

## Mayoral Combined Authority Board

05 June 2023

### Statement of Accounts 2021/22 Update

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<b>Is the paper exempt from the press and public?</b>	No
<b>Reason why exempt:</b>	Not applicable
<b>Purpose of this report:</b>	Governance
<b>Is this a Key Decision?</b>	No
<b>Has it been included on the Forward Plan?</b>	Not a Key Decision

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#### **Director Approving Submission of the Report:**

Gareth Sutton, Executive Director Resources and Investment/s73 Officer

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#### **Executive Summary**

In common with many authorities across the country the MCA is experiencing severe delays in the conclusion of the audit process for the Annual Statement of Accounts for financial year 2021/22. These delays largely relate to capacity issues within the external audit market.

Whilst reporting throughout the year has indicated that external auditor expects to issue unqualified opinions with no matters to report on value-for-money, it is now expected that further delays will be incurred. It is expected that the final audit opinion will now not be presented to the Board before the July meeting.

Delays to the conclusion of the 2021/22 may now impact on the publication of the full unaudited 2022/23 accounts. The external auditor has also indicated that they do not intend to start the 2022/23 audit until January 2024.

The Audit Standards and Risk Committee have been kept apprised of the issue and have indicated their concern to the external auditor on the timeliness of activity.

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## What does this mean for businesses, people and places in South Yorkshire?

The Accounts and Audit inspection process is a central part of the organisation's governance and scrutiny arrangements.

### Recommendations

That the Board:

1. Note the update provided.

### Consideration by any other Board, Committee, Assurance or Advisory Panel

Audit and Standards Committee

22 March 2023

Audit and Standards Committee

25 January 2023

Audit and Standards Committee

19 October 2022

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## 1. Background

- 1.1 Each year the MCA prepares a statement of accounts for the South Yorkshire Passenger Transport Executive, the Mayoral Combined Authority and the consolidated Group.
  - 1.2 These accounts are scrutinised by the Audit, Standards and Risk Committee (ASRC) and formally audited by the appointed of external auditors. Review of the accounts is a key control and oversight function.
  - 1.3 External audit of the MCA Group's accounts is undertaken by EY, the appointed body through Public Sector Audit Appointment (PSAA) processes. EY also audit Sheffield City Council.
  - 1.4 Each year the MCA is required to publish draft accounts by the end of May, with the audit required to be completed by the end of September. This audit publication date was extended to the end of November for the 2021/22 accounts.
  - 1.3 Despite meeting the statutory deadlines for publishing draft accounts for financial year 2021/22, the external audits for SYPTE and the MCA Group remain unfinished.
  - 1.4 Reporting to the ASRC throughout the year has highlighted that the auditor expects to issue an unqualified opinion with no matters to report on value-for-money considerations across the Group.
  - 1.5 Conclusion of this work has however, been delayed by capacity constraints within the external auditor market, with further delays being incurred recently due to the need to take account of the triennial revaluation of the pension fund which has concluded whilst the audit was still underway.
  - 1.6 Delays in external audit are systemic across the country. A Government review by the National Audit Office has found that just 12% of audits were completed by the publication deadline of November 2022. At the time of writing, EY's audit of Sheffield City Council was also unfinished.
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- 1.7 It is now expected that the final audited accounts for the year will not be available to present to the Board before July 2023.
- 1.8 These delays may now have consequences for the publication of the unaudited 2022/23 accounts and the commencement of that audit. EY have suggested that they do not expect to commence the audit of the 2022/23 accounts until January 2024, nine months after the year-end.
- 1.9 The Audit, Standards, and Risk Committee have previously expressed concern to the external auditor on both the time taken to conclude work on the 2021/22 accounts and the work plan and timeline for completion of the 2022/23 accounts.
- 1.10 Whilst it is hoped that the 2021/22 audit process can be finalised in the near-term the implications of delays rippling through to the audit of 2022/23 remains a concern. The MCA understands that CIPFA and Government are considering options on how to mitigate this risk at the national level.

## 2. Key Issues

- 2.1 This report notes the delays to the conclusion of the audit for financial year 2021/22.
- 2.2 The report notes that it is likely that final audited accounts will be presented to the Board at the earliest in July 2023.
- 2.3 Whilst it is expected that there will be an unqualified opinion granted with no matters to report on the value-for-money review, delays of this magnitude do impact on the timeliness of scrutiny and oversight.
- 2.4 Delays also impact upon organisational capacity, as resource is directed to delayed process at the expense of other priorities.

## 3. Options Considered and Recommended Proposal

### 3.1 Option 1

No proposals are presented.

## 4. Consultation on Proposal

- 4.1 No proposals are presented.

## 5. Timetable and Accountability for Implementing this Decision

- 5.1 The MCA will continue to work with the external auditor to expedite this activity.

## 6. Financial and Procurement Implications and Advice

- 6.1 This report notes the delays to the audit of the 2021/22 accounts.
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6.2 PSAA have indicated that they expect audit fees to rise by, on average, 150% for the 2022/23 accounts. Provision has been made within the budget to support these increases.

**7. Legal Implications and Advice**

7.1 The delays have meant that the MCA is unable to comply with the publication requirements of the Accounts and Audit Regulations 2015

**8. Human Resources Implications and Advice**

8.1 None.

**9. Equality and Diversity Implications and Advice**

9.1 None.

**10. Climate Change Implications and Advice**

10.1 None.

**11. Information and Communication Technology Implications and Advice**

11.1 None.

**12. Communications and Marketing Implications and Advice**

12.1 None.

**List of Appendices Included**

None.

**Background Papers**

None.