



<u>Committee and Date</u>
<u>Audit Committee</u>
<u>22<sup>nd</sup> October 2021</u>

<u>Item</u>
<u>Public</u>

## STATEMENT OF ACCOUNTS 2020/21

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### 1. Synopsis

- 1.1 This covering report and attached Annual Statement of Accounts, present to Audit Committee members the audited outturn position for the financial year 2020/21 and details any amendments made to the Draft Statement of Accounts during the audit process.

### 2 Executive Summary

- 2.1 A copy of the 2020/21 Statement of Accounts is attached at Appendix 1. The Council's external auditors, Grant Thornton, have audited the accounts during August through to October 2021. The audit of the accounts is substantially complete, and the Auditor has indicated that an unqualified audit opinion will be issued on the accounts, subject to the successful completion of the outstanding matters.
- 2.2 Grant Thornton have produced an Audit Findings Report detailing their opinion on the accounts. The Draft Audit Findings Report is attached to this report as item 6 of the agenda; however, it should be noted that it is the draft report, and the final audit opinion will only be issued once the audit work is complete. Any further amendments required to the Statement of Accounts and the Audit Findings Report will be tabled at this meeting.

### 3. Recommendations

It is recommended that Members:

- A. Consider and approve the 2020/21 Statement of Accounts and that the Chairman of the Audit Committee signs them (in accordance with the requirements of the Accounts and Audit Regulations 2015).
- B. Agree that the Executive Director of Resources (Section 151 Officer) be authorised to make any adjustments to the Statement of Accounts prior to publication on the Council's website.
- C. Agree that the Executive Director of Resources (Section 151 Officer) and the Chairman of the Audit Committee sign the letter of representation in relation to

the financial statements on behalf of the Council and send to the External Auditor.

## REPORT

### 4. Risk Assessment and Opportunities Appraisal

- 4.1 Details of the potential risks affecting the balances and financial health of the authority are considered within the Statement of Accounts.

### 5. Financial Implications

- 5.1 This report considers the overall financial position of the Authority in the form of the Council's Statement of Accounts. The accounts consider the level of assets controlled and owned by the Authority, and the level of balances held.

### 6. Climate Change Appraisal

- 6.1 The revised draft Statement of Accounts' report and recommendations have no direct effect on climate change.

### 7. Background

- 7.1 The Accounts and Audit Regulations 2015 state that members are required to approve the annual accounts after, rather than before, the findings of the audit are known. The formal date for approval and publication of the accounts for financial year 2020/21 is 30<sup>th</sup> September 2021 has amended by the Accounts and Audit Regulations due to the impact of the COVID-19 pandemic.
- 7.2 On 16<sup>th</sup> September 2021 this Committee considered a report from the Council's Section 151 Officer setting out the details of the unaudited Statement of Accounts for financial year 2020/21. The Committee agreed to set up an emergency meeting on 22<sup>nd</sup> October 2021 to review the audited Statement of Accounts.
- 7.3 The Accounts and Audit Regulations 2015 also require that the Statement of Accounts is accompanied by the Council's Annual Governance Statement which details the processes and procedures in place to enable the council to carry out its functions effectively. The Annual Governance Statement was approved by the Audit Committee on 30 July 2021 and is attached at Appendix 2.

### 8. External Audit Opinion

- 8.1 Grant Thornton are expected to provide an unqualified audit opinion on the Statement of Accounts and therefore will report as follows.

"In our opinion, the financial statements:

- give a true and fair view of the financial position of the group and of the Authority as at 31 March 2021 and of the group's expenditure and

income and the Authority's expenditure and income for the year then ended;

- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

8.2 Grant Thornton have produced Draft Audit Findings Report on the 2020/21 Statement of Accounts, and this is attached at item 6 of the agenda.

## 9. Changes from the Draft Statement of Accounts Certified by the Director of Resources (Section 151 Officer) on 31<sup>st</sup> July 2021

9.1 There have been no material changes identified to date during the audit, however, there has been one amendment to the core financial statements and a number of other amendments made to the disclosures.

The main changes are summarised in Table 1 below with further details of the amendments provided in Section 9.3. There have been a number of other minor changes to incorporate additional narrative information and correct typing errors.

Table 1 - Amendments to Statement of Accounts

Amendment Reference	Amendment Made
A	Amendment to Balance Sheet in relation to the classification of a grant
B	Amendment to Accounting Policy 1.6 Non-Current Assets – Property, Plant and Equipment
C	Amendments to Critical Judgements in Applying Accounting Policies
D	Amendment to Long Term Unquoted Equity Investment
E	Amendments to Financial Instruments Note
F	Amendment to Nature and Extent of Risks Arising From Financial Instruments Note
G	Amendment to Creditors Note
H	Amendment to Grant Income Note
I	Amendment to Group Accounts Introduction
J	Amendment to Group Comprehensive Income and Expenditure Statement
K	Amendment to Group Balance Sheet in relation to the classification of a grant
L	Amendment to Note G1.4 of Group Accounts
M	Notes G12 and G13 of Group Accounts

9.2 Audit amendments made within the Pension Fund Accounts have now been reflected within the Pension Fund section of the Statement of Accounts. These were changes to disclosures and presentational adjustments with no amendments required to the prime financial statements.

9.3 The below amendments have been made to the Statement of Accounts.

### **Amendment A – Amendment to Balance Sheet in relation to the classification of a grant**

Reclassification of the balance for s31 Business Rates Relief grant from Grants Receipts in Advance to Short Term Creditors.

### **Amendment B – Amendment to Accounting Policy 1.6 Non-Current Assets – Property, Plant and Equipment**

Additional information included in relation to the de-minimus levels for asset valuation

### **Amendment C – Amendments to Critical Judgements in Applying Accounting Policies**

The note has been updated for the following items:

- Further details included on the assessment of Schools assets
- Further details included on the treatment of covid-19 grants where the Council is deemed to be acting as an agent
- Clarification of the treatment of transactions relating to the Marches LEP in the Council's accounts

### **Amendment D – Amendment to Long Term Unquoted Equity Investment**

Update to the narrative included within the Long Term Unquoted Equity Investment note.

### **Amendment E – Amendments to Financial Instruments Note**

The Financial Instruments Note has been amended for the following items:

- The value of debtors classed as Financial Assets has been amended to remove items which are not Financial Assets
- The value of creditors has been increased to include the reclassification of the government grant from Grants Receipts in Advance to Short Term Creditors
- Additional details included in relation to the fair value of the PFI liability

### **Amendment F – Amendment to Nature and Extent of Risks Arising From Financial Instruments Note**

The note has been amended for the following items:

- Inclusion of additional details in relation to credit losses
- Inclusion of additional details in relation to the LOBO loans

### **Amendment G – Amendment to Creditors Note**

The value of Central Government creditors has been amended to reflect the reclassification of the balance for s31 Business Rates Relief grant from Grants Receipts in Advance to Short Term Creditors.

### **Amendment H – Amendment to Grant Income Note**

The value of Grants Receipts in Advance (Revenue) has been amended to reflect the reclassification of the balance for s31 Business Rates Relief grant from Grants Receipts in Advance to Short Term Creditors.

#### **Amendment I – Amendment to Group Accounts Introduction**

Introduction updated to include further details in relation to the Jersey Property Unit Trust.

#### **Amendment J - Correction to Group Comprehensive Income and Expenditure Statement**

The 2018/19 figures had been included in the 2019/20 prior year comparators in error, therefore the 2019/20 figures have been updated.

#### **Amendment K – Amendment to Group Balance Sheet in relation to the classification of a grant**

Reclassification of the balance for s31 Business Rates Relief grant from Grants Receipts in Advance to Short Term Creditors.

#### **Amendment L - Note G1.4 of Group Accounts**

Additional information included to clarify the treatment of property, plant and equipment.

#### **Amendment M - Notes G12 and G13 of Group Accounts**

Inclusion of additional notes in relation to Cash and Cash Equivalents and Pension Liability.

### **10. Letter of Representation**

- 10.1 The Council is required to produce a letter of representation for the external auditors which provides assurance that the information submitted within the accounts is accurate and that all material information has been disclosed to the auditors. External audit will only sign off the accounts once this letter has been received.
- 10.2 For Shropshire Council, this letter is produced in consultation with the external auditor, signed by the Executive Director of Resources (Section 151 Officer) and the Chairman of the Audit Committee and issued prior to the publication.

### **11. Conclusions**

- 11.1 The audit of the 2020/21 Statement of Accounts is substantially complete and officers have worked effectively with the Council's external auditors to provide information to support the calculations and assumptions that underpin the Statements.

**List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information)**

Draft Annual Statement of Accounts 2020/21 - Audit Committee 16<sup>th</sup> September 2021

CIPFA's Code of Practice (Code) on Local Authority Accounting

CIPFA/SOLACE guidance on the Annual Governance Statement

**Cabinet Member (Portfolio Holder)**

Councillor Gwilym Butler

**Local Member**

**Appendices**

Appendix 1: Audited Statement of Accounts for financial year 2020/21

Appendix 2: Annual Governance Statement 2020/21