

Status of Report: Public

Meeting: Combined Fire Authority

Date: 30 November 2022

**Subject: Statement of Accounts and Annual Governance Statement
2021/22 and External Audit update**

Report by: The Treasurer

Author: Colin Sharpe, Deputy Treasurer

For: Decision

Purpose

1. The purpose of this report is to seek approval to the Authority's Annual Statement of Accounts and Annual Governance Statement 2021/22, and to provide the Audit Completion Report from the External Auditor (Mazars) which details their audit work and recommendations.

Recommendation

2. The CFA is asked to:
 - a) Note the External Auditor's Audit Completion Report (ISA 260 Report) to those charged with Governance and the recommendations contained within it, attached at Appendix A;
 - b) Approve the Statement of Accounts 2021/22, subject to any technical changes that may be required following completion of outstanding audit work;
 - c) Approve the Annual Governance Statement 2021/22;
 - d) Approve the letter of representation submitted by the Treasurer;
 - e) Authorise the Treasurer to make any technical changes that may be required following the conclusion of outstanding audit work, such changes to be reported back to the CFA.

Executive Summary

3. The external audit of the financial statements has progressed well. The audit is very largely complete, although some minor queries and external documentation remain outstanding at the time of writing. The auditor anticipates issuing an unqualified opinion, without modification, on the financial statements.
4. This report presents the final accounts and associated audit documentation for approval by the CFA. The CFA is asked to authorise the Treasurer to make any technical changes that may be required as the outstanding audit work is completed, such changes to be reported back. The report notes the further external audit work required before the Audit Certificate can also be produced.

Background

5. The statutory accounts are prepared in accordance with the Code of Practice on Local Authority Accounting in the UK. The draft 2021/22 statement of accounts (attached as Appendix B) was signed by the former Treasurer on 28 July 2022 and submitted to the external auditor (Mazars) and published on the website (<https://leics-fire.gov.uk/your-fire-service/what-we-spend/actual-expenditure/>).
6. The draft Statement of Accounts and Annual Governance Statement were to be considered by the Corporate Governance Committee on 14 September 2022. The meeting was however cancelled due to the period of national mourning following the death of Her Majesty Queen Elizabeth II.
7. The Statement of Accounts shows the in-year performance in a standard format adopted by all authorities, including a balance sheet showing the financial position at 31 March 2022. The CFA will also recall receiving the separate management accounts, which set out the revenue and capital outturn.
8. Despite the wide variations in the way the position is presented, the key point is that both the outturn reports and the statutory accounts are consistent.
9. The Audit Completion Report (ISA 260 Report) (attached as Appendix A to this report) is to those charged with Governance. It details the conclusions of the external audit and makes recommendations.
10. The auditor reports that the draft financial statements were produced in accordance with the statutory timetable, the statements were of good quality and were well supported by working papers. A small number of disclosure amendments to the accounts were identified, none of which are considered significant or needing to be reported to Members. The auditor received positive co-operation from management during the audit.
11. At the time of writing this report, some matters remain outstanding before the audit of the Statement of Accounts can be completed (see page 7 of the Audit Completion Report at Appendix A). These include:
 - The auditor is working through residual queries and working papers relating to the Authority's assessment of asset valuations.
 - The auditor is awaiting a response to a request for assurances from the Leicestershire Local Government Pension Scheme Pension Fund auditor. Once received, the assurance letter will require additional audit procedures and could lead to uncertainties over the carrying value of the figures in the Authority's financial statements.
 - The auditor is awaiting a bank letter to confirm the Authority's cash balances.

- The auditor has received the audit evidence and response to queries in a number of areas unrelated to significant audit risks, which the auditor needs to review and conclude upon.
12. Hopefully, these matters will be resolved by the time of the meeting and the final documents can be presented. However, if they are not and so as to enable the CFA to give approval by the statutory deadline of 30 November 2022, authorisation is sought for the Treasurer to make any technical changes that may subsequently be required; such changes will be reported back to the CFA.
 13. The Annual Governance Statement will also be presented for approval (the draft is attached as Appendix B). When approved, it will be signed by the Treasurer and the Chairman and published with the Statement of Accounts. This statement should assure taxpayers that the Authority operates in accordance with the law and has due regard to proper standards of behaviour and that it safeguards the public purse.
 14. The format of the Annual Governance Statement to a large extent is dictated by the Chartered Institute of Public Finance and Accountancy (CIPFA)/Society of Local Authority Chief Executives (SOLACE) framework 'Delivering Good Governance in Local Government'.
 15. The Letter of Representation, which will be issued nearer to the meeting, is signed by the Treasurer and approved by the CFA. It is designed to give the external auditor assurance on the information included in the Statement of Accounts and to affirm that the primary responsibility for the content of the Statement of Accounts remains with the CFA.
 16. The Audit Certificate would also usually be presented with this report. This confirms that the auditor has discharged all of their audit responsibilities and that the audit is formally 'closed'. However, this year it is again delayed for two reasons:
 - The auditor's work in respect of value for money arrangements is not yet complete. The auditor anticipates however there being no significant weaknesses in arrangements to report in relation to the arrangements that the Authority has in place to secure economy, efficiency and effectiveness in its use of resources.
 - A significant delay in Whole of Government Accounts work. The current focus is on 2020/21 work, meaning there is likely to be a substantial delay before the auditor is able to address WGA for 2021/22. The auditor has not yet received group instructions from the National Audit Office in respect of work on the WGA submission.

Report Implications/Impact

17. Legal (including crime and disorder)

The Authority is required to approve and publish the documents referred to in this report.

18 Financial (including value for money, benefits and efficiencies)

This report is concerned exclusively with financial issues.

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

There are no specific risks arising from this report.

20 Staff, Service Users and Stakeholders (including the Equality Impact Assessment)

The arrangements and changes for the posts of Treasurer, Monitoring Officer and Chief Fire Officer are reflected within the Annual Governance Statement.

21 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.

22 Impact upon "Our Plan" Objectives

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 reflects the CFA's strategic plan, "Our Plan". It also reflects national and regional strategies and policies at the time of issue.

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.

Background Papers

Report to the CFA, 27 July 2022 – Revenue and Capital Outturn 2021/22

<https://leicesterfire.wpenginepowered.com/wp-content/uploads/2022/07/item-7-revenue-and-capital-outturn-202122.pdf>

Appendix

Appendix A – Audit Completion Report (ISA 260 Report)

Appendix B – Draft Annual Statement of Accounts and Annual Governance Statement 2021/22

Appendix C - Letter of Representation

Officers to Contact

Amy Oliver, Treasurer

amy.oliver@leicester.gov.uk

0116 454 5667

Colin Sharpe, Deputy Treasurer

colin.sharpe@leicester.gov.uk

0116 454 4081

This page is intentionally left blank