

Committee(s): Finance Committee – For decision	Dated: 20/09/2022
Subject: 2020-21 City Fund and Pension Fund Statement of Accounts – Delegation of Approval	Public
Which outcomes in the City Corporation's Corporate Plan does this proposal aim to impact directly?	6/7
Does this proposal require extra revenue and/or capital spending?	N
If so, how much?	N/A
What is the source of Funding?	N/A
Has this Funding Source been agreed with the Chamberlain's Department?	N/A
Report of: The Chamberlain	For Decision
Report author: Neilesh Kakad, Chief Accountant	

Summary

Following the delay in approving the 20-21 City Fund and Pension Fund Accounts, linked to late audit queries and a national technical accounting issue with the accounting of infrastructure assets, we are now moving to a position where signing off the accounts is now possible. The latter issue is subject to change to the accounting code of practice and legislation in order to remedy the issue, this at this stage are progressing at differing timelines. To expedite the approval process may require acceptance of a qualified opinion to the accounts on this technical accounting point or else waiting for an indeterminate length of time to await a full resolution.

The need for a resolution to this issue has become more pressing as our new auditors can not begin their work on the 21-22 accounts until the previous auditors have provided an opinion on the 20-21 accounts and the other funds of the Corporation and external partners are reliant on the work of the City Fund auditor to complete their audits, potentially causing breach of statutory and legal requirements.

To move this forward it is proposed that the final version of the City Fund and Pension Fund Accounts be taken to Audit and Risk Management Committee as soon as possible to seek a recommendation to approve the accounts. This would normally progress to Finance Committee for final approval but, to fast track to approval process, we are seeking delegated authority to the Chairman and Deputy Chairman to sign off the accounts following the Audit and Risk Management Committee recommendation. This will enable us to bring to a close the 20-21 audit process and allow work to begin on 21-22 so to facilitate the completion on the other dependent financial statements.

Recommendation(s)

The Finance Committee are asked to:

- approve delegated authority for the Chairman and Deputy Chairman of the Finance Committee to approve and sign the 2020-21 City Fund and Pension Fund Statement of Accounts on behalf of the Court of Common Council.

Main Report

Background

1. The 2020-21 City Fund and Pension Funds Statement of Accounts were previously presented to your November 2021 Committee for approval with the expectation that final sign-off would be achieved in December 2021.
2. This process was delayed due to a late audit issue arising with respect to a disclosure note supporting the cashflow statement and a national technical accounting issue arising around the accounting of infrastructure assets. This latter issue meant all outstanding audits were prevented from being signed off until a resolution had been agreed, which has been led by the Chartered Institute of Public Finance and Accountancy (CIPFA) along with discussion with Govt.
3. This has meant that the 2020-21 City Fund and Pension Fund audits have remained open until these issues have been resolved.

Current Position

4. Following further work with our auditors, BDO, and anticipated changes to the CIPFA code of practice, which will seek to partially resolve the infrastructure asset issue, we believe that we will be in a position to sign-off the 20-21 accounts shortly. The code of practice change should remove a substantial part of the infrastructure asset issue and allow audit firms to provide an opinion. However, even with this change, the opinion is likely to be qualified in relation to this specific matter, although how this will be presented is currently under discussion.
5. In parallel work is also happening within Govt to provide a statutory override on this issue which would avoid the need for a qualification but at this point no firm timetable has been provided and therefore we are seeking to conclude the 20-21 audit as soon as possible.
6. It is proposed that when available the accounts be re-submitted to the Audit and Risk Management Committee for review, upon which a recommendation is usually made to your Committee for final sign off.
7. However, a further delay in the approval process to go through the normal Committee cycle will have a negative impact in the following areas:

- The 20-21 accounts were required for sign off by November 2021. Whilst the issues that have delayed the sign off are not of our making, we are significantly beyond this deadline.
 - Our new auditors, Grant Thornton, cannot begin their work until the previous auditors have provided their audit opinion. This means that work on the 21-22 accounts is awaiting this sign off, which has implication not only for City Fund but also on the completion of the City's Cash, Bridge House Estates and partner organisations, like the Museum of London, from completing their accounts as they are reliant on the City Fund auditor providing assurance on the Pension Fund accounts. These entities have statutory filing deadlines alongside commercial commitments to provide audited statements.
 - Until an opinion is reached various elements of the City Fund financial position remain open to change including Govt claims and the impact of post balance sheet events which could lead to further challenge/change and more audit queries.
8. In order to prevent any further delay, we are requesting that delegated authority be given to the Chairman and Deputy Chairman to sign off the accounts immediately following the recommendation to approve by Audit and Risk Management Committee. Both Chairman and Deputy Chairman and members of this Committee and will therefore participate in the scrutiny of the accounts.
 9. The papers for Audit and Risk Management Committee will be available for Finance Committee Members should they wish to raise any queries ahead of the Audit and Risk Management Committee meeting.

Conclusion

10. It is proposed that the delegated authority be granted to the Chairman and Deputy Chairman to sign off the 2020-21 City Fund and Pension Fund Statement of Accounts following the recommendation of Audit and Risk Management Committee.

Corporate & Strategic Implications

Strategic implications – none

Financial implications - none

Resource implications - none

Legal implications - none

Risk implications - none

Equalities implications – none

Climate implications - none

Security implications - none

Appendices

- None.

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