

THE FINANCIAL REPORT 2022/23 AND AUDIT COMPLETION REPORT



JOINT REPORT OF THE TREASURER AND MAZARS

For Information

1. PURPOSE OF REPORT

1.1 The purpose of this report is to:

- i) present Mazars Audit Completion Report.
- ii) confirm the arrangements for approving the 2022/23 Financial Report.

2. RECOMMENDATIONS

2.1 It is recommended that Members:

- i) note that the 2022/23 Financial Report is attached at Appendix A and will be approved by the Fire Authority at its meeting on 7 June 2024.
- ii) note and agree, that should a material error be identified in the outstanding issues, that results in amendments to the Financial Report, these amendments are actioned and delegated authority given to the Treasurer in consultation with the Chair of Cleveland Fire Authority to approve the updated 2022/23 accounts;
- iii) note the Audit Completion report at Appendix B;
- iv) note the Management Letter of Representation will be issued once the audit has concluded.

3. BACKGROUND

- 3.1 In accordance with the Accounts and Audit Regulations 2015, all Local Authorities are required to produce a draft annual Statement of Accounts. For 2022/23 the deadline was 31 May 2023.
- 3.2 Owing to the delay in the publication of the 2022/23 pension reports, which were received late on 22 May 2023, the draft Financial Reports were not published on the Authorities website until 16 June 2023 and presented to the Audit and Governance Committee on 25 August 2023.

- 3.3 Owing to a backlog of local government Audit work the Audit did not commence until January 2024.
- 3.4 It should be noted that whilst the External Auditors have substantially completed their work the audit is not complete.
- 3.5 Once the audit activity has concluded, the Fire Authority is required to issue a Management Letter of Representation to Mazars. This letter sets out the responsibilities and representations made by officers and confirms the accuracy and completeness of the information that management have provided to auditors.

4. AUDIT COMPLETION REPORT 2022/23

- 4.1 A copy of the Audit Completion Report (ACR) is attached at Appendix B. There were three misstatements identified which I have adjusted the accounts for.
- 4.2 The Authority has a 5 year rolling programme for the revaluation of its assets. In accordance with the agreed audit protocol the valuer undertook a desktop valuation of all specialised buildings which were not due for formal revaluation in 2022/23. However, in order to use the most recent indices and fully account for inflation in construction costs up to 31 March 2023 the exercise was not completed until after the Authority had approved the draft accounts. As the exercise indicated a material increase in the accounting value of buildings the accounts have been updated to reflect this information.
- 4.3 The second related to the surplus on the Local Government Pension Scheme being netted off the much larger deficit on the Firefighters Pension Scheme in the draft accounts. The accounts now reflect a Pension Asset for the LGPS and a pension deficit on the Fire Fighters Pension Scheme.
- 4.4 The accounting changes referred to in paragraphs 4.2 and 4.3 do not impact on the Authority's cash reserves which are earmarked to manage financial risks and to fund the approved Asset Management Plan. Confirmation of the cash reserves at the 31 March 2023 means the current approved Medium Term Financial Strategy was prepared on the basis of an accurate and robust assessment of these key reserves.
- 4.5 The third related to an error in the classification of the Services Grant which had been included as 'Credited to Services' when it should have been classified as credited to 'Taxation and Non- Specific Grant Income.'
- 4.6 There were also a small number of disclosure amendments identified which have also been amended. Details of these and the misstatements are shown within Section 6 of the ACR.
- 4.7 There are no significant findings or recommendations in relation to internal controls as at the date of this report.

5. CONCLUSION

- 5.1 Mazars currently anticipate being able to issue an unqualified audit opinion, without modification, on the financial statements. The final audit opinion will be issued when the financial statements have been approved by Full Authority and the outstanding issues have been concluded.

CHRIS LITTLE
TREASURER TO THE AUTHORITY

GAVIN BARKER
MAZARS