

Status of Report: Public

Agenda Item: 8

Meeting: Combined Fire Authority

Date: 28th September 2017

Subject: Statement of Accounts and Annual Governance Statement 2016/17

Report By: The Treasurer

Author: Adam Stretton (Area Manager Finance and ICT)

For: Decision

1. Purpose

The purpose of this report is to present the External Auditor's opinion on the Combined Fire Authority's (CFA) financial statements and submit the 2016/17 Statement of Accounts for approval and to present the Annual Governance Statement for approval and publication with the final Statement of Accounts.

2. Recommendations

The CFA is asked to:

- a) Note the ISA 260 report presented by KPMG.
- b) Approve the Letter of Representation.
- c) Agree the Statement of Accounts 2016/17.
- d) Approve the Annual Governance Statement 2016/17.

3. Executive Summary

- 3.1. The CFA's External Auditors, KPMG, have completed the audit of the CFA accounts in line with the Code of Audit Practice and Auditing Standards. They plan to issue an unqualified opinion on the financial statements and Value for Money (VFM) conclusion.
- 3.2. KPMG are required to report to the CFA all uncorrected misstatements which they have identified during the course of their audit, other than those of a trivial nature. The audit has not identified any material adjustments and there were no uncorrected misstatements.
- 3.3. KPMG have given recognition that the quality of the financial statements and supporting working papers was good.
- 3.4. Approval and ownership of the Annual Governance Statement (AGS) is required at a corporate level. The AGS is published with the final Statement of Accounts.

KPMG report that the AGS complies with the CIPFA/SOLACE “Delivering Good Governance Framework” (2016) and that it is not misleading or inconsistent with information from the audit of the financial statements.

4. Report Detail

Statement of Accounts

- 4.1. The Account and Audit Regulations (England) 2015 state that the accounts must be published with the audit opinion and certificate and be approved by Members by 30th September. The Statement of Accounts was submitted to KPMG on the 30th June 2017.
- 4.2. The External Auditors opinion contained in the ISA 260 report (attached as **Appendix 1**) covers the issues arising from the audit of the financial statements based on processes outlined on the External audit Plan 2016/17. KPMG anticipate issuing an unqualified audit opinion on the 2016/17 financial statements with no material adjustments identified and no uncorrected misstatements.
- 4.3. The report outlines the results of the work undertaken as part of the Value for Money (VFM) risk assessment. This concludes that the authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.
- 4.4. The Authority is required to provide the External auditor with representations on specific matters such as the ongoing concern assertion and whether the transactions in the accounts are legal and unaffected by fraud. KPMG have provided a draft Letter of Representation (attached with the ISA 260 report at **Appendix 1**) which requires our confirmation to them that we have disclosed all relevant related parties. The letter needs to be agreed by the CFA and signed by the Treasurer.
- 4.5. KPMG identified an audit risk in relation to data quality for the Local Government Pension Scheme re-valuation exercise in their 2016/17 External Audit Plan. Another area of audit focus concerned changes to the Code including new formats and reporting requirements for a number of statements. There are no matters of any significance arising as a result of audit work in these key areas. These areas are covered in detail on pages 6 and 8 of the ISA260 report.
- 4.6. At the date of this report, audit work on the financial statements is substantially complete but there is still work to do on some non-material notes.
- 4.7. Based on work undertaken by KPMG, the ISA260 report includes five recommendations to be applied for the 2017/18 accounts. These are identified on pages 22 to 24 at **Appendix 1**. Management agree the recommendations.
- 4.8. The Statement of Accounts for 2016/17 attached at **Appendix 2** reports that the final revenue and capital outturn is in accordance with the position reported to the CFA at its meeting of the 21st June 2017.

Annual Governance Statement

- 4.9. The AGS (attached as **Appendix 3**) has been reviewed by the Corporate Governance Committee at its meeting of the 13th September 2017. The Committee have recommended that the CFA approve the document and for its publication with the Statement of Accounts. KPMG report that the AGS complies with the CIPFA/SOLACE “Delivering Good Governance Framework” (2016) and that it is not misleading or inconsistent with information from the audit of the financial statements. If approved, the AGS will be signed on behalf of the CFA by the Chief Fire and Rescue Officer and the Chair of the CFA.
- 4.10. The Head of Internal Audit Service Annual Report and annual opinion on the overall adequacy and effectiveness of the control environment 2016/17, was noted by the Corporate Governance Committee at its meeting of the 13th September 2017. The assurances contained in this opinion are incorporated into the AGS.

5. Report Implications / Impact

5.1. *Legal (including crime and disorder)*

- a) The Accounts and Audit (England) Regulations 2015 require that the responsible financial officer (the Treasurer) certifies the initial Statement of Accounts within three months of the financial year end i.e. by 30th June. The Accounting Code of Practice on Local Authority Accounts largely dictates the format of the Statement of Accounts. The Statement of Accounts 2016/17 meets this statutory obligation. The Statement of Accounts must be published by 30th September preferably with an auditor’s certificate or opinion.
- b) There is a statutory requirement in England under the revised Accounts and Audit (England) Regulations 2015, for a Local Authority to conduct, at least once in each financial year, a review of the effectiveness of its system of internal control and overall corporate governance arrangements. This review requires the sources of assurance, which the CFA relies on, to be brought together and reviewed, from both a departmental and corporate view.

5.2. *Financial (including value for money, benefits and efficiencies)*

KPMG as our External Auditors agreed an annual audit fee of £29,247.

5.3. *Risk (including corporate and operational, health and safety and any impact on the continuity of service delivery)*

- a) The initial Statement of Accounts was prepared based on the final Revenue and Capital Outturn 2016/17 report. KPMG commenced their audit on the accounts over two and a half weeks in July and August to try and ensure that any changes necessary prior to the final publication of the Statement of Accounts could be reported and completed on time.

- b) The Accounts and Audit (England) Regulations 2015 require the approved AGS to accompany the Statement of Accounts. The statement is separate from the accounts for the purposes of external audit.

5.4. *Staff, Service Users and Stakeholders (including the Equality Impact Assessment)*

- a) The External Auditors have commented that both the quality and timeliness of the draft financial statements and supporting working papers was good.
- b) The arrangements and changes for the posts of Treasurer, Monitoring Officer and Chief Fire Officer are reflected within the AGS.

5.5. *Environmental*

Hard copies of the Annual Report (which will include the Statement of Accounts) are only produced on request. An electronic copy is available on the CFA's website.

5.6. *Impact upon Our Plan Objectives*

- a) It is important to ensure that the budget set by the CFA reflects and enables progress to be made against the CFA's corporate objectives. The Medium Term Financial Plan for 2016/20 reflects the CFA's strategic plan, "Our Plan". It also reflects national and regional strategies and policies at the time of issue.
- b) One of the CFA's corporate aims is achieving excellence in managing our Service. This is underpinned by the objective of efficiency and provision of a Value For Money service. The production of the AGS supports both the aim and objective.

6. *Background Papers*

- a) External Audit Plan 2016/17 (Corporate Governance Committee Report – 15th March 2017)
- b) Final Outturn 2016/17 (CFA Report – 21st June 2017)
- c) Annual Governance Statement 2016/17 (Corporate Governance Committee Report – 13th September 2017)
- d) Head of Internal Audit Service Annual Report 2016-17 (Corporate Governance Committee Report – 13th September 2017)

7. *Appendices*

- 1. Draft ISA 260 and Letter of Representation
- 2. Combined Fire Authority 2016/17 Statement of Accounts
- 3. Draft Annual Governance Statement 2016/17