Grant Thornton

The Annual Audit Letter for the West of England Combined Authority

Year ended 31 March 2020

25 / 11/ 2020

Contents

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Executive Summary

Purpose

Our Annual Audit Letter (Letter) summarises the key findings arising from the work that we have carried out at West of England Combined Authority (the Authority for the year ended 31 March 2020.

This Letter is intended to provide a commentary on the results of our work to the Authority and external stakeholders, and to highlight issues that we wish to draw to the attention of the public. In preparing this Letter, we have followed the National Audit Office (NAO)'s Code of Audit Practice and Auditor Guidance Note (AGN) 07 – 'Auditor Reporting'. We reported the detailed findings from our audit work to the Authority's Audit Committee as those charged with governance in our Audit Findings Report on 16 October 2020.

Respective responsibilities

We have carried out our audit in accordance with the NAO's Code of Audit Practice, which reflects the requirements of the Local Audit and Accountability Act 2014 (the Act). Our key responsibilities are to:

- give an opinion on the Authority's financial statements (section two)
- assess the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources (the value for money conclusion) (section three).

In our audit of the Authority's financial statements, we comply with International Standards on Auditing (UK) (ISAs) and other guidance issued by the NAO.

Our work

Materiality	We determined materiality for the audit of the Authority's financial statements to be £1,150,000, which is 1.5% of the Authority's gross expenditure.
Financial Statements opinion	We gave an unqualified opinion on the Authority's financial statements on 18 November 2020.
Whole of Government Accounts (WGA)	We undertook work which confirmed the Authority was below the audit threshold and therefore submitted the return confirming this to the NAO on 18 November 2020.
Use of statutory powers	We did not identify any matters which required us to exercise our additional statutory powers.
Value for Money arrangements	We were satisfied that the Authority put in place proper arrangements to ensure economy, efficiency and effectiveness in its use of resources. We reflected this in our audit report to the Authority on 18 November 2020.
Certificate	We certified that we have completed the audit of the financial statements of West of England Combined Authority in accordance with the requirements of the Code of Audit Practice on 18 November 2020.

Working with the Authority

We would like to take this opportunity to record our appreciation for the assistance and timely collaboration provided by the finance team and other staff during these unprecedented times. Further, we would like to acknowledge the significant progress made by the finance team in addressing the improvement areas we identified in the preparation of the financial statements following last years audit.

Grant Thornton UK LLP
November 2020

Audit of the Financial Statements

Our audit approach

Materiality

In our audit of the Authority's financial statements, we use the concept of materiality to determine the nature, timing and extent of our work, and in evaluating the results of our work. We define materiality as the size of the misstatement in the financial statements that would lead a reasonably knowledgeable person to change or influence their economic decisions.

We determined materiality for the audit of the Authority's financial statements to be £1,150,000, which is 1.5**%** of the Authority's gross expenditure. We used this benchmark as, in our view, users of the Authority's financial statements are most interested in where the Authority has spent its revenue in the year.

We also set a lower level of specific materiality for senior officer remuneration of £20,000.

We set a lower threshold of £57,500 above which we reported errors to the Audit Committee in our Audit Findings Report.

The scope of our audit

Our audit involves obtaining sufficient evidence about the amounts and disclosures in the financial statements to give reasonable assurance that they are free from material misstatement, whether caused by fraud or error. This includes assessing whether:

- the accounting policies are appropriate, have been consistently applied and adequately disclosed;
- the significant accounting estimates made by management are reasonable; and
- the overall presentation of the financial statements gives a true and fair view.

We also read the remainder of the Statement of Accounts to check it is consistent with our understanding of the Authority and with the financial statements included in the Statement of Accounts on which we gave our opinion.

We carry out our audit in accordance with ISAs (UK) and the NAO Code of Audit Practice. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit approach was based on a thorough understanding of the Authority's business and is risk based.

We identified key risks and set out overleaf the work we performed in response to these risks and the results of this work.

Audit of the Financial Statements

Significant Audit Risks

These are the significant risks which had the greatest impact on our overall strategy and where we focused more of our work.

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
Covid-19 The Covid-19 pandemic brought heightened uncertainty on the valuation of assets and liabilities as at the financial year end. In addition, the associated restrictions on movement and remote working produced challenges to the normal processes and having access to key information to produce the financial statements and required greater scepticism from auditors in assessing the veracity of supporting evidence provided for key financial transactions and balances.	As part of our audit work we have: • worked with management to understand the implications the response to the Covid-19 pandemic had on the organisation's ability to prepare the financial statements and update financial forecasts and assessed the implications for our materiality calculations. No changes were made to materiality levels as a result of Covid-19. The draft financial statements were provided on 22 July 2020; • liaised with other audit suppliers, regulators and government departments to co-ordinate practical cross-sector responses to issues as and when they arose; • evaluated the adequacy of the disclosures in the financial statements that arose in light of the Covid-19 pandemic; • evaluated whether sufficient audit evidence could be obtained through remote technology; • evaluated whether sufficient audit evidence could be obtained to corroborate significant management estimates such as the pension fund liability valuations; and • evaluated management's assumptions that underpin the revised financial forecasts and the impact on management's going concern assessment.	The finance team responded proactively and positively to our audit enquiries and provided sufficient and appropriate evidence to support transactions and balances within the financial statements.

Audit of the Financial Statements

Significant Audit Risks

These are the significant risks which had the greatest impact on our overall strategy and where we focused more of our work.

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
Valuation of net pension liability Authority's pension fund net liability,as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements. The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£2.7 million in the Authority's balance sheet) and the sensitivity of the estimate to changes in key assumptions. We therefore identified valuation of the Authority's pension fund net liability as a significant risk, which was one of the most significant assessed risks of material misstatement.	As part of our audit work we have: • updated our understanding of the processes and controls put in place by management to ensure that the Authority's pension fund net liability is not materially misstated, and evaluated the design of the associated controls; • evaluated the instructions issued by management to their management expert (the actuary) for this estimate, and the scope of the actuary's work; • assessed the competence, capabilities and objectivity of the actuary who carried out the Authority's pension fund valuation; • assessed the accuracy and completeness of the information provided by the Authority to the actuary to estimate the liability; • tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary; • undertook procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performed additional procedures suggested within the report; and • obtained assurances from the auditor of Avon Pension Fund as to the controls surrounding the validity and accuracy of membership data, contributions data, and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements	Our audit work did not identify any issues in respect of valuation of the net liability. We received the IAS19 letter of assurance from the Pension Fund auditor which noted that there was a material uncertainty in respect to the valuation of property funds owned by Avon Pension Fund. Although a proportion of these assets is attributable to WECA, the value of its share of the property assets is not material to WECA and therefore, in our view, we agreed that there was no need for a material uncertainty to be disclosed in WECA's financial statements.

Audit of the Financial Statements

Significant Audit Risks

These are the significant risks which had the greatest impact on our overall strategy and where we focused more of our work.

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
Management override of internal controls Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.	As part of our audit work we have: • evaluated the design effectiveness of management controls over journals; • analysed the journals listing and determined the criteria for selecting high risk unusual journals; • tested unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration; and • gained an understanding of the accounting estimates and critical judgments applied by management and considered their reasonableness with regard to corroborative evidence.	Our audit work has not identified any issues in respect of management override of controls.
The revenue cycle includes fraudulent transactions Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.	Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Authority, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because: • there is little incentive to manipulate revenue recognition • opportunities to manipulate revenue recognition are very limited The culture and ethical frameworks of combined authorities, including West of England Combined Authority, mean that all forms of fraud are seen as unacceptable	Our audit work has not identified any issues in respect of fraudulent recognition of revenue.

Audit of the Financial Statements

Audit opinion

We gave an unqualified opinion on the Authority's financial statements on 16 November 2020.

Preparation of the financial statements

The Authority presented us with draft financial statements in July 2020 in accordance with the agreed timescale, and provided a good set of working papers to support them. The finance team responded promptly and efficiently to our queries during the course of the audit.

As highlighted in Appendix A, despite the positive and proactive approach taken by officers at the Authority, the nature of the new remote access working arrangements, i.e. remote accessing financial systems, video calling, and verifying the completeness and accuracy of information produced by the Authority, resulted in additional time to complete the audit and, consequently, the cost of delivering the final audit.

Issues arising from the audit of the financial statements

We reported the key issues from our audit to the Authority's Audit Committee on 16 October 2020.

In addition to the key audit risks reported above, we reported on the good progress that had been made in improving the arrangements for the preparation of financial statements. The in-house finance team had greater stability and capacity which enabled more robust financial statements to be produced for audit. Whilst there were a number of issues arising during the course of the audit, these were reflective of the team becoming more experienced in their roles.

Annual Governance Statement and Narrative Report

We are also required to review the Authority's Annual Governance Statement and Narrative Report. It published them on its website in the Statement of Accounts in October 2020.

Both documents were prepared in line with the CIPFA Code and relevant supporting guidance. We confirmed that both documents were consistent with the financial statements prepared by the Authority and with our knowledge of the Authority.

Whole of Government Accounts (WGA)

We undertook work which confirmed the Authority was below the audit threshold and therefore submitted the return confirming this to the NAO on 18 November 2020.

Certificate of closure of the audit

We certified that we have completed the audit of the financial statements of the West of England Combined Authority in accordance with the requirements of the Code of Audit Practice on 18 November 2020.

Value for Money conclusion

Background

We carried out our review in accordance with the NAO Code of Audit Practice, following the guidance issued by the NAO in April 2020 which specified the criterion for auditors to evaluate:
In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people.

Key findings

Our first step in carrying out our work was to perform a risk assessment and identify the risks where we concentrated our work.

The risks we identified and the work we performed are set out overleaf.

As part of our Audit Findings report agreed with the Authority in October 2020, we agreed recommendations to address our findings.

Overall Value for Money conclusion

We are satisfied that in all significant respects the Authority put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2020.

Value for Money conclusion

Value for Money Risks

Significant risk	Findings and Conclusion
Medium Term Financial Plan (MTFP) • The Combined Authority did not develop a detailed MTFP in 2018/19. We recognised that WECA is an evolving organisation meaning there are a number of emerging factors which will have an impact on its financial sustainability and medium term financial plan. • Following the approval in July 2019 of the regional investment programme of £350m to March 2023. WECA has revised its future funding assumptions and formalised a MTFP. • We will review the revised MTFP prepared as part of the 2020/21 budget process to assess the clarity of the information provided and the factors used to inform the assumptions that underpin the strategy.	WECA's Local Growth Assurance Framework commits WECA to developing a 20-year programme of investment with a series of indicative allocations based on strategic criteria. Individual schemes are then subject to a business case development process. WECA has adopted an indicative 20-year programme, running to 2035/26 for funding secured from the WEIF, Transforming Cities Fund and other expected income. As part of the 20-year programme, WECA has developed a 4 year Investment Strategy which deals with the prioritisation and allocation of capital projects up to March 2023. The programme aligns investment proposals with the operating framework, key regional strategies and core objectives. This was approved by the WECA Committee on 19 July 2019. This programme demonstrates a reasonable geographical and functional split across priority areas and will be vital in supporting the first government gateway review of investment progress. The strategy primarily covers the WECA Investment Fund and Transforming Cities Funding amounting to £350m over the period. The Investment Strategy covers the parameters, priorities, use and constraints of the £1bn Investment Fund and Transforming Cities Funding for the initial period up to March 2023. As reported to the January 2020 WECA committee meeting, WECA had approved £198.9 million of awards and allocations to projects in with an additional £20 million put aside to respond to opportunities and challenges and £7.9m allocated for operating costs and elections to 2023. A further £191.6 million has been allocated for 'tails' of projects but this has not been formally awarded to projects which are in development. The proposed budget for 2020/21 and Medium-Term Financial Forecast (MTFF) was presented to the West of England Combined Authority Committee in January 2020. This included a three-year capital programme of £76 million which includes both approved and indicative capital schemes. The indicative schemes will need to be brought back to the WECA committee for further approval before they can be progressed. All capital costs are to be met from government grants, devolution investment funding or revenue contributions. A separate mayoral budget presented also included a 3-year medium term forecast for running costs based on reasonable assumptions in respect of pay and inflation. The MTFF includes reasonable assumptions in respect of treasury management income with proposed plans to invest any short-term surpluses in reserves to manage future financial risks and projects. The 2020/21 Revenue budget and MTFF takes account of the £350m WECA Investment Programme. Budget approvals have now been phased over the period to March 2023 to provide an indicative MTFF for the WECA revenue budgets. A Programme approach has been applied to mix and match funding to projects based on timing to ensure best use if made of public funding. The MTFF has been developed to be coterminous with the period of the Investment Programme. In addition to the projects in delivery, future funding has been allocated by theme on the basis of the Local Industrial Strategy, Joint Local Transport Plan, spatial strategy, and Business Plan. Through comparison with previous projects, an estimation of the potential impact of these allocations can be undertaken. It is emphasised that for this group of schemes this is based on the average performance of historical projects and does not reflect the specific deliverables of forthcoming projects, which are yet to be set.

Value for Money conclusion

Significant risk	Findings and Conclusion
Medium Term Financial Plan (MTFP) *continued* • The Combined Authority did not develop a detailed MTFP in 2018/19. We recognised that WECA is an evolving organisation meaning there are a number of emerging factors which will have an impact on its financial sustainability and medium term financial plan. • Following the approval in July 2019 of the regional investment programme of £350m to March 2023. WECA has revised its future funding assumptions and formalised a MTFP. • We will review the revised MTFP prepared as part of the 2020/21 budget process to assess the clarity of the information provided and the factors used to inform the assumptions that underpin the strategy.	Funding allocations to projects will be subject to successful compliance with the approved assurance stage gate process. All costs must be clearly evidenced, and verified by the WECA Section 73, (Statutory Finance Officer), prior to receiving formal allocation. In addition to criteria that must be applied for every proposed scheme, there are a few criteria that must be applied to the WECA Investment Fund programme as a whole in order to: • maintain a balanced portfolio of projects; • ensure sustainability of future resource levels of the fund; • promote consistency in the allocation and drawdown of funding A formal process has been developed for responding to forecasted cost over runs, actions are dependent upon the level of overrun and whether the project continues to represent value for money. The Business Rates Retention Pilot will continue in 2020/21.2020/21 is the final year of the pilot with 75% Business Rate Retention being implemented nationally from April 2021. the majority of this funding £17.6m) is payable directly to the mayoral budget to replace the highways and transport grants from the Department for Transport. From 2021/22 onwards it is assumed that government will provide highways and transport capital grants direct to the three unitary authorities. Funding of £1m from the Mayoral Capacity Fund Grant for 2020/21 to meet core operating costs at WECA has no certainty beyond this period. The WECA have started to increase the general fund reserve to manage any future financial risk. This remains at 2 per cent of the 2021/21 revenue. The MTFF includes reasonable assumptions in respect of specific revenue grant funding including Adult Education Budget £14.7 million), Housing Capacity Fund (£1 million) and Future Bright grant (£3.6 million). Specific grant income streams amount to £46.4 million over the period to 2022/23. Total revenue funding for 202021 of £53 million is included in the MTFF, with a total of £142m to the three years to 2022/23. WECA continue to integrate the various funding streams available, incorporating the Investment Fund, Transforming Cities Fund, Economic Development Fund, Local Growth Fund, Business Rates Retention and other available grant funding in order to build a longer-term strategic approach to financial planning. **Conclusion** Following the development of a 4-year Investment Programme to prioritise resources and develop detailed projects, WECA formalised a MTFF which was approved by the WECA committee in January 2020. The MTFF is based on valid assumptions and reflects known and agreed projects and associated funding streams once they are confirmed. The plan should remain flexible as new opportunities for projects and funding are identified as well as reflecting any changes that may be required as a result of the Covid-19 pandemic. **Recommendation** Officers should consider producing a single page MTFF to provide a summary of the expected financial outturn.

Value for Money conclusion

Significant risk	Findings and Conclusion
Measuring and Monitoring Performance • Progress was made during 2018/19 to develop a performance framework and regular performance reporting. The emphasis of the main source of WECA funding has been on feasibility and business case development for various programmes and projects. SMART objectives and planned outcomes could now be linked to the £350m investment programme to March 2023, against which the Authority can measure its impact and effectiveness and be accountable to stakeholder and tax payers. • We will review progress made in developing and monitoring SMART objectives developed for key projects and key metrics to measure and monitor the performance and impact of the Combined Authority.	The West of England Local Industrial Strategy developed by leaders and businesses from across the region was published in July 2019. It sets out the region's ambitions to be a driving force for clean and inclusive growth. Following the development of the strategy, WECA has worked closely with partners to develop individual projects during 2019. In July 2019, WECA produced a four-year, prioritised investment programme, each approved scheme business case has it's own monitoring and evaluation plans. An economic model has been developed which will enable different types of investment (transport, housing, employment land, and other land use changes) or a programme of investment to be considered on a consistent basis, against the criteria of economic output, as measured by the GVA generated by the investment alongside other 'balancing' social, environmental and geographic metrics. The 2020/21 business plan was agreed by WECA and the Joint Committee in February 2020. The business plan aligns the Local Industry Strategy with the WECA operating framework and identifies strategic activities to be undertaken to realise the ambitions identified in the Local Industrial Strategy. It also provides details of schemes in delivery, funded through the Investment Fund , Local Growth Fund and other funding sources The business plan set out how the authority are working to meet the two overarching objectives of achieving inclusive economic growth and addressing the climate emergency. Specific actions have been identified to help further progress these priorities. The business plan includes details of schemes in delivery and business cases in development to present a full picture of WECA's role in delivering infrastructure and providing support to resident's and businesses. The LEP delivery plan is incorporated into the business plan along with details of all schemes funded through the Investment Fund, Local Growth Fund and other funding sources to present a full picture of WECA's role in delivering infrastructure and providing support to residents and businesses. The delivery plan focused on specific metrics for LEP-funded activity including Local Growth Fund, Growth Hub and Invest in Bristol and Bath. The LEP delivery plan references relevant indicators for LEP funded activities including businesses supported, jobs created, funding provided and leveraged. Progress in delivering the business plan is reported quarterly to WECA and Joint Committee. The quarterly progress reports are also shared with the West of England Chief Executives and WECA Overview and Scrutiny Committee. It provides a summary of key achievements and details any significant exceptions to delivery together with mitigating activities, the plan also highlights upcoming activities. An annual report on delivery of the 2019/20 business plan is presented to the WECA and Joint Committee mid year. In July 2019, the Authority declared a climate emergency, recognising the huge significance of climate change and its impact on the health, safety and wellbeing of the region's residents. The business plan is to be updated following publication of the regional climate emergency action plan which sets out ambitions to reach carbon neutrality by 2030. All proposals and projects will be subject to detailed environmental assessment/consideration as part of their project specific management arrangements.

Value for Money conclusion

Significant risk	Findings and Conclusion
Measuring and Monitoring Performance *continued* • Progress was made during 2018/19 to develop a performance framework and regular performance reporting. The emphasis of the main source of WECA funding has been on feasibility and business case development for various programmes and projects. SMART objectives and planned outcomes could now be linked to the £350m investment programme to March 2023, against which the Authority can measure its impact and effectiveness and be accountable to stakeholder and tax payers. • We will review progress made in developing and monitoring SMART objectives developed for key projects and key metrics to measure and monitor the performance and impact of the Combined Authority.	WECA's Local Growth Assurance framework published in November 2019 sets out the prioritisation, appraisal, monitoring and evaluation requirements for each scheme. The framework was shared with Government in November 2019, feedback received from Government was positive and highlighted the strategy included clear logic models, well specified data requirements and clearly allocated responsibility to senor responsible officers. The monitoring and evaluation framework sets out WECA's overall approach to performance management and provides links to the monitoring and evaluation plans for each activity. This is reviewed on an annual basis and was updated in February 2020. This brings together all WECA's reporting requirements into one place and provides a clear structure for reporting focused on three levels: • Delivery of Annual Business Plan – this includes in-year activities that support WECA, the LEP, implementation of the devolution deal and elements of longer term project and programme delivery delivered through the Investment Fund and One Front Door Programme. • Project and Programme delivery - this focuses on schemes funded through the WECA Investment Fund and West of England One Front Door Programme. Evaluation criteria have been established for each project/programme, and progress will be monitored during project and evaluation will be undertaken once projects are completed. Monitoring and evaluation plans are now in place for the majority of projects or are in development and end of project delivery reports will confirm the monitoring activities set out in the Monitoring and Evaluation Plan. All monitoring and evaluation reports will be published on the WECA website. An overall monitoring plan for the investment programme will be reported to the WECA committee periodically, highlighting the extent to which projects have contributed to the overall objectives of WECA. • Longer Term Organisational Impact - measured through five-year gateway reviews. WECA's fist Gateway Review is due in December 2020. The Authority's main source of funding, the Investment Fund, is the most flexible in terms of timing and availability of both revenue and capital resources. A substantial focus of the fund so far has been on feasibility and business case development work across a number of projects and programmes. During 2019/20 the WECA committee approved a number of business cases within the Investment Fund allocation to 2023 which are currently in delivery. When projects are completed, they will be expected to deliver significant benefits to the period. The 2020-21 Business Plan includes estimates of the impact of the projects, including where matched funding has been leveraged. The impact includes £615m of gross value added; 3,650 jobs; 1,220 people moving into work or gaining increased earnings; 10,220 learners gaining new qualification or skills; 33,000 businesses receiving enterprise support; 19,650m^2 of commercial floor space enabled; 0.5 million new bus journeys per year; £1.3 million new rail journeys per year; and 5 new railway stations opened. These measures will not capture the full value of the projects, which will provide a range of specific benefits, some of which are hard to estimate precisely at this stage. The committee are to be regularly updated on the impacts as more schemes progress through to delivery and completion. Clearly the impact of Covid-19 needs to be considered in relation to these targets and an assessment made of whether the current measures are appropriate or need to be revisited.

Value for Money conclusion

Significant risk	Findings and Conclusion
Measuring and Monitoring Performance *continued* • Progress was made during 2018/19 to develop a performance framework and regular performance reporting. The emphasis of the main source of WECA funding has been on feasibility and business case development for various programmes and projects. SMART objectives and planned outcomes could now be linked to the £350m investment programme to March 2023, against which the Authority can measure its impact and effectiveness and be accountable to stakeholder and tax payers. • We will review progress made in developing and monitoring SMART objectives developed for key projects and key metrics to measure and monitor the performance and impact of the Combined Authority.	WECA have identified a number of 'regional indicators 'across the priorities of the operating framework. They summarise the state of the region for each priority area and WECA have concluded that the activities set out in the Business Plan will contribute to positive change. WECA do not have total control over these measures due to many other factors playing a role, but they have established a baseline position and indicators have been developed across the priority areas of economic growth, climate emergency, inclusive growth, infrastructure, business and skills. It will be important to be able to provide some robust evidence of outputs both to the public and as part of the first government gateway review scheduled to report in December 2020 on the impact achieved by the Investment Fund. The review is currently ongoing and six projects have been identified which will provide the focus for the first review. As part of the context for the evaluation, a tailored baseline forecast has been developed using historic data and modelling to provide a 'baseline projection' in terms of employment, GVA and productivity which can then be compared to actual outcomes as part of the gateway review. WECA are collecting monitoring data on expenditure and delivery of outputs and outcomes to inform the evaluation. **Conclusion** Good progress has been made during 2019/20 to further develop and embed a performance framework. Tangible metrics have been developed for each strategic theme of the WECA operating model detailing existing baselines and anticipated progress to be made by 2023. A baseline has now been formalised and SMART objectives developed against key projects and key metrics against which the Authority can measure its impact and effectiveness and be accountable to stakeholders and taxpayers. **Recommendations** WECA should consider the use of RAG rating to clearly highlight where indicators have improved in the last year. WECA will now need to consider the impact that the covid-19 pandemic will have on the regions' plans for achieving inclusive economic growth and addressing the climate emergency and potential refocus on priorities.

A. Reports issued and fees

Audit fees	Proposed fee
Combined Authority scale fee	18,634
Additional proposed audit fee at planning stage	11,750
Total proposed audit fees (excluding VAT) at planning	**£30,384**
Further additional fees proposed at completion	4,558
Total proposed audit fees (excluding VAT) on completion	**£34,942**

Reports issued

Report	Dated issued
Audit Plan	3 February 2020
Audit Findings Report	16 October 2020 (Updated 18 November 2020)
Annual Audit Letter	27 November 2020

We confirm above our final fees charged for the audit and final reports issued.

There were no fees for the provision of non audit services.

The West of England Combined Authority Audit Plan presented in February 2020 included £11,750 of proposed addition fees to the scale fee to take account of the additional scepticism required on the audit, the raising of the bar by our regulator and the further work arising from local developments, including increased activity by the Authority since its inception. This is reflected in the total proposed audit fees at planning above.

Since the presentation of the audit plan, we have added a significant risk to the audit following the impact of Covid-19. We have now reflected on the time taken to discharge our responsibilities this year and are proposing a further increase in fees of £4,558 in addition to those proposed at the planning stage of the audit. This brings the total proposed audit fee up to £34,942. Further details on the breakdown is provided on the next page.

This further charge has not been entered into lightly but reflects only a proportion of the significant additional work we have had to undertake this year to discharge our responsibilities.

We have been discussing this issue with PSAA over the last few months and note these issues are similar to those experienced in the commercial sector and NHS. In both sectors there has been a recognition that audits will take longer with commercial audit deadlines being extended by four months and NHS deadline by a month. The FRC has also issued guidance to companies and auditors setting out its expectation that audit standards remain high and of additional work needed across all audits. The link attached https://www.frc.org.uk/covid-19-guidance-and-advice (see guidance for auditors) sets out the expectations of the FRC.

We have discussed and agreed these additional fees with the Director of Investment and Corporate Services. Please note that these proposed additional fees are subject to approval by PSAA in line with the Terms of Appointment.

Appendix A – West of England Combined Authority audit fee variations – Further analysis

Final proposed audit fees

The table below shows the proposed variations to the original scale fee for 2019/20 subject to PSAA approval.

Audit area	£	Rationale for fee variation
Scale fee	£18,634	
Raising the bar	2,500	The Financial Reporting Authority (FRC) has highlighted that the quality of work by all audit firms needs to improve across local audit. This will require additional supervision and leadership, as well as additional challenge and scepticism in areas such as journals, estimates, financial resilience and information provided by the entity.
Pensions – valuation (IAS) 19	1,750	We have increased the granularity, depth and scope of coverage, with increased levels of sampling, additional levels of challenge and explanation sought, and heightened levels of documentation and reporting.
Developments, new standards and local issues	7,500	The role and scope of the West of England Combined Authority's functions have changed significantly over the last two years due to its success in applying for, and obtaining, funding for new projects and initiatives beyond their original scope and objectives. As a consequence of this growth, the Authority has become more complex with a wider range of risks and increased sample sizes and testing. In addition, the Authority has had challenges in producing accurate financial statements with adequate supporting schedules and working papers. The increased complexity of the organisation and its activities presents further risks to the timely delivery of the financial statements.
Revised planning fee	**£30,384**	
Covid-19	4,558	Over the past six months the current Covid-19 pandemic has had a significant impact on all of our lives, both at work and at home. The impact of Covid-19 on the audit of the financial statements for 2019/20 has been multifaceted. This includes: • Revisiting planning - we have needed to revisit our planning and refresh risk assessments, materiality and testing levels. This has resulted in the identification of a significant risk at the financial statements level in respect of Covid-19 necessitating the issuing of an addendum to our original audit plan as well as additional work on areas such as going concern and disclosures in accordance with IAS1 particularly in respect to material uncertainties. • Management's assumptions and estimates - there is increased uncertainty over many estimates including pension and other investment valuations. Many of these valuations are impacted by the reduction in economic activity and we are required to understand and challenge the assumptions applied by management. • Financial resilience assessment – we have been required to consider the financial resilience of audited bodies. Our experience to date indicates that Covid-19 has impacted on the financial resilience of all local government bodies. This has increased the amount of work that we need to undertake on the sustainable resource deployment element of the VFM criteria necessitating enhanced and more detailed reporting in our ISA260. • Remote working – the most significant impact in terms of delivery is the move to remote working. We, as other auditors, have experienced delays and inefficiencies as a result of remote working, including the delays in receiving accounts, quality of working papers, and delays in responses. These are understandable and arise from the availability of the relevant information and/or the availability of key staff (due to shielding or other additional Covid-19 related demands). In many instances the delays are caused by our inability to sit with an officer to discuss a query or working paper. Gaining an understanding via Teams or phone is more time-consuming.
Total proposed final audit fees	**£34,943**	