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# Annual Audit Letter 2014/15

The Halton, Knowsley, Liverpool, St. Helens,  
Sefton and Wirral Combined Authority, known as  
Liverpool City Region Combined Authority  
(LCRCA)

October 2015



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This report is addressed to the Authority and has been prepared for the sole use of the Authority. We take no responsibility to any member of staff acting in their individual capacities, or to third parties. The Audit Commission issued a document entitled *Statement of Responsibilities of Auditors and Audited Bodies* summarising where the responsibilities of auditors begin and end and what is expected from audited bodies. We draw your attention to this document which is available on Public Sector Audit Appointment's website ([www.psaa.co.uk](http://www.psaa.co.uk)).

External auditors do not act as a substitute for the audited body's own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

We are committed to providing you with a high quality service. If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact Tim Cutler, the engagement lead to the Authority, who will try to resolve your complaint. If you are dissatisfied with your response please contact the national lead partner for all of KPMG's work under our contract with Public Sector Audit Appointments Limited, Trevor Rees (on 0161 246 4000, or by email to [trevor.rees@kpmg.co.uk](mailto:trevor.rees@kpmg.co.uk)). After this, if you are still dissatisfied with how your complaint has been handled you can access PSAA's complaints procedure by emailing [generalenquiries@psaa.co.uk](mailto:generalenquiries@psaa.co.uk), by telephoning 020 7072 7445 or by writing to Public Sector Audit Appointments Limited, 3rd Floor, Local Government House, Smith Square, London, SW1P 3HZ.

**This report summarises the key findings from our 2014/15 audit of LCRCA (the Authority).**

**Although this letter is addressed to the Members of the Authority, it is also intended to communicate these issues to key external stakeholders, including members of the public.**

**Our audit covers the audit of the Authority's 2014/15 financial statements and the 2014/15 VFM conclusion.**

VFM conclusion	We issued an unqualified conclusion on the Authority's arrangements to secure value for money (VFM conclusion) for 2014/15 on 24 September 2015. The Public Sector Audit Appointment (PSAA) has determined that the scope of our work on value for money at the Authority is limited to a review of your annual governance statement (AGS) unless any specific risks are identified. We reviewed your AGS and there are no matters to report.
VFM risk areas	<p>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.</p> <p>Our work addressed the following risk area:</p> <ul style="list-style-type: none"> <li>■ The Authority's Governance Arrangements – the creation of the new Authority meant that governance arrangements needed to be revised and arrangements for securing value for money needed to be reviewed to ensure that they were fit for purpose. We have reviewed your AGS and concluded that it accurately reflects the Governance issues facing the Authority. You have made good progress in establishing the Authority's new arrangements and these now need to be embedded.</li> </ul> <p>We also followed up VFM related recommendations previously made to Merseyside Integrated Transport Authority, particularly in relation to a Peer review in 2012, and note that the recommendations are now substantially implemented. This is a major achievement for the Authority and Merseytravel.</p> <p>We would also expect that as the Authority's own Audit Committee fully establishes itself, a similar increase in challenge to its auditors and risk assessment processes will ensue.</p>
Audit opinion	We issued an unqualified opinion on the Authority's financial statements on 24 September 2015. 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. The financial statements also include those of the Authority's Group, which consists of the Authority itself and Merseytravel.
Financial statements audit	<p>We identified a number of issues which have led to material adjustments to the financial statements. These adjustments mainly reflect changes in the opening balances of the consolidated accounts. None of the changes resulted in an adjustment in the final retained reserves position.</p> <p>There were no uncorrected audit misstatements above the level that we are required to report to the Audit Committee.</p>
Annual Governance Statement	We reviewed your <i>Annual Governance Statement</i> and concluded that it was consistent with our understanding.

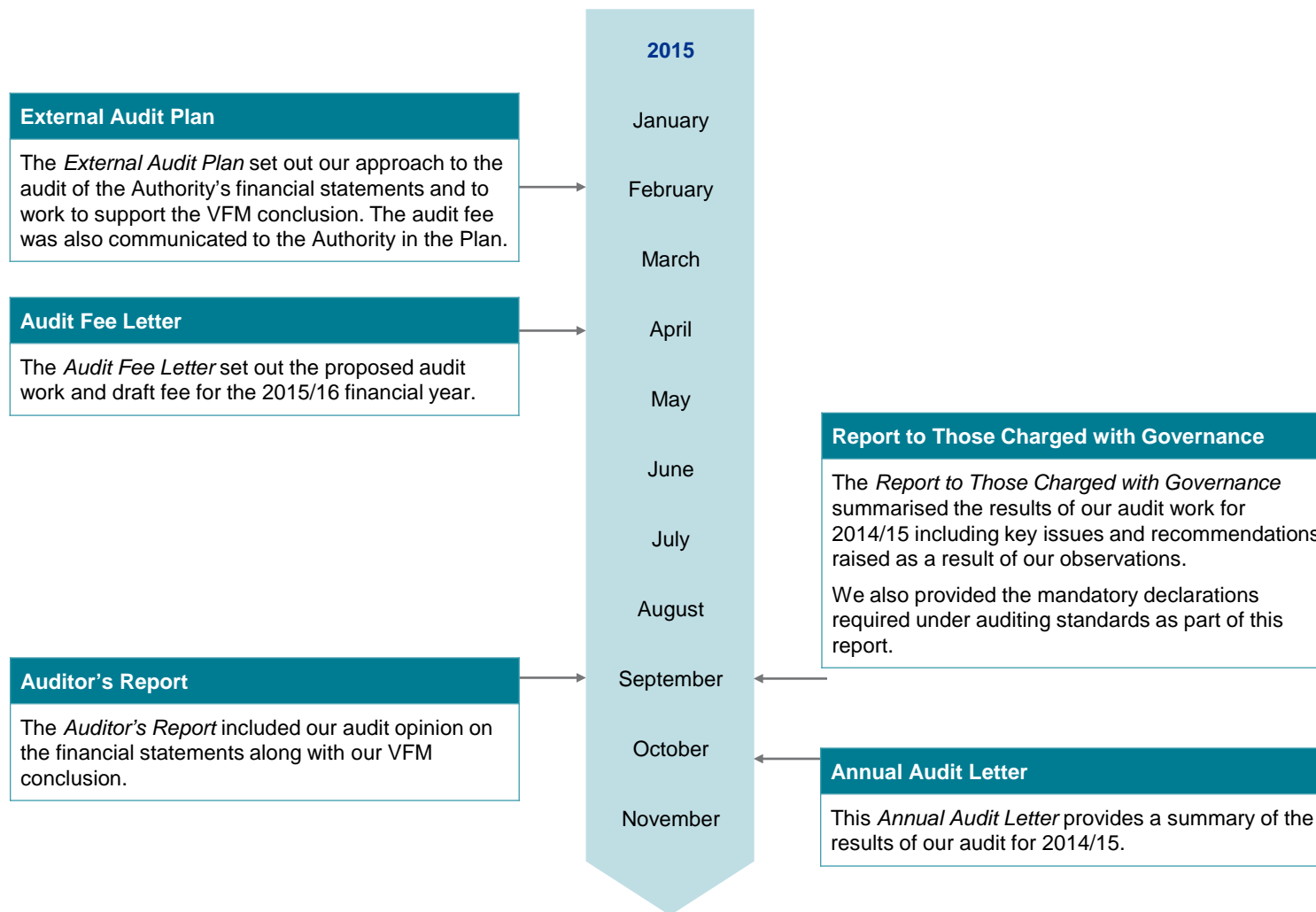
We provide a summary of our key recommendations in Appendix 1.

All the issues in this Annual Audit Letter have been previously reported. The detailed findings are contained in the reports we have listed in Appendix 2.

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, once it was amended to reflect the financial statements adjustments referred to on the previous page.
High priority recommendations	<p>We raised one medium priority recommendation as a result of our 2014/15 audit work. This recommendation has been accepted by the Head of Finance and will be implemented as part of the production of the 2015/16 accounts:</p> <ul style="list-style-type: none"> <li>■ The Authority should ensure that it produces comprehensive working papers to support the figures in the accounts. When future Prior Period Adjustments are required, the Authority should model the changes to the accounts for our consideration prior to the year end.</li> </ul> <p>We will formally follow up this recommendation as part of our 2015/16 work.</p>
Certificate	We have received an objection to the Authority's financial statements which we are currently considering. This means that we are not yet able to issue our certificate. This means that the audit remains open to enable us to consider and respond to the objection. The certificate, when issued, confirms that we have concluded the audit for 2014/15 in accordance with the requirements of the <i>Audit Commission Act 1998</i> and the Audit Commission's <i>Code of Audit Practice</i> .
Audit fee	<p>Our fee for 2014/15 has yet to be finalised due to the ongoing work on the objection referred to above. The base fee for the 2014/15 audit was £47,187 plus VAT. This is unchanged from that of Merseyside ITA in 2013/14 and was set by the Audit Commission. We are also seeking an additional fee for 2014/15 for two other matters.</p> <ul style="list-style-type: none"> <li>■ The Authority was required to submit an audited whole of government accounts pack for 2014/15. This is a change from 2013/14 as the financial thresholds have now been exceeded.</li> <li>■ A Prior Period Adjustment (PPA) was required in Authority's subsidiary body Merseytravel due to the reclassification of certain items of Infrastructure as Property, Plant and Equipment. This PPA led to adjustments being required to the opening balances of the Authority Accounts and to the current year Group balances.</li> </ul> <p>Further detail is contained in Appendix 2</p>

## Appendix 1: Summary of reports issued

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



**This appendix provides information on our final fees for the 2014/15 audit.**

To ensure transparency about the extent of our fee relationship with the Authority we have summarised below the reasons for variances from the 2014/15 planned audit fee.

#### **External audit**

Our final fee for the 2014/15 audit of the Authority has yet to be determined. The planned fee was £47,147 which is unchanged from that of 2013/14. We are seeking approval for additional fees in relation to the following:

- additional work for the audit of the financial statements arising as a result of adjustments to opening balances following changes to the requirements for accounting for infrastructure. The requirements resulted in a Prior Period Adjustment (PPA) being required in Authority's subsidiary body Merseytravel. This PPA led to adjustments being required to the opening balances of the Authority Accounts and to the current year Group balances ;
- additional work, which was not anticipated in our initial plan, namely a review of the Whole of Government Accounts pack due to the financial thresholds being exceeded for the year; and
- the consideration of a formal objection received from a local elector.

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

#### **Other services**

We did not charge any additional fees for other services.



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