



Audit, Risk & Assurance Committee

Date	14 July 2020
Report title	Annual Accounts 2019/20 for West Midlands Combined Authority
Accountable Chief Executive	Deborah Cadman, OBE Chief Executive Email: Deborah.Cadman@wmca.org.uk Tel: (0121) 214 7200
Accountable Employee	Linda Horne, Finance Director Email: Linda.Horne@wmca.org.uk Tel: (0121) 214 7508
Report has been considered by	

Recommendation(s) for action or decision:

Audit, Risk & Assurance Committee is recommended to:

- (1) Approve the annual accounts.
- (2) Note the Audit Findings Report presented by Grant Thornton.
- (3) Note that Grant Thornton propose to issue an unqualified audit opinion for the accounts.
- (4) Approve the signing of the letter of representation by the Finance Director.
- (5) Note that an updated Audit Findings Report will be shared with the committee in September 2020, following receipt of the national technical team's conclusion in relation to the accounting treatment of Land Fund transactions.
- (6) Note and approve the amendments required to the accounts, should a change to the accounting treatment of Land Fund transactions be confirmed by the national technical team.
- (7) Approve that the Chair of Audit, Risk and Assurance Committee be authorised to sign off any changes required to the Narrative Report, Annual Governance Statement or accounts for 2019/20 taking into account any further updates until the end of July 2020.
- (8) Subject to no further issues being raised by Grant Thornton, approve that the Mayor and the Finance Director be authorised to sign the accounts on behalf of WMCA.

1.0 Purpose

- 1.1 This report has been prepared for the Audit, Risk & Assurance Committee to approve the annual accounts of the West Midlands Combined Authority (WMCA) for the financial year ended 31 March 2020.
- 1.2 The audit has been completed without any issues, with one unadjusted misstatement relating to a prior year transaction for the 2018/19 financial year amounting to £280k that was grant funded and had a net nil impact on the Comprehensive Income and Expenditure Statement for the WMCA.

2.0 Background

- 2.1 The accounts for the WMCA were submitted to the auditors on 18 May 2020.
- 2.2 The accounts for the WMCA were circulated to the Audit, Risk & Assurance Committee for review and comments on 3 June 2020.
- 2.3 A full review with the Chair of Audit, Risk & Assurance Committee and WMCA Finance was undertaken and comments reflected. No further comments have been received.
- 2.4 The following are attached for review and approval:
 - i) West Midlands Combined Authority financial report 2019/20
 - ii) Supplementary details of the changes required to the financial statements should the accounting treatment of Land Fund transactions be confirmed as inventory by the national technical team.
 - iii) Grant Thornton Audit Findings Report
 - iv) Letter of Representation

3.0 Annual Accounts

- 3.1 The West Midlands Combined Authority Board has received regular financial monitoring updates throughout 2019/20. The final outturn position for 2019/20 was reported to the West Midlands Combined Authority Board on 5 June 2020.
- 3.2 A detailed briefing and review of the outturn position was undertaken with the Chair of Audit, Risk & Assurance Committee and WMCA Finance to give assurance that the accounts presented reflect the activities for the year.
- 3.3 The audit process has been completed, and the auditors will present their findings to the meeting with their proposal to issue an unqualified audit opinion on the accounts. The Narrative Report, Annual Governance Statement and consideration of events after the Balance Sheet date will need to cover the period up to the date of publication and will therefore need to be kept under review until around the end of July 2020. Authority is therefore sought for approval of the final updated Narrative Report, Annual Governance Statement and any required amendments to the accounts for 2019/20 to be delegated to the Chair of Audit, Risk and Assurance Committee.

4.0 Accounting for the Land Fund

- 4.1 The Land Fund is a ring-fenced capital grant from the Ministry of Housing, Communities & Local Government (MHCLG) of up to £100m awarded to the WMCA, as part of the £350m Housing Deal announced in March 2018. The fund is to be deployed by WMCA, monitored by Homes England on behalf of MHCLG, to deliver new homes on brownfield land where market failure can be demonstrated.
- 4.2 2019/20 is the first year where material transactions have taken place, and as a result management have proposed an accounting treatment for these transactions that the audit team have considered.
- 4.3 Officers concluded that the asset created by the Land Fund should be classified as an asset under construction, as this asset class appears to be the most appropriate and depicts the nature and objectives of the Land Fund and CIPFA's 'Telling the Story'. The transactions have been included in 'Assets Under Construction' in the draft financial statements.
- 4.4 The audit team have challenged the treatment of the Land Fund assets as 'Assets Under Construction' and have suggested that the asset is more closely aligned to classification as 'Inventory'. As these are unusual transactions, the audit team has sought the advice of their national technical team and will provide an updated Audit Findings Report in September to take account of their conclusion.

5.0 Financial Implications

- 5.1 The financial implications are covered within the body of this report and the attached annual accounts reflect the results for the year ended 31 March 2020.

6.0 Legal Implications

- 6.1 Production of these accounts is a statutory requirement.

7.0 Equalities Implications

- 7.1 Alternative formats for these accounts are available upon request.

8.0 Inclusive Growth Implications

- 8.1 Not applicable.

9.0 Geographical Area of Report's Implications

- 9.1 Not applicable.

10.0 Other Implications

- 10.1 Not applicable.

11.0 Schedule of background papers

- 11.1 West Midlands Combined Authority financial report 2019/20

- 11.2 Supplementary information for the changes to the financial statements for Land Fund inventory accounting treatment
- 11.3 Grant Thornton Audit Findings Report
- 11.4 Letter of Representation