



TYNE & WEAR FIRE AND RESCUE AUTHORITY

Item No 4

MEETING: GOVERNANCE COMMITTEE - 26 FEBRUARY 2024

SUBJECT: AUDITED STATEMENT OF ACCOUNTS 2022/2023

REPORT OF THE FINANCE DIRECTOR

1. BACKGROUND

- 1.1 The Authority's Statement of Accounts 2022/2023 (subject to audit) were produced later than the 'reinstated' statutory deadline of 31st May 2023 and thus failed to comply with the government's Accounts and Audit Regulations 2015. This position was unavoidable because of the very short notice the government gave local authorities that they were reverting back to the previously established (pre covid) statutory deadlines. (i.e. Accounts subject to audit by 31st May and audited Accounts by 30th September (was July but government provided an extension to external audit for the 2022/23 Accounts to recognise the build-up of prior years audit work still outstanding). This also presented problems for the Authority as it was not possible to obtain the pensions data required to complete the accounts subject to audit within the tighter timescales and the audit of the 2021/22 could not be completed because of local government pension accounting issues which meant the 2021/22 figures were not audited or finalised. The accounts subject to audit were consequently presented to this Committee on 30th June 2023 to allow members the opportunity to both digest and challenge any areas of the accounts, they so wished. In accordance with the revised regulations the Statement of Accounts and the required supporting papers were also lodged on the Authority's website on 30th June 2023 to inform the public of their rights to inspect and challenge the published Statement of Accounts 2022/2023 subject to audit. A Notification was also put on the website on 30th May 2023 informing the public that the Accounts subject to audit would not be completed until end of June for the reasons outlined above to keep them aware of progress in accordance with the regulations.
- 1.2 Members will be aware that Mazars LLP (our external auditors) are required to report on the final accounts and report certain matters to Members prior to an audit opinion being provided on the Authority's accounts.
- 1.3 Mazars LLP have audited the financial statements of the Authority under the Local Audit and Accountability Act 2014, the Code of Audit Practice issued by the National Audit Office, and International Standards on Auditing (ISA) issued by the Auditing Practices Board.

- 1.4 Once Governance Committee has approved the Letter of Representation (**item i**), noted the contents of the External Auditors 'Audit Completion Report' (**item ii**), and approved the amended Statement of Accounts (**item iii**), Mazars LLP can then formally provide an opinion on the Statement of Accounts for the year ended 31st March 2023. ***All of these items will be sent out to members separately but in advance of the meeting, as the audit work is almost, but not quite completed, at the time of writing this report.***

2 PURPOSE OF THE REPORT

- 2.1 To present the Letter of Representation for 2022/2023, and to receive the Audit Completion Report from Mazars LLP concerning the financial statements for 2022/2023. This also provides their opinion on both the Authority's Statement of Accounts and its arrangements for securing economy, efficiency and effectiveness in its use of resources (Value for Money).
- 2.2 To present an audited Statement of Accounts for 2022/2023, which has been revised to take into account the auditor's findings, for approval by members of this Committee. A complete list of the amendments is to be included as **Appendix A to this report for information and will also be sent out separately.**

3 STATEMENT OF ACCOUNTS 2022/2023

- 3.1 A **Letter of Representation** which sets out the principles used in preparing the accounts and provides the external auditor with the necessary assurances required by the accounts and audit regulations has to be prepared by the Finance Officer (this will be shown as **Item i** to this report and **will be sent out separately**).
- 3.2 In line with Auditing standards, Mazars LLP produces an **Audit Completion Report** (this will be **Item ii** and **will be sent out separately**), in which the external auditor's opinion is given on whether the financial statements give a true and fair view of the financial position of the Authority as at 31st March 2023 and on its income and expenditure for the year then ended. The auditors will also be in attendance at the meeting in order to present their Audit Completion Report directly to members of the Committee.
- 3.3 This communication from the auditors is in addition to the Annual Audit Letter, which will continue to be presented to the full Authority and to the Governance Committee annually.
- 3.4 The amended Statement of Accounts (**which will be sent out separately**) will reflect all of the changes identified during the audit process and Mazars LLP was expected initially to formally provide their opinion on the audited Statement of Accounts before the end of September 2023 although they failed to comply with the revised statutory timescales in place because of extenuating circumstances and excessive workloads which were noted by this Committee previously.

- 3.5 The delay in receiving the audited accounts on today's agenda stems from a local government pensions scheme issue that impacted materially on the Authority's accounts for 2021/22 which then impacted on the auditors work for the 2022/23 accounts and which has only recently been resolved. The Authority had its 2021/22 Audited Accounts approved by this committee at its last meeting which now allows the 2022/23 although later than the statutory requirements to be presented for approval. Other public sector bodies have also experienced similar pension related issues so the Authority is not unique in this regard but it is welcomed that the 2022/23 accounts are now in a position to be completed.
- 3.6 The key messages expected from the audit are set out in Section 4 of this report for information.
- 3.7 Following the slightly prolonged audit, the amended Statement of Accounts 2022/2023 will be set out in **Item iii** (which will be sent out separately once the audit work has been completed) and will include a number of changes identified from the audit, which will be detailed at **Appendix A, (which is also to be sent out separately once finalised)**.

4 KEY MESSAGES

- 4.1 The full and detailed communication will be included in the Audit Completion Report (Item ii), which will be sent out separately in advance of the meeting. Having discussed the audit of the accounts with the external auditors it has been indicated at the time of writing this report that although work is still ongoing that it will be positive and in summary will show:
- the external auditors propose to issue an unqualified audit opinion on the financial statements;
 - the external auditors have not identified any material weaknesses in the accounting and internal control systems; and,
 - the external auditors will also provide commentary on their findings on whether the Authority had proper arrangements in place to achieve value for money for the year ended 31st March 2023 and this will be done by exception under the new reporting arrangements which were introduced last year. This will be based on three key criteria set out below and will be detailed in their Audit Completion Report:
 1. Financial sustainability – how the Authority plans and manages its resources to ensure it can continue to deliver its services;
 2. Governance – how the Authority ensures that it makes informed decisions and properly manages its risks;
 3. Improving economy, efficiency and effectiveness – how the Authority uses information about its costs and performance to improve the way it manages and delivers its services.
- 4.2 On the basis of the amendments agreed with the external auditors, Mazars LLP will formally provide an opinion on the amended Statement of Accounts now presented. The Authority informed members of the public by Public

Notice that the statutory timescale of 30th September 2023 would not be achieved and outlined the reasons for this delay. The Authority is also required to publish its Audited Statement of Accounts for 2022/2023 on its web site once completed appropriately signed by the Chair of this Committee and re-certified by the Finance Officer in line with the reporting requirements set out in the Accounts and Audit Regulations 2015.

5. RECOMMENDATIONS

5.1 Members are requested to:

- a) Approve the Letter of Representation (Item i),
- b) Note the contents of the External Auditor's Audit Completion Report (Item ii),
- c) Approve the amended Audited Statement of Accounts for the Financial Year ended 31st March 2023 (Item iii).