

## Mayoral Combined Authority Board

31 July 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:**

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#### **Report Author(s):**

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#### **Executive Summary**

At its June meeting the Board received an update on the audit of the 2021/22 Statement of Accounts. This report noted the severe delays to the conclusion of the audit with the aim to bring the Accounts for approval to this meeting.

However, due to the delays the audit has not concluded before the revaluation of the South Yorkshire Pension Fund. The external auditors have now advised that this revaluation means that the MCA is required to reopen the Accounts and adjust pension related items.

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. Representation has also been made to the Public Sector Audit Appointment body.

Work will now take place to make changes with an expectation that the Accounts will be ready for approval by the September Board at the earliest. The timeline is largely dependent on the external auditor's ability to review documentation in a timely manner.

Since the last reporting date Government have also indicated that they are considering mitigations at the national level. This recognises the significant number of audits nationally that have been delayed and caught by similar issues.

The draft accounts for financial year 2022/23 have been reviewed by the Audit Standards and Risk Committee and published for public inspection.

### **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	21 June 2023
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.

1.7 It is now expected that the final audited accounts for the year will be available for approval in September at the earliest, with potential for further delays.

1.8 These delays are likely to ripple through to the audit of the 2022/23 accounts. 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. Representation has also been made to the Public Sector Audit Appointment body.

1.10 The MCA understands that Government are considering national level mitigations with regards to outstanding 2021/22 audits. This reflects the systemic issues and number of audits that remain open.

## 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 September 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.

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**6. Financial and Procurement Implications and Advice**

6.1 This report notes the delays to the audit of the 2021/22 accounts.

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.