

Status of Report: Public

Meeting: Corporate Governance Committee

Date: 25 July 2018

Subject: Statement of Accounts and Annual Governance Statement 2017/18

Report By: The Treasurer

Author: Adam Stretton (Area Manager Finance and ICT)

For: Decision

1. Purpose

The purpose of this report is to:

- (a) present to the Corporate Governance Committee the External Auditor's opinion on the Combined Fire Authority's (CFA) financial statements
- (b) submit the 2017/18 Statement of Accounts for approval
- (c) present the Annual Governance Statement (AGS) for approval and publication with the final Statement of Accounts.

2. Recommendations

The Committee is asked to:

- (a) Note the ISA 260 report presented by KPMG
- (b) Approve the Letter of Representation
- (c) Adopt the Statement of Accounts 2017/18
- (d) Approve the Annual Governance Statement 2017/18

3. Executive Summary

- 3.1. The Accounts and Audit Regulations (2015) require that from the production of the accounts for the financial year 2017/18, the Treasurer is required to sign off the draft accounts by 31 May (previously this was 30 June) and the CFA is required to approve the audited accounts by 31 July (previously this was 30th September).
- 3.2. At its meeting on 20 June 2018, the CFA agreed that the Corporate Governance Committee be given delegated authority to formally agree the Statement of Accounts and Annual Governance Statement 2017/18 at its meeting of 25 July 2018.
- 3.3. 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.

- 3.4. 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.
- 3.5. Approval and ownership of the AGS is required at a corporate level. The AGS is published 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.

4. Report Detail

Statement of Accounts

- 4.1. The Accounts and Audit Regulations (England) 2015 state that the accounts (from 2017/18) must be published with the audit opinion and certificate and be approved by Members by 31st July. The draft Statement of Accounts were signed by the Treasurer and submitted to the external auditor (KPMG) on the 31st May 2018.
- 4.2. 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 processes outlined in the External Audit Plan 2017/18. KPMG anticipate issuing an unqualified audit opinion on the 2017/18 financial statements with no material adjustments identified and no uncorrected misstatements.
- 4.3. The report also outlines the results of the work undertaken as part of the Value for Money (VFM) risk assessment. This concludes that the CFA has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.
- 4.4. 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. 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 Committee and signed by the Treasurer.
- 4.5. KPMG identified the valuation of assets, pension liabilities and the earlier closedown timetable as significant risk in their 2017/18 External Audit plan, this being the case for all local authorities. There are no matters of significance arising as a result of audit work in these key areas. These areas are covered in detail on pages 9 to 11 of the ISA 260 report (attached at Appendix 1).
- 4.6. Based on work undertaken by KPMG, there are no recommendations identified in the ISA 260 report to be applied for the 2017/18 accounts.

- 4.7. The Statement of Accounts for 2017/18, 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 20 June 2018.

Annual Governance Statement

- 4.8. KPMG 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 on behalf of the CFA by the Chair of the Corporate Governance Committee and by the Chief Fire and Rescue Officer.
- 4.9. The Head of Internal Audit Service Annual Report and annual opinion on the overall adequacy and effectiveness of the control environment 2017/18, is elsewhere on this agenda. 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 (from 2017/18) 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 2017/18 meets this statutory obligation. The Statement of Accounts and AGS must 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).
- 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)*

No changes to the 2017/18 final revenue and capital outturn are required following the External Audit work and no material misstatements have been identified.

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

None identified.

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

The roles and responsibilities 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) The Finance and Resources strategic aim of demonstrating value for money is supported by the External Auditor's opinion on the 2017/18 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)".

6. Background Papers

- a) External Audit Plan 2017/18 (Corporate Governance Committee Report – 14 March 2018)
<http://www.leicestershire-fire.gov.uk/your-fire-service/decision-making/cfa-meetings/>
- b) Final Outturn 2017/18 (CFA Report – 20 June 2018)
<http://www.leicestershire-fire.gov.uk/your-fire-service/decision-making/cfa-meetings/>
- c) Draft Statement of Accounts and Annual Governance Statement 2017/18 (CFA Report – 20 June 2018)
<http://www.leicestershire-fire.gov.uk/your-fire-service/decision-making/cfa-meetings/>
- d) Head of Internal Audit Service Annual Report 2017/18 (Corporate Governance Committee Report – 25 July 2018)
<http://www.leicestershire-fire.gov.uk/your-fire-service/decision-making/cfa-meetings/>

7. Appendices

- 1. Draft ISA 260 and Letter of Representation
- 2. Combined Fire Authority 2017/18 Statement of Accounts and Annual Governance Statement