

Report to:	Audit and Governance Committee	Date of Meeting:	Wednesday 17 March 2021
Subject:	Statement of Accounts 2019/2020		
Report of:	Executive Director of Corporate Resources and Customer Services	Wards Affected:	(All Wards);
Portfolio:	Cabinet Member - Regulatory, Compliance and Corporate Services		
Is this a Key Decision:	No	Included in Forward Plan:	No
Exempt / Confidential Report:	No		

Summary:

To present the final audited 2019/2020 Statement of Accounts, including the Annual Governance Statement, for consideration and approval. In addition, the proposed "Letter of Representation" letter from Sefton to Ernst & Young LLP (EY) is attached for approval.

Recommendation(s):

The Audit and Governance Committee is asked to:

- (1) Approve the 2019/2020 Statement of Accounts;
- (2) Approve the Annual Governance Statement (Section 11 of the Statement of Accounts);
- (3) Note the comments of Ernst & Young LLP; and,
- (4) Approve the Letter of Representation and Authorise the Chair and the Executive Director of Corporate Resources and Customer Services to sign it on the Council's behalf.

Reasons for the Recommendation(s):

The Council, or nominated Committee charged with responsibility for Governance, must approve the Statement of Accounts, including the Annual Governance Statement. The Audit and Governance Committee has been delegated with this responsibility and is required to approve the audited Accounts for 2019/2020 prior to its publication.

The deadline for publication was 30 November 2020. However, the regulations allow for a delay in publication where the audit has not yet been completed. This report explains that there has been a delay in completing the audit for 2019/2020. The audit is now complete, so the Statement of Accounts is now being presented for approval.

Alternative Options Considered and Rejected: (including any Risk Implications)
None

What will it cost and how will it be financed?

(A) Revenue Costs
None

(B) Capital Costs
None

Implications of the Proposals:

Resource Implications (Financial, IT, Staffing and Assets): None
Legal Implications: This report complies with legislation, particularly the requirements of the Accounts and Audit (England) Regulations 2015 as amended by the Accounts and Audit (Coronavirus) (Amendment) Regulations 2020.
Equality Implications: There are no equality implications.

Contribution to the Council's Core Purpose:

Protect the most vulnerable: Not applicable
Facilitate confident and resilient communities: Not applicable
Commission, broker and provide core services: Not applicable
Place – leadership and influencer: Not applicable
Drivers of change and reform: Not applicable
Facilitate sustainable economic prosperity: Not applicable
Greater income for social investment: Not applicable
Cleaner Greener: Not applicable

What consultations have taken place on the proposals and when?

(A) Internal Consultations

The Executive Director of Corporate Resources and Customer Services is the author of this report (FD 6343/21).

The Head of Regulation and Compliance (LD 4444/21) has been consulted and has no comments on the report.

(B) External Consultations

None

Implementation Date for the Decision

Immediately following the Committee.

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Appendices:

The following appendices are attached to this report:

- Appendix A – Statement of Accounts 2019/2020
- Appendix B – Executive Summary 2019/2020
- Appendix C – Audit Results Report – Ernst & Young
- Appendix D – Letter of Representation

Background Papers:

There are no background papers available for inspection.

1. Background

- 1.1 Since 2010/2011 the Audit and Governance Committee is only required to approve the Statement of Accounts following the completion of the Audit. The draft Statement of Accounts was presented to this Committee in September 2020 to provide members with additional time to consider the key aspects of the accounts in advance of this meeting.
- 1.2 Since 2017/2018 approval has taken place at the special meeting of this Committee in July (approval and publication of the audited Statement of Accounts was required by 31 July). However, due to the impact of COVID-19 on the staffing resources of councils and external auditors, the deadline for approving and publishing the audited Statement of Accounts for 2019/2020 has been temporarily changed to 30 November 2020. Therefore, a special meeting of this committee was arranged in November 2020 to consider and approve the Statement of Accounts for 2019/2020.
- 1.3 As the completion of the audit of the Statement of Accounts had been delayed due to resource issues at our external auditors, EY LLP, the special meeting scheduled for 18th November 2020 was cancelled and the approval was then proposed to take place at the committee on 16th December 2020.
- 1.4 Sefton and EY agreed a workplan so that the final audited accounts could be presented to the December committee for approval. However, due to continued resource issues, there were some tasks still to be finalised, as well as internal reviews that needed to be undertaken by EY, that meant the audit wasn't completed until recently.
- 1.5 Although regulations require the publication of the Statement of Accounts for 2019/2020 by 30 November 2020, the same regulations allow for this to be delayed where the audit has yet to be concluded. This delay needs to be published on our website. The publication of the final Statement of Accounts needs to take place *"as soon as reasonably practicable after the receipt of any report from the auditor which contains the auditor's final findings from the audit which is issued before the conclusion of the audit"*.
- 1.6 At the time of writing this report, Ernst & Young (EY) have now completed the majority of the audit of the 2019/2020 Statement of Accounts with only a small number of items still to be completed. The report from EY on the financial statements (including formal opinion on the accounts) is discussed in Sections 4 and 5 (their report is attached as Appendix C).
- 1.7 As part of the formal process to approve the Accounts, the Committee is also required to authorise Sefton's "Letter of Representation" to EY. This basically acknowledges the Council's responsibilities in preparing the Accounts and confirms whether there have been any material changes to the financial circumstances contained in the Accounts that EY should be made aware of. This is considered further in Section 6 (draft letter is attached as Appendix B).
- 1.8 In addition, Section 2 discusses the content of the Statement of Accounts and highlights the presentational changes and additional disclosures that are included

in the 2018/2019 Statement. The approval of the Annual Governance Statement is considered in Section 3.

2 The Content of the Statement of Accounts

2.1 The 2019/2020 Statement of Accounts is an important document, which aims to provide clear information about the Authority's finances for the year and is intended to answer:

- What the Authority's services cost for the year?
- Where the money comes from to pay for these services?
- What were the Authority's assets and liabilities at the year-end?

2.2 On 28 February 2019, the Council approved a revenue budget for 2019/2020 of £220.212m which included £1.073m relating to the expenditure of Parish Councils.

2.3 At that time, it was anticipated that balances for non-school budgets would total £7.209m at 31 March 2019. As a result of an underspend of £0.330m in 2018/2019 the actual year-end balances position was revised to £7.539m. The 2019/2020 Budget assumed no use of general balances.

2.4 Overall, actual expenditure for 2019/2020 on General Fund services (excluding Schools' delegated expenditure) was £0.555m higher than the Base Estimates which has reduced General Fund Balances. The Authority's Non-School General Fund balances at 31 March 2020 shown in the Draft Statement of Accounts are therefore **£6.984m**.

2.5 The Statement of Accounts (attached as **Appendix A**) and the Executive Summary (attached as **Appendix B**) are also important in:-

- Demonstrating proper stewardship of public monies;
- Providing evidence of the quality and robustness of the Authority's financial systems and processes;
- Indicating that current financial performance, monitoring and the Medium-Term Financial Plan are integrated processes which will assist the Council in improving its financial standing;
- Providing the key financial information, which will enable future plans and decisions to be made on the basis of known facts and available financial resources; and
- Providing a key line of communication to stakeholders on the Council's current financial performance. The draft Statement of Accounts was available online on Sefton's website from the middle of August.

2.6 The Statement of Accounts includes a Narrative Report, which focuses on the most significant matters reported in the document. A brief explanation of each Section is also provided (highlighting what it is intended to show) to aid the understanding of the Accounts.

2.7 For 2019/2020 there have been no significant changes to how the Statement of Accounts are produced or presented.

- 2.8 The statutory declaration by the Executive Director of Corporate Resources and Customer Services in the Statement represents his approval of the Accounts. Following approval of the Statement of Accounts by the Audit and Governance Committee, the Chair of the Committee will be required to sign the Accounts along with the external auditor completing their statutory certification in relation to his opinion on the financial statements.

3 Annual Governance Statement

- 3.1 The “Annual Governance Statement” is required to be presented with the Statement of Accounts. The statement is included as section 11 of the Council’s Accounts and needs to be formally accepted by this Committee.

4 Significant Accounting Matters / Corrected Misstatements

- 4.1 The EY Report to those charged with Governance is attached at **Appendix C**. It gives details of the significant audit and accounting matters to consider and the material misstatements identified as part of their audit work which have been corrected. These items are listed below, and more details will be found in the EY Report:

4.2 Areas of Audit Focus:

EY had four main areas of audit focus:

- Risk of fraud in revenue and expenditure recognition;
- Misstatements due to fraud or error (management override of controls);
- Risk of error in valuation of pension fund assets and liabilities in the Local Government Pension Scheme; and,
- Valuation of land and buildings.

No significant issues have been found by EY.

4.3 Unadjusted Differences:

The auditor of the Merseyside Pension Fund advised of an unadjusted error of a £16m overstatement in level 3 assets of the Fund. The Council’s share, at 10.5%, is £1.68m. As the Pension Fund assets have not been amended, and the Council share of the overstatement is not material, EY consider that the Council disclosures remain materially correct. EY have raised this issue as it is above their reporting threshold and officers have decided not to amend the financial statements for this difference.

4.4 Adjusted Differences:

The levy relating to the Transport Authority (£18.490m) was incorrectly disclosed under Other Service Expenses rather than Precepts and Levies within Note 5 to the financial statements. It should be noted that this adjustment has no impact on total expenditure or the Comprehensive Income and Expenditure Statement, and also has no impact on the General Fund position reported in paragraph 2.3.

- 4.5 A number of presentational and disclosure amendments have also been made to comply with requirements and to improve consistency and understanding.
- 4.6 The Statement of Accounts will need to be adjusted if any further items are identified by EY. These items will be reported verbally at the Committee meeting.

5 Ernst & Young's Report to those charged with Governance

- 5.1 The report covers the audit of the Statement of Accounts and Value for Money work undertaken by EY. Staff from EY will be present at the meeting to provide a brief summary of the issues contained in the report and to answer any questions Members may have.
- 5.2 With regard to the Accounts issues, these are discussed in Section 4 above. At the time of writing the report, EY had a small number of items to conclude; however, they anticipate that an unqualified opinion will be issued.
- 5.3 EY have a responsibility to carry out sufficient and relevant work in order to conclude on whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in the use of resources. EY anticipate issuing an unqualified value for money conclusion which has been based on a local programme of audit work.
- 5.4 EY's report also makes recommendations in relation to weaknesses identified in internal control systems. Officers have considered the recommendations and the report includes their response to each issue.

6 Letter of Representation

- 6.1 The Council is required to provide a letter of representation to the Auditor at the conclusion of the audit. This acknowledges the Council's responsibilities in preparing the Accounts and provides the assurance to EY that no new information or decisions have been taken that would materially affect the Statement of Accounts for the year. Sefton's letter will be attached at **Appendix D**. No issues or decisions have been made / need to be disclosed. The letter has to be signed by the Chair of the Audit and Governance Committee and the Executive Director of Corporate Resources and Customer Services.