

## PROCESS FOR APPROVING 2020/21 STATEMENT OF ACCOUNTS

### REPORT OF THE TREASURER



**For Approval**

#### 1. PURPOSE OF REPORT

- 1.1 To inform Members of the timetable for completing the audit of the 2020/21 Statement of Accounts and to delegate authority to approve this document to the Executive Committee.

#### 2. RECOMMENDATIONS

- 2.1 Members note the report and delegate authority to approve the 2020/21 Statement of Accounts to the Executive Committee.

#### 3. BACKGROUND

- 3.1 In accordance with the Authority's Constitution the Annual Statement of Accounts must be approved by the full Authority. As part of this process the draft Statement of Accounts is reported to the Audit and Governance Committee for scrutiny by Members and to enable question to be asked of the Treasurer and / or External Auditor. On this basis the draft 2020/21 accounts will be presented to the Audit and Governance Committee on 27<sup>th</sup> August 2021.

#### 4. POSITION FOR 2020/21 STATEMENT OF ACCOUNTS

- 4.1 The draft accounts were completed and published on the Authority's website on 16<sup>th</sup> July 2021, which is before the statutory deadline of 31<sup>st</sup> July. Completion of the draft accounts confirms the Authority's outturn position and this provides the financial foundations for future years. In summary the final outturn position was better than forecast and this reflected the continued careful management of the budget by the Chief Fire Officer and staff turnover. A final additional contribution of £425,000 was made to the Budget Support Fund.
- 4.2 As detailed in previous Medium Term Financial Strategy (MTFS) reports the Budget Support Fund will help the Authority manage financial uncertainty and risks in relation to future Government funding levels, pensions funding, national pay awards and inflation. Financial risks continue to evolve as highlighted by the recent report of a 1% potential increase in both employees and employers National Insurance contributions, to initially address the NHS backlog and then fund Social Care. If this becomes actual Government policy this will increase the Authority's costs.

- 4.3 As was the case when the Apprenticeship Levy was introduced it is extremely unlikely that additional Government funding will be provided if a National Insurance increase is actually implemented. Such an increase will increase the budget deficits facing the Authority. In the short-term this situation may need to be managed using the Budget Support Fund. This position underlines the importance of this reserve in managing emerging financial risk and uncertainties.
- 4.4 The Authority's External Auditors, Mazars, presented a report to the Audit and Governance Committee on 25<sup>th</sup> June 2021 to advise Members of the challenges they face delivering the 2020/21 audit. Mazars report covered the following key issues:
- "The Redmond Review concluded that the "local audit market is very fragile" and highlighted that 40% of 2018/19 audits had failed to meet the reporting timetable of 31 July 2019. The position worsened in 2019/20 in part due to the pandemic. A National Audit Office report highlighted that only 45% of 2019/20 audits met the 30 November 2020 deadline, which had been extended as a result of the Covid-19 pandemic.
  - Mazars has avoided the worst of these difficulties in the last two audit years (2018/19 and 2019/20) but we are now experiencing similar problems to the other audit firms. One of the Government's responses to the Redmond Review has been to extend the audit timetable for 2020/21 audits to 30 September 2021 on the grounds that 31 July is unrealistic at the current time. However, this is two months earlier than last year's timetable of 30 November and fails to account for the continuing impact of the pandemic.
  - The working restrictions imposed on all of us by Covid-19 has meant that work is taking longer to complete and this has also led to a backlog of 2019/20 audit work. Our priority is to deliver a high quality audit and where we are unable, for reasons beyond our control, to work to the shorter timetable our only option is to deliver the work at a later date. We will keep management and the Audit and Governance Committee informed as we work through these difficulties. We recognise that the position is not satisfactory, but we are doing everything possible to address the situation. We are actively recruiting new staff but they are unlikely to resolve the issues this year, although the steps we are taking will help prevent a recurrence in future years".
- 4.5 In view of the above Mazars have indicated the audit should commence late September and the majority of the work will be completed in October. This means the audit will not be complete before the full Authority meetings on 15<sup>th</sup> October and the following meeting is not until 10<sup>th</sup> December. Therefore, it is proposed that authority to receive the Mazars Audit Completion report and to approve the final 2020/21 Statement of Accounts is delegated to Executive Committee. Based on current information it is anticipated this will be the Executive Committee meeting on 19<sup>th</sup> November. A similar delegation has been adopted in a previous year owing to the timing of meetings.

- 4.6 In the extremely unlikely event that the External Auditors review results in a change in the final contribution to the Budget Support Fund full details will be reported to the next scheduled full Authority meeting. Equally, in the even more unlikely event that the External Auditors issue a qualified opinion on either the Statement of Accounts, or Value for Money, these details will also be reported. In this context a qualified opinion would identify weaknesses that the Authority would need to address.

**CHRIS LITTLE  
TREASURER**