

**Status of Report: Public**

**Meeting: Combined Fire Authority**

**Date: 23 September 2020**

**Subject: Statement of Accounts and Annual Governance Statement 2019/20**

**Report by: The Treasurer**

**Author: Amy Oliver (Chief Accountant, Leicester City Council)**

**For: Decision**

### **Purpose**

1. The purpose of this report is to:
  - a) Present to the Combined Fire Authority (CFA) the External Auditor's audit completion report
  - b) Submit the 2019/20 Statement of Accounts for approval
  - c) Present the Annual Governance Statement (AGS) for approval and publication with the final Statement of Accounts.

### **Recommendations**

2. The CFA is asked to:
  - a) Note the audit completion report presented by the External Auditor, Mazars.
  - b) Adopt the Statement of Accounts 2019/20.
  - c) Approve the Annual Governance Statement 2019/20.
  - d) Approve the Letter of Representation.
  - e) Note the significant improvements made by the Authority in working practices since the presentation of the Accounts in 2019.

### **Executive Summary**

3. The Accounts and Audit Regulations (England) 2015 state that the accounts must be published with the audit opinion and certificate and be approved by Members by 31 July. For 2019/20, this deadline has been extended to the 30 November 2020 due to the Covid-19 pandemic. The draft Statement of Accounts was signed by the Treasurer and submitted to the external auditor (Mazars) on 7 August 2020. The final Statement of Accounts was considered by the Corporate Governance Committee on 16 September 2020.

4. The statutory accounts are prepared in accordance with the Code of Practice on Local Authority Accounting in the UK. Separate management accounts were presented to the CFA in July, which set out the revenue and capital outturn position. The financial position of the Authority is presented in a different way in the Statement of Accounts. The outturn reports focus on the in-year financial performance in a format consistent with the Authority's budgets, while the Statement of Accounts shows the in-year performance in a standard format adopted by all local authorities, including a balance sheet showing the underlying financial position.
5. The outturn position has been amended since being reported to the CFA at its meeting on 29 July 2020, as some accruals were identified as being incorrect, which meant the surplus increased from £894,000 to £998,000. This adjustment has been reflected in the Statement of Accounts.
6. External Auditors have substantially completed their audit work as outlined in their audit completion report and anticipate issuing an unqualified audit opinion on the financial statements and Value for Money (VFM) conclusion.
7. The External Auditors specifically noted that there was a marked improvement in the quality of the working papers, and the availability of the supporting information that underpins the disclosures in the financial statements.
8. The audit completion report includes corrected and uncorrected misstatements identified in the draft accounts, other than those of a trivial nature. The report concludes that all of the internal control recommendations identified last year have been addressed and there are no new recommendations in the current year.
9. Approval and ownership of the AGS is required at a corporate level. The AGS is published with the Statement of Accounts. Mazars 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.

## **Background**

### Statement of Accounts

10. The Accounts and Audit Regulations (England) 2015 state that the accounts must be published with the audit opinion and certificate and be approved by Members by 31 July. For 2019/20, this deadline has been extended to the 30 November 2020 due to the Covid-19 pandemic. The draft Statement of Accounts was signed by the Treasurer and submitted to the external auditor (Mazars) on 7 August 2020. The final Statement of Accounts was considered by the Corporate Governance Committee on 16 September 2020.
11. The final Statement of Accounts, which was considered by the Corporate Governance Committee on 16 September 2020, is attached as Appendix 1. The accounts reflect an adjustment to the outturn increasing the surplus from £894,000 to £998,000 as a result of the correction of some accruals. This adjustment was identified by officers during the preparation of the accounts and included within the draft submitted for audit.
12. The external audit work on the accounts is now substantially complete and is reported upon in the External Auditors' audit completion report, attached as Appendix

2. The audit completion report includes corrected and uncorrected misstatements identified in the draft accounts, other than those of a trivial nature. The report concludes that all of the internal control recommendations identified last year have been addressed and there are no new recommendations in the current year.
13. The audit completion report also outlines the results of the work undertaken as part of the VFM risk assessment. This concludes that the CFA has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.
14. The CFA 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. Mazars have provided a draft Letter of Representation (attached as Appendix 2), 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.

### Annual Governance Statement

15. Approval and ownership of the AGS is required at a corporate level. The AGS is published with the Statement of Accounts. Mazars 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 by the Chair of the CFA and by the Chief Fire and Rescue Officer.
16. The Annual Governance Statement for 2019/20 should assure the people of Leicester, Leicestershire and Rutland 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.

### **Report Implications / Impact**

17. Legal (including crime and disorder)

Regulations 6 (1) (a) and (b) of the Accounts and Audit Regulations 2015 (the Regulations) require the CFA to conduct a review, at least once a year, of the effectiveness of its system of internal control and approve an annual governance statement (AGS), prepared in accordance with proper practices in relation to internal control.

In anticipation of the potential disruption to relevant authorities caused by the spread of coronavirus (Covid-19), the Accounts and Audit (Coronavirus) (Amendment) Regulations 2020 amended the 2015 Regulations referred to above to extend the deadlines for relevant authorities to publish and make available for public inspection, their annual accounts and supporting documents in relation to the financial year beginning on 1 April 2019. The amendment regulations stipulate that the CFA must publish its draft Statement of Accounts and draft AGS by no later than 31 August 2020 and the publication date for final, audited, accounts has moved from 31 July to 30 November 2020.

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

These are included in the main body of the report.

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

None identified.

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

None.

21. Environmental

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

22. Impact upon Our Plan Objectives

- a) The Finance and Resources strategic aim of demonstrating value for money is supported by the External Auditor's opinion on the 2019/20 Statement of Accounts and Value for Money conclusion.
- b) The Governance strategic aim of providing assurance is supported by the External auditor's opinion on compliance of the AGS to the CIPFA/SOLACE "Delivering Good Governance Framework (2016)"

## **Background Papers**

External Audit Plan 2019/20 (Corporate Governance Committee Report 10 March 2020):  
<https://leics-fire.gov.uk/wp-content/uploads/2020/03/appendix-audit-strategy-memorandum.pdf>

Report to the CFA 29 July 2020 - Final Outturn 2019/20:  
<https://leics-fire.gov.uk/wp-content/uploads/2020/07/revenue-and-capital-outturn-2019.pdf>

Report to the Corporate Governance Committee 16 September 2020 – Draft Statement of Accounts and Annual Governance Statement 2019/20:  
<https://leics-fire.gov.uk/wp-content/uploads/2020/07/revenue-and-capital-outturn-2019.pdf>

## **Appendices**

Appendix 1 - Combined Fire Authority 2018/19 Statement of Accounts and Annual Governance Statement.

Appendix 2 – Audit Completion Report and Letter of Representation

## **Officers to Contact**

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