

Informing the audit risk assessment for West of England Combined Authority 2021/22

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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,
- Going Concern, and
- Accounting Estimates.

Purpose

This report includes a series of questions on each of these areas and the response we have received from the 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.

General Enquiries of Management

Question	Management response
<p>1. What do you regard as the key events or issues that will have a significant impact on the financial statements for 2021/22?</p>	<p>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.</p>
<p>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? If so, what are they?</p>	<p>Due to Covid-19, the implementation of IFRS 16 Leases had been delayed and is now effective 1 April 2022. There has been an emergency consultation launched in February 2022 to delay introduction until 2024-25. 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.</p> <p>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 the Authority does not expect any significant impact on the financial statements.</p> <p>The Authority 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).</p>
<p>3. Is there any use of financial instruments, including derivatives? If so, please explain</p>	<p>Financial Instruments are held in accordance with the Annual Approved Treasury Management Strategy. We can confirm that the Authority holds no derivatives.</p>
<p>4. Are you aware of any significant transaction outside the normal course of business? If so, what are they?</p>	<p>We are not aware of any transactions that have been made outside the normal course of business.</p>

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? If so, what are they?	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? If so, please provide further details	We are not aware of any guarantee contracts in place.
7. Are you aware of the existence of loss contingencies and/or un-asserted claims that may affect the financial statements? If so, please provide further details	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?	<p>There are no open litigations.</p> <p>The West of England Combined Authority 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.</p>

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? If so, please provide further details	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 Actuary – Liability estimation Avon Pension Fund – Pension Advice AON Insurance Advisors – Broker
11. Have you considered and identified assets for which expected credit loss provisions may be required under IFRS 9, such as debtors (including loans) and investments? If so, please provide further details	We will review any loans in existence at yearend for evidence of any issues. In line with the Committee Approval in January 2022 - Our intention is to increase our Treasury Management Reserve to cover any future potential credit losses on investments for the pooled funds.

Fraud

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. Has 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 West of England Combined Authority 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>

Fraud risk assessment

Question	Management response
<p>4. As a management team, how do you communicate risk issues (including fraud) to those charged with governance?</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 West of England Combined Authority 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 Business Plan - regular updates to The West of England Combined Authority 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 West of England Combined Authority Audit Committee</p>
<p>5. Have you identified any specific fraud risks? If so, please provide details</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 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>6. What processes do West of England Combined Authority have in place to identify and respond to risks of fraud?</p>	<p>The Authority has a Counter-Fraud Strategy which has been previously approved by the Senior Management Team and communicated to staff. Regular, proactive alerts are provided to all staff when we are notified of any new potential fraud risks through internal audit, financial institutions or other relevant stakeholders.</p>

Fraud risk assessment

Question	Management response
<p>7. 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)? If so, please provide details</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>8. Are there any areas where there is potential for misreporting? If so, please provide details</p>	<p>We are not aware of any.</p>

Fraud risk assessment

Question	Management response
<p>9. How does 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? Have any significant issues been reported? If so, please provide details</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 Authority's Anti Money Laundering Policy and 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>10. 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>The Combined Authority 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>11. Are you aware of any related party relationships or transactions that could give rise to instances of fraud? If so, please provide details</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>

Fraud risk assessment

Question	Management response
<p>12. 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>Nothing material has been flagged in year.</p>
<p>13. Are you aware of any whistle blowing potential or complaints by potential whistle blowers? If so, what has been your response?</p>	<p>None that we are aware of.</p>
<p>14. Have any reports been made under the Bribery Act? If so, please provide details</p>	<p>None that we are aware of.</p>

Law and regulations

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 body is in compliance with laws and regulations. Where we become aware 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 the West of England Combined Authority 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 S73 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 73 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 The West of England Combined Authority regulatory environment that would have a significant impact on the 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 the Combined Authority • S73 Officer Reports as necessary <p>Accounts produced are in line with Code of Practice.</p>
<p>3. Have there been any instances of non-compliance or suspected non-compliance with laws and regulation since 1 April 2021 with an on-going impact on the 2021/22 financial statements? If so, please provide details</p>	<p>There are no instances of non-compliance or suspected non-compliance with laws and regulation that we are aware of.</p>
<p>4. Are there any actual or potential litigation or claims that</p>	<p>None that we are aware of.</p>

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 reports from other regulatory bodies, such as HM Revenues and Customs, which indicate non-compliance? If so, please provide details	There have been no reports that indicate non-compliance that we are aware of.

Related Parties

Matters in relation to Related Parties

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

- bodies that directly, or indirectly through one or more intermediaries, control, or are controlled by West of England Combined Authority;
- associates;
- joint ventures;
- a body 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 body 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 Combined Authority'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.

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 2020/21 financial statements? 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.</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>Financial regulations apply.</p>

Climate Change and Wider Global Issues

Matters in relation to Climate Change and Wider Global Issues

In addition to the issues outlined in other sections, the audit team have deemed it appropriate to include inquiries regarding the impact of climate change, and wider global issues such as the Russian invasion of Ukraine, may have on the Combined Authority's financial statements. These global issues are increasingly impacting the environment of local government bodies, and the inquiries in the following page relate to how these issues are expected to impact the Combined Authority's financial statements, risk management assessment, and medium term financial plan.

Climate Change and Wider Global Issues

Question	Management response
<p>1. Has West of England Combined Authority considered the impact that climate change, and particularly the Combined Authority's declaration of a climate emergency, on the Combined Authority's financial statements during current year and future years?</p>	<p>Yes this has been considered. Will look at best practice and include areas of expenditure, value for money, outputs and outcomes.</p>
<p>2. How has the impact of climate change, and other global issues, been taken into account by the Combined Authority as part of its medium term financial plan? Additionally, how have these issues been considered as part of the Combined Authority's risk management arrangements?</p>	<p>Tackling the climate and ecological emergency forms a key part of the Business Plan for 22/23. Living Document – Climate and Ecological Emergency Strategy and Action Plan in place. Green Recovery Fund.</p>
<p>3. Are increasing levels of insurance premiums as a result of climate change likely to materially impact the Combined Authority's financial statements?</p>	<p>No material impact that we are aware of.</p>

Climate Change and Wider Global Issues

Question	Management response
4. If West of England Combined Authority continue to take our short term loans, has the Combined Authority factored in the risk of changing borrowing rates available, as a result of global issues, into its cashflow forecasting and treasury management strategy?	We do not have a need for any borrowing in the short to medium term.
5. Does the Combined Authority consider there to be any loans made to third parties that may be impacted by climate change, such as new legislation that may impact their ability to repay the loans?	No, as the majority of the investments are made to other LA's. The rest are in multi asset/pooled funds which are always subject to a variety of risk factors, hence our treasury reserve in place to partially cover any potential losses.

Going Concern

Matters in relation to Going Concern

The audit approach for going concern is based on the requirements of ISA (UK) 570, as interpreted by Practice Note 10: Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2020). It also takes into account the National Audit Office's Supplementary Guidance Note (SGN) 01: Going Concern – Auditors' responsibilities for local public bodies.

Practice Note 10 confirms that in many (but not all) public sector bodies, 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 body'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.

For this reason, a straightforward and standardised approach to compliance with ISA (UK) 570 will often be appropriate for public sector bodies. This will be a proportionate approach to going concern based on the body's circumstances and the applicable financial reporting framework. In line with Practice Note 10, the auditor's assessment of going concern should take account of the statutory nature of the body and the fact that the financial reporting framework for local government bodies presume going concern in the event of anticipated continuation of provision of the services provided by the body. Therefore, the public sector auditor applies a 'continued provision of service approach', unless there is clear evidence to the contrary. This would also apply even where those services are planned to transfer to another body, as in such circumstances, the underlying services will continue.

For many public sector bodies, the financial sustainability of the body and the services it provides are more likely to be of significant public interest than the application of the going concern basis of accounting. Financial sustainability is a key component of value for money work and it is through such work that it will be considered.

Going Concern

Question	Management response
<p>1. What processes and controls does management have in place to identify events and / or conditions which may indicate that the statutory services being provided by West of England Combined Authority will no longer continue?</p>	<p>We will continue to consider any changes in legislation that will impact on the number and level of services provided.</p>
<p>2. Are management aware of any factors which may mean for West of England Combined Authority that either statutory services will no longer be provided or that funding for statutory services will be discontinued? If so, what are they?</p>	<p>Not aware of any factors.</p>
<p>3. With regard to the statutory services currently provided by West of England Combined Authority does West of England Combined Authority expect to continue to deliver them for the foreseeable future, or will they be delivered by related public authorities if there are any plans for West of England Combined Authority to cease to exist?</p>	<p>We expect to deliver for the foreseeable future.</p>
<p>4. Are management satisfied that the financial reporting framework permits West of England Combined Authority to prepare its financial statements on a going concern basis? Are management satisfied that preparing financial statements on a going concern basis will provide a faithful representation of the items in the financial</p>	<p>Yes – words on going concern assumption are included in the annual accounts. The Combined Authority will continue to exist unless legislation changes.</p>

Accounting estimates

Matters in relation to accounting estimates

ISA (UK) 540 (Revised December 2018) requires auditors to understand and assess a body'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 body's risk management process identifies and addresses risks relating to accounting estimates;
- The body's information system as it relates to accounting estimates;
- The body'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.

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 significant valuation would include pensions and Business Rate Appeals.
2. How does the Combined Authority's risk management process identify and address 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 does 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 2021/22 and, if so, what was the reason for these?	No changes were made to the estimation processes.

Accounting Estimates - General Enquiries of Management

Question	Management response
<p>6. How does management identify the need for and apply specialised skills or knowledge related to accounting estimates?</p>	<p>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.</p>
<p>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?</p>	<p>Internal audit reports are considered where they report on any relevant control weaknesses.</p>
<p>8. How does management monitor the operation of control activities related to accounting estimates, including the key controls at any service providers or management experts?</p>	<p>By monthly reporting of financial data.</p>
<p>9. What is the nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates, including:</p> <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. 	<p>Reporting financial data to SMT;</p> <p>Consideration and examination is also made within the Finance team to consider the robustness of estimates and challenged.</p> <p>Budget managers provide updates - if material on any significant developments.</p> <p>The S73 Officer undertakes a comprehensive review of the draft Statutory Statement of Accounts as they develop through the process.</p>

Accounting Estimates - General Enquiries of Management

Question	Management response
10. Are management aware of any 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)? If so, what are they?	No not aware of any.
11. Why are management satisfied that their arrangements for the accounting estimates, as detailed in Appendix A, are reasonable?	Yes – basis for preparing estimates will remain as per previous years (which had been audited by GT).
12. How is the Audit Committee provided with assurance that the arrangements for accounting estimates are adequate ?	S73 authorisation of the accounts. No issues raised by external auditors. Similar to the previous financial years, the audit committee will consider the draft accounts through an informal workshop in advance of formal presentation to committee.

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.

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 (including Agency accruals)	We use standard accruals accounting –accruals are based on expenses incurred that have not yet been paid.	Monthly management accounts provides rigorous analysis so that any accruals are	Recognition of income and expenditure is undertaken with	N/A.	No.



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