

Report to:	Audit and Governance Committee	Date of Meeting:	Wednesday 27 September 2023
Subject:	Statement of Accounts 2020/2021		
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 2020/2021 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 2020/2021 Statement of Accounts, subject to the final completion of the audit.
- (2) Delegate authority to the Chair to approve the final Statement of Accounts following completion of the audit, should any changes be required to the current version approved by this Committee.
- (3) Approve the Annual Governance Statement (Section 11 of the Statement of Accounts).
- (4) Note the comments of Ernst & Young LLP.
- (5) Approve the Letter of Representation, subject to completion of the audit, and Authorise the Chair and the Executive Director of Corporate Resources and Customer Services to sign it on the Council's behalf.
- (6) Delegate authority to the Chair and the Executive Director of Corporate Resources and Customer Services to sign on the Council's behalf a revised Letter of Representation should the approved version need to be updated following the completion of the audit.

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 2020/2021 prior to its publication.

The deadline for publication was 30 September 2021. 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 2020/2021. The audit is now largely 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 (Amendment) Regulations 2021.	
Equality Implications:	
There are no equality implications	
Impact on Children and Young People: No	
The report highlights the current financial position relating to services provided for Children and Young People.	
Climate Emergency Implications:	
The recommendations within this report will	
Have a positive impact	No
Have a neutral impact	Yes
Have a negative impact	No
The Author has undertaken the Climate Emergency training for report authors	No

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 xxx/23).

The Head of Regulation and Compliance (LD xxx/23) 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 appendix is attached to this report:

Appendix A – Statement of Accounts 2020/2021

Appendix B – Audit Results Report 2020/2021 – Ernst & Young LLP

Appendix C – Letter of Representation 2020/2021

Background Papers:

There are no background papers available for inspection.

- 1.1 Since 2010/2011 the Audit and Governance Committee has only been required to approve the Statement of Accounts following the completion of the Audit. In 2017/2018 approval and publication of the audited Statement of Accounts was required by 31 July (previously 30 September).
- 1.2 However, since 2019/20 the deadlines for approval and publication of the audited Statement of Accounts has been changed a number of times. For 2019/20 the deadline was extended to 30 November 2020 to take into account the impact of COVID19 on the ability of finance teams and external auditors to complete the work required. For 2020/21 the deadline was extended to 30 September 2021 (from the statutory deadline of 31st July). This was in response to the Redmond Review into the audit of local government which highlighted the fragility of the local audit market.
- 1.3 Although regulations require the publication of the Statement of Accounts by specific deadlines, 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”*.
- 1.4 At the time of writing this report, Ernst & Young (EY) have now completed the majority of the audit of the 2020/2021 Statement of Accounts with only a few areas 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 B).
- 1.5 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 7 (draft letter is attached as Appendix C).
- 1.6 In addition, Section 3 discusses the content of the Statement of Accounts, the approval of the Annual Governance Statement is considered in Section 4.

2 Current Position on the Completion of the Audit of the Statement of Accounts 2020/2021

- 2.1 Members will recall that the final Statement of Accounts was presented for approval at this Committee in December 2021. It was noted that the audit had yet to be completed at that time, and that delegated authority was granted to the Chair to approve the final Statement of Accounts for 2020/2021 should any revisions be required. Subsequent to this, and prior to the audit being finalised, an accounting issue was raised nationally relating to the methodology for the valuation of infrastructure assets. CIPFA conducted consultations on potential changes to the Accounting Code of Practice to resolve the issue, and subsequently the Government issued a statutory override, which came into force

on 25 December 2022, to allow local authorities to account for the assets in a certain way which resolves the issue and applies until 2024/25.

- 2.2 Unfortunately, whilst this resolved the specific issue, as the audit of the Statement of Accounts for 2020/21 wasn't yet completed any issues arising during the audit of the 2021/22 Statement of Accounts meant further audit work was required on 2020/21, e.g., issues relating to the Local Government Pension Scheme valuation.
- 2.3 The audit of the Statement of Accounts for 2020/21 has almost concluded. As mentioned, the Chair has delegated authority to approve these accounts. However, given the length of time since the Statement of Accounts was originally approved, and the changes required, this report seeks final approval from Audit and Governance Committee rather than using the Chair's delegated authority. The further changes since Audit and Governance Committee last considered the accounts in December 2021 are described later in the report.

3 The Content of the Statement of Accounts

3.1 The 2020/2021 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?

3.2 On 27 February 2020, the Council approved a revenue budget for 2020/2021 of £225.885m which included £1.179m relating to the expenditure of Parish Councils.

3.3 At that time, it was anticipated that balances for non-school budgets would total £7.539m at 31 March 2021. As a result of an overspend of £0.555m in 2019/2020 the anticipated year-end balances position was revised to £6.984m. The 2020/2021 Budget assumed an increase in general balances of £1.5m as part of a strategy to increase balances and ensure financial resilience.

3.4 Overall, actual expenditure for 2020/2021 on General Fund services (excluding Schools' delegated expenditure) was £2.794m lower than the Base Estimates which has increased General Fund Balances further. The Authority's Non-School General Fund balances at 31 March 2021 shown in the Statement of Accounts are therefore **£11.278m**.

3.5 The Statement of Accounts (attached as **Appendix A**) 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 beginning of August 2021.

3.6 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.

3.7 For 2020/2021 there have been no significant changes to how the Statement of Accounts are produced or presented.

3.8 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.

3.9 There are still some minor areas of audit work that have yet to be completed. EY will give a verbal update at the Committee of the work still outstanding. Should there be any changes required to the Statement of Accounts as a result of the work completed after this Committee's approval of the Statement of Accounts, it is proposed to delegate authority to the Chair to approve these changes.

4 Annual Governance Statement

4.1 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.

5 Significant Accounting Matters / Corrected Misstatements

5.1 The EY Report to those charged with Governance is attached at **Appendix B**. 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:

5.2 Areas of Audit Focus:

EY had seven main areas of audit risk and areas of focus:

- Misstatements due to fraud or error (Fraud Risk).
- Risk of fraud in revenue and expenditure recognition (Fraud Risk).
- Valuation of pension fund assets and liabilities in the Local Government Pension Scheme (Significant Risk).
- Valuation of land and buildings (Significant Risk).

- New Central Government Grants and other Covid-19 funding streams (Significant Risk).
- Investments and Subsidiaries (Inherent Risk).
- Going Concern (Inherent Risk).

No significant issues have been found by EY.

5.3 Adjusted Differences within Main Financial Statements:

The Statement of Accounts approved by this Committee in December 2021 contained a number of changes which were referenced in the report. Further changes have not been made to the Statement of Accounts which are described below:

- The Council recategorised its Car Parks in the 2021/22 Statement of Accounts from Investment Properties to Property, Plant and Equipment (Other Land and Buildings). It has now been determined that this adjustment should apply to previous years, so the 2019/20 comparator figures have been amended. This has increased the value of Property, Plant and Equipment / reduced Investment Properties by **£19.119m**. It should be noted that as this is just accounting for the recategorisation in an earlier year, the total value of Property, Plant and Equipment and Investment Properties at the end of 2021/22 will be unchanged.
- A Capital Receipt received at the very end of March 2021 wasn't accounted for correctly 2020/21, with the amount being shown as a Capital Receipt in 2021/22. This has now been accounted for in 2020/21, increasing the balance of Capital Receipts by **£1.676m**. It should be noted that as this is just accounting for the transaction in an earlier year, the total value of Capital Receipts at the end of 2021/22 will be unchanged.
- During the audit of the 2021/22 Statement of Accounts it was identified that some properties including within the value of Surplus Assets were no longer owned by the Council. This related to houses bought as part of the Housing Market Renewal Initiative which were subsequently demolished, and the sites cleared for housing development. The individual housing plots remained on the Council's Fixed Asset Register even though the overall sites were disposed of. The value of Surplus Assets has therefore reduced by **£3.629m**.
- During the production of the 2021/22 Statement of Accounts it was identified that the Earmarked Reserves relating to schools, which had a significant negative balance, should have been shown within a new Unusable Reserve, the DSG Adjustment Account, from 2020/21 onwards. The comparator figures for 2020/21 in those accounts were adjusted to reflect this new Account. This has increased Earmarked Reserves by **£6.615m**, with the DSG Adjustment Account now showing an equivalent balance.

It should be noted that these adjustments have no impact on the General Fund position reported in paragraph 2.3.

5.4A number of presentational and disclosure amendments have also been made to comply with requirements and to improve consistency and understanding.

5.5 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.

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

6.1 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.

6.2 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 areas to complete; however, they anticipate that an unqualified opinion will be issued.

6.3 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.

6.4 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.

7 Letter of Representation

7.1 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 is attached at **Appendix C**. 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.

7.2 Should the approved version need to be updated following the completion of the audit, it is proposed to delegate authority to the Chair and the Executive Director of Corporate Resources and Customer Services to sign on the Council's behalf a revised Letter of Representation.