

SRA BOARD

8 June 2021

CLASSIFICATION – PUBLIC



This paper will be published

Compensation Fund 2020 Financial Statements

Purpose

- 1 This paper presents the Compensation Fund 2020 Financial Statements and Letter of Representation for the year ending 31 October 2020. The information within this paper was presented to the Audit and Risk Committee (ARC) at its meeting on 20 May 2021.

Recommendation

- 2 The Board is asked to:
 - a) agree the Compensation Fund 2020 Financial Statements (annex 1) prepared on a going concern basis and agree the Letter of Representation (annex 2) to be signed by the Chief Executive.

If you have any questions about this paper please contact: Liz Rosser, Executive Director of Resources, liz.rosser@sra.org.uk.

Equality, Diversity and Inclusion considerations

- 3 This paper relates to the overall financial position of the Compensation Fund and does not, therefore, deal with any specific issues relating to EDI. Any proposals for changes of policy relating to the Fund consider EDI issues in detail and an Equality Impact Assessment has been carried out on the proposed Compensation Fund contribution for 2021/22.

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CLASSIFICATION – PUBLIC**Compensation Fund 2020 Financial Statements****Summary**

- 4 As part of the year end external audit process, the SRA Board is asked to approve the 2020 year-end Financial Statements on a going concern basis and to approve signing of the Letter of Representation to the auditors. This Letter of Representation requires the approver to make representations based on enquiries of management and staff with relevant knowledge and experience and, where appropriate, inspection of supporting documentations sufficient to allow the approver to properly make the representations.
- 5 The Compensation Fund accounts for 2020 show a deficit for the year of £6m, compared with a surplus of £17.8m in the previous year. A deficit was expected, and the outturn position was, in fact, a smaller deficit than originally anticipated. The balance in the Fund has been deliberately increased in prior years to allow payment of high value, exceptional claims. These claims have been paid later than thought with the majority now expected to be paid during the 2020/21 financial year, reducing the balance on the Fund further.
- 6 The balance in the Fund at the end of the financial year was £60.63m, reduced from £66.66m at the end of the previous year. The Fund is considered a going concern and a going concern assessment has been prepared to support this statement. This is attached as annex 3.
- 7 In previous years, additional assurance has been obtained through supplementary independent testing other than by the external auditors, in the form of an “Agreed upon Procedures” check by the internal auditors. Following last year’s audit, it was agreed that this was not required this year as it provided limited additional assurance which could be achieved better in alternative ways. This was confirmed by the Chair of ARC and the Chair of the Board. Instead, an internal audit of the controls within the Compensation Fund was undertaken in March. The terms of reference for this audit were agreed with this Committee.
- 8 The outcome of this Internal Audit by KPMG was a report rated “satisfactory” with management awareness of controls rated “good”. This is the highest level of rating provided by the internal audits, with three low priority recommendations for improvements suggested. The results of the work were considered by the Audit and Risk Committee at its meeting on 20 May 2021. The Committee agreed to recommend that the Board approve the Compensation Fund 2020 Financial Statements and agree the Letter of Representation.
- 9 In previous years, the Compensation Fund financial statements have been published only as part of publishing Board papers. Once approved it is our intention to publish them more formally this year making them more easily available on our website.

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10 An update on the financial position of the Fund is included in the monthly performance reports that the Board receive.

Recommendations

11 The Board is asked to:

- a) agree the Compensation Fund 2020 Financial Statements prepared on a going concern basis and agree the Letter of Representation to be signed by the Chief Executive.

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Date 24 May 2021

Annexes

- Annex 1** Compensation Fund 2020 Financial Statements
- Annex 2** Compensation Fund Letter of Representation
- Annex 3** Going concern assessment
- Annex 4** Summary of sources of assurance obtained – Letter of Representation

NB: annexes 2 to 4 and will not be published because they contain commercially confidential information, discussion of risk that might be exacerbated by publication or legal or other professional advice on sensitive or confidential matters.