

SRA Board
22 March 2022

CLASSIFICATION – PUBLIC



This paper will be published

Compensation Fund 2021 Financial Statements

Reason for paper	To present the Compensation Fund 2021 Financial Statements and Letter of Representation for the year ending 31 October 2021.
Decisions(s)	The Board is asked to: <ul style="list-style-type: none"> a) approve the Compensation Fund 2021 Financial Statements prepared on a going concern basis b) agree that the Letter of Representation can be signed on behalf of the Board c) agree to reappoint BDO as auditors of the Compensation Fund for the 2022 financial year.
Previous Board and committee consideration	The Compensation Fund financial statements are presented to the Board each year. The information within this paper was discussed at the Audit and Risk Committee on 10 March 2022.
Next steps	Once approved the financial statements of the Fund will be published on the SRA website.

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

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Compensation Fund 2021 Financial Statements

Purpose

- 1 This paper presents the Compensation Fund 2021 Financial Statements and Letter of Representation for the year ending 31 October 2021. The information was discussed at Audit and Risk Committee on 10 March 2022.

Summary

- 2 As part of the year end external audit process, the SRA Board is asked to approve the 2021 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.
- 3 The Compensation Fund accounts for 2021 show a deficit for the year of £10m, compared with a deficit of £6m in the previous year. A deficit was expected as the balance on the fund has deliberately been reduced in recent years. This had increased in prior years to allow payment of high value, exceptional claims. These claims have been paid throughout the last two financial years and the balance has reduced accordingly.
- 4 The balance in the fund at the end of the financial year was £50.61m, reduced from £60.63m 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.
- 5 The financial statements were considered by the Audit and Risk Committee on 10 March 2022 and the Committee agreed to recommend that the Board approve the financial statements and the letter of representation.
- 6 Once approved the financial statements of the Fund will be published on the SRA website.

Recommendations: the Board is asked to:

- a) **approve the Compensation Fund 2021 Financial Statements prepared on a going concern basis**
- b) **agree that the Letter of Representation can be signed on behalf of the Board**
- c) **agree to reappoint BDO as auditors of the Compensation Fund for the 2022 financial year.**

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Date 13 March 2022

Annexes

Annex 1 Compensation Fund 2021 Financial Statements

Annex 2 Letter of Representation

Annex 3 Summary of sources of assurance obtained – Letter of Representation

Annex 4 Going concern assessment

NB: annexes 2 to 4 will not be published because they are commercially sensitive and/or include legal or other professional advice on sensitive or confidential matters.