

Audit & Standards Committee

29th October 2020

EXTERNAL AUDIT UPDATE

Purpose of Report

This report provides an update on the external audit process for the 2019/20 statutory MCA financial accounts, noting ongoing delays to the conclusion of the process. The report outlines a number of options to allow the Committee to offer recommendations to the MCA ahead of the Board's formal meeting on the 16th November.

Freedom of Information and Schedule 12A of the Local Government Act 1972

This paper will be available under the Combined Authority Publication Scheme

Recommendations

1. Note the continuing delays to the conclusion of the external audit process for the 2019/20 accounts
2. Consider the options available to the Committee to allow it formally consider the final audit opinion and make recommendations to the MCA Board
3. Note the recommendation for the Committee to delegate endorsement of the accounts to the Chair and Vice Chair

1. Introduction

- 1.1 Under the Committee's terms-of-reference it is obliged to make a recommendation to the MCA Board on whether to accept and approve the audited annual Statement of Accounts.
- 1.2 The meeting of the Committee on this date was planned to enable the Committee to receive the external auditor's final opinion on the accounts and take a decision on whether to formally endorse the accounts to the MCA Board.
- 1.3 At the time of writing the external auditor's opinion was not available, pending the conclusion of the audit process for the South Yorkshire Pension Fund.
- 1.4 This report notes that in the event of the auditor's opinion not being received by the Committee date a decision will be required on how the Committee formally takes a decision.

- 1.5 The report offers a number of options on how to proceed, and recommends that the Committee delegate the decision on the endorsement of the accounts to the Chair and Vice Chair should the audit opinion not be available by the Committee date.

2. Background

- 2.1 Under its terms-of-reference the Committee is charged with supporting the MCA in its governance duties by scrutinising the Annual Statement of Accounts and offering the Board a recommendation on whether the Board – as ‘those charged with governance’ – should approve the accounts.
- 2.2 The Committee forms this judgement through scrutiny of the accounts throughout the external audit process and ultimately receipt of the external auditors’ formal opinion.
- 2.3 The Committee has previously received updates noting the delays to the conclusion of the audit process, largely due to issues with the audit of the South Yorkshire Pension Fund (SYPF). Although the audit of the MCA’s accounts is substantially complete, and the Committee has received regular updates on the findings of the audit, until the audit of SYPF is concluded the external auditor will be unable to release his formal opinion.
- 2.4 At the point of the conclusion of the SYPF audit, the external auditor will be able to identify whether any changes are required to the MCA’s accounts, or whether the auditor is in a position to conclude the process and issue the audit opinion.
- 2.5 To meet statutory deadlines for the publication of the audited accounts, the MCA Board must receive the accounts at their meeting of the 16th November. For the Board to consider the accounts, the Committee’s recommendation must be received by the time papers are released on the 6th November.
- 2.6 At the time of writing the timeline for receipt of the ISA 260 (formal audit opinion) was still unclear, but there is a significant possibility the opinion will not be received by the time the Committee meets in session on the 29th October. External audit colleagues do, however, believe that the opinion will be ready for release by the paper deadline date of the 6th November.
- 2.7 With no additional Committee time planned between the 29th October and the 6th November, a decision is required at this point on how to enable the Committee to formally conclude its review of the accounts and make a recommendation to the Board within the limited time available.
- 2.8 This report proposes that the Committee delegate the final endorsement of the accounts to the Chair and Vice Chair of both the SYPTE and MCA Committees. This gives the Committee the maximum flexibility to receive the audit opinion and reach a conclusion ahead of the deadline for the publication of papers for the MCA Board.

3. Consideration of alternative approaches

3.1 Following discussion with the Legal team the following options are available to the Committee:

1. Call an additional single-item meeting by the 6th November for the Committee to formally receive the audit opinion and take a decision;
2. Delegate the decision-making to the Chair and Vice-Chair of the MCA and SYPTTE Committees, and for the Chair and Vice-Chair to meet informally before the 6th November
3. Recommend to the MCA Board that an additional MCA Board meeting be called in late November to allow the Committee to formally receive the audit opinion and have time to review the documentation.

3.2 Both options 1 and 2 are dependent on the following happening before the 6th November:

1. The external auditor determining whether any further changes are required to the MCA's accounts following the conclusion of the SYPF audit;
2. Those changes being actioned by SYPTTE and the MCA;
3. External audit reviewing those changes;
4. The audit opinion being released in sufficient time for the documentation to be received and reviewed by the Committee.

3.3 Under Option 1, the latest the Committee could meet would be the 5th November to allow papers to be dispatched the following day. When the audit opinion would be dispatched to Committee members ahead of this meeting would be dependent on when documentation was ready for release. To meet the five working days rule, the opinion would be required by Thursday 29th, which is the existing Committee date,

3.4 Option 2 affords the Committee additional flexibility, since the logistics of organising an informal meeting between the Chairs and Vice-Chairs of the Committees are likely to be simpler than that of the wider Committee.

3.5 Option 3 is the ultimate back-stop option and will be necessary should the audit opinion not be available before the 6th November. However, this option is not preferred given the complexities of arranging full Board meetings.

4. Implications

4.1 Financial

The statutory deadline for the publication of the audited accounts is the 30th November.

4.2 Legal

The legal team have been engaged in the presentation of the options presented to the Committee in this report.

4.3 Risk Management

None.

4.4 Equality, Diversity and Social Inclusion

None.

5. Communications

5.1 None.

6. Appendices/Annexes

6.1 *None*

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Background papers used in the preparation of this report are available for inspection at:

Other sources and references: