

Status of Report: Public

Meeting: Combined Fire Authority

Date: 27 September 2019

Subject: Statement of Accounts and Annual Governance Statement 2018/19

Report By: The Treasurer

Author: Adam Stretton (Area Manager Business Support)

For: Decision

Purpose

1. The purpose of this report is to:
 - (a) present to the Combined Fire Authority (CFA) the External Auditor's opinion on the financial statements
 - (b) submit the 2018/19 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 ISA 260 report presented by Mazars
 - (b) Approve the Letter of Representation
 - (c) Adopt the Statement of Accounts 2018/19
 - (d) Approve the Annual Governance Statement 2018/19

Executive Summary

3. The draft Statement of Accounts and Annual Governance Statement (AGS) for the financial year 2018/19 were signed by the Treasurer and published by 31 May 2019, as required by the Accounts and Audit Regulations. They were considered by the Corporate Governance Committee on 17 July 2019.
4. The completed accounts, AGS and the external auditor's annual governance report would usually be approved by the CFA by the end of July. It was reported to the CFA at its meeting in July 2019, that, at that time, the audit was not complete and hence approval would be sought at its next meeting on 27 September 2019.
5. The CFA's new external auditor, Mazars, 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.

6. Mazars 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. Included in the ISA 260 are recommendations for future years.
7. 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

8. The draft Statement of Accounts, including the AGS, was signed by the Treasurer, published and submitted to the external auditor by 31 May 2019 as required by the Regulations. The revenue and capital outturn were in accordance with the year-end position reported to the CFA at its meeting of 19 June 2019.
9. Unusually, the external audit work could not be completed in time for approval at the CFA meeting in July 2019. This was due to unforeseen difficulties in concluding the audit work, as previously reported. As required by regulations, an updated draft Statement of Accounts was published by the 31 July, with a note reflecting that the external audit was not yet complete.
10. The difficulties identified during the course of the audit were in essence unanticipated issues identified in relation to the year-end accounting entries. Whilst significant in themselves, these issues identified did not affect the bottom-line financial position of the Authority. They also did not suggest weaknesses in the Authority’s fundamental financial controls and systems. This is supported by the internal audit reports received in the year looking at key financial controls.
11. As there were no significant issues in recent years with the previous external auditor and reports received during the year from internal audit, along with no change in finance systems and key personnel, there was no reason to expect such significant issues with the 2018/19 end of year accounts. We had of course anticipated and allowed for some differences with the new external auditor, for example the nature of detailed enquiries, the audit approach and a desire to understand and validate previous years’ accounts.
12. The Authority will be putting a plan together in relation to the 2019/20 accounts and the next steps to improve processes and ensure accuracy of the year end entries, along with actions in relation to the recommendations detailed in the ISA260. These steps will include:
 - Reviewing the current process
 - Improved quality assurance process
 - Updating the technical knowledge and competencies of the finance team
 - Improving the working papers

13. The external audit work has now been completed for approval at this meeting. The External Auditor's opinion contained in the ISA 260 report (attached as Appendix 1) covers the issues arising from the audit of the financial statements based on the processes outlined in the External Audit Plan 2018/19. The report also details a number of adjustments made from the original draft and a prior period adjustment in relation to the pension entries.
14. The 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.
15. 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.
16. The Statement of Accounts for 2018/19, 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 19 June 2019.

Annual Governance Statement

17. Mazars report that the AGS (appended to the Statement of Accounts at Appendix 2) 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.
18. The Head of Internal Audit Service Annual Report and annual opinion on the overall adequacy and effectiveness of the control environment 2018/19 was presented to the Corporate Governance Committee at its meeting of 17 July 2019. The assurances contained in this opinion are incorporated into the AGS.

Report Implications / Impact

19. ***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 two months of the financial year end i.e. by 31 May. The Accounting Code of Practice on Local Authority Accounts largely dictates the format of the Statement of Accounts. The Statement of Accounts 2018/19 meets this statutory obligation. The final Statement of Accounts and AGS are then to be published by 31 July, together with any certificate or opinion entered by the auditor in accordance with section (20)2 of the Local Audit and Accountability Act 2014(a). It is noted that this latter requirement is not fully achieved on this occasion.
 - 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.

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

These are contained within the report.

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

None identified.

22. ***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 AGS.

23. ***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.

24. ***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 2018/19 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

Revenue and Capital Outturn 2018/19 (CFA Report – 19 June 2019)

<https://leics-fire.gov.uk/wp-content/uploads/2019/06/revenue-and-capital-outturn-2018-19-.pdf>

Draft Statement of Accounts and Annual Governance Statement 2018/19 (Corporate Governance Committee Report – 17 July 2019)

<https://leics-fire.gov.uk/wp-content/uploads/2019/07/draft-statement-of-accounts-and-annual-governance-statement-2018-19.pdf>

External Audit Plan 2018/19 (Corporate Governance Committee - 13 March 2019)

<https://leics-fire.gov.uk/wp-content/uploads/2019/03/external-audit-plan-2018-2019.pdf>

Head of Internal Audit Service Annual Report 2018-19 (Corporate Governance Committee - 17 July 2019)

<https://leics-fire.gov.uk/wp-content/uploads/2019/07/head-of-internal-audit-service-annual-report-2018-19.pdf>

Appendices

Appendix 1 - Draft ISA 260

Appendix 2 - Letter of Representation

Appendix 3 - Combined Fire Authority 2018/19 Statement of Accounts and Annual Governance Statement

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