

Our Ref: PLCO109775/SIG/AW
Your Ref:
Date: 19 February 2025



PRIVATE & CONFIDENTIAL

Hereford and Worcester Fire Authority
Hindlip Park
Worcester
WR3 8SP

Dear Sirs and Madams

Recommendations made under section 24 schedule 7 of the Local Audit and Accountability Act 2014

As well as our responsibilities to give an opinion on the financial statements and assess the arrangement for securing economy, efficiency and effectiveness in Hereford and Worcester Fire Authority's (the Authority) use of resources, we have additional powers and duties under the Local Audit and Accountability Act 2014. These include powers to issue a public interest report, make statutory recommendations, apply to the Court for a declaration that an item of account is contrary to law, and to give electors the opportunity to raise questions about the Authority's accounts and to make recommendations received in relation to the accounts.

In May 2024, a significant weakness in the Authority's arrangements for 2022/23 regarding the production of the financial statements was highlighted in the Auditor's Annual Report. The significant weakness centred on the Authority being unable to produce its 2022/23 statements before the statutory deadline of May 2023 – instead producing them in April 2024 - nearly a year later. The recommendation made by the auditor required the Authority to put in place arrangements to improve the production of its financial statements to ensure they were produced before the statutory deadline.

The deadline for publishing the draft 2023/24 financial statements was 31 May 2024. As at 18 February 2025, the Authority had still not published its financial statements. This has resulted in delays in the audit of the figures reducing the extent to which they could be relied upon and the Authority being unable to meet the backstop date of 28 February 2025 set by MHCLG.

In our view the Authority has therefore not responded to the significant weakness raised in 2022/23 in a timely or appropriate way. We have therefore concluded that it is appropriate for us to use our powers to make statutory recommendations under Section 24 of the Act.

Further details including the statutory recommendations made are set out in this letter.



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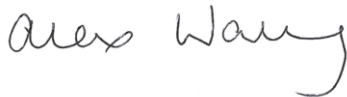
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Schedule 7 of the Local Audit and Accountability Act 2014 sets out the actions that the Authority must now undertake in response to these statutory recommendations. These include (but are not limited to):

- The Authority must consider the recommendations at a meeting held before the end of the period of one month beginning with the day on which it was sent to the Authority (Paragraphs 5 (5) and 8)
- At that public meeting the Authority must decide:
 - whether the recommendations are to be accepted; and
 - what, if any, action to take in response to these recommendations (Para 5 (6)).
- As soon as is practicable after making decisions under paragraph 5(6) or (7) or 6(6), a relevant authority must –
 - notify the authority's local auditor of those decisions, and
 - publish a notice containing a summary of those decisions which has been approved by the auditor. (Para 10(1)).

Schedule 7 specifies the meeting publication requirements that the Authority must comply with. I have separately attached a copy of Schedule 7 of the Act.

Yours sincerely

A handwritten signature in cursive script that reads "Alex Walling".

Alex Walling
Key Audit Partner
AWalling@bishopfleming.co.uk

Statutory recommendation made under section 24 schedule 7 of the Local Audit and Accountability Act 2014

Financial governance:

2022/23:

In May 2024, the then external auditor for the Hereford and Worcester Fire Authority issued their Auditor's Annual Report covering the financial year 2022/23. In the report, they highlighted a significant weakness in arrangements in 2022/23 regarding the production of the financial statements. The significant weakness centred on the Authority being unable to produce its 2022/23 statements before the statutory deadline of May 2023 – instead producing them in April 2024 - nearly a year later – thereby reducing the extent to which they could be relied upon in, for example, budget setting. The recommendation made by the auditor in response to this significant weakness required the Authority to put in place arrangements to improve the production of its financial statements to ensure they were produced before the statutory deadline.

At the time the Authority's response to the recommendation made was that the delay had arisen as a consequence of the late completion of the 2021/22 audit (the audit opinion having been issued in December 2023) and the changes required to the 2022/23 accounts as a result.

2023/24:

The deadline for publishing the draft 2023/24 financial statements was 31 May 2024. As at 18 February 2025, the Authority had still not published its financial statements.

In his report to the Audit and Standards Committee on 15 January 2025, the Treasurer updated members on the position regarding the production and audit of the Authority's accounts and the proposed measures to return to a normal cycle.

In the report the Treasurer explained the background to the delay in production of the accounts, namely delays in receiving the 2022/23 audit opinion and issues with the Authority's Accounting System. In particular, reference was made to the system's inability to allow prior year corrections to be made once it had been closed. However, by keeping the system open, this impacted on the Authority's ability to produce the 2023/24 financial statements.

Many local authorities across the country have been affected by significant delays in audit but have been able to produce draft financial statements by the statutory deadline. This would indicate that the Authority's Accounting System is not fit for purpose if draft financial statements cannot be produced until the prior year audit is complete, or that it is not being used appropriately.

On 30 July 2024, the Minister of State for Housing, Communities and Local Government wrote to local government bodies setting out action to tackle the local audit backlog in England. This included laying secondary legislation to provide for 'backstop' dates. The backstop date is the date by which a local government body must publish its audited financial statements. The date for the 2023/24 financial statements is 28 February 2025.

The Local Audit and Accountability Act 2014 and the Accounts and Audit Regulations 2015 enshrine the rights of local government electors to inspect the accounts and supporting records. Although MHCLG has put in place the 'backstop' dates, this requirement for the period for the exercise of public rights (commonly known as 'the inspection period') is unchanged. In order for the Authority to have met the 2023/24 backstop date of 28 February 2025, the Authority should have published its draft financial statements by 16 January 2025 thereby allowing local government electors their 30 working days for public inspection of the statements.

The ongoing delay in publishing the draft financial statements means the backstop date for 2023/24 cannot be met. As a result the Authority will need to comply with Paragraph 6 of the Accounts and Audit (Amendment) Regulations 2024 and publish a notice stating that it has not been able to publish accountability statements, the reasons for this and an acknowledgement that it must publish its accountability statements as soon as reasonably practicable. A copy of the notice has to be sent to the Secretary of State.

A further consequence of the Authority not being able to publish its draft financial statements is that as the external auditor, we will not have time to undertake any substantive audit work on the 2023/24 accounts and will need to issue a fully disclaimed opinion for that year. A disclaimed opinion in effect meaning that we cannot provide or express an opinion on the truth and fairness of the Authority's financial statements. Once a disclaimed opinion has been issued, it can take several years to build back assurance to get back to an unqualified opinion leading to further financial uncertainty and lack of accountability to the local taxpayer. In our view this is an unacceptable consequence of the Authority failing to comply with its statutory duties.

Recommendations:

The Authority must produce 'true and fair' draft financial statements for 2023/24 as soon as reasonably practicable (per section 4 of the Accounts and Audit (Amendment) Regulations 2024) and by a deadline to be agreed with the auditor.

In future years the Authority must produce 'true and fair' draft financial statements which are signed off by its Treasurer in line with statutory requirements and deadlines.

The Authority should consider whether its Accounting System is fit for purpose if it prevents the production of draft financial statements before the prior year figures are fully audited.