

The West of England Combined Authority Audit Progress Report and Sector Update

Year ending 31 March 2022

Audit Committee 15 September 2022



Contents

Section	Page
Introduction	3
Progress at 26 August 2022	4
Audit Deliverables	6
Sector Update	7

The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Combined Authority or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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Introduction

Your key Grant Thornton team members are:

Jon Roberts

Key Audit Partner

E: jon.roberts@uk.gt.com

David Bray

Senior Manager

E: david.bray@uk.gt.com

This paper provides the Audit Committee with a report on progress in delivering our responsibilities as your external auditors.

The paper also includes a summary of emerging national issues and developments that may be relevant to you as a Combined Authority.

Members of the Audit Committee can find further useful material on our website, where we have a section dedicated to our work in the public sector. Here you can download copies of our publications www.grantthornton.co.uk

If you would like further information on any items in this briefing, or would like to register with Grant Thornton to receive regular email updates on issues that are of interest to you, please contact either your Engagement Lead or Engagement Manager.

Progress at 26 August 2022

2020/21 Audit

Financial Statements Audit

We issued an unqualified audit opinion on the Combined Authority's financial statements for the year ended 31 March 2021 on 10 December 2021.

At that time we were unable to issue our certificate for the year because we had not completed:

- our work on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources and issued our Auditor's Annual Report; and
- the work necessary to issue our Whole of Government Accounts (WGA) Component Assurance statement for the Authority for the year ended 31 March 2021.

The National Audit Office (NAO) issued the guidance regarding the Whole of Government Accounts work for 2020/21 in July 2022.

We completed the required WGA return and submitted this to the NAO on 18 August 2022.

However, the group audit instructions highlight that the NAO may also require component auditors to carry out further specific procedures.

We, and other firms, have sought further clarification from the NAO as to the extent of any further work that may be required and the timing of this. We will advise management and the Audit Committee if further work is required.

Value for Money

The new Code of Audit Practice (the "Code") came into force on 1 April 2020 for audit years 2020/21 and onwards. The most significant change under the new Code is the introduction of an Auditor's Annual Report, containing a commentary on arrangements to secure value for money and any associated recommendations, if required.

The new approach is more complex, more involved and is planned to make more impact.

We did not identify any risks of significant weaknesses during our initial planning work for 2020/21 and none were therefore included in our audit plan for 2020/21.

Since issuing that audit plan, matters have been reported in the public domain regarding strained relationships within the West of England.

As previously reported to the Audit Committee we designated the governance arrangements impacting these relationships as a risk of significant VFM weakness. We determined a plan of appropriate work relating to this particular risk and shared the Terms of Reference with the Audit Committee in April 2022.

We issued a draft report on this work to management on 20 June 2022 and are in the process of agreeing this.

Our work on the other areas prescribed by the Code has been completed and is a separate agenda item for the September 2022 Audit Committee meeting (reference: Audit Committee Briefing on 2020-21 Financial Sustainability, Governance, 3 Es and financial reporting VFM work).

We will include our findings in these areas, along with our detailed findings on the Governance element of the Code, in our Auditor's Annual Report for 2020/21 which we will be in a position to issue once our governance review has been finalised.

Progress at 26 August 2022

2021/22 Audit

Financial Statements Audit

We have been provided with the draft financial statements for the year ended 31 March 2022 and will attend the informal Audit Committee briefing on 7 September 2022 when these will be discussed.

Our audit is scheduled to commence on 26 September 2022 and we will report our findings to the Audit Committee on 10 November 2022.

We will aim to complete our work by 30 November 2022.

Value for Money

We will commence our Value for Money (VFM) risk assessment for 2021/22 once the VFM work for 2020/21 has been completed and reported.

We will provide an update to the Audit Committee once this risk assessment has been completed.

Audit Deliverables

2020/21 Deliverables

	Planned Date	Status
<p>Auditor's Annual Report</p> <p>This Report communicates the key issues arising from our Value for Money (VFM) work.</p>	TBC	Work in progress – see page 4
<p>Certificate</p> <p>The certificate confirms that the audit has been completed.</p>	TBC	To be issued on completion of VFM work

2021/22 Deliverables

<p>Audit Plan</p> <p>We are required to issue a detailed audit plan to the Audit Committee setting out our proposed approach in order to give an opinion on the Combined Authority's 2021/22 financial statements and the Auditor's Annual Report on the Combined Authority's Value for Money arrangements.</p>	April 2022	Presented to April 2022 Audit Committee See page 5 re VFM
<p>Audit Findings Report</p> <p>The Audit Findings Report will be reported to the Combined Authority's Audit Committee on completion of our work.</p>	November 2022	Not yet due
<p>Auditors Report</p> <p>This includes the opinion on your financial statements.</p>	November 2022	Not yet due
<p>Auditor's Annual Report</p> <p>This Report communicates the key issues arising from our Value for Money work.</p>	TBC	See pages 4 and 5

Sector Update

Authorities continue to try to achieve greater efficiency in the delivery of public services, whilst facing the challenges to address rising demand, ongoing budget pressures and social inequality.

Our sector update provides you with an up to date summary of emerging national issues and developments to support you. We cover areas which may have an impact on your organisation, the wider local government sector and the public sector as a whole. Links are provided to the detailed report/briefing to allow you to delve further and find out more.

Our public sector team at Grant Thornton also undertake research on service and technical issues. We will bring you the latest research publications in this update. We also include areas of potential interest to start conversations within the organisation and with audit committee members, as well as any accounting and regulatory updates.

- [Grant Thornton Publications](#)
- [Insights from local government sector specialists](#)
- [Reports of interest](#)
- [Accounting and regulatory updates](#)

More information can be found on our dedicated public sector and local government sections on the Grant Thornton website by clicking on the logos below:

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Public Sector

A dark purple rectangular button with the text "Local government" in white, sans-serif font, centered within the button.

Local
government

Response to local audit consultation – Department for Levelling Up, Housing and Communities (“DLUHC”)

The Department for Levelling Up, Housing and Communities (“DLUHC”) has published its response to the local audit consultation. This follows the “Redmond Review”, which reported in September 2020.

The response confirms plans to establish a new regulator, the Audit Reporting and Governance Authority (ARGA), as the system leader for local audit within a new, simplified local audit framework.

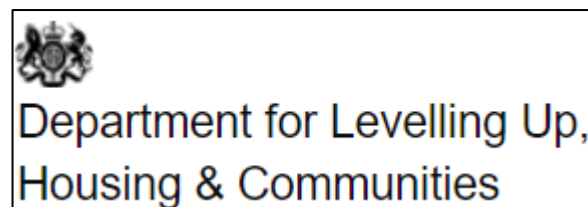
Ahead of ARGA’s establishment, a shadow system leader arrangement will start at the Financial Reporting Council (FRC) from September 2022.

The consultation response also announces:

- Plans to make audit committees compulsory for all councils, with each audit committee required to include at least one independent member. This will create greater transparency and consistency across local bodies.
- ARGA will take over statutory responsibility for preparing and issuing the Code of Audit Practice (from the National Audit Office).
- A post-implementation review of the new Value for Money arrangements. The Code is a key part of the local audit system, and it is important to ensure that it helps to facilitate effective local audit. To allow time for the new arrangements to bed in the response proposes this is completed within three years.

The full response can be found here:

[Government response to local audit framework: technical consultation - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/consultations/government-response-to-local-audit-framework-technical-consultation)



The Value of Internal Audit – CIPFA

One of the key elements of good governance is an independent and objective internal audit service. Some organisations engage fully and reap significant benefits from the assurance, insight and expertise they bring whilst others pay lip-service to them and see their work as an administrative burden.

CIPFA's recent report, [Internal Audit: Untapped Potential](#), lifts the lid on internal audit in public services. For some chief financial officers and chief executives, this report confirms the value and contribution of internal audit teams with 87% of respondents recognising the contribution internal audit makes to their organisation. However, some leadership teams saw internal audit as providing a basic service at minimal cost.

Getting the most out of the function requires honest conversations and long-term planning. Maintaining appropriate skills and knowledge within the function is necessary to ensure high quality internal audit in public services are retained.

Culture and governance

The Audit Committee should monitor the delivery of internal audit and their output will be a key part of the annual work-plan. However, internal audit is not a substitute for risk management and should enhance the overall assurances received by management. Executives and Officers should engage with internal audit recommendations to ensure the organisation gains maximum value from reviews.

Capacity

Reducing internal audit days can lead to a lack of 'corporate grip' and not identifying issues at an early stage. This report raises concerns over the capacity of internal audit across the public sector. The profession needs to be valued and invested in to make it more attractive to new blood and for bodies to be able to attract the best candidates to their service.

Expectations

To maximise the impact of internal audit, a clear and aligned strategic audit plan and annual audit plan should be in place. This should be agreed with all stakeholders.

Future plans

Internal audit needs to adapt to the changing landscape, including risks such as climate change, digital and technological developments, cyber-security and ongoing financial and service pressures within their planning processes. For financial resilience and medium- and long-term financial strategies internal audit can provide vital independent assurance to decision makers to allow them to take on more risk and be more ambitious. Leadership teams need to be clear on what assurances they will require going forward.

For more information, [Rob Whiteman](#) share his views on this report.



Audit and Risk Assurance Committee effectiveness tool – NAO

The National Audit Office (NAO) has published this tool which supports Audit Committees in assessing their effectiveness.

The NAO comment “Audit and Risk Assurance Committees (ARACs) play a crucial role in supporting the effective governance of central government departments, their agencies and arm’s-length bodies.

ARACs are operating in a highly challenging context. Government organisations are managing many short- and long-term risks and are required to be resilient to a number of pressures. This has created an environment where ARACs need to be dynamic and responsive to the changing risk profiles and demands of their organisations. ARACs can see this as an opportunity to work out how they can most proactively work with the Board and accounting officer.

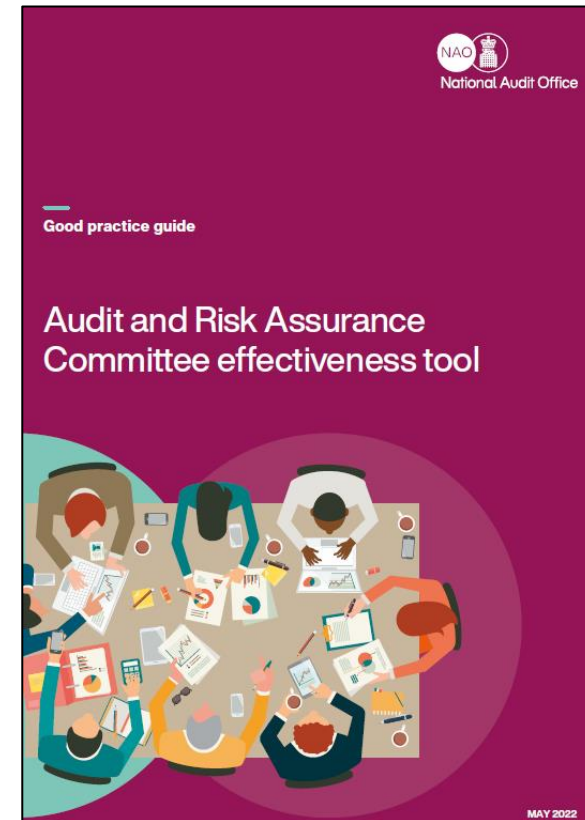
Against this background, the NAO’s effectiveness tool provides a way for ARACs to assess their effectiveness against more than just the basic requirements. It provides aspects of good practice to give ARACs greater confidence and the opportunity to meet the requirements of their role.

The NAO’s effectiveness tool is a comprehensive way for ARACs to assess their effectiveness on a regular basis.”

The tool covers:

- Membership, independence, objectivity and understanding
- Skills and experience
- Roles and responsibilities
- Scope
- Communication and reporting

Although the tool is designed for central government Audit Committees it is also relevant to local government.



The guide can be found here:

[Audit and Risk Assurance Committee effectiveness tool - National Audit Office \(NAO\) Report](#)



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