



# Annual Audit Letter 2016/17

## Sheffield City Region Combined Authority

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October 2017

# Contents

## Report sections

Summary 3

## Appendices

- 1. Summary of reports issued 5
- 2. Audit fees 7

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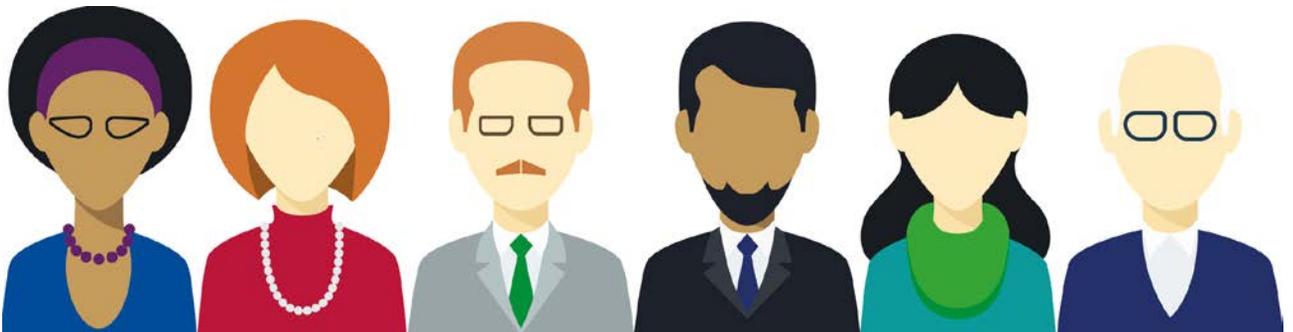
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## Section one

# Summary

This Annual Audit Letter summarises the outcome from our audit work at Sheffield City Region Combined Authority in relation to the 2016/17 audit year. Although it is addressed to Members of the Authority, it is also intended to communicate these key messages to key external stakeholders, including members of the public, and will be placed on the Authority's website.



### VFM conclusion

We issued an unqualified conclusion on the Authority's arrangements to secure value for money (VFM conclusion) for 2016/17 on 14 September 2017. This means we are satisfied that during the year the Authority had appropriate arrangements for securing economy, efficiency and effectiveness in the use of its resources

To arrive at our conclusion we looked at the Authority's arrangements to make informed decision making, sustainable resource deployment and working with partners and third parties.

### VFM risk areas

We undertook a risk assessment as part of our VFM audit work to identify the key areas impacting on our VFM conclusion and considered the arrangements you have put in place to mitigate these risks.

Our work identified the following significant matters:

Our VFM opinion for the 2015/16 period was qualified due to two key deficiencies at the authority, namely:

- A Corporate Code of Governance had not been established and
- A robust risk management process had not been operational and embedded at the Authority throughout the period e.g. the authority's first risk register had only been presented to Audit Committee in July 2016.

We understood from discussion with officers that some progress had been made towards embedding these key processes in year, including the provision of a report from an external consultant with several recommendations around governance structures.

There is a risk that further improvements have not been made as required and that these have not been in place for the full financial year.

Based on our work we raised one medium rated recommendation with regards to Value for Money.

- We recommended that the Authority continues to monitor governance arrangements in place to ensure these become embedded and remain fit for purpose.

### Audit opinion

We issued an unqualified opinion on the Authority's financial statements on 14 September 2017. This means that we believe the financial statements give a true and fair view of the financial position of the Authority and of its expenditure and income for the year.

## Section one

### Financial statements audit

We identified a number of audit adjustments. These adjustments are outlined below and all were corrected by management:

1. Debtors (£4,209k) and Creditors (£6,419k) related to South Yorkshire ITA were reclassified from long-term to short-term, recognising that South Yorkshire ITA was expected to be wound up within 12 months of the year end.
2. A prior period adjustment was required in order to reflect the South Yorkshire ITA pension fund and the corresponding assets, liabilities and movements through Other Comprehensive Income.

|                               |  |
|-------------------------------|--|
| Dr 2016 Pension Reserve £3.5m | Cr 2016 Pension Liability £2.6m          |
| Dr Interest cost 2016 £0.1m   | Cr Other Comprehensive Income 2016 £0.9m |

3. Expenditure incurred as a result of fire damage on the Rotherham Interchange (£441k) and income received from the loss adjusters (£398k) had been incorrectly classified as Transport Services. It was subsequently recognised separately in the Statement of Comprehensive Income.
4. During the year a previously dormant subsidiary was provided with a capital loan. This had been accounted for as a creditor as no money was transferred. However, it should have been recognised that the cash was no longer the Combined Authorities and therefore cash was credited (reduced) by £15,653k with the original creditor being removed by the same value.

The remainder of the adjustments were largely presentational with no impact upon the primary statements and reserve balances.

Based on our financial statements work, we raised 2 recommendations. One of these were classed as high priority and one as medium priority.

The 1 high priority recommendations raised related to the PTE in the following area:

We recommended that the Combined Authority group review the processes in place for carrying out an effective impairment review of assets.

The 1 medium priority recommendation related to the PTE's review of actuarial pension assumptions:

We recommended the Authority put in place a process to ensure pension assumptions were reviewed and evidenced in a timely manner.

Management accepted all recommendations and outlined an appropriate action plan.

### Other information accompanying the financial statements

Whilst not explicitly covered by our audit opinion, we review other information that accompanies the financial statements to consider its material consistency with the audited accounts. This year we reviewed the Annual Governance Statement and Narrative Report. We concluded that they were consistent with our understanding and did not identify any issues.

### Whole of Government Accounts

We reviewed the consolidation pack which the Authority prepared to support the production of Whole of Government Accounts by HM Treasury. We reported that the Authority's pack was consistent with the audited financial statements.

### Certificate

We issued our certificate on 28 September 2017. The certificate confirms that we have concluded the audit for 2016/17 in accordance with the requirements of the Local Audit & Accountability Act 2014 and the Code of Audit Practice.

### Audit fee

Our planned fees for 2016/17 were £38,200 (for Combined Authority), £21,000 (for Pension Fund), £35,861 (for SYPTE) excluding VAT. Some additional fees have been incurred as a result of required additional work. Further detail is contained in Appendix 2.

## Appendix 1

# Summary of reports issued

This appendix summarises the reports we issued since our last Annual Audit Letter.



### Audit Fee Letter

The Audit Fee Letter set out the proposed audit work and draft fee for the 2017/18 financial year.

2017

Jan

Feb

Mar

Apr

### External Audit Plan

The External Audit Plan set out our approach to the audit of the Authority's financial statements and to work to support the VFM conclusion.

**External Audit Report  
2016/17**

**Auditor's Report**

The Auditor's Report included our audit opinion on the financial statements along with our VFM conclusion and our certificate.

**Annual Audit Letter**

This Annual Audit Letter provides a summary of the results of our audit for 2016/17.

May

Jun

Jul

Aug

Sep

Oct

Nov

**Report(s) to Those Charged with  
Governance**

The Report to Those Charged with Governance summarised the results of our audit work for 2016/17 including key issues and recommendations raised as a result of our observations.

We also provided the mandatory declarations required under auditing standards as part of this report.

## Appendix 2

# Audit fees

This appendix provides information on our final fees for the 2016/17 audit.

To ensure transparency about the extent of our fee relationship with the Authority we have summarised below the outturn against the 2016/17 planned audit fee.

### External audit

Our final fee for the 2016/17 audit of Sheffield City Region Combined Authority is £42,869. This compares to a planned fee of £38,200. The reasons for this variance are:

- an increased fee for the audit of the financial statements reflecting additional costs incurred as a result of the Authority bringing into use a new subsidiary company in the year, and the accounting arrangements around this. Additional time was also expended in extracting and reviewing a complete journal listing as a result of changes to the ledger in year.

Our final fee for the 2016/17 audit of South Yorkshire Passenger Transport Executive is £48,719. This compares to a planned fee of £35,861. The reasons for this variance are:

- A significant amount of additional work needed to be undertaken as a result of the crystallization of the South Yorkshire ITA pension fund and the historical and current accounting treatment of the fund;
- Further additional work was undertaken as a result of additional valuations testing and review; and
- Further work around VFM risks and the work to support our opinion including additional meetings with Audit Committee members.

Our final fee for the 2016/17 audit of the Pension Fund was in line with the planned fee of £21,000.

Our fees are still subject to final determination by Public Sector Audit Appointments.

### Other services

We did not charge any additional fees for other services.

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