

**LANCASHIRE COMBINED FIRE AUTHORITY
AUDIT COMMITTEE**

Meeting to be held on 27 November 2020

**REVISIONS TO THE STATEMENT OF ACCOUNTS 2019/20
(Appendices 1 and 2 refers)**

Contact for further information:

Keith Mattinson - Director of Corporate Services – Telephone Number 01772 866804

Executive Summary

This report presents the changes made during the audit of the Statement of Accounts of the Combined Fire Authority for the financial year ended 31 March 2020.

Recommendation

The Committee is asked to re-approve the revised Statement of Accounts.

Information

The draft Statement of Accounts for the financial year ended 31 March 2020 were presented to Resources Committee in September (see report attached as appendix 1). The report confirmed that:-

- the unaudited Statement of Accounts would be signed by the Treasurer to certify that it presents a true and fair view of the financial position of the Authority as at 31 March 2020;
- this would be subject to review by the Authority's external auditors, Grant Thornton
- that a further report would be presented to the Audit Committee in November, following completion of the external audit;
- at that meeting the Chair of the Audit Committee would be asked to sign the final statement of accounts, as well as the Treasurer.

In light of this the Committee noted and endorsed the report and accounts, based on the various outturn reports presented on the same agenda.

Subsequent to that the full set of accounts were submitted for audit to Grant Thornton.

The Statement of Accounts has now been updated to reflect the following changes identified during the audit (as reported in the Audit Findings Report – elsewhere on the agenda) and a revised statement of accounts is attached as appendix 2.

Adjusted Misstatements

The following significant adjustments have been made to the accounts, as referred to in the External Audit Findings Report – referred to elsewhere on this agenda.:-

- The HM Treasury published its consultation on reforms to public sector pension schemes on 16 July 2020. Following this the Authority requested updated IAS 19 calculations for the additional McCloud/Sargeant liability to allow for Authority specific membership data, rather than using data for the Fire scheme as a whole. In

line with CIPFAs guidance the Authority have included this change in the remeasurement item. This resulted in a reduction of £4.1m to the Firefighter Pension Scheme liability. Hence the accounts have been adjusted for this. It is worth noting that the actual impact of an increase in scheme liabilities arising from McCloud / Sargeant judgment will be measured through the pension valuation process, which determines employer and employee contribution rates.

- The value of fixed assets has increased by £100k reflecting a discrepancy between the valuer's valuations and the value recorded in the fixed asset register.
- The draft accounts included a provision of £600k for backdating of pensionable allowances to the date of the High Court ruling, March 2019. The Authority is attempting to resolve the issue of further backdating via the collective bargaining arrangements, but this has not yet been concluded. Pending the outcome of these discussions the Authority has now allowed for 6 years of backdating and has adjusted the draft accounts to include £1.8m provision. As the estimated value is material and the obligation relates to events prior to the start of the financial year, management has disclosed a prior period adjustment in relation to this matter.

Misclassifications and disclosure changes

Note 27 - Accounting Standards issued but not yet adopted – IFRS 16	A disclosure, in line with the requirements of IAS 8, about IFRS 16 was not included in the draft statement of accounts. This has now been included
Accounting Policies - O – Going Concern	The disclosure in the draft accounts was very short and lacking in detail, a more comprehensive explanation has been included.
Critical Judgements In Applying Accounting Policies	In the draft accounts, there was no disclosure of the critical judgements the authority has made in applying accounting policies or lack thereof, as at that time we did not consider that there were any critical judgements. We have now updated this recognising HM Treasury's consultation as an adjusting post balance sheet event and the judgement made in respect of the backdating of pension contributions on day crew plus allowances.
Note 26 - Assumptions made about the future and other major sources of estimation and uncertainty	For each item in the disclosure, the carrying amounts as at the balance sheet date should be added to the disclosure so support users of the accounts understanding of the quantum of the uncertainty. It is worth noting that the carrying amounts are already shown elsewhere in the accounts. We have revised the disclosure relating to the uncertainty deriving from the HM Treasury consultation remedies for the McCloud issue, and have added a new disclosure relating to LGPS asset valuations.
Note 20 - Post Balance Sheet Events	In the draft accounts, no post balance sheet events were identified as at the time there were none. Subsequent to the accounts being signed by the Treasurer, the Authority have recognised HM Treasury's consultation on the remedies for McCloud as an adjusting post balance sheet event and has now disclosed this as such.

Note 8 – Financial Instruments	In the draft accounts, the financial instruments were categorised under IAS 39 categories. IAS 39 has been replaced by IFRS 9 and the accounts have been updated accordingly.
Prior Period Adjustment	The draft accounts did not include a prior period adjustment. This has now been included to reflect the potential additional backdating of employer pension contributions in respect of pensionable allowances.

Approval and Signing of the Accounts

As all changes requested by Grant Thornton have been made to the accounts the Treasurer to the Fire Authority and the Chair of the Audit Committee are therefore required to approve the revised accounts by signing off the Statement of Responsibilities (page 18) and the Balance Sheet (Page 22).

Financial Implications

As outlined in the report

Business Risk Implications

The Statement of Accounts sets out how the Authority has performed financially in the year, and as such is a key means of stakeholders monitoring the Authority and assessing how it is performing.

Environmental Impact

None

Equality and Diversity Implications

None

Human Resource Implications

None

Local Government (Access to Information) Act 1985

List of Background Papers

Paper	Date	Contact
SORP and Guidance	February 2020	Keith Mattinson, Director of Corporate Services
Final Account Working Papers	April – November 2020	Keith Mattinson, Director of Corporate Services
Reason for inclusion in Part II, if appropriate:		