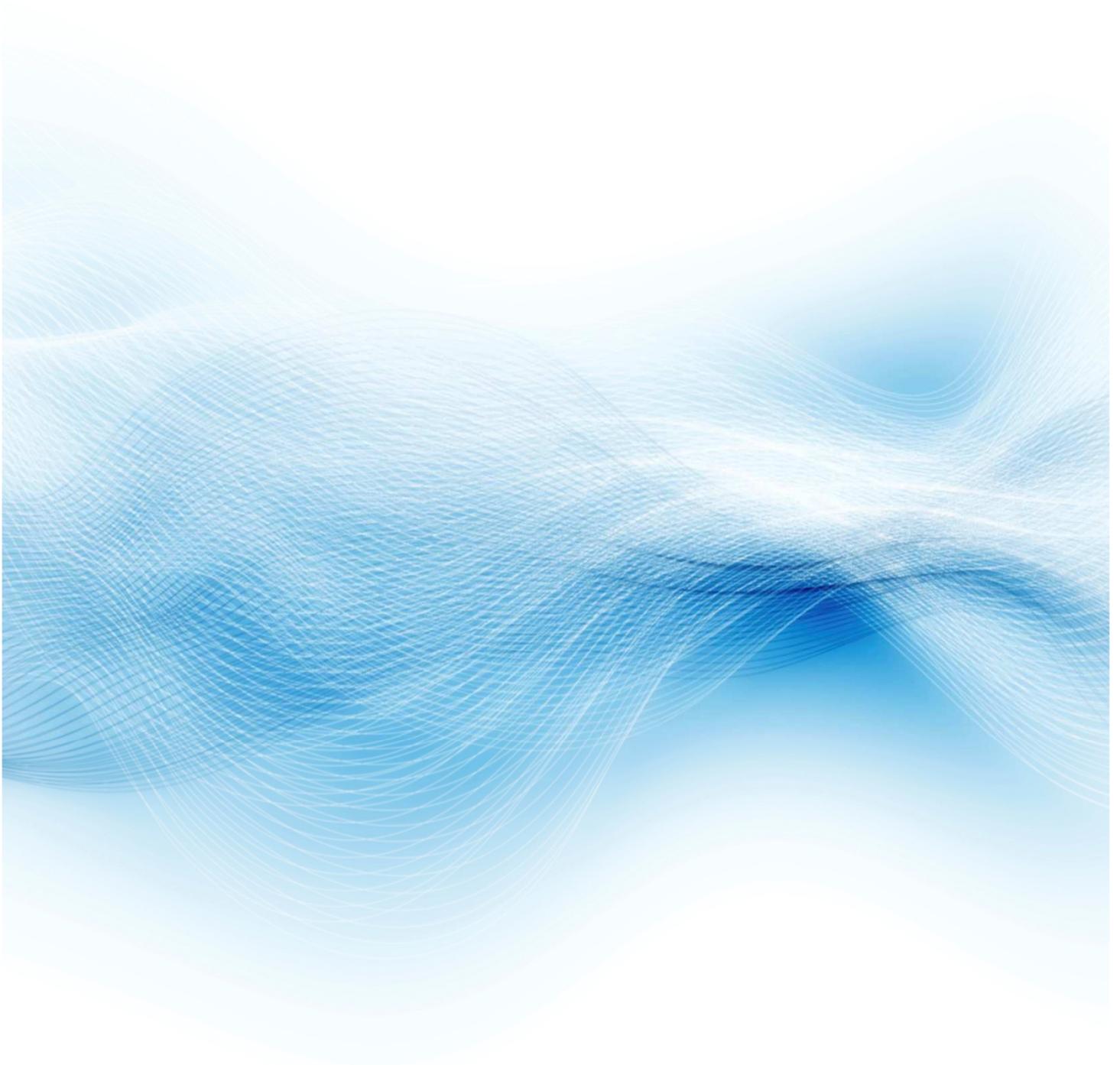
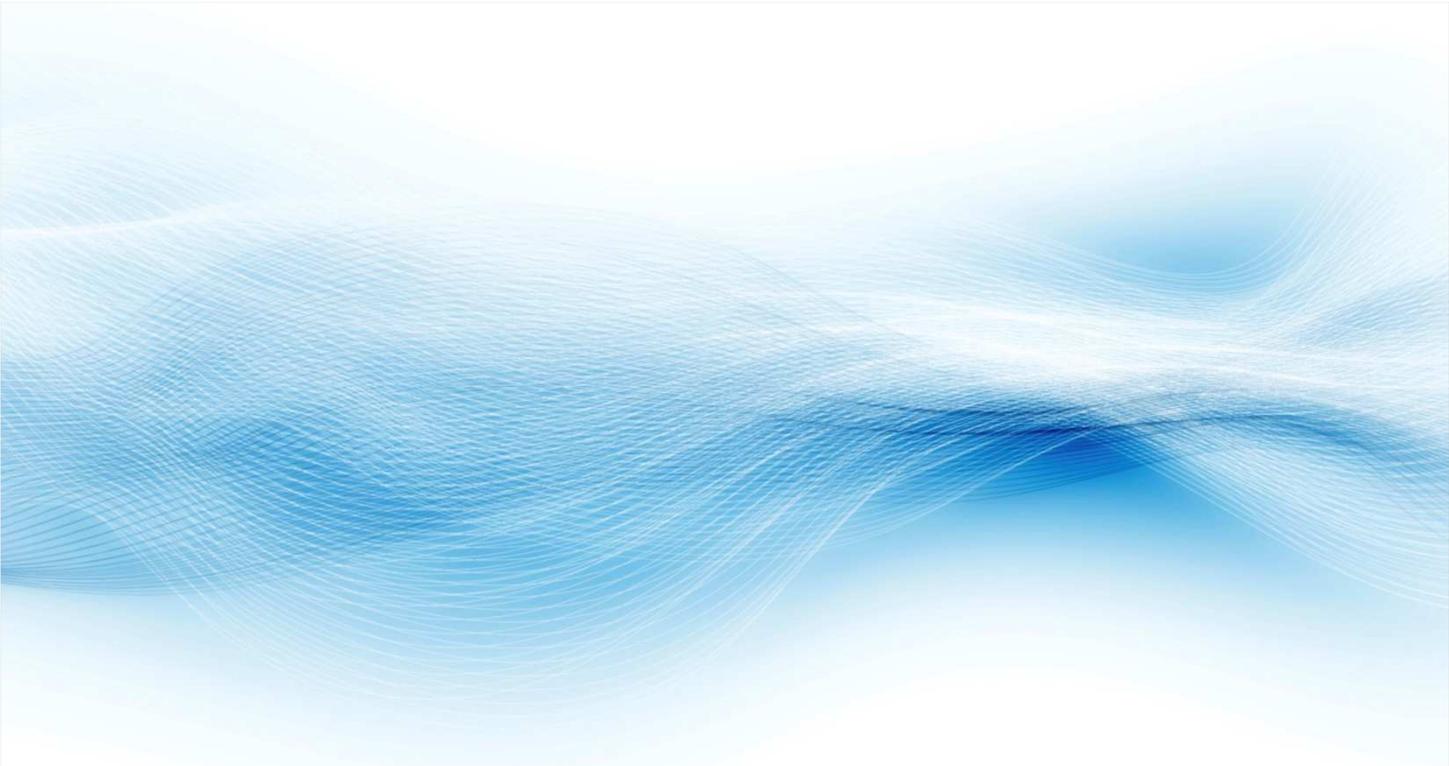




Audit Completion Report

West Yorkshire Combined Authority
Year ending 31 March 2019





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Our reports are prepared in the context of the ‘Statement of responsibilities of auditors and audited bodies’ and the ‘Appointing Person Terms of Appointment’ issued by Public Sector Audit Appointments Limited.

Reports and letters prepared by appointed auditors and addressed to the Authority are prepared for the sole use of the Authority and we take no responsibility to any member or officer in their individual capacity or to any third party.

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15 July 2019

Dear Members

Audit Completion Report – Year ended 31 March 2019

We are pleased to present our Audit Completion Report for the year ended 31 March 2019. The purpose of this document is to summarise our audit conclusions.

The scope of our work, including identified significant audit risks and other areas of management judgement, was outlined in our Audit Strategy Memorandum which we presented on 17 January 2019. We have reviewed our Audit Strategy Memorandum and concluded that the original significant audit risks and other areas of management judgement remain appropriate.

We would like to express our thanks for the assistance of your team during our audit.

If you would like to discuss any matters in more detail then please do not hesitate to contact me on 0113 394 5315.

Yours faithfully

Mark Kirkham
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VAT number: 839 8356 73

1. EXECUTIVE SUMMARY

Purpose of this report and principal conclusions

The Audit Completion Report sets out the findings from our audit of West Yorkshire Combined Authority ('the Authority') for the year ended 31 March 2019, and forms the basis for discussion at the Governance and Audit Committee meeting on 23 July 2019.

The detailed scope of our work as your appointed auditor for 2018/19 is set out in the National Audit Office's (NAO) Code of Audit Practice. Our responsibilities and powers are derived from the Local Audit and Accountability Act 2014 and, as outlined in our Audit Strategy Memorandum, our audit has been conducted in accordance with International Standards of Auditing (UK) and means we focus on audit risks that we have assessed as resulting in a higher risk of material misstatement.

Sections 2 and 5 of this report outline the detailed findings from our work on the financial statements and our conclusion on the Authority's arrangements to achieve economy, efficiency and effectiveness in its use of resources. Section 2 also includes our conclusions on the audit risks and areas of management judgement in our Audit Strategy Memorandum, which include:

- management override of control;
- revenue recognition;
- property, plant and equipment valuation; and
- valuation of the net pension liability.

Status of our work

As we outline on the following page, our work is substantially complete. Subject to the satisfactory completion of the outstanding work, at the time of issuing this report we have the following conclusions:

Opinion on the financial statements

We anticipate issuing an unqualified opinion, without modification, on the financial statements. Our proposed audit opinion is included in the draft auditor's report in Appendix B.

Value for money conclusion

We anticipate concluding that the Authority had proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources. Our draft auditor's report, including proposed conclusion, is provided in Appendix B.

Whole of Government Accounts (WGA)

We anticipate completing our work on your WGA submission, in line with the group instructions issued by the NAO, by the deadline of 13 September 2019. We anticipate reporting that the WGA submission is consistent with the audited financial statements.

Wider powers

The 2014 Act requires us to give an elector, or any representative of the elector, the opportunity to question us about the accounting records of the Authority and to consider any objection made to the accounts. We have received no objections in respect of the 2018/19 statement of accounts.

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1. EXECUTIVE SUMMARY

Status of our audit work

We have substantially completed our work on the financial statements and Value for Money conclusion for the year ended 31 March 2019. At the time of preparing this report the following matters remain outstanding:

Audit area	Status	Description of outstanding matters
Pensions	●	Completion of our work in relation to the late amendment for the GMP equalisation and the McCloud judgement (see page 13).
Non material notes to the financial statements	●	Our work on non-material notes included in the statement of accounts remains in progress.
Final versions of the Annual Governance Statement (AGS) and amended financial statements	●	Completion of audit closure procedures and final manager and partner review.
Post balance sheet events	●	Review of post balance sheet events up to the point at which we sign our audit report.
Review and closure procedures	●	Completion of audit closure procedures and final manager and partner review.

Status

- Likely to result in material adjustment or significant change to disclosures within the financial statements
- Potential to result in material adjustment or significant change to disclosures within the financial statements
- Not considered likely to result in material adjustment or change to disclosures within the financial statements

We will provide the Governance and Audit Committee with an update in relation to these outstanding matters in a follow-up letter, prior to signing the auditor's report.

Our audit approach

We provided details of our intended audit approach in our Audit Strategy Memorandum in January 2019. We have not made any changes to our audit approach since we presented our Audit Strategy Memorandum.

Materiality

We set materiality at the planning stage of the audit at £5m using a benchmark of circa 1.75% of Gross Operating Expenditure. Our final assessment of materiality, based on the final financial statements and qualitative factors is £5m, using the same benchmark. We set our trivial threshold (the level under which individual errors are not communicated to the Governance and Audit Committee, at £150k based on 3% of overall materiality).

Misstatements and internal control recommendations

Section 3 sets out the internal control recommendations that we make, together with an update on any prior year recommendations.

Section 4 outlines the misstatements noted as part of our audit as at the time of issuing this report. If any additional misstatements are noted on completion of the outstanding work, these will be reported to the Governance and Audit Committee in a follow-up letter.

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2. SIGNIFICANT FINDINGS

Set out below are the significant findings from our audit. These findings include:

- our audit conclusions regarding significant risks and key areas of management judgement outlined in the Audit Strategy Memorandum;
- our comments in respect of the accounting policies and disclosures that you have adopted in the financial statements. On page 8 we have concluded whether the financial statements have been prepared in accordance with the financial reporting framework and commented on any significant accounting policy changes that have been made during the year;
- any further significant matters discussed with management; and
- any significant difficulties we experienced during the audit.

Significant risks and key areas of management judgement

As part of our planning procedures we considered the risks of material misstatement in the Authority's financial statements that required special audit consideration. Although we report identified significant risks at the planning stage of the audit in our Audit Strategy Memorandum, our risk assessment is a continuous process and we regularly consider whether new significant risks have arisen and how we intend to respond to these risks. No new risks have been identified since we issued our Audit Strategy Memorandum.

Significant risk

Management override of controls

Description of the risk

In all entities, management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Because of the unpredictable way in which such override could occur, we consider there to be a risk of material misstatement due to fraud and thus a significant risk on all audits.

How we addressed this risk

We addressed this risk by performing audit work in the following areas:

- accounting estimates impacting on amounts included in the financial statements;
- consideration of identified significant transactions outside the normal course of business; and
- journals recorded in the general ledger and other adjustments made in preparation of the financial statements.

Audit conclusion

Our work has provided the assurance we sought and has not highlighted any material issues to bring to your attention. We identified no indication of management override of controls.

2. SIGNIFICANT FINDINGS (CONTINUED)

Significant risk	Description of the risk
Revenue recognition – fees and charges	<p>In accordance with ISA 240 we presume there is a risk of fraud in respect of the recognition of revenue because of the potential for inappropriate recording of transactions in the wrong period. ISA 240 allows the presumption to be rebutted but, given the Authority's range of revenue sources, we have concluded that there are insufficient grounds for rebuttal in 2018/19. We have identified income from fees and charges as the key area of audit risk. This does not imply that we suspect actual or intended manipulation but that we continue to deliver our audit work with appropriate professional scepticism.</p>
	<p>How we addressed this risk</p> <p>We evaluated the design and implementation of controls to mitigate the risk of income being recognised in the wrong period. In addition we undertook a range of substantive procedures including:</p> <ul style="list-style-type: none">• testing receipts in March, April and May to ensure they have been recognised in the right year;• testing material year end receivables;• testing adjustment journals; and• obtaining direct confirmation of year-end bank balances and testing the reconciliations to the ledger.
	<p>Audit conclusion</p> <p>We identified no matters to report in relation to revenue recognition.</p>

Significant risk	Description of the risk
Property, plant and equipment (PPE) valuation	<p>The financial statements contain material entries on the Balance Sheet as well as material disclosure notes in relation to PPE. The CIPFA Code requires that where assets are subject to revaluation, their year end carrying value should reflect the appropriate fair value at that date.</p> <p>Although the Authority employs an external valuation expert to provide information on valuations, there remains a high degree of estimation uncertainty associated with the valuation of PPE due to the significant judgements and number of variables involved in providing valuations.</p>
	<p>How we addressed this risk</p> <p>We evaluated the design and implementation of controls to mitigate the risk. We reviewed the scope and terms of the engagement with the Authority's valuer and how management used the valuers report to value land and buildings in the financial statements including testing the underlying data and assumptions. We also:</p> <ul style="list-style-type: none">• assessed the competence, skills and experience of the Authority's valuer; and• compared the valuation output with market intelligence provided by Gerald Eve, our expert and consulting valuers engaged by the National Audit Office, to obtain assurance that the valuations are in line with market expectations.
	<p>Audit conclusion</p> <p>We identified no matters to report in relation to property, plan and equipment valuation.</p>

2. SIGNIFICANT FINDINGS (CONTINUED)

Significant risk	Description of the risk
Defined benefit liability valuation	<p>The net pension liability represents a material element of the Authority's balance sheet. The Authority is an admitted body of the West Yorkshire Pension Fund, which had its last triennial valuation completed as at 31 March 2016.</p> <p>The valuation of the Local Government Pension Scheme relies on a number of assumptions, most notably around the actuarial assumptions, and actuarial methodology which results in the Authority's overall valuation.</p> <p>There are financial assumptions and demographic assumptions used in the calculation of the Authority's valuation, such as the discount rate, inflation rates and mortality rates. The assumptions should also reflect the profile of the Authority's employees, and should be based on appropriate data. The basis of the assumptions is derived on a consistent basis year to year, or updated to reflect any changes.</p> <p>There is a risk that the assumptions and methodology used in valuing the Authority's pension obligation are not reasonable or appropriate to the Authority's circumstances. This could have a material impact to the net pension liability in 2018/19.</p>

How we addressed this risk

We reviewed the controls that the Authority has in place over the information sent to the Scheme Actuary, including the Authority's process and controls with respect to the assumptions used in the valuation. We also:

- evaluated the competency, objectivity and independence of the scheme Actuary, AON Hewitt;
- liaised with the auditors of the West Yorkshire Pension Fund to gain assurance that the controls in place at the Pension Fund are operating effectively. This included the processes and controls in place to ensure data provided to the Actuary by the Pension Fund for the purposes of the IAS19 valuation is complete and accurate;
- reviewed the appropriateness of the Pension Asset and Liability valuation methodologies applied by the Pension Fund Actuary, and the key assumptions included within the valuation. This included comparing them to expected ranges, utilising information provided by PWC, consulting actuary engaged by the National Audit Office; and
- agreed the data in the IAS 19 valuation report provided by the Fund Actuary for accounting purposes to the pension accounting entries and disclosures in the financial statements.

Audit conclusion

Subject to completion of outstanding work and the amendment detailed on page 13 in relation to GMP equalisation and the McCloud judgement, our work has provided the assurance we sought in each of these areas and has not highlighted any indication of material estimation error in respect of the defined benefit liability valuation.

2. SIGNIFICANT FINDINGS (CONTINUED)

Qualitative aspects of the Authority's accounting practices

We have reviewed the Authority's accounting policies and disclosures and concluded they comply with the requirements of the Code of Practice on Local Authority Accounting (the Code), appropriately tailored to the Authority's circumstances.

To ensure the accounts were fully Code compliant, an amendment was required to the draft statements in respect of the adoption of the new accounting standard IFRS 15 Revenue from Contracts with Customers in 2018/19.. This is set out in more detail on Page 14.

Significant matters discussed with management

There were no significant matters discussed with management that we need to specifically report to the Governance and Audit Committee.

Significant difficulties during the audit

During the course of the audit we did not encounter any significant difficulties and we have had the full co-operation of management.

Draft accounts were received from the Authority on 31 May 2019, in line with the statutory deadline, and the accounts were of a good quality. We will debrief with the Finance Team to share views on the final accounts audit. We would like to thank the Finance Team for the quality of their supporting working papers and for being available throughout the audit visit to answer our queries in a prompt and timely manner. This co-operation has allowed the audit to progress smoothly and to complete within the allocated timeframe.

Wider responsibilities

Our powers and responsibilities under the 2014 Act are broad and include the ability to:

- issue a report in the public interest;
- make statutory recommendations that must be considered and responded to publicly;
- apply to the court for a declaration that an item of account is contrary to law; and
- issue an advisory notice under schedule 8 of the 2014 Act.

We have not exercised any of these powers as part of our 2018/19 audit.

The 2014 Act also gives rights to local electors and other parties, such as the right to ask questions of the auditor and the right to make an objection to an item of account.

3. INTERNAL CONTROL RECOMMENDATIONS

The purpose of our audit is to express an opinion on the financial statements. As part of our audit we have considered the internal controls in place relevant to the preparation of the financial statements. We do this in order to design audit procedures to allow us to express an opinion on the financial statement and not for the purpose of expressing an opinion on the effectiveness of internal control, nor to identify any significant deficiencies in their design or operation.

The matters reported are limited to those deficiencies and other control recommendations that we have identified during our normal audit procedures and that we consider to be of sufficient importance to merit being reported. If we had performed more extensive procedures on internal control we might have identified more deficiencies to be reported or concluded that some of the reported deficiencies need not in fact have been reported. Our comments should not be regarded as a comprehensive record of all deficiencies that may exist or improvements that could be made.

Our findings and recommendations are set out below. – a number related to IT and are similar in nature to those raised in the prior year. Management’s response not only provides a response for the current year recommendation but also provides an update on progress on related prior year recommendation as appropriate.

We have assigned priority rankings to each of them to reflect the importance that we consider each poses to your organisation and, hence, our recommendation in terms of the urgency of required action. In summary, the matters arising fall into the following categories:

Priority ranking	Description	Number of issues
1 (high)	In our view, there is potential for financial loss, damage to reputation or loss of information. This may have implications for the achievement of business strategic objectives. The recommendation should be taken into consideration by management immediately.	none
2 (medium)	In our view, there is a need to strengthen internal control or enhance business efficiency. The recommendations should be actioned in the near future.	3
3 (low)	In our view, internal control should be strengthened in these additional areas when practicable.	1

3. INTERNAL CONTROL RECOMMENDATIONS (CONTINUED)

Deficiencies in internal control – Level 2

Description of deficiency

Password parameters set within the Authority's systems (Dream, Network OS, Payrite, Haven) do not align with the Authority's password policy.

Further, the Authority's password policy does not comply with best practice in the following instances:

- User account blocked after failed attempts,
- Initial password is randomly generated (not always the same trivial password)

Potential effects

Passwords are not sufficiently complex reducing the level of access security of critical business systems.

Recommendation

The Authority should ensure that the password parameters for the critical business systems highlighted above reflect the Authority's password policy.

The Authority should review its password policy to ensure it is in line with best practice and addresses the deficiencies highlighted above

Management response

The password policy changed in June 2019 via the introduction of a revised ICT Security Policy. The password requirements and complexity now follow current National Cyber Security Council guidelines, in summary the Combined Authority's approach is:

- Use two factor or multi factor authentication for all important accounts.
- User single sign on systems.
- Security will rely on effective technical defences rather than depending on unachievable employee behaviour.
- Regular password changes will not be forced unless data or a system is compromised.
- Machine-generated passwords will be used with password management software to help employees.
- Password complexity requirements will not be used.

The new ICT Security Policy also places new obligation on business system owners to manage passwords appropriately when their application is not part of Active Directory.

Description of deficiency

There is no formal backup policy in place at the Authority.

Potential effects

Staff are not aware of the process to follow and the Authority may not comply with the legal and statutory requirements for retention of financial records in the case of a serious incident.

Recommendation

The Authority should develop and implement a formal backup policy.

Management response

Comprehensive back up arrangements are in place, including off site storage. It is recognised that capturing the current processes in one central document which ensures full clarity of the arrangements would be beneficial and this will be addressed in the Corporate Technology Programme currently being implemented.

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3. INTERNAL CONTROL RECOMMENDATIONS (CONTINUED)

Deficiencies in internal control – Level 2

Description of deficiency

Whilst, per the Code of Conduct, the onus is on Members of the Combined Authority to ensure that their declarations of interest remain up to date, there is an agreed process whereby the Governance Officer writes to Members following the annual meeting to remind them to review their declarations. This did not happen in 2018/19.

Further, the Authority's pro-forma declaration forms does not request (and thus capture) interests of close family members as required by IAS 24.

Linked to these deficiencies and as detailed on page 14, audit testing identified 6 related parties that had not been disclosed in the related party transactions note to the financial statements. This comprised income of £2,213k and expenditure of £9,858k.

Potential effects

The Authority is not aware of transactions with related parties and the related parties note in the financial statements is incomplete.

Recommendation

The Authority should:

- a) strengthen arrangements to ensure Member's declarations of interest remain up to date;
- b) update the pro-forma declarations of interest form to include interests of close family members; and
- c) review all completed declarations of interest forms during the accounts close down process and interrogate the ledger to identify all related parties disclosed by members and senior management.

Management response

- a) This recommendation is accepted. These arrangements are underway following the recent changes to member appointments approved at the Annual General Meeting in June 2019.
- b) The requirements of IAS24 go further than the statutory regime included in our Members Code of Conduct in relation to the disclosure of pecuniary interests.
The Combined Authority recognises that this does not fully meet all aspects required by IAS24 and will explore how it can effectively enhance the disclosure whilst maintaining a fair balance in respect of the scope of the obligations placed on its members. It is proposed that action is taken, including liaising with our partner councils to understand how they address this requirement and that proposals are brought forward to the Governance and Audit committee for consideration at its meeting on 31 October 2019 in the first instance.
- c) This recommendation is accepted and arrangements will be strengthened for the 2019/20 closedown process.

3. INTERNAL CONTROL RECOMMENDATIONS (CONTINUED)

Other recommendations on internal control – Level 3

Description of deficiency

There are opportunities to improve the Authority's ICT Change Management policies and procedures to ensure that they provide more comprehensive guidance to users. For example, the change management policy does not:

- state when the policy was created, or when it is next due to be updated
- state that low-risk changes by service providers can be implemented without required testing or approvals
- include details of unitary/module tests, non-regression tests, user acceptance tests
- specified that there should be segregation of duties between IT Development and Operations.

Further, we found IT Developers have access to the Dream production system with admin privileges.

Potential effects

The change management policy may not be appropriately up to date and users may not follow best practice in relation to change management.

Further, Developers may make changes to the live system without the relevant approvals.

Recommendation

- a) The Change Management procedure should be reviewed and updated to ensure that it addresses the deficiencies highlighted above.
- b) The Authority should remove developers' privileged access to the production environment

Management response

Change management policies and procedure are in place and robustly monitored. They are continually enhanced and updated to reflect best practice and the points raised will be addressed in future updates being undertaken as part of the Corporate Technology Programme.

4. SUMMARY OF MISSTATEMENTS

We set out below the misstatements identified for adjustment during the course of the audit, above the level of the trivial threshold of £150k.

The first section outlines the misstatements that were identified during the course of our audit which management has assessed as not being material, either individually or in aggregate, to the financial statements and does not currently plan to adjust.

The second section outlines the misstatements that have been adjusted by management during the course of the audit.

Unadjusted misstatements 2018/19

We are pleased to report that there were no unadjusted audit differences.

Adjusted misstatements 2018/19

	Comprehensive Income and Expenditure Statement		Balance Sheet	
	Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
1 Dr: Net cost of services – corporate services Cr: Pensions reserve	2,645			2,645
To reflect the additional pension liabilities arising from recent court decisions in relation to Guaranteed Minimum Pensions (GMP) equalisation and the McCloud judgement. Actuarial estimate of £2.645m in respect of the entity. No net impact on the Authority's General Fund, with pension costs under IAS 19 being reversed out in the Movement in Reserves Statement and replaced by actual employer pension contributions				
2 Dr: Creditors – Bodies External to Government Cr: Creditors – Other Local Authorities			17,340	17,340
To ensure compliance with the Code, £17.34m of creditors from 'Bodies External to Government' required reclassification to 'Other Local Authorities'.				
3 Dr: Debtors – Other Local Authorities Cr: Debtors – Bodies External to Government Cr: Debtors – Central Government Bodies			2,976	941 2,035
To ensure compliance with the Code, £2.976m of debtors from 'Bodies External to Government' and 'Central Government Bodies' required reclassification to 'Other Local Authorities'.				
4 Dr: REFCUS Expenditure Cr: Long-term Debtor Loans	300			300
A £300k loan with Calderdale Council, originally included in the long-term debtor loans population, had actually been written off by the Authority but not actioned in the ledger during the year.				
5 Dr: Short-term Debtor Loans Cr: Long-term Debtor Loans			7,951	7,951
Audit testing identified two loans which had been accounted for as long-term debtor loans but were actually short-term in nature due to their maturity dates being in 2019/20.				

4. SUMMARY OF MISSTATEMENTS

Adjusted misstatements 2018/19 (continued)

Disclosure amendments

During the course of the audit we identified a number of disclosure errors which are detailed below. All have been adjusted for during the course of the audit:

- **Comprehensive Income and Expenditure Statement** - The authority had 'restated' the 2017/18 CIES for the introduction of IFRS 15. This was not compliant with the Code which requires retrospective restatement with any required restatement treated as an opening balance adjustment as at 1st April 2018. This resulted in an initial restatement of £31,804k to gross income and expenditure within the prior year Transport Services line of the CIES (with nil net impact on the net cost of services). The Authority has amended the CIES and, in line with Code requirements, included a note to the financial statements demonstrating the effect of the application of the standard on the prior year.
- **Note 4 Expenditure and Funding Analysis** – to ensure compliance with the Code, amendments were made to separately disclose a £601k loss on the disposal of an asset (originally included within the 'Financing and Investment Income and Expenditure' line of Note 4(a)) and, due to the introduction of IFRS 15, to remove £33,504k of prepaid tickets income and expenditure from the 'Other Service Income' and 'Other Service Expenditure' of Note 4(c) (with nil net impact on the surplus / deficit).
- **Note 10D Senior Employees' Remuneration** – the disclosure for the Director for Policy, Strategy and Communication role has been split to reflect the two different individuals who reprised the role in year. The prior year comparator also required amendment.
- **Note 12 Related Party Transactions** - Audit testing identified 6 related parties that had not been disclosed in the note to the financial statements. This comprised income of £2,213k and expenditure of £9,858k which has now been appropriately disclosed in the note. In addition, the total amount and analysis of the 'amounts received by the Combined Authority' for 'LCR LEP Funding' has been updated, from £550k to £621k, to include amounts from Harrogate and York.
- **Note 26 Financial Commitments** – a number of amendments were required as follows:
 - £880k of contracts signed before year end required reclassification from 'Authorised but not Contracted For' to 'Contracted For but not Provided in the Accounts'. Audit testing of Capital Commitments 'Authorised but not Contracted For' identified one scheme, valued at £245k, where contracts had been agreed before year end. As a consequence, the Authority then reviewed all other schemes in this population and determined that the contract for one more capital project had also been signed before year end. The value of this scheme was £635k meaning £880k required reclassifying from 'Authorised but not Contracted For' to 'Contracted For but not Provided in the Accounts'.
 - £195k of schemes completed in the year required removal from 'Contracted For but not Provided in the Accounts'. Audit testing of Capital Commitments 'Contracted For but not Provided in the Accounts' identified the inclusion of £195k in relation to Fitzwilliam Park and Ride, a scheme which had been completed in 2018/19 and was thus no longer a commitment. The Authority reviewed all the schemes in this population and did not identify any further instances of completed schemes being included.
 - £259k of capital commitments omitted in error from 'Contracted For but not Provided in the Accounts' has now been added – this relates to the Stourton Park and Ride scheme (for which a contract has been signed) and its omission was identified by the Authority's review of capital projects triggered by the above highlighted audit findings.

NB in each of the above areas, we reviewed and tested the further work of the Authority and were content with the methodology and the findings.

In addition to the above, we identified a number of minor presentational issues during our audit and these have all been amended by the Authority.

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5. VALUE FOR MONEY CONCLUSION

Our audit approach

We are required to form a conclusion as to whether the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The NAO issues guidance to auditors that underpins the work we are required to carry out in order to form our conclusion, and sets out the criterion and sub-criteria that we are required to consider.

The overall criterion is that, 'in all significant respects, the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.' To assist auditors in reaching a conclusion on this overall criterion, the following sub-criteria are set out by the NAO:

- informed decision making ;
- sustainable resource deployment; and
- working with partners and other third parties.

Commentary against each of the sub-criteria, and an indication of whether arrangements are in place, is provided below.

Sub-criteria	Commentary	Arrangements in place?
Informed decision making	<p>The Combined Authority has a clear governance structure which is described on its website and includes the expected features of an effective governance framework in local government. During the year the Combined Authority has continued its 'One Organisation' Programme designed to put in place the right structures, processes and people to deliver agreed objectives and priorities.</p> <p>The Corporate Plan sets out the Authority's priorities and is closely aligned to the overarching aims of the Strategic Economic Plan (SEP). Clear and measurable targets and outcomes for key priorities have been identified and included in the Corporate Plan with key performance targets being measured regularly. The Corporate Plan is supported by revenue and capital budgets.</p> <p>The Medium Term Financial Strategy which is reviewed and refreshed annually reflects strategic objectives and allocates resources to priority areas. In addition, regular financial reporting takes place through the Senior Management Team and Leadership Team, with regular reporting to the Combined Authority.</p> <p>For over a year, Leeds City region Enterprise Partnership (LEP) panels (with their public and private sector representation) have been integrated within the Combined Authority's decision-making structure as advisory committees, improving transparency and accountability.</p> <p>There is a Corporate Risk Management Strategy, endorsed by the Governance and Audit Committee, which sets out the way risks are identified, recorded and monitored. Management have agreed to implement Internal Audit recommendations to strengthen risk management arrangements. The Authority's project management assurance framework is in line with national best practice and ensures there is robust accountability and governance with regard to the management and delivery of projects.</p> <p>The system of internal control is subject to Internal Audit and for 2018/19, the Combined Authority's internal auditors, provided an overall opinion that controls and governance are operating adequately.</p> <p>A Governance and Audit Committee is in place to oversee the governance framework including the work of internal audit and approval of the Authority's financial statements. In accordance with changes in legislation and to strengthen arrangements an independent member was appointed to the Committee in June 2018 and who chaired the meeting during the last municipal year.</p> <p>The Combined Authority ensures its Corporate Governance Code and Framework reflects changes made to arrangements in the year.</p>	Yes

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5. VALUE FOR MONEY CONCLUSION

Sub-criteria	Commentary	Arrangements in place?
Sustainable resource deployment	<p>The Combined Authority has made good progress in addressing the ongoing financial challenges and has a proven track record of strong budget management and delivering planned budget reductions.</p> <p>The Authority delivered financial outturn for 2018/19 £3.0 million better than originally planned. The much improved year end position is mainly attributable to savings in the subsidised services ahead of target, reduced concessionary fares costs and a combination of early redemption fees and further loan interest accrued on Growing Places loans. Additionally the higher than expected cash balances, reflecting receipt in advance of a number of external funds, has generated additional interest over budget.</p> <p>A balanced budget has been set for 2019/20 with the use of £1.2m of reserves consistent with the three year Medium Term Financial Strategy covering the years 2018/19 to 2020/21.</p> <p>The Authority has also recognised the significant financial challenge facing the partner councils and has agreed to reductions in the transport levy.</p> <p>The capital programme reflects priorities set out in the Corporate Plan flowing from the SEP.</p>	Yes
Working with partners and other third parties	<p>The Authority plays an important and active role in providing the vehicle for closer partnership working between the local authorities of West Yorkshire and York and the LEP in order to ensure improved economic outcomes for local people. It focuses on the areas that make the most sense to deliver at the city region level.</p> <p>The Authority has clearly defined its ambitions to work with its partners across the region to effect economic growth in the Leeds City Region and these ambitions are set out in the SEP. The SEP is kept under review to ensure it continues to align with the region's needs and recognises relationships with new and emerging strategies such as the Local Industrial Strategy for example. The SEP provides a framework for engagement with others within the City Region and beyond across private, public and third sectors to deliver good growth.</p> <p>The Authority is an active participant in sub-regional networks and works with 'Transport for the North' on transport related matters. It responds to and leads on transport consultations for the region for example with stakeholders through the District Consultation Sub-Committees and Operator Groups. Consultation events have taken place during the year on the SEP, the Single Transport Plan, major schemes and the bus area network reviews which have successfully sought to contain costs but retain accessibility for users. In addition the Authority is building in youth engagement as it develops its bus and transport strategy.</p> <p>Up to date procurement arrangements are in place to secure cost effective purchasing.</p>	Yes

5. VALUE FOR MONEY CONCLUSION (CONTINUED)

Significant audit risks

The NAO's guidance requires us to carry out work to identify whether or not a risk to our value for money conclusion exists. Risk, in the context of our work, is the risk that we come to an incorrect conclusion rather than the risk of the arrangements in place at the Authority being inadequate. In our Audit Strategy Memorandum, we reported that we had identified one significant audit risk. The work we carried out in relation to the significant risk is outlined below.

Risk	Work undertaken	Conclusion
<p>Financial sustainability</p> <p>The Authority's medium term financial strategy (MTFS) includes a reduction in the transport levy of £1m in each of the three years to 2020/21. A reduction of £1m equates to a circa 2% saving requirement in discretionary expenditure. The Authority is in the process of updating its MTFS to 2021/22.</p> <p>Whilst the mid year financial position for 2018/19 indicated that the Authority is managing expenditure within the approved annual budget, delivering a balanced budget is likely to require the use of £1.4m of reserves. Whilst this is consistent with the MTFS, this use of reserves to support service delivery is indicative of the financial pressures faced by the Authority.</p> <p>The continuing challenges the Authority faces are not new and are not unique. However, the challenges do present a significant audit risk in respect of considering the arrangements that the Authority has in place to deliver financial sustainability over the medium term.</p>	<p>Building on our work in previous years, we reviewed the arrangements the Authority has in place for ensuring financial resilience. Specifically, our work included reviewing:</p> <ul style="list-style-type: none"> the Authority's MTFS to ensure it takes into consideration factors such as the latest income projections, funding reductions from the transport levy, salary and general inflation, restructuring costs and sensitivity analysis given the degree of variability in the above factors; and the arrangements in place to monitor progress in delivering a balanced budget for 2019/20 and the related savings plans. 	<p>The Authority has in place a MTFS for 2018/19 to 2020/21 to provide a longer term view of the financial challenges it faces. This is based on appropriate income, funding, pay and non-pay assumptions and recognises the risks associated with these assumptions.</p> <p>A balanced budget has been set for 2019/20 with the use of £1.2m of reserves consistent with the three year MTFS.</p> <p>The MTFS and balanced budget for 2019/20 have been subject to appropriate scrutiny and challenge via established governance and reporting arrangements.</p> <p>The Authority's Corporate Plan sets out priorities and is closely aligned to the overarching aims of the Strategic Economic Plan. Clear and measurable targets and outcomes for key priorities have been identified and included in the Corporate Plan with key performance targets being measured regularly. The Corporate Plan is supported by revenue and capital budgets.</p> <p>It is noted that the Authority has a good track record of delivering financial plans and the required savings. For 2016/17, 2017/18 and 2018/19 the Authority secured the planned savings plus additional savings of £1.4m, £1.6m and £3m respectively.</p> <p>There are no matters which give rise to VFM reporting issues for 2018/19.</p>

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DRAFT MANAGEMENT REPRESENTATION LETTER

Mr M Kirkham
Mazars LLP
Salvus House
Aykley Heads
Durham
DH1 5TS

XX July 2019

Dear Mark

West Yorkshire Combined Authority - audit for year ended 31 March 2019

This representation letter is provided in connection with your audit of the financial statements of West Yorkshire Combined Authority for the year ended 31 March 2019 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 (the Code) and applicable law.

I confirm that the following representations are made on the basis of enquiries of management and staff with relevant knowledge and experience (and, where appropriate, inspection of supporting documentation) sufficient to satisfy ourselves that I can properly make each of the following representations to you.

My responsibility for the financial statements and accounting information

I believe that I have fulfilled my responsibilities for the true and fair presentation and preparation of the financial statements in accordance with the Code and applicable law.

My responsibility to provide and disclose relevant information

I have provided you with:

- access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other material;
- additional information that you have requested from us for the purpose of the audit; and
- unrestricted access to individuals within West Yorkshire Combined Authority you determined it was necessary to contact in order to obtain audit evidence.

I confirm as Chief Finance Officer that I have taken all the necessary steps to make me aware of any relevant audit information and to establish that you, as auditors, are aware of this information.

As far as I am aware there is no relevant audit information of which you, as auditors, are unaware.

Accounting records

I confirm that all transactions that have a material effect on the financial statements have been recorded in the accounting records and are reflected in the financial statements. All other records and related information, including minutes of all Combined Authority and committee meetings, have been made available to you.

Accounting policies

I confirm that I have reviewed the accounting policies applied during the year in accordance with Code and International Accounting Standard 8 and consider these policies to faithfully represent the effects of transactions, other events or conditions on West Yorkshire Combined Authority's financial position, financial performance and cash flows.

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DRAFT MANAGEMENT REPRESENTATION LETTER

Accounting estimates, including those measured at fair value

I confirm that any significant assumptions used by West Yorkshire Combined Authority in making accounting estimates, including those measured at current or fair value, are reasonable.

Contingencies

There are no material contingent losses including pending or potential litigation that should be accrued where:

- information presently available indicates that it is probable that an asset has been impaired or a liability had been incurred at the balance sheet date; and
- the amount of the loss can be reasonably estimated.

There are no material contingent losses that should be disclosed where, although either or both the conditions specified above are not met, there is a reasonable possibility that a loss, or a loss greater than that accrued, may have been incurred at the balance sheet date.

There are no contingent gains which should be disclosed.

All material matters, including unasserted claims, that may result in litigation against West Yorkshire Combined Authority have been brought to your attention. All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to you and accounted for and disclosed in accordance with the Code and applicable law.

Laws and regulations

I confirm that I have disclosed to you all those events of which I am aware which involve known or suspected non-compliance with laws and regulations, together with the actual or contingent consequences which may arise therefrom.

Fraud and error

I acknowledge my responsibility as Chief Finance Officer for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

I have disclosed to you:

- all the results of my assessment of the risk that the financial statements may be materially misstated as a result of fraud;
- all knowledge of fraud or suspected fraud affecting West Yorkshire Combined Authority involving:
 - management and those charged with governance;
 - employees who have significant roles in internal control; and
 - others where fraud could have a material effect on the financial statements.

I have disclosed to you all information in relation to any allegations of fraud, or suspected fraud, affecting West Yorkshire Combined Authority's financial statements communicated by employees, former employees, analysts, regulators or others.

Related party transactions

I confirm that all related party relationships, transactions and balances, have been appropriately accounted for and disclosed in accordance with the requirements of the Code and applicable law.

I have disclosed to you the identity of West Yorkshire Combined Authority's related parties and all related party relationships and transactions of which I am aware.

Future commitments

I am not aware of any plans, intentions or commitments that may materially affect the carrying value or classification of assets and liabilities or give rise to additional liabilities.

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Subsequent events

I confirm all events subsequent to the date of the financial statements and for which the Code and applicable law, require adjustment or disclosure have been adjusted or disclosed.

Should further material events occur after the date of this letter which may necessitate revision of the figures included in the financial statements or inclusion of a note thereto, I will advise you accordingly.

Going concern

To the best of my knowledge there is nothing to indicate that West Yorkshire Combined Authority will not continue as a going concern in the foreseeable future. The period to which I have paid particular attention in assessing the appropriateness of the going concern basis is not less than twelve months from the date of approval of the accounts.

Yours sincerely

Director, Corporate Services (s73 Officer)

Date.....

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DRAFT AUDITOR'S REPORT

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

Report on the financial statements

Opinion

We have audited the financial statements of West Yorkshire Combined Authority ('the Authority' for the year ended 31 March 2019, which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

In our opinion, the financial statements:

- give a true and fair view of the financial position of West Yorkshire Combined Authority as at 31st March 2019 and of its expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

Basis for opinion

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

Conclusions relating to going concern

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

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

Other information

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

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

We have nothing to report in this regard.

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DRAFT AUDITOR'S REPORT

Responsibilities of the Chief Finance Officer for the financial statements

As explained more fully in the Statement of Responsibilities for the Statement of Accounts, the Chief Finance Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19, and for being satisfied that they give a true and fair view. The Chief Finance Officer is also responsible for such internal control as the Chief Finance Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Chief Finance Officer is required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 and prepare the financial statements on a going concern basis, unless the Authority is informed of the intention for dissolution without transfer of services or function to another entity. The Chief Finance Officer is responsible for assessing each year whether or not it is appropriate for the Authority to prepare its accounts on the going concern basis and disclosing, as applicable, matters related to going concern.

Auditor's responsibilities for the audit of the financial statements

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

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

Matters on which we are required to report by exception under the Code of Audit Practice

We are required by the Code of Audit Practice to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make a recommendation under section 24 of the Local Audit and Accountability Act 2014; or
- we exercise any other special powers of the auditor under sections 28, 29 or 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

Conclusion on West Yorkshire Combined Authority's arrangements for securing economy, efficiency and effectiveness in the use of resources

Conclusion

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, we are satisfied that, in all significant respects, West Yorkshire Combined Authority has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

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DRAFT AUDITOR'S REPORT

Basis for conclusion

We have undertaken our review in accordance with the Code of Audit Practice issued by the Comptroller and Auditor General, having regard to the guidance on the specified criterion issued in November 2017, as to whether the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Responsibilities of the Authority

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

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

We are required under section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice requires us to report to you our conclusion relating to proper arrangements. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Use of the audit report

This report is made solely to the members of West Yorkshire Combined Authority, as a body, in accordance with part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 44 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the members of the Authority those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members of the Authority, as a body, for our audit work, for this report, or for the opinions we have formed.

Certificate

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

Mark Kirkham
For and on behalf of Mazars LLP
Salvus House
Aykley Heads
Durham
DH1 5TS

XX July 2019

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INDEPENDENCE AND FEES

Auditor independence

As part of our ongoing risk assessment we monitor our relationships with you to identify any new actual or perceived threats to our independence within the regulatory or professional requirements governing us as your auditors.

We can confirm that no new threats to independence have been identified since issuing the Audit Strategy Memorandum and therefore we remain independent.

Audit & non-audit fees

We reported our expected audit fees in our Audit Strategy Memorandum. Below we report the audit and non-audit fees at this, our Audit Completion phase. We confirm that we have completed no non-audit work at West Yorkshire Combined Authority.

Audit fees	2018/19 (actual)	2018/19 (planning)
Code audit work	£25,964	£25,964
Total audit fees	£25,964	£25,964

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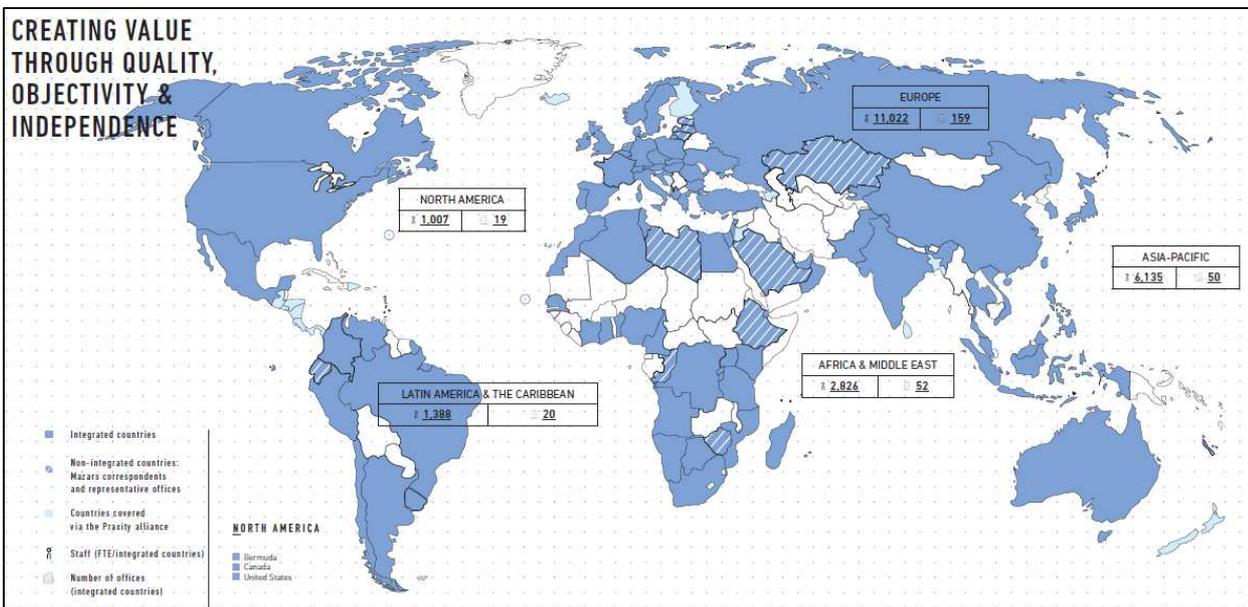
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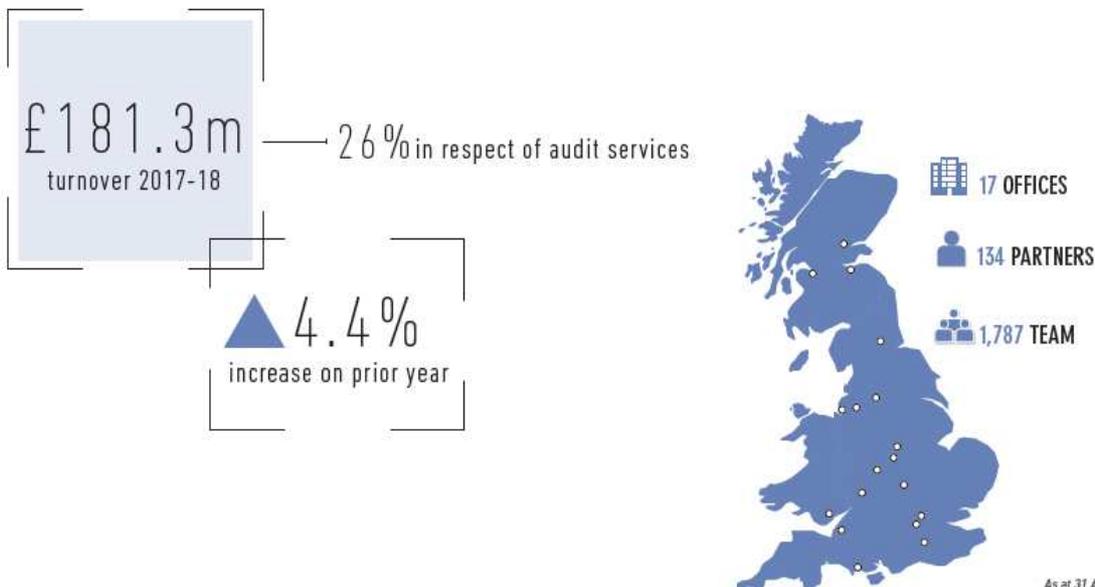
Mazars LLP

- Fee income €1.6 billion
- Over 86 countries and territories
- Over 300 locations
- Over 20,000 professionals
- International and integrated partnership with global methodologies, strategy and global brand

Mazars Internationally



Mazars in the UK



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