

Subject	Approval of Statement of Accounts 2020/21	Status	For Publication
Report to	Audit Committee	Date	29 July 2021
Report of	Treasurer		
Equality Impact Assessment	Not Required	Attached	n/a
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1 Purpose of the Report

- 1.1 To approve the audited Statement of Accounts 2020/21.
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2 Recommendations

- 2.1 Members are recommended to:
- a. **Approve the Statement of Accounts 2020/21**
 - b. **Authorise the Chair of the Audit Committee to sign the Statement of Accounts on behalf of the Authority**
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3 Link to Corporate Objectives

- 3.1 This report links to the delivery of the following corporate objectives:

Effective and Transparent Governance

To uphold effective governance showing prudence and propriety at all times.

- 3.2 The approval and publication of the Statement of Accounts enables the Authority to demonstrate the proper administration of its financial affairs and the effective use of its resources.
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4 Implications for the Corporate Risk Register

- 4.1 The actions outlined in this report address the risk identified in the Corporate Risk Register that the Authority fails to meet specific regulatory requirements.

5 Background and Options

- 5.1 Regulation 9 (2) of the Accounts and Audit Regulations 2015 requires the Statement of Accounts to be approved by a resolution of a Committee of the Authority.
- 5.2 The Authority has designated the Audit Committee as the committee to approve the Statement of Accounts.

Statutory Deadlines for Publication of Accounts

- 5.3 In September 2020, the findings from the *Independent review into the oversight of local audit and the transparency of local authority financial reporting* (The Redmond Review) were published. This report recommended that the deadline for publishing audited local authority accounts be extended from 31 July to 30 September each year. MHCLG partly accepted this recommendation and agreed to extend this deadline accordingly for 2020/21 and 2021/22 only, after which this will be reviewed.
- 5.4 The Accounts and Audit (Amendment) Regulations 2021 came into force on 31 March 2021 and require publication of the audited statement of accounts no later than 30 September. Additionally, in relation to the draft, unaudited accounts, these are to be published no later than 31 July to enable the period for the exercise of public rights to commence by the first day of August.
- 5.5 Although the statutory deadlines were extended thus, officers had planned a timetable for the production of the Authority's 2020/21 accounts in accordance with the earlier dates of 31 May for publication of the draft accounts, and 31 July for publication of the audited accounts. It is considered very important that we prepare our accounts as early as possible given that the four district Councils and other large employers in the scheme are reliant on the completion of the audit on the Fund accounts and receipt of assurances from our auditor before their own audits can be completed.
- 5.6 This was discussed with our external auditor, Deloitte, who agreed to commit to working with us to achieve these deadlines.

Statement of Accounts

- 5.7 The accounts have been prepared following the "Code of Practice on Local Authority Accounting in the United Kingdom 2020/21" issued by the Chartered Institute of Public Finance and Accountancy (the Code).
- 5.8 The Code constitutes the "proper accounting practices" required by Section 21(2) of the Local Government Act 2003 and deviations from it will usually lead to a qualified audit opinion. The Authority is required to prepare a Statement of Accounts in compliance with the Accounts and Audit Regulations made under Section 32 of the Local Audit and Accountability Act 2014 and therefore has a statutory duty to comply with the Code requirements.
- 5.9 In accordance with Section 26 of the Local Audit and Accountability Act 2014 the accounts were open to public inspection and for objections or questions from local electors for 30 days and no objections or questions from local electors were received.
- 5.10 The accounts are subject to audit by Deloitte LLP who is the auditor appointed by Public Sector Audit Appointments Limited. Deloitte LLP has conducted its audit and prepared their audit status report in accordance with *International Standards on Auditing (United Kingdom and Ireland) 260 - Communication to those charged with governance*, which is elsewhere on the agenda.
- 5.11 The draft Statement of Accounts 2020/21 was authorised for issue on Friday 28 May 2021. This was ahead of the statutory deadline, as outlined above in paragraphs 5.4 to 5.5. The external audit commenced on the next working day, Tuesday 1 June.
- 5.12 The Statement of Accounts comprises the accounts of the Authority itself as an organisation, in addition to the accounts of the Pension Fund for the year (the Fund accounts).
- 5.13 At the time of writing, the audit work is very well progressed and on schedule to be finalised in line with the planned timescales to enable the audited accounts to be published around 31 July. The auditor will provide an update on the status of their audit to the Committee.

- 5.14 During the course of the audit, a small number of amendments to the accounts were agreed as set out below. The amended, audited Statement of Accounts is attached as Appendix A to this report.

Amendments to the Accounts

5.15 Fund Accounts – Valuation of ‘Alternatives’ Assets

- 5.16 The Fund’s investments include over 150 investments in ‘alternative’ classes of assets (private equity, private debt, and infrastructure) that, in line with standard industry practice and in line with previous years, are valued using the latest financial statements published by the respective fund managers. Due to timing required for preparation of the draft accounts, 31 December valuations are normally used, adjusted for subsequent cash flows (new investments and returns paid over to investors). This approach is necessary because these funds’ 31 March statements are only provided from June onwards, and it is considered that their values at 31 March are unlikely to be materially different from the values stated in the draft Fund accounts.

- 5.17 However, each year this is reviewed and checked against the fund manager statements at 31 March as they become available during the audit process. This year, the review of fund manager statements for 31 March 2021 indicated a material movement from the 31 December values. Consequently, it was necessary to amend the Fund accounts in order to update the valuations of these investments.

- 5.18 The financial impact of this change was an increase in the total Fund value of £130.8 million; the total net assets of the Fund shown on the Net Assets Statement at 31 March 2021 changed from £9.731 billion to £9.862 billion.

- 5.19 The effect of this in the Fund Account for the year was to increase the change in values of investments from £1.585 billion to £1.715 billion.

- 5.20 This also resulted in an increase to the total investment return for the year from 19.5% to 21.1%.

5.21 Authority Accounts – IAS 19 Accounting for the Defined Benefit Pension Liability

- 5.22 As a result of the change to the Fund accounts set out above, there was a knock-on effect to the values stated in the Authority’s accounts in relation to the Authority’s net pension liability as an employer in the scheme. An amended schedule of IAS19-based figures was obtained from the actuary and the accounts amended accordingly. This resulted in an overall reduction to the long term net pensions liability in the balance sheet of £417k; from £14.292 million to £13.875 million.

- 5.23 The effect of this in the Comprehensive Income & Expenditure Statement was a small increase of £1k to the net interest cost recognised in the surplus on provision of services, and a reduction of £418k recognised in Other Comprehensive Expenditure.

- 5.24 Statutory requirements mean that the effects of IAS 19 accounting adjustments are reversed in the Movement in Reserves Statement so there is no impact from this change to the total Authority expenditure charged to the Pension Fund.

5.25 Authority Accounts – Expenditure and Income Analysed by Nature

- 5.26 Note 9 to the Authority accounts provides a disclosure to show the expenditure of the Authority classified according to its nature – employee expenses, depreciation and amortisation, other service expenses and so on. A classification error was identified in this note in that £60k of expenditure relating to other service expenses was incorrectly shown as employee expenses. This error was corrected by reducing the value of employee expenses and increasing the value of other service expenses by the same amount. There was no impact on the total expenditure figure disclosed or on any other areas of the accounts.

6 **Implications**

6.1 The proposals outlined in this report have the following implications:

Financial	The Statement of Accounts sets out the financial position of the Authority at 31 March 2021 and its income and expenditure for the year then ended.
Human Resources	None
ICT	None
Legal	Approval of the 2020/21 Statement of Accounts will ensure compliance with the Accounts and Audit Regulations 2015 and the Accounts and Audit (Amendment) Regulations 2021.
Procurement	None

Neil Copley

Treasurer

Background Papers	
Document	Place of Inspection
None	-