

Audit, Risk & Assurance Committee

Date	19 July 2023
Report title	Auditor's Annual Report on West Midlands Combined Authority 2021/22
Accountable Chief Executive	Laura Shoaf, Chief Executive Email: Laura.Shoaf@wmca.org.uk Tel: (0121) 214 7200
Accountable Employee	Linda Horne, Executive Director of Finance and Business Hub Email: Linda.Horne@wmca.org.uk Tel: (0121) 214 7508
Report to be considered by	Audit, Risk & Assurance Committee

Recommendation(s) for action or decision:

Audit, Risk & Assurance Committee is recommended to:

- (1) Note the Auditor's Annual Report on West Midlands Combined Authority for the year ended 31 March 2022; and
- (2) Approve publication of the report on the Combined Authority's website.

1.0 Purpose

- 1.1 This report presents WMCA's draft Auditor's Annual Report for the year ended 31 March 2022. The report attached as an Appendix summarises the key findings arising from the work carried out by the external audit team at Grant Thornton and is intended to provide a commentary on the results of their work to the Authority and external stakeholders.

2.0 Background

- 2.1 As part of their obligations to comply with the National Audit Office's Code of Audit Practice, Grant Thornton are required to report annually on their audit findings in respect of WMCA's statutory accounts as well as their assessment of the Authority's overall value for money arrangements.
- 2.2 In respect of value for money arrangements, the report notes that 'the Authority is well run financially with prudent forecasting and management of reserves underpinned by a strong governance structure and no significant weaknesses in arrangements have been identified.'
- 2.3 Two improvement recommendations have been made, one around the quoracy of Audit, Risk and Assurance Committee and the other around strengthening contract management arrangements across the Authority. The report also notes that two previous recommendations have been addressed or partially addressed.
- 2.4 In respect of their opinion on the financial statements, Grant Thornton reported their detailed audit findings to Audit, Risk and Assurance Committee on 24 January 2023. The audit for 2021/22 was particularly challenging and following approval of the final version of the accounts by WMCA Board on 10 February 2023, work to finalise the audit file by Grant Thornton was further delayed owing to capacity in the audit team. The report attached also notes the sector wide issue around pensions that has meant a further delay in issuing the audit opinion for 2021/22. It has now been established that further work will need to be carried out to provide assurance that the valuation of WMCA's pension fund deficit as at 31 March 2022 is still valid following the recent triennial actuarial revaluation.
- 2.5 The Finance team and Grant Thornton are working together to ensure that the audit process for the year ended 31 March 2023 will progress at a far faster pace enabling the audited Statement of Accounts to be published in time for the statutory publication deadline of 30 September 2023.
- 2.6 Despite the delays experienced in finalising the audit process for the year, it is pleasing to note that the report highlights only two adjustments required to the accounts for the year ended 31 March 2022 as follows:
1. The pension fund auditor identified a variance with the rate of return used by the actuary in the IAS 19 reports. As a result, all local government admitted bodies received revised IAS 19 reports. The impact of the revised report was to reduce the Authority's net pension liability from £42.9m to £41.1m (£1.8m reduction). Whilst this was not material, officers decided to amend this balance to ensure an accurate picture of the Authority's net pension liability is reported in the audited accounts.

2. The valuation report for assets that form part of the land fund arrived after the production of the draft financial statements. The valuation received was £5.9m less than the previous valuation which has been adjusted to ensure an accurate picture of land fund assets is recorded in the audited accounts.

2.7 A small number of disclosure changes were also identified during the course of the audit and have been made in the latest version of the financial statements.

2.8 Following consideration by the Committee, the Auditor's Annual Report for the year ended 31 March 2022 will be published on West Midlands Combined Authority's website.

3.0 Legal Implications

3.1 There are no legal implications arising from this report.

4.0 Equalities Implications

4.1 There are no equalities implications arising from this report.

5.0 Inclusive Growth Implications

5.1 West Midlands Combined Authority will continue to have due regard to proactively delivering inclusive growth in the West Midlands region. The Authority's financial statements reflect that commitment.

6.0 Geographical Area of Report's Implications

6.1 There are no geographical area implications arising from this report.

7.0 Appendices

7.1 Appendix – Auditor's Annual Report on West Midlands Combined Authority 2021/22