

Audit Completion Report

West Yorkshire Combined Authority –
Year ended 31 March 2022

March 2023



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16 March 2023

Dear Committee Members

Audit Completion Report – Year ended 31 March 2022

We are pleased to present our Audit Completion Report for the year ended 31 March 2022. 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 in July 2022. We have reviewed our Audit Strategy Memorandum and concluded that the original significant audit risks and other areas of management judgement remain appropriate.

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

If you would like to discuss any matters in more detail, then please do not hesitate to contact me on 0113 394 5316.

Yours faithfully

Mark Dalton
Mazars LLP

01

Section 01:

Executive summary

1. Executive summary

Principal conclusions and significant findings

The detailed scope of our work as your appointed auditor for 2021/22 is set out in the National Audit Office’s (NAO) Code of Audit Practice. Our responsibilities and powers are derived from the Local Audit and Accountability Act 2014 and as outlined in our Audit Strategy Memorandum, our audit has been conducted in accordance with International Standards on Auditing (UK) and means we focus on audit risks that we have assessed as resulting in a higher risk of material misstatement.

In section 4 of this report, we have set out our conclusions and significant findings from our audit. This section includes our conclusions on the audit risks and areas of management judgement in our Audit Strategy Memorandum, which include:

- Management override of controls;
- Valuation of the net defined pension liability valuation;
- Valuation property, land and equipment; and
- Frist time adoption of Group Accounts..

Misstatements and internal control recommendations

Section 5 sets out internal control recommendations and section 6 sets out audit misstatements.

Status and audit opinion

We have substantially completed our audit in respect of the financial statements for the year ended 31 March 2022. At the time of preparing this report, matters remaining outstanding are as outlined in section 2. We will provide an update to you in relation to these matters in a follow up letter, upon completion.

Subject to the satisfactory conclusion of the remaining audit work, we have the following conclusions:



Audit opinion

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



Value for Money (VFM)

Our Value for Money work remains in progress and the results of this will be reported within our Auditor’s Annual Report later in the year. At this stage we have not identified any significant weaknesses in relation to the arrangements that the Authority has in place to secure economy, efficiency and effectiveness in its use of resources. Further detail on our Value for Money work is provided in section 7 of this report.



Whole of Government Accounts (WGA)

We only received group instructions from the National Audit Office in respect of our work on the Authority’s WGA submission in mid February 2023. Our work in response will be undertaken in the coming months.



Wider powers

The 2014 Act requires us to give an elector, or any representative of the elector, the opportunity to question us about the accounting records of the Authority and to consider any objection made to the accounts. No questions or objections have been received, from local electors.









02


Section 02:


Status of the audit


2. Status of the audit

Our work is substantially underway and there are currently no matters of which we are aware that would require modification of our audit opinion, subject to the outstanding matters detailed below.

Audit area	Status	Description of the outstanding matters
Movement in Reserves Statement		We are finalising our consistency checks of the Movement in Reserves Statement.
Pensions		We are finalising our work in this area.
Property plant and equipment		We have a small number outstanding queries with the valuer and we are also finalising our work on infrastructure assets, depreciation, reconciliation to the fixed asset register and capital commitments
Financial instruments		We are finalising our work in this area.
Whole of government accounts		Completion of audit procedures supporting the WGA return to the NAO.
Audit Quality Control and Completion Procedures		Completion of Manager and Engagement Lead review and Mazar's quality control procedures. In addition, there are residual procedures to complete, including updating post balance sheet event considerations to the point of issuing the audit report, obtaining final management representations and review of the final version of the Accounts and Annual Governance Statement.

 Likely to result in material adjustment or significant change to disclosures within the financial statements.

 Potential to result in material adjustment or significant change to disclosures within the financial statements.

 Not considered likely to result in material adjustment or change to disclosures within the financial statements.

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



03

Section 03: **Audit approach**

3. Audit approach

Changes to our audit approach

We have not made any changes to our audit approach since we presented our Audit Strategy Memorandum.

Materiality

Our provisional materiality at the planning stage of the audit was set at £18.25m (Single Entity) and £18.5m (Group) using a benchmark of 1.5% of gross operating expenditure. Our final assessment of materiality, based on the final financial statements and qualitative information, is £16m (Single Entity) and £17m (Group) using the same benchmark.

Use of experts

Our audit approach in respect of management and auditor experts is consistent with that set out in our Audit Strategy Memorandum.

Item of account	Management’s expert	Our expert
Defined benefit liability	AON Hewitt and Mercers	We reviewed the work of PwC, the consulting actuary, on behalf of National Audit Office
Property, plant and equipment valuation	Lambert Smith Hampton, Carter Jonas and Multiplight	We have taken into account relevant information which is available from third parties. We also consulted with our Mazars valuation team, regarding NPAS assets.
Financial instrument disclosures	Link Asset Services	We have reviewed Link Asset Services' methodology to gain assurance that the fair value disclosures of the Authority's financial assets and liabilities are materially correct.

There are no matters to report, regarding our consideration of the work of experts.

Service organisations

Our audit approach in respect of service organisations is consistent with that set out in our Audit Strategy Memorandum.

Items of account	Service organisation	Audit approach
Treasury management (affecting bank balances, investments and borrowing)	Leeds City and Wakefield Councils	We have obtained appropriate audit evidence from third parties.

There are no matters to highlight from our consideration of the work of the service organisation.






3. Audit approach


Group audit approach


The Authority's group structure for 2021/22 includes the Chief Constable of West Yorkshire Police. In auditing the Authority's Group financial statements, we obtained assurance over the transactions in the Group relating to the consolidated bodies.


Our approach reflected the size and complexity of the transactions from the consolidated bodies into the Authority's Group financial statements. Our approach is outlined below.

Group component	Approach adopted	Key points or other matters to report
West Yorkshire Combined Authority		The Mazars audit team undertook the full audit of the Authority's accounts, and subject to the items highlighted in Section 2 of this report has gained the planned assurance.
West Yorkshire Police		The Mazars audit team undertook the full audit of the Chief Constable's accounts and have gained the planned assurance.

 **Full audit**
Performance of an audit of the component's financial information prepared for group reporting purposes using component materiality

 **Audit of balances and/or disclosures**
Performance of an audit of specific balances and/or disclosures included in the component's financial information prepared for group reporting purposes, using component materiality

 **Specific audit procedures**
Performance of specific audit procedures on the component's financial information

 **Review procedures**
Review of the component's financial information prepared for group reporting purposes using the component materiality assigned



04

Section 04: **Significant findings**

4. Significant findings

In this section we outline the significant findings from our audit. These findings include:

- our audit conclusions regarding other 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 16 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

Management override of controls	<p>Description of the risk</p> <p>This is a mandatory significant risk on all audits due to the unpredictable way in which such override could occur. 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 there is a risk of material misstatement due to fraud on all audits.</p>
	<p>How we addressed this risk</p> <p>We addressed this risk through performing audit work over:</p> <ul style="list-style-type: none">• Accounting estimates impacting 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.
	<p>Audit conclusion</p> <p>We have completed our work as planned and have no matters to report in respect of management override of controls.</p>



4. Significant findings

Significant risks

Net defined benefit liability valuation	<div data-bbox="486 332 741 358">Description of the risk</div> <div data-bbox="486 375 2346 572"><p>The defined benefit liability relating to the Local Government pension scheme represents a significant balance on the Authority's balance sheet. The Authority's liability includes elements from West Yorkshire Pension Fund and the Police Pension Fund. The valuation of the pension scheme liabilities relies on a number of assumptions, most notably around the actuarial assumptions, and actuarial methodology which results in the Authority's overall valuation relating to both schemes. There are financial assumptions and demographic assumptions used in the calculation of the Authority's valuation, such as the discount rate, inflation rates and mortality rates. The assumptions should reflect the profile of the Authority's employees, and should be based on appropriate data. The basis of the assumptions is derived on a consistent basis year to year, or updated to reflect any changes. There is a risk that the assumptions and methodology used in valuing the Authority's pension obligations are not reasonable or appropriate to the Authority's circumstances. This could have a material impact to the net pension liability in 2021/22.</p></div> <div data-bbox="486 594 802 619">How we addressed this risk</div> <div data-bbox="486 634 2346 893"><p>We addressed the risk by:</p><ul style="list-style-type: none">critically assessing the competency, objectivity and independence of the Actuaries, Aon Hewitt and Mercers;liaising with the auditors of the West Yorkshire Pension Fund to gain assurance that the controls in place at the Pension Fund are operating effectively. This included the processes and controls in place to ensure data provided to the Actuary by the Pension Fund for the purposes of the IAS 19 valuation is complete and accurate;reviewing the appropriateness of the Pension Asset and Liability valuation methodologies applied by the Pension Fund Actuary, and the key assumptions included within the valuation. This included comparing them to expected ranges, utilising information by the consulting actuary engaged by the National Audit Office; andagreeing the data in the IAS 19 valuation report provided by the Fund Actuary for accounting purposes to the pension accounting entries and disclosures in the Authority's financial statements.</div> <div data-bbox="486 915 682 941">Audit conclusion</div> <div data-bbox="486 962 2346 1019"><p>Subject to the satisfactory completion of the work highlighted in section 2 of this report, we do not expect there to be any matters to report in respect of this significant risk. Based on the work completed to date, we have reported one unadjusted error in section 6 of this report.</p></div>
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4. Significant findings

Significant risks

Valuation of property, land and equipment	<p>Description of the risk</p> <p>Land, buildings, infrastructure and NPAS assets £223.607 are the Authority's highest value assets accounting for £176.4 million of the Authority's £407.973 million Property, Plant and Equipment balance in 2021/22.</p> <p>The CIPFA Code requires that where assets are subject to revaluation, their year end carrying value should reflect the appropriate current value at that date.</p> <p>Management engages its own valuers as an expert to assist in determining the fair value of land and buildings to be included in the financial statements, however there remains a high degree of estimation uncertainty associated with the valuation of Property, Plant and Equipment due to the significant judgements and number of variables involved.</p> <p>How we addressed this risk</p> <p>We have</p> <ul style="list-style-type: none">• evaluated the design and implementation of controls which mitigate the risk of misstatement in regard to valuation of property, plat and equipment. This includes liaising with management to update our understanding on the approach taken by the Authority in its valuation of land and buildings;• assessed the scope and terms of engagement with the Valuers;• assessed the competence, skills and objectivity of the Valuer;• assessed how management use the Valuers' report to property, plant and equipment included in the financial statements;• tested the accuracy of the data used in valuations;• challenged the Authority and Valuer's assumptions and judgements applied in the valuations;• considered whether the overall valuation methodology is in line with industry practice, the CIPFA Code of Practice and the Authority's accounting policies;• considered the reasonableness of the valuation by comparing the valuation output with market intelligence;• consulted with our valuations team for those items of property, plant and equipment that are unusual or complex valuations; and• considered the Authority's treatment for infrastructure assets, following the issue of CIPFA's infrastructure guidance in January 2023. <p>Audit conclusion</p> <p>Subject to the satisfactory completion of the work highlighted in section 2 of this report, we do not expect there to be any matters to report in respect of this significant risk.</p>
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4. Significant findings

Significant risks

First year adoption of Group Accounts	Description of the risk
	In May 2021 the Combined Authority took responsibility for the Police and Crime Commissioner for West Yorkshire. This requires first time preparation of Group accounts, incorporating the Chief Constable for West Yorkshire Police into the Group. Errors in the consolidation process, could result in material misstatement.
	How we addressed this risk
	<p>We have:</p> <ul style="list-style-type: none">• reviewed accounting policies to ensure consistency between Group entities;• reviewed the Group control environment;• reviewed the Combined Authority's own assessment of compliance with the requirements of chapter 9 (group accounts) of the CIPFA Code;• considered the accounting treatment of non-coterminous year-ends for the purpose of balances brought forward;• reviewed and understood the consolidation process; and• completed full-scope audit procedures for the Chief Constable for West Yorkshire Police and consider their impact on the Group financial statements.
	Audit conclusion
	Subject to the satisfactory completion of the work highlighted in section 2 of this report, we do not expect there to be any matters to report in respect of this significant risk.



4. Significant findings

Qualitative aspects of the Authority’s accounting practices

We have reviewed the Authority’s accounting policies and disclosures and concluded they comply with the 2021/22 Code of Practice on Local Authority Accounting, appropriately tailored to the Authority circumstances.

Draft accounts were received from the Authority on 29 July 2022 and were of a good quality.

As part of our review of the Authority’s accounting policies and our enquiries of management we noted that management has taken the judgement that it is appropriate not to accrue for the future obligation of annual leave, not taken by 31 March 2022, for non-police employees of the Combined Authority (totalling £364k), based on materiality. While we are satisfied the amount is not material, we recommend the management apply a consistent approach to both police and non-police employees, going forward.

Significant matters discussed with management

Accounting for infrastructure assets

The Authority holds £38.7m of infrastructure assets on its Balance Sheet as part of its overall balance of Property, Plant and Equipment. During 2022 a national technical issue arose in respect of accounting for infrastructure assets. Normal custom and practice for infrastructure assets is that derecognition does not affect asset balances because the assets are expected to have been fully used up before the replacement expenditure takes place; this does require that assets are properly depreciated in line with the requirements of the Accounting Code. This issue arises in part because of limitations on historical information relating to when the assets were first recorded on balance sheets in the early 1990s, and where there have been transfers of assets because of local authority reorganisations. It is also extremely difficult to clearly identify the parts of the assets which are being replaced.

In December 2022, the Department for Levelling Up, Housing and Communities (DLUHC) issued a statutory override allowing authorities to account for the replacement of infrastructure assets with the assumption that the replaced component is at nil value. CIPFA followed this up with disclosure guidance in January 2023. The Authority has taken the decision not to apply the statutory override and has not updated its disclosures in line with the CIPFA guidance. As at the time of writing this report and as detailed in section 2, we are considering whether the Authority has complied with the requirements of the existing Accounting Code without applying either the statutory override or the voluntary changes to disclosure requirements.

Group Accounts

In 2021/22, following the creation of the Mayoral Combined Authority in May 2021, West Yorkshire Police is consolidated into the Authority’s financial statements for the first time. Throughout the audit we have discussed management’s arrangements regarding the first-time adoption of group accounts, including the consolidation process and selection of accounting policies. As set out in Section 2 of this report, our work on the consolidation process is still ongoing, however, as at the time of reporting, our work has not highlighted any significant issues.

Escrow Account

As part of our review of cash and bank, we noted the Authority holds a non-material cash balance (totalling £5.6m), which is held in an escrow account. Enquiries of management confirm that this relates to a capital project where a third party has agreed to match fund a capital project upon the project’s completion. The Authority has also included a creditor balance for the same amount, to reflect that while the cash is included in note 15 (cash and cash equivalents), the Authority can no longer draw down this cash balance. Management has confirmed that they are satisfied that this treatment reflects the substance of the transaction, and the amount remains payable to the third party. We have considered management’s judgement and have nothing to report.

Impairment provision for doubtful debt

As part of our review of the impairment provision for doubtful debt provision, we highlighted to management that their current model does not comply with the Code or IFRS 9’s requirement to calculate the provision on forward-looking expected credit loss (ECL) model. While our work has not highlighted a risk of material misstatement regarding this item of estimate, we have agreed with management that the ECL model will be applied going forward.

Significant difficulties during the audit

During the audit, we did not encounter any significant difficulties and we have had the full co-operation of management. We would like to thank the Finance Team for the quality of their supporting working papers and for being available throughout the audit work to answer our queries.

4. Significant findings

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 2021/22 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. No such questions or objections have been raised.



05

Section 05:

Internal control recommendations

5. Internal control recommendations

The purpose of our audit was 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 in order to design audit procedures to allow us to express an opinion on the financial statements but not for the purpose of 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 adjacent categories.

We have also provided an update on the internal control recommendations made during 2020/21.

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.	0
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.	0
3 (low)	In our view, internal control should be strengthened in these additional areas when practicable.	1

5. Internal control recommendations

Significant deficiencies in internal control – Level 3

Description of deficiency

Impairment provision for doubtful debt - IFRS 9 replaced the existing incurred loss model with a forward-looking expected credit loss (ECL) model. Our review of the debtors impairment provision has confirmed the Authority has not considered historic, current and forward-looking in its assessment of its impairment provision. it is no longer appropriate for entities to wait for an incurred loss event to have occurred before credit losses are recognised. The current treatment does not comply with the Code or the Authority's accounting policies.

Potential effects

Non-compliance with IFRS9 and the CIPFA code in regard to the impairment provision and potential misstatement.

Recommendation

Management updates its model to comply with the requirement of the CIPFA Code and applies the expected credit loss (ECL) approach, when calculating the impairment provision on non-statutory debtors.

Management response

Management agree to apply the revised basis in future years.



5. Internal control recommendations

Follow up on previous internal control points

Description of deficiency

The Authority does not record ‘yellow’ bus values individually in the fixed asset register, the value is recorded as an aggregate balance. Whilst we have done sufficient work to gain assurance that this does not present a risk of material misstatement, it does require additional procedures when calculating proceeds from disposals and other capital charges.

Potential effects

During our testing of fixed asset disposals relating to yellow buses we were unable to trace individual disposal values to the fixed asset register to ascertain its net book value. As yellow buses are shown in the fixed asset register as an aggregate balance, it is a difficult and time-consuming process to obtain sufficient audit evidence to support disposals and other capital charges included in the accounts.

Recommendation

We recommend that this type of asset is recorded individually in the fixed asset register, to improve accuracy and reduce the time required to obtain audit evidence relating to this type of asset.

2021/22 management update

The Authority records ‘yellow’ buses individually in the fixed asset register.

Conclusion

No issues noted in the current year.



06

Section 06:

Summary of misstatements

6. Summary of misstatements

This section outlines the misstatements identified during the audit, above the trivial threshold for adjustment of £480k (single entity). The first table outlines the misstatements that were identified during 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 table outlines the misstatements that have been adjusted by management during the audit.

Unadjusted misstatements

		Comprehensive Income and Expenditure Statement		Balance Sheet	
		Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
1	Dr: Provisions	,		1,800	
	Cr: Long term provisions		,		1,800
As part of our review of provisions, we noted a classification error between current and long term provisions. Management has not adjusted for this error.					
2	Dr: Fair value of plan assets			585	
	Cr: Return on plan assets				585
Being the adjustment in the updated actuary report received in September 2022 which resulted in an increase in WYCA's share of plan assets by £585k, reducing the pension fund liability and increasing the pension fund reserve by this amount.					
3	Dr: Debtors			6,548	
	Cr: Transport Services expenditure		6,548		
As part of our testing of expenditure, we noted an item which included 6 months of expenditure (totalling £101k) for 2022-23, recorded in 2021-22. Management has confirmed a pre-payment has not been processed. The error in relation to transport services expenditure has been extrapolated and management has not adjusted for this error.					
Total		-	6,548	8,933	2,385

6. Summary of misstatements

Adjusted misstatements

At the time of drafting this report we have no adjusted misstatement to report.

Disclosure amendments

The following disclosure amendments have been agreed with management:

- **Note 20 (members allowances)** – our testing highlighted that the Mayor’s allowance totaling £94k had not been disclosed;
- **Note 21 (officer remuneration)** :
 - an error in the number of employees in the £65k - £70k banding (it should be 5 not 7);
 - as part of our audit of West Yorkshire Police we noted the disclosures for the Assistance Chief Constable had been incorrectly pro-rated and has not been updated in the Group financial statements;
 - West Yorkshire Police has one employee in banding £185k-£189k, which was not included in the Group disclosure; and
 - The original Group disclosure erroneously included an employee in the range £135k- £140k. This has been amended to zero.
- **Note 22 (external audit costs)** - the disclosure did not reflect the actual fee payable to the predecessor auditor and the expected fee for 2021/22 audit.

The following errors have been discussed with management; however, it is management’s judgement based on materiality, not to update the financial statements:

- **Note 3 (assumptions about future and other sources of estimation uncertainty)** – the disclosure does not meet the requirements of the of the Code. For example, we would expect the note to include the carrying amount of the balance, information about the nature of the assumptions or estimations applied, and to include sensitivity analysis relating to carrying amounts. The disclosure should only be disclosures for to material items of account (for example it currently includes the insurance provision which is not material).
- **Note 14 (debtors)** – we noted two minor classification errors,.

Our review of the draft accounts highlighted several minor typographical, casting, formatting and cross referencing errors.



07

Section 07: **Value for Money**

7. Value for Money

Approach to Value for Money

We are required to consider 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 and sets out the reporting criteria that we are required to consider. The reporting criteria are:

- **Financial sustainability** - How the Authority plans and manages its resources to ensure it can continue to deliver its services
- **Governance** - How the Authority ensures that it makes informed decisions and properly manages its risks
- **Improving economy, efficiency and effectiveness** - How the Authority uses information about its costs and performance to improve the way it manages and delivers its services

At the planning stage of the audit, we undertake work to understand the arrangements that the Authority has in place under each of the reporting criteria and we identify risks of significant weaknesses in those arrangements. Although we describe this work as planning work, we keep our understanding of arrangements under review and update our risk assessment throughout the audit to reflect emerging issues that may suggest significant weaknesses in arrangements exist.

The table overleaf outlines the risks of significant weaknesses in arrangements that we have identified, the risk-based procedures we have undertaken, and the results of our work.

Where our risk-based procedures identify actual significant weaknesses in arrangements we are required to report these and make recommendations for improvement. Where such significant weaknesses are identified, we report these in the audit report.

The primary output of our work on the Authority's arrangements is the commentary on those arrangements that forms part of the Auditor's Annual Report. We intend to issue the Auditor's Annual Report within three months of issuing our audit opinion.

Status of our work

We are yet to complete our work in respect of the Authority's arrangements for the year ended 31 March 2022. At the time of preparing this report, we have not identified any significant weaknesses in arrangements that require us to make a recommendation, however we continue to undertake work on the Authority's arrangements.

Our draft audit report at Appendix B outlines that we have not yet completed our work in relation to the Authority's arrangements. As noted above, our commentary on the Authority's arrangements will be provided in the Auditor's Annual Report within 3 months of issuing our audit opinion on the financial statements, consistent with NAO guidance.



Appendices

A: Draft management representation letter

B: Draft audit report

C: Independence

D: Other communications

Appendix A: Draft management representation letter

To be provided to us on client headed note paper & include an appendix of unadjusted audit misstatements and disclosures

Mazars LLP
5th Floor
3 Wellington Place
LS1 4AP

[Date]

Dear Mark

West Yorkshire Combined Authority - audit for year ended 31 March 2022

This representation letter is provided in connection with your audit of the financial statements of West Yorkshire Combined Authority ('the Authority') and its Group for the year ended 31 March 2022 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (the Code) and applicable law.

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

My responsibility for the financial statements and accounting information

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

My responsibility to provide and disclose relevant information

I have provided you with:

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



Appendix A: Draft management representation letter

I confirm as the Authority’s Treasurer that I have taken all the necessary steps to make me aware of any relevant audit information and to establish that you, as auditors, are aware of this information.

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

Accounting records

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

Accounting policies

I confirm that I have reviewed the accounting policies applied during the year in accordance with Code and International Accounting Standard 8 and consider these policies to faithfully represent the effects of transactions, other events or conditions on the Authority and Group’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 Authority and Group in making accounting estimates, including those measured at current or fair value, are reasonable.

Contingencies

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

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

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

There are no undisclosed contingent gains which should be disclosed.

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



Appendix A: Draft management representation letter

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 Authority and Group 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 the Authority's Treasurer for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

I have disclosed to you:

- all the results of my assessment of the risk that the financial statements may be materially misstated as a result of fraud;
- all knowledge of fraud or suspected fraud affecting the Authority and Group 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 Authority and Group's financial statements communicated by employees, former employees, analysts, regulators or others.

Related party transactions

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

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

Future commitments

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



Appendix A: Draft management representation letter

Subsequent events

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

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

Covid-19

I confirm that the Authority and Group has carried out an assessment of the potential impact of the Covid-19 Virus pandemic on the Authority and Group, including the impact of mitigation measures and uncertainties, and that the disclosures in the Narrative Report fairly reflects that assessment.

Impacts of Russian Forces entering Ukraine

I confirm that I have carried out an assessment of the potential impact of Russian Forces entering Ukraine on the Authority and Group, including the impact of mitigation measures and uncertainties.

Going concern

I confirm that I have carried out an assessment of the potential impact of the Covid-19 pandemic on the Authority and Group, including the impact of mitigation measures and uncertainties and am satisfied the going concern assumption remains appropriate and that no material uncertainty has been identified. To the best of my knowledge there is nothing to indicate that the Authority and Group 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 are immaterial, both individually and in aggregate, to the financial statements as a whole. All uncorrected misstatements are included in Appendix A.

Yours faithfully

Director, Corporate Services (s73 Officer).....



Appendix B: Draft audit report

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

Report on the audit of the financial statements

Opinion on the financial statements

We have audited the financial statements of West Yorkshire Combined Authority (‘the Authority’) and its subsidiary (‘the Group’) for the year ended 31 March 2022, which comprise the Authority and Group Comprehensive Income and Expenditure Statements, the Authority and Group Movement in Reserves Statements, the Authority and Group Balance Sheets, the Authority and Group Cash Flow Statements, West Yorkshire Police Pension Fund, and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Authority and the Group as at 31st March 2022 and of the Authority’s and the Group’s expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22.

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 and Group 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

In auditing the financial statements, we have concluded that the Chief Financial Officer’s use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Authority’s ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.



Appendix B: Draft audit report

Our responsibilities and the responsibilities of the Chief Financial Officer with respect to going concern are described in the relevant sections of this report.

Other information

The Chief Financial Officer is responsible for the other information. The other information comprises the Annual Governance Statement and Narrative Report 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.

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 2021/22, 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 2021/22 and prepare the financial statements on a going concern basis, on the assumption that the functions of the Authority will continue in operational existence for the foreseeable future. The Chief Financial Officer is responsible for assessing each year whether or not it is appropriate for the Authority and Group 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.



Appendix B: Draft audit report

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Based on our understanding of the Council, we identified that the principal risks of non-compliance with laws and regulations related to the Local Government Act 2003 (and associated regulations made under section 21), the Local Government Finance Acts of 1988, 1992 and 2012, and the Accounts and Audit Regulations 2015, and we considered the extent to which non-compliance might have a material effect on the financial statements.

We evaluated the Chief Financial Officer’s incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and determined that the principal risks were related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates and significant one-off or unusual transactions.

Our audit procedures were designed to respond to those identified risks, including non-compliance with laws and regulations (irregularities) and fraud that are material to the financial statements. Our audit procedures included but were not limited to:

- discussing with management and the Governance and Audit Committee the policies and procedures regarding compliance with laws and regulations;
- communicating identified laws and regulations throughout our engagement team and remaining alert to any indications of non-compliance throughout our audit; and
- considering the risk of acts by the Authority and the Group which were contrary to applicable laws and regulations, including fraud.

Our audit procedures in relation to fraud included but were not limited to:

- making enquiries of management and the Governance and Audit Committee on whether they had knowledge of any actual, suspected or alleged fraud;
- gaining an understanding of the internal controls established to mitigate risks related to fraud;
- discussing amongst the engagement team the risks of fraud; and
- addressing the risks of fraud through management override of controls by performing journal entry testing.

There are inherent limitations in the audit procedures described above and the primary responsibility for the prevention and detection of irregularities including fraud rests with management and the Governance and Audit Committee. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.



Appendix B: Draft audit report

We are also required to conclude on whether the Chief Financial Officer’s use of the going concern basis of accounting in the preparation of the financial statements is appropriate. We performed our work in accordance with Practice Note 10: Audit of financial statement and regularity of public sector bodies in the United Kingdom, and Supplementary Guidance Note 01, issued by the National Audit Office in September 2021.

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.

Report on the Authority’s arrangements for securing economy, efficiency and effectiveness in its use of resources

Matter on which we are required to report by exception

We are required to report to you if, in our opinion, we are not satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2022.

We have not completed our work on the Authority’s arrangements. On the basis of our work to date, having regard to the guidance issued by the Comptroller and Auditor General in December 2021, we have not identified any significant weaknesses in arrangements for the year ended 31 March 2022.

We will report the outcome of our work on the Authority’s arrangements in our commentary on those arrangements within the Auditor’s Annual Report. Our audit completion certificate will set out any matters which we are required to report by exception.

Responsibilities of the Authority

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

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

We are required under section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. 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.

Executive summary	Status of audit	Audit approach	Significant findings	Internal control recommendations	Summary of misstatements	Value for Money	Appendices
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Appendix B: Draft audit report

We have undertaken our work in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in December 2021.

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 44 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the members of the Authority those matters we are required to state to them in an auditor’s report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members of the Authority, as a body, for our audit work, for this report, or for the opinions we have formed.

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; and
- the work necessary to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.



Appendix B: Draft audit report

We have not been able to issue our certificate for 2020/21, as the National Audit Office has not confirmed which entities have been selected for full scope audits as part of their Group Audit Instructions.

Mark Dalton

Key Audit Partner
For and on behalf of Mazars LLP

Mazars LLP
5th Floor
3 Wellington Place
LS1 4AP

DATE



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.



Appendix D: Other communications

Other communication	Response
Compliance with Laws and Regulations	<p>We have not identified any significant matters involving actual or suspected non-compliance with laws and regulations. Or detail significant matters identified.</p> <p>We will obtain written representations from management that all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements have been disclosed.</p>
External confirmations	<p>We did not experience any issues with respect to obtaining external confirmations.</p>
Related parties	<p>We did not identify any significant matters relating to the audit of related parties.</p> <p>We will obtain written representations from management confirming that:</p> <ul style="list-style-type: none">a. they have disclosed to us the identity of related parties and all the related party relationships and transactions of which they are aware; andb. they have appropriately accounted for and disclosed such relationships and transactions in accordance with the requirements of the applicable financial reporting framework.
Going Concern	<p>We have not identified any evidence to cause us to disagree with the Chief Financial Officer that West Yorkshire Combined Authority will be a going concern, and therefore we consider that the use of the going concern assumption is appropriate in the preparation of the financial statements.</p> <p>We will obtain written representations from management, confirming that all relevant information covering a period of at least 12 months from the date of approval of the financial statements has been taken into account in assessing the appropriateness of the going concern basis of preparation of the financial statements.</p>

Appendix D: Other communications

Other communication	Response
Subsequent events	<p>We are required to obtain evidence about whether events occurring between the date of the financial statements and the date of the auditor's report that require adjustment of, or disclosure in, the financial statements are appropriately reflected in those financial statements in accordance with the applicable financial reporting framework.</p> <p>We will obtain written representations from management that all events occurring subsequent to the date of the financial statements and for which the applicable financial reporting framework requires adjustment or disclosure have been adjusted or disclosed.</p>
Matters related to fraud	<p>We have designed our audit approach to obtain reasonable assurance whether the financial statements as a whole are free from material misstatement due to fraud. In addition to the work performed by us, we will obtain written representations from management, and Governance and Audit Committee, confirming that</p> <ul style="list-style-type: none">a. they acknowledge their responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud;b. they have disclosed to the auditor the results of management's assessment of the risk that the financial statements may be materially misstated as a result of fraud;c. they have disclosed to the auditor their knowledge of fraud or suspected fraud affecting the entity involving:<ul style="list-style-type: none">i. Management;ii. Employees who have significant roles in internal control; oriii. Others where the fraud could have a material effect on the financial statements; andd. they have disclosed to the auditor their knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others.

Mark Dalton, Director – Public Services

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Mazars is an internationally integrated partnership, specialising in audit, accountancy, advisory, tax and legal services*. Operating in over 90 countries and territories around the world, we draw on the expertise of 40,400 professionals – 24,400 in Mazars' integrated partnership and 16,000 via the Mazars North America Alliance – to assist clients of all sizes at every stage in their development.

*where permitted under applicable country laws.