



Draft Audit Completion Report

(as at 12 July 2019)

Liverpool City Region Combined Authority

Year ending 31 March 2019

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Our reports are prepared in the context of the 'Statement of responsibilities of auditors and audited bodies' and the 'Appointing Person Terms of Appointment' issued by Public Sector Audit Appointments Limited.

Reports and letters prepared by appointed auditors and addressed to the Authority are prepared for the sole use of the Authority and we take no responsibility to any member or officer in their individual capacity or to any third party.

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Members of the Audit and Governance Committee

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12 July 2019

Dear Members

Audit Completion Report – Year ended 31 March 2019

We are pleased to present our Audit Completion Report for the year ended 31 March 2019. The purpose of this document is to summarise our audit conclusions.

The scope of our work, including identified significant audit risks and other areas of management judgement, was outlined in our Audit Strategy Memorandum which we presented on 20 March 2019, following presentation to the Authority on 8 March 2019. We have reviewed our Audit Strategy Memorandum and concluded that the original significant audit risks and other areas of management judgement remain appropriate. We would like to express our thanks for the assistance of your team during our audit.

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

If you would like to discuss any matters in more detail then please do not hesitate to contact me on 0151 237 2238 .

Yours faithfully

Signed: {{_es_.signer1:signature }}

Gareth Hitchmough
Mazars LLP

1. EXECUTIVE SUMMARY

Purpose of this report and principal conclusions

The Audit Completion Report sets out the findings from our audit of Liverpool City Region Combined Authority ('the Authority') for the year ended 31 March 2019, and forms the basis for discussion at the Audit and Governance Committee meeting on 24 July 2019.

The detailed scope of our work as your appointed auditor for 2018/19 is set out in the National Audit Office's (NAO) Code of Audit Practice. Our responsibilities and powers are derived from the Local Audit and Accountability Act 2014 and, as outlined in our Audit Strategy Memorandum, our audit has been conducted in accordance with International Standards of Auditing (UK) and means we focus on audit risks that we have assessed as resulting in a higher risk of material misstatement.

Sections 2 and 5 of this report outline the detailed findings from our work on the financial statements and our conclusion on the Authority's arrangements to achieve economy, efficiency and effectiveness in its use of resources. Section 2 also includes our conclusions on the audit risks and areas of management judgement in our Audit Strategy Memorandum, which include:

- Management override of control
- Revenue recognition
- Valuation of property, plant and equipment; and
- Valuation of the net pension liability.

Status of our work

As we outline on the following page, our work is substantially complete. Subject to the satisfactory completion of the outstanding work, at the time of issuing this report we have the following conclusions:

Opinion on the financial statements

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

Value for Money conclusion

We anticipate concluding that the Authority had proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources. Our draft auditor's report, including proposed conclusion, is provided in Appendix B.

Whole of Government Accounts (WGA)

We anticipate completing our work on your WGA submission, in line with the group instructions issued by the NAO, by the deadline of 31 August 2019.

Wider powers

The 2014 Act requires us to give an elector, or any representative of the elector, the opportunity to question us about the accounting records of the Authority and to consider any objection made to the accounts. At the time of drafting this report, we do not anticipate needing to use our wider reporting powers.

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Value for Money conclusion

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1. EXECUTIVE SUMMARY




Status of our audit work

At this stage of the audit (July 12th) we are yet to complete all of our work on the financial statements however our work in relation to your Value for Money conclusion for the year ended 31 March 2019 is complete and our findings set out at Section 5. At the time of preparing this report the following matters remain outstanding:

Audit area	Status	Description of outstanding matters
Pension Liability		Following a Supreme Court ruling at the end of June 2019, Management are now discussing the implications of the McCloud and GMP equalisation cases with the actuary in respect of the estimate of pension fund liabilities. This is likely to result in a revised valuation and an increase in the gross pension liabilities to be disclosed in the 2018/19 Statement of Accounts.
Property Plant & Equipment valuation		We are yet to complete our all of our testing programme in relation to Property Plant and Equipment
Income & Expenditure		We are finalising our testing of a sample of income and expenditure with a small number of sample transactions we selected for testing yet to be reviewed including testing of leases
Group Consolidation		We will complete our work on consolidation once other fieldwork is complete
Cash and Bank		Two bank confirmations remain outstanding and we are still completing our assessment of the cash and bank arrangements for the Combined Authority and Merseytravel
Financial Instruments		Our work to date has identified the need for a number of amendments to the Financial Instruments disclosures.
Signed final statements and signed Management Representation Letter		Following the Authority meeting on 26 July 2019 the Authority will provide signed and copies of the financial statements, annual governance statement and Management Representation Letter and we will update and conclude our post balance sheet events review, to the date of signing the opinion and complete our final checks.

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

Status

-  Likely to result in material adjustment or significant change to disclosures within the financial statements
-  Potential to result in material adjustment or significant change to disclosures within the financial statements
-  Not considered likely to result in material adjustment or change to disclosures within the financial statements

Misstatements and internal control recommendations

Section 3 sets out our assessment of your internal controls and Section 4 outlines misstatements noted as part of our audit as at the time of issuing this report. If any additional misstatements are noted on completion of the outstanding work, these will be reported in an updated report.



2. AUDIT APPROACH

Our audit approach

We provided details of our intended audit approach in our Audit Strategy Memorandum in March 2019. We have not made any changes to our audit approach since we presented our Audit Strategy Memorandum

Materiality

We set Group materiality at the planning stage of the audit at £6.794m for the financial statements and £4.953m for the single entity, using a benchmark of 1.8% based on your 2017/18 audited accounts gross expenditure at the Surplus/Deficit at Net Cost of Services level. Our final assessment of materiality is based on the final 2018/19 financial statements and whilst our application of qualitative factors is unchanged from that at the planning stage our final materiality levels and trivial thresholds have been revised to reflect the increase in actual expenditure. We set our trivial threshold (the level under which individual errors are not communicated to the Audit and Governance Committee as £235,000 for the Group and £178,000 for the single entity based on 3% of overall materiality.

Group Materiality element	Planning materiality	Post statement materiality
Overall materiality	£6,794,000	£7,823,000
Performance materiality – 70% of materiality	£4,755,000	£5,476,000
Trivial threshold for reporting to Audit Committee – 3% of materiality	£204,000	£235,000

Single Entity - Materiality element	Planning materiality	Post statement materiality
Overall materiality	£4,953,000	£5,920,000
Performance materiality – 70% of materiality	£3,467,000	£4,144,000
Trivial threshold for reporting to Audit Committee – 3% of materiality	£149,000	£178,000

We have also calculated materiality for specific classes of transactions, balances or disclosures where we determine that adjustments of a lesser amount than materiality for the financial statements as a whole, could reasonably be expected to influence the decisions of users taken on the basis of the financial statements. We set specific materiality for the following items of account/disclosures:

* Reflecting movement from one salary band to another

Item of account/disclosure	Specific materiality
Officer remuneration bandings (Note 9)	£5,000 *

2. SIGNIFICANT FINDINGS

Set out below are the significant findings from our audit. These findings include:

- our audit conclusions regarding significant risks and key areas of management judgement outlined in the Audit Strategy Memorandum;
- our comments in respect of the accounting policies and disclosures that you have adopted in the financial statements. On page 10 we have concluded whether the financial statements have been prepared in accordance with the financial reporting framework and commented on any significant accounting policy changes that have been made during the year;
- any further significant matters discussed with management; and
- any significant difficulties we experienced during the audit.

Significant risks and key areas of management judgement

As part of our planning procedures we considered the risks of material misstatement in the Authority's financial statements that required special audit consideration. Although we report identified significant risks at the planning stage of the audit in our Audit Strategy Memorandum, our risk assessment is a continuous process and we regularly consider whether new significant risks have arisen and how we intend to respond to these risks. We confirm that no new risks have been identified since we issued our Audit Strategy Memorandum.

Significant risk

Description of the risk

Management override of controls

In all entities, management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur, we consider there to be a risk of material misstatement due to fraud and thus a significant risk on all audits.

How we addressed this risk

We addressed this risk through performing audit work over:

- Accounting estimates impacting on amounts included in the financial statements;
- Consideration of identified significant transactions outside the normal course of business; and
- Journals recorded in the general ledger and other adjustments made in preparation of the financial statements.

Audit conclusion

There are no matters arising from our work completed to date on management override of controls.

2. SIGNIFICANT FINDINGS (CONTINUED)

Significant risk

Revenue recognition

Description of the risk

Revenue recognition

Our audit methodology incorporates this risk as a significant risk at all audits, although based on circumstances it is rebuttable. Based on our initial planning discussions we concluded that we can rebut the presumption for the majority of the Combined Authority's revenue income and expenditure. However, for the tunnels income stream we will carry out further detailed work.

How we addressed this risk

For the tunnels income stream we assessed the controls operating over this income, carried out analytical procedures and considered any more specific testing as required.

Our audit approach also incorporated testing of payments and receipts around the year-end to provide assurance that there are no material unrecorded items of income and expenditure in the 2018/19 accounts.

Audit conclusion

Our assessment of controls operating in relation to tunnel income and further testing concluded that they were effective. Accordingly, we were able to rebut the presumption for this income stream.

We identified no matters to report in relation to revenue recognition.

2. SIGNIFICANT FINDINGS (CONTINUED)

Significant risk

Property, Plant and Equipment valuation

Description of the risk

The CIPFA Code requires that where assets are subject to revaluation, their year end carrying value should reflect the fair value at that date. The Combined Authority adopts a revaluation model which sees all land and buildings revalued every five years.

The valuation of Property, Plant & Equipment involves the use of a management expert (the valuer), and incorporates material assumptions and estimates.

As a result of the rolling programme of revaluations there is a risk that individual assets not revalued for up to four years are not valued at their materially correct fair value.

How we addressed this risk

In relation to the valuation of land and buildings we have:

- Assessed the skill, competence and experience of the Combined Authority's external valuers, when appointed
- Considered whether the overall revaluation methodology used by the appointed valuer is in line with industry practice, the CIPFA Code of Practice and the Combined Authority's accounting policies;
- Critically assessed the appropriateness of the underlying data and the assumptions used in the valuer's calculations, based on our expectations by reference to sector and local knowledge;
- Assessed the movement in market indices between the revaluation dates and the year end to determine whether there have been material movements over that time; and
- Tested a sample of items of capital expenditure in 2018/19 to confirm that the additions are appropriately valued in the financial statements.

Audit conclusion

We have not yet completed our testing in relation to this risk.

2. SIGNIFICANT FINDINGS (CONTINUED)

Significant risk

Description of the risk

Defined benefit liability valuation

The net pension liability represents a material element of 's balance sheet. The Combined Authority is an admitted body of the Merseyside Pension Fund (MPF), which had its last triennial valuation completed as at 31 March 2016.

The valuation of the Local Government Pension Scheme relies on a number of assumptions, most notably around the actuarial assumptions, and actuarial methodology which results in the Combined Authority's overall valuation.

There are financial assumptions and demographic assumptions used in the calculation, such as the discount rate, inflation rates and mortality rates. The assumptions should also reflect the profile of the Combined Authority's employees, and should be based on appropriate data. The basis of the assumptions is derived on a consistent basis year to year, or updated to reflect any changes.

There is a risk that the assumptions and methodology used in valuing the Combined Authority's pension obligation are not reasonable or appropriate to the Combined Authority's circumstances. This could have a material impact to the net pension liability

How we addressed this risk

In relation to the valuation of the Combined Authority's defined benefit pension liability we have:

- Critically assessed the competency, objectivity and independence of the MPF's Actuary, Mercers;
- Liaised with the auditors of the Merseyside Pension Fund to gain assurance that the controls in place at the Pension Fund are operating effectively. This will include the processes and controls in place to ensure data provided to the Actuary by the Pension Fund for the purposes of the IAS19 valuation is complete and accurate;
- Tested payroll transactions at the Combined Authority to provide assurance over the pension contributions which are deducted and paid to the Pension Fund by the Combined Authority;
- Reviewed the appropriateness of the Pension Asset and Liability valuation methodologies applied by the Pension Fund Actuary, and the key assumptions included within the valuation. This will include comparing them to expected ranges, utilising information provided by PWC, consulting actuary engaged by the National Audit Office;
- Agreed the data in the IAS 19 valuation report provided by the Fund Actuary for accounting purposes to the pension accounting entries and disclosures in the Combined Authority's financial statements.

Audit conclusion

Our work on this risk is still in progress. Legal rulings in respect of GMP equalisation and the McCloud judgement relating to transitional provisions were only reached at the end of June 2019 and the ruling has created additional defined benefit liabilities. These were not considered in the actuary's initial estimate of the defined benefit liability that was reflected in the draft Financial statements.

Management are in the process of working with the actuary to identify the impact of these rulings on the defined benefit liabilities. This has the potential to create a material adjustment to the defined benefit liability.

2. SIGNIFICANT FINDINGS (CONTINUED)

Qualitative aspects of the Authority's accounting practices

We have reviewed the Authority's accounting policies and disclosures and concluded they comply with the requirements of the Code of Practice on Local Authority Accounting (the Code), appropriately tailored to the Authority's circumstances.

Draft accounts were received from the Authority on 31 May 2019 with a number of working papers that we required provided in early June 2019.

Management have continued to provide required working papers as the audit has progressed. At the date of preparing this report we are still waiting for responses to a number of audit queries and have further testing to complete. The provision of working papers and the timeliness of dealing with audit queries has been adversely impacted by the limited capacity of staff within the finance department, with all queries being dealt with by the two staff responsible for the preparation of the Group and single entity draft financial statements.

Significant matters discussed with management

As at 12 July 2019 we have not discussed significant matters with management.

Significant difficulties during the audit

During the course of the audit we did not encounter any significant difficulties and we have received co-operation of management.

Wider responsibilities

Our powers and responsibilities under the 2014 Act are broad and include the ability to:

- issue a report in the public interest;
- make statutory recommendations that must be considered and responded to publicly;
- apply to the court for a declaration that an item of account is contrary to law; and
- issue an advisory notice under schedule 8 of the 2014 Act.

We have not exercised any of these powers as part of our 2018/19 audit.

The 2014 Act also gives rights to local electors and other parties, such as the right to ask questions of the auditor and the right to make an objection to an item of account.



3. INTERNAL CONTROL RECOMMENDATIONS

The purpose of our audit is to express an opinion on the financial statements. As part of our audit we have considered the internal controls in place relevant to the preparation of the financial statements. We do this in order to design audit procedures to allow us to express an opinion on the financial statement and not for the purpose of expressing an opinion on the effectiveness of internal control, nor to identify any significant deficiencies in their design or operation.

The matters reported here would be limited to those deficiencies and other control recommendations that we identified during our normal audit procedures and that we consider to be of sufficient importance to merit being reported. If we had performed more extensive procedures on internal control we might have identified matters to report..

We have no internal control recommendations to bring to your attention.



4. SUMMARY OF MISSTATEMENTS

We set out below the misstatements identified for adjustment during the course of the audit, above the level of group trivial threshold of £235,000

As at 12 July we have not identified misstatements that management has assessed as not being material, either individually or in aggregate, to the financial statements and does not currently plan to adjust. Should any such amendments be identified we will provide you with detail in an updated

The second table outlines the misstatements that have been adjusted by management during the course of the audit.

Unadjusted misstatements 2018/19 – Not applicable as at 12 July 2019

	Comprehensive Income and Expenditure Statement		Balance Sheet	
	Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
1 Dr: Cr: Insert explanation				
2 Dr: Cr: Insert explanation				
Total unadjusted misstatements				

Adjusted misstatements 2018/19

Comprehensive Income and Expenditure Statement – Single entity

Our testing of the Comprehensive Income and Expenditure Statement for the Authority single entity accounts identified casting errors within the 2018/19 Gross income and Gross Expenditure disclosures that Management will correct.

Financial Instrument Note 25

Our testing of financial instruments disclosures set out at Note 25 has identified a number of errors that management has agreed to correct. We will provide further detail in our updated report.

	Comprehensive Income and Expenditure Statement		Balance Sheet	
	Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
1 Dr: short term borrowing Cr: long term borrowing	n/a	n/a	2,289	2,289
Adjustment has been agreed to move £2,289k from long term borrowing to short term borrowing in line with correct maturity split shown in the financial instruments note.				

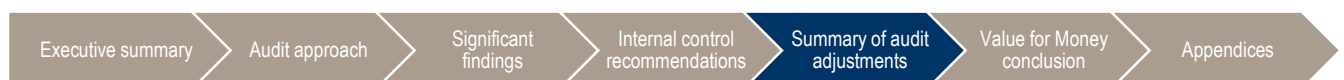
5. SUMMARY OF AUDIT ADJUSTMENTS (CONTINUED)

Adjusted audit differences 2018/19 (continued)

Disclosure adjustments

In addition to the adjustments outlined above, the Authority has made a number of amendments to the disclosures in the financial statements, including the Annual Governance Statement. The majority of these amendments are to correct relatively minor presentation issues. The more significant amendments are:

- Inclusion of an additional note to support the non taxation income as per the CIES
- Inclusion of an additional note in relation to Grant Receipts in advance
- The Authority has restated the presentation of the Group CIES to reflect more accurately the directorate structure in place. We requested that this basis for the restatement be disclosed



6. VALUE FOR MONEY CONCLUSION

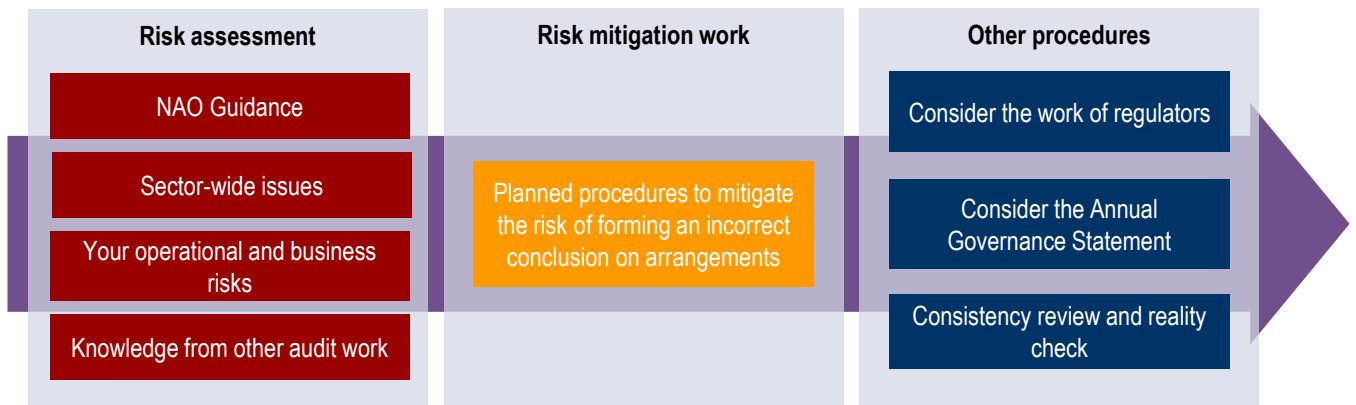
Our approach to Value for Money

We are required to form a conclusion as to whether the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The NAO issues guidance to auditors that underpins the work we are required to carry out in order to form our conclusion, and sets out the criterion and sub-criteria that we are required to consider.

The overall criterion is that, ‘in all significant respects, 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.’ To assist auditors in reaching a conclusion on this overall criterion, the following sub-criteria are set out by the NAO:

- Informed decision making;
- Sustainable resource deployment; and
- Working with partners and other third parties.

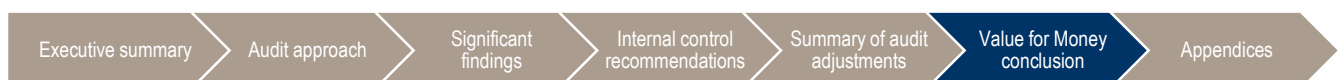
A summary of the work we have undertaken is provided below:



Significant Value for Money risks

The NAO’s guidance requires us to carry out work to identify whether or not a risk to the Value for Money conclusion exists. Risk, in the context of our Value for Money work, is the risk that we come to an incorrect conclusion rather than the risk of the arrangements in place at the Authority being inadequate. In our Audit Strategy Memorandum, we reported that we had identified one significant Value for Money risks

The work we carried out in relation to the significant risks is outlined overleaf.



5. VALUE FOR MONEY CONCLUSION (CONTINUED)

Significant Value for Money risks

Risk

Governance Arrangements – Our initial risk assessment noted the lack of risk management arrangements in place during 2017/18 and the quoracy issues of the Combined Authority key committees that resulted in an “except for” opinion being issued in 2017/18. We are aware that the Combined Authority was working to develop effective risk management arrangements and approved a risk management strategy and risk register in May 2018.

Work Undertaken and Findings

We reviewed the continued development of risk management arrangements during 2018/19 and assessed the plans in place to help ensure appropriate attendance at key Combined Authority committees so that there is adequate challenge and scrutiny of decisions.

Findings

During 2018/19 the Authority has worked to establish appropriate risk management arrangements and acknowledged the issues reflected in the qualified VFM conclusion issued in 2017/18. A number of improvement actions have taken place during 2018/19 that include holding two risk management workshops attended by senior management resulting in the compilation of a Corporate Risk Register and revision of the Corporate risk management policy to ensure that the Authority has clear guidance setting out the required approach to risk management.

In March 2019 a report prepared by the Head of Internal Audit set out that "work is ongoing to establish risk registers at Head of Service level that will identify risks linked to achievement of the corporate objectives". The report goes on to say that the challenge is to ensure arrangements become embedded and that the Audit Committee appreciates the role it needs to play to monitor the on going implementation and adherence to risk management principles. A key challenge that remains for the Authority is to ensure that the Senior Leadership Team continue to drive the process of improvement to help achieve corporate objectives.

It is clear that during 2018/19 risk management arrangements and a meaningful risk register were under development and that for the majority of the year effective/adequate arrangements were not in place. Further work is required in 2019/20 to maintain the development of risk management arrangements and to ensure that they are fully embedded. Once the Corporate framework is in place the Authority can develop more detailed departmental risk registers.

The Authority has continued to face issues of committee quoracy in 2018/19 with only half of the six Overview and Scrutiny Committee meetings held in 2018/19 being quorate and of the four 2018/19 planned Audit and Governance Committees one was cancelled and one of the remaining three meetings was not quorate.

We acknowledge that quoracy requirements for combined authority scrutiny functions are set out in legislation and reflect a much higher threshold than required within the wider local government environment. However, the Authority is aware of the required thresholds and the issue of quoracy has impacted the Authority in the last two financial years. The Authority should explore what actions it can implement to help ensure key decision making committees are quorate.

Conclusion

Based on the overall programme of work we have completed we conclude that the Authority had proper arrangements in place except for continued absence of effective risk management arrangements being in place during 2018/19 and quoracy issues in relation to key decision making committees



APPENDIX A

DRAFT MANAGEMENT REPRESENTATION LETTER

Client address]
31st July 2019

Dear Gareth

Liverpool City Region Combined Authority- audit for year ended 31 March 2019

This representation letter is provided in connection with your audit of the financial statements of Liverpool City Region Combined Authority (the Authority) for the year ended 31 March 2019 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 (the Code) and applicable law.

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

My responsibility for the financial statements and accounting information

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

My responsibility to provide and disclose relevant information

I have provided you with:

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

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

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

Accounting records

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

Accounting policies

I confirm that I have reviewed the accounting policies applied during the year in accordance with Code and International Accounting Standard 8 and consider these policies to faithfully represent the effects of transactions, other events or conditions on the Authority's financial position, financial performance and cash flows.

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DRAFT MANAGEMENT REPRESENTATION LETTER

Accounting estimates, including those measured at fair value

I confirm that any significant assumptions used by the Authority in making accounting estimates, including those measured at current or fair value, are reasonable.

Consideration should be given to including specific representations based on the nature, materiality and extent of estimation uncertainty, about the appropriateness of the measurement process, including related assumptions and models, used by management in determining accounting estimates under IFRS, and the consistency of application of the process;
that the assumptions appropriately reflect management's intent and ability to carry out specific courses of action on behalf of the entity, where relevant to the accounting estimates and disclosures;
that disclosures related to accounting estimates are complete and appropriate under IFRS;
that no subsequent event requires adjustment to the accounting estimates and disclosures included in the financial statements.

Contingencies

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

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

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

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

Laws and regulations

I confirm that I have disclosed to you all those events of which I am aware which involve known or suspected non-compliance with laws and regulations, together with the actual or contingent consequences which may arise therefrom. the Authority has complied with all aspects of contractual agreements that would have a material effect on the accounts in the event of non-compliance.

Fraud and error

I acknowledge my responsibility as Finance Director for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

I have disclosed to you:

- all the results of my assessment of the risk that the financial statements may be materially misstated as a result of fraud;
- all knowledge of fraud or suspected fraud affecting the Authority involving:
 - management and those charged with governance;
 - employees who have significant roles in internal control; and
 - others where fraud could have a material effect on the financial statements.

I have disclosed to you all information in relation to any allegations of fraud, or suspected fraud, affecting the Authority's financial statements communicated by employees, former employees, analysts, regulators or others.

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DRAFT MANAGEMENT REPRESENTATION LETTER

Related party transactions

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

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

Future commitments

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

Subsequent events

I confirm all events subsequent to the date of the financial statements and for which the Code and applicable law, require adjustment or disclosure have been adjusted or disclosed. Should further material events occur after the date of this letter which may necessitate revision of the figures included in the financial statements or inclusion of a note thereto, I will advise you accordingly.

Going concern

To the best of my knowledge there is nothing to indicate that the Authority will not continue as a going concern in the foreseeable future. The period to which I have paid particular attention in assessing the appropriateness of the going concern basis is not less than twelve months from the date of approval of the accounts.

Unadjusted misstatements - **If applicable**

I confirm that the effects of the uncorrected misstatements are immaterial, both individually and in aggregate, to the financial statements as a whole.

Please make sure the appendix is attached to the letter and not cross-referenced to the appendix in the ACR.

Yours faithfully

Treasurer / s151 officer.....



APPENDIX B

DRAFT AUDITOR'S REPORT

Independent auditor's report to the members of Liverpool City region Combined Authority

Report on the financial statements

Opinion

We have audited the financial statements of Liverpool City Region Combined Authority ('the Authority') and its subsidiaries ('the Group') for the year ended 31 March 2019, which comprise the Authority and Group Movement in Reserves Statement, the Authority and Group Comprehensive Income and Expenditure Statement, the Authority and Group Balance Sheet, the Authority and Group Cash Flow Statement, and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Authority and the Group as at 31st March 2019 and of the Authority's and the Group's expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 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 section of our report. We are independent of the Authority 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 as applicable to public interest entities, 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 Treasurer's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Treasurer 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 Treasurer is responsible for the other information. The other information comprises the information included in the Statement of Accounts, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

APPENDIX B

DRAFT AUDITOR'S REPORT

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of the Treasurer for the financial statements

As explained more fully in the Statement of Responsibilities, the Treasurer 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. The Treasurer is also responsible for such internal control as the Treasurer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Treasurer is required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 and prepare the financial statements on a going concern basis, unless the Authority is informed of the intention for dissolution without transfer of services or function to another entity. The Treasurer is responsible for assessing each year whether or not it is appropriate for the Authority to prepare its accounts on the going concern basis and disclosing, as applicable, matters related to going concern.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Matters on which we are required to report by exception under the Code of Audit Practice

We are required by the Code of Audit Practice to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make a recommendation under section 24 of the Local Audit and Accountability Act 2014; or
- we exercise any other special powers of the auditor under sections 28, 29 or 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

APPENDIX B

DRAFT AUDITOR'S REPORT

Conclusion on Liverpool City Region Combined Authority's arrangements for securing economy, efficiency and effectiveness in the use of resources

Qualified conclusion – Except for

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, with the exception of the matters described in the 'Basis for qualified conclusion' paragraph below, we are satisfied that, in all significant respects, the Authority has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

Basis for qualified conclusion

We have undertaken our review in accordance with the Code of Audit Practice issued by the Comptroller and Auditor General, having regard to the guidance on the specified criterion issued in November 2017, 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 in satisfying ourselves whether the 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, the Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. During 2018/19 both the risk management arrangements and the preparation of a meaningful risk register continued to be developed however, for the majority of the year effective arrangements were not in place to support corporate decision making

Furthermore, during the year the Authority has continued to face challenges in respect of committee quoracy with both the Audit Committee and Overview and Scrutiny Committee meetings not being quorate on a number of occasions. Both these issues are evidence of weakness in identifying and managing risks effectively and maintaining a sound system of internal control to support informed decision making.

Responsibilities of the Authority

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

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

We are required under section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice requires us to report to you our conclusion relating to proper arrangements. 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.

APPENDIX B

DRAFT AUDITOR'S REPORT

Use of the audit report

This report is made solely to the members of the Authority, as a body, in accordance with part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 44 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the members of the Authority those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members of the Authority, as a body, for our audit work, for this report, or for the opinions we have formed.

Certificate

We certify that we have completed the audit of [name] Authority in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

OR

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 these matters do not have a material effect on the financial statements or on our conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources.

In addition, we cannot formally conclude the audit and issue an audit certificate until we have completed our work on an objection raised in relation to the Authority's financial statements for the year ended 31 March 2019. We are satisfied that these matters do not have a material effect on the financial statements or on our conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources.

[Signature]

Gareth Hitchmough
For and on behalf of Mazars LLP
Mazars LLP
14th Floor,
The Plaza,
100 Old Hall Street,
LIVERPOOL,
L3 9QJA

Left in both options in case of delay – e.g. Pensions issue resolution



APPENDIX C

INDEPENDENCE AND FEES

Auditor independence

As part of our ongoing risk assessment we monitor our relationships with you to identify any new actual or perceived threats to our independence within the regulatory or professional requirements governing us as your auditors.

We can confirm that no new threats to independence have been identified since issuing the Audit Strategy Memorandum and therefore we remain independent. In particular there are no independence threats from our non-audit work disclosed below.

Audit & non-audit fees

We reported our expected audit fees in our Audit Strategy Memorandum. Below we report the audit fees at this, our Audit Completion phase. We confirm that we have not undertaken any non-audit engagements at the Authority.

Audit fees	2018/19 (actual)	2018/19 (planned)
Liverpool City Region Combined Authority	£36,334	£36,334
Total audit fees	£36,334	£36,334

CONTACT

Engagement lead name

Partner

Phone:

Mobile:

Email:

Engagement manager name

Manager / Senior Manager

Phone:

Mobile:

Email: