



# Auditor's Annual Report

## **York and North Yorkshire Combined Authority – year ended 31 March 2024**

February 2025

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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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# 01

Introduction

# Introduction

## Purpose of the Auditor’s Annual Report

Our Auditor’s Annual Report (AAR) summarises the work we have undertaken as the auditor for York and North Yorkshire Combined Authority (‘the Authority’) for the year ended 31 March 2024. Although this report is addressed to the Authority, it is designed to be read by a wider audience including members of the public and other external stakeholders.

Our responsibilities are defined by the Local Audit and Accountability Act 2014 and the Code of Audit Practice (‘the Code’) issued by the National Audit Office (‘the NAO’). The remaining sections of the AAR outline how we have discharged these responsibilities and the findings from our work. These are summarised below.



### Opinion on the financial statements

We issued our audit report on 27 February 2025. Our audit report included a disclaimer of opinion. This means our audit report did not express an opinion on the financial statements and no assurance was provided. It was necessary to issue a disclaimer of opinion as amendments to the Account and Audit Regulations introduced a statutory deadline for publication of the Authority’s financial statements. We were unable to complete the audit procedures necessary to obtain sufficient appropriate audit evidence on which to base our opinion before the date the Authority published its audited financial statements.



### Value for Money arrangements

In our audit report we reported that we were not satisfied arrangements were in place for the Authority to secure economy, efficiency and effectiveness in its use of resources, this is because we issued recommendations in relation to a significant weaknesses in those arrangements that is relevant to the 2023/24 financial year. Section 3 provides our commentary on the Authority’s arrangements and a summary of our recommendations, and the weaknesses identified.



### Wider reporting responsibilities

The Combined Authority is below the reporting threshold per the 2023/24 NAO group audit instructions; therefore, an assurance statement is not required to be submitted.

# 02

Audit of the financial statements

# Audit of the financial statements

## Our audit of the financial statements

Our audit was conducted in accordance with the requirements of the Code, and International Standards on Auditing (ISAs). The purpose of our audit is to provide reasonable assurance to users that the financial statements are free from material error. Amendments to the Accounts and Audit Regulations introduced a deadline for publication of local authorities' audited 2023-24 financial statements. Prior to issuing our audit report, the ISAs require us to determine whether we have obtained sufficient appropriate audit evidence based on the audit procedures completed at that date. We concluded we had not obtained sufficient appropriate audit evidence to enable us to express an opinion on whether the financial statements present a true and fair view and have been prepared, in all material respects, in line with the Code of Practice on Local Authority Accounting. Consequently, as required by the ISAs, we modified our audit report and issued a disclaimer of opinion. This means, in our audit report issued on 27 February 2025, we have not expressed an opinion on the Council's financial statements.

A summary of the significant risks we identified when undertaking our audit of the financial statements and the conclusions we reached on each of these is outlined in Appendix A. In this appendix we also outline the uncorrected misstatements we identified and any internal control recommendations we made.

# 03

Our work on Value for Money  
arrangements

VFM arrangements

Overall Summary








# VFM arrangements – Overall summary

## Approach to Value for Money arrangements work

We are required to consider 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 and sets out the reporting criteria that we are required to consider. The reporting criteria are:

- 

**Financial sustainability** - How the Authority plans and manages its resources to ensure it can continue to deliver its services.
- 

**Governance** - How the Authority ensures that it makes informed decisions and properly manages its risks.
- 

**Improving economy, efficiency and effectiveness** - How the Authority uses information about its costs and performance to improve the way it manages and delivers its services.

Our work is carried out in three main phases.

### Phase 1 - Planning and risk assessment

At the planning stage of the audit, we undertake work so we can understand the arrangements that the Authority has in place under each of the reporting criteria; as part of this work we may identify risks of significant weaknesses in those arrangements.

We obtain our understanding of arrangements for each of the specified reporting criteria using a variety of information sources which may include:

- NAO guidance and supporting information
- Information from internal and external sources, including regulators
- Knowledge from previous audits and other audit work undertaken in the year
- Interviews and discussions with officers

Although we describe this work as planning work, we keep our understanding of arrangements under review and update our risk assessment throughout the audit to reflect emerging issues that may suggest there are further risks of significant weaknesses.

### Phase 2 - Additional risk-based procedures and evaluation

Where we identify risks of significant weaknesses in arrangements, we design a programme of work to enable us to decide whether there are actual significant weaknesses in arrangements. We use our professional judgement and have regard to guidance issued by the NAO in determining the extent to which an identified weakness is significant.

### Phase 3 - Reporting the outcomes of our work and our recommendations

We are required to provide a summary of the work we have undertaken and the judgments we have reached against each of the specified reporting criteria in this Auditor's Annual Report. We do this as part of our Commentary on VFM arrangements which we set out for each criteria later in this section.




We also make recommendations where we identify weaknesses in arrangements or other matters that require attention from the Authority. We refer to two distinct types of recommendation through the remainder of this report:

- **Recommendations arising from significant weaknesses in arrangements** - we make these recommendations for improvement where we have identified a significant weakness in the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources. Where such significant weaknesses in arrangements are identified, we report these (and our associated recommendations) at any point during the course of the audit.
- **Other recommendations** - we make other recommendations when we identify areas for potential improvement or weaknesses in arrangements which we do not consider to be significant, but which still require action to be taken.

The table on the following page summarises the outcome of our work against each reporting criteria, including whether we have identified any significant weaknesses in arrangements, or made other recommendations.

## VFM arrangements – Overall summary

### Overall summary by reporting criteria

Reporting criteria	Commentary page reference	Identified risks of significant weakness?	Actual significant weaknesses identified?	Other recommendations made?
 <b>Financial sustainability</b>	Page 11	Yes – see risks 1 and 3 on pages 20 and 22.	Yes – see recommendations on pages 20 and 22.	No
 <b>Governance</b>	Page 14	Yes – see risks 1, 2 and 3 on pages 20 to 22.	Yes – see recommendations on pages 20 to 22.	No
 <b>Improving economy, efficiency and effectiveness</b>	Page 17	Yes – see risk 2 on page 21.	Yes – see recommendation on page 21.	No

# VFM arrangements

## Financial Sustainability

How the body plans and manages its resources to ensure it can continue to deliver its services



# VFM arrangements – Financial Sustainability

## Overall commentary on Financial Sustainability

### How the body ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them

The Combined Authority's 2023/24 financial statements span the period from formation on the 21st December 2023 to the period end date of 31st March 2024. Despite a significant increase in expenditure for 2024/25, there is no indication that the Combined Authority will encounter financial problems.

In 2024/25, the transfer of the Police, Fire and Crime Commissioner and Fire and Rescue operations will grant additional powers to the Authority. While North Yorkshire Council set the precept funding for these bodies in 2024/25, the responsibility will shift to the Mayor in 2025/26.

Our review of minutes and supporting papers has confirmed that financial planning arrangements have not been in place throughout 2023/24, with these being set up in 2024/25. As at January 2025, there is no Medium-Term Financial Strategy (MTFS) which covered 2023/24 or 2024/25 and it is unlikely that a MTFS will be produced until early 2025 at the earliest. A MTFS would include financial projections, analysis and context to support the delivery for the Combined Authority's key priorities as set out in their Forward Plan and Economic Framework.

The MTFS should typically be refreshed annually to ensure decisions are based on the latest information.

As of January 2025, the Combined Authority has no plans to make capital investments. However, when such investments are planned, the Authority will create a Capital Investment Plan, which will be supported by the Treasury Management Strategy, approved by the Combined Authority in January 2024 for the year 2024/25.

Since its establishment, the Authority has had limited financial management arrangements. While progress has been made in developing key financial documents for 2024/25, such as the Treasury Management Strategy, further work is needed to ensure the necessary arrangements are in place. This includes producing and publishing a Medium-Term Financial Strategy (MTFS) for 2024/25 onwards. Consequently, we have identified a significant weakness in the Combined Authority's arrangements for 2023/24. See page 20.

The Authority has identified that further recruitment is needed to ensure the Finance Team is adequately resourced. A Finance Manager and wider team needs appointing to provide overall financial management and support to the Combined Authority. We believe this should be a key priority for the Combined Authority and have therefore raised a significant weakness in the Combined Authority's arrangements in 2023/24. See our recommendation around this on page 22.

### How the body plans to bridge its funding gaps and identifies achievable savings

As there is no MTFS, we have limited assurance that there are arrangements in place to identify funding gaps or potential future savings.

Our discussions with management suggest that the MTFS is not available as corporate and delivery planning is still underway. The Authority's funding will remain uncertain until the results of the Government's Comprehensive Spending Review (CSR) are finalised for local government. However, it is our judgement that the Combined Authority should ensure that a MTFS is produced as soon as possible.

### How the body plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities

There is regular budget monitoring to identify in-year pressures and if resources need to be re-directed to areas in need. We have identified no significant short-term pressures from our review of these reports.

Quarterly finance reports are presented to the Combined Authority Committee, with the first of these relating to quarter 1 of 2024/25 (presented in July 2024). It focused on the current financial issues and funding streams that support service delivery.

Once a MTFS is put in place, this should be updated periodically to reflect budget changes, as part of the wider budget setting process. This will ensure it stays in line with the strategic priorities of the Combined Authority.

While the Combined Authority does not deliver any core services, they have an Economic Framework, published in August 2024, which sets out the key ambitions and priorities the Combined Authority is aiming to deliver. The York and North Yorkshire devolution deal includes a Mayoral Investment Fund worth £540 million, equating to £18 million for the next 30 years, which is to be used to fund and deliver the priorities set out in the Economic Framework such as the Carbon Negative Challenge Fund, and the Vibrant and Sustainable High Streets projects which both run from 2024 – 2028.

In 2023/24, the Mayoral Investment Fund had limited use, contributing only to setup and operating costs. As of November 2024, only £8 million of the maximum £18 million for the 2024/25 financial year has been committed, with the majority allocated to mayoral elections and operating costs. This leaves a £10m to be allocated to future investment decisions. Of the funding to be used during the current Mayoral term until 2027/28, £22 million remains uncommitted. From our review of meeting minutes, we have confirmed that all committed funding is approved by the Combined Authority Committee on an ad-hoc basis.

# VFM arrangements – Financial Sustainability

## Overall commentary on Financial Sustainability - continued

### How the body ensures that its financial plan is consistent with other plans such as workforce, capital, investment, and other operational planning which may include working with other local public bodies as part of a wider system

Alongside the Economic Framework, there will be the Combined Authority's Local Growth Plan, which is due to be finalised Spring 2025. The Local Growth Plan will be based on the Authority's Strategic Growth Priorities which are submitted to the Ministry of Housing, Communities and Local Government. These Strategic Growth Priorities were approved by the Combined Authority in October 2024. The Combined Authority also has a 'Forward Plan'. This outlines the key short-term decisions the Combined Authority will make over the next quarter. It is routinely updated throughout the year to include key financial decisions, ensuring the Combined Authority aligns with their Economic Framework. We expect the Combined Authority's Medium-Term Financial Strategy (MTFS) to align with other key strategies.

Following the transfer of the Police, Fire and Crime Commissioner and Fire and Rescue services on 7th May 2024, the Combined Authority will inherit the capital, investment and workforce plans. As at January 2025, these delivery strands have continued to operate in a largely autonomous basis with key processes and controls operating in the same way as they did prior to the merger. We will consider how these processes have been integrated into the Combined Authority's plans as part of the 2024/25 audit.

The newly formed leadership team are due to develop the Target Operating Model for the combined organisation. This will involve a review of all key processes, delivery arrangements and support service provision with the view of moving the organisation to a single operating model.

When the MTFS is produced, the Combined Authority will need to ensure this reflects the financial and operational implications of the changing operations of the entity.

### How the body identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans

The Combined Authority has a relatively small and stable core cost base, with projects being led by funding as opposed to being service led and driven by demand. As a result, the Combined Authority has limited exposure to growing demands in services and therefore is more resilient against funding gaps. If funding is reduced, services can be reduced to mitigate this impact. The Combined Authority manages this risk by annual budgeting of core expenditure alongside quarterly finance updates and monitoring allocations of Mayoral Investment Funds to programme delivery.

The initial budgets for 2023/24 and 2024/25 were approved at the Combined Authority meeting in January

2024. The 2024/25 budget was subsequently updated and approved in May 2024 (planned net surplus of £12.1 million).

Our review of meeting minutes confirms that since the start of 2024/25 the Director of Resources has provided quarterly finance updates to the Combined Authority Committee, with the latest report being taken in November 2024 for Quarter 2 of 2024/25. This report summarises an update on the current financial performance and monitors their position against the approved budget. As at September 2024, the Combined Authority was reporting an underspend of £804k against their core budget. These reports allow the Combined Authority to monitor their financial position and mitigate any potential problems.

The Mayoral Investment Fund is also monitored on a routine basis, with the latest report being taken to the October 2024 Combined Authority Executive Meeting. These reports outline the potential investment pipeline and seek the Committee's approval for funding. This ensures that the schemes align with the Combined Authority's framework and that the available funding is not oversubscribed.

At this stage, the financial performance of the Policing/Crime and Fire & Rescue is considered separately by the North Yorkshire Police, Fire and Crime Panel.

Our review of the committee reports and attendance at Audit Committee, provides assurance that the Combined Authority monitors and identified mitigations to manage any changes to funding. However, the Combined Authority should ensure that these monitoring reports support the assumptions set out in the medium-term financial strategy, once it is produced.

***Overall, our work has identified two significant weaknesses in arrangements in the financial sustainability criteria.***



# VFM arrangements

## Governance

How the body ensures that it makes informed decisions and properly manages its risks



# VFM arrangements – Governance

## Overall commentary on Governance

### How the Authority monitors and assesses risk and how the authority gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud

The Authority's Annual Governance Statement sets out how the Authority has complied with the CIPFA Code of Practice during the year. We reviewed the Annual Governance Statement and confirmed that it was consistent with our understanding of the Authority's arrangements in 2023/24. However, following our review, it was updated to align with the requirements of CIPFA's Delivering Good Governance in Local Government framework.

The Combined Authority approved a constitution in January 2024 including all expected information, including a Code of Corporate Governance. This was further reviewed and approved at the July 2024 Audit Committee. The Authority has adopted a Code of Corporate Governance which sets out a series of principals to support decision making and the culture of the Authority, these were introduced as part of the set-up of the new Authority. The Code sets out the role of the Audit Committee in assessing the effectiveness of the corporate governance arrangements. We have seen evidence of the Audit Committee considering the risk management plan for 2024/25 at the July 2024 Audit Committee meeting.

A service level agreement was established at the inception of the new Authority for the provision of risk management and counter-fraud arrangements. In 2023/24, a Risk Management Policy was drafted, outlining the approach to managing risk and the policy's objectives, along with an initial risk register developed in consultation with senior management. However, the Risk Management Policy was not approved within the year, preventing the identification and mitigation of potential weaknesses in performance delivery. Consequently, we have identified a significant weakness in the Combined Authority's arrangements for 2023/24. Please refer to our recommendation on page 21.

The Audit Committee has a key role in providing scrutiny and challenge to the Authority's risk register.

Internal audit services are provided by Veritau, they provide assurance on a risk-based audit plan to ensure it complies with internal auditing standards. Veritau also provides advice and support on the design and operation of the control environment in general. Due to the SLA being put in place in February 2024, the corporate risk register, and internal audit function came into effect in 2024/25 therefore no opinion was given for 2023/24. This is in line with expectation due to the short time frame, therefore no risk of significant weakness noted. We have reviewed the Internal Audit Plans for 2024/25 and confirmed work is planned on a risk-based approach, with four key areas selected for review.

The Authority has Counter Fraud and Corruption and Anti Money Laundering policies. The Audit Committee is kept informed of anti-fraud activities through interim and annual reports.

### How the Authority approaches and carries out its annual budget setting process

The Authority sets the budget based on a comprehensive assessment of the financial position to align the financial resources set to the priorities set out in the Corporate Business Plan. A combined authority budget covering the period from January 2024 through to March 2025 was presented at an inaugural meeting in January 2024; this reflected the known programmes, projects and funding that would be taken on by the newly formed Combined Authority on formation.

The election of the mayor of York and North Yorkshire Combined Authority resulted in a transfer of functions to the Combined Authority on 7th May 2024; following this election, an updated budget was presented at the Annual Combined Authority Meeting for approval. The approved budget monitoring processes for 2025/26 are due to be published in October 2025 setting out the approach for the Authority going forward.

As previously stated, there is no Medium-Term Financial Strategy in place for the periods 2023/24 or 2024/25. As such, we have raised two significant weaknesses in the Combined Authority's arrangements in 2023/24 per the above. See our recommendations around this on pages 20 and 22.

### How the Authority ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information where appropriate); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed

Due to the period between the formation of the Combined Authority and the year-end only being two months, no management accounts were produced. Processes are now underway to monitor finance against budget on a quarterly basis highlighting any emerging risks and budget variances. It is our understanding that budgetary control systems and processes will be subject to periodic review by Internal Audit.

# VFM arrangements – Governance

## Overall commentary on the Governance reporting criteria - continued

### How the Authority ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency.

Executive Directors have clear responsibilities linked to their roles and the Board Sub-Committee structure in place at the Authority allows for effective oversight of operations and activity. The AGS highlights the continued transition work that is currently taking place across the Combined Authority, Police and Crime, and Fire and Rescue functions to integrate the governance arrangements across the organisations. The upcoming year will mark the first time producing a single set of group financial statements. According to the AGS and discussions with management, oversight of these arrangements remains limited. Consequently, a significant weakness has been identified to ensure these functions are effectively implemented moving forward. See our recommendation around this on page 22.

The Constitution was in place from January 2024, with amendments being approved in May 2024. In 2023-24 the Authority has adopted governance arrangements and constitution consistent with its responsibilities as a mayoral authority. The constitution sets out the governance arrangements for the Authority's non-mayoral and mayoral functions.

Any decisions of significant public interest are set out in a Decision Notice and published in accordance with the Scheme of Delegation and Consent. The Authority publishes its intention to take key decisions through the Register of Key Decisions which is published on the Authority's website.

We noted that new decisions are supported by reports that outline options and relevant considerations, including references to financial, legal, equality and Combined Authority area impacted where appropriate, to ensure recommendations are supported by relevant information.

### How the Authority monitors and ensures appropriate standards are in place

Following the inception of the Combined Authority in December 2023, the interim Monitoring Officer role was conducted by the Monitoring Officer of North Yorkshire Council. The formal appointment of the York and North Yorkshire Combined Authority Monitoring Officer took place in October 2024. The Authority's Monitoring Officer provides a framework to ensure compliance with relevant statutory requirements. The Code of Conduct sets out a series of requirements of Councillors and also requires compliance with the General Principles of Public Life following the Nolan principles.

In 2023/24, the Audit and Governance Committee did not convene, and the Overview and Scrutiny Committee met only once, on 13 March 2024, for an induction session. However, as the Combined Authority has become more established, both committees have since been held.

Senior Management is required to complete annual declarations of interest, with a register of interests being maintained.

***Overall, our work has identified three significant weaknesses in arrangements in the governance criteria.***



# VFM arrangements

## Improving Economy, Efficiency and Effectiveness

How the body uses information about its costs and performance to improve the way it manages and delivers its services



# VFM arrangements – Improving Economy, Efficiency and Effectiveness

## Overall commentary on Improving Economy, Efficiency and Effectiveness

### How financial and performance information has been used to assess performance and identify areas for improvement and how services are evaluated

In the Combined Authority's first three months of operation, it did not have the expected arrangements in place to manage its operating and business risks. During the year under review, no performance information or financial performance reports were produced to monitor these risks. These arrangements are essential to identifying any uncertainties in performance and highlighting areas of improvement. We believe this should be a key priority for the Combined Authority and, as a result, have identified a significant weakness in their arrangements for 2023/24. See our recommendation around this on page 21.

An assurance framework was put in place in February 2024 outlining the respective roles and responsibilities of the Mayoral Combined Authority, key processes for ensuring the accountability, any potential investments and how the progress of these investments will be monitored.

The Combined Authority also has an internal audit programme which is designed to provide assurance over key processes and business areas. Due to the short reporting period for the year ending 31 March 2024 no internal audit activity took place; and the first internal audit opinion will be issued for the year ending 31 March 2025. We will consider these arrangements in 2024/25.

### How the body ensures it delivers its role within significant partnerships and engages with stakeholders it has identified, in order to assess whether it is meeting its objectives

The Combined Authority undertook significant public consultation and engagement on its formation.

Government bodies are key stakeholders which provide funding and regulation to the Authority, alongside its member Local Authorities.

The former Board of the York and North Yorkshire Local Enterprise Partnership (LEP) has been integrated into the new Combined Authority in accordance with the terms of the Order. This partnership provides an overarching economic strategy for the region. The Annual Governance Statement sets out the initial priorities put in place and indicates the requirement for a review to ensure the mayoral powers, responsibilities and objectives are met.

Going forward, the Authority will work closely with partnerships held by North Yorkshire Police, North Yorkshire Fire and Rescue and the Office of the Police, Fire and Crime Commissioner.

### How the Authority assesses whether expected benefits are realised for commissioned and procured services

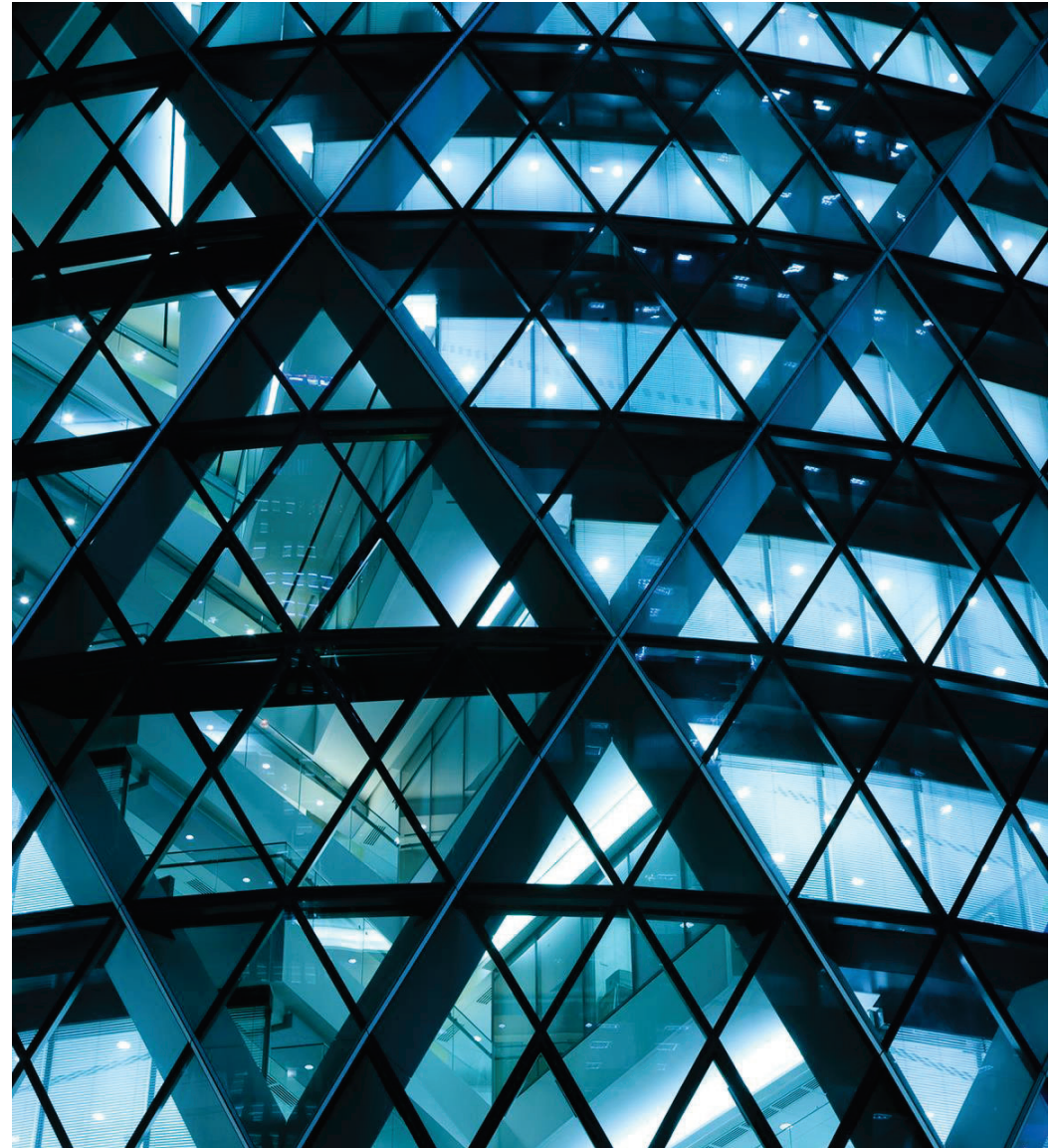
The Finance Manual which was produced in January 2024 provides the framework for procurement activity indicating clearly defined processes and procedures to follow. Specialist procurement support is also provided through a service level agreement with City of York Council.

During the reporting period with the year ending 31 March 2024, there were no significant outsourced contracts other than the service level agreements held with North Yorkshire Council and City of York Council. Where service level agreements are in place, quarterly reviews are undertaken to assess the expected benefits.

***Overall, our work has identified one significant weakness in arrangements in the improving economy, efficiency and effectiveness criteria.***

# VFM arrangements

Identified significant weaknesses in arrangements and our recommendations





## VFM arrangements - Identified significant weaknesses and our recommendations

### Identified significant weaknesses in arrangements and recommendations for improvement

As a result of our work we have identified three significant weaknesses in the Authority's arrangements to secure economy, efficiency and effectiveness in its use of resources. These identified weaknesses have been outlined in the table below.

Identified significant weakness in arrangements	Financial sustainability	Governance	Improving the 3Es	Recommendation for improvement	Our views on the actions taken to date
<p><b>Medium Term Financial Strategy</b></p> <p>Our review of the Authority's financial management arrangements has identified the absence of a Medium-Term Financial Strategy (MTFS). Management has indicated that, due to capacity constraints within the finance team, it will not prepare and publish an MTFS until late 2025. An MTFS should support the financial sustainability of the Authority by enabling it to have a thorough understanding of its financial outlook and the associated impact on its ability to achieve its strategic objectives. Without an MTFS the Authority risks not being able to do this.</p> <p>The matters identified are evidence of significant weaknesses in the Combined Authority's arrangements for governance (decision making that could lead to significant financial risk) and financial sustainability (unidentified savings / funding gaps in financial planning that would substantially threaten the delivery of the plan).</p>	●	●		<p>The Authority should:</p> <ul style="list-style-type: none"> <li>Integrate its financial planning arrangements into the corporate and service planning processes.</li> <li>Promptly develop and monitor a MTFS that aligns with its strategic objectives.</li> <li>Regularly update and monitor the MTFS to ensure decisions are based on the most current financial information.</li> </ul>	<p>At present, a Medium-Term Financial Strategy has not been implemented. This will be established once strategic delivery plans are finalised and there is greater clarity on future funding settlements through the Government's Comprehensive Spending Review process.</p>

## VFM arrangements - Identified significant weaknesses and our recommendations

### Identified significant weaknesses in arrangements and recommendations for improvement - continued

Identified significant weakness in arrangements	Financial sustainability	Governance	Improving the 3Es	Recommendation for improvement	Our views on the actions taken to date
<p><b>Risk and Performance management arrangements</b></p> <p>In the Combined Authority's first three months of operation it did not have the expected arrangements in place to manage its operating and business risks. During the year under review, no performance information or financial performance reports were produced to monitor these risks. Additionally, the Authority lacked an approved Risk Management Policy that would have identified and mitigated weaknesses in performance delivery.</p> <p>2 Such arrangements are fundamental to ensure the Authority can navigate uncertainties and enhance their overall performance and accountability.</p> <p>The matters identified above are evidence of a significant weakness in the Combined Authority's arrangements in the period ended 31st March 2024, for governance (decision making that could lead to significant loss or exposure to significant financial risk) and improving economy, efficiency and effectiveness (failure to deliver performance improvements).</p>		●	●	<p>The Combined Authority should implement, approve and embed:</p> <ul style="list-style-type: none"> <li>• A Risk Management Policy and framework, ensuring it integrates Police and Fire functions.</li> <li>• A Performance Management framework with clearly defined key performance measures and indicators linked to the Authority's strategic objectives and plans.</li> </ul>	<p>An external risk management process is currently in progress. A major goal of this initiative is to ensure that suitable risk management processes are established across each key activity stream of the Authority.</p> <p>Additionally, a new position has been created for a dedicated manager to lead performance management for the Authority. This role will include the development of the performance management framework and processes.</p>

## VFM arrangements - Identified significant weaknesses and our recommendations

### Identified significant weaknesses in arrangements and recommendations for improvement - continued

Identified significant weakness in arrangements	Financial sustainability	Governance	Improving the 3Es	Recommendation for improvement	Our views on the actions taken to date
<p><b>Financial Management</b></p> <p>For the period ending 31 March 2024, the draft financial statements were published on 16 January 2025, missing the statutory 31 May 2024 deadline. In addition to this delay, our initial review of the draft financial statements identified issues with the quality control process supporting the production of the accounts, including casting and consistency errors. It is our judgement that the finance team's lack of capability and capacity contributed to the delay and the poor quality of the draft financial statements. Our review of the 2023/24 Annual Governance Statement (AGS) also highlighted gaps in the Authority's leadership team and scrutiny arrangements, which extend to the finance team.</p> <p>Without adequate arrangements to support the production of the financial statements, the Authority risks continued non-compliance with its statutory duties in relation to publication of draft and final statements of accounts.</p> <p>The above is evidence of a significant weakness in the Authority's arrangements for financial sustainability and governance,</p>	●	●		<p>The Combined Authority should:</p> <ul style="list-style-type: none"> <li>ensure the finance team has the capacity and capability to produce reliable and fully supported annual financial statements, including Group accounts;</li> <li>establish and adhere to a detailed accounts closedown plan to support production of its annual financial statements in line with the statutory timescales; and</li> <li>define and formalise governance and scrutiny arrangements for the Group financial reporting.</li> </ul>	<p>Since the end of the year, the Authority has taken several steps to strengthen its finance team. These measures include recruiting a substantive Director of Resources, dedicated accountancy resources, and an Interim Head of Finance.</p>

## Other reporting responsibilities

# Other reporting responsibilities

## Matters we report by exception

The Local Audit and Accountability Act 2014 provides auditors with specific powers where matters come to our attention that, in their judgement, require specific reporting action to be taken. Auditors have the power 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 the law; and
- issue an advisory notice.

We have not exercised any of these statutory reporting powers.

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. We did not receive any such objections or questions.

## Reporting to the NAO in respect of Whole of Government Accounts consolidation data

The NAO, as group auditor, requires us to complete the WGA Assurance Statement in respect of its consolidation data. The Combined Authority is below the reporting threshold per the 23-24 NAO group audit instructions, therefore an assurance statement is not required to be submitted.



Audit fees and other services

## Audit fees and other services

### Fees for our work as the Authority's auditor

Audit fees for local government in England are mainly determined by Public Sector Audit Appointments (PSAA), which is responsible for appointing auditors and setting the fee scale for local government bodies. We have not been informed of the fee for 2023/24, and we are working with the PSAA to agree on a fee for the audit.

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