

Annual Audit Letter 2015/16

West Yorkshire Combined Authority

October 2016

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25 October 2016

Dear Members

Annual Audit Letter 2016

I am delighted to present to you West Yorkshire Combined Authority's (the Authority's) Annual Audit Letter. The purpose of this document is to summarise the outcome of the audit of the Authority's 2015/16 annual accounts and our work on our value for money conclusion.

We carried out the audit in accordance with the Code of Audit Practice for Local Government bodies issued by the National Audit Office and delivered all expected outputs in line with the timetable established by the Accounts and Audit Regulations 2015.

2015/2016 has been another challenging year for the Combined Authority and like most other authorities across the country West Yorkshire Combined Authority made some tough decisions on its spending priorities and plans. We reflect on these matters in the value for money and future challenges sections of this letter.

Given the difficult circumstances we were pleased to issue an unqualified opinion on the statement of accounts and the value for money conclusion.

I would like to express my thanks for the assistance of the Combined Authority's finance team, as well as senior officers and the Governance and Audit Committee. The continued constructive approach to our audit is appreciated.

If you would like to discuss any matters in more detail then please do not hesitate to contact me or my senior manager Steve Appleton on 0113 387 8850.

Yours faithfully

Mark Kirkham
Partner
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Our reports are prepared in the context of the 'Statement of responsibilities of auditors and audited bodies 2015-16' issued by Public Sector Audit Appointments Ltd. Reports and letters prepared by appointed auditors and addressed to Members or officers 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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01 Key messages

Our Annual Audit Letter provides a summary of our work and findings for the 2015/16 audit period for Members and other interested parties.

We reported the detailed findings from our audit work to the Governance and Audit Committee in our Audit Completion Reports for West Yorkshire Combined Authority on 29 September 2016.

We also confirmed that your Whole of Government Accounts (WGA) return was consistent with the audited financial statements.

The key conclusions for each element are summarised below:

Our audit of the statement of accounts

We issued an audit report including an unqualified opinion on the Combined Authority's financial statements on 30 September 2016.

Our VFM conclusion

We carried out sufficient, relevant work, in line with the National Audit Office's guidance, so that we could conclude on whether you had in place, for 2015/16, proper arrangements to secure economy, efficiency and effectiveness in your use of resources.

We issued an unqualified VFM conclusion on 30 September 2016.

Whole of Government Accounts (WGA)

We provide assurance to the National Audit Office (NAO), as the auditor of central government departments, in relation to the consistency of your WGA consolidation pack with the audited statement of accounts. We reported that your consolidation pack was consistent with the audited statement of accounts.

Our other responsibilities

As the Combined Authority's appointed external auditor, we have other powers and responsibilities as set out in the Local Audit and Accountability Act 2014. These include responding to questions on the accounts raised by local electors as well as a number of reporting powers such as reporting in the public interest. We did not receive any questions about the accounts or valid objections in relation to your 2015/16 accounts from local electors, nor did we exercise our wider reporting powers.

02 Financial statements

Audit of the financial statements

We audited your financial statements in line with auditing standards and we reported our detailed findings to the meeting of the Governance and Audit Committee on 29 September 2016. We issued an audit report, including an unqualified opinion, on the statement of accounts on 30 September 2016.

Preparation of the accounts

The Combined Authority presented us with draft accounts in advance of the national deadline. Working papers and other supporting evidence were produced on a timely basis throughout the audit.

Risk and materiality

Our work on your financial statements aims to provide reasonable assurance that your accounts are free from material misstatement. The assessment of materiality is, therefore, a key part of our work and we specify an overall materiality threshold, based on your gross revenue expenditure, together with lower materiality values for accounting entries we consider to be more sensitive, such as officer remuneration and members' allowances.

We consider materiality when planning and performing our work and in assessing the results.

At the planning stage, we make a judgement about the size of misstatements which we consider to be material and which provides a basis for determining the nature, timing and extent of risk assessment procedures, identifying and assessing the risk of material misstatement and determining the nature, timing and extent of further audit procedures. We updated our materiality calculation when we received the draft accounts and set the overall level at £4.8m.

In applying our view of materiality we identified the following three significant risks:

- management override of controls;
- revenue recognition; and
- accounting entries for pensions.

We also identified the valuation of land and buildings as a key management judgement.

We carried out a programme of work to address these risks which included including the testing of journals, transactions and disclosures. Our work did not identify any issues to report.

In completing our work we assess the scale of errors and uncertainties using our materiality calculation to determine the impact on our audit reports. We did not identify any material errors in your statement of accounts.

Issues arising from the audit of the accounts

We would like to highlight the following key points:

- officers prepared good quality draft financial statements and working papers;
- there were very few errors identified and no errors impacting on the Combined Authority's General Fund balance;
- all errors were corrected other than those which were clearly trivial; and
- the audit progressed well and there were no significant difficulties encountered. We received the full co-operation of officers.

Annual Governance Statement (AGS)

The AGS is drafted by the Combined Authority to provide assurance to the reader over how it is managed and how it has dealt with risks in the year. We reviewed the AGS to see whether it complied with relevant guidance and whether it was misleading or was inconsistent with what we know about the Combined Authority. We found no areas of concern to report.

03 VFM conclusion

For 2015/16, we are required to satisfy ourselves the Combined Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We performed our work in this area in accordance with guidance set out by the NAO in Auditor Guidance Note 3. This required us to consider one overall criterion as set out below.

Overall criterion: *in all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.*

Our work in this area focused on the three sub-criteria specified by the National Audit Office namely:

Sub-criteria	Focus of the sub-criteria
Informed decision-making	<ul style="list-style-type: none">• Acting in the public interest, through demonstrating and applying the principles and values of sound governance.• Understanding and using appropriate and reliable financial and performance information (including, where relevant, information from regulatory/monitoring bodies) to support informed decision making and performance management.• Reliable and timely financial reporting that supports the delivery of strategic priorities.• Managing risks effectively and maintaining a sound system of internal control.
Sustainable resource deployment	<ul style="list-style-type: none">• Planning finances effectively to support the sustainable delivery of strategic priorities and maintain statutory functions.• Managing and utilising assets effectively to support the delivery of strategic priorities.• Planning, organising and developing the workforce effectively to deliver strategic priorities.
Working with partners and other third parties	<ul style="list-style-type: none">• Working with third parties effectively to deliver strategic priorities.• Commissioning services effectively to support the delivery of strategic priorities.• Procuring supplies and services effectively to support the delivery of strategic priorities.

As part of our work, we also:

- reviewed your Annual Governance Statement; and
- considered the work of other relevant regulatory bodies or inspectorates to the extent the results of the work have an impact on our responsibilities.

Overall conclusion

We satisfied ourselves that, in all significant respects, the Combined Authority put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2016 and we issued an unqualified VFM conclusion.

04 Future challenges

Financial challenges

The Combined Authority has made good progress in addressing its challenges to date and has a proven track record of strong budget management and delivering planned budget reductions. The Combined Authority managed its 2015/16 revenue budget to achieve a £1.5m additional transfer to reserves than had been planned in the approved budget.

In common with most authorities the Combined Authority faces a continuing financial challenge to maintain services at a time of unprecedented reductions in local government funding.

The revenue funding for many of the Combined Authority's activities comes from the West Yorkshire local authorities, with further contributions from them and the other City Region authorities for economic activities. The financial pressures facing these authorities will impact on levy levels as the authorities seek to reduce their future contributions. The Combined Authority is working on a range of options to make further savings and improve efficiency.

Other challenges

The Combined Authority's workload has been increasing due in part to the Growth Deal funding which requires greater delivery capacity and additional support from policy and other teams. The Combined Authority is implementing its 'One Organisation' initiative to streamline its approach and to ensure closer alignment between strategy, policy and delivery.

05 Fees

As outlined in our Audit Strategy Memorandum for West Yorkshire Combined Authority presented to the Governance and Audit Committee on 19 April 2016, Public Sector Audit Appointments Ltd (PSAA) sets a scale fee for our audit and certification work. The fees applicable to our work in 2015/16 are summarised below.

Element of work	2014/15 Final Fee (charged by previous auditors)	2015/16 As previously reported	2015/16 Final Fee
Core audit work required by the NAO's Code of Audit Practice	£45,000	£33,720	£33,720
Non-audit work for certification of grants outside the PSAA regime	£2,000	£4,000	£4,000
Total	£47,000	£37,720	£37,720

Non-audit work during the year relates to our work certifying Department for Transport grants for which fees were agreed separately with officers.

Should you require any further information on this letter or on any other aspects of our work, please contact:

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