

Agenda Item:

Audit and Governance Committee 30th November 2022

Title of Report	Statements of Accounts 2021-22
Purpose of Report	To present a progress report on the Statement of Accounts for 2021/22, provide detail on the key findings set out in the interim audit findings reports for the Council and the Gloucestershire Pension Fund and to agree a timescale to allow the Committee to formally approve the 2021/22 audited accounts.
Recommendations	<p>That the Committee notes the:</p> <ul style="list-style-type: none">• Attached amended draft Statement of Accounts for the year ended 31st March 2022, including Gloucestershire Pension Fund Accounts 2021/22. (Remains subject to change pending the completion of the external audit process)• Progress report and audit findings report from Grant Thornton on the current audit of the Council's and Gloucestershire Pension Fund Statements of Accounts.
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Report

Introduction

- 1 The Deputy Chief Executive & Executive Director of Corporate Resources (the Chief Financial Officer) has approved the Draft Statement of Accounts for 2021/22 as presenting a true and fair view of the Council's financial position as at the 31st March 2022, and the income and expenditure for the year. These Draft Statement of Accounts, including Gloucestershire Pension Fund Accounts, is attached at Annex A for review. These Statements are subject to further amendment pending the delayed completion of the formal external audit process.
- 2 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

- 3 The Amended Accounts & Audit Regulations require that the annual Statement of Accounts be produced and published by 30th November 2022, and that they are approved, prior to this date, by a non-executive committee of the Council.
- 4 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.
- 5 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 2021/22

- 6 Annex A presents the Draft Council's Statement of Accounts for 2021/22.
- 7 Draft accounts were produced and signed by the Executive Director of Corporate Resources and presented for audit on 22nd July 2022. In accordance with the Accounts and Audit Regulations 2015 (Amended for Covid-19 Pandemic), the draft accounts were available for public inspection for a 30-working day period, from 1st August 2022 to 12th September 2022. Members of the public are only allowed to raise questions with the auditor within this 30-working day period. Whilst the Council did not receive any requests for information during this period, there was a formal objection raised related to the public rights of way service and administration, which is currently being reviewed and investigated by the external auditor.
- 8 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.

- 9 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 31st March 2022 followed by an explanation of the Financial Statements, including information on significant transactions during 2021/22.
- 10 The aim of the Narrative Report is to provide a wider overview of the financial position for the year ending 31st March 2022, and enable a greater understanding of key issues. It does this by providing an analysis of the budgeted and actual net expenditure for 2021/22 based on the management accounts, and then provides a summary of the key financial statements included within the statutory final accounts.
- 11 The Draft Amended Statement of Accounts although still subject to further amendment, shows that the County Council has total usable reserves of £305.8 million, long-term assets of £1.77 billion, and current assets exceed current liabilities. The Council therefore remains in sound financial health.
- 12 Since producing the signed draft accounts a small number of minor amendments have been made, all designed to improve disclosure in the financial statements and address typographical errors. Further audit review continues so further amendments are possible prior to final approval is requested.
- 13 The Council's outturn position remains that approved by Cabinet in June 2022.

Audit Findings of the Council's Statement of Accounts

- 14 The Audit Findings Report, under a separate agenda item, summaries the Interim audit findings of the 2021/22 audit process, and outlines the progress made to date by external auditors in assessing the Council's arrangements to secure value for money in the use of resources.
- 15 Whilst the auditor anticipates providing an unqualified audit opinion in respect of the financial statements, it should be noted that the audit has not been finalised with the following areas remaining outstanding: -
 - Finalisation of the new asset accounting system "Techforge" migration testing and PFI/EFW model valuations/adjustments
 - Completion of audit work in a number of sample areas
 - Completion of audit work for related parties testing, financial instruments, provisions and cashflow testing
 - Completion of national infrastructure asset accounting issue (Awaiting Government decision on the legal framework surrounding the adoption of accounting regulations for all Local Authorities)
 - Receipt of the management representation letter
 - Review of the final set of audited financial statements
 - Completion of the value for money assessment and opinion
- 16 The auditor is also currently undertaking an investigation of a formal objection to 2021/22 Statement of Accounts, which was received during the 30-day statutory public inspection period. The objection relates specifically to the public rights of way service.

17 It is therefore not possible for the formal external audit opinion to be received and approval of the accounts considered and made by the Committee until the next Committee meeting scheduled for 20th January 2023.

Audit Findings of Gloucestershire Pension Fund Statement of Accounts

18 The External Auditor has substantially completed the audit of the Pension Fund accounts and associated working papers. The Audit Findings Report for 2021/22 is provided under a separate agenda item.

19 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.

20 The auditor is anticipating issuing an unqualified opinion on the Pension Fund Accounts, but the following items currently are outstanding: -

- Completion of one sample test for Benefits paid
- Receipt and review of the final Annual Report
- Receipt of the management representation letter
- Review of the final set of financial statements

Conclusion

21 Although considerable work has been undertaken throughout the 2021/22 audit process, it is not possible to be able to receive a formal external audit opinion and to be able to prepare financial statements for approval of the Committee. Although this is the case, Committee members should be assured that no material errors have been identified to date, and that an unqualified opinion is anticipated to be given for both the Council and the Pension Fund.

22 Officers will continue to work with Grant Thornton to complete the outstanding items, for the next Committee meeting scheduled for 20th January 2020, incorporating any additional reporting requirements for Infrastructure Assets as required, following changes in accounting standards and or the legal framework surrounding these.

Steve Mawson

Deputy Chief Executive & Executive Director of Corporate Resources