



2020-21 City Fund and Pension Fund Accounts – Audit Completion Update

Background

The 20-21 City Fund and Pension Fund accounts were presented to the November Audit and Risk Management and December Finance Committee. As in previous years whilst there were outstanding matters to be resolved, as detailed in the auditor report, the audit was substantially complete and therefore authority was delegated to the Chamberlain, in consultation with the Finance Committee Chairman and Deputy Chairman, for final sign-off.

Following the auditors internal review process, a late technical query has been raised which has prevented the final sign-off of the accounts.

It should be noted that the Pension Fund audit is complete and is not impacted by this issue.

Current Position

Following the auditors' internal review of the City Fund audit, a late issue regarding the disclosure notes supporting the cashflow statement has prevented final sign-off of the accounts. The issue raised is not new, and relates to the disclosure of movements in short term investments on a gross basis i.e. separately disclosing purchases and sales of investment, which has to date been presented on a net basis.

This issue was raised during the 2019-20 audit, when the current presentation was accepted given the City Corporation's cash position and investment decisions are dealt with at an aggregate level across all the Corporation's funds, given greater return rates are secured from larger monetary placements. To comply with the auditor's request, we are being asked to retrospectively determine what proportion of the purchases and sales of investment instruments specifically relates to City Fund cash.

Whilst conceptually this may sound like a straightforward task, this does throw up several challenges:

- The volume of data to be analysed to establish the required information across 2 financial years, as prior year figures will also need to be restated, is a time-consuming task.
- In addition, the opening investment balance at 1 April 2019 will also require a by fund breakdown to understand subsequent movement in the balance i.e. maturity and re-investment.
- Investment decisions are based on expected cashflow so this information will also need to be factored in on a fund basis.
- To date average cash balances across funds have been used to apportion balances as part of the final accounts process. Moving to this new level of analysis may require wider changes in how the investment portfolio is managed with individual fund balances being maintained. This may be a more resource intensive way of operating.



BRIEFING NOTE

At the time of writing a proposed approach has been forwarded to the auditors and we are awaiting confirmation that this would be acceptable. To date work has focused on getting an acceptable methodology focusing on 2020-21. Should this be agreed, attention would then turn to 2019-20.

This issue does not question the underlying data in the accounts, nor would result in a change in the main statements. This issue is isolated to the disclosure supporting the cashflow statement and would not change the net position currently presented in the accounts.

Members will be aware that the scheduled audit sign-off deadline is 30 September for City Fund and the Pension Fund accounts. We are therefore working towards completing sign-off as soon as possible given the requirement deadline has been missed.

Neilesh Kakad

14/1/2022