

**08 July 2021**

**Pre-audit draft Statement of Accounts 2020/21**

**Ward(s):** All

**Portfolios:** All

**Purpose: For Information**

**1. Aim**

- 1.1 To present the pre-audit draft Statement of Accounts and position of the council as required under the Accounts and Audit (England) Regulations 2015.

**2. Summary**

- 2.1 This report presents the pre-audit draft Statement of Accounts for 2020/21 along with the summarised accounts.

**3. Recommendations**

- 3.1 Audit Committee are requested to:
1. Receive and comment on the council's pre-audit draft Statement of Accounts (Appendix 1).
  2. Receive and comment on the council's draft summary of accounts (Appendix 2).

**4. Report detail – know**

***Headlines from the 2020/21 pre-audit draft Statement of Accounts***

- 4.1 As at 31 March 2021 the pre-audit draft Statement of Accounts shows a net position of an underspend against budget of £0.453 million (shown on page 12 of Appendix 1 – pre-audit draft Statement of Accounts).
- 4.2 General fund services (including planned use of general reserves and transfers to and from earmarked reserves) has an overall surplus for the year of £3.284 million. This has resulted in net general reserves of £17.694 million at the end of the year.
- 4.3 The council has taken a leading role during the Covid-19 pandemic implementing a number of government policies. This has resulted in the council acting on behalf of central Government in providing grants, support for test and trace and infection control to local businesses. The combined total of this is £78.510 million (shown on page 22 of Appendix 1 – pre-audit draft Statement of Accounts). As the council was acting on behalf of central Government the grant income received by the

council and payments made to businesses are classed as agent arrangements and have been removed from of the Statement of Accounts in line with accounting requirements. All other income and expenditure relating to Covid-19 is shown within the Statement of Accounts.

#### Balance sheet performance

- 4.4 Financial indicators are used to identify key trends and highlight the current financial health of the authority. These indicators are also referred to as ratio analysis.
- 4.5 The position of current assets to current liabilities is an important indicator that effectively identifies the ratio of assets that could quickly be converted to cash in order to cover current liabilities. It is generally accepted that a ratio of 2:1 is the minimum an organisation should seek to achieve, however this can change depending on the sector the business operates in, but this level would normally indicate good cash flow performance and financial health.
- 4.6 The council's ratio for 2020/21 is 2.01:1, a decrease from 2.39:1 achieved in 2019/20. The decrease in this ratio is mainly as a result of a reduction in cash and cash equivalents as the council utilised cash balances as an alternative of borrowing to fund previous year's capital expenditure.
- 4.7 Another important ratio in understanding underlying trends in financial health is the comparison between long term assets and long term borrowing. This seeks to highlight the relationship between the borrowing used to purchase the council's property, plant, and equipment, which are then used to deliver the services of the council over a number of years. A ratio of 1:1 would be the minimum that would be expected, and would indicate that the council is receiving a benefit from the assets it has purchased that is in line with, or greater than, the repayment of borrowing incurred to fund those assets.
- 4.8 Walsall has achieved a ratio of 1.83:1 for 2020/21, a slight decrease from 1.86:1 achieved in 2019/20. This is a healthy relationship between long term assets and borrowing, indicating that the council is still receiving the benefit of assets that it has purchased where there is no longer any associated borrowing.
- 4.9 The council's balance sheet shows a negative net worth of £316.035 million. This is largely due to the deficit on the West Midlands Metropolitan Authorities Pension Fund. Excluding the total net pension liability of £720.211 million the balance sheet shows a net asset balance of £404.176 million. This combined with the above ratios for liquidity and assets over liabilities demonstrate a sound financial position.

#### *Control Environment*

- 4.10 All councils must produce annual accounts in line with the Accounts and Audit (England) Regulations 2015. The Accounts and Audit (Amendment) Regulations 2021, made as a result of Covid-19, have moved the date required for the Financial Statements to be considered and approved by the appropriate Committee of the council from 31 July to the 30 September following the end of the financial year.

- 4.11 In addition these regulations have moved the date the council is required to complete its draft financial statements from 31 May to 31 July following the end of the financial year.
- 4.12 The pre-audit financial statements were signed by the Section 151 Officer on 11 June 2021. This is significantly within the revised deadline of 31 July as provided for within the Accounts and Audit (Amendment) Regulations 2021.
- 4.13 These pre-audit draft financial statements are for information only as they are not required to be approved by Audit Committee. Given the extended timeframe currently in place it is accepted by Grant Thornton as best practice to present the draft unaudited Statement of Accounts to Audit Committee for initial review.

#### *Assurance of Controls*

- 4.14 The external audit of the financial statements commenced on 14 June 2021 by Grant Thornton. The audit is currently ongoing and the audited financial statements will be presented to Audit Committee for their approval in September 2021.
- 4.15 At the September Audit Committee members will also receive the external auditors report on the financial statements from Grant Thornton for consideration.

#### *Strategic Risks/Annual Statements*

- 4.16 As this report is reviewing performance over 2020/21 there are no associated strategic risks.
- 4.17 This report is concerning the council's pre-audit draft financial statements for 2020/21.

### **5. Financial information**

- 5.1 There are no direct financial implications as a result of this report beyond those reported within Section 4.

### **6. Reducing Inequalities**

- 6.1 Improving ease of understanding of the accounts is intended to make the annual statement of accounts more readily accessible to the general public. The accounts will be available on request in different formats, for example, hard copy, soft copy via the web site, Braille and in different languages.

### **7. Decide**

- 7.1 As this report is for information only there are no matters within this report for decision.

### **8. Respond**

- 8.1 Any issues raised by Audit Committee in connection with the pre-audit Statement of Accounts will be reviewed as part of the audit process. If it requires clarification

within the Statement of Accounts these maybe incorporated within the final audited document following discussion with Grant Thornton.

## **9. Review**

- 9.1 The pre-audited Statement of Accounts is currently being audited. Any material issues that Grant Thornton discover during this audit process will be reported in their Audit Findings Report due to be presented to members alongside the audited Statement of Accounts at the September Audit Committee.
- 9.2 At the September Audit Committee members will also have the opportunity to consider the audited Statement of Accounts prior to approval.

## **Background papers**

Various financial working papers, statutory and other guidance.

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