - Reviewed the materiality levels we determined for the audit. We did not identify any changes to our materiality assessment as a result of the risk identified due to Covid-19

- **Changes to our VfM approach**

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

Conclusion

We will ensure any further changes in our audit and VfM approach and procedures are communicated with management and reported in our Audit Findings Report. We wish to thank management for their timely collaboration in this difficult time.

Significant risks identified – Covid – 19 pandemic

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Covid – 19	<p>The global outbreak of the Covid-19 virus pandemic has led to unprecedented uncertainty for all organisations, requiring urgent business continuity arrangements to be implemented. We expect current circumstances will have an impact on the production and audit of the financial statements for the year ended 31 March 2020, including and not limited to;</p> <ul style="list-style-type: none"> - Remote working arrangements and redeployment of staff to critical front line duties may impact on the quality and timing of the production of the financial statements, and the evidence we can obtain through physical observation - Volatility of financial and property markets will increase the uncertainty of assumptions applied by management to asset valuation and receivable recovery estimates, and the reliability of evidence we can obtain to corroborate management estimates - Financial uncertainty will require management to reconsider financial forecasts supporting their going concern assessment and whether material uncertainties for a period of at least 12 months from the anticipated date of approval of the audited financial statements have arisen; and - Disclosures within the financial statements will require significant revision to reflect the unprecedented situation and its impact on the preparation of the financial statements as at 31 March 2020 in accordance with IAS1, particularly in relation to material uncertainties. <p>We therefore identified the global outbreak of the Covid-19 virus 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"> • Work with management to understand the implications the response to the Covid-19 pandemic has on the organisation's ability to prepare the financial statements and update financial forecasts and assess the implications on our audit approach • Liaise with other audit suppliers, regulators and government departments to co-ordinate practical cross sector responses to issues as and when they arise • Evaluate the adequacy of the disclosures in the financial statements in light of the Covid-19 pandemic. • Evaluate whether sufficient audit evidence using alternative approaches can be obtained for the purposes of our audit whilst working remotely • Evaluate whether sufficient audit evidence can be obtained to corroborate significant management estimates such recovery of receivable balances • Evaluate management's assumptions that underpin the revised financial forecasts and the impact on management's going concern assessment • Discuss with management any potential implications for our audit report if we have been unable to obtain sufficient audit evidence



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