

AUDIT AND STANDARDS COMMITTEE

13th June 2019

2018/19 Statement of Accounts

Purpose of Report

To provide the MCA Audit & Standards Committee with an opportunity to ask any questions regarding the unaudited Statement of Accounts before they are subject to external audit and public inspection.

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

The paper will be available under the Combined Authority Publication Scheme.

Recommendations

That MCA Audit & Standards Committee raise any issues or questions they may have regarding the unaudited Statement of Accounts.

1. Introduction

- 1.1** The Accounts and Audit Regulations set out the statutory framework for local authority financial reporting. These require the publication of an authority's unaudited Statement of Accounts by 31 May and audited Statement of Accounts by 31 July.
- 1.2** It is the Section 73 Officer's responsibility as the Responsible Finance Officer to authorise for issue the unaudited Statement of Accounts. It is Members' responsibility to formally approve the audited Statement of Accounts, having first received the audit report (ISA 260) from the external auditor setting out matters arising from their audit. The MCA has determined that the full authority should have responsibility for approving the audited Statement of Accounts. It is the Audit Committee's responsibility to consider the findings contained in the ISA 260 and make a recommendation to the MCA on whether the Statement of Accounts can be formally approved.
- 1.3** The purpose of this paper is to provide the MCA Audit & Standards Committee with an opportunity to ask any questions about the unaudited Statement of Accounts before they are subject to audit and public inspection. The unaudited Statement of Accounts are attached in full at Appendix 1.
- 1.4** Members are asked to note that there are potentially two material adjustments that will need to be made to the opening balance sheet on 1 April 2018 which are not reflected in the unaudited Statement of Accounts. These are currently being discussed with the external auditors and, once finally determined, will be incorporated into the audited Statement of Accounts as a Prior Period Adjustment prior to the Accounts being presented

to the next Audit & Standards Committee meeting on 11 July, and subsequently being formally adopted by the MCA at its meeting on 29 July.

2. Proposal

- 2.1** The purpose of the Statement of Accounts is to report the financial performance and financial position of the MCA in its own right and of the MCA Group (principally the MCA and SYPTE) in a true and fair way. This is made more complex in local authority accounting because the way in which local government is financed through taxpayers differs from normal commercial accounting practice.

The unaudited Statement of Accounts comprises the following key sections:

- A Narrative Report which is intended to give a reader of the accounts strategic oversight of the MCA's organisational and financial performance during the year;
- A draft Annual Governance Statement which summarises the effectiveness of the MCA's governance arrangements, and;
- The financial statements themselves on which the external auditor gives his opinion.

The financial performance of the MCA in its own right is reported in the financial statements through the Comprehensive Income & Expenditure Statement (p.46 of the unaudited accounts) and the Movement in Reserves Statement (p.43 of the unaudited accounts). The MCA's financial position or balance sheet is shown on p.47.

MCA Group's financial performance is reported in the Group Comprehensive Income & Expenditure Statement (p.116 of the unaudited accounts) and the Group Movement in Reserves statement (p.111 of the unaudited accounts). The MCA Group's financial position or balance sheet is shown on p.117.

One other thing to note is the fact that the financial performance of the MCA's economic development activity is distinguished from the financial performance of the South Yorkshire transport functions inherited from the former Integrated Transport Authority (ITA) because of the different ways in which they are funded.

- 2.2** The Statement of Accounts are due to be audited by the external auditor in the second half of June. The aim is for their ISA 260 (at least in draft form) to be presented to the next Audit Committee on 11 July.

Members are asked to note that the unaudited Statement of Accounts do not include two potentially material adjustments that will need to be made to the opening balance sheet on 1 April 2018.

- 2.3** The first of these concerns the way in which the assets and liabilities of the MCA's wholly owned subsidiary, SYITA Properties, have been combined with those of the MCA following the company's transfer of business to the MCA during 2017/18, and the way in which the MCA's investment in the company is being realised.

It has emerged that the presentation of this event in the 2017/18 Statement of Accounts is incorrect, and steps will be required to restate the opening position in a manner which fairly reflects the substance of the business transfer. Work is being undertaken at present to confirm the complex accounting, tax and legal implications that surround it with support from relevant professional advisors and in conjunction with the external auditors. The aim is to establish an agreed way forward which facilitates the company's voluntary liquidation in an orderly fashion whilst at the same time maximising the financial benefit to the MCA Group.

2.4 The second concerns the way in which SYPTE has accounted for revaluations gains and losses when land and buildings have been revalued in the past. Initial indications are that there will need to be a transfer from unusable reserves (revaluation reserve) to usable reserves (SYPTE's General fund balance) to restate the opening position at 1 April 2018. Finance officers will work with the external auditors during the final accounts audit to quantify what correction is needed to the opening position at 1 April 2018 in both cases and to reach agreement on the future accounting treatment. The plan is to bring the outcome back to Audit Committee on 11 July to explain what adjustments are to be made.

3. Consideration of alternative approaches

3.1 Do nothing – this is not an option because of the statutory financial reporting requirements applicable to local authority accounts.

4. Implications

4.1 Financial

The unaudited Statement of Accounts sets out the financial performance and financial position of the MCA and MCA group, subject to the Prior Period Adjustments referred to in paragraphs 2.3 & 2.4 above.

4.2 Legal

The unaudited Statement of Accounts were authorised for issue by the Responsible Finance Officer on 30 May and published on the SCR's website on 31 May, thereby meeting the statutory deadline.

4.3 Risk Management

None.

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 – unaudited 2018/19 Statement of Accounts

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