

## Agenda Item:

### Audit and Governance Committee 28<sup>th</sup> September 2021

<b>Title of Report</b>	<b>Statements of Accounts 2020/21</b>
<b>Purpose of Report</b>	To present the Statement of Accounts for 2020/21, provide detail on the key findings set out in the Audit Findings reports for the Council and Gloucestershire Pension Fund and allow the Committee to formally approve the 2020/21 audited accounts.
<b>Recommendations</b>	<p>That the Committee approves the:</p> <ul style="list-style-type: none"><li>• Attached Statement of Accounts for the year ended 31<sup>st</sup> March 2021, including Gloucestershire Pension Fund Accounts 2020/21.</li><li>• Executive Director of Corporate Resources and Chair of the Committee to sign the attached letter of representation, in Annex B, on behalf of the Council.</li><li>• Executive Director of Corporate Resources and Chair of the Committee to sign the attached letter of representation, in Annex C, on behalf Gloucestershire Pension Fund.</li></ul>
<b>Contact</b>	<p>Steve Mawson, Executive Director of Corporate Resources(01452 425557) steve.mawson@gloucestershire.gov.uk</p> <p>Paul Blacker, Director of Finance (01452) 328999 paul.blacker@gloucestershire.gov.uk</p> <p>Jayne Fuller, Corporate Finance Manager (01452) 328926 jayne.fuller@gloucestershire.gov.uk</p>

## **Report**

### **Introduction**

- 1 The Executive Director of Corporate Resources (the Chief Financial Officer) has approved the Statement of Accounts for 2020/21 as presenting a true and fair view of the Council's financial position as at the 31<sup>st</sup> March 2021 and the income and expenditure for the year. The Statement of Accounts, including Gloucestershire Pension Fund Accounts, is attached at Annex A for review and approval.

The external auditor has provided separate commentaries and recommendations on the Statement of Accounts and Gloucestershire Pension Fund Accounts in their Audit Findings Reports, provided in separate agenda items.

### **Statement of Accounts**

- 2 The Accounts & Audit Regulations require that the annual Statement of Accounts be produced and published by 30<sup>th</sup> September 2021, and that they are approved, prior to this date, by a non-executive committee of the Council.

The Statement of Accounts need to be prepared in accordance with the Accounting Code of Practice issued by the Chartered Institute of Public Finance and Accountancy (CIPFA), which is based on International Financial Reporting Standards (IFRSs). The Council is legally required to follow this Code of Practice.

The Code is a prescriptive document, determining both the accounting policies to follow and the form and content of the Statement of Accounts. This is designed to promote consistency and allow comparison of service expenditure and income between authorities.

### **County Council Statement of Accounts 2020/21**

- 3 Annex A presents the Council's Statement of Accounts for 2020/21.

Draft accounts were produced and signed by the Executive Director of Corporate Resources, and presented for audit on 21<sup>st</sup> June 2021. In accordance with the Accounts and Audit Regulations 2015, the draft accounts were available for public inspection for a 30 working day period, from 1<sup>st</sup> July 2021 to 11<sup>th</sup> August 2021. Members of the public are only allowed to raise questions with the auditor within this 30 working day period, however the Council did not receive any requests for information or objections during this period.

The requirement to prepare the main 'core' financial statements is mandatory but the order of the Statements is discretionary. The Council's Statement of Accounts follows the order suggested by the Code of Practice.

The Narrative Report, found at the beginning of the Statement of Accounts, provides information about Gloucestershire, including the key issues affecting the Council and its accounts. It provides a summary of the financial position at 31<sup>st</sup> March 2021 followed by an explanation of the Financial Statements, including information on significant transactions during 2020/21.

The aim of the Narrative Report is to provide a wider overview of the financial position for the year ending 31st March 2021, and enable a greater understanding of key issues. It does this by providing an analysis of the budgeted and actual net expenditure for 2020/21 based on the management accounts, and then provides a summary of the key financial statements included within the statutory final accounts.

The Statement of Accounts shows that the County Council has total usable reserves of £320.7 million, long-term assets of £1.644 billion, and current assets exceed current liabilities. The Council therefore remains in sound financial health.

Since producing the signed accounts a small number of minor amendments have been made, all designed to improve disclosure in the financial statements and address typographical errors.

The Council's outturn position remains that approved by Cabinet in June 2021.

### **Audit Findings of the Council's Statement of Accounts**

- 4 The Audit Findings Report, under a separate agenda item, summaries the external auditor's finding of the 2020/21 audit. The auditor anticipates providing an unqualified audit opinion in respect of the financial statements.

The auditor did not identify any material adjustments required within the accounts, however there were a number of minor non material amendments which have been agreed. There were also a small number of recommendations designed to improve disclosure in the financial statements. All of the recommendations have been accepted.

The 2020/21 accounts presented for the Committee's approval include the correction of these minor errors and associated adjustments as outlined within the external auditor's Audit Findings Report. There is some work outstanding and members will receive a verbal update at the Committee outlining any additional adjustments that may be needed.

None of the changes made impact on the Council's outturn position for the year or the useable reserves in the balance sheet.

## **Audit Findings of Gloucestershire Pension Fund Statement of Accounts**

- 5 The External Auditor has also completed the audit of the Pension Fund accounts and associated working papers. The Audit Findings Report for 2020/21 is provided under a separate agenda item.

It is pleasing to report that the key messages arising from the audit of the Funds financial statements are:

- There are no material errors or areas requiring amendment or any control weaknesses.
- The draft accounts were presented for audit in accordance with the agreed timetable.
- The auditors work at year end demonstrated that access to documents and the quality of working papers was of a high standard.

The auditor is anticipating issuing an unqualified opinion on the Pension Fund Accounts.

## **Conclusion & Letter of Representation**

- 6 By incorporating the changes identified above and the results of external audit, the accounts are now presented to this Committee for approval.

The Executive Director of Corporate Resources (Chief Financial Officer) is required to provide a letter of representation to the auditors as part of the closure of the annual accounts. This letter confirms that the Chief Financial Officer is not aware of any material errors or other matters that may affect the accounts of the authority or the Pension Fund.

The joint letter covers the legality of contracts, the valuation of assets and a number of other points and reflects the accounts being presented to this Committee.

Part of the role of this Committee is to be responsible for the corporate governance of the Authority. Due to this it is felt to be good practice for the Audit Committee to agree that the letter of representation, in Annexes B & C, be signed by the Director of Finance and the Chair of the Audit & Governance Committee on behalf of the authority.

**Steve Mawson**  
**Executive Director of Corporate Resources**

## Annex B

Grant Thornton UK LLP  
2 Glass Wharf  
Temple Quay  
Bristol  
BS2 0EL

28<sup>th</sup> September 2021

Dear Sirs

**Gloucestershire County Council**  
**Financial Statements for the year ended 31 March 2021**

This representation letter is provided in connection with the audit of the financial statements of Gloucestershire County Council for the year ended 31 March 2021 for the purpose of expressing an opinion as to whether the Council financial statements are presented fairly, in all material respects in accordance with International Financial Reporting Standards, and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 and applicable law.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

**Financial Statements**

- i. We have fulfilled our responsibilities for the preparation of the Council's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.
- ii. We have complied with the requirements of all statutory directions affecting the Council and these matters have been appropriately reflected and disclosed in the financial statements.
- iii. The Council has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.
- iv. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
- v. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. Such accounting estimates include property, plant and equipment valuations, pension liability valuation and significant provisions and accruals. We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. We understand our responsibilities includes identifying and considering alternative, methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the estimate used. We are satisfied that the methods, the data and the significant assumptions used by us in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in accordance with the Code and adequately disclosed in the financial statements.
- vi. We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.
- vii. Except as disclosed in the financial statements:
  - a. there are no unrecorded liabilities, actual or contingent

- b. none of the assets of the Council has been assigned, pledged or mortgaged
  - c. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.
- viii. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.
- ix. All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.
- x. We have considered the adjusted misstatements, and misclassification and disclosures changes schedules included in your Audit Findings Report. The Council's financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.
- xi. We have considered the unadjusted misstatements schedule included in your Audit Findings Report. We have not adjusted the financial statements for these misstatements brought to our attention as they are immaterial to the results of the Council and its financial position at the year-end. The financial statements are free of material misstatements, including omissions.
- xii. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.
- xiii. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
- xiv. We have updated our going concern assessment. We continue to believe that the Council's financial statements should be prepared on a going concern basis and have not identified any material uncertainties related to going concern on the grounds that:
  - a. the nature of the Council means that, notwithstanding any intention to cease its operations in their current form, it will continue to be appropriate to adopt the going concern basis of accounting because, in such an event, services it performs can be expected to continue to be delivered by related public authorities and preparing the financial statements on a going concern basis will still provide a faithful representation of the items in the financial statements
  - b. the financial reporting framework permits the entry to prepare its financial statements on the basis of the presumption set out under a) above; and
  - c. the Council's system of internal control has not identified any events or conditions relevant to going concern.

We believe that no further disclosures relating to the Council's ability to continue as a going concern need to be made in the financial statements.

#### **Information Provided**

- xv. We have provided you with:
  - a. access to all information of which we are aware that is relevant to the preparation of the Council's financial statements such as records, documentation and other matters;
  - b. additional information that you have requested from us for the purpose of your audit; and
  - c. access to persons within the Council via remote arrangements, in compliance with the nationally specified social distancing requirements established by the government in response to the Covid-19 pandemic, from whom you determined it necessary to obtain audit evidence.
- xvi. We have communicated to you all deficiencies in internal control of which management is aware.
- xvii. All transactions have been recorded in the accounting records and are reflected in the financial statements.
- xviii. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

- xix. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the Council and involves:
  - a. management;
  - b. employees who have significant roles in internal control; or
  - c. others where the fraud could have a material effect on the financial statements.
- xx. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.
- xxi. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.
- xxii. We have disclosed to you the identity of the Council's related parties and all the related party relationships and transactions of which we are aware.
- xxiii. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

**Annual Governance Statement**

- xxiv. We are satisfied that the Annual Governance Statement (AGS) fairly reflects the Council's risk assurance and governance framework and we confirm that we are not aware of any significant risks that are not disclosed within the AGS.

**Narrative Report**

- xxv. The disclosures within the Narrative Report fairly reflect our understanding of the Council's financial and operating performance over the period covered by the Council's financial statements.

**Approval**

The approval of this letter of representation was minuted by the Council's Audit and Governance Committee at its meeting on 28 September 2021.

Yours faithfully

Name.....

Position.....

Date.....

Name.....

Position.....

Date.....

**Signed on behalf of the Council**

Grant Thornton UK LLP  
2 Glass Wharf  
Temple Quay  
Bristol  
BS2 0EL

28<sup>th</sup> September 2021

Dear Sirs

**Gloucestershire Pension Fund**  
**Financial Statements for the year ended 31 March 2021**

This representation letter is provided in connection with the audit of the financial statements of Gloucestershire Pension Fund for the year ended 31 March 2021 for the purpose of expressing an opinion as to whether the Pension Fund financial statements are presented fairly, in all material respects in accordance with International Financial Reporting Standards, and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 and applicable law.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

**Financial Statements**

- i. We have fulfilled our responsibilities for the preparation of the Pension Fund's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.
- ii. We have complied with the requirements of all statutory directions affecting the Pension Fund and these matters have been appropriately reflected and disclosed in the financial statements.
- iii. The Pension Fund has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.
- iv. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
- v. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. Such accounting estimates include investment valuations and actuarial value of retirement benefits. We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. We understand our responsibilities includes identifying and considering alternative, methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the estimate used. We are satisfied that the methods, the data and the significant assumptions used by us in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in accordance with the Code and adequately disclosed in the financial statements.
- vi. We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.
- vii. Except as disclosed in the financial statements:
  - a. there are no unrecorded liabilities, actual or contingent



- b. none of the assets of the Pension Fund has been assigned, pledged or mortgaged
  - c. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.
- viii. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.
- ix. All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.
- x. We have considered the disclosures changes schedules included in your Audit Findings Report. The Pension Fund's financial statements have been amended for these disclosure changes and are free of material misstatements, including omissions.
- xi. The financial statements are free of material misstatements, including omissions.
- xii. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.
- xiii. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
- xiv. We have updated our going concern assessment. We continue to believe that the Pension Fund's financial statements should be prepared on a going concern basis and have not identified any material uncertainties related to going concern on the grounds that:
  - a. the nature of the Pension Fund means that, notwithstanding any intention to cease its operations in their current form, it will continue to be appropriate to adopt the going concern basis of accounting because, in such an event, services it performs can be expected to continue to be delivered by related public authorities and preparing the financial statements on a going concern basis will still provide a faithful representation of the items in the financial statements
  - b. the financial reporting framework permits the entry to prepare its financial statements on the basis of the presumption set out under a) above; and
  - c. the Pension Fund's system of internal control has not identified any events or conditions relevant to going concern.

We believe that no further disclosures relating to the Pension Fund's ability to continue as a going concern need to be made in the financial statements.

#### **Information Provided**

- xv. We have provided you with:
  - a. access to all information of which we are aware that is relevant to the preparation of the Pension Fund's financial statements such as records, documentation and other matters;
  - b. additional information that you have requested from us for the purpose of your audit; and
  - c. access to persons within the Pension Fund via remote arrangements, in compliance with the nationally specified social distancing requirements established by the government in response to the Covid-19 pandemic. from whom you determined it necessary to obtain audit evidence.
- xvi. We have communicated to you all deficiencies in internal control of which management is aware.
- xvii. All transactions have been recorded in the accounting records and are reflected in the financial statements.
- xviii. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- xix. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the Pension Fund and involves:
  - a. management;

- b. employees who have significant roles in internal control; or
  - c. others where the fraud could have a material effect on the financial statements.
- xx. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.
  - xxi. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.
  - xxii. We have disclosed to you the identity of the Pension Fund's related parties and all the related party relationships and transactions of which we are aware.
  - xxiii. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

**Annual Governance Statement**

- xxiv. We are satisfied that the Annual Governance Statement (AGS) fairly reflects the Pension Fund's risk assurance and governance framework and we confirm that we are not aware of any significant risks that are not disclosed within the AGS.

**Narrative Report**

- xxv. The disclosures within the Narrative Report fairly reflect our understanding of the Pension Fund's financial and operating performance over the period covered by the Pension Fund's financial statements.

**Approval**

The approval of this letter of representation was minuted by the Council's Audit and Governance Committee at its meeting on 28 September 2021.

Yours faithfully

Name.....

Position.....

Date.....

Name.....

Position.....

Date.....

**Signed on behalf of the Pension Fund**