



Civic Centre, Riverside, Stafford
Contact Jim Dean
Direct Dial 01785 619209
Email jdean@staffordbc.gov.uk

**Accounts Training
to commence at
5.15pm**

Dear Members

Audit and Accounts Committee

A meeting of the Audit and Accounts Committee will be held in the **Craddock Room, Civic Centre, Riverside, Stafford on Thursday 21 April 2022 at 6.30pm** to deal with the business as set out on the agenda.

Please note that this meeting will be recorded.

Members are reminded that contact officers are shown in each report and members are welcome to raise questions etc in advance of the meeting with the appropriate officer.

A handwritten signature in black ink, appearing to read "I. Curran".

Head of Law and Administration

**AUDIT AND ACCOUNTS COMMITTEE -
21 APRIL 2022**

Chair - Councillor A M Loughran

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Membership

Chair - Councillor A M Loughran

M G Dodson

I D Fordham

R A James

P W Jones

A M Loughran

J A Nixon

Cabinet Member - Councillor R M Smith

The Audit Findings for Stafford Borough Council

Year ended 31 March 2021

Stafford Borough Council

April 2022



Contents



Your key Grant Thornton team members are:

Avtar Sohal

Key Audit Partner

T 0121 232 5420

E avtar.s.sohal@uk.gt.com

Aamar Hussain

Manager

T 0116 257 5167

E Aamar.Hussain@uk.gt.com

Lya Hall

Assistant Manager

T 0121 232 8788

E Lya.Hall@uk.gt.com

Section

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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

Appendices

- A. Action plan
- B. Audit adjustments
- C. Fees
- D. Management Letter of Representation
- E. Audit letter in respect of delayed VFM work

This Audit Findings presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260. Its contents have been discussed with management and will be discussed with the Audit and Accounts Committee.

**Name : Avtar Sohal
For Grant Thornton UK LLP
Date : 31 March 2022**

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1. Headlines

This table summarises the key findings and other matters arising from the statutory audit of Stafford Borough Council ('the Council') and the preparation of the Council's financial statements for the year ended 31 March 2021 for those charged with governance.

Financial Statements

Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion:

- the Council's financial statements give a true and fair view of the financial position of the Council and its income and expenditure for the year; and
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014.

We are also required to report whether other information published together with the audited financial statements (including the Annual Governance Statement (AGS) and Narrative Report) is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Our audit work was in near completion spanning from October 2021 to March 2022. Our findings are summarised on pages 5 to 19. Per Appendix B, there are no audit adjustments resulting from this year's audit work which would impact the Council's financial position. We have raised recommendations for management as a result of our audit work in Appendix A.

Our work is substantially complete and there are no matters of which we are aware that would require modification of our audit opinion or material changes to the financial statements, subject to the outstanding matters outlined on page 5 of this report.

We have concluded that the other information to be published with the financial statements, is consistent with our knowledge of your organisation and the financial statements we have audited.

Our anticipated audit report opinion will be unmodified.

1. Headlines

Value for Money (VFM) arrangements

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are now required to report in more detail on the Council's overall arrangements, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

Auditors are required to report their commentary on the Council's arrangements under the following specified criteria:

- Improving economy, efficiency and effectiveness;
- Financial sustainability; and
- Governance

We have not yet completed all of our VFM work and so are not in a position to issue our Auditor's Annual Report. An audit letter explaining the reasons for the delay is attached in Appendix E to this report. We expect to issue our Auditor's Annual Report by 31 August 2022. This is in line with the National Audit Office's revised deadline, which requires the Auditor's Annual Report to be issued no more than three months after the date of the opinion on the financial statements.

As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. We did not identify any risks, as reported to you in our audit plan in July 2021. We are yet to finalize our procedures on this area of VFM work, however, the progress we have made are set out in the value for money arrangements section of this report. We will note any significant findings or recommendations in our Auditor's Annual Report.

Statutory duties

The Local Audit and Accountability Act 2014 ('the Act') also requires us to:

- report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and
- to certify the closure of the audit.

We have not exercised any of our additional statutory powers or duties.

We expect to certify the completion of the audit upon the completion of our work on the Council's VFM arrangements and WGA procedures, which will be reported in our Auditor's report in August 2022.

Significant Matters

The audit has taken longer to complete compared to previous years as a result of capacity issues at the Council due to implementation of a new ledger from 1 April 2021 and changes in staffing and responsibilities in the finance team. We have worked with the Council to be pragmatic and flexible around their arrangements.

Management's assumptions and estimates

The revised auditing standard in relation to estimates has led to heightened scrutiny over the estimates in the accounts, particularly property and pension valuations.

For property valuations in particular, there has been significant enquiry and challenge with the Council's valuer over the inputs and assumptions applied, as discussed on pages 9 and 11.

2. Financial Statements

Overview of the scope of our audit

This Audit Findings Report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ('the Code'). Its contents have been discussed with management.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK) and the Code, which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

Audit approach

Our audit approach was based on a thorough understanding of the Council's business and is risk based, and in particular included:

- An evaluation of the Council's internal controls environment, including its IT systems and controls;
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks

Conclusion

We have substantially completed our audit of your financial statements and subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion following the Audit and Accounts Committee meeting. These outstanding items include:

- completion of audit procedures on the valuation of property plant and equipment
- completion of procedures in respect to housing benefit expenditure
- receipt of management representation letter;
- review of the final set of financial statements;
- updating our post balance sheet events review, to the date of signing the opinion
- final manager and engagement lead review of the above once completed

Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff. As highlighted within our audit plan presented to the Audit and Accounts Committee, the impact of the pandemic has meant that both your finance team and our audit team faced audit challenges again this year, such as remote access to financial systems, video calling, verification of the completeness and accuracy of information provided remotely produced by the entity and similar challenges relating to pandemic working conditions.

Avtar Sohal

Avtar Sohal for Grant Thornton UK LLP

2. Financial Statements

Council Amount (£) Qualitative factors considered

Materiality for the financial statements	£1.000m	We determined that total expenditure in year was the most appropriate benchmark. Our risk assessment led us to set materiality at approximately 2% of prior year gross expenditure. We did not identify a requirement to change this upon receipt of draft financial statements.
Performance materiality	£0.750m	Based on the internal control environment at the Council we determined that 75% of headline materiality would be an appropriate benchmark.
Trivial matters	£0.050m	We decided that matters below 5% of materiality were trivial.
Materiality for senior officer remuneration	£0.100m	We identified senior management remuneration as a sensitive item and set a lower materiality of £100,000 for testing these items.



Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Materiality levels remain the same as reported in our audit plan on 27th July 2021.

We detail in the adjacent table our determination of materiality for Stafford Borough Council



2. Financial Statements - Significant risks

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

This section provides commentary on the significant audit risks communicated in the Audit Plan.

Risks identified in our Audit Plan	Commentary
<p>Management override of controls</p> <p>Under ISA (UK) 240, there is a non-rebuttable presumed risk that management override of controls is present in all entities. The Council faces external scrutiny of its spending and this could potentially place management under pressure in terms of how they report performance.</p> <p>We therefore identified management override of control, in particular journals, management estimates and transactions outside the course the course of business as a significant risk of material misstatement.</p>	<p>We have:</p> <ul style="list-style-type: none"> - evaluated the design effectiveness of management controls over journals - analysed the journals listing and determined the criteria for selecting high risk unusual journals - identified and tested unusual journals made during the year and the accounts production stage for appropriateness and corroboration - gained an understanding of the accounting estimates and critical judgements applied by management and considered their reasonableness <p>Our audit work has not identified any issues in this area. We are satisfied that there is no evidence of material management override of control or bias.</p>



2. Financial Statements - Significant risks

Risks identified in our Audit Plan

Commentary

Improper revenue recognition (rebutted)

Under ISA (UK) 240, there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue.

This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.

As external auditors in the public sector, we are also required to give regard to Practise Note 10, which interprets the ISA in a public sector context and directs us to consider whether the assumption also applies to expenditure.

We have completed the following below:

Accounting policies and systems

- evaluated the Council's accounting policies for recognition of income and expenditure for its various income streams and compliance with the CIPFA Code
- updated our understanding of the Council's business processes associated with accounting for income

Fees, charges and other service income

- agreed, on a sample basis, income and year end receivables from other income to invoices and cash payment or other supporting evidence

Taxation and non-specific grant income

- conducted substantive analytical procedures for predictable income streams such as national non-domestic rates and council tax
- for other grants we sampled items back to supporting information, considering accounting treatment where appropriate
- designed tests to address the risk that income has been understated, by not being recognised in the current financial year

Expenditure

- updated our understanding of the Council's business processes associated with accounting for expenditure
- agreed, on a sample basis, expenditure and year end payables to invoices and cash payment or other supporting evidence
- designed tests to address the risk that expenditure has been understated, by not being recognised in the current financial year

Accounting for Covid grants

There has been additional work required this year compared to what would ordinarily be the case due to the significant additional funding received during the year to assist the Council in responding to the pandemic. During the year the council has received considerable grant funding from government to disperse to businesses impacted by the Covid-19 pandemic. It is important to determine whether the authority is acting as principal or agent as different accounting treatment follows. For those grants where it is clear the council is acting as an Agent, there is no impact on the Comprehensive Income and Expenditure Statement.

Note 27 is where the covid grants (£11.2m), for which the Council has determined it is acting as principal, are disclosed. We have sampled these grants as part of our overall grants testing procedures and are satisfied with the treatment thereof, including:

- whether the Council is acting as the principal or agent which would determine whether the authority recognises the grant at all
- the completeness and accuracy of the underlying information used to determine whether there are conditions outstanding (as distinct from restrictions) that would determine whether the grant be recognised as a receipt in advance or income
- consideration of the impact for grants received, whether the grant is specific or non specific grant (or whether it is a capital grant) – which impacts on where the grant is presented in the CIES, (ie as taxation and non-specific grant income, or as part of cost of services).

We are satisfied that the treatment is correctly reflected in the financial statements.

2. Financial Statements - Significant risks

Risks identified in our Audit Plan

Commentary

Valuation of land and buildings (PPE)

The Council revalues its land and buildings on a five-yearly basis.

Assets were subject to a full valuation in 2019/20. In the intervening years, to ensure the carrying value in the Authority financial statements is not materially different from the current value or the fair value (for surplus assets) at the financial statements date, the Authority carries out a desktop revaluation/requests a desktop valuation from its valuation expert to ensure that there is no material difference.

This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved (£45.629m) and the sensitivity of this estimate to changes in key assumptions.

We therefore identified valuation of land and buildings as a significant risk, which was one of the most significant assessed risks of material misstatement, and a key audit matter.

We:

- evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to the evaluation experts and the scope of their work
- evaluated the competence, capabilities and objectivity of the valuation experts
- wrote to the valuers to confirm the basis on which the valuations were carried out
- engaged our own valuer to assess the instructions to the Council's valuer, the Council's valuer's report and the assumptions that underpin the valuation
- tested, on a sample basis, revaluations made during the year to ensure they have been input correctly into the Council's asset register
- evaluated the assumptions made by management for any assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value.

Our testing has identified that for one asset sampled the valuation incorrectly excluded professional fee costs, and therefore the valuation of this asset was understated by £0.116m. Our follow up on this error identified confirmed that this was an isolated error and that the professional fee costs are correctly included in valuations of other assets.

2. Financial Statements - Significant risks

Risks identified in our Audit Plan

Commentary

Valuation of pension fund net liability

The Council's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements.

The pension fund liability is considered a significant estimate due to the size of the numbers involved (£57.4m as at 31 March 2021) and the sensitivity of the estimate to changes in key assumptions.

The methods applied in the calculation of the IAS 19 estimates are routine and commonly applied by all actuarial firms in line with the requirements set out in the Code of practice for local government accounting (the applicable financial reporting framework). We have therefore concluded that there is not a significant risk of material misstatement in the IAS 19 estimate due to the methods and models used in their calculation.

The source data used by the actuaries to produce the IAS 19 estimates is provided by administering authorities and employers. We do not consider this to be a significant risk as this is easily verifiable.

The actuarial assumptions used are the responsibility of the entity but should be set on the advice given by the actuary. A small change in the key assumptions (discount rate, inflation rate, salary increase and life expectancy) can have a significant impact on the estimated IAS 19 liability. We have therefore concluded that there is a significant risk of material misstatement in the IAS 19 estimate due to the assumptions used in their calculation. With regard to these assumptions we have therefore identified valuation of the Authority's pension fund net liability as a significant risk.

We have:

- updated our understanding of the processes and controls put in place by management to ensure that the Council's pension fund net liability is not materially misstated and evaluated the design of the associated controls;
- evaluated the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work;
- assessed the competence, capabilities and objectivity of the actuary who carried out the Council's pension fund valuation;
- assessed the accuracy and completeness of the information provided by the Council to the actuary to estimate the liability;
- tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary;
- undertaken procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report; and
- requested assurances from the auditor of Staffordshire Pension Fund as to the controls surrounding the validity and accuracy of membership data, contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements.

From the procedures carried out we are satisfied that the valuation of pension fund liability is free from material misstatement, and we have no other matters to report.

2. Financial Statements – key judgements and estimates

This section provides commentary on key estimates and judgements inline with the enhanced requirements for auditors.

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Other Land and Building valuations – £45.6m	<p>Other land and buildings are not deemed specialised in nature and are required to be valued at existing use value (EUUV) at year end. Land and Buildings are subject to detailed valuations every 5 years. The valuations are carried out by the external valuer, as at 31 March 2021 .</p> <p>The valuation of properties valued by the valuer has resulted in a net decrease of £3.1m.</p>	<p>We have:</p> <ul style="list-style-type: none"> - evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work; - evaluated the competence, capabilities and objectivity of the valuation expert; - discussed with the valuer the basis on which the valuation was carried out to ensure that the requirements of the Code are met; - challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding; and - tested revaluations made during the year to see if they had been input correctly into the Council's asset register. <p>Our testing has identified that for one asset sampled the valuation incorrectly excluded professional fee costs, and therefore the valuation of this asset was understated by £0.116m. We have carried out further procedures and are satisfied this is an isolated error.</p>	<p>● We consider management's process is appropriate and key assumptions are neither optimistic or cautious</p>

Assessment

- [Purple] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- [Blue] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- [Grey] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- [Light Purple] We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements - key judgements and estimates

Significant judgement or estimate

Summary of management's approach

Audit Comments

Assessment

Net pension liability – £57.4m

The Council's net pension liability at 31 March 2021 is £57.4m. This is in relation to the Council's obligations as a member employer of the Staffordshire Pension Fund, part of the Local Government Pension Scheme. The Council uses Hymans Robertson to provide actuarial valuations of their assets and liabilities derived from this scheme. A full actuarial valuation is required every three years.

The latest full actuarial valuation was completed in 2019. A roll forward approach is used in intervening periods which utilises key assumptions such as life expectancy, discount rates, salary growth and investment return. Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements. There has been a £11.3m increase in the liability during 20/21.

We have

- Undertaken an assessment of management's expert;
- Reviewed and assessed the actuary's roll forward approach taken;
- Used an auditor's expert (PWC) to assess the actuary and assumptions made by the actuary; and reviewed

Assumption	Actuary Value	PwC range	Assessment
Discount rate	2.00%	1.95% to 2.05%	●
Pension increase rate	2.85%	2.85% to 2.80%	●
Salary growth	3.25%	1.00% above RPI-CPI (Pension Increase Rate)	●
Life expectancy – Males currently aged 45 / 65	21.4 years/ 22.5 years	20.4 – 22.7 years/ 21/8 – 24.3 years	●
Life expectancy – Females currently aged 45 / 65	24.0 years/ 25.7 years	23.2 – 24.9 years/ 25.2 – 26.7 years	●

- Completeness and accuracy of the underlying information used to determine the estimate
- The impact of any changes to valuation method
- Reasonableness of the Council's share of LPS pension assets.
- Reasonableness of increase/decrease in estimate
- Adequacy of disclosure of estimate in the financial statements.

● We consider management's process is appropriate and key assumptions are neither optimistic or cautious

Assessment

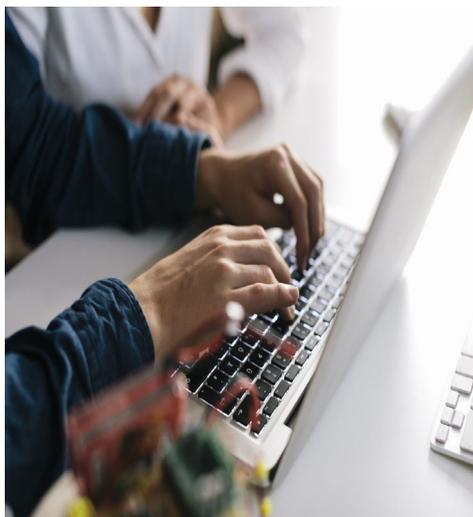
- **Dark Purple** We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- **Blue** We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- **Grey** We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- **Light Purple** We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements - other communication requirements

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.

Issue	Commentary
Matters in relation to fraud	We have previously discussed the risk of fraud with the Audit and Accounts Committee. We have not been made aware of any instances of material fraud in the period and no other issues have been identified during the course of our audit procedures.
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed.
Matters in relation to laws and regulations	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
Written representations	A letter of representation has been requested from the Council, which is included in the Audit and Accounts Committee papers.

2. Financial Statements - other communication requirements



Issue	Commentary
Confirmation requests from third parties	We requested from management permission to send several confirmation requests to the Council's banking partners and investment counterparties. This permission was granted and the requests were sent. All responses as requested have been received.
Accounting practices	We have evaluated the appropriateness of the Council's accounting policies, accounting estimates and financial statement disclosures. Our review found no material omissions in the financial statements.
Audit evidence and explanations/ significant difficulties	All information and explanations requested from management was provided.

2. Financial Statements - other communication requirements



Our responsibility

As auditors, we are required to “obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern” (ISA (UK) 570).

Issue	Commentary
Going concern	<p>In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2020). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies.</p> <p>Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities:</p> <ul style="list-style-type: none"> the use of the going concern basis of accounting is not a matter of significant focus of the auditor's time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the entity's services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entities for many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting. Our consideration of the Council's financial sustainability is addressed by our value for money work, which is covered elsewhere in this report. <p>Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by the Council meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated:</p> <ul style="list-style-type: none"> the nature of the Council and the environment in which it operates the Council's financial reporting framework the Council's system of internal control for identifying events or conditions relevant to going concern management's going concern assessment. <p>On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that:</p> <ul style="list-style-type: none"> a material uncertainty related to going concern has not been identified management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

2. Financial Statements - other responsibilities under the Code

Issue	Commentary
Other information	<p>We are required to give an opinion on whether the other information published together with the audited financial statements (comprising the Annual Governance Statement and Narrative Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p> <p>No inconsistencies have been identified. We plan to issue an unmodified opinion in this respect (a draft copy of the opinion is included within the Committee papers)</p>
Matters on which we report by exception	<p>We are required to report on a number of matters by exception in a number of areas:</p> <ul style="list-style-type: none"> • if the Annual Governance Statement does not comply with disclosure requirements set out in CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit, • if we have applied any of our statutory powers or duties. • where we are not satisfied in respect of arrangements to secure value for money and have reported a significant weakness. <p>We have nothing to report on these matters.</p>



2. Financial Statements - other responsibilities under the Code

Issue	Commentary
Specified procedures for Whole of Government Accounts	<p>We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions.</p> <p>The NAO sets a threshold within its group instructions below which detailed procedures are not required. As in previous years, the Council is below the threshold and therefore we are not required to carry out detailed audit work over the WGA return. However, the government has delayed the requirement of the Consolidation of WGA for all local authorities, with further guidance expected in July 2022 and therefore the Council are not in a position to provide a WGA submission pack for audit.</p>
Certification of the closure of the audit	<p>We intend to delay the certification of the closure of the 2020/21 audit of Stafford Borough Council in the audit report, as detailed in Appendix E as a result of the incomplete Value for Money work (please note, current regulations allow for a period of three months after the closure of the financial statements audit to complete work on the Value for Money conclusion.) and to complete the audit of the submission of the WGA return, as mentioned above.</p>

3. Value for Money arrangements

Revised approach to Value for Money work for 2020/21

On 1 April 2020, the National Audit Office introduced a new Code of Audit Practice which comes into effect from audit year 2020/21. The Code introduced a revised approach to the audit of Value for Money. (VFM)

There are three main changes arising from the NAO's new approach:

- A new set of key criteria, covering financial sustainability, governance and improvements in economy, efficiency and effectiveness
- More extensive reporting, with a requirement on the auditor to produce a commentary on arrangements across all of the key criteria.
- Auditors undertaking sufficient analysis on the Council's VFM arrangements to arrive at far more sophisticated judgements on performance, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

The Code require auditors to consider whether the body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. When reporting on these arrangements, the Code requires auditors to structure their commentary on arrangements under the three specified reporting criteria.



Improving economy, efficiency and effectiveness

Arrangements for improving the way the body delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.



Financial Sustainability

Arrangements for ensuring the body can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3-5 years)



Governance

Arrangements for ensuring that the body makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the body makes decisions based on appropriate information

Potential types of recommendations

A range of different recommendations could be made following the completion of work on the body's arrangements to secure economy, efficiency and effectiveness in its use of resources, which are as follows:



Statutory recommendation

Written recommendations to the body under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the body to discuss and respond publicly to the report.



Key recommendation

The Code of Audit Practice requires that where auditors identify significant weaknesses in arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the body. We have defined these recommendations as 'key recommendations'.



Improvement recommendation

These recommendations, if implemented should improve the arrangements in place at the body, but are not made as a result of identifying significant weaknesses in the body's arrangements

3. VFM - our procedures and conclusions

We have not yet completed all of our VFM work and so are not in a position to issue our Auditor's Annual Report. An audit letter explaining the reasons for the delay is attached in the Appendix G to this report. We expect to issue our Auditor's Annual Report by 31 August 2022. This is in line with the National Audit Office's revised deadline, which requires the Auditor's Annual Report to be issued no more than three months after the date of the opinion on the financial statements.

As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. At the time of writing we have not identified any risks of significant weakness in the Council's arrangements.

4. Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard and confirm that we, as a firm, and each covered person, are independent and are able to express an objective opinion on the financial statements

Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed in Appendix D

Transparency

Grant Thornton publishes an annual Transparency Report, which sets out details of the action we have taken over the past year to improve audit quality as well as the results of internal and external quality inspections. For more details see [Transparency report 2020 \(grantthornton.co.uk\)](https://www.grantthornton.co.uk/transparency-report-2020)

4. Independence and ethics

Audit and non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council. The following non-audit services were identified;

Service	Fees £	Threats identified	Safeguards
Audit related			
Certification of Housing Benefit Claim	15,000 (final fee TBC, as audit work is still ongoing)	Self-Interest (because this is a recurring fee)	<p>The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £15,000 in comparison to the total fee for the audit and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.</p> <p>To mitigate against the self review threat, the timing of certification work is done after the audit has completed, materiality of the amounts involved to our opinion and unlikelihood of material errors arising and the Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants.</p>

These services are consistent with the Council's policy on the allotment of non-audit work to your auditors. All services have been approved by the Audit and Accounts Committee. None of the services provided are subject to contingent fees

Appendices

A. Action plan – Audit of Financial Statements

We have identified 1 recommendation for the Council as a result of issues identified during the course of our audit. We have agreed this recommendation with management and we will report on progress on this recommendation during the course of the 2021/22 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
● Low – Best practice	Unpresented Cheques The Council has unpresented cheques worth 271k outstanding ranging upto 12 years.	We recommend that the Council reviews it unpresented cheque lists and cancel many of these historic cheques.

Controls

- High – Significant effect on financial statements
- Medium – Limited Effect on financial statements
- Low – Best practice

B. Audit Adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Impact of audit adjustments

There were no audit adjustments to the prime financial statements. Changes to disclosure notes are detailed on the following page.

Impact of unadjusted misstatements

As a result of audit procedures performed, we have not identified any unadjusted misstatements.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000	Reason for not adjusting
PPE Valuation- We identified one asset where the valuation was understated by £116k as professional fee costs were not included in valuations		Dr PPE £116 Cr Revaluation Reserve £116	nil	This is not material to the Council financial statements.
Overall impact	nil	£116	nil	

Impact of prior year unadjusted misstatements

There are no unadjusted misstatements from the prior period.

B. Audit Adjustments

Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit to date.

Disclosure area	Auditor recommendations	Adjusted?
Note 8 Segmental Income	There was an inconsistency between the segmental income total reported in the note and supporting documents.	✓
Note 12 Transfers to/from earmarked reserves	There was inconsistency between the financial information reported in the noted and the supporting narrative	✓
Note 16 Property, Plant and Equipment	We noted an inconsistency in the disclosure note for Property, Plant and Equipment where the overall revaluation increase of £0.107m has been shown against the CIES when it should be charged to the Revaluation Reserve	✓
Note 20 Financial Instruments	There was inconsistency between the carrying value and fair value of cash and cash equivalents and the balance sheet	✓

At the time of writing this report, we are still awaiting the final proof read of the financial statements to be completed. This will check casting, grammar, referencing and accuracy of prior year figures. We do not anticipate any significant change as a result of this exercise.

C. Fees

We confirm below our final fees charged for the audit and provision of non-audit services (please note, there are no reconciling items between the fees per our audit scoping letter and AFR, and the disclosures at note 33 of the draft financial statements).

Audit fees	Proposed fee	Final fee
Council Audit	£61,686	£69,186
Total audit fees (excluding VAT)	£61,686	£69,186

Our final audit fee proposes an overrun fee variation of £7,500 given the delays that the audit team have faced in completing the audit work this year, which has resulted in significant increased input required by the audit team to complete the audit. The final fee is subject to approval from PSAA.

Non-audit fees for other services	Proposed fee	Final fee
Audit Related Services (HB certification)	£15,000	TBC
Total non-audit fees (excluding VAT)	£15,000	TBC

These are proposed fees as the work in respect of these grant claim is incomplete., therefore we are not in a position to confirm final fees as at the time of writing.

D. Management Letter of Representation

Stafford Borough 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 Stafford Borough 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 the valuation of the net pension liability and the valuation of land and buildings. 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.

D. Management Letter of Representation (continued)

- 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 and cashflow forecasts in light of the Covid-19 pandemic. 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 liquidate the Council 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 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:

D. Management Letter of Representation (continued)

- 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

- xxiv. 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 Committee at its meeting on XXX

E. Audit letter in respect of delayed VFM work

Note that this letter does not form part of our formal communications under ISA 260 (Communication with Those Charged with Governance) but is included here for ease of reference.

Audit Committee Chair
Stafford Borough Council

Dear Chair of Audit and Accounts Committee as TCWG,

Under the 2020 Code of Audit Practice, for relevant authorities other than local NHS bodies we are required to issue our Auditor's Annual Report no later than 30 September or, where this is not possible, issue an audit letter setting out the reasons for delay.

As a result of the ongoing pandemic, and the impact it has had on both preparers and auditors of accounts to complete their work as quickly as would normally be expected, the National Audit Office has updated its guidance to auditors to allow us to postpone completion of our work on arrangements to secure value for money and focus our resources firstly on the delivery of our opinions on the financial statements. This is intended to help ensure as many as possible could be issued in line with national timetables and legislation.

As a result, we have therefore not yet issued our Auditor's Annual Report, including our commentary on arrangements to secure value for money. We now expect to publish our report no later than 31 August 2022.

For the purposes of compliance with the 2020 Code, this letter constitutes the required audit letter explaining the reasons for delay.

Yours faithfully

Avtar Sohal

Director and Key Audit Partner
for and on behalf of Grant Thornton UK LLP, Local Auditor



ITEM NO 3(b)

ITEM NO 3(b)

Report of:	Interim Head of Finance
Contact Officer:	Emma Fullagar
Telephone No:	01543 464720
Ward Interest:	Nil
Report Track:	Audit and Accounts 21/4/22 (Only)

AUDIT AND ACCOUNTS COMMITTEE

21 APRIL 2022

Statement of Accounts 2020/21

1 Purpose of Report

- 1.1 To present the audited Statement of Accounts for 2020/21 to the Audit and Accounts Committee for approval.

2 Recommendation

- 2.1 That the audited Statement of Accounts for 2020/21 be approved.

3 Key Issues and Reasons for Recommendation

- 3.1 The Accounts and Audit Regulations 2015 require that the Council's Statement of Accounts be approved by the Audit and Accounts Committee.

4 Relationship to Corporate Business Objectives

- 4.1 The financial statements are an important part of the Council's corporate governance arrangements, which cut across all corporate priorities.

5 Report Detail

- 5.1 Members of Audit and Accounts Committee were required to approve the Council's audited Statement of Accounts for 2020/21 by 31 September 2021, in accordance with the Accounts and Audit Regulations 2015. In March 2021 new regulations came into force to extended the deadline for the preparation of draft accounts from 31 May to 31 July. The audit and publication of the accounts has been delayed due to implementation of new systems and finance staff absences.

- 5.2 The “Audit Findings Report for Stafford Borough” which summarises the results of our external auditors’ work for the year is presented elsewhere on the agenda.
- 5.3 The purpose of the Council’s published Statement of Accounts circulated as a [SEPARATE BOOKLET](#) is to give electors, those subject to locally levied taxes and charges, members of the Council, employees and other interested parties clear information about the Council’s finances. It should answer such questions as:-
- What did the Council’s services cost?
 - Where did the money come from?
 - What were the Council’s assets and liabilities at the year-end?
- 5.4 The Narrative report on pages 3 - 22 of the [SEPARATE BOOKLET](#) is presented as a foreword to the Statement of Accounts to fulfil a similar purpose to a directors’ report in company accounts. This includes detail of the Council itself, both financial and non financial performance, future issues facing the Council and an explanation of the financial statements. It also sets out the grants administered as part of the COVID response during 2020/21.
- 5.5 The following comprise the key financial statements that are set out in the Statement of Accounts 2020/21:-
- Comprehensive Income and Expenditure Statement
 - Movement in Reserves Statement
 - Balance Sheet
 - Cash Flow Statement
 - Collection Fund
- 5.6 **Comprehensive Income and Expenditure Statement (page 25)**
- 5.6.1 This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the true cost of services to be funded from taxation. The Council raises Council Tax to cover expenditure in accordance with regulations; however this may be different from the accounting cost.
- 5.6.2 Therefore, accounting costs which are properly recorded within the Comprehensive Income and Expenditure Statement (e.g. notional charges such as depreciation and adjustments to pensions costs required by International Financial Reporting Standards) are excluded from the Council’s Final Accounts because the Final Accounts Portfolio spending only reports the amounts that are required to be met from Council Tax. Regulation prohibits notional charges such as depreciation being met from Council Tax.
- 5.6.3 In practice this means that there is a difference of £5.506 million between the bottom line reported in Portfolio spending (£16.645 million) and the bottom line of the cost of services reported in the Comprehensive Income and Expenditure Statement (£22.151 million) which principally relates to the

complex notional accounting adjustments required by International Financial Reporting Standards and adjustments for reserves. Further details are provided in the Expenditure and Funding analysis in note 6 and 7 on pages 45 to 46 of the [SEPARATE BOOKLET](#).

5.6.4 The Comprehensive Income and Expenditure Statement on page 25 reveals an increase in the net cost of services year on year of £5.162 million (2020/21 £22.151 million and 2019/20 £16.989 million). This is primarily as a result of reduced parking income £1.419 million, capital transactions £5.030 million, partly offset by a reduced pension current service cost £1.023 million. A detailed analysis of the variations is contained in note 5 page 44 of the Statement of Accounts.

5.6.5 Other Comprehensive Income and Expenditure Account transactions include a deficit £0.996 million on the revaluation of Plant, Property and Equipment assets as contained in the Balance Sheet together with a re-measurement of the net defined benefit liability £10.432 million in relation to the pension reserve. Both transactions relate to the Unusable Reserves classification of the accounts and hence have no overall impact upon the financial position of the Council.

5.6.6 Overall, an increase in Other Comprehensive Income and Expenditure of £25.557 million was recorded in 2020/21 (2020/21 deficit £11.428 million and 2019/20 surplus of £14.129 million) reflecting in the main the changes in the valuation of Property, Plant and Equipment of £3.112 million and the re-measurement on the Pension assets and liabilities of £22.445 million (2020/21 loss of £10.432 million, 2019/20 gain of (£12.013 million). The 2020/21 pension figure relates principally to changes in financial assumptions – pension, salary and discount rates used to value the pension fund assets.

5.7 **Movement in Reserves Statement (pages 26 - 27)**

5.7.1 The Movement in Reserves Statement shows the movement in the year on the different reserves held by the Council, analysed into usable reserves (i.e. those that can be applied to fund expenditure or reduce local taxation) and other unusable reserves such as the Capital Adjustment Account and the Pensions Reserve. The (surplus)/deficit on the provision of services shows the true economic cost of providing the Council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement on page 25 of the [SEPARATE BOOKLET](#).

5.7.2 The Movement in Reserves Statement shows that the Council's total usable reserves increased from £25.078 million on 31 March 2020 to £39.970 million on 31 March 2021, an increase of £14.892 million. Usable reserves have increased primarily due to increases in earmarked reserves of £14.991 million. The main increase was in relation to the Business rates reserve of £9.746 million, this increase relates to Section 31 grant which has been paid as a result of the business rate reliefs granted by the Government for Retail, Hospitality and Nurseries. Due to the business rates rules this will be applied in 2021/22 to the collection fund to reduce the deficit shown. There has also

been a planned contribution of £1.728 million to a business rates reserve to mitigate the impact of any business rates reset.

5.8 Balance Sheet (page 28)

5.8.1 There has been a reduction in net assets of £10.322 million (2020/21 £22.313 million net assets, 2019/20 £32.635 million net assets). The reduction reflects an increase in long term liabilities and current liabilities. The pension deficit has increased by £8.014 million which is largely due to the changes in financial assumptions on discount, pension interest rates. The discounts, salary and pension rates assumptions are determined by the Actuary and represent the market conditions at the reporting date.

The current liabilities increase of £5.446 million relates mainly to the short term creditors increase of £5.166 million, this principally reflects an increase in central government creditors of £8.962 million relating to receipts in advance changes of £6.2 million in relation to covid grant funding and government business rates year end position of £2.9 million. This has been offset by a reduction in Local taxation - Council Tax and NNDR of £4.925 million reflecting the year end position on the Collection Fund.

5.8.2 Further details of changes are provided in Page 22 of the narrative report in the [SEPARATE BOOKLET](#).

5.9 Cash Flow Statement (page 29)

5.9.1 The Cash Flow Statement summarises flows of cash in and out of the Council's bank accounts. The change in the value of cash and cash equivalents year on year £4.513 million is primarily due to the movement in short term investments and cash and cash equivalents. This reflects the increase in funds held to be repaid as set out in 5.8.1 which references the amounts owing to the government for covid grant funding. Further details are provided in notes 29, 30 and 31 on pages 67 and 68 of the [SEPARATE BOOKLET](#).

5.10 Collection Fund (page 85)

5.10.1 As a billing authority, the Council is required to provide the Collection Fund Income and Expenditure Account which summarises the collection and distribution of amounts due in respect of Council Tax and National Non-Domestic Rates.

5.10.2 The net position on the Collection Fund in respect of council tax for the year was a surplus of £3.047 million. After taking account of previous years' accumulated surpluses of (£2.112 million) this provides a cumulative deficit of £0.935 million (of which £0.096 million relates to this Council). The deficit will be taken into account within the Council Tax calculations for future years.

5.10.3 The net position on the Collection Fund in respect of National Non-Domestic Rates for the year is a deficit of £24.097 million which after taking account of brought forward deficits of £0.266 million leaves a net deficit of £24.363 million (of which £9.745 million relates to this Council).

The deficit in year primarily relates to the treatment of Section 31 Grants in relation to the business rates reliefs granted by the Government for Retail, Leisure, Hospitality and Nurseries. The Original Budget, and associated Government returns, did not take this into account and in accordance with Collection Fund regulations the original precepts payable cannot be amended until the following year. As a result of the Net Business Rates payable being reduced but payments to Precepting bodies remaining the same a Deficit has occurred.

The Section 31 Grant received to offset the deficit is accounted for outside the Collection Fund and forms part of the General Fund Revenue Budget. The grants received in 2020-21 have therefore been transferred to a General Fund Earmarked Reserve and will be released in 2021-22 whereby in accordance with regulations the Deficit on the Collection Fund as at 31 March 2021 is recharged to the General Fund Account. The Council's share of the deficit at 31 March 21 is £9.745 million with grant income reserve set aside of £9.437 million.

6 Implications	
6.1 Financial	Included in the report
Legal	Nil
Human Resources	Nil
Human Rights Act	Nil
Data Protection	Nil
Risk Management	The main risk associated with the publication of the Statement of Accounts is the impact on the audit opinion. An adverse audit opinion could cause significant damage to the Council's reputation.
6.2 Community Impact Assessment Recommendations	Impact on Public Sector Equality Duty: Wider Community Impact:
Previous Consideration - Nil	
Background Papers - Available in Financial Services	

ITEM NO 3(c)

ITEM NO 3(c)

Report of:	Interim Head of Finance
Contact Officer:	Emma Fullagar
Telephone No:	01543 464720
Ward Interest:	Nil
Report Track:	Audit and Accounts 21/4/22 (Only)

AUDIT AND ACCOUNTS COMMITTEE

21 APRIL 2022

Financial Statements Audit 2020/21 - Management Representation Letter

1 Purpose of Report

1.1 To present the Management Representation Letter for 2020/21.

2 Recommendation

2.1 That the letter of representation be endorsed.

3 Key Issues and Reasons for Recommendation

3.1 To present to the Committee the Management Representation Letter relating to the 2020/21 Financial Statements Audit.

4 Relationship to Corporate Business Objectives

4.1 The financial statements are an important part of the Council's corporate governance arrangements which cut across all corporate priorities.

5 Report Detail

5.1 The audit of the Council's Statement of Accounts for 2020/21 is substantially complete.

5.2 As part of the formal conclusion process, the responsible Financial Officer is required to submit the attached Management Representation Letter (**APPENDIX**) to the Appointed External Auditor having consulted with the Leadership Team and obtained acknowledgement by the Audit and Accounts Committee.

6 Implications

6.1 Financial	Nil
Legal	Nil
Human Resources	Nil
Human Rights Act	Nil
Data Protection	Nil
Risk Management	Nil

6.2 Community Impact Assessment Recommendations	Impact on Public Sector Equality Duty: Wider Community Impact:
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Previous Consideration - Nil

Background Papers - File available in Financial Services

AUDIT AND ACCOUNTS COMMITTEE

21 APRIL 2022

Financial Statements Audit 2020/21 - Management Representation Letter

Grant Thornton UK LLP
103 Colmore Row
Birmingham
B3 3AG

CONTACT Emma Fullagar
DIRECT DIAL 01543 464720
FAX
EMAIL emmafullagar@cannockchasedc.gov.uk
OUR REF
YOUR REF
DATE 21 April 2022

Dear Sirs

Stafford Borough 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 Stafford Borough Council for the year ended 31 March 2021 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 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 the net pensions liability and the valuation of land and buildings. 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 disclosures changes schedule included in your Audit Findings Report. The Council's financial statements have been amended for these disclosure changes and 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 and cashflow forecasts in light of the Covid-19 pandemic. 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 liquidate the Council 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 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

- xiv. 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.
- 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 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.

- 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. 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.
- xxii. 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

- xxiii. 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

- xxiv. 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 Accounts Committee at its meeting on 21 April 2022.

Yours faithfully

Name.....

Position.....

Date.....

Name.....

Position.....

Date.....

Signed on behalf of the Council