

Audit Completion Report

West Yorkshire Combined Authority



For the year ended 31 March 2017

25 July 2017



Contents

1. Executive summary	3
2. Significant findings	5
3. Internal control recommendations.....	8
4. Value for Money Conclusion.....	9
Appendix A – Summary of misstatements.....	12
Appendix B – Draft management representation letter.....	15
Appendix C – Draft audit report.....	18
Appendix D – Independence.....	21

1. Executive summary

Purpose of this report

The Audit Completion Report sets out the findings of our audit of West Yorkshire Combined Authority (the Combined Authority) for the year ended 31 March 2017, and forms the basis for discussion at the Governance and Audit Committee meeting on 3 August 2017.

The scope of our work and overall summary

The detailed scope of our work as your appointed auditor for 2016/17 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 include the matters outlined in the following table.

Financial statements	<p>In our Audit Strategy Memorandum we reported that materiality for the financial statements as a whole was set at £4,897,000. We have updated our assessment as part of our continuous planning processes and have set materiality at £5,354,000. Our clearly trivial threshold for reporting matters to you has been set at £161,000.</p> <p>We communicated identified significant risks to you as part of our Audit Strategy Memorandum in April 2017. Section 2 of this report outlines the work we have undertaken, and the conclusions we have reached, for each significant risk.</p> <p>At the time of issuing this report, and subject to the satisfactory conclusion of the remaining audit work, we anticipate issuing an unqualified opinion, without modification, on the financial statements. Our draft auditor's report is provided in Appendix C..</p>
Identified misstatements	<p>Our work identified a number of misstatements that have been discussed with management. A summary of the identified misstatements is provided in Appendix A.</p>
Value for Money	<p>At the time of issuing this report, and subject to the satisfactory conclusion of the remaining audit work, we anticipate having no matters to report in respect of the Combined Authority's arrangements to secure economy, efficiency and effectiveness in its use of resources. Our draft auditor's report is provided in Appendix C.</p>
Whole of Government Accounts (WGA)	<p>We anticipate completing our work on your WGA submission, in line with the group instructions issued by the National Audit Office, by the deadline of 30 September 2017. We anticipate reporting that the WGA submission is consistent with the audited financial statements.</p>

The status of our work

We have substantially completed our audit in respect of the financial statements for the year ended 31 March 2017.

At the time of preparing this report, the following significant matters remain outstanding:

Long term debtors	We are awaiting external confirmation of loans of £5,450,000 made by the Combined Authority which are classified as long term debtors. We have followed-up our initial request	Closure procedures and review	We will complete our standard closure procedures, including review of the amended financial statements and consideration of post balance sheet events.
Long term borrowing	We are awaiting external confirmation of long term borrowing of £25,000,000 having followed-up our initial request.	Whole Government Accounts (WGA)	Amendments to gross-up income and expenditure mean the Combined Authority's WGA submission exceeds the threshold which triggers specific procedures as required by NAO. We will complete the required procedures for the WGA return.

We will provide an update to you in relation to these outstanding matters in a follow up letter prior to giving our opinion.

2. Significant findings

This section sets out the significant findings from our audit and provides information on a number of matters that we are required to report to you by ISA 260 'Communication with those charged with governance'.

Significant risks and key areas of management judgement

As part of our planning procedures we considered the risks of material misstatement in the Combined 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 will mitigate these risks. No new risks have been identified since we issued our Audit Strategy Memorandum. The significant risks identified, and our conclusions against each are outlined below.

Significant risk	How we addressed the risk	Audit conclusion
<p>Management override of control</p> <p>In all entities, management at various levels within an organization 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. Due to the unpredictable way in which such overrides could occur, we consider there to be a risk of material misstatement due to fraud and thus a significant risk on all audits</p>	<p>We addressed this risk by:</p> <ul style="list-style-type: none"> • using a computer audit analytical technique to identify journals with specific risk characteristics and testing the basis for such adjustments; • evaluating and testing the basis for material accounting estimates, which may be subject to management bias, included in the financial statements; and • reviewing unusual or significant transactions outside the normal course of business. 	<p>Our work has provided the assurance we sought and has not highlighted any material issues to bring to your attention. There is no indication of management override of controls.</p>
<p>Revenue Recognition</p> <p>In accordance with international standards on auditing (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. We identified the following as key areas of focus for the significant risk:</p> <ul style="list-style-type: none"> • grant income is recognised when all conditions attached to the grant have been met so there is 	<p>We evaluated the design and implementation of controls to mitigate the risk of income being recognised in the wrong period. In addition, we will undertake a range of substantive procedures including:</p> <ul style="list-style-type: none"> • testing receipts in March and April to June 2017 to ensure they have been recognised in the right year; • reviewing the reasonableness of the judgements made by management in determining whether grant conditions have been met; and 	<p>Our audit work has provided the assurance we sought and has not identified any material issues to bring to your attention. We found no indication of revenue being recognised in the wrong year.</p>

<p>significant management judgement in determining when the conditions have been met; and</p> <ul style="list-style-type: none"> • prepaid ticket income is recognised based on sale information from a variety of sources including travel centres, railway stations and payzone. 	<ul style="list-style-type: none"> • testing the recognition of prepaid ticket income to information and returns from sales outlets to ensure income has been recognised in the right year. 	
<p>Pension estimation (IAS19) The financial statements contain material pension entries in respect of retirement benefits. The calculation of these pension figures, both assets and liabilities, can be subject to significant volatility and includes estimates based upon a complex interaction of actuarial assumptions. This results in an increased risk of material misstatement.</p>	<p>We discussed with key contacts any significant changes to the pension estimates prior to the preparation of the financial statements. In addition to our standard programme of work in this area, we:</p> <ul style="list-style-type: none"> • evaluated the management controls you have in place to assess the reasonableness of the figures provided by the actuary; and • considered the reasonableness of the actuary's output, referring to an expert's report on all actuaries nationally which is commissioned annually by the National Audit Office. 	<p>Our audit work has provided the assurance we sought and has not identified any material issues to bring to your attention. We found no indication of material estimation error in respect of pensions.</p>

Identified key areas of management judgement

Area of management judgement	How we considered this judgement	Audit conclusion
<p>Valuation of land and buildings</p> <p>Land and buildings are carried on the Balance Sheet at current value and are material. Management engage Lambert Smith and Hampton, as an expert, to determine the value of property to be included in the financial statements.</p>	<p>We reviewed:</p> <ul style="list-style-type: none"> • the scope and terms of the engagement with the valuer; and • how management use the valuer's report to value land and buildings in the financial statements. <p>We wrote to the valuer to obtain information on the methodology and their procedures to ensure objectivity and quality.</p> <p>We considered evidence of valuation trends.</p>	<p>We have completed our planned work reviewing the Combined Authority's use of experts to inform management judgements about valuation of land and buildings and the application of the new financial reporting standard.</p> <p>We have also considered the evidence of regional valuation trends provided by our external expert.</p> <p>We have found no matters to bring to your attention.</p>

Qualitative aspects of the Combined Authority's accounting practices

We are required to communicate to you our views on the significant qualitative aspects of the Combined Authority's accounting practices, including the accounting policies used and the quality of disclosures.

Qualitative aspect	Our views
Accounting policies and disclosures	<p>We have reviewed the Combined Authority's accounting policies and disclosures and found these to be in line with the requirements of the Code of Practice on Local Authority Accounting (the Code).</p> <p>In line with our expectations, there have been no significant changes to accounting policies for the year ended 31 March 2017.</p>
Quality of the draft financial statements	<p>We received draft financial statements from management on 6 June 2017 which is nearly four weeks in advance of the current deadline. We identified a number of misstatements which are detailed in Appendix A although none effected the reported financial performance for the year. Subject to these the accounts were of good quality.</p>
Quality of supporting working papers	<p>Producing high-quality working papers is as crucial part of compiling financial statements that are complete and materially accurate. They also support the delivery of an efficient audit.</p> <p>The working papers supporting the financial statements were of a good standard. We are grateful to officers for their assistance in responding to requests for information and in dealing with our queries in a timely and efficient manner.</p>

Significant matters discussed with management

There were no significant matters arising from the audit that required discussion with management.

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.

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 that are relevant to the preparation of the financial statements. We do this to design audit procedures that allow us to express an opinion on the financial statements; this does not extend to expressing an opinion on the effectiveness of internal control or 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. 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 1 (high)**
There is potential for financial loss, damage to reputation or loss of information. Weaknesses may have implications for the achievement of strategic objectives and our recommendations should be considered immediately by management.
- **Priority 2 (medium)**
There is a need to strengthen internal controls or enhance efficiency. Our recommendations should be actioned in the near future.
- **Priority 3 (low)**
Internal controls should be strengthened where practicable and where there is a cost benefit from doing so.

Other internal control recommendations – Priority 3 (low)

Description of deficiency	We write to third parties to obtain confirmation of loans made by the Combined Authority. We received a response from another local authority that they do not recognise a loan of £300,000 made from Local Growth Fund in February 2016 and consider that it is a grant. Management have provided us with evidence of a loan agreement signed by the counterparty.
Potential effects	There is a risk that the counterparty might dispute the repayment of the loan.
Recommendation	The Combined Authority should ensure that the status of this loan is resolved with the counterparty.
Management response	Agreed. The status of the loan will be resolved with the counterparty as soon as possible.

4. Value for Money Conclusion

Our approach to Value for Money

We are required to form a conclusion as to whether the Combined 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 Combined 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 within local government.</p> <p>During the year the Combined Authority embarked on its 'One Organisation' Programme designed to put in place the right structures, processes and people to deliver the Authority's objectives and priorities.</p> <p>The Corporate Plan sets out the Combined Authority's priorities and is closely aligned to the overarching aims of the Strategic Economic Plan. 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 Organisational Management Team and Leadership Team, with regular reporting to the Combined Authority.</p>	Yes

	<p>LEP panels are being incorporated within the Authority's decision-making structure improving transparency and accountability.</p> <p>There is a Risk Manual which sets out the risk management strategy and the way risks are identified, recorded and monitored. Management have agreed to implement Internal Audit recommendations to strengthen risk management arrangements.</p> <p>During the year the project management framework has been refined establishing a Portfolio Management Office with a well-defined three-stage project approval process. Partner bodies delivering projects funded by the Combined Authority are required to follow this framework.</p> <p>The system of internal control is subject to Internal Audit and for 2016/17, the Combined Authority's internal auditors, provided an opinion of reasonable assurance.</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 Combined Authority's financial statements. Arrangements are being strengthened by recruitment of an independent member of the Governance and Audit Committee.</p>	
Sustainable resource deployment	<p>The Combined Authority has made good progress in addressing the financial challenges from public sector austerity and has a proven track record of strong budget management and delivering planned budget reductions.</p> <p>The Combined Authority delivered financial outturn for 2016/17 £1.4 million better than originally planned which was consistent with recent financial reporting. This reflects additional operational savings including £1 million on concessionary travel expenditure.</p> <p>A balanced budget has been set for 2017/18 with use of £2.3 million of reserves consistent with the three year Medium Term Financial Strategy covering the years 2017/18 to 2019/20.</p> <p>The Combined Authority has also recognised the significant financial challenge facing the districts 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 Strategic Economic Plan.</p>	Yes
Working with partners and other third parties	<p>The Combined Authority has refreshed the Strategic Economic Plan for Leeds City Region as a framework for engagement with others within the City Region and beyond across private, public and third sectors to deliver good growth.</p>	Yes

	<p>The Combined Authority is an active participant in sub-regional networks and leads on 'Transport for the North' work-streams on 'Local Strategic Connectivity' and 'Integrated and Smart Travel'.</p> <p>It responds to consultations, for example on the Government's green paper on industrial strategy and consultation on the Northern Powerhouse Strategy.</p> <p>Procurement arrangements are in place to secure cost effective purchasing.</p>
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Significant Value for Money risks

The NAO's guidance requires us to carry out work to identify whether or not a risk to the 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 Combined Authority being inadequate. In our Audit Strategy Memorandum, we reported that for 2016/17, we had not identified any significant risks for our VFM conclusion. We did, however, identify areas of additional work. The additional work we carried out is outlined below.

Area of additional work	Work undertaken	Conclusion
<p>Sustainable resource deployment</p> <p>Last year we assessed the Combined Authority's arrangements for medium term financial planning as robust. We are not aware of any matters to suggest a significant change in arrangements.</p> <p>The Combined Authority continues to face financial pressure in the coming years including a reduction in the transport levy by £1m for 2017/18 and by £2m for 2018/19 to 2019/20. A reduction of £1m equates to a 2% saving requirement in discretionary expenditure.</p> <p>We need to ensure our knowledge of financial planning arrangements and monitoring of the planned delivery of savings, remains up to date in order to ensure we give the correct VFM conclusion.</p>	<p>Building on our existing understanding, our work included reviewing:</p> <ul style="list-style-type: none"> • how the Combined Authority has developed its medium term financial strategy; • the delivery of 2016/17 savings against plans; • the arrangements for 2017/18 savings, including review of robustness of identified plans; and • the arrangements for identifying savings in 2018/19 to 2019/20. 	<p>We identified no matters to suggest a significant value for money audit risk.</p>

Our overall Value for Money conclusion

Our draft auditor's report included in Appendix C states that we intend to issue an unqualified Value for Money conclusion for the 2016/17 financial year.

Appendix A – Summary of misstatements

The misstatements identified for adjustment during the course of the audit that are above the trivial level of £161,000, are set out below.

The first table outlines the identified misstatements 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 table outlines the misstatements that have been adjusted by management during the course of the audit.

Unadjusted misstatements 2016/17					
	Comprehensive Income and Expenditure Statement		Balance Sheet		
	Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)	
1	Debit: Property, plant and equipment	-	-	327	-
	Credit: Other comprehensive income and expenditure – surplus on revaluation of non-current assets	-	327	-	-
Explanation: The valuation of land and buildings was based on an external desktop valuation exercise by a qualified valuer. The misstatement arises as asset values were not consistently adjusted in the fixed asset register giving rise to non-material differences with the valuer's report.					

Adjusted misstatements 2016/17				
	Comprehensive Income and Expenditure Statement		Balance Sheet	
	Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)

	Debit: Transport services gross expenditure	14,486	-	-	-
1	Credit: Transport services gross income	-	14,486	-	-
	Explanation: Being correction of netting down of transport service expenditure by income within the ledger as identified by management				
	Debit: Cash and cash equivalents	-	-	15,000	-
2	Credit: Short term investments	-	-	-	15,000
	Explanation: Correction of misclassification of on-call deposit from short term investment to cash & cash equivalents				
	Debit: Long term borrowing	-	-	500	-
3	Credit: Short term borrowing	-	-	-	500
	Explanation: Correction of misclassification of borrowing between long and short term				

Disclosure amendments

Cash flow Statement

The analysis of cash flows has been amended to correct non-material misclassification.

Note 3, Capital expenditure and financing

The analysis was amended to ensure consistency with other parts of the financial statements.

Note 10, Members allowances and expenses

The figure was amended to include £4,449 of employer's national insurance contributions.

Note 10, Senior employees' remuneration

The presentation of the information in the note was amended to improve readability.

Note 18, Trade and other payables

The analysis of liabilities was corrected to re-classify amounts owed to colleges and universities (£11,125,000) as 'bodies external to general government' rather than 'other local authorities'. The adjustment has no impact on Balance Sheet figures.

Note 19, Loans outstanding

The analysis of the maturity of loans was amended to correct misclassification between long and short term loans.

Note 21, Financial instruments

The disclosure was amended to ensure consistency with related information shown elsewhere in the financial statements.

Note 26, Financial commitments

The disclosure was amended to correct omission of capital and other commitments.

Other amendments: There was a small number of non-material disclosure misstatements which have been corrected by management. These were mainly spelling, grammatical, referencing, rounding, terminology and typographical amendments.

Appendix B – Draft management representation letter

To be on West Yorkshire Combined Authority letter headed paper and addressed to the external auditor:

West Yorkshire Combined Authority - audit for year ended 31 March 2017

This representation letter is provided in connection with your audit of the statement of accounts for West Yorkshire Combined Authority ('the Combined Authority') for the year ended 31 March 2017 for the purpose of expressing an opinion as to whether the statement of accounts give a true and fair view in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 (the Code).

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 statement of accounts and accounting information

I believe that I have fulfilled my responsibilities for the true and fair presentation and preparation of the statement of accounts in accordance with the Code.

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 statement of accounts 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 the Combined Authority you determined it was necessary to contact in order to obtain audit evidence.

I confirm as Director of Resources (s73 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 the Code and International Accounting Standard 8 and consider these policies to faithfully represent the effects of transactions, other events or conditions on the Combined Authority's financial position, financial performance and cash flows.

Accounting estimates, including those measured at fair value

I confirm that any significant assumptions used by the Combined Authority in making accounting estimates, including those measured at 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 the 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 Code.

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.

The Combined Authority has complied with all aspects of contractual agreements that would have a material effect on the accounts in the event of non-compliance.

Fraud and error

I acknowledge my responsibility as Director of Resources (s73 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 statement of accounts may be materially misstated as a result of fraud;
- all knowledge of fraud or suspected fraud affecting the 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 the Combined Authority's statement of accounts 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.

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

Impairment review

To the best of my knowledge, there is nothing to indicate that there is a permanent reduction in the recoverable amount of the property, plant and equipment below their carrying value at the balance sheet date. An impairment review is therefore not considered necessary.

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.

Subsequent events

I confirm all events subsequent to the date of the financial statements and for which the Code 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 the 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.

Unadjusted misstatements

I confirm that the effects of the uncorrected misstatements as included in the auditor's draft Audit Completion Report are immaterial, both individually and in aggregate, to the statement of accounts as a whole.

Yours sincerely

Director of Resources (s73 Officer)

Date.....

Appendix C – Draft audit report

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WEST YORKSHIRE COMBINED AUTHORITY

Opinion on the Combined Authority financial statements

We have audited the financial statements of West Yorkshire Combined Authority for the year ended 31 March 2017 under the Local Audit and Accountability Act 2014. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, and the related notes. 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 2016/17.

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 as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Members of the West Yorkshire Combined Authority, as a body, for our audit work, for this report or for the opinions we have formed.

Respective responsibilities of the Chief Financial Officer and auditor

As explained more fully in the Statement of the Chief Financial Officer's Responsibilities, the Chief Financial 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 2016/17, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Combined Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Chief Financial Officer; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Narrative Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of West Yorkshire Combined Authority as at 31 March 2017 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

Opinion on other matters

In our opinion, the information given in the Narrative Report for the financial year for which the financial statements are prepared, is consistent with the financial statements.

Matters on which we report by exception

We report to you if:

- in our opinion the Annual Governance Statement does not comply with Delivering Good Governance in Local Government: Framework (2016);
- 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 the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

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

Respective responsibilities of the Combined Authority and the auditor

The Combined 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.

We are required under section 20 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. 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.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We are required to conclude whether the Authority has put in place arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

We have planned and undertaken our work in accordance with the Code of Audit Practice as issued by the Comptroller and Auditor General, and had regard to relevant guidance. 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.

Conclusion

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

Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate until we have completed the work necessary to issue our assurance statement in respect of the authority's Whole of Government Accounts consolidation pack. We are satisfied that this work does not have a material effect on the financial statements or on our value for money conclusion.

To be signed

Mark Kirkham

For and on behalf of Mazars LLP

Mazars House

Gelderd Road

Leeds

LS27 7JN

Date

Appendix D – 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.