

**Sheffield City Region
Mayoral Combined
Authority Group**

Year ended 31/03/2020

16 November 2020



Private and Confidential

16th November 2020

Sheffield City Region Mayoral Combined Authority
11 Broad Street West,
Sheffield,
S1 2BQ

Dear MCA Board Members

We are pleased to attach our audit results report for the forthcoming meeting of the Combined Authority. This report summarises our preliminary audit conclusion in relation to the audit of Sheffield City Region Mayoral Combined Authority for 2019/20.

We have substantially completed our audit of Sheffield City Region Mayoral Combined Authority for the year ended 31 March 2020.

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, before the statutory deadline of 30th November 2020. 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 Those Charged with Governance, other members of the Combined 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 meeting on 16 November 2020.

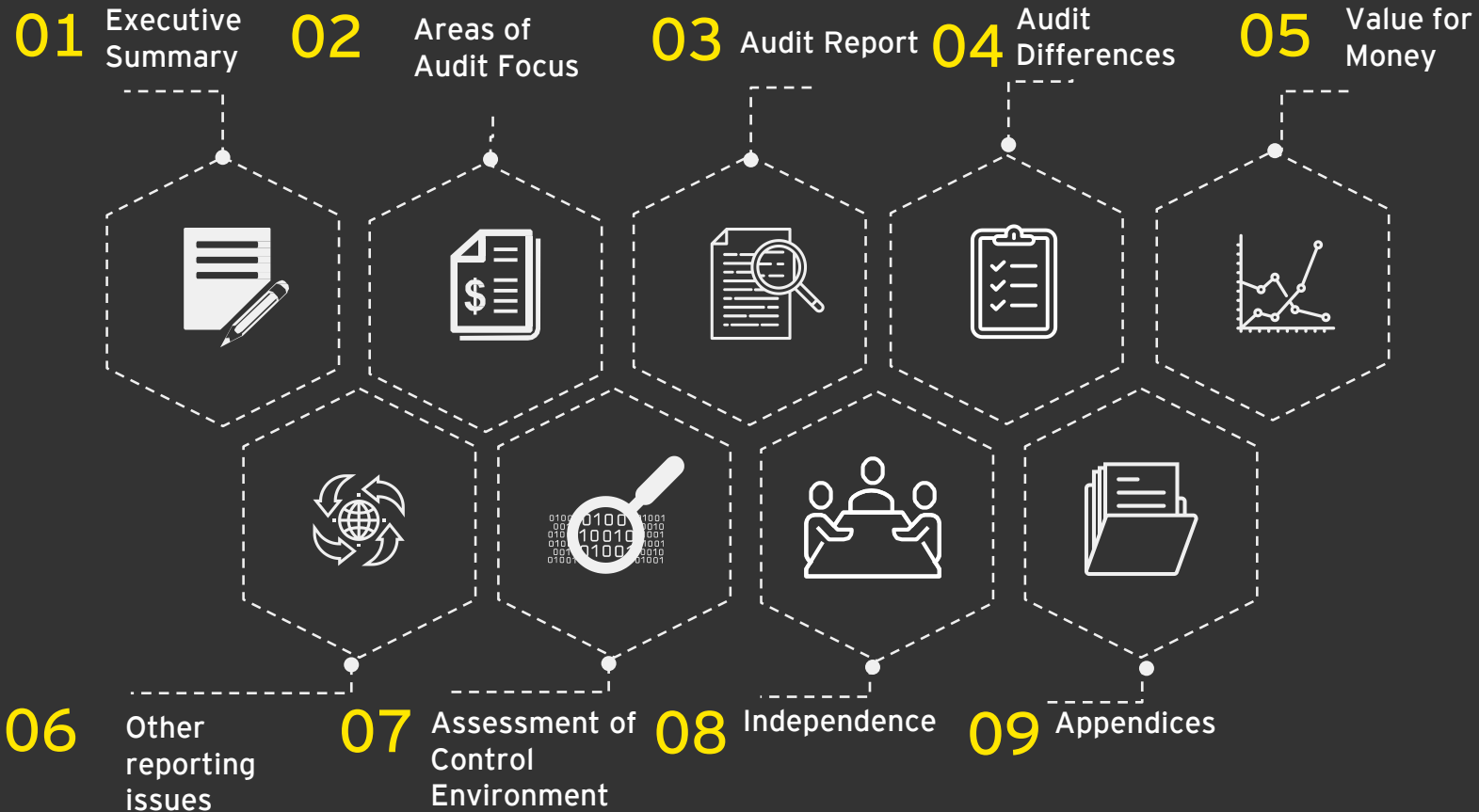
Yours faithfully

Stephen Clark

Partner

For and on behalf of Ernst & Young LLP

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.psaa.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 Audit Results Report 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 Hywel Ball, 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

Scope update

In our audit planning report presented at the March Audit and Standards Committee meeting and our Audit Progress Report presented in July, we provided Audit and Standards Committee members 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:

Changes to reporting timescales

As a result of COVID-19, new regulations, the Accounts and Audit (Coronavirus) (Amendment) Regulations 2020 No. 404, have been published and came into force on 30 April 2020. This announced a change to publication date for final, audited accounts from 31 July to 30 November 2020 for all relevant authorities.

Changes to our risk assessment as a result of Covid-19

- ▶ **Valuation of Property Plant and Equipment** - The Royal Institute of Chartered Surveyors (RICS), the body setting the standards for property valuations, has issued guidance to valuers highlighting that the uncertain impact of Covid-19 on markets might cause a valuer to conclude that there is a material uncertainty. Caveats around this material uncertainty have been included in the year-end valuation reports produced by the Authority's external valuer. We consider that the material uncertainties disclosed by the valuer gave rise to an additional risk relating to disclosures on the valuation of property, plant and equipment.
- ▶ **Disclosures on Going Concern** - Financial plans for 2020/21 and medium term financial plans will need revision for Covid-19. We considered the unpredictability of the current environment gave rise to a risk that the Local Authority would not appropriately disclose the key factors relating to going concern, underpinned by managements assessment with particular reference to Covid-19 and the Local Authority's actual year end financial position and performance.
- ▶ **Events after the balance sheet date** - We identified an increased risk that further events after the balance sheet date concerning the current Covid-19 pandemic will need to be disclosed. The amount of detail required in the disclosure needed to reflect the specific circumstances of the Local Authority.

Changes in materiality

- ▶ The basis of our assessment has remained consistent with prior years at 2% of gross operating expenditure. We updated our planning materiality assessment using the draft financial statements and have also reconsidered our risk assessment. Based on our materiality measure of operating revenue we have updated our overall materiality assessment to £2.93m (£2.72m in the Audit Planning Report). This results in updated performance materiality, at 75% of overall materiality, of £2.20m (£2.04m), our threshold for reporting misstatements remains unchanged at £148k.

Information Produced by the Entity (IPE): We identified an increased risk around the completeness, accuracy, and appropriateness of information produced by the entity due to the inability of the audit team to verify original documents or re-run reports on-site from the Authority's systems. We undertook the following to address this risk:

- Used the screen sharing function of Microsoft Teams to evidence re-running of reports used to generate the IPE we audited; and
- Agree IPE to scanned documents or other system screenshots.

Executive Summary

Status of the audit

We have substantially completed our audit of The Combined Authority's financial statements for the year ended 31/03/2020 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 financial statements in the form which appears at Section 3. However until work is complete, further amendments may arise:

- ▶ Completion of audit work on pensions - We await the IAS19 response from the pension fund auditor to allow us to complete our audit procedures.
- ▶ Review of final Annual Report, Financial Statements and Annual Governance Statement
- ▶ Internal consultation on audit opinion
- ▶ Receipt of signed letter of representations
- ▶ Review of Post Balance Sheet Events up to the date of signing
- ▶ Completion of review of our audit procedures

Audit differences

We have so far not identified any audit differences in the draft financial statements which management has chosen not to adjust.

We have identified audit differences with an aggregated impact of £2.26m 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 other matters, apart from those reported by management or disclosed in this report, which we believe should be brought to the attention of Those Charged with Governance.



Executive Summary

Control observations

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

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.

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 Sheffield City Region Mayoral Combined Authority. We have no matters to report as a result of this work.

We have performed the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts submission. We have no other matters to report.

We have no other matters to report.

Independence

Please refer to Section 8 for our update on Independence.



02

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 judgements are we focused on?

Misstatements that occur in relation to the risk of fraud in revenue and expenditure recognition, which could affect the reported income and expenditure accounts.

What did we do?

- We reviewed revenue and expenditure recognition accounting policies to ensure the treatment was consistent with prior year.
- We discussed any changes to accounting policies with management prior to conducting any testing.
- We have tested the valuation of accrued income recorded in the financial statements and performed appropriate tests to consider whether all material amounts have been correctly recognised.
- We have tested revenue and expenditure cut-off at the period end date.
- We have conducted substantive testing to identify unrecorded liabilities at the year-end

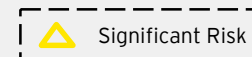
Testing of revenue and expenditure has been supported through the use of data analytics tools to aid sample selection. The data analysis tools enable the full population of income and expenditure to be included within the sample population. The population have been filtered to enable testing to focus 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 of the Combined Authority had been misreported.

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 judgements are we focused on?

Misstatements that occur in relation to the risk of fraud.

What did we do?

We have:

- Identified any risks relating to fraud risks during the planning stages.
- Made enquiries with management about risks of fraud and the controls that in place to address those risks.
- Developed an understanding of the oversight given by those charged with governance of management's processes over fraud.
- Reviewed the effectiveness of management's controls designed to address the risk of fraud.
- Developed an appropriate strategy to address those identified risks of fraud.
- Performed mandatory procedures, regardless of specifically identified fraud risks, including:
- Tested journal entries and other adjustments in the preparation of the financial statements;
- Reviewed the accounting estimates in the statements for evidence of management bias; and
- Evaluated the business rationale for significant unusual transactions.

What are our conclusions?

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

We have not identified any evidence of material management override.

Our testing of a sample of journals has 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.

We did not identify any transactions during our audit which appeared unusual or outside the normal course of business of the Combined Authority.



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) and Investment Properties (IP) represent significant balances in the Authority's accounts and are subject to valuation changes, impairment reviews and depreciation charges. Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet.

What did we do?

- ▶ Considered the work performed by the Authority'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 annual cycle of valuations to ensure that assets have been valued within a 5 year rolling programme as required by the Code for PPE and annually for IP. We have also considered if there are any specific changes to assets that have occurred and that these have been communicated to the valuer;
- ▶ Reviewed assets not subject to valuation in 2019/20 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?

Our work has considered the work of the external valuer to the Sheffield City Region Mayoral Combined Authority and Group; and also the impact of COVID-19 on wider market conditions.

We have reviewed the Property, Plant and Equipment and Investment Property balances against widely available information.

The valuation basis of the Combined Authority offices at Broad Street West is Current Value - Existing Use Value, for which Market Uncertainty exists at the balance sheet date. It has therefore been appropriate for the Combined Authority to disclose this uncertainty in the financial statement disclosures. We bring attention to this in our audit opinion.

We have not identified any other issues in this area to bring to your attention.



Areas of Audit Focus

Other Risk

Local Government pension Scheme

What is the risk?

The Authority, under IAS19 is required to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme.

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.

Covid-19 has had an impact on the delivery of IAS19 reports; preparation of draft pension fund statements from The pension authority and will therefore add a further delay to the completion of the pension fund audit. This will have an impact on how we gain our assurance over the IAS19 figures in the financial statements.

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
- ▶ Reviewed and tested the accounting entries and disclosures made within the Authority's financial statements in relation to IAS19.

What are our conclusions?

At the time of writing, we are currently awaiting the work of the pension fund auditor which will allow us to complete our work in this area.

We expect to have received our assurance from the pension fund auditor prior to the meeting of the MCA Board.



Areas of Audit Focus

Other areas of audit focus - applies to SYPTE only

Financial Ledger upgrade

What is the risk?

SYPTE has upgraded the Epicor General Ledger system from version 7.4 to version 10, with the new system going live in January 2020. We will be required to perform procedures over the transfer of data to obtain assurance that the financial statements are based on a complete set of transactions.

What did we do?

We have:

- ▶ Considered work performed by management and internal audit to obtain assurance over the completeness of the data transfer;
- ▶ Reviewed and tested the reconciliations performed between systems as part of the data transfer; and
- ▶ Liaised with our IT audit colleagues to support us in obtaining assurance that data transferred between systems is complete and accurate.

What are our conclusions?

Our work in this area has been completed. We have performed checks on the completeness of data transfers including substantive procedures to agree balances between systems. In order to achieve efficiencies, we planned alongside management that our data analytics work was performed in two distinct and separate parts. This meant that the data extraction exercises required to obtain transaction populations for testing, was done in a way that eliminated the need for reconciling our interim testing to the testing performed at our final accounts visit. The remaining data analytics work to assess completeness of data was therefore able to utilise the same approach to completeness as our substantive audit work.

We have no findings to report to the Audit and Standards committee in relation to this work. Due to their being additional work necessary in performing additional testing and two sets of data analytics work, section 8 of this report outlines a proposed Scale Fee Variation.



Areas of Audit Focus

Other Risk



Other matters

Going Concern

This auditing standard has been revised in response to enforcement cases and well-publicised corporate failures where the auditor's report failed to highlight concerns about the prospects of entities which collapsed shortly after.

We did not identify Going Concern as a significant risk in the Audit Plan. This is now an inherent risk to the audit following Covid-19. Financial plans for 2020/21 will need revision for Covid-19. We consider the unpredictability of the current environment to give rise to a risk that the Combined Authority will not prepare their financial statements on the appropriate basis. For 2020/21 the impact is mitigated by the confirmation from that transport the Levy, required to fund the vast majority of the Combined Authority's travel operations, will be paid at previously agreed levels. Earmarked reserves have been set aside to absorb the 20/21 impact on income on SYPTE and the AMP. Even after factoring in the shocks caused by Covid-19, the authority carries significant useable reserves and, importantly, a strong liquidity position to ensure that there is no genuine risk of the Combined Authority requiring the use of external sources of funding to support revenue activities.

We agree with management's assessment that the financial statements should be prepared on a going concern basis.



Areas of Audit Focus



Other matters (continued)

IFRS16 - leases

IFRS 16 Leases was issued by the IASB in 2016. Its main impact is to remove (for lessees) the traditional distinction between finance leases and operating leases. Finance leases have effectively been accounted for as acquisitions (with the asset on the balance sheet, together with a liability to pay for the asset acquired). In contrast, operating leases have been treated as “pay as you go” arrangements, with rentals expensed in the year they are paid. IFRS 16 requires all substantial leases to be accounted for using the acquisition approach, recognising the rights acquired to use an asset.

IFRS 16 is being applied by HM Treasury in the Government Financial Reporting Manual (FReM) from 1 April 2020. However, the new standard will impact on 2019/20, as bodies need to have assessed the impact of the standard for the 2020/21 planning round. IAS 8 requires entities to disclose assessment in the 2019/20 accounts of the possible impact of implementing. All bodies should be in a position to estimate this impact before 1 April 2020 and are therefore expected to make these disclosures unless immaterial.

Following the outbreak of COVID-19, the implementation date of the new standard has been delayed to 1 April 2021.

We will therefore not report any progress against the implementation of this new standard this year.

Although this was communicated verbally to the Audit and Standards Committee in March, our report had already been submitted for inclusion in the papers, therefore we are formalising our communication of this matter in this report.



03 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 2020 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 1 to 73.

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 2019/20.

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 2020 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 2019/20.

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

Other information

The other information comprises the information included in the annual report set out on pages 5 to 22, other than the financial statements and our auditor's report thereon. The Group 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 April 2020, 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 2020.

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 Group Chief Financial Officer

As explained more fully in the Statement of the Group Chief Financial Officer Responsibilities set out on page 46, the Group 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 2019/20, and for being satisfied that they give a true and fair view.

In preparing the financial statements, the Group Chief Financial 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 April 2020, as to whether the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider 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 2020.

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.

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)
Birmingham
November 2020



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 unadjusted differences

There were no unadjusted misstatements exceeding our reporting threshold.

Summary of adjusted differences - Combined Authority Only

Uncorrected misstatements 31/03/2020	Effect on the current period:		Balance Sheet (Decrease)/Increase			
	Equity	Income statement Debit/(Credit)	Assets current Debit/ (Credit)	Assets non current Debit/ (Credit)	Liabilities current Debit/ (Credit)	Liabilities non- current Debit/ (Credit)

The draft statements included a provision made in order to recognise the impact the COVID-19 would have on the 2020/21 income. Accounting Standards prohibit provisions being made against future expected losses, therefore this has been re-presented as an earmarked reserve.

Dr Provisions (Balance Sheet)				500,000		
Cr Provisions (CIES)		(500,000)				
Dr General Fund Balance	500,000					
Cr Earmarked Covid-19 Reserve (MiRS)	(500,000)					

The draft statements included recharges that were not taken out during the financial closedown process.

Dr Income on Provision on Services (LEP)		2,260,000		500,000		
Cr Expenditure on Provision on Services (LEP)		(2,260,000)				
Total Impact	-	(500,000)		500,000		

Presentation and Disclosure

We have suggested a number of amendments to improve the presentation and disclosure of the financial statements. Notes amended as a result of these suggestions include disclosures in relation to Financial Instruments, Property, Plant and Equipment, and also some corrections to some prior year comparative figures.

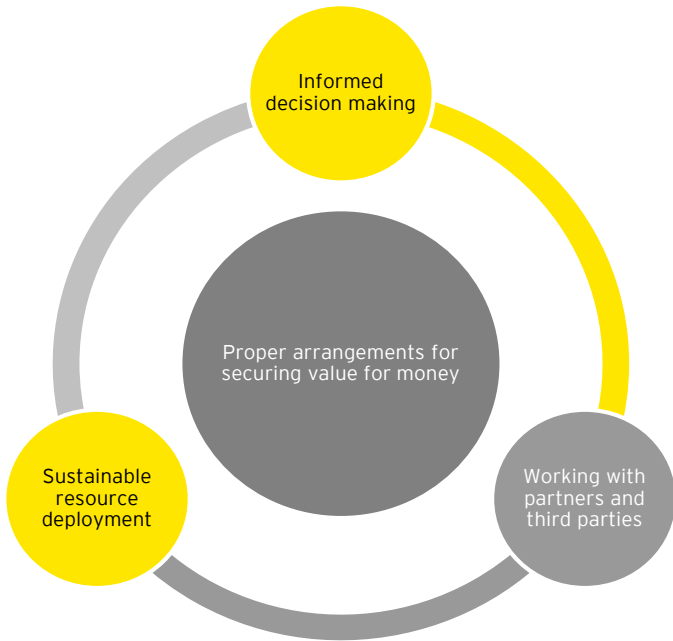


05

Value for Money



Value for Money



Background

We are required to consider whether the Combined 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 2019/20 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.

Impact of covid-19 on our Value for Money assessment

On 16 April 2020 the National Audit Office published an update to auditor guidance in relation to the 2019/20 Value for Money assessment in the light of covid-19. This clarified that in undertaking the 2019/20 Value for Money assessment auditors should consider Local Authorities’ response to Covid-19 only as far as it relates to the 2019-20 financial year; only where clear evidence comes to the auditor’s attention of a significant failure in arrangements as a result of Covid-19 during the financial year, would it be appropriate to recognise a significant risk in relation to the 2019-20 VFM arrangements conclusion.

Overall conclusion

We did not identify any significant risks around these criteria or any other significant weaknesses or issues we want to bring to your attention.

We therefore expect having no matters to report about your arrangements to secure economy, efficiency and effectiveness in your use of resources.



06 Other reporting issues

Other reporting issues

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 account 19/20 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 2019/2020 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

Sheffield City Region Mayoral Combined Authority is below the threshold for requiring additional audit procedures in relation to your Whole of Government Accounts return. We therefore have no issues to raise to you in regards to this.

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 those charged with governance, 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.



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	Internal Recharges	Rating
Observation	<p>Within our testing of service recharges, we identified that the draft statements included a grossed-up position meaning that both Income and Expenditure were overstated by £2.26m.</p> <p>The Financial Statement Closedown Process should be enhanced to ensure there is a check performed to remove any recharges in future years</p>	
Management comment	<p>The migration of the MCA to a new financial system has allowed the MCA to implement a new chart of accounts and coding system that will enable internal recharge income and expenditure to be more easily disaggregated from other items.</p>	



08

Independence

Independence

Confirmation and analysis of Audit fees

We confirm there are no changes in our assessment of independence since our confirmation in our audit planning board report dated 26 March 2020.

We complied with the APB Ethical Standards. 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 that should be reviewed by both you and ourselves. It is therefore important that you and your Audit and Standards Committee consider the facts of which you are aware and come to a view. If you wish to discuss any matters concerning our independence, we will be pleased to do so at the forthcoming meeting of the Audit and Standards Committee on 29/10/2020

As part of our reporting on our independence, we set out below a summary of the fees you have paid us in the year ended 31/03/2020.

We confirm that we have not undertaken non-audit work. We have adopted the necessary safeguards in our completion of this work and complied with Auditor Guidance Note 1 issued by the NAO in December 2017.

	Planned fee 2019/20	Scale fee 2019/20	Final Fee 2018/19
	£	£	£
Total Fee - Code work (N 1)	TBC (N 2)	29,414	40,791
Disputed Scale Fee Variation sent to PSAA for arbitration	TBC (N 3)	-	1,556
Total relating to SCRMCA	TBC	29,414	42,347

(1) The 18/19 Code work includes an additional fee of £11,377 which relates to additional work reviewing

- adjustments relating to the accounting treatment for SYITA Properties Ltd
- additional defined benefit obligation liabilities arising from the McCloud Judgement
- adjustment relating to accounting entries for historic impairments

We have agreed the variation with officers, but are awaiting approval from PSAA

(2) For 2019/20, the scale fee will be impacted by a range of factors which have result in additional work. We will communicate these further with you once our work is completed but will include:

- assessment of going concern in light of COVID-19 (Exp: c£2,500)
- Increased risk assessment and procedures on PPE valuations in light of market uncertainty created by COVID-19 (Exp: c£1,500)
- Additional work relating to assessment of risk and internal consultation relating to South Yorkshire Pensions (To be fully calculated - this may increase dependent on the outcome of any reporting)
- In our report to the Audit and Risk Committee of SYPTE we have also outlined an expected £4,000 Scale Fee Variation in relation to work to gain assurance over the transfer of data between the old and new financial ledger systems.

(3) We have also been in correspondence with management to outline the impact that the changing risk and regulatory environment is having on our audits and why we do not believe the existing scale fees provide a clear link with either a public sector organisation's risk or its complexity and the work required to deliver a safe audit opinion.

We outlined to management that we believe the fee for SCRMCA should be set at £50,648.

Management has not agreed to this increase in the scale fee and we have provided the PSAA with our assessment of the fee.

All additional fees are subject to approval by the PSAA

New UK Independence Standards

The Financial Reporting Council (FRC) published the Revised Ethical Standard 2019 in December and it will apply to accounting periods starting on or after 15 March 2020. A key change in the new Ethical Standard will be a general prohibition on the provision of non-audit services by the auditor (and its network) which will apply to UK Public Interest Entities (PIEs). A narrow list of permitted services will continue to be allowed.

Summary of key changes

- Extraterritorial application of the FRC Ethical Standard to UK PIE and its worldwide affiliates
- A general prohibition on the provision of non-audit services by the auditor (or its network) to a UK PIE, its UK parent and worldwide subsidiaries
- A narrow list of permitted services where closely related to the audit and/or required by law or regulation
- Absolute prohibition on the following relationships applicable to UK PIE and its affiliates including material significant investees/investors:
 - Tax advocacy services
 - Remuneration advisory services
 - Internal audit services
 - Secondment/loan staff arrangements
- An absolute prohibition on contingent fees.
- Requirement to meet the higher standard for business relationships i.e. business relationships between the audit firm and the audit client will only be permitted if it is inconsequential.
- Permitted services required by law or regulation will not be subject to the 70% fee cap.
- Grandfathering will apply for otherwise prohibited non-audit services that are open at 15 March 2020 such that the engagement may continue until completed in accordance with the original engagement terms.
- A requirement for the auditor to notify the Audit and Standards Committee where the audit fee might compromise perceived independence and the appropriate safeguards.
- A requirement to report to the Audit and Standards Committee details of any breaches of the Ethical Standard and any actions taken by the firm to address any threats to independence. A requirement for non-network component firm whose work is used in the group audit engagement to comply with the same independence standard as the group auditor. Our current understanding is that the requirement to follow UK independence rules is limited to the component firm issuing the audit report and not to its network. This is subject to clarification with the FRC.

Next Steps

We will continue to monitor and assess all ongoing and proposed non-audit services and relationships to ensure they are permitted under FRC Revised Ethical Standard 2016 which will continue to apply until 31 March 2020 as well as the recently released FRC Revised Ethical Standard 2019 which will be effective from 1 April 2020. We will work with you to ensure orderly completion of the services or where required, transition to another service provider within mutually agreed timescales.

We do not provide any non-audit services which would be prohibited under the new standard.

Other communications

EY Transparency Report 2019

Ernst & Young (EY) has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained.

Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the year end 30 June 2019:

https://assets.ey.com/content/dam/ey-sites/ey-com/en_uk/about-us/transparency-report-2019/ey-uk-2019-transparency-report.pdf



09

Appendices

Management representation letter

To be provided to management on conclusion of outlined outstanding issues

Management Rep Letter

November 2020

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 council financial statements of Sheffield City Regional Mayoral Combined Authority ("the Group and Combined Authority") for the year ended 31 March 2020. 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 council financial statements give a true and fair view of the Group and Combined Authority financial position of Sheffield City Regional Mayoral Combined Authority as of 31 March 2020 and of its financial performance (or operations) and its cash flows for the year then ended in accordance with, CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

We understand that the purpose of your audit of our consolidated and council 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 2019/20.
2. We acknowledge, as members of management of the Group and Combined 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 2019/20 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. There are no unadjusted audit differences identified during the current audit and pertaining to the latest period presented.

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 all material transactions, events and conditions are reflected in the consolidated and Combined Authority financial statements, including those related to the COVID-19 pandemic.
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.

Management representation letter

Management Rep Letter

7. From 3 October 2019 - the date of our last management representation letter, through to the date of this letter we have disclosed to you any unauthorized access to our information technology systems that either occurred or to the best of our knowledge is reasonably likely to have occurred based on our investigation, including of reports submitted to us by third parties (including regulatory agencies, law enforcement agencies and security consultants), to the extent that such unauthorized access to our information technology systems is reasonably likely to have a material impact to the financial statements, in each case or in the aggregate.

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.

G. Subsequent Events

1. On the basis of the process established by us and having made appropriate enquiries, we are satisfied that the actuarial assumptions underlying the scheme liabilities are consistent with our knowledge of the business. All significant retirement benefits and all settlements and curtailments have been identified and properly accounted for.

Yours faithfully,

(Group Chief Finance Officer)



(Director or member of Audit and Standards Committee)

Appendix B

Accounting and regulatory update (optional)

Accounting update



Since the date of our last report to the Audit and Standards Committee/Board, a number of new accounting standards and interpretations have been issued. The following table provides a high level summary of those that have the potential to have the most significant impact on you:

Name	Summary of key measures 	Impact on the Combined Authority 
IFRS 16	<ul style="list-style-type: none">▶ HM Treasury have agreed with the Financial Reporting Advisory Board (FRAB) to defer the implementation of IFRS 16 Leases until 1 April 2021. This is because of the circumstances caused by Covid-19	<ul style="list-style-type: none">▶ Consider systems impact and need to gather information for comparatives▶ Consider timetable to implementation

Appendix B

Regulatory update



Since the date of our last report to the Audit and Standards Committee/Board, there have been a number of regulatory developments. The following table provides a high level summary of those that have the potential to have the most significant impact on you:

Name	Summary of key measures 	Impact on the Combined Authority 
ISA (UK) 570 (Revised September 2019)	<ul style="list-style-type: none"> ▶ The standard is effective for audits of financial statements for periods commencing on or after 15 December 2019, however EY expects to early- adopt the revised standard for all of our audits of periods ending on or after 30 June 2020; ▶ This auditing standard has been revised in response to enforcement cases and well-publicised corporate failures where the auditor's report failed to highlight concerns about the prospects of entities which collapsed shortly after; ▶ The revised standard increases the work we are required to perform when assessing whether the authority is a going concern and means UK auditors will follow significantly stronger requirements than those required by current international standards; <p>▶ The revised standard requires:</p> <ul style="list-style-type: none"> • greater work for us to challenge management's assessment of going concern, thoroughly test the adequacy of the supporting evidence we obtained, evaluate the risk of management bias, and make greater use of the viability statement. Our challenge will be made based on our knowledge of the authorities obtained through our audit, which will include additional specific risk assessment considerations which go beyond the current requirements; • improved transparency with a new reporting requirement for public interest entities, listed and large private companies to provide a clear, positive conclusion on whether management's assessment is appropriate, and to set out the work we have done in this respect; • a stand back requirement to consider all of the evidence obtained, whether corroborative or contradictory, when we draw our conclusions on going concern; and • Necessary consideration regarding the appropriateness of financial statement disclosures around going concern. <p>The revised standard extends requirements to report to regulators where we have concerns about going concern.</p>	<ul style="list-style-type: none"> ▶ Whilst the revised standard is for EY as auditors, it will have an impact on the management of the authority as additional going concern forecasts might need to be prepared in response to our identified risks. However, it does not change the responsibilities of management or those charged with governance; ▶ We are anticipating the audit effort required to obtain sufficient and appropriate audit evidence to conclude on the appropriateness of management's use of the going concern basis of accounting in the preparation of the financial statements, including related disclosures and auditor reporting, will increase; and ▶ For the authority the revised standard is effective for the audit of the financial statements for the period ended 31 March 2021

Appendix B

Regulatory update - Continued





Since the date of our last report to the Audit and Standards Committee/Board, there have been a number of regulatory developments. The following table provides a high level summary of those that have the potential to have the most significant impact on you:

Name	Summary of key measures 	Impact on the Combined Authority 
Independence	<ul style="list-style-type: none"> ▶ The Financial Reporting Council (FRC) published the Revised Ethical Standard 2019 in December and will be effective from 15 March 2020. A key change in the new Ethical Standard will be a general prohibition on the provision of non-audit services by the auditor (and its network) which will apply to companies that are UK Public Interest Entities (PIEs) . This prohibition will also extend to any UK parent and apply to all worldwide subsidiaries. A narrow list of permitted services will continue to be allowed 	<ul style="list-style-type: none"> ▶ ▶ We will continue to monitor and assess all ongoing and proposed non-audit services and relationships to ensure they are permitted under the FRC Revised Ethical Standard 2019 which will Be effective from 15 March 2020. Non-audit services which are in progress as at 15 March 2020 and are permitted under the existing ethical standard will be allowed to continue under the existing engagement terms until completed. We will work with you to ensure orderly completion of the services or where required, transition to another service provider within mutually agreed timescales. ▶ To date we have not identified any non-audit services being provided to the Authority
Code of Audit Practice 2020	<ul style="list-style-type: none"> ▶ The updated Code of Audit Practice issued by the National Audit Office has introduced some significant changes to the requirements regarding auditors' work on the value for money conclusion, which will be applicable from 2020/21. 	<ul style="list-style-type: none"> ▶ The NAO are currently updating the Auditor Guidance Notes which will set out how the new Code of Audit Practice should be applied when carrying out value for money work. As such, the impact remains to be confirmed. ▶ Further updates will be provided when possible.





Appendix C

Required communications with the Audit and Standards Committee

There are certain communications that we must provide to the Audit and Standards 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?	  When and where
Terms of engagement	Confirmation by the those charged with governance 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 26 March 2020
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified.	Audit planning report 26 March 2020
Significant findings from the audit	<ul style="list-style-type: none"> ▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures ▶ Significant difficulties, if any, encountered during the audit ▶ Significant matters, if any, arising from the audit that were discussed with management ▶ Written representations that we are seeking ▶ Expected modifications to the audit report ▶ Other matters if any, significant to the oversight of the financial reporting process 	Audit results report 29 October 2020




Appendix C

		 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"> ▶ Whether the events or conditions constitute a material uncertainty ▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▶ The adequacy of related disclosures in the financial statements 	Audit results report 29 October 2020
Misstatements	<ul style="list-style-type: none"> ▶ Uncorrected misstatements and their effect on our audit opinion ▶ The effect of uncorrected misstatements related to prior periods ▶ A request that any uncorrected misstatement be corrected ▶ Material misstatements corrected by management 	Audit results report 29 October 2020
Subsequent events	<ul style="list-style-type: none"> ▶ Enquiry of the Audit and Standards Committee where appropriate regarding whether any subsequent events have occurred that might affect the financial statements. 	Audit results report 29 October 2020
Fraud	<ul style="list-style-type: none"> ▶ Enquiries of the Audit and Standards Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the Authority ▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist ▶ 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"> a. Management; b. Employees who have significant roles in internal control; or c. Others where the fraud results in a material misstatement in the financial statements. ▶ The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected ▶ Any other matters related to fraud, relevant to Audit and Standards Committee responsibility. 	Audit results report 29 October 2020




Appendix C

		Our Reporting to you
Required communications	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"> ▶ Non-disclosure by management ▶ Inappropriate authorisation and approval of transactions ▶ Disagreement over disclosures ▶ Non-compliance with laws and regulations ▶ Difficulty in identifying the party that ultimately controls the Authority 	Audit results report 29 October 2020
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"> ▶ The principal threats ▶ Safeguards adopted and their effectiveness ▶ An overall assessment of threats and safeguards ▶ Information about the general policies and process within the firm to maintain objectivity and independence 	<p>Audit planning report 26 March 2020</p> <p>And</p> <p>Audit results report 29 October 2020</p>

Appendix C

		 Our Reporting to you
Required communications	 What is reported?	 When and where
External confirmations	<ul style="list-style-type: none"> ▶ Management's refusal for us to request confirmations ▶ Inability to obtain relevant and reliable audit evidence from other procedures. 	Audit results report 29 October 2020
Consideration of laws and regulations	<ul style="list-style-type: none"> ▶ 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 ▶ 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 	Audit results report 29 October 2020
Significant deficiencies in internal controls identified during the audit	<ul style="list-style-type: none"> ▶ Significant deficiencies in internal controls identified during the audit. 	Audit results report 29 October 2020

Appendix C

		 Our Reporting to you
Required communications	 What is reported?	 When and where
Written representations we are requesting from management and/or those charged with governance	<ul style="list-style-type: none"> ▶ Written representations we are requesting from management and/or those charged with governance 	Audit results report 29 October 2020
Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	<ul style="list-style-type: none"> ▶ Material inconsistencies or misstatements of fact identified in other information which management has refused to revise 	Audit results report 29 October 2020
Auditors report	<ul style="list-style-type: none"> ▶ Any circumstances identified that affect the form and content of our auditor's report 	Audit results report 29 October 2020
Fee Reporting	<ul style="list-style-type: none"> ▶ Breakdown of fee information when the audit planning report is agreed ▶ Breakdown of fee information at the completion of the audit ▶ Any non-audit work 	Audit planning report 26 March 2020 and Audit results report 29 October 2020

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