

ROYAL BERKSHIRE FIRE AUTHORITY



COMMITTEE	AUDIT & GOVERNANCE COMMITTEE
DATE OF MEETING	20 OCTOBER 2021
SUBJECT	AUDIT RESULTS REPORT AND STATEMENT OF ACCOUNTS 2019/20
LEAD OFFICER	CONOR BYRNE, HEAD OF FINANCE AND PROCUREMENT
LEAD MEMBER	N/A
EXEMPT INFORMATION	NONE
ACTION	FOR NOTE AND DECISION

1. EXECUTIVE SUMMARY

- 1.1 Members are requested to note the Audit Results Report before approving the 2019/20 Statement of Accounts.

2. RECOMMENDATION/S

That the Committee:

- 2.1 **NOTE the Audit Results Report in Appendix A**
- 2.2 **APPROVE the 2019/20 Statement of Accounts in Appendix B**

3. REPORT

- 3.1 EY has completed its audit of the Authority's Statement of Accounts for the year ended 31 March 2020.
- 3.2 The audit partner has issued an unqualified opinion on the financial statements.
- 3.3 As has been reported to Members previously, the delay in signing off the Authority's financial statements was due to issues identified by Deloitte in relation to their audit of the Royal County of Berkshire Pension Fund.
- 3.4 The issues identified by Deloitte are described below.
 - Based on evidence obtained from a walk-through of the controls around maintaining member records, it was noted that there was no record of any

formal checks performed over the data extracted from the administrative systems by a senior team member. As a result, Deloitte did not consider the controls to be designed and implemented satisfactorily and recommendations have been made to management of the pension fund in respect of those controls. EY has considered the impact on the Authority's Statement of Accounts and has concluded that this has had no material effect on them.

- It was identified that there was a significant risk over the valuation of the longevity swap. The design and implementation of controls over the valuation of this investment at the Fund were tested. Based on the evidence obtained from a walk-through of the key control identified it was noted that there was no record of any formal challenge by the Fund to the mortality assumption and discount rate. As a result, Deloitte did not consider the controls to be designed and implemented satisfactorily and recommendations have been made to management of the Pension Fund in respect of those controls. EY has considered the impact on Royal Berkshire Fire Authority's accounts and has concluded that this has no material effect on them.
- During the audit work it was noted that the Pension Fund made an unauthorised overnight loan to RBWM of £1.2m during the year ended 31 March 2020. This is a control weakness identified by Deloitte and an indicator of poor governance. Following consideration of the permissibility of the overnight loan and the associated control weakness, we understand that the Fund has reported the issue to the Pensions Regulator. This has not impacted the Authority's audit, but is something members should be aware of.
- Reconciliation differences were found between data submitted to the actuary and data used in the actuary's IAS 19 Report. The testing did not provide assurance on completeness and accuracy of individual employer membership data submitted to the actuary. Therefore EY used its EY Pension Consulting (EYPC) team to review this area in order to conclude if there was the potential for a material misstatement in the LGPS liabilities. EYPC concluded that the impact of including the missing membership is broadly between 0.25% and 0.30% of total scheme liabilities. This equates to £126,000, which although below materiality and not accounted for within the financial statements, is above the threshold that EY reports to those charged with governance.
- Finally, Deloitte noted that the impact of the Goodwin legal ruling had not been accounted for. EYPC assessed the impact and concluded that potentially there could be an increase in pension liabilities of £84,000 in relation to the Authority's accounts. As this is not material, no adjustment has been made.

3.5 As part of its audit work, EY identified that the Authority's actuary had made an error whilst adjusting deferred pensions for McCloud. The actuary had inadvertently omitted approximately £50,000 worth of pension, which amounted to

an understatement of the pension liability figure by £1,112,000. This has now been corrected in the financial statements.

- 3.6 The above adjusted and unadjusted differences have no impact on the revenue outturn position as previously reported nor is there any impact the Authority's usable reserves.
- 3.7 The Audit Results Report summarises EY's findings in relation to its audit of the 2019/20 Statement of Accounts and is attached as **Appendix A**. The 2019/20 Statement of Accounts is attached as **Appendix B**.
- 3.8 Members are requested to approve the Statement of Accounts having considered the contents of the Audit Results Report.

4. CONTRIBUTION TO STRATEGIC COMMITMENTS:

- 4.1 Commitment 5 – We will ensure that Royal Berkshire Fire and Rescue Service provides good value for money.

5. FINANCIAL IMPLICATIONS:

- 5.1 External audit provides assurance to Members that the Authority's finances are in good order.

6. LEGAL IMPLICATIONS:

- 6.1 The auditor's opinion as to whether the financial statements give a true and fair view of the financial position of the Authority as of 31 March 2020 is based on compliance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom.

7. EQUALITY AND DIVERSITY IMPLICATIONS:

- 7.1 None

8. RISK IMPLICATIONS:

- 8.1 The audit of the accounts was conducted in accordance with International Standards on Auditing (UK and Ireland), which involves an examination of the accounting system, internal controls and related data to the extent considered necessary in the circumstances, and is not designed to identify - nor necessarily be expected to disclose - all fraud, shortages, errors and other irregularities, should any exist.

9. CONSISTENCY WITH DUTY TO COLLABORATE:

- 9.1 EY were appointed through a national procurement exercise.

10. PRINCIPAL CONSULTATION:

10.1 No issues for statutory officers

11. BACKGROUND PAPERS:

11.1 None

12. APPENDICES:

12.1 Appendix A - Audit Results Report

12.2 Appendix B - Statement of Accounts 2019/20

13. CONTACT DETAILS:

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