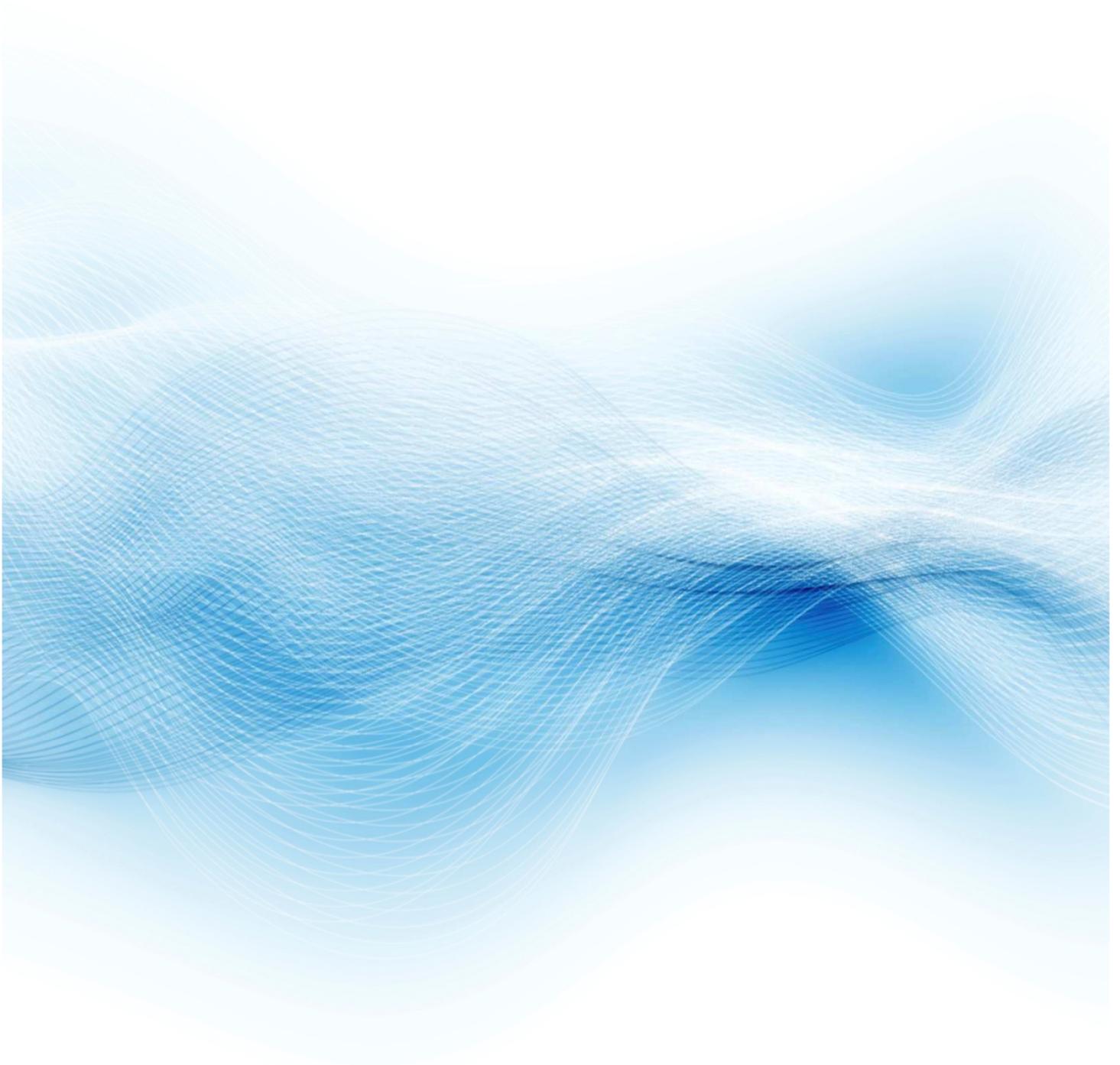
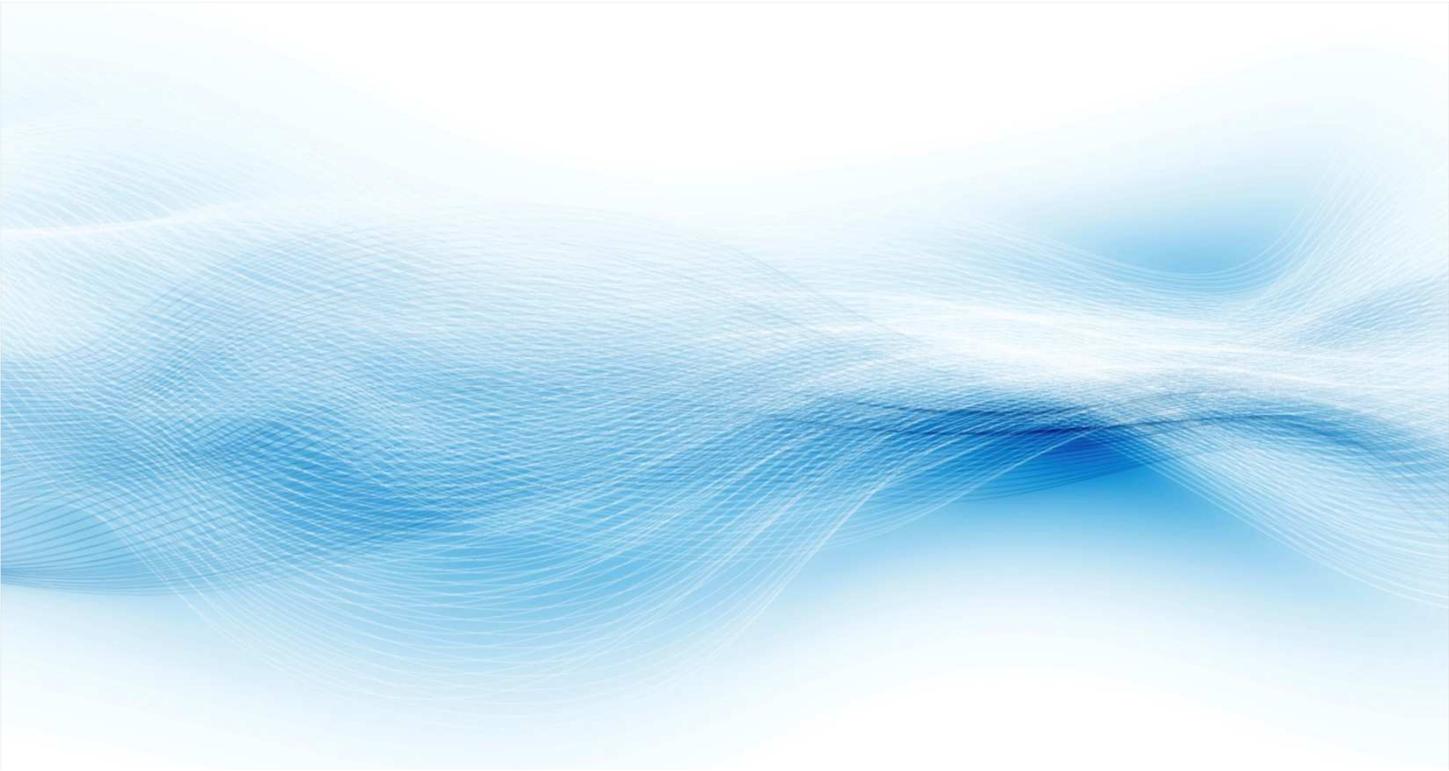




Audit Completion Report

West Yorkshire Combined Authority
Year ending 31 March 2018





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Our reports are prepared in the context of the 'Statement of responsibilities of auditors and audited bodies' and the '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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19 July 2018

Dear Members

Audit Completion Report – Year ended 31 March 2018

We are pleased to present our Audit Completion Report for the year ended 31 March 2018. 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 29 March 2018. 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 387 8850.

Yours faithfully

Mark Kirkham
Mazars LLP

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VAT number: 839 8356 73



1. EXECUTIVE SUMMARY

Purpose of this report and principle 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 2018, and forms the basis for discussion at the Governance and Audit Committee meeting on 30 July 2018.

The detailed scope of our work as your appointed auditor for 2017/18 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.

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. As we outline on the following page, our work is substantially complete and, 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 31 August 2018. 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 consider any objection made to the accounts.

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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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 2018. At the time of preparing this report the following matters remain outstanding:

Audit area	Description of outstanding matters
Long term debtor loans	We are awaiting direct confirmations from third parties for 1 items that we selected for sample testing.
Capital Commitments	Our work in relation to capital commitments remains in progress.
Revenue Commitments	We are awaiting evidence for 7 items that we selected for sample testing.
IAS 19 / Pension Disclosures	Our work in relation to IAS 19 Pension Disclosures remains in progress as we await assurance from the auditors of the West Yorkshire Pension Fund.
Whole of government accounts (WGA)	Completion of audit procedures supporting the WGA return to the NAO.
Final versions of the Annual Governance Statement (AGS) and amended financial statements	Review of the final versions of the AGS and amended financial statements.
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.

We will provide the Governance and Audit Committee with a verbal update in relation to these outstanding matters via the 30 July Governance and Audit Committee meeting and 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 February 2018. 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 1.75% of Gross Revenue 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.

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. Due to 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 through performing audit work over:

- 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	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. 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 2017/18. We have identified income from fees and charges as the key areas of audit testing. This does not imply that we suspect actual or intended manipulation but that we continue to deliver our audit work with appropriate professional scepticism.

How we addressed this risk

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:

- testing receipts in March, April and May 2018 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.

Audit conclusion

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.

Significant risk	Description of the management judgement
Property, plant and equipment (PPE) valuation	The financial statements contain material entries on the Balance Sheet as well as material disclosure notes. The Authority employs an external valuation expert, Lambert Smith and Hampton, to provide information on valuations. As with many other bodies, 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. We have therefore identified the valuation of PPE to be an area of audit risk.

How our audit addressed this area of management judgement

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. We also

- assessed the competence, skills and experience of the Authority's valuer;
- considered regional valuation trends (provided by our valuation expert) to assess the reasonableness of the movement in valuations; and
- where necessary performed further audit procedures on individual assets to ensure that the basis and level of valuation is appropriate.

Audit conclusion

We have completed our planned work reviewing the Combined Authority's use of experts to inform management judgements about valuation of PPE. We have also considered the evidence of regional valuation trends provided by our external expert. We have found no matters to bring to your attention.

2. SIGNIFICANT FINDINGS (CONTINUED)

Significant risk

Defined benefit liability valuation

Description of the risk

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.

How we addressed this risk

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:

- 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 NAO.

Audit conclusion

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 the defined benefit liability valuation.

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2. SIGNIFICANT FINDINGS (CONTINUED)

Qualitative aspects of the entity'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.

In line with our expectations, there have been no significant changes to accounting policies for the year ended 31 March 2018.

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 2018, 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 2017/18 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. 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.	2
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

IT user access testing for leavers identified that for a sample of 14 leavers, 1 had not had system access terminated on departure.

Testing was extended to cover all leavers in year. Of the additional sample of 55, 1 had not had system access terminated. Additional procedures were also carried out to check the last log on date. All accounts had not been accessed since the employee had left.

Potential effects

Leavers are not deactivated in a timely manner, meaning that inappropriate access to business critical systems would be possible.

Recommendation

In order to avoid unauthorised access to the Authority's network and programs, the Authority should ensure that formal access disabling requests are issued for all leavers before their leaving date.

Management response

A revised leavers procedure for the ICT service desk will be in place by 20 July 2018. This will confirm the requirements for leaving dates to be notified to the ICT Service Desk to ensure that from the following day the leaver will not have access to the system or their data.

A revised ICT security policy is being drafted. It will include specific reference to leavers and the revised policy will be in place by 31 October 2018.

Other recommendations on internal control - Level 2

Description of deficiency

The Authority's Information and Communications Technology (ICT) Accounts and Password Policy requires administrative privileges to be set up and assigned via an administration account.

Administrative privileges are currently set up and assigned on users main accounts.

Potential effects

Appropriate segregation of duties may not be maintained when making administrative changes to systems. There is a risk that administrative privileges are not subject to adequate control.

Recommendation

The Authority should ensure ICT policies in relation to administrative accounts and privileges are adhered to.

Management response

Accepted. This will be completed no later than May 2019 as part of the Corporate Technology Programme through the Active Directory redesign workstream.

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 procedure to ensure that it provides more comprehensive guidance to users.

Potential effects

Users may not follow best practice in relation to change management.

Recommendation

The Change Management procedure should be reviewed and updated to ensure that it includes comprehensive guidance with regards to change management procedures.

Management response

ICT Services have had a Change Management process for the last three years. The process is being updated, re-communicated to all staff and will be implemented next week.

Test environments are in place for six key systems (five of which are business critical). Although other systems do not have a test environment, the Change Management process means that roll back plans are submitted and approval by a manager is needed before changes are implemented.

The balance of risk is considered low for systems without a test environment. Every test environment incurs licence costs and staff time to keep it updated.

3. INTERNAL CONTROL RECOMMENDATIONS (CONTINUED)

Follow up of previous internal control points

We set out below an update on internal control points raised in the prior year.

Description of deficiency - Level 3

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.

2017/18 update

The Authority's original response (July 2017) was that 'The status of the loan will be resolved with the counterparty as soon as possible'.

As at July 2018, the Authority continues to assert that this agreement is a loan. Whilst we are content that this is consistent with supporting documentation, the Authority continues to discussion the future status of the loan with the counterparty continue.

4. SUMMARY OF MISSTATEMENTS

We set out below the misstatements identified for adjustment during the course of the audit, above the level of 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 2017/18

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

Adjusted misstatements 2017/18

		Comprehensive Income and Expenditure Statement		Balance Sheet	
		Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
1	Dr. Short term debtors			410	
	Cr. Long term debtors				410
	Correction of a short term debtor loan recorded as a long term debtor loan				
2	Dr: Long term debtor loans			1,128	
	Cr. Economic services gross expenditure		1,128		
	Correction of loans granted which had been recorded within expenditure rather than long term debtors. A number of associated notes have also been appropriately amended				

Disclosure amendments

Page 25, Note 1 Accounting policies – to ensure compliance with the Code, a number of amendments were required to the accounting policies.

Page 38, Note 4(a) Expenditure and Funding Analysis – amendments were made to correct a casting error within the note and to ensure consistency with the Comprehensive Income and Expenditure Statement.

Page 39, Note 7 Pension Costs – the disclosure has been amended to include all pension assets in the asset breakdown note (Note 7.3) and to show the full interest on net defined benefit in Note 7.8 – amendments of £37.1m and £390k respectively

Page 47 Note 10(d) Senior employees – the disclosure has been amended to include an omitted senior officer and to make a number of minor amendments to the salaries and allowances disclosed.

Page 48 Note 10 Cost of redundancies and leavers – the disclosure has been amended to include pension strain costs of £39k which had been omitted. This resulted in amendments required to the bandings included in the note.

Page 50 Note 11(c) Donated asset accounts – this disclosure has been amended to include the opening balance of £668k.

4. SUMMARY OF MISSTATEMENTS (CONTINUED)

Disclosure amendments (continued)

Page 51 Note 11(d) The Movements in Fixed Assets – the disclosure has been amended to correct the classification of £48k of asset disposals which were actually ‘transfers from assets under construction’ to ‘plant and equipment owned’.

Page 55 Note 18 Trade and Other payables – the disclosure has been amended to correct the classification of payables with a college, of £2,573k, from payables due to Other Local Authorities from payables due to bodies external to government.

Page 56 Note 21 Financial Instruments – the disclosure was amended to ensure that it was internally consistent with figures elsewhere in the statement of accounts. The short term creditor figure carrying amount was increased by £250k to represent the value of short term creditors per Note 18 in the accounts.

Page 64 Note 25 Audit Fees – the disclosure has been amended to include the correct audit fee for 2017/18 of £33k (rather than £29k originally disclosed).

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 approach to Value for Money

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
- 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 has continued 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. 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 Organisational Management Team and Leadership Team, with regular reporting to the Combined Authority.</p> <p>Over the last year, Leeds City region Enterprise Partnership (LEP) panels (with their public and private sector representation) have been integrated within the Authority's decision-making structure as advisory committees, 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>The Authority continues to develop and refine its project management framework to ensure that there is greater accountability and improved governance with regard to the management and delivery of projects.</p> <p>The system of internal control is subject to Internal Audit and for 2017/18, the Authority's internal auditors, provided an overall 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 Authority's financial statements. In accordance with changes in legislation and to strengthen arrangements an independent member was appointed to the Committee during 2017/18.</p>	Yes

5. VALUE FOR MONEY CONCLUSION

Sub-criteria	Commentary	Arrangements in place?
Informed decision making (continued)	The Authority ensures its Corporate Governance Code and Framework reflects changes made to arrangements in the year, for example the improvements to governance arrangements relating to the LEP and the supporting panels.	Yes
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 2017/18 £1.6 million better than originally planned. This reflects additional operational savings mainly attributable to the managed staff vacancy and recruitment position in the second half of the year.</p> <p>A balanced budget has been set for 2018/19 with the use of £1.4m of reserves consistent with the three year Medium Term Financial Strategy covering the years 2018/19 to 2020/21.</p> <p>The Combined Authority has also recognised the significant financial challenge facing the districts and has agreed to ongoing 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 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 Strategic Economic Plan (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 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 Combined Authority is an active participant in sub-regional networks and works with 'Transport for the North' on all 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 Strategic Economic Plan, the Single Transport Plan, major schemes and the bus area network reviews which have successfully sought to contain costs but retain accessibility for bus 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 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 Value for Money 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 Value for Money risk. The work we carried out in relation to significant risks is outlined below.

Risk	Work undertaken	Conclusion
<p>Sustainable resource deployment</p> <p>Our audit work in previous years has concluded that the Authority has appropriate arrangements in place for Medium Term Financial Planning. The Authority continues to face financial pressures 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 circa 2% saving requirement in discretionary expenditure. The Authority has recently updated its medium term financial strategy (MTFS).</p> <p>We need to ensure our knowledge of the Authority's MTFS arrangements and its monitoring of the planned delivery of a balanced budget and related savings, remains up to date in order to ensure we give the correct VFM conclusion.</p>	<p>Building on our work in previous years, our work included reviewing:</p> <ul style="list-style-type: none"> the Authority's updated 2018 MTFS to ensure it reflects the latest income projections and funding position from the transport levy; and the arrangements the Authority has in place to monitor progress in delivering a balanced budget and related savings plans. 	<p>The Authority has revised its 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 2018/19 with the use of £1.4m of reserves consistent with the three year MTFS.</p> <p>The MTFS and balanced budget for 2018/19 have been subject to appropriate scrutiny and challenge via established governance and reporting arrangements within the Combined Authority.</p> <p>Arrangements for monitoring progress in delivering a balanced budget and related savings plans have been enhanced in year. Including for example the extension of regular and routine financial reporting to the Overview and Scrutiny Committee (since May 2017), to the Combined Authority (from December 2017) and to senior management team meetings.</p> <p>It is noted that the Authority has a good track record of achieving its financial plans and the required savings. For 2016/17 and 2017/18 the Authority secured the planned savings plus additional savings of £1.4m and £1.6m respectively.</p> <p>There are no matters which give rise to VFM reporting issues for 2017/18. Arrangements are robust with a number of enhancements on prior years.</p>

Our overall Value for Money conclusion

Our draft auditor's report included in Appendix B states that we intend to issue an unqualified Value for Money conclusion for the 2017/18 financial year.

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APPENDIX A

DRAFT MANAGEMENT REPRESENTATION LETTER

Mr M Kirkham
Mazars LLP
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Durham
DH1 5TS

30 July 2018

Dear Mark

West Yorkshire Combined Authority - audit for year ended 31 March 2018

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 2018 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 2017/18 (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.

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DRAFT MANAGEMENT REPRESENTATION LETTER (CONTINUED)

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.

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DRAFT MANAGEMENT REPRESENTATION LETTER (CONTINUED)

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.....

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DRAFT AUDITOR'S REPORT

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

Opinion on the financial statements

We have audited the financial statements of West Yorkshire Combined Authority ('the Authority') for the year ended 31 March 2018 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 notes to the financial statements, including the 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 2017/18.

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 2018 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 2017/18.

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, 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 Financial Officer's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Chief Financial 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 Financial 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 (CONTINUED)

Responsibilities of the Chief Financial Officer for the financial statements

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 2017/18, and for being satisfied that they give a true and fair view. The Chief Financial Officer is also responsible for such internal control as the Chief Financial 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 Financial Officer is required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 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 Financial 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.

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 2018.

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 2018.

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.

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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 in relation to 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 issued by the Comptroller and Auditor General 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.

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.

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 43 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 the financial statements 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

30 July 2018

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APPENDIX C 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.

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