The Audit Findings for West of England Combined Authority

Year ended 31 March 2023

Contents

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

This Audit Findings presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260. Its contents have been discussed with management and will be presented to the Audit Committee on 18 September 2023.

JD Roberts

Name: Jon Roberts

For Grant Thornton UK LLP

Date: 7 September 2023

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1. Headlines

This table summarises the key findings and other matters arising from the statutory audit of West of England Combined Authority ('the Combined Authority') and the preparation of the Combined Authority's financial statements for the year ended 31 March 2023 for the attention of those charged with governance.

Financial Statements

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

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

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

Our audit work was completed during July-September. Our findings are summarised on pages 7 to 21. We have identified 1 adjustment to the financial statements that resulted in a £0.61m adjustment to the Combined Authority's Comprehensive Income and Expenditure Statement and Statement of Financial Position. Audit adjustments are detailed in Appendix D. We have also raised recommendations for management as a result of our audit work. These are set out in Appendix B. Our follow up of recommendations from the prior year's audit are detailed in Appendix C.

Our work is substantially complete and there are no matters of which we are aware that would require modification of our audit opinion (included as a separate agenda item) or material changes to the financial statements, subject to the following outstanding matters;

- completion of work outstanding on our testing of journal entries, the agency liability, grants received in advance, the pensions liability, and grant income;
- completion of final review and quality checks by the engagement manager and engagement partner;
- receipt of assurances from our pension fund auditor and completion of any follow-up work arising from this;
- receipt of management representation letter (included as a separate agenda item); and
- review of the final set of financial statements

We have concluded that the other information to be published with the financial statements, is consistent with our knowledge of your organisation and the financial statements we have audited.

Our anticipated financial statements audit report opinion will be unmodified. Our work on the Combined Authority's Value for Money (VFM) arrangements is not yet complete. The outcome of our VFM work will be reported in our commentary on the Combined Authority's arrangements in our Auditor's Annual Report (AAR). We are satisfied this work does not have a material effect on our opinion on the financial statements for the year ended 31 March 2023.

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1. Headlines

Value for Money (VFM) arrangements	
Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Combined Authority has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are required to report in more detail on the Combined Authority's overall arrangements, as well as key recommendations on any significant weaknesses in arrangements identified during the audit. Auditors are required to report their commentary on the Combined Authority's arrangements under the following specified criteria: • Improving economy, efficiency and effectiveness; • Financial sustainability; and • Governance	We have not yet completed all of our VFM work and so are not in a position to issue our Auditor's Annual Report. An audit letter explaining the reasons for the delay is attached in Appendix G to this report. We expect to issue our Auditor's Annual Report by December 2023. This is in line with the National Audit Office's revised deadline, which requires the Auditor's Annual Report to be issued no more than three months after the date of the opinion on the financial statements. As part of our work, we consider whether there were any risks of significant weakness in the Combined Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources. Our risk assessment regarding your arrangements to secure value for money in 2022-23 is ongoing. Our 2021-22 report, presented to the July meeting of the Audit Committee, included four significant weaknesses which will be reconsidered in the 2022-23 report, along with any other risks of significant weakness identified.
Statutory duties	
The Local Audit and Accountability Act 2014 ('the Act') also requires us to: • report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and • to certify the closure of the audit.	We have not yet exercised any of our additional statutory powers or duties in 2022/23, although we issued three statutory recommendations as part of our 2020/21 governance work which remained in place following publication of our 2021/22 Auditor's Annual Report. Work in relation to these for 2022/23 is ongoing as described above. We expect to certify the completion of the audit upon the completion of: • consideration of a specific governance matter that has recently been raised with us • our work on the Combined Authority's VFM arrangements, which will be reported in our Auditor's Annual report in December 2023 • the Whole of Government Accounts (WGA) procedures set by the National Audit Office. At the time of writing, the WGA guidance for 2022/23 had not been issued.
Significant matters	We identified one significant matter in relation to a contingent liability as reported on page 12.
National context – audit backlog	Nationally there have been significant delays in the completion of audit work and the issuing of audit opinions across the local government sector. Only 12% of local government bodies had received audit opinions in time to publish their 2021/22 accounts by the extended deadline of 30 November. There has not been a significant improvement over this last year, and the situation remains challenging. We at Grant Thornton have a strong desire and a firm commitment to complete as many audits as soon as possible and to address the backlog of unsigned opinions. While the audits of the Combined Authority have not been significantly delayed, over the course of the last year, Grant Thornton has been working constructively with DLUHC, the FRC and the other audit firms to identify ways of rectifying the challenges which have been faced by our sector, and we recognise the difficulties these backlogs have caused authorities across the country. We have also published a report setting out our consideration of the issues behind the delays and our thoughts on how these could be mitigated. Please see About time? (grantthornton.co.uk) We would like to thank everyone at the Combined Authority for their support in working with us constructively towards the completion of our audit work. However, we have noted some delays in provision of information which have delayed the completion of our work within the anticipated timeframe.

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2. Financial Statements

Overview of the scope of our audit

This Audit Findings Report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ('the Code'). Its contents have been discussed with management and will be presented to the Audit Committee on 18 September 2023.

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

Audit approach

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

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

We have not had to alter our audit plan, as communicated to you on 3 July 2023, except to re-assess our materiality level as detailed on page 6.

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 18 September 2023. Our draft opinion has been included as a separate agenda item. The outstanding items are identified on page 3.

Acknowledgements

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

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2. Financial Statements

Our approach to materiality

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

We have revised the materiality for the financial statements due to the actual gross expenditure changing significantly from that anticipated at the planning stage resulting in a review of the appropriateness of the materiality figure.

We set out in this table our determination of materiality for West of England Combined Authority.

	Combined Authority Amount (£)	Qualitative factors considered
Materiality for the financial statements	£3,578,000	Financial statement materiality was determined based on a proportion of the gross expenditure of the Combined Authority for the financial year.
Performance materiality	£2,325,000	Set at 65% of materiality.
Trivial matters	£178,000	Set at 5% of materiality.

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2. Financial Statements: Significant risks

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

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

Risks identified in our Audit Plan	Commentary
Management override of controls	We have: • evaluated the design and implementation of management controls over journals • analysed the journals listing and determined the criteria for selecting high risk unusual journals • identified and tested unusual journals made during the year and the accounts production stage for appropriateness and corroboration • gained an understanding of the accounting estimates and critical judgements applied by management and considered their reasonableness • evaluated the rationale for any changes in accounting policies, estimates, or significant unusual transactions. There were no significant changes to accounting policies in the year. Our work on this risk has not yet been finalised. Our work to date has identified one issue on management override of controls. One item in our journals selection had not been approved in the system, as the approval had been accidentally removed from the workflow which did not prevent the journal being posted. In reviewing this, finance officers identified two more journals where this had occurred. We are currently undertaking review on this issue and will update our findings at the Committee meeting.
Risk of fraud related to expenditure recognition PAF Practice Note 10	We have rebutted this presumed risk for the Combined Authority because: • expenditure is well-controlled and the Authority has a strong control environment; • there is very little incentive for management to mis-represent expenditure; and • the Authority has clear and transparent reporting of its financial plans and financial position to those charged with governance. We therefore do not consider this to be a significant risk for The West of England Combined Authority. However, our testing will cover the legitimacy of year-end creditors and accruals.
ISA240 revenue recognition risk	Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Combined Authority, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because: • there is little incentive to manipulate revenue recognition; • opportunities to manipulate revenue recognition are very limited; and • the culture and ethical frameworks of local authorities, including the Authority, mean that all forms of fraud are seen as unacceptable. We therefore do not consider this to be a significant risk for the West of England Combined Authority

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2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Commentary
Valuation of pension fund net liability The Combined Authority's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements. The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£3.755m in the Combined Authority's balance sheet) and the sensitivity of the estimate to changes in key assumptions. The methods applied in the calculation of the IAS 19 estimates are routine and commonly applied by all actuarial firms in line with the requirements set out in the Code of practice for local government accounting (the applicable financial reporting framework). We have therefore concluded that there is not a significant risk of material misstatement in the IAS 19 estimate due to the methods and models used in their calculation. The source data used by the actuaries to produce the IAS 19 estimates is provided by administering authorities and employers. We do not consider this to be a significant risk as this is easily verifiable. The actuarial assumptions used are the responsibility of the entity but should be set on the advice given by the actuary. A small change in the key assumptions (discount rate, inflation rate, salary increase and life expectancy) can have a significant impact on the estimated IAS 19 liability. In particular the discount and inflation rates, where our consulting actuary has indicated that a 0.1% change in either of these two assumptions would have approximately 1.5% effect on the liability. We have therefore concluded that there is a significant risk of material misstatement in the IAS 19 estimate due to the assumptions used in their calculation. With regard to these assumptions we have therefore identified valuation of the Combined Authority's pension fund net liability as a significant risk.	We have: • updated our understanding of the processes and controls put in place by management to ensure that the Authority's net defined benefit liability is not materially misstated and evaluated the design of the associated controls; • evaluated the instructions issued by management to their management expert (the actuary) for this estimate and the scope of the actuary's work; • assessed the competence, capabilities and objectivity of the actuary who caried 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; • undertaken procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report; and • requested 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. We have not yet received the assurances from the auditor of Avon Pension Fund, and so are unable to complete our work in this area. Our work to date has not identified any issues with the valuation of the pension fund net liability.

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2. Financial Statements - Observations in respect of other risks

This section provides commentary on new issues and risks which were identified during the course of the audit that were not previously communicated in the Audit Plan.

Issue	Commentary	
Cyber Security We note that the Combined Authority does not have a formal cybersecurity framework in place.	1 in 3 UK entities suffer from a cyber breach every month, so it's more a case of 'when' an attack happens, not 'if'. High profile cyber-attacks undermine trust in an organisation and shatter hard won reputations and consumer trust. Over 80% of the cyber-attacks we read about could have been prevented through good simple cyber hygiene. Understanding and managing cyber risk is fundamental to any business's growth journey.	**Auditor view** We recommend that the Combined Authority proactively looks at its cyber preparedness and puts in place appropriate policies/safeguards. **Management response** The Combined Authority has already commenced work on a Cyber Treatment Programme with a view to adopting an appropriate cyber framework following completion of the programme. This is likely to be the emerging Cyber Assessment Framework for Local Government (subject to the outcome of DLUHC's current pilot).

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2. Financial Statements: key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Net pension liability – £3.755m	The Combined Authority's net pension liability at 31 March 2023 is £3.775m (PY £13.725m). The Combined Authority uses Mercer to provide actuarial valuations of the Combined Authority's assets and liabilities. A full actuarial valuation is required every three years. The latest full actuarial valuation was completed in 31 March 2022. Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements. There has been a £9.95m net actuarial gain/loss during 2022/23.	We have: • Assessed management's expert (Mercers) and assessed the actuary's approach taken and deemed it reasonable • Used PwC as auditor's expert to assess actuary and assumptions made by actuary (see table below) • Confirmed the completeness and accuracy of the underlying information used to determine the estimate • Confirmed the reasonableness of the Authority's share of LGPS pension assets. • Confirmed the reasonableness of the decrease in the liability estimate • Confirmed the adequacy of the disclosure of the estimate in the financial statements Our audit work to date has not identified any issues in respect of the valuation of the pension fund net liability. We have noted that the actuary has set a pension increase rate of 2.8%, which is 0.1% higher than CPI inflation of 2.7%. Our auditor's expert PwC expects these assumptions to be equal, but their report has concluded that Mercer's is a reasonable approach and therefore we do not consider this to be an issue.	TBC

Assumption	Actuary Value	PwC range	Assessment
Discount rate	4.7%	4.7% - 4.9%	●
Pension increase rate	2.8%	2.7%	●
Salary growth	4.2%	3.95% - 4.2%	●
Life expectancy – Males currently aged 45/65	23.7/22.4	22.4 – 24.3/ 21.0 – 22.6	●
Life expectancy – Females currently aged 45/65	26.4/24.4	25.3 – 26.6 /23.5 – 24.7	●

Assessment

● [Dark Purple] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated

● [Blue] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic

● [Grey] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious

● [Light Purple] We consider management's process is appropriate and key assumptions are neither optimistic or cautious

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2. Financial Statements: Information Technology

This section provides an overview of results from our assessment of Information Technology (IT) environment and controls which included identifying risks from the use of IT related to business process controls relevant to the financial audit. This includes an overall IT General Control (ITGC) rating per IT system and details of the ratings assigned to individual control areas.

			ITGC control area rating			
IT application	Level of assessment performed	Overall ITGC rating	Security management	Technology acquisition, development and maintenance	Technology infrastructure	Related significant risks/other risks
Unit 4 Agresso	ITGC assessment (design effectiveness only)	● (green)	● (green)	● (green)	● (green)	Management override of controls
iTrent	ITGC assessment (design effectiveness only)	● (green)	● (green)	● (green)	● (green)	Pensions liability

Assessment

- ● (red) Significant deficiencies identified in IT controls relevant to the audit of financial statements
- ● (amber) Non-significant deficiencies identified in IT controls relevant to the audit of financial statements/significant deficiencies identified but with sufficient mitigation of relevant risk
- ● (green) IT controls relevant to the audit of financial statements judged to be effective at the level of testing in scope
- ● (grey) Not in scope for testing

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2. Financial Statements: matters discussed with management

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

Significant matter	Commentary	Auditor view and management response
We discussed the disclosure of a contingent liability disclosed in the draft accounts, relating to an ongoing claim against the Combined Authority. Events subsequent to the balance sheet date required additional disclosure of a non-adjusting post-balance sheet event (PBSE) relating to this. The disclosure has been updated to include disclosure of the financial impact to the Combined Authority following this becoming certain.	We reviewed the form of the disclosure and its appropriateness in line with the requirements of the CIPFA Code of Practice.	We are satisfied that the disclosure is appropriate, subject to the updating of the draft accounts to reflect the non-adjusting PBSE and disclosing the financial impact on the following year's accounts. Management response The post balance sheet event note has been updated to reflect the relevant changes.

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2. Financial Statements: other communication requirements

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

Issue	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 incidents in the period and no 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	We have been made aware of one possible instance of non-compliance in relation to laws and regulations. We are currently reviewing this and will report on our conclusions in our Value for Money work. It is not expected that there would be a material impact on the financial statements resulting from this.
Written representations	A letter of representation has been requested from the Combined Authority which is included as a separate agenda item. We have requested a specific representation in respect of the contingent liability and the non-adjusting post balance sheet event relating to it.
Confirmation requests from third parties	We requested from management permission to send confirmation requests to its bankers and those organisations with whom the Authority has funds invested or has borrowed from. This permission was granted and the requests were sent. Two requests were not received so we undertook alternative procedures, in which an audit team member observed a finance officer accessing original copies of statements from investment brokers.
Accounting practices	We have evaluated the appropriateness of the Combined Authority's accounting policies, accounting estimates and financial statement disclosures. Our review found no material omissions in the financial statements.
Audit evidence and explanations/ significant difficulties	All information and explanations requested from management were provided.

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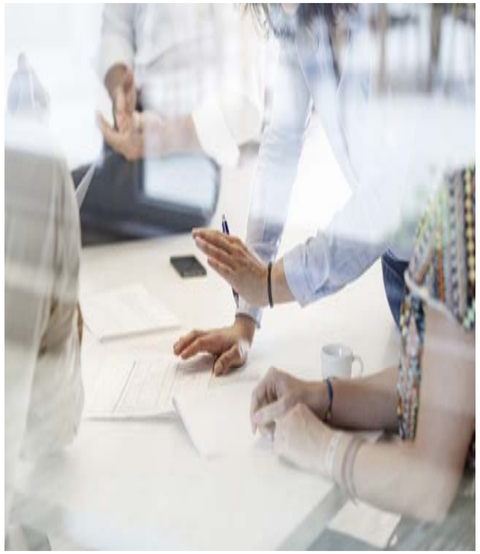
2. Financial Statements: other responsibilities under the Code

Issue	Commentary
Other information	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. No material inconsistencies have been identified. Immaterial inconsistencies identified have all been amended. We plan to issue an unmodified opinion in this respect.
Matters on which we report by exception	We are required to report on a number of matters by exception in a number of areas: • if the Annual Governance Statement does not comply with disclosure requirements set out in CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit, • if we have applied any of our statutory powers or duties. • where we are not satisfied in respect of arrangements to secure value for money and have reported [a] significant weakness/es. We have nothing to report on these matters.
Specified procedures for Whole of Government Accounts	We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions. No additional work is required as the Combined Authority does not exceed the threshold set by the NAO. However, the NAO have not yet issued the instructions to auditors and so we are unable to complete our work in this area.
Certification of the closure of the audit	We intend to delay the certification of the closure of the 2022/23 audit of West of England Combined Authority in the audit report, as detailed in Appendix I, due to the fact that our work on the Combined Authority's Value for Money assessment has yet to be completed, and the WGA submission as noted above. In addition, we are currently responding to a specific governance matter that has been raised with us by management.



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3. Value for Money arrangements (VFM)

Approach to Value for Money work for 2022/23

The National Audit Office issued its guidance for auditors in April 2020. The Code require auditors to consider whether the body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

When reporting on these arrangements, the Code requires auditors to structure their commentary on arrangements under the three specified reporting criteria.

Improving economy, efficiency and effectiveness

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

Financial Sustainability

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

Governance

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

Potential types of recommendations

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

Statutory recommendation

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

Key recommendation

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

Improvement recommendation

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

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3. VFM: our procedures and conclusions

We have not yet completed all of our VFM work and so are not in a position to issue our Auditor’s Annual Report. An audit letter explaining the reasons for the delay is attached in Appendix G to this report. We expect to issue our Auditor’s Annual Report by December 2023. This is in line with the National Audit Office's revised deadline, which requires the Auditor's Annual Report to be issued no more than three months after the date of the opinion on the financial statements.

As part of our work, we consider whether there were any risks of significant weakness in the Combined Authority’s arrangements for securing economy, efficiency and effectiveness in its use of resources. Our risk assessment regarding your arrangements to secure value for money in 2022-23 is ongoing. Our 2021-22 report presented to the July meeting of the Audit Committee included four significant weaknesses which will be reconsidered in the 2022-23 report, along with any other risks of significant weakness identified.

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4. 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 and consider that an objective reasonable and informed third party would take the same view. We have complied with the Financial Reporting Combined Authority's Ethical Standard and confirm that we, as a firm, and each covered person, are independent and are able to express an objective opinion on the financial statements

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Combined Authority's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed in Appendix F.

Transparency

Grant Thornton publishes an annual Transparency Report, which sets out details of the action we have taken over the past year to improve audit quality as well as the results of internal and external quality inspections. For more details see Grant Thornton International Transparency report 2023.

Audit and non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams and no non-audit services were identified.

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Appendices

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A. Communication of audit matters to those charged with governance

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	•	
Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks	•	
Confirmation of independence and objectivity	•	•
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	•	•
Significant findings from the audit		•
Significant matters and issue arising during the audit and written representations that have been sought		•
Significant difficulties encountered during the audit		•
Significant deficiencies in internal control identified during the audit		•
Significant matters arising in connection with related parties		•
Identification or suspicion of fraud involving management and/or which results in material misstatement of the financial statements		•
Non-compliance with laws and regulations		•
Unadjusted misstatements and material disclosure omissions		•
Expected modifications to the auditor's report, or emphasis of matter		•

ISA (UK) 260, as well as other ISAs (UK), prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table here.

This document, the Audit Findings, outlines those key issues, findings and other matters arising from the audit, which we consider should be communicated in writing rather than orally, together with an explanation as to how these have been resolved.

Respective responsibilities

As auditor we are responsible for performing the audit in accordance with ISAs (UK), 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.

Distribution of this Audit Findings report

Whilst we seek to ensure our audit findings are distributed to those individuals charged with governance, we are also required to distribute our findings to those members of senior management with significant operational and strategic responsibilities. We are grateful for your specific consideration and onward distribution of our report to all those charged with governance.

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B. Action Plan – Audit of Financial Statements

We have identified 1 recommendation for the Combined Authority 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 2023/24 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	As described on page 23, officers' remuneration was under-disclosed due to 3 individuals being excluded on the basis that their actual salary paid did not meet the threshold for inclusion as they had only been in post for part of the year. Under the CIPFA Code of Practice, 2 of these individuals should have been disclosed by job title, and 1 should have been disclosed by name, as the guidance states that although the note discloses actual remuneration paid the criteria for inclusion is based on the total salary to which they are entitled. A further 2 individuals had been excluded on the basis of insufficient seniority, who should have been included on the basis that they report directly to the Head of Paid Service (the Chief Executive). The remuneration of senior officers is of significant interest to users of the accounts.	We recommend that appropriate disclosure is made in future. Management response The note has been updated accordingly.

Controls

- High – Significant effect on financial statements
- Medium – Limited Effect on financial statements
- Low – Best practice

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C. Follow up of prior year recommendations

We identified the following issues in the audit of West of England Combined Authority's 2021/22 financial statements, which resulted in 3 recommendations being reported in our 2021/22 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
✓	There were a number of issues identified regarding the accuracy of the Combined Authority's creditors in 2020/21 and 2021/22.	In our Audit Plan, management provided an update as to the processes implemented to improve the accuracy of creditors. Our work this year has only identified one issue with year-end accruals as reported on page 22, in which a grant recipient erroneously reported the value of their claim. There is also an unadjusted misstatement for capital accruals not made in 2021/22, but this error relates to the prior year in which our recommendation was made and is not reflective of current practice. Our completeness work did not identify any instances where items were not accrued in 22/23 and should have been. This is a substantial improvement on prior years and we consider the recommendation to have been implemented.
✓	The Combined Authority strengthened its internal controls during the year and journals are now required to be approved within the ledger. Previously there was an inefficient manual process in place. However, the Authority was unable to provide a report listing the journals processed in the year, the poster and approver and the Financial Accountant needed to produce this manually.	The listing was provided to support our work on journals testing with no issues arising.
✓	We noted that a member of the finance team had administrative rights and was able to process, but not authorise, journals. While the Combined Authority is a relatively small organisation, this is unusual as normally staff with administrator access are not able to process journals.	No inappropriate access rights were identified in 2022/23.

Assessment

✓ Action completed

X Not yet addressed

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D. 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 2023.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000	Impact on general fund £'000
One creditor was over-accrued by £615,218 due to an error by the debtor in calculating their likely claim for grant funding, overstating expenditure and payables in year.	(£615)	£615	(£615)	£615
Overall impact	(£615)	£615	(£615)	£615

Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2022/23 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	Impact on general fund £'000	Reason for not adjusting
Two REFCUS transactions relating to 2021/22 were not accrued for and have been accounted for in 2022/23.	(£1,696)	Nil	(£1,696)	Nil	The error is immaterial and relates to the prior period. Under IAS 8 adjustment for prior periods is only required where the impact is material.
Overall impact	(£1,696)	Nil	(£1,696)	Nil	

Impact of prior year unadjusted misstatements

There were no unadjusted misstatements in the prior year.

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D. Audit Adjustments

Misclassification and disclosure changes

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

Disclosure/issue/Omission	Auditor recommendations	Adjusted?
Note 11 Officers' remuneration incorrectly excluded 3 individuals on the basis they had not met the threshold for inclusion. The Code of Practice is clear that this threshold is to be considered on the basis of annual remuneration and that individuals employed for only part of the year should be included even if their actual pay received is lower. A further 2 individuals had been excluded on the basis of insufficient seniority, who should have been included on the basis that they report directly to the Head of Paid Service (the Chief Executive).	The note should be updated to include all individuals falling within its scope, including comparators for 2021/22 where required. Management response Accepted and Statement of Accounts will be updated.	✓
The draft accounts included a prior period adjustment (PPA) to the opening balances of the General Fund and Collection Fund Adjustment accounts for an immaterial amount. IAS 8 only requires a PPA to made if it is material.	The transaction should be processed within the 2022/23 year instead of adjusting audited prior year statements. Management response Accepted and Statement of Accounts will be updated.	✓
The Statement of Cash Flows included a £700k misstatement between the "interest receivable" and "increase in long and short-term investments" items. This had no impact on the overall cash flow for the year.	The Statement of Cash flows should be updated. Management response Accepted and Statement of Accounts will be updated.	✓
Note 13 External audit costs has been updated to disclose audit fee variations for the 2020/21 and 2021/22 audits authorised in year.	The note should be updated to disclose all costs in year. Management response Accepted and Statement of Accounts will be updated.	✓
Other minor disclosure and misclassification errors have been identified and amended including a variance between the Movement in Reserves Statement (MIRS) and note 4 Expenditure and Funding Analysis, and the sensitivity analysis included in note 29 Financial Instruments.	These disclosure errors should be updated. Management response Accepted and Statement of Accounts will be updated.	✓

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E. Fees and non-audit services

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

Audit fees	Proposed fee
New Scale Fee published by PSAA for 2022-23	£23,947
Increase in the size and complexity of the Combined Authority 2022 and subsequently (still under consideration by PSAA)	£7,500
Additional work on Value for Money (VfM) under new NAO Code	£5,000
Increased audit requirements of revised ISA 540	£1,200
Increased audit requirements of revised ISA 240 journals testing	£2,100
Increased audit requirements of revised ISA 315	£1,000
Payroll change of circumstances testing	£500
Local risk factors*	£5,000
Total audit fees (excluding VAT)	**£46,247**
**in respect of governance and related follow up matters*	

The fees reconcile to the financial statements. As per page 28, the audited financial statements include additional disclosure in Note 13 of fee variations relating to 2020-21 and 2021-22 which were not finalised until 2022-23 and therefore were not previously disclosed. Prior year fees have been disaggregated from those relating to the current year.

We will discuss with management a potential fee variation to address delays that the audit team experienced over the provision of information during the audit and other governance related matters and will report the final fee position in our Auditor's Annual Report for the year.

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F. Auditing developments

Revised ISAs

There are changes to the following ISA (UK):

ISA (UK) 315 (Revised July 2020) 'Identifying and Assessing the Risks of Material Misstatement'
This impacts audits of financial statement for periods commencing on or after 15 December 2021.
ISA (UK) 220 (Revised July 2021) 'Quality Management for an Audit of Financial Statements'
ISA (UK) 240 (Revised May 2021) 'The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements

A summary of the impact of the key changes on various aspects of the audit is included below:

These changes will impact audit for audits of financial statement for periods commencing on or after 15 December 2022.

Area of change	Impact of changes
Risk assessment	The nature, timing and extent of audit procedures performed in support of the audit opinion may change due to clarification of: • the risk assessment process, which provides the basis for the assessment of the risks of material misstatement and the design of audit procedures • the identification and extent of work effort needed for indirect and direct controls in the system of internal control • the controls for which design and implementation needs to be assess and how that impacts sampling • the considerations for using automated tools and techniques.
Direction, supervision and review of the engagement	Greater responsibilities, audit procedures and actions are assigned directly to the engagement partner, resulting in increased involvement in the performance and review of audit procedures.
Professional scepticism	The design, nature, timing and extent of audit procedures performed in support of the audit opinion may change due to: • increased emphasis on the exercise of professional judgement and professional scepticism • an equal focus on both corroborative and contradictory information obtained and used in generating audit evidence • increased guidance on management and auditor bias • additional focus on the authenticity of information used as audit evidence • a focus on response to inquiries that appear implausible
Definition of engagement team	The definition of engagement team when applied in a group audit, will include both the group auditors and the component auditors. The implications of this will become clearer when the auditing standard governing special considerations for group audits is finalised. In the interim, the expectation is that this will extend a number of requirements in the standard directed at the 'engagement team' to component auditors in addition to the group auditor. • Consideration is also being given to the potential impacts on confidentiality and independence.
Fraud	The design, nature timing and extent of audit procedures performed in support of the audit opinion may change due to: • clarification of the requirements relating to understanding fraud risk factors • additional communications with management or those charged with governance
Documentation	The amendments to these auditing standards will also result in additional documentation requirements to demonstrate how these requirements have been addressed.

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G. Audit letter in respect of delayed VFM work

Cllr G Gollop
West of England Combined Authority – Audit Committee
70 Redcliff Street
Redcliffe
Bristol
BS1 6LS

18 September 2023

Dear Cllr Gollop,

The original expectation under the approach to VFM arrangements work set out in the 2020 Code of Audit Practice was that auditors would follow an annual cycle of work, with more timely reporting on VFM arrangements, including issuing their commentary on VFM arrangements for local government by 30 September each year at the latest. As our prior year's VFM report had only recently been considered by the Combined Authority (due to the significant governance issues identified in prior years), we have scheduled the 2022-23 work to be undertake in the autumn of this year.

As a result, we have therefore not yet issued our Auditor’s Annual Report, including our commentary on arrangements to secure value for money. We now expect to be able to report on this work to the 4 December 2023 Audit Committee, with publication to follow, which will be in line with the NAO's timetable for audit reporting.

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

Yours sincerely

Jon Roberts
Key Audit Partner & Engagement Lead for West of England Combined Authority

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