

16th November 2020

ANNUAL STATEMENT OF ACCOUNTS AND ANNUAL GOVERNANCE STATEMENT

Purpose of Report

Having regard to the findings of the external auditor and the endorsement of the Audit and Standards Committee, this report seeks Board approval for the Annual Statement of Accounts and the Annual Governance Statement as presented in the appendices.

Thematic Priority

All.

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

This paper will be available under the Combined Authority Publication Scheme

Recommendations

- Approve the Annual Statement of Accounts; and,
- Approve the Annual Governance Statement.

1. Introduction

- 1.1** The Accounts and Audit Regulations 2015 require the MCA to prepare an annual Statement of Accounts, and to perform an annual review of the effectiveness of systems of internal controls through the publication of an Annual Governance Statement (AGS).
- 1.2** The MCA's Constitution reserves approval of these two documents to the Board. However, to support the Board in this duty the accounts are audited by an independent external auditor, whilst both documents are reviewed by the MCA's Audit & Standards Committee.
- 1.3** The external auditor (EY) forms an opinion on whether the accounts offer a 'true and fair view' of the MCA's financial performance over the year, whilst also offering an opinion on whether the MCA's governance, systems, and processes support value-for-money. The auditor's current findings are published through a prescribed ISA 260 report.
- 1.4** Similarly, the Audit & Standards Committee provide scrutiny and receive representation from officers and the auditor over the audit process. The Committee ultimately decides whether to endorse the Accounts and the AGS to the Board.
- 1.5** This report notes that the auditor's findings currently lead to an unqualified opinion, with no matters to report on the value-for-money statement. The report further notes that following scrutiny the Audit & Standards Committee have endorsed the Accounts to the Board. Accordingly, this report commends the Accounts and AGS to the Board seeks approval for both documents.

- 1.6** This report notes that at the time of writing the external auditor was awaiting a final piece of assurance from the auditor of the South Yorkshire Pension Fund. Following discussions with the auditors this issue is not expected to affect the Accounts as presented. In line with other South Yorkshire local authorities, the Accounts are presented for approval whilst noting that if changes are required the MCA will revert to both the Committee and the Board.

2. Proposal and justification

- 2.1** In common with other public sector partners, the MCA is required under law to produce an Annual Statement of Accounts, and for those accounts to be audited.
- 2.2** The Accounts are prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20. This is the same framework under which the MCA's constituent and non-constituent authorities prepare their accounts, and so the look and feel of the documents should be similar. Differences largely reflect differences in remit, with the MCA not, for example, operating a Housing Revenue Account nor a Collection Fund.
- 2.3** The MCA's accounts are presented at the single-entity level and the Group level. The Group accounts consolidate the financial accounts of SYPTE and a number of subsidiary companies.
- 2.4** Whilst the accounts detail the financial performance of the MCA over the course of the year, the MCA is also required to prepare an Annual Governance Statement (AGS). The AGS is the means by which the MCA formally reviews its system of governance and internal controls on an annual basis.
- 2.5** Both the accounts and the AGS must be formally presented to the MCA for consideration and ultimately approval. Reflecting the disruption the pandemic caused to the production and audit of the accounts, the statutory deadline for the approval of these documents has been moved to the 30th November.
- 2.6** At the time of writing the audit of the Accounts is practically completed and the auditor has issued his current ISA 260 report, detailing an unqualified opinion and no matters to report on the value for money statement. This report is not yet in its final form, reflecting an outstanding piece of assurance from the auditor of the South Yorkshire Pensions Authority. This is an issue that is common to all South Yorkshire local authorities.
- 2.7** The MCA has engaged with the South Yorkshire Directors of Finance to review options and offer a consistent approach to managing this issue, whilst noting the auditor's opinion that the pensions assurance will likely not affect the Accounts.
- 2.8** Accordingly, in line with other authorities, the Accounts as shown in the appendices are presented for approval. The Accounts, as presented, have formally been endorsed by the Audit and Standards Committee.
- 2.9** Should changes be required to the Accounts following receipt of the final pensions assurance the MCA will revert back to the Committee and the MCA Board.
- 2.10** The AGS is also appended to this report. The AGS includes a Governance Improvement Plan and forms part of the MCA's commitment to continuously reviewing its system of governance and controls. The AGS is informed by the annual internal audit plan, and has been reviewed and commented on the MCA's management team and the Audit & Standards Committee.

3. Consideration of alternative approaches

- 3.1 The MCA is required to publish its audited accounts by the end of November.
- 3.2 This report recommends approval of the Accounts in their current form, noting that should the Accounts require change the MCA will revert to the Committee and Board. This is the approach adopted by other South Yorkshire local authority partners.
- 3.3 Approval of the Accounts could be postponed until the final audit completion report was available, but this would require a further MCA Board meeting to be called before the end of November.

4. Implications

4.1 Financial

The Statement of Accounts sets out the financial performance and financial position of the MCA both as a single entity and as a group.

4.2 Legal

The audited Statement of Accounts will need to be published on the MCA's external website by the 30th November to comply with the Accounts and Audit Regulations.

4.3 Risk Management

None.

4.4 Equality, Diversity and Social Inclusion

None.

5. Communications

- 5.1 The audited Statement of Accounts will need to be published on the MCA's external website by the 30th November to comply with the Accounts and Audit Regulations.

6. Appendices/Annexes

- 6.1 Appendix A: Annual Statement of Accounts & Annual Governance Statement
Appendix B: ISA 260 Audit Findings Report

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Other sources and references: