Summary for Audit Committee

Financial statements
This document summarises the key findings in relation to our 2016-17 external audit at Liverpool City Region Combined Authority (‘the Authority’).

This report focuses on our on-site work which was completed in August 2017 on the Authority’s significant risk areas, as well as other areas of your financial statements. Our findings are summarised on pages 4 to 13.

Subject to all outstanding queries being resolved to our satisfaction we anticipate issuing an unqualified audit opinion on the Authority’s financial statements before the deadline of 30 September. These outstanding items include:

- Value For Money work
- Consolidation,
- Review of narrative report and CIES restatement
- Bank confirmations
- Whole government Accounts
- Final review of our work.

Based on our work, we have raised 4 recommendations. Details on our recommendations can be found in Appendix 1.

Use of resources
We are in the process of finalising our risk-based work to consider whether in all significant respects the Authority has proper arrangements to ensure it has taken properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

We are currently awaiting the final documentation to enable us to complete our value for money conclusion. Upon receipt of this we expect to be able to issue an unqualified value for money conclusion. A verbal update will be provided to the Audit Committee on 8th September 2017.

See further details on page 18.

Public Interest Report
We have a duty to consider whether to issue a report in the public interest about something we believe the Authority should consider, or if the public should know about. We have not come across any issues that we would like to report.

Acknowledgements
We would like to take this opportunity to thank officers and Members for their continuing help and co-operation throughout our audit work.
The key contacts in relation to our audit are:

Rashpal Khangura  
*Director*  
KPMG LLP (UK)  
+44 (0)113 231 3396  
Rashpal.Khangura@kpmg.co.uk

Jerri Lewis  
*Manager*  
KPMG LLP (UK)  
+44 (0) 161 618 7359  
Jerri.Lewis@kpmg.co.uk

Forget Chasakara  
*Assistant Manager*  
KPMG LLP (UK)  
+44 (0) 7917 780 402  
Forget.Chasakara@kpmg.co.uk

Thomas Sweeney  
*Assistant Manager*  
KPMG LLP (UK)  
+44 (0) 7468365278  
Thomas.Sweeney@kpmg.co.uk

This report is addressed to Liverpool City Region Combined Authority (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. Public Sector Audit Appointments 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).

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 [engagement lead’s name], 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, Andrew Sayers (on 020 7694 8981, or by email to andrew.sayers@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, by telephoning 020 7072 7445 or by writing to Public Sector Audit Appointments Limited, 3rd Floor, Local Government House, Smith Square, London, SW1P 3H.
Section one

Financial Statements
We anticipate issuing an unqualified audit opinion on the Authority’s 2016/17 financial statements by 30 September 2017. We will also report that your Annual Governance Statement complies with the guidance issued by CIPFA/SOLACE (‘Delivering Good Governance in Local Government’) published in April 2016.
Section one: financial statements

Considerations required by professional standards

Fraud risk of revenue recognition

Professional standards require us to make a rebuttable presumption that the fraud risk from revenue recognition is a significant risk.

In our External Audit Plan 2016/17 we reported that the majority of the Authority’s income comes by way of Levy, Strategic Rail Grant and other funding. For these income streams we do not consider this to be a significant risk as there are limited incentives and opportunities to manipulate the way income is recognised and have therefore rebutted this risk and do not incorporate specific work into our audit plan in this area over and above our standard fraud procedures. For the tunnels income stream we did not rebut this risk and therefore we carried out testing of the daily cash collection controls and carried out analytical procedures.

There are no matters arising from this work that we need to bring to your attention.

Management override of controls

Professional standards require us to communicate the fraud risk from management override of controls as significant because management is typically in a unique position to perpetrate fraud because of its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.

Our audit methodology incorporates the risk of management override as a default significant risk. We have not identified any specific additional risks of management override relating to this audit.

In line with our methodology, we carried out appropriate controls testing and substantive procedures, including over journal entries, accounting estimates and significant transactions that are outside the normal course of business, or are otherwise unusual.

There are no matters arising from this work that we need to bring to your attention.
Other areas of audit focus

We identified 2 areas of audit focus. These are not considered as significant risks as these are less likely to give rise to a material error. Nonetheless this is an area of importance where we would carry out substantive audit procedures to ensure that there is no risk of material misstatement.

<table>
<thead>
<tr>
<th>Other areas of audit focus</th>
<th>Our work to address the areas</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1. Property Plant and Equipment (PPE)</strong></td>
<td><strong>Background</strong></td>
</tr>
<tr>
<td>Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year-end, but as a minimum every five years.</td>
<td></td>
</tr>
</tbody>
</table>

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

The asset valuation and impairment review processes are both estimates and therefore present a level of risk to the audit. The NBV of the Authority’s fixed assets as at 31 March 2017 was £289m.

**What we have done**

We undertook the following work over the valuation of material land and building balances:

- Substantiate a sample of capital additions;
- We have consulted indices to develop expectations of any potential movements in the valuation of relevant PPE assets and to confirm that the Authority’s conclusion that there have been no material movements in year is adequate and correct; and
- We have confirmed the existence of a sample of assets.

We have not identified any significant issues in respect of our review but however we have raised a recommendation on page 21 of this report in respect of the Authority not carrying out an impairment review this year.
We have considered the level of prudence within key judgements in your 2016/17 financial statements and accounting estimates. We have set out our view below across the following range of judgements.

### Subjective areas

<table>
<thead>
<tr>
<th>Subjective areas</th>
<th>2016/17</th>
<th>2015/16</th>
<th>Commentary</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Provisions</strong></td>
<td>2</td>
<td>2</td>
<td>There have been no significant movements in the provisions recognised compared to the prior year, and we have not identified any significant or unusual items. The total provisions balance is not material, and we have not identified any unrecognised provisions. We consider the provision disclosures to be proportionate and are satisfied there is no material misstatement from the work we have completed, but have noted that for some balances management are taking a cautious approach to the potential timing of the cost to be incurred.</td>
</tr>
<tr>
<td><strong>PPE</strong></td>
<td>3</td>
<td>3</td>
<td>The majority of the PPE is currently held at depreciated cost as infrastructure. We have considered the valuation basis for the assets and these are appropriate.</td>
</tr>
<tr>
<td><strong>Pension liability</strong></td>
<td>3</td>
<td>3</td>
<td>Pensions figures are included on consolidation only. We have considered the assumptions in the actuarial valuations for the Merseytravel financial statements and concluded the assumptions are appropriate. The Pensions assumptions and disclosures have been appropriately included in the Authority accounts on consolidation.</td>
</tr>
</tbody>
</table>
Proposed opinion and audit differences

Subject to all outstanding queries being resolved to our satisfaction, we anticipate issuing an unqualified audit opinion on the Authority’s 2016/17 financial statements following approval of the Statement of Accounts by the Audit Committee on 08 September 2017.

Audit differences

In accordance with ISA 260 we are required to report uncorrected audit differences to you. We also report any material misstatements which have been corrected and which we believe should be communicated to you to help you meet your governance responsibilities.

The final materiality (see Appendix 4 for more information on materiality) level for this year’s audit was set at £5 million. Audit differences below £0.25 million are not considered significant.

We did not identify any material misstatements. We however identified a small number of presentational adjustments required to ensure that the accounts are compliant with the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 (‘the Code’)

We understand that the Authority will be addressing these and updating the accounts as appropriate. We will confirm the required amendments have been made in the final accounts.
Section one: financial statements

Annual governance statement

We have reviewed the Authority’s 2016/17 Annual Governance Statement and confirmed that:

— It complies with Delivering Good Governance in Local Government: A Framework published by CIPFA/SOLACE;

and

— It is not misleading or inconsistent with other information we are aware of from our audit of the financial statements.

Narrative report

We are in the process of finalising our work in this area. We are reviewing the Authority’s 2016/17 narrative report to confirm that it is consistent with the financial statements and our understanding of the Executive. We will provide a verbal update on the 8th September at the Audit Committee meeting.
Section one: financial statements

Accounts production and audit process

Our audit standards (ISA 260) require us to communicate our views on the significant qualitative aspects of the Authority’s accounting practices and financial reporting.

We also assessed the Authority’s process for preparing the accounts and its support for an efficient audit. The efficient production of the financial statements and good-quality working papers are critical to meeting the tighter deadlines.

Accounting practices and financial reporting

The Authority has recognised the additional pressures which the earlier closedown in 2017/18 will bring. We have been engaging with the Authority in the period leading up to the year end in order to proactively address issues as they emerge.

Completeness of draft accounts

We received a complete set of draft accounts on 30 June 2017, which is the statutory deadline.

Quality of supporting working papers

We worked with management to ensure that working paper requirements are understood and aligned to our expectations. We are pleased to report that this has resulted in good-quality working papers with clear audit trails.
Response to audit queries

We are pleased to report that the overall response to our queries was good. This achievement puts the Authority in a good position to take on the 2017/18 earlier closedown with no significant concerns.

Group audit

To gain assurance over the Authority’s group accounts, we place reliance on the work completed by component auditors on the financial statements of the Authorities subsidiaries.

We are also pleased to report that there were no issues to note in relation to the consolidation process. We do not have any significant items to report or adjustments to the accounts on this area of focus to date, but note that consolidation work is ongoing as the audit of Merseytravel subsidiaries, completed by a separate firm, are not yet complete.

Prior year recommendations

As part of our audit we have specifically followed up the Authority’s progress in addressing the recommendations in last years ISA 260 report.

Appendix 2 provides further details.

Controls over key financial systems

We have tested controls as part of our focus on significant audit risks and other parts of your key financial systems on which we rely as part of our audit. The strength of the control framework informs the substantive testing we complete during our final accounts visit.

Below we have highlighted exceptions in relation to controls:

We identified two recommendations relating to the review of impairment on Property, Plant and Equipment (PPE), and Bank reconciliation controls, we believe these will improve the effectiveness of the process currently in place.

Further detail and associated recommendations can be found in Appendix 1.
Section one: financial statements

Completion

We confirm that we have complied with requirements on objectivity and independence in relation to this year’s audit of the Authority’s 2016/17 financial statements.

Before we can issue our opinion we require a signed management representation letter.

Once we have finalised our opinions and conclusions we will prepare our Annual Audit Letter and close our audit.

Declaration of independence and objectivity

As part of the finalisation process we are required to provide you with representations concerning our independence.

In relation to the audit of the financial statements of The Halton, Knowsley, Liverpool, St Helens, Sefton and Wirral Combined Authority Council for the year ending 31 March 2017, we confirm that there were no relationships between KPMG LLP and The Halton, Knowsley, Liverpool, St Helens, Sefton and Wirral Combined Authority, its directors and senior management and its affiliates that we consider may reasonably be thought to bear on the objectivity and independence of the audit engagement lead and audit staff. We also confirm that we have complied with Ethical Standards and the Public Sector Audit Appointments Ltd requirements in relation to independence and objectivity.

We have provided a detailed declaration in Appendix 5 in accordance with ISA 260.

Management representations

You are required to provide us with representations on specific matters such as your financial standing and whether the transactions within the accounts are legal and unaffected by fraud. We have provided a template to the Responsible Finance Officer for presentation to the Audit Committee. We require a signed copy of your management representations before we issue our audit opinion.

Other matters

ISA 260 requires us to communicate to you by exception ‘audit matters of governance interest that arise from the audit of the financial statements’ which include:

— Significant difficulties encountered during the audit;

— Significant matters arising from the audit that were discussed, or subject to correspondence with management;

— Other matters, if arising from the audit that, in the auditor’s professional judgment, are significant to the oversight of the financial reporting process; and

— Matters specifically required by other auditing standards to be communicated to those charged with governance (e.g. significant deficiencies in internal control; issues relating to fraud, compliance with laws and regulations, subsequent events, non disclosure, related party, public interest reporting, questions/objections, opening balances etc.).

There are no others matters which we wish to draw to your attention in addition to those highlighted in this report or our previous reports relating to the audit of the Authority’s financial statements.
Section two

Value for money
Our 2016/17 VFM conclusion considers whether the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

We are currently awaiting final documentation to enable us to complete our value for money conclusion. Upon receipt of this we expect to be able to issue an unqualified value for money conclusion.
Section two: value for money

VFM conclusion

The Local Audit and Accountability Act 2014 requires auditors of local government bodies to be satisfied that the authority ‘has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources’.

This is supported by the Code of Audit Practice, published by the NAO in April 2015, which requires auditors to ‘take into account their knowledge of the relevant local sector as a whole, and the audited body specifically, to identify any risks that, in the auditor’s judgement, have the potential to cause the auditor to reach an inappropriate conclusion on the audited body’s arrangements.’

Our VFM conclusion considers whether the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

We follow a risk based approach to target audit effort on the areas of greatest audit risk.

Overall VFM criteria: In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

VFM conclusion based on:

1. Identification of significant VFM risks (if any)
   - VFM audit risk assessment
   - Financial statements and other audit work

2. Continually re-assess potential VFM risks
   - Assessment of work by other review agencies
   - Specific local risk-based work

3. VFM conclusion
   - Conclude on arrangements to secure VFM

Page 80
Section two: value for money

The table below summarises our assessment of the individual VFM risk identified against the three sub-criteria. This directly feeds into the overall VFM criteria and our value for money opinion.

<table>
<thead>
<tr>
<th>VFM risk</th>
<th>Informed decision-making</th>
<th>Sustainable resource deployment</th>
<th>Working with partners and third parties</th>
</tr>
</thead>
<tbody>
<tr>
<td>2. Governance Arrangements</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Overall summary</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
</tbody>
</table>

We are currently awaiting final documentation to enable us to complete our value for money conclusion. Upon receipt of this we expect to be able to issue an unqualified value for money conclusion.

Further details on the work done and our assessment are provided on the following pages.
Section two: value for money

Significant VFM risks | Work performed
--- | ---
1. Governance Arrangements | Why is this a risk?

The Authority was created 1st April 2014 and during 2015/16 it expanded to take on additional roles and responsibilities. A devolution deal was agreed with the Government in November 2015 and as such the organisation is working towards ensuring the functions and governance arrangements of the Combined Authority are adequate and appropriate in order for devolution to happen under a Mayoral Combined Authority. Given the transitional year that the Authority finds themselves in, the materiality of the funding moving through the enlarged Authority and the public profile of the devolution process there is a need to ensure there are robust governance arrangements in place.

Summary of our work

We have reviewed the governance arrangements in place at the Authority including:

- strategic and financial planning arrangements; and
- risk management arrangements.

We recognised last year the state of change the Authority found themselves in ahead of the mayoral elections and we have reviewed the processes, strategies and governance arrangements that have been in place throughout the year. Whilst arrangements are in place and are operating – there is scope to improve the codification of arrangements. However, we also recognise the Authority has plans to do this as the new structure takes effect.
Appendices
Appendix 1

Key issues and recommendations

Our audit work on the Authority’s 2016/17 financial statements have identified a number of issues. We have listed these issues in this appendix together with our recommendations which we have agreed with Management. We have also included Management’s responses to these recommendations.

The Authority should closely monitor progress in addressing the risks, including the implementation of our recommendations. We will formally follow up these recommendations next year.

Each issue and recommendation have been given a priority rating, which is explained below.

- **High priority**: Issues that are fundamental and material to your system of internal control. We believe that these issues might mean that you do not meet a system objective or reduce (mitigate) a risk.

- **Medium priority**: Issues that have an important effect on internal controls but do not need immediate action. You may still meet a system objective in full or in part or reduce (mitigate) a risk adequately but the weakness remains in the system.

- **Low priority**: Issues that would, if corrected, improve internal control in general but are not vital to the overall system. These are generally issues of good practice that we feel would benefit if introduced.

The following is a summary of the issues and recommendations raised in the year 2016/17.

<table>
<thead>
<tr>
<th>Priority</th>
<th>Total raised for 2016/17</th>
</tr>
</thead>
<tbody>
<tr>
<td>High</td>
<td>0</td>
</tr>
<tr>
<td>Medium</td>
<td>1</td>
</tr>
<tr>
<td>Low</td>
<td>1</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>2</strong></td>
</tr>
</tbody>
</table>
### 1. Bank reconciliations

There was no evidence of management review of bank reconciliations for reconciliations completed for the months of September up until year end. If reconciliations are not regularly reviewed errors may not be adequately addressed.

**Recommendation**

Consideration should be given to ensuring bank reconciliations are formally evidenced as having been reviewed.

**Management Response**

Accepted.

**Owner**

Head of Finance

**Deadline**

31 March 2018

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### 2. Evidence of Property, Plant and Equipment (PPE) Impairment Review

It is the Authority’s policy to annually assess at each year end if there are any indications that an asset may be impaired. During our review of PPE there was no evidence to show that an impairment review had been carried out this year. There is a risk that PPE may be materially overstated if reviews are not periodically done.

**Recommendation**

The Authority should adhere to its policy of annually assessing its PPE for impairment

**Management Response**

Accepted

**Owner**

Head of Finance

**Deadline**

31 March 2018
Appendix 2

Follow-up of prior year recommendations

In the previous year, we raised four recommendations which we reported in our External Audit Report 2015/16 (ISA 260). The Authority has implemented all of the recommendations.

We have used the same rating system as explained in Appendix 1.

Each recommendation is assessed during our 2016/17 work, and we have obtained the recommendation’s status to date. We have also obtained Management’s assessment of each outstanding recommendation.

Below is a summary of the prior year’s recommendations.

<table>
<thead>
<tr>
<th>2015/16 recommendations status summary</th>
</tr>
</thead>
<tbody>
<tr>
<td>Priority</td>
</tr>
<tr>
<td>High</td>
</tr>
<tr>
<td>Medium</td>
</tr>
<tr>
<td>Low</td>
</tr>
<tr>
<td>Total</td>
</tr>
</tbody>
</table>

1. PPE Additions
   Testing of capital additions found £477,375 of additions that related to 2014-15 and had not been appropriately accrued for. The impact is that PPE assets and current creditor liabilities are understated in the comparative figures.
   We have noted that for the current year we have tested capital accruals and cut off and found no errors in our sample.

   Recommendation
   The Authority should review the process for identifying capital expenditure accruals and the review of valuations and invoices received shortly after year end.

   Management original response
   Agreed
   Owner
   Head of finance
   Original deadline
   Immediate

   KPMG’s assessment
   Fully implemented
   From our testing in the current year no issues were identified.
Appendix 2

2. Financial Reporting requirements

Publication of the notice for public inspection is required to be published on the Authority website at the same time as issuing the draft accounts and other key documents.

This was not posted on the website until 3 August 2016, and therefore the public inspection period could not commence until the day after this date.

 Recommendation

The Authority should ensure that publication and other accounts production requirements are understood and met.

Management original response

Agreed. Implemented in accordance with Accounts and Audit Regulations requirements.

Owner

Head of Finance

Original deadline

Immediate

[Fully implemented]

KPMG’s assessment

We have reviewed the website and we can confirm that the public notice was published on time.

3. Purchase orders

There is a large volume of expenditure that is managed by contract and therefore does not have purchase orders raised, and appropriate approval and monitoring is in place.

However, for the remaining expenditure we noted that 665 (6%) of the purchase orders raised on non contract expenditure were raised after the invoice has been received, totalling £1.5m of expenditure.

Additionally there are a large volume of invoices for which no PO is raised, resulting in a risk that expenditure is not appropriately approved before it is committed.

 Recommendation

Invoices for which no purchase orders are raised should be monitored and reviewed to ensure appropriate approval is obtained.

Purchase orders raised after the invoice receipt date should be monitored and reviewed.

Management original response

Agreed implement with immediate effect.

Owner

Head of finance

Original deadline

Immediate

[Fully implemented]

KPMG’s assessment

No similar issues were identified throughout our testing this year.
4. Journals sequencing

Journals are posted in batches and therefore batch numbers are recorded in the system.

Our work identified that there are gaps in the numerical sequencing of the batches.

There is an opportunity with the upcoming implementation of a new finance system to consider the numerical sequencing of journals within the finance system to further demonstrate review and control.

**Recommendation**

Journal controls should include consideration of numerical sequencing to enable effective controls over completeness and review of journal postings.

**Management original response**

Whilst we would give consideration to improving and strengthening the control environment we feel that there is limited mileage in implementing this rec due to the implementation of the new financial system.

*Owner*

Head of Finance

*Original deadline*

N/A

**KPMG’s assessment**

Not implemented

This recommendations is no longer valid as the move towards a new system will be implemented in 2017/18.
Appendix 3

Audit differences

We are required by ISA 260 to report all uncorrected misstatements, other than those that we believe are clearly trivial, to those charged with governance. We are also required to report all material misstatements that have been corrected but that we believe should be communicated to you to assist you in fulfilling your governance responsibilities.

Adjusted audit differences
No audit differences were identified.

Unadjusted audit differences
No unadjusted audit differences were identified
A small number of minor amendments focused on presentational changes have also been made to the draft financial statements.
Materiality and reporting of audit differences

Appendix 4

The assessment of what is material is a matter of professional judgment and includes consideration of three aspects: materiality by value, nature and context.

Material errors by value are those which are simply of significant numerical size to distort the reader’s perception of the financial statements. Our assessment of the threshold for this depends upon the size of key figures in the financial statements, as well as other factors such as the level of public interest in the financial statements.

Errors which are material by nature may not be large in value, but may concern accounting disclosures of key importance and sensitivity, for example the salaries of senior staff.

Errors that are material by context are those that would alter key figures in the financial statements from one result to another – for example, errors that change successful performance against a target to failure.

We used the same planning materiality reported in our External Audit Plan 2016/17, presented to you in [month 2017].

Materiality for the Authority’s accounts was set at £5 million for the Authority’s standalone accounts and group accounts which equates to around 1.9 percent of gross expenditure. We design our procedures to detect errors in specific accounts at a lower level of precision.

Reporting to the Audit Committee

Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit Committee/Name of the Committee any misstatements of lesser amounts to the extent that these are identified by our audit work.

Under ISA 260, we are obliged to report omissions or misstatements other than those which are ‘clearly trivial’ to those charged with governance. ISA 260 defines ‘clearly trivial’ as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.

ISA 450 requires us to request that uncorrected misstatements are corrected.

In the context of the Authority, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £0.25 million for the Authority.

Where management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Audit Committee to assist it in fulfilling its governance responsibilities.

Group audit

In addition to the Authority we deem the following subsidiary to be significant in the context of the group audit:
- The Merseytravel group.

To support our audit work on the Authority’s group accounts we have continuity of Manager at the Executive and the Authority.

We will report the following matters in our ISA 260 Report:
- any deficiencies in the system of internal controls or instances of fraud which the subsidiary auditors identify;
- any limitations on the group audit, for example, where our access to information may have been restricted; and
- any instances where our evaluation of the work of Merseytravel’s subsidiary auditors gives rise to concern about the quality of that auditor’s work. We will perform standard audit procedures to satisfy ourselves over the consolidation process and substantively test the consolidation schedule.
Declaration of independence and objectivity

Auditors appointed by Public Sector Audit Appointments Ltd must comply with the Code of Audit Practice (the ‘Code’) which states that:

“The auditor should carry out their work with integrity, objectivity and independence, and in accordance with the ethical framework applicable to auditors, including the ethical standards for auditors set by the Financial Reporting Council, and any additional requirements set out by the auditor’s recognised supervisory body, or any other body charged with oversight of the auditor’s independence. The auditor should be, and should be seen to be, impartial and independent. Accordingly, the auditor should not carry out any other work for an audited body if that work would impair their independence in carrying out any of their statutory duties, or might reasonably be perceived as doing so.”

In considering issues of independence and objectivity we consider relevant professional, regulatory and legal requirements and guidance, including the provisions of the Code, the detailed provisions of the Statement of Independence included within the Public Sector Audit Appointments Ltd Terms of Appointment (‘Public Sector Audit Appointments Ltd Guidance’) and the requirements of APB Ethical Standard 1 Integrity, Objectivity and Independence (‘Ethical Standards’).

The Code states that, in carrying out their audit of the financial statements, auditors should comply with auditing standards currently in force, and as may be amended from time to time. Public Sector Audit Appointments Ltd guidance requires appointed auditors to follow the provisions of ISA (UK&I) 260 ‘Communication of Audit Matters with Those Charged with Governance’ that are applicable to the audit of listed companies. This means that the appointed auditor must disclose in writing:

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Details of all relationships between the auditor and the client, its directors and senior management and its affiliates, including all services provided by the audit firm and its network to the client, its directors and senior management and its affiliates, that the auditor considers may reasonably be thought to bear on the auditor’s objectivity and independence.

The related safeguards that are in place.

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The total amount of fees that the auditor and the auditor’s network firms have charged to the client and its affiliates for the provision of services during the reporting period, analysed into appropriate categories, for example, statutory audit services, further audit services, tax advisory services and other non-audit services. For each category, the amounts of any future services which have been contracted or where a written proposal has been submitted are separately disclosed. We do this in our Annual Audit Letter.

Appointed auditors are also required to confirm in writing that they have complied with Ethical Standards and that, in the auditor’s professional judgement, the auditor is independent and the auditor’s objectivity is not compromised, or otherwise declare that the auditor has concerns that the auditor’s objectivity and independence may be compromised and explaining the actions which necessarily follow from his. These matters should be discussed with the Audit Committee.

Ethical Standards require us to communicate to those charged with governance in writing at least annually all significant facts and matters, including those related to the provision of non-audit services and the safeguards put in place that, in our professional judgement, may reasonably be thought to bear on our independence and the objectivity of the Engagement Lead and the audit team.

General procedures to safeguard independence and objectivity

KPMG LLP is committed to being and being seen to be independent. As part of our ethics and independence policies, all KPMG LLP Audit Partners and staff annually confirm their compliance with our Ethics and Independence Manual including in particular that they have no prohibited shareholdings.

Our Ethics and Independence Manual is fully consistent with the requirements of the Ethical Standards issued by the UK Auditing Practices Board. As a result we have underlying safeguards in place to maintain independence through: Instilling professional values, Communications, Internal accountability, Risk management and Independent reviews.

We would be happy to discuss any of these aspects of our procedures in more detail.

Auditor declaration

In relation to the audit of the financial statements of The Halton, Knowsley, Liverpool, St Helens, Sefton and Wirral Combined Authority for the financial year ending 31 March 2017, we confirm that there were no relationships between KPMG LLP and [Name of] Council and [Name of] Pension Fund, its directors and senior management and its affiliates that we consider may reasonably be thought to bear on the objectivity and independence of the audit engagement lead and audit staff. We also confirm that we have complied with Ethical Standards and the Public Sector Audit Appointments Ltd requirements in relation to independence and objectivity.
Audit fees

As communicated to you in our External Audit Plan 2016/17, our scale fee for the audit is £47,187 plus VAT (48,401 in 2015/16), which is a reduction of 2.5% from the prior year.

### PSAA fee table

<table>
<thead>
<tr>
<th>Component of audit</th>
<th>2016/17 (planned fee)</th>
<th>2015/16 (actual fee)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts opinion and use of resources work</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Additional work to conclude our opinions (note 1)</td>
<td>0</td>
<td>1,214</td>
</tr>
<tr>
<td><strong>Total fee for the Authority set by the PSAA</strong></td>
<td><strong>47,187</strong></td>
<td><strong>48,401</strong></td>
</tr>
</tbody>
</table>

All fees are quoted exclusive of VAT.