

Agenda Item:

Audit and Governance Committee 20th January 2023

Title of Report	Statements of Accounts 2021-22
Purpose of Report	To present the Statement of Accounts for 2021/22, 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 2021/22 audited accounts.
Recommendations	<p>It is recommended that the Committee approves the:</p> <ul style="list-style-type: none">• Attached Statement of Accounts for the year ended 31st March 2022, including Gloucestershire Pension Fund Accounts 2021/22, as detailed in Annex A.• Deputy Chief Executive and 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.• Deputy Chief Executive and 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.
Contact	<p>Steve Mawson, Deputy Chief Executive and 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 Deputy Chief Executive & Executive Director of Corporate Resources (the Chief Financial Officer) has approved the 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, are attached at Annex A for approval.
- 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. As previously reported to the Committee the audit process has been delayed due to a number of issues, and as a result this statutory deadline was not met, but the accounts are now submitted to Committee for final approval.
- 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 Council's Statement of Accounts for 2021/22.
- 7 Draft accounts were produced and signed by the Deputy Chief Executive and 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 Statement of Accounts shows that the County Council has total usable reserves of £305.8 million, long-term assets of £1.79 billion, and current assets exceed current liabilities. The Council therefore remains in sound financial health.
- 12 Since producing the signed draft accounts a number of amendments agreed with the external auditors have now been made, all designed to improve disclosure in the financial statements and also 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 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 although the audit has now substantially been completed, some items remain outstanding.
- 16 A verbal report will be provided to the Committee by the External Auditor and it is anticipated that this verbal update together with the formal Audit Findings Report will provide the Committee with the appropriate assurance that the Statement of Accounts, together with the Letters of Representation can be approved and signed, in advance of the formal audit opinion, following completion of the outstanding items.
- 17 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.

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.

21 A verbal report will be provided to the Committee by the External Auditor and it is anticipated that this verbal update together with the formal Audit Findings Report will provide the Committee with the appropriate assurance that the Statement of Accounts, together with the Letters of Representation can be approved and signed, in advance of the formal audit opinion, following completion of the outstanding items.

Conclusion & Letter of Representation

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

23 The Deputy Chief Executive & Executive Director of Corporate Resources (Chief Financial Officer) has historically been asked 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.

24 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.

25 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

Deputy Chief Executive & Executive Director of Corporate Resources

2 Glass Wharf
Temple Quay
BRISTOL
BS2 0EL

20th January 2023

Dear Sirs

Gloucestershire County Council
Financial Statements for the year ended 31 March 2022

This representation letter is provided in connection with the audit of the financial statements of Gloucestershire County Council for the year ended 31 March 2022 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 2021/22 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 2021/22 ("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 valuation of property, plant and equipment, depreciation, PFI liability, pension liability valuation, significant accruals estimates, provisions and fair value of loans. 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. The prior period adjustments disclosed in Note 5 to the financial statements are accurate and complete. There are no other prior period errors to bring to your attention.
- xv. 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

- xvi. The Council has complied with all aspects of ring-fenced grants that could have a material effect on the Council's financial statements in the event of non-compliance.
- xvii. The Council has appropriately accounted for the grants from BEIS seeking approval to utilise the monies received in a later year.

Information Provided

- xviii. 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 from whom you determined it necessary to obtain audit evidence.
- xix. We have communicated to you all deficiencies in internal control of which management is aware.
- xx. All transactions have been recorded in the accounting records and are reflected in the financial statements.

- xxi. 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.
- xxii. 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.
- xxiii. 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.
- xxiv. 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.
- xxv. 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.
- xxvi. 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

- xxvii. 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

- xxviii. 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 Gloucestershire County Council's Audit & Governance Committee at its meeting on 20th January 2023.

Yours faithfully

Name.....

Position.....

Date.....

Name.....

Position.....

Date.....

Signed on behalf of the Council

2 Glass Wharf
Temple Quay
BRISTOL
BS2 0EL

20th January 2023

Dear Sirs

Gloucestershire Pension Fund
Financial Statements for the year ended 31 March 2022

This representation letter is provided in connection with the audit of the financial statements of Gloucestershire Pension Fund for the year ended 31 March 2022 for the purpose of expressing an opinion as to whether the 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 2021/22 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 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 2021/22 ("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 Fund and these matters have been appropriately reflected and disclosed in the financial statements.
- iii. The 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 Actuarial Present Value of Promised Retirement Benefits and Valuation of level 3 investments. 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. Except as disclosed in the financial statements:
 - a. there are no unrecorded liabilities, actual or contingent
 - b. none of the assets of the 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.
- vii. 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.

- viii. 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.
- ix. We have considered the misclassification and disclosures changes schedules included in your Audit Findings Report. The financial statements have been amended for these misclassifications and disclosure changes and are free of material misstatements, including omissions.
- x. 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 Fund and its financial position at the year-end. The financial statements are free of material misstatements, including omissions.
- xi. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.
- xii. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
- xiii. We have updated our going concern assessment. We continue to believe that the 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 that :
 - a. the nature of the Fund means that, notwithstanding any intention to liquidate the Fund or 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 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 Fund's ability to continue as a going concern need to be made in the financial statements.

Information Provided

- xiv. We have provided you with:
 - a. access to all information of which we are aware that is relevant to the preparation of the 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 Fund via remote arrangements from whom you determined it necessary to obtain audit evidence.
- xv. We have communicated to you all deficiencies in internal control of which management is aware.
- xvi. All transactions have been recorded in the accounting records and are reflected in the financial statements.
- xvii. 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.
- xviii. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the 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.

- xix. 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.
- xx. 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.
- xxi. There have been no communications with The Pensions Regulator or other regulatory bodies during the year or subsequently concerning matters of non-compliance with any legal duty.
- xxii. We are not aware of any reports having been made to The Pensions Regulator by any of our advisors.
- xxiii. We have disclosed to you the identity of the Fund's related parties and all the related party relationships and transactions of which we are aware.
- xxiv. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

Approval

The approval of this letter of representation was minuted by the Fund's Audit & Governance Committee at its meeting on 20th January 2023.

Yours faithfully

Name.....

Position.....

Date.....

Name.....

Position.....

Date.....

Signed on behalf of the Fund