

**Audit & Standards Committee**

**10<sup>th</sup> October 2019**

**External Audit Preliminary Conclusion**

**Purpose**

This report summarises the external audit preliminary audit conclusion in relation to the audit of Sheffield City Region Mayoral Combined Authority for 2018/19.

**Freedom of Information & Section 12A of the Local Government Act 1972**

Under the Freedom of Information Act this paper and any appendices will be made available under the Mayoral Combined Authority Publication Scheme. This scheme commits the Authority to make information about how decisions are made available to the public as part of its normal business activities.

**Recommendations**

Members are asked to review the report.



**Sheffield City Region  
Mayoral Combined  
Authority**

**Audit results report**

Year ended 31 March 2019

10 October 2019



**EY**

Building a better  
working world



Private and Confidential

10 October 2019

Dear Audit and Standards Committee Members

We are pleased to attach our audit results report for the forthcoming meeting of the Audit and Standards Committee. This report summarises our preliminary audit conclusion in relation to the audit of Sheffield City Region Mayoral Combined Authority for 2018/19.

We have substantially completed our audit of Sheffield City Region Mayoral Combined Authority for the year ended 31 March 2019.

Subject to concluding the outstanding matters listed in our report, we confirm that we expect to issue an unqualified audit opinion on the financial statements in the form at Section 3. We also have no matters to report on your arrangements to secure economy, efficiency and effectiveness in your use of resources

This report is intended solely for the use of the Audit and Standards Committee, other members of the Authority, and senior management. It should not be used for any other purpose or given to any other party without obtaining our written consent.

We would like to thank your staff for their help during the engagement.

We welcome the opportunity to discuss the contents of this report with you at the Audit and Standards Committee meeting on 10th October 2019.

Yours faithfully

Stephen Clark

Partner

For and on behalf of Ernst & Young LLP

Encl

# Contents



Public Sector Audit Appointments Ltd (PSAA) have issued a 'Statement of responsibilities of auditors and audited bodies'. It is available from the Chief Executive of each audited body and via the PSAA website ([www.psa.co.uk](http://www.psa.co.uk)). This Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas. The 'Terms of Appointment (updated April 2018)' issued by PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and statute, and covers matters of practice and procedure which are of a recurring nature. This Annual Audit Letter is prepared in the context of the Statement of responsibilities. It is addressed to the Members of the audited body, and is prepared for their sole use. We, as appointed auditor, take no responsibility to any third party. Our Complaints Procedure – If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with your usual partner or director contact. If you prefer an alternative route, please contact Steve Varley, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.





# 01 Executive Summary



# Executive Summary

The following 'dashboard' summarises the significant accounting and auditing matters outlined in this report. It seeks to provide the Audit and Standards Committee with our findings in our areas of audit focus.

## Audit risks and areas of focus applicable to both Sheffield City Region Combined Authority and South Yorkshire Passenger Transport Executive

Risk / area of focus	Risk identified	Details	Significant findings
Risk of fraud in revenue and expenditure recognition	Fraud risk	Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition.	No significant matters to bring to your attention.
Misstatements due to fraud or error	Fraud risk	As identified in ISA 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that would otherwise appear to be operating effectively.	No significant matters to bring to your attention.
Valuation of Property, Plant and Equipment	Other financial statement risk	The Group has a material asset base that is subject to management judgements. Valuation of assets is an area subject to professional estimation and therefore a higher inherent risk of misstatement.	We have involved the use of EY Valuations specialists and have not identified any matters to bring to your attention.
IFRS 9 - Financial statements	Other financial statement risk	These are new accounting standards applicable for local authority accounts from the 2018/19 financial year. There is a risk that the Combined Authority Group does not implement the requirements of the standards correctly. Further details of the risk are provided at page 14.	We have reviewed the work of management to assess the impact of the new standards and have not identified any matters to bring to your attention.
IFRS 15 - Revenue contracts with customers	Other financial statement risk		

## Audit risks and areas of focus applicable only to South Yorkshire Passenger Transport Executive

Local Government Pension Scheme	Other financial statement risk	The accounting entries relating to the Local Government Pension Schemes are underpinned by significant assumptions and estimates. There is therefore an increased risk of misstatement and error.	No significant matters to bring to your attention.
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## Executive Summary

### Scope update

In our audit planning report tabled at the April Audit and Standards Committee meeting, we provided you with an overview of our audit scope and approach for the audit of the financial statements. We carried out our audit in accordance with this plan, with the following exceptions:

- ▶ Since our Audit Planning Report we have updated our approach to the testing of PFI balances to include this account as higher inherent risk. This has increased our overall risk assessment of PFI to be an area of specific audit focus. This risk applies to the Group as relevant to South Yorkshire Passenger Transport Executive and does not have direct relevance to Sheffield City Region Mayoral Combined Authority as a standalone entity.
- ▶ Changes in materiality We updated our planning materiality assessment using the draft consolidated results and have also reconsidered our risk assessment. Based on our materiality measure of gross expenditure on provision of services, we have updated our overall materiality assessment to £2.956m (Audit Planning Report – £3.351m). This results in updated performance materiality, at 50% of overall materiality, of £1.478m, and an updated threshold for reporting misstatements of £0.147m.

### Status of the audit

We have substantially completed our audit of Sheffield City Region Mayoral Combined Authority's financial statements for the year ended 31 March 2019 and have performed the procedures outlined in our Audit planning report. Subject to satisfactory completion of the following outstanding items we expect to issue an unqualified opinion on the Authority's financial statements in the form which appears at Section 3. However until work is complete, further amendments may arise:

- ▶ review of the final signed version of the financial statements.
- ▶ completion of subsequent events review.
- ▶ receipt of the signed management representation letter.
- ▶ Our work to certify the WGA.

We expect to issue the audit certificate at the same time as the audit opinion.



## Executive Summary

### Audit differences

We identified 1 unadjusted audit differences in the draft financial statements which management has chosen not to adjust. We ask that they be corrected or a rationale as to why they are not corrected be approved by the Audit and Standards Committee and included in the Letter of Representation. The aggregated impact of unadjusted audit differences is £0.160m. We agree with management's assessment that the impact is not material.

We have identified audit differences with an aggregated impact of £24.345m which have been adjusted by management. Details can be found in Section 4 Audit Differences.

### Areas of audit focus

Our Audit Planning Report identified key areas of focus for our audit of Sheffield City Region Mayoral Combined Authority's financial statements. This report sets out our observations and conclusions, including our views on areas which might be conservative, and where there is potential risk and exposure. We summarise our consideration of these matters, and any others identified, in the "Key Audit Issues" section of this report.

We ask you to review these and any other matters in this report to ensure:

- ▶ There are no other considerations or matters that could have an impact on these issues
- ▶ You agree with the resolution of the issue
- ▶ There are no other significant issues to be considered.

There are no matters, apart from those reported by management or disclosed in this report, which we believe should be brought to the attention of the Audit and Standards Committee.

### Control observations

We have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statements and which is unknown to you.

During the audit we identified one improvement recommendation in relation to management's financial processes and controls. This is included in section 7 of this report.





# Executive Summary

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## Value for money

We have considered your arrangements to take informed decisions; deploy resources in a sustainable manner; and work with partners and other third parties. In our Audit Planning Report we identified no significant risks.

We have no matters to report about your arrangements to secure economy efficiency and effectiveness in your use of resources.

## Other reporting issues

We have reviewed the information presented in the Annual Governance Statement for consistency with our knowledge of the Authority. We have no matters to report as a result of this work.

We have not yet performed the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts submission. This work will be completed in line with the deadline.

We have no other matters to report.

## Independence

Please refer to Section 8 for our update on Independence.



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## Areas of Audit Focus



# Areas of Audit Focus

## Fraud risk

### Risk of fraud in revenue and expenditure recognition

#### What is the risk?

Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition.

We consider that this significant risk is associated to the following specific areas:

- Improper capitalisation of revenue expenditure in order to reduce the impact on the general fund
- Understatement of expenditure recognised as liabilities in the balance sheet at the year-end
- Improper application of revenue cut-off

#### What did we do?

In responding to the identified risk we:

- Documented our understanding of the processes and controls in place to mitigate the risks.
- Identified and walked through those processes and controls, confirming our understanding.
- Reviewed income and expenditure recognition policies and confirm consistency of application through performance of testing.
- Identified significant accounting estimates for revenue and expenditure, discussing assumptions and calculation methodology with management.
- Tested the identified significant accounting estimates to confirm appropriateness and consistency with supporting records considering evidence of bias.
- Sample tested material revenue and expenditure streams with a focus on assets and liabilities at the year-end.
- Tested revenue cut-off at the period end date.
- Conducted testing to identify unrecorded liabilities at the year-end.
- Performed testing on a sample of Property Plant and Equipment additions to confirm that the expenditure has been appropriately capitalised.

Testing of revenue and expenditure has been supported through the use of data analytics tools to aid sample selection. The data analysis tools enable the full population of income and expenditure to be included within the sample population. The population have been filtered to enable testing to focus on higher risk areas, high value and unusual transactions.

#### What are our conclusions?

Our testing has not identified any material misstatements with respect to revenue and expenditure recognition.

Overall our audit work did not identify any material issues or unusual transactions which may have indicated that the financial position had been misrepresented.

Our testing of asset additions did not identify any inappropriate capitalisation.

Our work testing cut-off of both debtors and creditors did not yield any errors. We have covered large samples as this was our first year and reviewed all payments made in the month after the year-end over £74,000.

There are no further matters to report to you.



## Areas of Audit Focus

### Fraud risk

#### Misstatements due to fraud or error

##### What is the risk?

The financial statements as a whole are not free of material misstatements whether caused by fraud or error.

As identified in ISA (UK and Ireland) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement.

##### What did we do?

In responding to the identified risk we:

- ▶ Considered fraud risks during the planning stages.
- ▶ Inquired of management about risks of fraud and the controls put in place to address those risks.
- ▶ Gained an understanding of the oversight given by those charged with governance of management's processes over fraud.
- ▶ Performed consideration of the effectiveness of management's controls designed to address the risk of fraud.
- ▶ Determined an appropriate strategy to address those identified risks of fraud.
- ▶ Performed mandatory procedures regardless of specifically identified fraud risks, including testing of journal entries and other adjustments in the preparation of the financial statements.
- ▶ Performed sample testing of journals from the accounting period identified using application of specified audit risk criteria.
- ▶ Considered the existence of significant unusual transactions during the year, none were identified for testing.
- ▶ Considered the results of testing relating to revenue and expenditure recognition in order to identify indicators of management override of controls. No additional testing was required.

##### What are our conclusions?

We did not identify any specific fraud risks other than that relating to fraud in revenue recognition that has already been identified as a significant risk.

We did not identify any material weaknesses in controls or evidence of material management override.

Through our testing of journals, we have not identified any matters to report to you.

We have not identified any instances of inappropriate judgements being applied or bias within significant accounting estimates.



## Areas of Audit Focus

### Other risk

#### Valuation of Property, Plant and Equipment

##### What is the risk?

The Authority has a large and complex asset base that makes up a significant proportion of its balance sheet. Valuation of assets is an area subject to professional estimation and therefore a higher inherent risk of misstatement.

The fair value of Property, Plant and Equipment (PPE) represents a significant balance (£130m in 2017/18) in the Authority's accounts and are subject to valuation changes, impairment reviews and depreciation charges. Management are required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet, including the use of valuation experts.

##### What did we do?

- Considered the work performed by the Group's valuers, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work;
- Sample tested key asset information used by the valuers in performing their valuation (e.g. floor plans to support valuations based on price per square metre);
- Considered the results of condition surveys performed by the valuer;
- Reviewed assets not subject to valuation in 2018/19 to confirm that the remaining asset base is not materially misstated;
- Considered changes to useful economic lives as a result of the most recent valuation; and
- Tested accounting entries have been correctly processed in the financial statements,

##### What are our conclusions?

Although we did not identify any errors in our work, management had identified errors relating to the treatment of valuations and impairments in previous financial periods. This collection of errors is highlighted on our list of audit adjustments. We have reviewed the work that management have performed to correct the errors and have performed work to ensure that no material residual issues exist.

Our work in assessing the competency of management's expert in this area of judgement has concluded with no issues identified.





## Areas of Audit Focus

### Other risk

#### Local Government Pension Scheme

Applies only within SYPTE

#### What is the risk?

The accounting entries relating to the Local Government Pension Schemes are underpinned by significant assumptions and estimates. There is therefore an increased risk of misstatement and error.

The Authority's pension fund deficit is a material estimated balance and the Code requires that this liability be disclosed on the Authority's balance sheet. At 31 March 2018 this totalled £35.9 million.

Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

#### What did we do?

- Liaised with the auditors of the pension fund, to obtain assurances over the information supplied to the actuary in relation to the Authority;
- Assessed the work of the Pension Fund actuary including the assumptions they have used by relying on the work of PWC - Consulting Actuaries commissioned by Public Sector Auditor Appointments for all Local Government sector auditors, and considering any relevant reviews by the EY actuarial team;
- Considered the variation in the valuation of pension fund assets used in the Authority's actuarial valuation to the actual year-end asset valuation in order to determine whether the estimate was materially correct, this involved requesting a new accounting results report from the scheme actuary; and
- Review and test the accounting entries and disclosures made within the Authority's financial statements in relation to IAS19.

We also paid particular attention to the disclosures and considerations made by the actuary in relation to the emerging response to the McCloud and Sargeant Judgements which have an impact on the overall scheme liabilities shared out to the participating bodies.

#### What are our conclusions?

We have the following items to report to you:

We requested that, due to uncertainty in the valuation of assets disclosed in relation to the South Yorkshire Pension Fund, that management obtain an updated IAS19 results report to ensure that the most up to date assets figure is used.

In the year; a high court ruling (The McCloud Judgement) created an constructive obligation at the balance sheet date which would increase the liability of SYPTE to the Pension Fund. Our assessment identified a potentially material difference yielded by the outcome of this judgement. As such, management requested updated information from the Pension Fund Actuary (Mercer's) to obtain a more accurate assessment of the increased liability that occurred as a result of this ruling. Additional liabilities of £768k have been recognised following this exercise. See section 4.

In relation to rulings around GMP Equalisation, the scheme actuary have stated that any additional impact not disclosed would be immaterial. We have performed our own work in this area and have reported a judgmental difference in section 4 of this report.

Our conclusion in this area has been delayed due to us being unable to place assurance on the report received from the pension fund auditor, a key part of our assurance in this area. We have performed additional testing of our own in this area with the co-operation of South Yorkshire Pensions Authority. We have subsequently been able to obtain sufficient evidence to be able to conclude that the Pension Fund assets included in the Authority's Group statements are stated free from material error.



## Areas of Audit Focus

### Other risk

#### Implementation of new accounting standards:

- IFRS 9 - Financial Instruments
- IFRS 15 - Revenue contracts with customers

#### What is the risk?

These are new accounting standards applicable for local authority accounts from the 2018/19 financial year. There is a risk that the Authority does not implement the requirements of the standards correctly

IFRS 9 is applicable for local authority accounts from the 2018/19 financial year and will change; how financial assets are classified and measured; How the impairment of financial assets are calculated; and the disclosure requirements for financial assets.

There are transitional arrangements within the standard; and the 2018/19 Cipfa Code of practice on local authority accounting provides guidance on the application of IFRS 9. However, until the Guidance Notes are issued and any statutory overrides are confirmed there remains some uncertainty on the accounting treatment.

IFRS15 is applicable for local authority accounts from the 2018/19 financial year. The key requirements of the standard cover the identification of performance obligations under customer contracts and the linking of income to the meeting of those performance obligations.

The 2018/19 Cipfa Code of practice on local authority accounting provides guidance on the application of IFRS 15 and includes a useful flow diagram and commentary on the main sources of LG revenue and how they should be recognised. The impact on local authority accounting is likely to be limited as large revenue streams like council tax, non-domestic rates and government grants will be outside the scope of IFRS 15. If the Authority has not assessed if standard is relevant, there may be a risk of material misstatement if recognition of revenue is incorrect and new disclosure requirements are not included in the financial statements.

#### What did we do?

- Assessed the Authority's implementation arrangements that including an impact assessment paper setting out the application of the new standards, transitional adjustments and planned accounting for 2018/19.
- For IFRS 15 we considered application to the authority's revenue streams, and where the standard is relevant test to ensure revenue is recognised when (or as) it satisfies a performance obligation;
- For IFRS 9 we consider the classification and valuation of financial instrument assets and reviewed new expected credit loss model impairment calculations for assets; and
- Checked additional disclosure requirements are correctly included.

#### What are our conclusions?

We have reviewed the work performed by management to determine the impact the new standards have on the Group financial statements. A five step process was followed for significant income streams and they were deemed to be in line with the appropriate treatment under IFRS 15 and as such didn't require any changes.

Management have provided a full consideration of the changes that have been necessary



## Areas of Audit Focus

### Other risk

#### PFI and Service Concession arrangements

Applies only within SYPTE

##### What is the risk?

The Authority, via SYPTE has a PFI scheme for Doncaster Interchange which includes several judgements made by management resulting in the accounting treatment shown in the financial statements. The arrangements are supported by complex models to calculate the figures to be included in the financial statements each year.

As this is EY's first year as appointed auditor to the Authority, we are required to gain assurance that the scheme is being accounted for correctly and that the financial statements are supported by underlying documentation and financial models.

##### What did we do?

- As this is our first year of the audit we will review (with the support of EY specialists) the accounting judgements and model to ensure that we are comfortable with the judgements and related accounting treatment in the financial statements.
- We will undertake testing of in-year inputs to the accounting model and agree relevant entries in the financial statements to year-end outputs from the model.
- Review associated disclosures within the financial statements to confirm they meet Code requirements and are reflective of supporting documentation.

##### What are our conclusions?

Work performed by EY PFI Specialists has identified an error in the original application of the accounting model. This error did not result in any impact on the financial statements in the years since the inception of the scheme which was 2007.

The substantive work in this area has not yielded any further inconsistencies and there are no misstatements that have occurred through the performance of our work - the PFI accounting model is constructed on the right accounting principles in accordance with the Code.



# 03 Audit Report



# Audit Report

## Draft audit report

### Our opinion on the financial statements

#### DRAFT INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SHEFFIELD CITY REGION MAYORAL COMBINED AUTHORITY

##### Opinion

We have audited the financial statements of Sheffield City Region Mayoral Combined Authority ('the authority') for the year ended 31 March 2019 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Authority and Group Movement in Reserves Statement,
- Authority and Group Comprehensive Income and Expenditure Statement,
- Authority and Group Balance Sheet,
- Authority and Group Cash Flow Statement;
- and the related notes, including the 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 2018/19.

In our opinion the financial statements:

- a true and fair view of the financial position of Sheffield City Region Mayoral Combined Authority and Group as at 31 March 2019 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

##### 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 for the audit of the financial statements section of our report below. We are independent of the 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 the Comptroller and Auditor General's (C&AG) AGN01, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

##### Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Chief Financial Officer' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Chief Financial Officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority or Group's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

##### Other information

The other information comprises the information included in the annual report set out on pages 5 to 42, other than the financial statements and our auditor's report thereon. The Chief Financial Officer is responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this 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.





# Audit Report

## Draft audit report

### Our opinion on the financial statements

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 the other information, we are required to report that fact

We have nothing to report in this regard.

#### Opinion on other matters prescribed by the Local Audit and Accountability Act 2014

#### Arrangements to secure economy, efficiency and effectiveness in the use of resources

In our opinion, based on the work undertaken in the course of the audit, having regard to the guidance issued by the Comptroller and Auditor General (C&AG) in November 2017, we are satisfied that, in all significant respects, Sheffield City Region Mayoral Combined Authority put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

#### Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Authority or Group;
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;

- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects

#### Responsibility of the Chief Financial Officer

As explained more fully in the Statement of Responsibilities set out on pages 39, 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 2018/19, and for being satisfied that they give a true and fair view.

In preparing the financial statements, the Chief Finance Officer is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Authority either intends to cease operations, or have no realistic alternative but to do so.

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 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.



# Audit Report

## Draft audit report

### Our opinion on the financial statements

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General (C&AG) in November 2017, as to whether Sheffield City Region Mayoral Combined Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether Sheffield City Region Mayoral Combined Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, Sheffield City Region Mayoral Combined Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

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

resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our conclusion relating to proper arrangements.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place 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.

#### Delay in certification of completion of the audit

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

Until we have completed these procedures we are unable to certify that we have completed the audit of the accounts in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.

#### Use of our report

This report is made solely to the members of South Yorkshire Passenger Transport Executive, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than South Yorkshire Passenger Transport Executive and the Executive's members as a body, for our audit work, for this report, or for the opinions we have formed.

Stephen Clark, Ernst & Young LLP (Local Auditor)



# 04 Audit Differences







# Audit Differences

In the normal course of any audit, we identify misstatements between amounts we believe should be recorded in the financial statements and the disclosures and amounts actually recorded. These differences are classified as “known” or “judgemental”. Known differences represent items that can be accurately quantified and relate to a definite set of facts or circumstances. Judgemental differences generally involve estimation and relate to facts or circumstances that are uncertain or open to interpretation.

## Summary of adjusted differences

We highlight the following misstatements greater than £0.08m which have been corrected by management that were identified during the course of our audit. The impact of correcting journals are shown in the table overleaf:

- ▶ Amendments have been necessary due to incorrect accounting treatment that has occurred during the winding-up of a wholly owned subsidiary company - SYITA Properties Ltd. These have been applied retrospectively as the incorrect transactions happened in 2016/17 and 2017/18. The journals in the adjacent table set out the actions that have been taken to correct these entries. (Ref 1 in the following table)
- ▶ Amendments to Prior Year Revaluation Reserve in relation to historical transactions for impairment of Non-Current Assets totalling £5.2m identified by management. (Ref 2)
- ▶ Income in the year received from Skills Bank where SCRMCA match the income against related expenditure, has been deferred to be matched against future expenditure. As the conditions for the receipt of this income have been met, the income should be recognised and transferred to an earmarked reserve for this project. The required transactions to amend for this error are shown in the adjacent table. (Ref 3)
- ▶ Due to further consideration being given to the decisions handed down in the McCloud/Sargeant cases, additional liabilities have been recognised as supported by an additional IAS19 results report being provided by South Yorkshire Pensions Authority. (Ref 4)
- ▶ In reviewing the balances on both the pensions liability and pensions reserve on the Balance Sheet, we uncovered an error with implications for the 2017/18 financial statements also. In 2017/18 South Yorkshire Passenger Transport Executive and thus, the Sheffield City Region Mayoral Combined Authority Group took advantage of being able to achieve discount in the amounts paid over to the Pension Fund in contributions over the three years; 2017/18, 2018/19 and 2019/20, by prepaying an upfront amount of £3.988m which applied to each of those three periods. The accounting treatment at the time recognised this payment as a reduction to the Pensions Liability where in fact, as the contributions applied to the three particular years noted above, should have been accounted for, and held on the Balance Sheet as, a prepayment. (Ref 5)

## Summary of unadjusted differences

In addition we highlight the following misstatements to the financial statements and/or disclosures which were not corrected by management.

There were no uncorrected misstatements at the date of this report. However, we recognise that accounting for pensions estimates is judgemental. The actuary report states that in their view the impact of GMP on LGPS balances is not material and therefore no adjustment is made.

We consider the assumptions, and our review suggests a range of outcomes. Our view is that the additional liability due to GMP would be disclosed within any balance that is already estimated. As the post 2021 element has not yet been concluded we consider it reasonable that no allowance is made for this in the liability. With regards to the pre 2021 liability this is estimated to relate to approximately 0.1% of the liability, although this may not apply to all members. The maximum impact of this for the Council is estimated at £0.160m, which is below our materiality level.



## Quantitative Impact of Audit Differences

Below we have set out the required amendments to correct the audit differences outlined on the previous slide.

Ref	Account	Dr £'000	Cr £'000
1.	Dr Cost of Investment in SYITA - 01/04/17 Dr Earmarked Reserves - 01/04/17 Dr Capital Adjustment Account - 01/04/17 Cr Intercompany creditor  Being the Prior Period Adjustment to correct treatment of investment in SYITA Properties Ltd	7,805 1,490 9	9,304
2.	Dr PPE - 01/04/17 Dr Reval Reserve - 01/04/17 Cr Accumulated Depreciation - 01/04/17 Cr General Fund - 01/04/17  Being the Prior Period Adjustment of the incorrect treatment of PPE Revaluations	2,115 5,125	1,989 5,251
3.	Dr Deferred income - Skills Bank Dr General fund - transfers out (MiRS) Cr Grant Income Cr Earmarked Reserve - transfers in (MiRS)  Being the correction of 2018/19 income incorrectly deferred in order to be matched against future spend	1,110 1,110	1,110 1,110
4.	Dr Other Comprehensive Expenditure - IAS19 Past Service Costs Dr IAS19 Pensions Reserve - transfers in (MiRS) Cr IAS19 Pensions Liability Cr General fund - transfers out (MiRS)  Being the recognition of addition liabilities to represent the impact of the McCloud Judgement	768 768	768 768
5.	Dr Prepayments 01/04/18 Dr Prepayments 01/04/19 Cr Pensions Liability 01/04/18 Cr Pensions Liability 01/04/19  Being the correction of an error in the accounting for upfront payments to cover contribution requirements for 2017-20. There is no current year impact on the CIES or MiRS, although restatements have been made to the prior year statements.	2,687 1,358	2,687 1,358
	<b>Total</b>	<b>24,345</b>	<b>24,345</b>



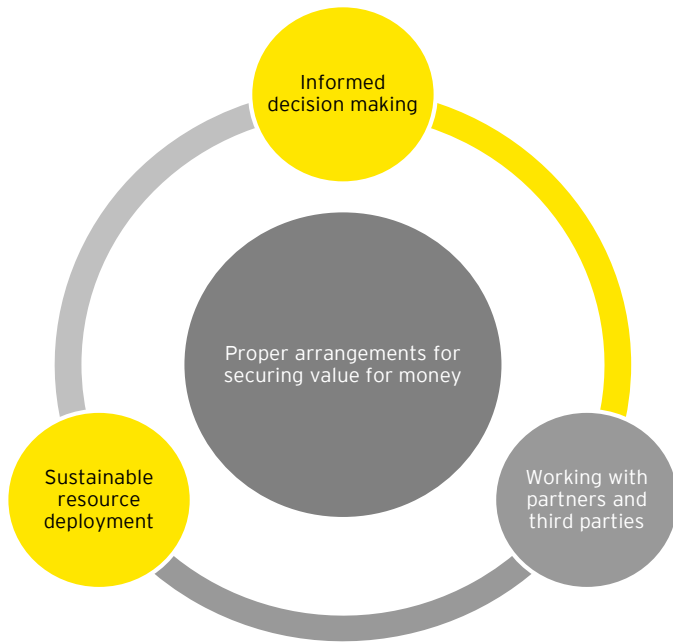


05

## Value for Money Risks



# Value for Money



## Background

We are required to consider whether the Authority has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. This is known as our value for money conclusion.

For 2018/19 this is based on the overall evaluation criterion:

"In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people"

Proper arrangements are defined by statutory guidance issued by the National Audit Office. They comprise your arrangements to:

- Take informed decisions;
- Deploy resources in a sustainable manner; and
- Work with partners and other third parties.

In considering your proper arrangements, we will draw on the requirements of the CIPFA/SOLACE framework for local government to ensure that our assessment is made against a framework that you are already required to have in place and to report on through documents such as your annual governance statement.

## Overall conclusion

We did not identify any significant risks around these criteria.

We therefore expect having matters to report about your arrangements to secure economy, efficiency and effectiveness in your use of resources.





## 06 Other reporting issues

## Other reporting issues

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# Other reporting issues

### Consistency of other information published with the financial statements, including the Annual Governance Statement

We must give an opinion on the consistency of the financial and non-financial information in the Statement of Accounts with the audited financial statements

We must also review the Annual Governance Statement for completeness of disclosures, consistency with other information from our work, and whether it complies with relevant guidance.

Financial information in the Statement of Accounts and published with the financial statements was consistent with the audited financial statements.

We have reviewed the Annual Governance Statement and can confirm it is consistent with other information from our audit of the financial statements and we have no other matters to report.

### Whole of Government Accounts

Alongside our work on the financial statements, we also review and report to the National Audit Office on your Whole of Government Accounts return. The extent of our review, and the nature of our report, is specified by the National Audit Office.

We are currently concluding our work in this area and will report any matters arising to the Audit and Standards Committee.

### Other powers and duties

We have a duty under the Local Audit and Accountability Act 2014 to consider whether to report on any matter that comes to our attention in the course of the audit, either for the Authority to consider it or to bring it to the attention of the public (i.e. "a report in the public interest"). We did not identify any issues which required us to issue a report in the public interest.

We also have a duty to make written recommendations to the Authority, copied to the Secretary of State, and take action in accordance with our responsibilities under the Local Audit and Accountability Act 2014. We did not identify any issues.

As required by ISA (UK&I) 260 and other ISAs specifying communication requirements, we must tell you significant findings from the audit and other matters if they are significant to your oversight of the Executive's financial reporting process. We have nothing to report in this regard.





07

## Assessment of Control Environment



# Assessment of Control Environment

## Financial controls




It is the responsibility of management to develop and implement systems of internal financial control and to put in place proper arrangements to monitor their adequacy and effectiveness in practice. Our responsibility as your auditor is to consider whether management have put adequate arrangements in place to satisfy themselves that the systems of internal financial control are both adequate and effective in practice.


As part of our audit of the financial statements, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. As we have adopted a fully substantive approach, we have therefore not tested the operation of controls.

Although our audit was not designed to express an opinion on the effectiveness of internal control we are required to communicate to you significant deficiencies in internal control.

We wish to report the following matters included below.

### Key:

- 
 A weakness which does not seriously detract from the internal control framework. If required, action should be taken within six to twelve months.
- 
 Matters and/or issues are considered to be of major importance to maintenance of internal control, good corporate governance or best practice for processes. Action should be taken within six months.
- 
 Matters and/or issues are considered to be fundamental to the mitigation of material risk, maintenance of internal control or good corporate governance. Action should be taken either immediately or within three months.

Area	Property, Plant and Equipment	Rating	
Observation	Within our testing of agreement of assets back to ownership documents, we have identified one asset where the property is not registered. In attempting to perform compensating testing we found that the historical documentation held does not adequately confirm SYPTE ownership, therefore there is a risk that SYPTE has no legal document (title deed) to prove ownership.		
Management comment	Management have provided further supporting documentation since accepting this recommendation that demonstrates they have performed work to ensure there is no dispute over ownership. The recommendation to ensure registration remains but as a housekeeping exercise to be performed within resource constraints in the applicable directorate.		



08

Independence

## Confirmation



We confirm that there are no changes in our assessment of independence since our confirmation in our audit planning board report dated 05 April 2019.

We complied with the FRC Ethical Standards and the requirements of the PSAA's Terms of Appointment. In our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning of regulatory and professional requirements.

We consider that our independence in this context is a matter which you should review, as well as us. It is important that you and your Audit and Standards Committee consider the facts known to you and come to a view. If you would like to discuss any matters concerning our independence, we will be pleased to do this at the meeting of the Audit and Standards Committee on 16 July 2019.

The FRC Ethical Standard requires that we provide details of all relationships between Ernst & Young (EY) and your Authority, and its directors and senior management and its affiliates, including all services provided by us and our network to your Authority, its directors and senior management and its affiliates, and other services provided to other known connected parties that we consider may reasonably be thought to bear on the our integrity or objectivity, including those that could compromise independence and the related safeguards that are in place and why they address the threats.

There are no relationships from 1 April 2018 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

# Independence

## Fee analysis

As part of our reporting on our independence, we set out below a summary of the fees paid for the year ended 31 Month 2019.

We confirm that we have not undertaken non-audit work outside the NAO Code requirements.

	Scale Fee 2017/18	Planned Fee 2018/19	Scale Fee 2018/19	Final Fee 2018/19
	£	£	£	£
<b>Total Audit Fee - Code work</b>	<b>74,061</b>	<b>57,027</b>	<b>57,027</b>	<b>TBC*</b>
Sheffield City Region Mayoral Combined Authority and Group consolidated financial statements	38,200	29,414	29,414	TBC*
South Yorkshire Passenger Transport Executive	35,861	27,613	27,613	TBC*

\* We will be issuing a scale fee variation for work performed for legacy issues; this fee will be communicated in due course.





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## Appendices







## Appendix A

# Required communications with the Audit and Standards Committee




There are certain communications that we must provide to the Audit Committees of UK clients. We have detailed these here together with a reference of when and where they were covered:

 Our Reporting to you		
Required communications	 What is reported?	  Where and when
Terms of engagement	Confirmation by the audit and standards committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter.	Audit planning report - April 2019
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified.	Audit planning report - April 2019
Significant findings from the audit	<ul style="list-style-type: none"> <li>▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures</li> <li>▶ Significant difficulties, if any, encountered during the audit</li> <li>▶ Significant matters, if any, arising from the audit that were discussed with management</li> <li>▶ Written representations that we are seeking</li> <li>▶ Expected modifications to the audit report</li> <li>▶ Other matters if any, significant to the oversight of the financial reporting process</li> <li>▶ Findings and issues regarding the opening balance on initial audits</li> </ul>	Audit results report - July 2019





# Appendix A

		 Our Reporting to you
 Required communications	 What is reported?	 When and where
Going concern	<p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> <li>▶ Whether the events or conditions constitute a material uncertainty</li> <li>▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements</li> <li>▶ The adequacy of related disclosures in the financial statements</li> </ul>	<p>Audit results report - July 2019</p> <p>No conditions or events were identified, either individually or in aggregate to raise any doubt about Sheffield City Region Mayoral Combined Authority's ability to continue for the 12 months from the date of our report</p>
Misstatements	<ul style="list-style-type: none"> <li>▶ Uncorrected misstatements and their effect on our audit opinion</li> <li>▶ The effect of uncorrected misstatements related to prior periods</li> <li>▶ A request that any uncorrected misstatement be corrected</li> <li>▶ Material misstatements corrected by management</li> </ul>	Audit results report - July 2019
Subsequent events	<ul style="list-style-type: none"> <li>▶ Enquiry of the Audit and Standards Committee where appropriate regarding whether any subsequent events have occurred that might affect the financial statements.</li> </ul>	Audit results report - July 2019
Fraud	<ul style="list-style-type: none"> <li>▶ Enquiries of the Audit and Standards Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the Authority</li> <li>▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist</li> <li>▶ Unless all of those charged with governance are involved in managing the Authority, any identified or suspected fraud involving:               <ol style="list-style-type: none"> <li>a. Management;</li> <li>b. Employees who have significant roles in internal control; or</li> <li>c. Others where the fraud results in a material misstatement in the financial statements.</li> </ol> </li> <li>▶ The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected</li> <li>▶ Any other matters related to fraud, relevant to Audit and Standards Committee responsibility.</li> </ul>	Audit results report - July 2019

# Appendix A

		 Our Reporting to you
<b>Required communications</b>	 What is reported?	 When and where
Related parties	<p>Significant matters arising during the audit in connection with the Authority's related parties including, when applicable:</p> <ul style="list-style-type: none"> <li>▶ Non-disclosure by management</li> <li>▶ Inappropriate authorisation and approval of transactions</li> <li>▶ Disagreement over disclosures</li> <li>▶ Non-compliance with laws and regulations</li> <li>▶ Difficulty in identifying the party that ultimately controls the Authority</li> </ul>	Audit results report - July 2019
Independence	<p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence.</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> <li>▶ The principal threats</li> <li>▶ Safeguards adopted and their effectiveness</li> <li>▶ An overall assessment of threats and safeguards</li> <li>▶ Information about the general policies and process within the firm to maintain objectivity and independence</li> </ul> <p>Communications whenever significant judgments are made about threats to objectivity and independence and the appropriateness of safeguards put in place.</p>	<p>Audit planning report - April 2019</p> <p>And</p> <p>Audit results report - July 2019</p>
External confirmations	<ul style="list-style-type: none"> <li>▶ Management's refusal for us to request confirmations</li> <li>▶ Inability to obtain relevant and reliable audit evidence from other procedures.</li> </ul>	<p>Audit results report - July 2019</p> <p>We have received all requested confirmations</p>
Consideration of laws and regulations	<ul style="list-style-type: none"> <li>▶ Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur</li> <li>▶ Enquiry of the Audit and Standards Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Audit and Standards Committee may be aware of</li> </ul>	<p>Audit results report - July 2019</p> <p>We have met with the monitoring officer and asked management and those charged with governance. We have not identified any material instances or non-compliance with laws and regulations.</p>

# Appendix A

		 Our Reporting to you
Required communications	 What is reported?	  When and where
Significant deficiencies in internal controls identified during the audit	<ul style="list-style-type: none"> <li>▶ Significant deficiencies in internal controls identified during the audit.</li> </ul>	Audit results report - July 2019
Written representations we are requesting from management and/or those charged with governance	<ul style="list-style-type: none"> <li>▶ Written representations we are requesting from management and/or those charged with governance</li> </ul>	Audit results report - July 2019
Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	<ul style="list-style-type: none"> <li>▶ Material inconsistencies or misstatements of fact identified in other information which management has refused to revise</li> </ul>	Audit results report - July 2019
Auditors report	<ul style="list-style-type: none"> <li>▶ Any circumstances identified that affect the form and content of our auditor's report</li> </ul>	Audit results report - July 2019
Fee Reporting	<ul style="list-style-type: none"> <li>▶ Breakdown of fee information when the audit planning report is agreed</li> <li>▶ Breakdown of fee information at the completion of the audit</li> <li>▶ Any non-audit work</li> </ul>	Audit planning report - April 2019  And  Audit results report - July 2019
Certification work	<ul style="list-style-type: none"> <li>▶ Summary of certification work</li> </ul>	Audit results report - July 2019

# Management representation letter

To be provided to management on conclusion of outlined outstanding issues

## Management Rep Letter

29 July 2019

Ernst & Young  
1 Colmore Square,  
Birmingham  
B4 6HQ,  
United Kingdom

This letter of representations is provided in connection with your audit of the consolidated and Authority financial statements of Sheffield City Region Mayoral Combined Authority ("the Group and Authority") for the year ended 31 March 2019. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the consolidated and Authority financial statements give a true and fair view of the Group and Authority financial position of Sheffield City Region Mayoral Combined Authority as of 31 March 2019 and of its financial performance and its cash flows for the year then ended in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

We understand that the purpose of your audit of our consolidated and Authority financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing, which involves an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, and is not designed to identify - nor necessarily be expected to disclose - all fraud, shortages, errors and other irregularities, should any exist.

Accordingly, we make the following representations, which are true to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

### A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.
2. We acknowledge, as members of management of the Group and Authority, our responsibility for the fair presentation of the consolidated and Authority financial statements. We believe the consolidated and Authority financial statements referred to above give a true and fair view of the financial position, financial performance and cash flows of the Group and Authority in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 and are free of material misstatements, including omissions. We have approved the consolidated and Authority financial statements.
3. The significant accounting policies adopted in the preparation of the Group and Authority financial statements are appropriately described in the Group and Authority financial statements.
4. As members of management of the Group and Authority, we believe that the Group and Authority have a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 for the Group and Authority that are free from material misstatement, whether due to fraud or error.
5. We believe that the effects of any unadjusted audit differences, summarised in the accompanying schedule, accumulated by you during the current audit and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. We have not corrected these differences identified by and brought to the attention from the auditor because they are based on an estimate and any adjustment would be disclosed within a balance that is already estimated.



# Management representation letter

## Management Rep Letter

### B. Non-compliance with law and regulations, including fraud

1. We acknowledge that we are responsible for determining that the Group and Authority's activities are conducted in accordance with laws and regulations and that we are responsible for identifying and addressing any non-compliance with applicable laws and regulations, including fraud.
2. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.
3. We have disclosed to you the results of our assessment of the risk that the consolidated and Authority financial statements may be materially misstated as a result of fraud.
4. We have no knowledge of any identified or suspected non-compliance with laws or regulations, including fraud that may have affected the Group or Authority (regardless of the source or form and including without limitation, any allegations by "whistleblowers"), including non-compliance matters:
  - involving financial statements;
  - related to laws and regulations that have a direct effect on the determination of material amounts and disclosures in the consolidated or Authority's financial statements;
  - related to laws and regulations that have an indirect effect on amounts and disclosures in the financial statements, but compliance with which may be fundamental to the operations of the Group or Authority's activities, its ability to continue to operate, or to avoid material penalties;
  - involving management, or employees who have significant roles in internal controls, or others; or
  - in relation to any allegations of fraud, suspected fraud or other non-compliance with laws and regulations communicated by employees, former employees, analysts, regulators or others.

### C. Information Provided and Completeness of Information and Transactions

1. We 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 matters;
  - Additional information that you have requested from us for the purpose of the audit; and
  - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
2. All material transactions have been recorded in the accounting records and are reflected in the consolidated and Authority financial statements.
  3. We have made available to you all minutes of the meetings of the Group and Authority, and committees held through the year to the most recent meeting.
  4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Group and Authority's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the year ended, as well as related balances due to or from such parties at the year end. These transactions have been appropriately accounted for and disclosed in the consolidated and Authority financial statements.
  5. We believe that the significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
  6. We have disclosed to you, and the Group and Authority has complied with, all aspects of contractual agreements that could have a material effect on the consolidated and Authority financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.



## Appendix B

# Management representation letter

### Management Rep Letter

#### **D. Liabilities and Contingencies**

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the consolidated and Authority financial statements.
2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.
3. We have recorded and/or disclosed, as appropriate, all liabilities related litigation and claims, both actual and contingent, and have disclosed all guarantees that we have given to third parties

#### **E. Subsequent Events**

1. There have been no events subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.

#### **F. Other information**

1. We acknowledge our responsibility for the preparation of the other information. The other information comprises the information in the Statement of Accounts other than the financial statements and the Independent Auditor's Report.
2. We confirm that the content contained within the other information is consistent with the financial statements.

Yours faithfully,  
(Senior Finance Manager / Deputy s73 Officer)  
(Chair of Mayoral Combined Authority)

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ED None

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