

AUDIT & STANDARDS COMMITTEE

16th July 2020

External Audit Progress Update

Purpose of Report

This report provides members with a progress update on the external audit of the 2019/20 Annual Accounts for the MCA Group.

Freedom of Information & Section 12A of the Local Government Act 1972

Under the Freedom of Information Act this paper and any appendices will be made available under the Mayoral Combined Authority Publication Scheme. This scheme commits the Authority to make information about how decisions are made available to the public as part of its normal business activities.

Recommendations

Members are asked to note the external audit progress update and to endorse the proposal to convene a special meeting of the Audit & Standards Committee by early September, in order to review the external auditor's final set of findings and to endorse the audited statement of accounts for approval by the MCA on 21st September 2020.

1. Introduction

- 1.1** At the previous meeting on 11 June, the Committee received a report and presentation on the draft 2019/20 Annual Accounts for the MCA Group prior to formal external auditing. The presentation drew Members' attention to the Narrative Report set out in the Statement of Accounts. This described the issues and financial impact of the activity in 2019/20. It also covered performance in terms of activity and finance, Covid-19 considerations and the financial health of the Group in detail.
- 1.2** After reviewing the Annual Accounts, the Committee approved them for publication on 15th June, well ahead of the revised statutory date for publication of the 31st August. At this point the external audit of the MCA's accounts commenced.
- 1.3** The aim of this report is to bring Members up to speed on progress with the external audit. A report on the external auditor's interim findings is attached at Appendix 1 of this report. The external auditor will present their findings at the Committee.

- 1.4** Finance officers and the audit team have worked collaboratively under challenging circumstances to manage the audit process to the pre-Covid timescales, with the main body of work now largely complete.
- 1.5** However, despite best efforts, delays to the conclusion of the South Yorkshire Pensions Authority audit will prevent the external auditor from completing their work to the agreed pre-Covid timescales. This is a matter that will be familiar to all South Yorkshire authorities working to those timescales. Our understanding is that the SYPA audit will be finished by early August, which will allow the MCA group's external auditor to complete their testing of the pension asset and liability disclosures in the MCA group accounts.

2. Report

- 2.1** The external audit of the MCA single entity and group accounts commenced as soon as the accounts had been published on 15th June. In the meantime, the external auditor had already started the audit of SYPTE's draft accounts.
- 2.2** The external auditor met with senior finance officers on 29th June to discuss their interim findings on the audit of both the SYPTE accounts and the accounts for the MCA group. As referenced in paragraph 1.5, only one significant amendment to the accounts was recommended by the external auditor. The amendment was related to the technical classification of resources set aside to alleviate potential financial pressures that may arise in the current financial year and beyond as a result of Covid-19. Senior finance officers have considered the recommendation and agreed to adjust the accounts accordingly, which will affect the split between provisions and earmarked reserves on the balance sheet. There is net nil impact on the main statements as a result of this adjustment.

2.3 Next Steps

The external auditor will complete their testing of the pension asset and liability disclosures in the MCA group accounts by mid-August, on the proviso that the SYPA audit will be finished by early August.

It is then proposed to convene a special meeting of SYPTE's Audit & Risk Committee by late August, subject to that Committee's endorsement when it meets on 9th July. Thereafter, it is proposed to hold a special meeting of the MCA Audit & Standards Committee to review the external auditor's final set of findings and to endorse the audited statement of accounts for approval by the MCA on 21st September 2020.

The proposed timing for the special MCA Audit & Standards Committee meeting is likely to be 3rd September, but no later than 10th September in order to conclude matters before the MCA report publication date of 11th September.

3. Consideration of alternative approaches

- 3.1** The MCA is obliged legally to publish its accounts in two stages each year. The first stage is the publication of the unaudited accounts. Normally this is by 31st May, but in the light of the Covid-19 pandemic, the regulations have been relaxed for 2019/20 accounts; the revised deadline of 31st August was achieved comfortably. The second stage is the publication of the audited accounts. Ordinarily this is by 31st July, but for the same reasons as above the deadline has been revised to 30th November.

4. Implications

4.1 Financial

Financial implications of the actions undertaken by the MCA Group in 2019/20 are reflected in the unaudited statement of accounts which were presented to Members at the previous meeting on 11th June.

4.2 Legal

None.

4.3 Risk Management

The actions detailed in the Narrative Statement and changes to provisions and earmarked reserves approved by MCA Board have mitigated potential budgetary risks that may arise in the current year. An assessment of the overall financial position shows that the Group is financially resilient to any significant changes to its operating environment.

4.4 Equality, Diversity and Social Inclusion

There are no equality, diversity or social inclusion implications.

5. Communications

5.1 None.

6. Appendices/Annexes

6.1 Appendix 1 – External Auditor’s Interim Findings

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Background papers used in the preparation of this report are available for inspection at: 11 Broad Street West, Sheffield S1 2BQ

Other sources and references: None