



Accountability report 2018-19

Accountability report

The accountability report meets key accountability requirements to Parliament. The requirements are based on the Companies Act 2006, as adapted for the public sector.

It encompasses the matters required to be dealt with in a directors' report and in the remuneration and staff report, as set out in Chapter 6 of the Companies Act. It covers such matters as directors' salaries and other payments, governance arrangements and the audit certificate and report. It is signed and dated by the accounting officer.

The accountability report consists of 3 main parts. These are the:

1. **Corporate governance report**, dealing with the Coal Authority's governance structures and how they support the achievement of the Coal Authority's objectives.
2. **Remuneration and staff report**, which contains information about senior managers' remuneration and other staff related disclosures required by the Companies Act and other governmental sources.
3. **Parliamentary accountability and audit report**, which comprises additional disclosures required by Parliament, is a view on such matters as regularity of expenditure, fees and charges and long term expenditure trends. It includes the audit certificate and report.

Corporate governance report

The corporate governance report consists of 3 main parts. These are the:

1. **Directors' report**, which covers a variety of statutory disclosures not outlined elsewhere in the annual report and accounts.
2. **Statement of accounting officer's responsibilities**, which sets out clearly the responsibilities assumed with respect to the annual report and accounts by the nominated accounting officer, and the legislative basis for them.
3. **Governance statement**, which explains the composition and organisation of the Coal Authority's board and governance structures and how they support the achievement of the Coal Authority's objectives.

Directors' report

The Coal Authority presents its report and audited financial statements for the year ended 31 March 2019. The accounts have been prepared in a form directed by the Secretary of State with the consent of HM Treasury in accordance with paragraph 15(1)(b) of Schedule 1 of the Coal Industry Act 1994 ("the Act"). The accounting officer authorised these financial statements for issue on the date of certification by the Comptroller and Auditor General.

Functions, duties and powers of the Coal Authority

We were established by the Act and became a legal entity on 19 September 1994. We assumed our functions on 31 October 1994. These functions are set out at www.gov.uk/coalauthority and relate to the coal industry and the management of interests inherited from the British Coal Corporation, licensing of coal mining operations, dealing with coal mining subsidence and providing information.

Review of operations

The chief executive's report on pages 10 to 11 gives a summary of our activities during the year and the future outlook.

Finance risk management

The governance statement sets out the governance structures that we've used to monitor and control risk and the board's approach to risk management. It also identifies and discusses the significant risks and the mitigation in place. We've a strong system of financial control and active financial risk management. We've no borrowings and rely on grant in aid and other income to fund our cash requirements.

We therefore have minimal exposure to liquidity, credit and cash flow risk. All assets and liabilities are denominated in sterling and so there is no exposure to currency risk. We do not hold any assets that are directly impacted by interest rate movements nor do we engage in any hedge accounting.

We hold some items on the Statement of Financial Position that are discounted using rates specified by HM Treasury, specifically provisions. HM Treasury vary these discount rates from time to time, which will affect both the Statement of Financial Position and the Statement of Comprehensive Net Expenditure. Please refer to note 12 to the accounts.

Future developments

Our future developments and objectives have been discussed in other areas of the annual report, including the chief executive's report and the strategic risks section of the performance report.

Research and development activities

We undertake a range of research and development activities to improve efficiency and deliver world class solutions that provide best value for money. Our research and development activities include mineshaft and mine entry monitoring, coal and metal mine water treatment methodologies and technologies.

Post balance sheet events

We've no post balance sheet events requiring disclosure.

Branches outside the UK

We've no branches outside the UK.

Donations

We made no political or charitable donations during the year.

Employee involvement

We're committed to engaging with staff throughout the business as outlined in 'Our people' on pages 26 to 27.

Employment

We're committed to equal opportunities, diversity and inclusion. This commitment means that decisions to appoint, reward, train, develop and promote are taken purely on the basis of skills and abilities, as matched against the requirements of the job.

We seek to attract and retain high calibre employees. Opportunities for training are given high priority to ensure that all staff can contribute to their own career development. The sickness absence rate for the year was 9.3 days as against 6.5 days for 2017-18. This is due to an increase in long term sickness absence during 2018-19, which we're actively managing.

Pensions and other post retirement benefits

Former and current employees who have chosen to join are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS) which is an unfunded multiemployer defined benefit scheme. The accounting policy is given in note 1 to the accounts and further information about the scheme is provided in the remuneration and staff report.

Personal data

There was a single data related incident reported to the ICO during the year. Please refer to section 4.2 of the governance statement for further details.

Long term expenditure trends

Long term expenditure trends are reviewed by the directors as part of the annual review of provisions. Please see note 12 to the accounts.

Contingent liabilities

Contingent liabilities are reviewed on an ongoing basis by the directors. Please refer to note 16 to the accounts.

Auditors

The Comptroller and Auditor General was appointed under the Coal Industry Act 1994 and reports to Parliament on the audit examination. The audit fee was £45,000. The external auditors were also appointed by the Coal Authority to perform an independent review of a grant application, for which they received a further fee of £5,500.

So far as the accounting officer is aware, there is no relevant audit information of which the auditors are unaware.

The accounting officer has taken all the steps they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

Board of directors



Stephen Dingle

Non-Executive Director

- appointed as Board Director from 1 May 2008 to April 2011
- reappointed to 31 September 2014
- appointed as Chair from 1 April 2013 to 31 March 2017
- reappointed as Chair from 1 April 2017 to 31 March 2020



Gemma Pearce

Non-Executive Director

- appointed as Board Director from 1 April 2016 to 31 March 2019
- reappointed as Board Director to 31 March 2022



Jayne Scott

Non-Executive Director (from 1 April 2019)

- appointed as Board Director from 1 April 2019 to 31 March 2022



Steve Wilson

Non-Executive Director

- appointed as Board Director from 1 April 2017 to 31 March 2020



Bob Spedding

Non-Executive Director (until 31 March 2019)

- appointed as Board Director from 1 April 2013 to 31 March 2016
- reappointed as Board Director to 31 March 2019

Board and their interests

No board member of the Coal Authority has any financial interest in the Coal Authority. A register of interests is maintained which is open to the public to view at our offices in Mansfield or can be accessed at www.gov.uk/coalauthority.

There were no related party transactions in respect of board members in 2018-19.



Lisa Pinney MBE

Chief Executive (from 1 June 2018)

- appointed as Board Director from 1 June 2018 to 31 March 2020
- appointed as Chief Executive from 1 June 2018



Paul Frammingham

Chief Finance and Information Officer

- attended the board from 6 May 2008 to 31 March 2011
- appointed as Board Director from 1 April 2011 to 31 March 2014
- reappointed as Board Director every 3 years between 1 April 2014 and 31 March 2020



Lisa Stanger

Strategy and Performance Director

- attended the board from 1 August 2011 to 31 March 2017
- appointed as Board Director from 1 April 2017 to 31 March 2020



Philip Lawrence

Chief Executive (until 31 May 2018)

- appointed as Board Director from 9 November 2006 to 31 March 2008
- reappointed every 3 years between 31 March 2011 and 31 May 2018
- appointed as Chief Executive from 1 January 2007



Simon Reed

Chief Operating Officer (until 8 August 2018)

- attended the board from 1 January 2010 to 31 March 2011
- appointed as Board Director from 1 April 2011 to 31 March 2014
- reappointed as Board Director every 3 years between 1 April 2014 and 31 March 2020

Statement of the accounting officer's responsibilities

Under paragraph 15(1)(b) of Schedule 1 to the Coal Industry Act 1994 the Secretary of State, with the consent of HM Treasury, has directed the Coal Authority to prepare for each financial year a statement of accounts in the form and on the basis set out in the Accounts Direction. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the Coal Authority and of its net expenditure, financial position, changes in taxpayers' equity and cash flows for the financial year.

In preparing the accounts, the accounting officer is required to comply with the requirements of the government's Financial Reporting Manual and in particular to:

- observe the Accounts Direction issued by the Secretary of State, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis
- make judgements and estimates on a reasonable basis
- state whether applicable accounting standards, as set out in the government's Financial Reporting Manual, have been followed, and disclose and explain any material departures in the financial statements
- prepare the financial statements on a going concern basis
- confirm that the Annual Report and Accounts as a whole is fair, balanced and understandable and take personal responsibility for the Annual Report and Accounts and the judgements required for determining that it is fair, balanced and understandable

The accounting officer for the Department for Business, Energy and Industrial Strategy (BEIS) has designated the chief executive as accounting officer of the Coal Authority. The responsibilities of an accounting officer, including responsibility for the propriety and regularity of the public finances for which the accounting officer is answerable, for keeping proper records and for safeguarding the Coal Authority's assets, are set out in Managing Public Money published by HM Treasury.

As accounting officer, I have taken all the steps that I ought to have taken to make myself aware of any relevant audit information and to establish that the Coal Authority's auditors are aware of that information. So far as I am aware, there is no relevant audit information of which the auditors are unaware.

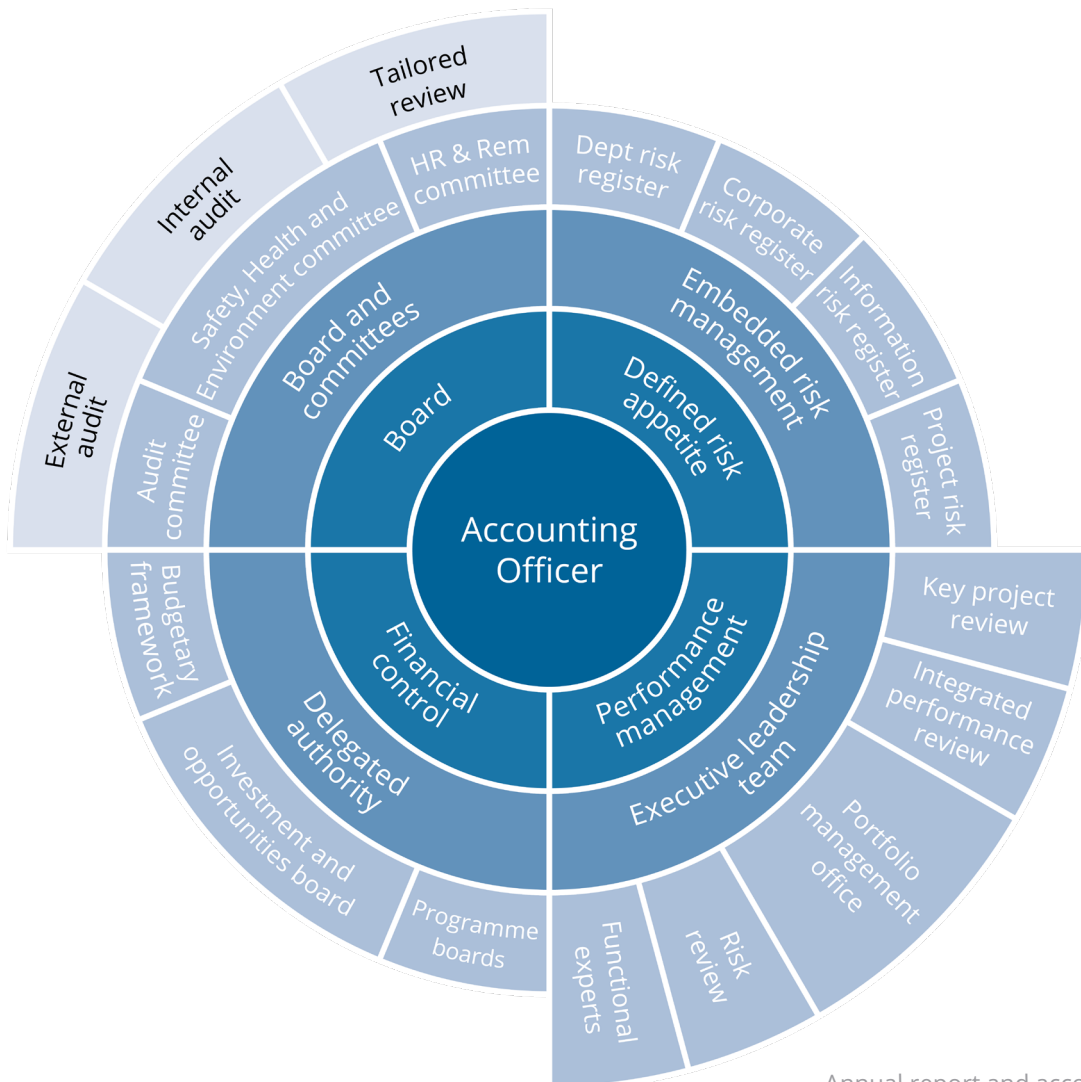
Governance statement

This governance statement outlines the governance, risk management and control arrangements in place to ensure achievement of the Coal Authority's objectives. It concludes that these are effective and continue to develop at a sufficient pace to manage the Coal Authority's risks as we evolve so that we can continue to make a better future for people and the environment in mining areas.

The Coal Authority's governance framework

We're committed to high standards of corporate governance. We work within a framework document that is reviewed and agreed annually with the Department for Business, Energy and Industrial Strategy (BEIS). This sets out the purpose of the Coal Authority, the core elements of the relationship with BEIS, and the framework within which we will operate.

The Coal Authority has an established governance framework supported by an appropriate organisational culture. This is summarised below and explained through this statement.



1. The board and its committees

1.1 Board of directors

As at 31 March 2019 we had 7 directors (3 executive and 4 non-executive). Non-executive directors are recruited and appointed to the board by the Secretary of State for BEIS. Executive directors are recruited to their posts by the board and appointed to the board by the Secretary of State for BEIS. The board sets and communicates strategic intent and direction, makes strategic decisions that cannot be delegated and monitors and challenges corporate business performance.

Membership and attendance of the board and its committees is shown below:

		Position	Number of meetings (held) and attended			
			Board (7)	Audit (4)	HR and Remuneration (4)	SHE (3)
Non-Executive Directors	Stephen Dingle	Chair of Board	7	-	4	-
	Gemma Pearce	Chair of HR and Remuneration committee	7	3	4	-
	Steve Wilson	Chair of SHE committee	7	4	4	3
	Bob Spedding	Chair of Audit committee	7	4	4	-
Executive Directors	Lisa Pinney MBE ⁽¹⁾	Chief Executive	6 [6]	4	4	2 [2]
	Paul Frammingham	Chief Finance and Information Officer	7	4	1	-
	Lisa Stanger	Strategy and Performance Director	6	-	2	-
	Philip Lawrence ⁽²⁾	Chief Executive	1 [1]	-	-	1 [1]
	Simon Reed ⁽³⁾	Chief Operating Officer	3 [3]	-	-	1 [1]

Bracketed [] figures denote the number of meetings held whilst the board member was in post.

(1) Lisa Pinney MBE took up her role as Chief Executive and board member on 1 June 2018

(2) Philip Lawrence resigned as Chief Executive and board member on 31 May 2018

(3) Simon Reed resigned as Chief Operating Officer and board member on 8 August 2018

The commercial director, operations director and head of legal and governance attend the board by invitation. Other senior managers attend the board in order to present papers and join strategic discussions.

The appointment of a new non-executive director to replace Bob Spedding, was led by the Chair, Stephen Dingle. The successful candidate, Jayne Scott, took up her position as a Non-Executive Director on 1 April 2019, and chairs the Audit committee following Bob Spedding's term of office ending on 31 March 2019. Jayne attended board and audit meetings in January 2019 and March 2019, and the HR and Remuneration committee in March 2019, as well as the board strategy day in December 2018.

Board meetings continue to be open to members of the public and media, with the exception of discussion of items of commercial confidentiality. The agendas and dates of its meetings can be found on www.gov.uk/coalauthority.

1.2 Board performance

Compliance with the corporate governance code

We comply with the Corporate Governance Code in Central Government Departments and government guidance in so far as is relevant and practical for an arm's length body of our size and complexity. In line with our BEIS Framework Document:

- the board monitors the Coal Authority's performance in an effective manner including playing an active role in managing stakeholder relationships
- the board constructively challenges and helps to develop strategy, supported by the effective leadership of the chair who oversees a high standard of discussion and debate at meetings
- to support its decision making the board receives accurate, timely and clear information which is concise and fit for purpose including frequent updates on the Coal Authority's financial position, forecasts and achievements against corporate objectives
- the board ensures that a balanced and reasonable assessment of performance is reported to BEIS and regularly debates the main risks facing the Coal Authority. Through its audit committee the board maintains sound risk management and internal control systems
- the board annually reviews the Coal Authority's governance arrangements including the terms of reference for its sub committees
- the board has an appropriate balance of skills and experience to enable it to discharge its responsibilities effectively
- the HR and Remuneration committee agrees executive remuneration within the guidelines set by HM Treasury and BEIS. Non-executive remuneration is set by BEIS and reviewed annually

Board performance and effectiveness review

The board undertakes regular evaluation of its own performance and that of its directors. All board members' performance is appraised annually.

The board undertakes regular development sessions outside of formal board meetings to reflect on key aspects of its work. Board members regularly visit sites to see the Coal Authority's work first hand and in July 2018 the board visited a number of mine water treatment works in Cumbria. In December 2018 the board convened a strategy day to review progress against its business plan.

It reviewed the organisation's strategic priorities in the context of risk appetite ahead of detailed business planning work and the next spending review.

The board last undertook an externally facilitated board evaluation session during November 2017. The board considers that it has substantively achieved its objectives and has continued to operate effectively during 2018-19. The board sees value in regular reviews of performance and intends to undertake a further session during 2019-20.

1.3 Board committees

The board is supported by its committees as outlined below:

Audit committee

The Coal Authority's audit committee members comprise all the non-executive directors other than the chair of the board. The chief executive, the chief finance and information officer and the head of finance attend meetings by invitation. During 2018-19 the audit committee was chaired by Bob Spedding. As Bob Spedding's term of appointment ended on 31 March 2019, Jayne Scott, the newly appointed non-executive director, attended the committee in January and March to ensure a smooth handover. Jayne has recent and relevant financial experience.

The committee ensures that we operate effective and integrated risk management and control systems to ensure the overall level of assurance is adequate. It reviews external audit strategy and outcomes, recommends the approval of the annual report and accounts, and oversees the internal audit function provided by the Government Internal Audit Agency (GIAA). The committee met 4 times during the year.

During the year the audit committee has:

- reviewed policies that are key to our control framework, including our whistleblowing and anti-fraud policies, to ensure that they are fit for purpose and effective
- reviewed the processes for risk management and application of risk appetite, as part of our integrated planning work
- continued to focus on financial reporting risk. This included reviewing changes to the Coal Authority's regulatory framework (the government's Financial Reporting Manual, FReM and the International Financial Reporting Standards, IFRS). The review concluded that there would be no material impact of changes in the year 2018-19
- reviewed our accounting policies, including review of significant judgements made in preparing the accounts and assumptions underlying our provisions balance
- in respect of the financial statements reviewed the overall position regarding the provision for legacy obligations which has decreased significantly as a result of changes in HM Treasury discount rates. See the financial review in the performance report and note 12 to the accounts
- assessed the overall control environment for reporting to the board and accounting officer
- reviewed other internal audit work undertaken by GIAA including:
 - key HR and finance controls
 - General Data Protection Regulation (GDPR) compliance – to provide assurance that the Coal Authority's preparations were in line with the legislative requirements
 - effectiveness of Business and Operational Support Systems controls following implementation of new systems

- user feedback in respect of roll out of new project accounting functionality
- a review of public safety and subsidence (PSS) projects operating procedures

The internal audit opinion has risen to offer management a 'substantial' level of assurance over the adequacy and effectiveness of the framework of governance, risk management and internal controls of the organisation. This follows a series of strong internal audit reviews during the year.

Internal audit identified no significant findings during the year and recommendations to enhance controls in specific areas have been adopted as appropriate.

The Human Resources (HR) and Remuneration committee

Membership of the HR and Remuneration committee comprises the 4 non-executive directors and the chief executive. This committee is chaired by Gemma Pearce. The strategy and performance director, the head of HR and organisational development and the senior HR business partner attend meetings by invitation. During 2018-19 the HR and Remuneration committee opened the invitation to all executive directors to attend meetings.

The HR and Remuneration committee has met 4 times within the year and has continued to support the Coal Authority in improving organisational capability to meet future business requirements.

During the year the committee has:

- provided support and challenge in the launch of an integrated people plan for the Coal Authority, launched in October 2018
- commented on the Coal Authority's learning and development strategy, a key element of the new people plan
- reviewed and advised on the Coal Authority's pay and reward system to ensure it meets Civil Service pay guidance
- reviewed workforce and gender pay gap data, and discussed the interventions being implemented which will support a more sustainable skill mix and diverse workforce
- reviewed and supported progress on work to promote the equality, diversity and inclusion agenda within the Coal Authority

Safety, Health and Environment (SHE) committee

The SHE committee is chaired by Steve Wilson. Membership of the committee includes the chief executive, operations director, head of environment, head of public safety and subsidence and head of SHE.

Its main responsibilities are to lead the Coal Authority's SHE and sustainability strategy, ensure a positive health and safety culture is embedded throughout the organisation and advise the board on SHE matters to support the business plan. This year the committee has taken on the oversight of the Coal Authority's work on employee wellbeing.

The committee has met 3 times during the year and has:

- supported the development of the Coal Authority's sustainability strategy
- reviewed the outputs of the safety climate survey and action plan
- commented on the new mental health and wellbeing strategy and action plan
- reviewed the Coal Authority's strategic approach to mine gas

2. Performance management - executive leadership team

Following the appointment of Lisa Pinney MBE as Chief Executive in June 2018 and the resignation of Simon Reed, Chief Operating Officer in August 2018, Executive team member responsibilities have been reviewed. A new commercial directorate (including activities formerly reporting to the Chief Operating Officer) has been set up to ensure appropriate focus is given to our commercial and innovation activities. The executive leadership team (ELT) now comprises the chief finance and information officer, the strategy and performance director, the operations director and the commercial director, who all report directly to the chief executive. Each of the executive leadership team are responsible for the leadership and delivery of their directorate, but are also collectively responsible for the leadership and delivery across the organisation.

In 2018-19 the remit of the legal team has been expanded to take on the responsibility for governance arrangements across the Coal Authority. The head of the legal and governance team now reports directly to the chief executive.

The Coal Authority's executive leadership team meets formally twice a month. One meeting focuses on regular business matters and one meeting has a strategic focus. For these meetings the executive team is joined by the head of legal and governance (who has a standing invitation) and 2 heads of department who attend meetings as a development opportunity on a 6 monthly rota.

These meetings have a formalised rolling agenda which considers all aspects of the organisation's work. In addition the meeting considers the chief executive's monthly update report which provides a high level oversight of how the business is performing as a whole. This report includes:

- updates from each directorate
- a review of progress against the Coal Authority's balanced scorecard
- a financial summary report
- a review of movements against the Coal Authority's corporate risks

3. Financial control

The Coal Authority has a strong system of financial control based on well-defined levels of delegated authority and a clear budgetary framework. This system remains effective with no control issues of note identified by internal or external audit during the year.

Matters reserved for the board are clearly set out in the Framework of Strategic Control with further detailed guidance in respect of policies, procedures and delegated authority levels published and available to staff. Work is ongoing to simplify and clarify some of our documentation and processes as explained below at section 4.3.

Improvements have been made to financial controls by embedding them within our new project accounting and procurement systems which went live during 2017-18. These improvements are part of our Business and Operational Support Systems (BOSS) programme which has been essential in ensuring that our control environment has developed in line with our changing organisation. During 2018-19 further advancements in these systems and associated business processes were made to improve functionality and useability. Internal audit have reviewed the design and operation of the systems and are satisfied that the new systems are working effectively.

The investment and opportunities board is a key part of our financial controls framework and has delegated authority from the chief executive to approve capital expenditure, key programmes, projects and commercial opportunities provided they are:

- in line with the Coal Authority's strategy as set out in its 5 year business plan agreed by the board
- within the board's risk appetite
- not a matter reserved to a government department
- in line with other government guidance relevant to the Coal Authority

Once programmes and projects have been approved by the investment and opportunities board they are delivered, overseen by a relevant programme board with the investment and opportunities board receiving regular updates and providing further oversight as required.

4. Risk Management

4.1 Embedded risk management and culture

Risks are discussed and managed through the organisation on a real time basis. Examples of this include:

- board focus on strategy and associated risk appetite
- ongoing interaction between our managers and board members that promotes an understanding of risk
- a risk register that is current, subject to quarterly management sign off, and subject to periodic audit committee, ELT and business team review
- the ELT's continued focus on strategic issues and key risks around the culture, capacity and competence of our organisation
- the investment and opportunities board as outlined above

4.2 Information assurance and cyber security

We've continued to operate under our information risk management policy during the year.

We had one breach of policy during the year that was reportable to the Information Commissioner's Office (ICO). The ICO reviewed the case and took no further action. Appropriate action was taken by the Coal Authority including a full review of the events and a lessons learned exercise to prevent re-occurrence.

Other than this event, we're not aware of any major breaches of security or policy or loss of personal protected information during the year.

The Coal Authority does not hold top secret or secret information and the inherent information risk posed to government through the Coal Authority is relatively low.

We've an appropriate risk assessment, information risk management policy and an information asset register. Our people are trained annually in information handling.

The senior information risk owner (the chief finance and information officer) is a board member and ensures that proportionate controls are implemented to manage information risk in line with the board's risk appetite.

We've undertaken work to ensure compliance with EU General Data Protection Regulations and Data Protection Act 2018. Our work in this area was reviewed by internal audit and received a substantial assurance rating. We continue to work within this area to improve staff's understanding of the matter.

4.3 Changing control environment

We will continue to evolve our control framework so that it remains effective, proportionate and current.

In 2018-19 we embarked on a review of our corporate governance processes to ensure that they are transparent, simplified and fit for purpose. As outlined earlier in this statement there has also been continual improvement in key financial processes and systems. These improvements will provide an efficient control framework appropriate for a more diverse, customer focused organisation.

The Coal Authority is developing its portfolio, programme and project office structure. This will improve our ability to prioritise and plan the broad range of projects and activities we undertake each year. It will provide a more dynamic view of cumulative risk across the organisation and additional management information to provide assurance to the ELT and board.

4.4 Risk assessment and risk appetite

The key risks that we will need to manage to deliver our plans are:

- **public safety risk** - despite Coal Authority controls, a significant surface hazard caused by past coal mining or incident at a Coal Authority legacy site causes serious injury or fatality
- **recruitment and retention** - main office location and low awareness of our purpose inhibits recruitment of talent and key skills impacting our ability to create a sustainable and diverse workforce
- **disruptors in the information market** - limited resource and focus on core duties means failure to develop new products / services in the face of potential disruptors to the information market, leading to missed opportunity to create value from our information and data
- **markets** - due to external funding pressures and uncertainty, opportunities to provide advisory services to government organisations develop more slowly leading to lost financial contribution and missed opportunity to create value from mining legacy
- **innovation** - due to funding constraints and the inherent risk in innovation, progress to develop new technology, processes and products may take longer than planned leading to delay in cost savings and value creation
- **financial support** - sustained pressure on mine water treatment costs and the reactive nature of our public safety work leads to a short term funding gap causing us to slow or stop key strategic programmes
- **exit from EU** - uncertainty in respect of timing and nature of exit from the EU may lead to impact on funding and policy for ourselves and our partners. An un-managed exit may lead to disruption

We continue to manage these risks closely. Further explanation of the risks and control measures is given in the performance report.

We attempt neither to eliminate risk, nor pursue opportunities without ensuring risk is considered and managed. Explicit reference to risk appetite allows us to adopt a common language across the Coal Authority and develop a framework under which managers can confidently make risk based decisions.

Risk appetite is required to be referenced in board and investment and opportunities board papers. Understanding of the concept of risk appetite continues to be promoted through coaching and live, real time conversations with managers.

During the year the board reviewed and confirmed its risk appetite at its December 2018 strategy day. A further review of the board's risk appetite is planned for quarter 2 of 2019-20.

5. Alexander tax review

The Coal Authority has complied with the Alexander Tax Review Off-Payroll procedures as per HM Treasury requirements to ensure any off-payroll staff are paying the appropriate income tax and national insurance.

6. MacPherson review of quality assurance

The Coal Authority does not currently operate any business critical analytical models as defined in the 2013 MacPherson Review.

7. Tailored review

In 2017, the Coal Authority became one of the first arm's length bodies to participate in a Cabinet Office tailored review. The review concluded that:

- there were 'clear and persuasive reasons why the functions performed by the Coal Authority should continue to be delivered'
- the Coal Authority 'is committed to high standards of corporate governance and has an established governance framework supported by an appropriate organisational structure'
- the Coal Authority as a centre of expertise has the potential to provide value to many areas across government

The review made a small number of recommendations and the Coal Authority has made good progress against all of these. The report and our progress can be found on our website: www.gov.uk/coalauthority.

8. Effectiveness of control environment

The system of governance, risk management and control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives. It can therefore only provide reasonable and not absolute assurance of effectiveness.

The system of internal control has been in place in the Coal Authority for the year ended 31 March 2019 and, as illustrated, up to the date of approval of the annual report and accounts, in accordance with HM Treasury guidance.

Based on all of the elements of the Coal Authority governance framework illustrated in the diagram on page 43, I am satisfied that the Coal Authority's governance, risk management and internal control arrangements continue to be proportionate, fit for purpose and working as intended.

Remuneration and staff report

Introduction

This report has been prepared in accordance with the government's Financial Reporting Manual. The report is made by the accounting officer on behalf of the board on the recommendations of the HR and Remuneration committee. As part of the accountability report, the remuneration and staff report details key information relating to salaries and other payments, any exit payments or other significant awards to current or former senior managers. It also contains certain policies on both pay and wider issues, and statutory disclosure relating to such issues as fair pay and off-payroll engagements.

The following tables and sections within this report are subject to audit:

- Non-executive directors' remuneration
- Executive directors' remuneration
- Executive directors' pension entitlements
- Average numbers of persons employed
- Staff and related costs
- Reporting of civil service and other compensation schemes
- Pay multiples

The HR and Remuneration committee

As explained in the governance statement, the Coal Authority has an established HR and Remuneration committee. This determines and keeps under review the pay and reward strategy for all staff of the Coal Authority and approves the principles of the pay remit for submission to the Secretary of State for Business, Energy and Industrial Strategy (BEIS). The committee's terms of reference prescribe that the chief executive shall not be present when their remuneration and conditions of employment are being considered.

Remuneration policy for the executive directors

Executive directors' remuneration follows Senior Civil Service Guidance. The HR and Remuneration committee reviews and makes recommendations about the remuneration of the executive directors including the chief executive, which is formally determined by BEIS. The committee followed Senior Civil Service Guidance and awarded an average 1% increase in executive directors' salaries from 1 April 2018.

Performance development reviews (PDR)

The executive directors participate in our PDR. Individual assessments are made by the chief executive and chair and reviewed by the HR and Remuneration committee. Appraisal of individual performance is based on the achievement of defined objectives and behaviours which are assessed against 4 performance scores.

Performance related pay (PRP)

PRP is non-contractual and non-pensionable and is subject to obtaining annual approval via the pay remit process from BEIS. The pay remit for 2018-19 was approved by BEIS in November 2018.

PRP is earned based on a corporate award, reflecting corporate and individual performance against objectives. Corporate performance for 2018-19 has been assessed by the board at 95% and payment of PRP for the year has been adjusted accordingly.

The Trade Union (Facility Time Publication requirements)

Under the above regulations the Coal Authority is required to provide details of Trade Union Time. For 2018-19, there is no activity to report.

Executive directors' contracts

It's our policy that executive directors should have employment contracts with an indefinite term providing for 6 months' notice.

The details of the executive directors' employment contracts are shown below:

	Date of continuous service	Notice entitlement
Lisa Pinney MBE ⁽²⁾	1 June 2018	6 months
Paul Frammingham	6 May 2008	6 months
Lisa Stanger	1 April 2010	6 months
Philip Lawrence (Chief Executive) ⁽¹⁾	2 May 2006	6 months
Simon Reed ⁽¹⁾	31 October 1994	6 months

(1) Philip Lawrence and Simon Reed left their posts on 31 May 2018 and 8 August 2018 respectively.

(2) Lisa Pinney MBE assumed the post of Chief Executive on 1 June 2018

The notice period to be given by the chief executive is 6 months and by the remaining executive directors, 3 months.

Non-executive directors' remuneration

From July 2016 non-executive directors have been appointed by BEIS. Between October 2008 and June 2016 they were appointed by the Department of Energy and Climate Change (DECC) in line with the Code of Practice issued by the Commissioner for Public Appointments. Their terms of engagement and remuneration are now determined by BEIS. They are not eligible to participate in the pension schemes or to receive PRP.

The fees paid to the non-executive directors are shown below:

	Contract end date	2018-19 £	2017-18 £
Stephen Dingle	31 March 2020	27,050	27,050
Bob Spedding	31 March 2019	11,666	11,666
Gemma Pearce	31 March 2022	11,666	11,666
Steve Wilson	31 March 2020	11,666	11,666
Jayne Scott ⁽¹⁾	31 March 2022	2,917	-

(1) The remuneration shown is for 3 months only. Jayne attended various senior meetings and committees in an advisory capacity prior to her formal appointment to the board on 1 April 2019

Executive directors' remuneration

	Salary £000		Allowance £000		PRP £000		Pension benefits £000		Total £000	
	2018- 19	2017- 18	2018- 19	2017- 18	2018- 19	2017- 18	2018- 19	2017- 18	2018- 19	2017- 18
Lisa Pinney MBE ⁽¹⁾	110- 115	-	5-10	-	0-5	-	45	-	170- 175	-
Paul Frammingham	90-95	85-90	10-15	15-20	5-10	5-10	37	34	150- 155	145- 150
Lisa Stanger	80-85	80-85	10-15	5-10	5-10	0-5	34	33	135- 140	125- 130
Philip Lawrence ^(2,3)	20-25	125- 130	0-5	5-10	-	15-20	29	58	50-55	210- 215
Simon Reed ⁽²⁾	30-35	85-90	0-5	10-15	-	0-5	2	8	35-40	110- 115

(1) Lisa Pinney MBE assumed the post of Chief Executive on 1 June 2018. The full year equivalent of her "Salary" banding would have been £130,000-£135,000. Lisa received a one-off relocation allowance within the £5,000-£10,000 band in the year. These 2 items, together with the PRP banding of £0-£5,000 above gives the range of £145,000 to £150,000 used in the Pay Multiple note below. Lisa's eligibility for participation in the Coal Authority's PRP scheme began at the end of a probationary period in line with Coal Authority policy.

(2) Philip Lawrence and Simon Reed left their posts on 31 May 2018 and 8 August 2018 respectively.

(3) In addition to the remuneration shown in the table, Philip Lawrence earned £7,500 in fees for services as a Non-Executive Director of Headlam Group Plc, which was paid direct to the Coal Authority. He did not retain any part of these fees.

Executive directors' remuneration includes salary, non-consolidated performance related pay earned in the year under the PDR (non-contractual), certain allowances and the value of pension benefits accrued during the year.

Allowances include car allowances in both years for all directors except for Lisa Pinney MBE and:

- in 2018-19, responsibility allowances for Paul Frammingham, Lisa Stanger and a retention allowance for Simon Reed
- in 2017-18, retention allowances for Paul Frammingham and Simon Reed

PRP is based on performance levels attained and is made as part of the performance review process. PRP relates to the performance in the year in which it becomes payable to the individual.

PRP for 2018-19 includes the amount accrued during the year relating to performance in the year and any adjustments relating to differences in the amounts paid for 2017-18 compared to the amount accrued in the accounts for that year.

We also participate in a HMRC approved cycle to work scheme. Paul Frammingham has participated in this scheme in both 2018-19 and 2017-18.

No executive directors received any benefits in kind during 2018-19 or 2017-18.

Executive directors' pension entitlements

	Accrued pension at pension age at 31 March 2019 and related lump sum £000	Real increase in pension and related lump sum at pension age £000	CETV at 31 March 2019 £000	CETV at 31 March 2018 £000	Real increase in CETV £000
Lisa Pinney MBE	0-5	2.5-5	27	0	18
Paul Frammingham	20-25	0-2.5	276	217	18
Lisa Stanger	10-15	0-2.5	169	127	16
Philip Lawrence	40-45	0-2.5	597	574	19
Simon Reed	25-30 plus a lump sum of 75-80	0-2.5 plus a lump sum of 0-2.5	564	556	2

Cash equivalent transfer values (CETV)

A CETV is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies.

The figures include the value of any pension benefit in another scheme or arrangement which the member has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their buying additional pension benefits at their own cost. CETVs are worked out in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

Real increase in CETV

This reflects the increase in CETV that is funded by the employer. It does not include the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

Civil Service pensions

Pension benefits are provided through the Civil Service pension arrangements. From 1 April 2015 a new pension scheme for civil servants was introduced – the Civil Servants and Others Pension Scheme or **alpha**, which provides benefits on a career average basis with a normal pension age equal to the member's State Pension Age (or 65 if higher). From that date all newly appointed civil servants and the majority of those already in service joined **alpha**. Prior to that date, civil servants participated in the Principal Civil Service Pension Scheme (PCSPS). The PCSPS has four sections: 3 providing benefits on a final salary basis (**classic**, **premium** or **classic plus**) with a normal pension age of 60; and one providing benefits on a whole career basis (**nuvos**) with a normal pension age of 65.

These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under **classic**, **premium**, **classic plus**, **nuvos** and **alpha** are increased annually in line with Pensions Increase legislation. Existing members of the PCSPS who were within 10 years of their normal pension age on 1 April 2012 remained in the PCSPS after 1 April 2015. Those who were between 10 years and 13 years and 5 months from their normal pension age on 1 April 2012 will switch into **alpha** sometime between 1 June 2015 and 1 February 2022. All members who switch to **alpha** have their PCSPS benefits 'banked', with those with earlier benefits in one of the final salary sections of the PCSPS having those benefits based on their final salary when they leave **alpha**. (The pension figures quoted for officials show pension earned in PCSPS or **alpha** – as appropriate. Where the official has benefits in both the PCSPS and **alpha** the figure quoted is the combined value of their benefits in the two schemes.) Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a 'money purchase' stakeholder pension with an employer contribution (partnership pension account).

Employee contributions are salary-related and range between 4.6% and 8.05% for members of **classic**, **premium**, **classic plus**, **nuvos** and **alpha**. Benefits in **classic** accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years initial pension is payable on retirement. For **premium**, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike **classic**, there is no automatic lump sum. **Classic plus** is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per **classic** and benefits for service from October 2002 worked out as in **premium**. In **nuvos** a member builds up a pension based on the member's pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with Pensions Increase legislation. Benefits in **alpha** build up in a similar way to **nuvos**, except that the accrual rate is 2.32%. In all cases members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

The **partnership** pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 8% and 14.75% (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of providers. The employee does not have to contribute, but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.5% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of **classic, premium** and **classic plus**, 65 for members of **nuvos**, and the higher of 65 or State Pension Age for members of **alpha**. (The pension figures quoted for officials show pension earned in PCSPS or **alpha** – as appropriate. Where the official has benefits in both the PCSPS and alpha the figure quoted is the combined value of their benefits in the two schemes, but note that part of that pension may be payable from different ages.)

Further details about the Civil Service pension arrangements can be found at the website www.civilservicepensionscheme.org.uk

The Principal Civil Service Pension Scheme (PCSPS) and the Civil Servant and Other Pension Scheme (CSOPS) – known as '**alpha**' – are unfunded multi-employer defined benefit schemes and the Coal Authority is unable to identify its share of the underlying assets and liabilities. A full actuarial valuation was carried out as at 31 March 2012. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation (<https://www.civilservicepensionscheme.org.uk/about-us/resource-accounts/>).

For 2018-19, employers' contributions of £1,963,000 were payable to the above schemes (2017-18: £1,758,000) at one of 4 rates in the range 20.0% to 24.5% of pensionable pay, based on salary bands. The Scheme Actuary reviews employer contributions every 4 years following a full scheme valuation. The salary bands and contribution rates are set to meet the cost of the benefits accruing during the year to be paid when the member retires and not the benefits paid during this period to existing pensioners.

Employees can opt to open a **partnership** pension account, a stakeholder pension with an employer contribution. Three (2017-18: 2) employees were enrolled in partnership accounts in the year and the total amount of contribution was £15,115 (2017-18: £11,939).

No persons retired early on ill health grounds in either 2018-19 or 2017-18, therefore there are no additional accrued pension liabilities in either year.

Average number of persons employed

Department:	2018-19			2017-18		
	Staff	Other	Total	Staff	Other	Total
Information	40	10	50	28	1	29
Public safety	46	-	46	46	1	47
Development	27	1	28	24	-	24
Environment	42	2	44	40	5	45
Information technology	31	-	31	32	3	35
Technology administration	62	3	65	52	3	55
Staff numbers	248	16	264	222	13	235

Average number of persons employed as analysed above is consistent with the Coal Authority's organisational structure for both years.

5.7 full time equivalent persons were charged to capital projects during 2018-19 (2017-18: 7.8).

Staff and related costs

Staff costs comprise:	2018-19			2017-18		
	Staff £000	Other £000	Total £000	Staff £000	Other £000	Total £000
Wages and salaries	9,935	-	9,935	8,632	-	8,632
Social security costs	1,041	-	1,041	933	-	933
Other pension costs	1,963	-	1,963	1,758	-	1,758
Reorganisation costs	-	-	-	-	-	-
Agency staff costs	-	1,132	1,132	-	1,138	1,138
Total staff costs	12,939	1,132	14,071	10,076	1,138	12,461

Staff composition

As at 31 March 2019	Non- executive directors	Executive leadership team	Senior managers	Staff	Total
Male	3	3	9	143	158
Female	1	2	7	88	98
Total	4	5	16	231	256

Disability, diversity and inclusion

We're an inclusive employer and actively welcome applications from individuals from all backgrounds. We're committed to ensuring equality of opportunity and if requested, provide adjustments for disabled candidates to enable them to attend an interview.

Our commitment to equality, diversity and inclusion standards continues and we champion the career development, career progression and retention of all our employees. We've encouraged staff in establishing a range of diversity support groups within the business to provide staff with a helpful network and to raise awareness. We continue to make reasonable adjustments for employees with a disability or impairment by providing workstation changes and adapted equipment. We encourage flexible working arrangements to make our roles as attractive as possible.

Reporting of civil service and other compensation schemes – exit packages

2018-19 (2017-18 in brackets)	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages
<£10,000	0 (0)	0 (0)	0 (0)
£10,000 - £25,000	0 (0)	0 (0)	0 (0)
£25,000 - £50,000	0 (0)	0 (0)	0 (0)
£50,000 - £100,000	0 (0)	0 (0)	0 (0)
Total number of exit packages	0 (0)	0 (0)	0 (0)
Total cost - £000	0 (0)	0 (0)	0 (0)

During 2018-19 there were no redundancy costs (2017-18: £Nil) recognised in the Statement of Comprehensive Net Expenditure in accordance with the provisions of the Civil Service Compensation scheme, a statutory scheme made under the Superannuation Act 1972.

Reporting of high paid off-payroll appointments

Off-payroll engagements as of 31 March 2019, of more than £245 per day and that last for longer than 6 months:

	No
Existing engagements as of 31 March 2019	1
Of which, have existed for (at time of reporting):	
less than 1 year	0
between 1 and 2 years	1
between 2 and 3 years	0
between 3 and 4 years	0
4 or more years	0

New off-payroll engagements, or those that reached 6 months in duration, between 1 April 2018 and 31 March 2019, of more than £245 per day and that last for longer than 6 months:

	No
New engagements, or those that reached 6 months in duration between 1 April 2018 and 31 March 2019	12
Of which:	
number assessed as caught by IR35	-
number assessed as not caught by IR35	12
number engaged directly (via Personal Service Company contracted to department) and are on the departmental payroll	-
number of engagements reassessed for consistency/assurance purposes during the year	-
number of engagements that saw a change to IR35 status following the consistency review	-

The Coal Authority routinely performs checks on proposed roles, including HMRC's Employment Status Service tests, to determine IR35 status prior to any offer. Where these checks suggest that assurance as to income tax and national insurance obligations is required, contracts include the above mentioned clauses and assurance is requested from either the worker or the agent through whom they work.

The relatively high number of new engagements were information managers brought in short-term to fulfil a commercial contract which ended before the end of the year.

Off-payroll engagements of board members, and/or, senior officials with significant financial responsibility, between 1 April 2018 and 31 March 2019:

	No
Number of off-payroll engagements of board members, and/or senior officials with significant financial responsibility during the financial year	-
Number of individuals that have been deemed 'board members, and/or, senior officials with significant financial responsibility', during the financial year. This figure includes both off-payroll and on-payroll engagements	12

Consultancy expenditure for the year was £nil (2017-18: £180,000).

Pay multiples

Reporting bodies are required to disclose the relationship between the remuneration of the highest paid director in their organisation and the median remuneration of the organisation's workforce.

The banded remuneration of the highest paid director in the Coal Authority in the financial year 2018-19 was £145,000 to £150,000 (2017-18: £150,000 to £155,000). This was 3.7 times (2017-18: 3.8 times) the median remuneration of the workforce, which was £40,000 (2017-18: £39,715). A one-off relocation allowance for the highest-paid director temporarily adds 0.3 to the underlying ratio of 3.4.

In 2018-19 and 2017-18, no employee received remuneration in excess of the highest paid director. Remuneration ranged from £11,265 to £150,000 (2017-18: £11,082 to £155,000).

Total remuneration includes salary, non-consolidated performance related pay, and for the highest-paid director, a one-off relocation allowance. It does not include severance payments, employer pension contributions or the cash equivalent transfer value of pensions. The figures for the highest-paid director included within the pay multiple calculation are based on that director's remuneration package as at 31 March 2019 rather than the numbers included within the executive directors' remuneration note. A footnote to that table has been included to illustrate this.

Parliamentary accountability and audit report

As part of the accountability report, the Parliamentary accountability and audit report sets out those additional disclosures required by Parliament, if not detailed elsewhere in the annual report and accounts, and contains the external audit report.

The following sections are subject to audit.

Regularity of expenditure: losses, special payments and gifts

There have been no material losses, special payments and/or gifts during 2018-19.

Fees and charges

The Coal Authority complies with the cost allocation and charging requirements set out in HM Treasury's Managing Public Money and the Office of Public Sector Information guidance. The Coal Authority's most significant income streams, as outlined at notes 2 and 4.1 to the accounts, are explained below.

Commercial & Innovation operating segment includes the provision of mining reports which generated income of £11,648,000 (2017-18: £12,139,000), costs of £6,692,000 (2017-18: £7,212,000), and a surplus of £4,956,000 (2017-18: £4,927,000). Expenditure associated with specific programmes and activities is managed and reported under the operations segment, but relates to the enhancement of data and information. Mining reports services are charged at a commercial rate.

Commercial & Innovation includes the provision of advisory and technical services which generated income of £5,520,000 (2017-18: £3,702,000), costs of £5,396,000 (2017-18: £3,624,000) and a surplus of £124,000 (2017-18: £78,000). The financial objective for the provisions of advisory and technical services is either, full cost recovery including an allowance for overhead recovery when providing services across government, or commercial rates, which reflect the increased levels of risk, when providing services into competitive markets. The proportions of income are 93.7% (2017-18 94.3%) as a result of full cost recovery and 6.3% (2017-18: 5.7%) from commercial rates, demonstrating growth of commercial rate activity in line with our forecasts.

Development & Information includes the provision of licensing and permissions activities which generated income of £824,000 (2017-18: £771,000), costs of £776,000 (2017-18: £628,000) and a surplus of £48,000 (2017-18: surplus £143,000). The financial objective for the provision of licensing and permissions services is full cost recovery plus an allowance for overhead recovery.

Remote contingent liabilities

Remote contingent liabilities are not required to be disclosed under International Accounting Standard (IAS) 37, but are considered here for Parliamentary reporting and accountability purposes. The Coal Authority believes that sufficient disclosure is available in note 15 to the accounts: Contingent Liabilities and in note 12 to the accounts: Provisions to give the reader a full understanding of the liabilities it faces and may face.

Going concern

This report has been created on the basis of the Coal Authority being a going concern as detailed in 1.3 of the notes to the accounts.

This accountability report has been approved by the chief executive and accounting officer.

Lisa Pinney MBE

Chief Executive and Accounting Officer

13 June 2019

The certificate and report of the comptroller and auditor general

Opinion on financial statements

I certify that I have audited the financial statements of the Coal Authority for the year ended 31 March 2019 under the Coal Industry Act 1994. The financial statements comprise: the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes, including the significant accounting policies. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Accountability Report that is described in that report as having been audited.

In my opinion:

- the financial statements give a true and fair view of the state of the Coal Authority's affairs as at 31 March 2019 and of the net expenditure for the year then ended
- the financial statements have been properly prepared in accordance with the Coal Industry Act 1994 and Secretary of State directions issued thereunder

Emphasis of matter

Without qualifying my opinion, I draw attention to the disclosures made in note 12 of the financial statements concerning the uncertainties in the likely costs in respect of the Coal Authority's liabilities for Mine Water Treatment, Public Safety and Subsidence Claims and Subsidence Pumping Stations totalling £2,239.0 million. The decrease in the liability in 2018-19 arising from the changes in the long-term discount rate underlines the uncertainty inherent in management's estimate. It is not possible to quantify with certainty the settlement of these liabilities or the impact on the Coal Authority's future financial results.

Opinion on regularity

In my opinion, in all material respects the income and expenditure recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Basis of opinions

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK) and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my certificate. Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2016. I am independent of the Coal Authority in accordance with the ethical requirements that are relevant to my audit and the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern

I am required to conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Coal Authority's ability to continue as a going concern for a period of at least twelve months from the date of approval of the financial statements. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern. I have nothing to report in these respects.

Responsibilities of the Board and Accounting Officer for the financial statements

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Board and the Accounting Officer are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit, certify and report on the financial statements in accordance with the Coal Industry Act 1994.

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (UK), I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Coal Authority's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management; and
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

In addition, I am required to obtain evidence sufficient to give reasonable assurance that the income and expenditure reported in the financial statements have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Other Information

The Board and the Accounting Officer are responsible for the other information. The other information comprises information included in the annual report, other than the parts of the Accountability Report described in that report as having been audited, the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon. In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Opinion on other matters

In my opinion:

- the parts of the Accountability Report to be audited have been properly prepared in accordance with Secretary of State directions made under the Coal Industry Act 1994;
- in the light of the knowledge and understanding of the Coal Authority and its environment obtained in the course of the audit, I have not identified any material misstatements in the Performance Report or the Accountability Report; and

- the information given in the Performance Report and Accountability Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements and the parts of the Accountability Report to be audited are not in agreement with the accounting records and returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

Report

I have no observations to make on these financial statements.

Gareth Davies
Comptroller and Auditor General

Date: 20 June 2019

National Audit Office
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SW1W 9SP

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