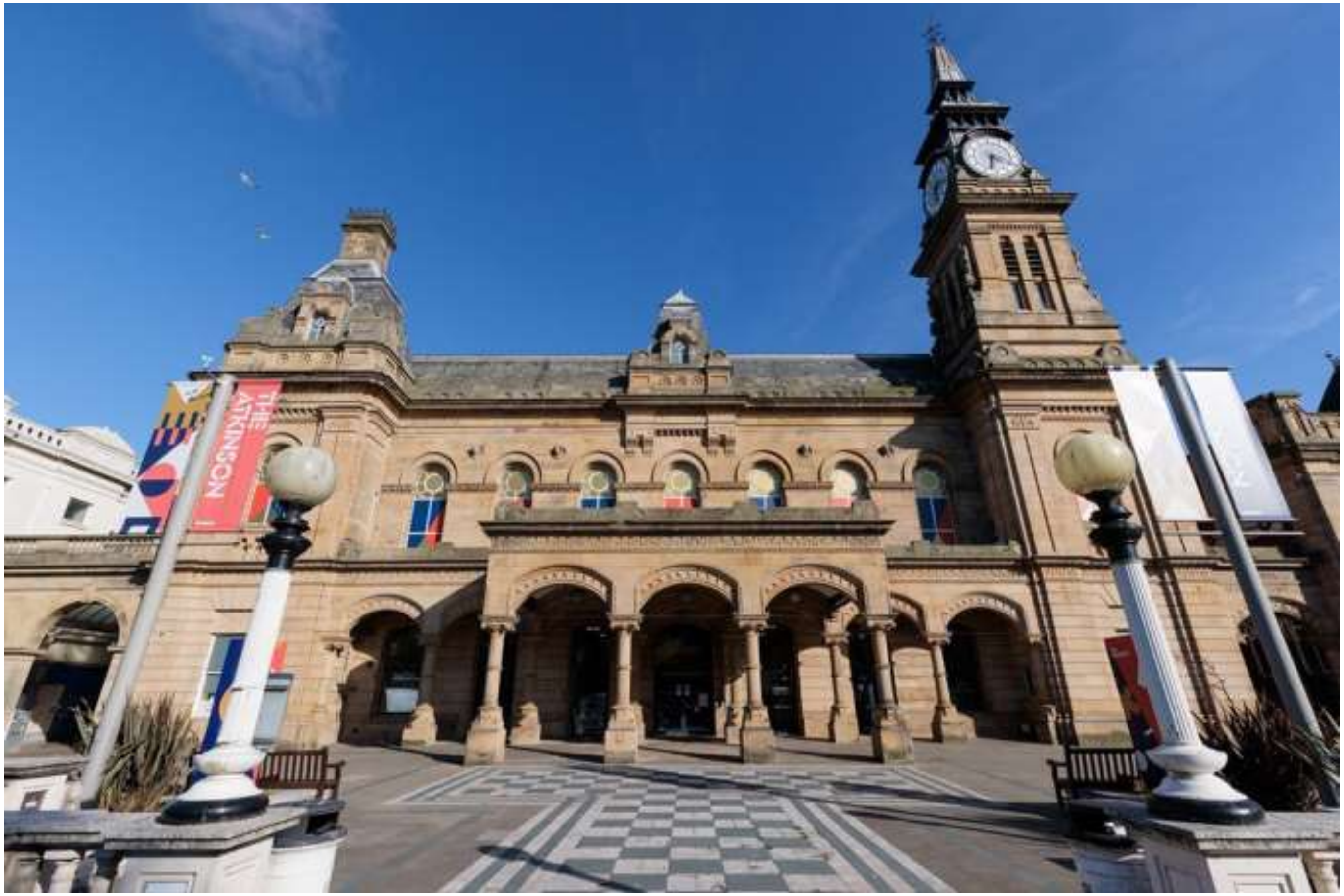
The Audit Findings for Sefton Council

Year ended 31 March 2024



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February 2025

Private and Confidential

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Dear Councillor Robinson,

Audit Findings for Sefton Council for the year ended 31 March 2024

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 and confirmation of auditor independence, as required by International Standard on Auditing (UK) 260. Its contents have been discussed with management and will be presented to the Audit and Governance Committee on 12 February 2025.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK), 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.

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. 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.

We encourage you to read our transparency report which sets out how the firm complies with the requirements of the Audit Firm Governance Code and the steps we have taken to drive audit quality by reference to the Audit Quality Framework. The report includes information on the firm's processes and practices for quality control, for ensuring independence and objectivity, for partner remuneration, our governance, our international network arrangements and our core values, amongst other things. This report is available at transparency-report-2023.pdf (grantthornton.co.uk).

We would like to take this opportunity to record our appreciation for the kind assistance provided by the finance team and other staff during our audit.

Georgia Jones

Director
For Grant Thornton UK LLP

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Key Audit Partners

Firm:

Beever and Struthers (Mark Bradley) – Sandway Homes Limited

Hazlewoods LLP (Martin Howard) – Sefton New Directions Limited

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.

1. Headlines

Financial Statements

This table summarises the key findings and other matters arising from the statutory audit of Sefton Council ('the Council') and the preparation of the group and Council's financial statements for the year ended 31 March 2024 for the attention of those charged with governance.

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 group and Council's financial statements give a true and fair view of the financial position of the group and Council and the group and Council's 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 consistent with the financial statements and with our knowledge obtained during the audit, or otherwise whether this information appears to be materially misstated.

As at the date of this report, we have concluded a number of areas of our audit work. Where our work is concluded we have set out the detail of the work undertaken and our findings in the body of this report.

Where audit work has not yet been concluded, we have highlighted the work undertaken to date, and any audit findings and recommendations.

The main area on which we have been unable to conclude our work is opening balances. In addition, our work is substantially complete on the areas we could conclude on subject to the following areas:

- receipt of evidence to allow us to complete our work on other land and building valuations (comparative land value evidence) and operating lease payments (1 item);
- finalisation of our work on service organisations;
- completion of our internal quality review processes, including final quality reviews;
- receipt of management representation letter; and
- review of the final set of financial statements and final Annual Governance Statement.

Our findings from the work undertaken to date are summarised on pages 7 to 26. We have identified adjustments to the financial statements and these audit adjustments are detailed at Appendix D. We have also raised recommendations for management as a result of our audit work. These are set out at Appendix B.

Unfortunately, owing to the challenges of undertaking an audit where the previous audits were disclaimed due to the local authority backstop, this year we have been unable to regain full assurance and it has not been possible for us to undertake sufficient work to support an unmodified audit opinion in advance of the proposed backstop date of 28 February 2025. The limitations imposed by not having assurance on opening balances mean that we will be unable to form an opinion on the financial statements. Our anticipated financial statements audit report opinion will be disclaimed.

Our draft Audit Report is attached at Appendix H.

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

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 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	Our work on the Council's value for money (VFM) arrangements will be reported in our commentary on the Council's arrangements in our Auditor's Annual Report (AAR). We have completed our VFM work and our detailed commentary is set out in the separate Auditor's Annual Report, which is presented alongside this report. We identified significant weaknesses in the Council's arrangements and so are not satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. Our findings are set out in the value for money arrangements section of this report (Section 3). We identified one significant weakness in relation to the Council's medium term financial sustainability as well as four improvement recommendations. In Governance, we have confirmed one significant weakness in relation to the level of procurement waivers, and we have also identified nine improvement recommendations. In improving economy, efficiency and effectiveness, we have confirmed one significant weakness in relation to the Council needing to take more effective corporate grip of the improvement of Children's Social Care and we have also identified six improvement recommendations.

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 have completed the majority of work under the Code, however as per National Audit Office's request we will not be able to certify the audit until National Audit Office permit us to do so.

Significant matters	We did experience delays in receiving the group accounts – received January 2025 – and The Strand Shopping Centre valuation – received November 2024 as well as delays receiving supporting information for the Council's valuations. We did not encounter any significant difficulties or identify any significant matters arising during our audit, apart from the VFM items noted above and in Section 3.

1. Headlines

National context – audit backlog

Government proposals around the backstop

On 30 July 2024, the Minister of State for Local Government and English Devolution, Jim McMahon, provided the following written statement to Parliament [Written statements - Written questions, answers and statements - UK Parliament] This confirm the government's intention to introduce a backstop date for English local authority audits up to 2022/23 of 13 December 2024. As a consequence of this, the authority's accounts for 2021/22 and 2022/23 have been backstopped and a disclaimer of opinion has been issued by Ernst and Young.

The government has set out its intention that from 2023/24, auditors should work with local authorities to begin the process of recovery. A backstop date for 2023/24 has been proposed of 28 February 2025, and a date for 2024/25 audits of 27 February 2026.

Our intention is that over time we will re-build assurance in respect of prior years across all backstopped audits, taking account of guidance from the National Audit Office and the Financial Reporting Council. For 2023/24, we have focused at your audit on the following areas in advance of the backstop date.

- Risk assessment and evaluation of the control environment for 2023/24 including ISA 315 assessment
- Audit of closing balances as at 31 March 2024
- Audit of income and expenditure and movements within financial year 2023/24 and associated cut off testing
- Testing of journals within 2023/24
- Testing of Movement of Reserves statements and other primary statements (within the constraints that we will not have opening balance assurance)
- Financial statements disclosure
- Recognising the sensitivity of cash, including the opening cash position as at 1 April 2023

We will continue the process of recovery during 2024/25 and ongoing years.

National context – level of borrowing

All Councils continue to operate in an increasingly challenging financial context. With inflationary pressures placing increasing demands on Council budgets, there are concerns as Councils look to alternative ways to generate income. We have seen an increasing number of councils look to ways of utilising investment property portfolios as sources of recurrent income. Whilst there have been some successful ventures and some prudently funded by councils' existing resources, we have also seen some councils take excessive risks by borrowing sums in excess of their revenue budgets to finance these investment schemes.

The impact of these huge debts on Councils, the risk of potential bad debt write offs and the implications of the poor governance behind some of these decisions are all issues which now have to be considered by auditors across local authority audits. Sefton currently has relatively low levels of external borrowing and our value for money work did not identify any weaknesses in the Council's arrangements.

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 and will be presented to the Audit and Governance Committee on 12 February 2025.

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 group's business and is risk based, and in particular included:

- an evaluation of the group's internal controls environment, including its IT systems and controls;
- an evaluation of the components of the group based on a measure of materiality considering each as a percentage of the group's gross revenue expenditure to assess the significance of the component and to determine the planned audit response. From this evaluation we determined that we would perform specified procedures on the land values in Sandway Homes Limited, which was completed by Beever and Struthers and management override of controls in Sandway Homes Limited and Sefton New Directions Limited, which was performed by Beever and Struthers and Hazlewoods LLP respectively; and
- substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks

Conclusion

As highlighted in page 4 of this report, unfortunately it will not be possible for us to undertake sufficient work to conclude our work due to the lack of assurances over opening balances as the Council's accounts for 2021/22 and 2022/23 were disclaimed by Ernst & Young under the local authority backstop. We therefore plan to issue a disclaimer of the audit opinion. The draft wording of our Audit Report is set out at Appendix H.

The circumstances resulting in the application of the local authority backstop to prior year audits are clearly extremely unusual. The government has signalled its intent that where backstops have been applied, local authorities and their auditors work together to recover the position over subsequent years. We will follow relevant guidance including from the NAO and the FRC to work with you over the coming years, as we seek to rebuild audit assurance.

Recognising the backstop date of 28 February 2025, we anticipate issuing a disclaimed audit opinion following the Audit and Governance Committee meeting on 12 February 2025, as detailed at Appendix H . Outstanding items are detailed on page 4.

Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff.

2. Financial Statements

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.

We have revised the materiality figures from those included in the Audit Plan following receipt of the draft financial statements, based on the increase in gross expenditure from 2022/23 to 2023/24 as our planning materiality was based on the draft 2022/23 figures as the 2023/24 accounts were not available at the time we issued our plan.

In addition, we have decreased the percentages used to determine both our materiality and performance materiality levels to reflect the increased risk due to a lack of opening assurance due to Ernst & Young's disclaimer of opinion on the 2021/22 and 2022/23 accounts.

We set out in this table opposite our determination of materiality for Sefton Council and group.

	Group Amount (£'000)	Council Amount (£'000)	Qualitative factors considered
Materiality for the financial statements	8,244	8,155	Financial performance of the Council, focusing on the expenditure. We have used 1% of your gross expenditure as presented in the draft 2023/24 statement of accounts.
Performance materiality	4,122	4,076	Inability to review predecessor working papers as no audits performed in previous years as well as Authority response to audit processes and adjusted for our assessment of the control environment
Trivial matters	412	408	The amount below which matters would be considered trivial to the reader of the accounts.
Materiality for senior officer remuneration and related party transactions	5	5	Materiality is reduced for remuneration disclosures due to the sensitive nature and public interest. Related parties adjustments are considered on a case-by-case basis as to whether it is material to either party

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	Risk relates to	Commentary	Relevant to Council and/or Group
Management override of controls Under ISA (UK) 240, there is a non-rebuttable presumed risk that the risk of management override of controls is present in all entities. The Council faces external scrutiny of its spending, and this could potentially place management under undue pressure in terms of how they report performance. We therefore identified management override of control, in particular journals, management estimates, and transactions outside the normal course of business as a significant risk for the Council, which was one of the most significant assessed risks of material misstatement. Our IT audit work also identified significant control deficiencies in respect of system user access and segregation of duties.	Group and Council	We have: • evaluated the design effectiveness of management controls over journals • analysed the journals listing and determined the criteria for selecting high risk unusual journals • tested unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration • gained an understanding of the accounting estimates and critical judgements applied made by management and considered their reasonableness with regard to corroborative evidence • evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions • factored the risk of financial reporting fraud into our journals work and will make the audit team aware of certain individuals or companies to watch out for during their testing of other areas; • requested assurance from component auditors in relation to the risk of management override of control within Sefton New Directions Limited and Sandway Homes Limited; and • reviewed any transactions posted by the users identified within our IT audit work as having inappropriate access. **Results** Our audit work is complete and has not identified any issues in respect of our testing of management override of controls, however we have noted some recommendations and also report on the significant deficiencies identified by our IT Audit Work – see page 20 and Action plan at Appendix B.	Group and Council

2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Risk Relates to	Commentary
ISA 240 - Improper revenue recognition risk - 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. Having considered the risk factors set out in ISA 240 and the nature of the revenue streams at the Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted because: - There is little incentive to manipulate revenue recognition and opportunities to manipulate revenue recognition are very limited; - The culture and ethical frameworks of local authorities, including Sefton, mean that all forms of fraud are seen as unacceptable. We have therefore rebutted the risk of improper recognition of revenue from Council tax payers, business rates payers and government grants.	Group and Council	There have been no changes to our rebuttal assessment as reported in our audit plan. During the course of the audit we have: • reviewed and tested, on a sample basis, revenue and expenditure transactions, ensuring that it remains appropriate to rebut the presumed risk of revenue recognition. • designed and carried out appropriate audit procedures to ascertain the recognition of income is in the correct accounting period using cut-off testing. We also designed and carried out appropriate audit procedures to ascertain the recognition of revenue is in the correct accounting period using cut-off testing. <u>**Results**</u> No issues noted with improper revenue recognition throughout our audit, although we did include a recommendation in Appendix B about income being recognised in the wrong period, but as the amount was below triviality no adjustment was proposed. We also noted a recommendation in respect of supporting documentation for council tax reliefs and had some small adjustments where the CIES did not agree to the grant income note as reported in Appendix D.
Risk of fraud related to expenditure recognition - Practice Note 10 – risk rebutted In line with the Public Audit Forum Practice Note 10, in the public sector, auditors must also consider the risk that material misstatements due to fraudulent financial reporting may arise from the manipulation of expenditure recognition (for instance by deferring expenditure to a later period). Based on our assessment we consider that we are able to rebut the significant risk in relation to expenditure and have determined it to be appropriate to rebut this risk based upon the limited incentive and opportunity to manipulate expenditure within the Council and due to the immaterial expenditure streams within the subsidiaries, but will nevertheless, and in line with PN10, recognise the heighted inherent risk of completeness of 'other service expenditure' in our audit scoping and testing assessment for the Council.	Group and Council	There have been no changes to our rebuttal assessment as reported in our audit plan. During the course of the audit we have • reviewed and tested, on a sample basis, expenditure transactions, ensuring that it remains appropriate to rebut the presumed risk of expenditure recognition. • designed and carried out appropriate audit procedures to ascertain the recognition of expenditure is in the correct accounting period using cut-off testing. We also designed and carried out appropriate audit procedures to ascertain the recognition of expenditure was in the correct accounting period using cut-off testing. <u>**Results**</u> No issues identified in our audit work

2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Risk Relates to	Commentary
Valuation of Other Land and Buildings and Investment Properties The Council revalues its land and buildings on a rolling programme over a five-year cycle to ensure the carrying value in the Council's financial statements is not materially different from current value at the financial statements date. This valuation represents a significant estimate by management in the financial statements £288m land and buildings as at 31 March 2024 and £28m in investment property. The valuation of land and buildings and investment properties is a key accounting estimate which is derived, depending on the valuation methodology, from assumptions that reflect market observations and the condition of the asset at the time. There is a risk that the use of inappropriate assumptions or methodologies may have a material impact on the financial statements especially given a high uncertainty in markets. However, the valuation methodology for Local Government land and buildings is specified in detail in the CIPFA Code and the sector is highly regulated by RICS, therefore we will focus our audit attention on assets that have large and unusual changes and/or approaches to the valuation of land and buildings and investment properties, as a significant risk requiring special audit consideration. The exact risk was pinpointed during our final accounts work, once we understood the population of assets revalued, so we considered: • individual assets that were over our performance materiality; and • assets that had notable changes in value or where valuation movements were in the opposite direction to our expectations.	Council and Group	We have: • 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; • written to, and discussed, with the valuer the basis on which the valuation was carried out; • challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding; • engaged our own valuer to assess the instructions to the Council's valuer, the Council's valuation report and the assumptions that underpin the valuation; • evaluated the valuer's report to identify assets that have large and unusual changes and/or approaches to the valuation – these assets will be substantively tested to ensure the valuations re reasonable; • tested a selection of other asset revaluations made during the year to ensure they had been input accurately into the Council's asset register, revaluation reserve and Statement of Comprehensive Income and Expenditure; • evaluated the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value at year end • for all assets not formally revalued, evaluate the judgement made by management or others in the determination of current value of these assets; and • reviewed the component auditor's working papers in respect of the land valuation in Sandway Homes Limited. **Results** As we will not have assurance on other land and building assets valued in prior years, due to the backstop, this contributes to our disclaimer opinion. As investment property should be valued every year, we have no assurance on opening balances and in-year movements for the year ending 31 March 2024. We have not yet completed our work in this area as we experienced significant delays receiving supporting evidence for our samples. At the time of drafting this report our work is substantially complete but we are still waiting for comparable land value support to finalise our work. Our work has identified three adjustments to date, one for duplicated land value, one where incorrect obsolescence rates had been applied and one where the incorrect build rate was used – see Appendix D and we have also raised a recommendation in Appendix B.

2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Risk Relates to	Commentary
Valuation assumptions of the Net Pension Asset The Council's pension fund net asset/liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements. The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£17 million asset as at 31 March 2024 for the LGPS and £4m liability for the Teachers Pension Scheme unfunded liabilities) and the sensitivity of the estimate to changes in key assumptions. We therefore identified valuation of the Council's pension fund net asset as a significant risk, which was one of the most significant assessed risks of material misstatement. 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. However, for the first time since IFRS have been adopted the council has had to consider the potential impact of IFRIC 14 - IAS 19 -the limit on a defined benefit asset. Because of this we have assessed the recognition and valuation of the pension asset as a significant risk. 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. In particular the discount and inflation rates, where the Council's actuary has indicated that a 0.25% change in these two assumptions would have approximately £40m effect on the liability/surplus. 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 Council's pension fund net liability as a significant risk.	Council	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 evaluate 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; • obtained assurances from the auditor of Merseyside 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; and • reviewed the asset ceiling calculation provided by the Council's actuary. **Results** Our review of the processes and controls in respect of pensions and the instructions issued by management identified no issues, nor did our assessment of the competence, capability and objectivity of the actuary. We also confirmed the accuracy and completeness of the information provided by the group to estimate the liability. We challenged the actuary's assumptions and used our auditor's expert (PWC) to provide expert input on the assumptions that had been used. Page 17 provides a detailed assessment of the estimation process for the valuation of the pension fund net liability. We noted that the Actuary's calculation of secondary contributions uses a perpetuity assumption rather than a funding horizon which is considered the most appropriate assumption. Although for the current period we are comfortable from our own calculations that there is a sufficient asset ceiling for Sefton to recognise a pension asset, this should form part of the management's experts response to the Council so we have raised a recommendation in Appendix B. We noted that the Council had used month 9 investment data to calculate the rate of return but as this led to a material difference to the full year position we asked the Council to obtain the March investment data. This led to a reduction in the pension asset of £12.8m, which the Council has adjusted for, as noted in Appendix D. In addition, there were some presentational changes made to the statement of accounts to recognise the asset separately from the liability

2. Financial Statements: Other risks

Risks identified in our Audit Plan	Risk relates to	Commentary
Opening Balances	Group and Council	As your newly appointed auditors for 2023-24, we were not responsible for the audit of your accounts for the year ended 31 March 2023. We have been unable to undertake sufficient work to conclude our work due to the lack of assurances over opening balances as the Council's accounts for 2021/22 and 2022/23 were disclaimed by Ernst & Young under the local authority backstop. Due to the limitations imposed by the backstop date, we have been unable to obtain sufficient appropriate audit evidence over the Council and Group's opening balances reported in the financial statements for the year ended 31 March 2024. This is one of the matters noted in our disclaimer of opinion in Appendix H.
Equal Pay	Council	During 2023 there was an emerging national issue across Local Government in respect of equal pay. In general terms, the Equality Act (EA) gives women and men the right to equal pay for equal work unless there is a material reason for the inequality that is not related to gender. The EA achieves this by implying an "equality" clause into every contract of employment that enables a contract to be modified once a successful claim is made out. In discussions, the Council has confirmed to us they currently have not received any claims in respect of equal pay, nor has there been any intimation of potential claims. We will continue to liaise with the Council on this as the national picture continues to develop and as the Council continues to assess any risk of any claims in respect of equal pay.

2. Financial Statements: Key findings arising from the group audit

Component	Component auditor	Findings	Group audit impact
Sandway Homes Limited	Beever and Struthers	An unqualified audit opinion of Sandway Homes Limited was issued by Beevers and Struthers on 30 December 2024. No significant issues were identified.	None identified – we reviewed the work of the subsidiary auditors in respect of management override of controls and land values with no issues noted.
Sefton New Directions Limited	Hazlewoods LLP	An unqualified audit opinion of Sefton New Directions Limited was issued by Hazlewoods LLP on 10 December 2024. No significant issues were identified.	None identified – we reviewed the work of the subsidiary auditors in respect of management override of controls with no issues noted.

Note that in our audit plan we identified Management Override of Controls as a risk at all subsidiaries including Sefton Hospitality Operations Limited (SHOL). However, based on further understanding of the size of SHOL, which is classified as a micro-entity and is unaudited due to the size of the company, we have not performed specific procedures, other than obtaining the latest filed unaudited micro accounts from Companies House and noting nothing that impact on our Group Audit.

We have raised a recommendation for the Council in respect of Group Companies, see Appendix B.

2. Financial Statements: new issues and risks

This section provides commentary on new issues and risks which were identified during the course of the audit that were not previously communicated in the Audit Plan and a summary of any significant deficiencies identified during the year.

Issue	Commentary	Auditor view
IFRS 16 implementation • Following consultation and agreement by FRAB, the Code will provide for authorities to opt to apply IFRS 16 in advance of the revised implementation date of 1 April 2024. In advance of this standard coming into effect, we would expect audited bodies to disclose the title of the standard, the date of initial application and the nature of the changes in accounting policy for leases, along with the estimated impact of IFRS 16 on the statement of accounts.	We note that, like many other Authorities, the Council are not yet in a position to quantify the impact of IFRS16 although acknowledge in note 8.2 to the statement of accounts that it is likely to have a significant impact on the financial statements.	As the standard came into effect from 1 April 2024, we consider there to be disclosure deficiency because the Council cannot yet quantify the estimated impact of IFRS 16 on the statement of accounts This is noted as a disclosure misstatement in Appendix D.
IT Control deficiencies • As part of our Information Technology (IT) Audit work, we provide our assessment of the relevant IT systems and controls operating over them. We reviewed the Agresso, ContrOCC and Active Directory systems as part of obtaining an understanding of the information systems relevant to financial reporting and identified significant control deficiencies in respect of Agresso and ContrOCC. See page 20 for our assessment.	We noted significant deficiencies in respect of user access and segregation of duties conflicts in Agresso as well as deficiencies linked to audit logging and monitoring of privileged users, segregation of duties in change management processes and non-compliance with the password policy. For ContrOCC, we noted significant deficiencies in respect of privileged access control, segregation of duties as well as deficiencies linked to leavers, access provisioning, lack of approval for user access changes, lack of review of audit logs, lack of a dedicated development environment and passwords, inactive table logging, segregation of duties between developer and lack of evidence of CAB approval for deployment of a change sample. The recommendations from the IT Audit are included in our Action Plan at Appendix B.	As part of our response to the issues identified from our IT audit we performed the following: • incorporated users with inappropriate access or abilities into our journals testing strategy with a specific review of any journals posted by those individuals; and • performed starters and leavers and changes in circumstances testing, including focusing on the areas identified as deficient by our IT audit team. Our work in this areas is substantially complete and has not identified any issues to date.

2. Financial Statements: key judgements and estimates

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

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Other land and Building (£288m) and investment property valuations – £28m	Other land and buildings had a net book value of £288 million and investment property £28 million at 31st March 2024. The Council has both an internal and external valuer to complete the valuation of properties on a five yearly cyclical basis. 42% of other land and building assets were revalued during 2023/24. Management complete an annual assessment review of the assets not due to be revalued during the year, considering factors that may require them to be revalued. Management's assessment is that the potential difference in the value of the remaining assets not formally revalued during 2023/24 is not material. Valuation of Other Land and Buildings has been carried out by qualified in-house valuation staff with one valuation contracted to an external firm Avison Young (UK) Ltd. The valuations are undertaken in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institute of Chartered Surveyors (RICS). The total year end valuation of other land and buildings was £288m, a net increase of £16m from 2022/23 (£272m). The investment property fair value is in line with a small £0.3m increase on 2022/23 from £27.3m to £27.6m. All investment properties above the Council's deminimis level were valued in year and are valued as at 31 March 2024 as required by the Code.	The Council's accounting policy on valuation of Other Land and Buildings is included in the Accounting Policies note of the financial statements. We have: • assessed the Council's in-house valuer to be competent, capable and objective; • carried out completeness and accuracy testing of the underlying information provided to the valuers used to determine the estimate including floor areas where appropriate; • reviewed management's assessment of assets not valued in the year against the Montague Evans report and concluded that their assessment is reasonable and that assets not valued in the year are not materially misstated; • agreed valuation reports to the Fixed Asset Register and to the Statement of Accounts; and • engaged our own valuation expert to assess the work of the Council's valuer, compliance with RICS requirements and management's assessment of assets not revalued in year. Our expert was able to confirm that the Council's approach was reasonable and in line with those adopted by other Valuers and that the valuations were reasonable. As noted on page 11 our work in this area is not yet complete and we have noted some adjustments as reported in Appendix D. In addition, as only 42% of the other land and buildings were revalued during 2023/24, there are a number of assets which were valued in previous years on which we do not have any assurance due to the disclaimer opinion issued by Ernst & Young on 2022/23.	No overall conclusion formed this year, as our opinion has been disclaimed.

2. Financial Statements: key judgements and estimates

Significant judgement or estimate

Net pension surplus – £29m asset as at 31 March 2024 for the LGPS and £16m liability for the LGPS and Teachers Pension Scheme unfunded liabilities.

IFRIC 14 addresses the extent to which an IAS 19 surplus can be recognised on the balance sheet and whether any additional liabilities are required in respect of onerous funding commitments.

IFRIC 14 limits the measurement of the defined benefit asset to the 'present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

Summary of management's approach

The Council's net pension asset at 31 March 2024 was £29m (PY £28m liability) for the Merseyside Local Government defined benefit pension scheme and a £16m liability (PY £33m) for the Teachers Pension Scheme and LGPS unfunded defined benefit pension scheme obligations.

The Council uses Mercer to provide actuarial valuations of the Council's assets and liabilities derived from this scheme. A full actuarial valuation is required every three years.

Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements. There has been a £25.6m net actuarial gain during 22/23.

Audit Comments

Our work on the Council's net pension liability is complete. We have:

- assessed management's expert to be competent, capable and objective;
- assessed actuary's approach taken, detail work undertaken to confirm reasonableness of approach;
- used PwC as auditors expert to assess actuary and assumptions made by the actuary as outlined in the table below;

Assumption	Actuary Value	PwC range	Assessment
Discount rate	4.9%	PwC confirmed that assumptions are acceptable	
Pension increase rate	2.8%		
Salary growth	4.2%		
Life expectancy – Males currently aged 65	20.9 years		
Life expectancy – Females currently aged 65	23.4 years		

- the completeness and accuracy of the underlying information used to determine the estimate, including liaison with the auditor of the Merseyside Pension fund;
- undertook a reasonableness test of the Council's share of LGPS pension assets and assessed the reasonableness of movement in the estimate, and
- assessed the adequacy of disclosure of estimate in the financial statements.

We noted that the Council had used month 9 investment data to calculate the rate of return but as this led to a material difference to the full year position we asked the Council to obtain the March investment data. This led to a reduction in the pension asset of £12.8m, which the Council has adjusted for, as noted in Appendix D. In addition, there were some presentational changes made to the statement of accounts to recognise the asset separately from the liability and a recommendation made in Appendix B in respect of the asset ceiling calculation.

Assessment

No overall conclusion formed this year, as our opinion has been disclaimed.

2. Financial Statements: key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Year end provisions and accruals, including National Non-Domestic Rates (NNDR) provision	The Council has year-end provisions of £8.8m of which £5.1m relate to business rates (NNDR) appeals. For NNDR, the Council makes a provision for a reduction in business rate income based on the rateable value of properties subject to challenges and appeals on the 2017 Rating List at 31 March 2024 and an estimate of future rateable value reductions arising from checks, challenges, and appeals against the rateable value of properties on the 2023 Rating List at 31 March 2024	For NNDR, we have: • assessed management's expert and found them to be competent, capable and objective; • reviewed the appropriateness of the underlying information used to determine the estimate with no issues noted; • compared the consistency of estimate against peers/industry practice and found it to be inline; • assessed the reasonableness of increase/decrease in estimate and confirmed it is reasonable; and • reviewed the adequacy of disclosure of estimate in the financial statements and found them to be appropriate.	No overall conclusion formed this year, as our opinion has been disclaimed.
Depreciation	Management use straight line depreciation based on useful economic life (UEL) of assets. The UEL is based on an assumptions of future useful life of different asset types. These rates are reviewed on a yearly basis to ensure that they are reasonably accurate and assets are not being under or over depreciated.	Our review of the depreciation charge for the year identified no issues with the estimate made by management.	No overall conclusion formed this year, as our opinion has been disclaimed.

2. Financial Statements: key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Credit Loss and impairment allowances	Expected credit loss model is used for all financial assets held at amortised cost. Management comprehends the degree of estimation uncertainty by evaluating the range of potential measurement outcomes. The credit risk model allows the authority to measure the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses if the credit risk on that instrument has increased significantly since initial recognition. To make the assessment the authority compares the risk of a default occurring on the financial instrument.	We reviewed the basis of estimation for the credit loss provisions and assessed these were sufficient and appropriate. We have checked the arithmetic and reasonableness of the bad debt provision.	No overall conclusion formed this year, as our opinion has been disclaimed.
Fair value estimates and the valuation of level 2 and level 3 investments	Level 2 estimates cover most of the City Council's property valuations, and as such the control environment is as set out for Other Land and Building valuations on page 16. Level 3 investments include those with no observable price in an active market. Without observable transactions, all models used to arrive at equity valuations are subject to uncertainty. This risk is mitigated by using recognised experts in the appropriate field and by officers scrutinising those estimates. The only significant fair value assessments not covered by other asset and liability categories relates to external debt (PWLB loans). The fair value estimates are based on present value of the cashflows over the life of the financial instrument. Again, an expert provides the fair value estimates.	We have: • assessed management's expert and found them to be competent, capable and objective; and • reviewed the appropriateness of the underlying information used to determine the estimate with no issues noted. We noted some disclosure misstatements which are noted in Appendix D.	No overall conclusion formed this year, as our opinion has been disclaimed.

2. Financial Statements: Information Technology

This section provides an overview of results from our assessment of Information Technology (IT) environment and controls which included identifying risks from the use of IT related to business process controls relevant to the financial audit. This includes an overall IT General Control (ITGC) rating per IT system and details of the ratings assigned to individual control areas. For further detail of the IT audit scope and findings please see separate IT Audit Findings report, which is available on request.

IT system	Level of assessment performed	Overall ITGC rating	ITGC control area rating			Related significant risks / other risks
			Security management	Technology acquisition, development and maintenance	Technology infrastructure	
Agresso	Detailed ITGC assessment (design effectiveness)					N/A
ContrOCC	Detailed ITGC assessment (design effectiveness)					N/A
Active Directory	Detailed ITGC assessment (design effectiveness					N/A

Assessment

- Significant deficiencies identified in IT controls relevant to the audit of financial statements
- Non-significant deficiencies identified in IT controls relevant to the audit of financial statements/significant deficiencies identified but with sufficient mitigation of relevant risk
- IT controls relevant to the audit of financial statements judged to be effective at the level of testing in scope
- Not in scope for testing

2. Financial Statements: matters discussed with management

This section provides commentary on the significant matters we discussed with management during the course of the audit.

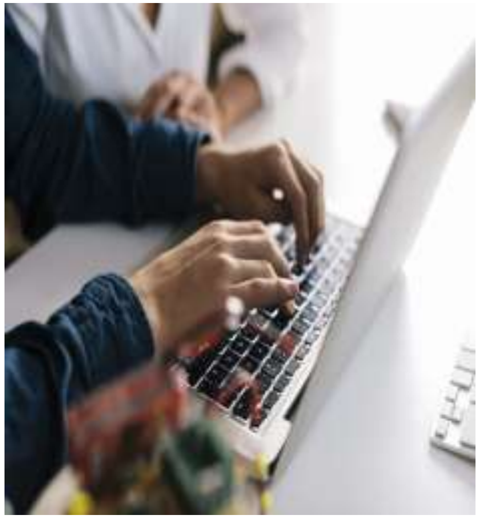
Significant matter	Commentary	Auditor view and management response
Prior year adjustments identified	When we started the 2023/24 audit, the previous audits had not been concluded by Ernst & Young, Some of the adjustments identified by management and also from our audit work related to previous years and therefore we discussed with management updating those previous accounts to reflect those changes before Ernst & Young issued their disclaimer opinion on the accounts in December 2024.	**Auditor view** • The 2022/23 accounts were updated prior to the disclaimer of opinion being issued by Ernst & Young. We have noted changes to the draft set of 2023/24 accounts in Appendices C & D , noting separately changes to the 2022/23 comparatives from the 2023/24 numbers. **Management response** The Council agreed with Grant Thornton that it would be more appropriate to adjust the 2022/23 Statement of Accounts for the items identified, rather than treat them as Prior Period Adjustments within the 2023/24 Statement of Accounts, given the 2022/23 audit had not been concluded. Note it had always been expected that those adjustments that had been identified by management would be adjusted for in 2022/23 prior to completion of the audit, and the draft Statement of Accounts already included these adjustments in the comparator figures.

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 Governance Committee. We have not been made aware of any other incidents of fraud in the period and no other issues have been identified during the course of our audit procedures.
Matters in relation to related parties	Our procedures for 2023/24 noted some adjustments to the related party transactions and a recommendation. We note these in Appendices B and D and the accounts have been appropriately updated for the adjustments.
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 set out at Appendix G.

2. Financial Statements: other communication requirements



Issue	Commentary
Confirmation requests from third parties	We requested from management permission to send confirmation requests to banks and financial institutions in respect of cash and investment balances and borrowings. This permission was granted and the requests were sent and these requests were returned with positive confirmation.
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, however some small disclosure adjustments were identified as noted in Appendix D.
Audit evidence and explanations/ significant difficulties	All information and explanations requested from management was provided, although we did experience delays in receiving the group accounts – received January 2025 – and the strand valuation – received November 2024.

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	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. Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities: • 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. 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 planned to consider and evaluate: • 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. However, as we have been unable to conclude our audit in advance of the backstop date, we have not been able to obtain sufficient appropriate audit evidence to enable us to conclude that: • 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	We are required to give an opinion on whether the other information published together with the audited financial statements (including 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. Because of the significance of the matters described in the basis for disclaimer of opinion section of our report, we have been unable to consider whether the Annual Governance Statement does not comply with 'delivering good governance in Local Government Framework 2016 Edition' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit – refer to Appendix H .
Matters on which we report by exception	We are required to report on a number of matters by exception in a number of areas: • 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/es. We have nothing to report on the first matter following receipt of the updated Annual Governance Statement and we have not yet applied any of our statutory powers or duties. Our Auditor's Annual Report is presented to the Audit Committee alongside this report and identified significant weaknesses in respect of the Council's arrangements, see pages 27 and 28 for more detail.

2. Financial Statements: other responsibilities under the Code

Issue	Commentary
Specified procedures for Whole of Government Accounts	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. Detailed work is not required as the Council does not exceed the threshold.
Certification of the closure of the audit	We have completed the majority of work under the Code, however as per National Audit Office's request we will not be able to certify the audit until National Audit Office permit us to do so.

3. Value for Money arrangements (VFM)

Approach to Value for Money work for 2023/24

The National Audit Office first issued its guidance for auditors in April 2020. 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 completed our VFM work and our detailed commentary is set out in the separate Auditor's Annual Report, which is presented alongside this report.

As part of our work, we considered whether there were any significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. The significant weaknesses we identified are detailed in the table below, along with the procedures we performed and our conclusions. Our auditor's annual report, presented alongside this report, will make reference to these significant weaknesses in arrangements, as required by the Code.

Criteria	2023/24 Risk assessment	2023/24 Auditor judgement on arrangements
Financial sustainability	We identified a potential risk of significant weakness in relation to the medium-term financial sustainability of the council, including managing budget pressures, in particular in relation to children's social care, DSG deficit and adequacy of reserves.	We have confirmed one significant weakness in relation to the Council's medium-term financial sustainability We have also identified four improvement recommendations.
Governance	No potential risks of significant weakness were identified during audit planning	We have confirmed one significant weakness in relation to the level of procurement waivers, and we have also identified nine improvement recommendations.
Improving economy, efficiency and effectiveness	We identified a potential risk of significant weakness in relation to insufficient improvement in Children's Social Care following an inadequate Ofsted inspection.	We have confirmed one significant weakness in relation to the Council needing to take more effective corporate grip of the improvement of Children's Social Care. We have also identified six improvement recommendations.

4. Independence considerations

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant matters that may bear upon the integrity, objectivity and independence of the firm or covered persons (including its partners, senior managers, managers and network firms).

In this context, we disclose the following to you:

We have received confirmation that the subsidiary auditors, are independent.

We have received confirmation that Pricewaterhouse Coopers and Wilks Head Eve as our actuarial and valuation experts, are independent

We confirm that the fees from non-audit services subject to cap do not exceed 70% of the audit fee (taking the average over the previous three years).

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we 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 at Appendix E.

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 Grant Thornton International Transparency report 2023.

4. Independence considerations

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 which were charged from the beginning of the financial year to January 2025, as well as the threats to our independence and safeguards that have been applied to mitigate these threats.

Service	Fees £	Threats identified	Safeguards
Audit related			
Certification of Housing Benefits grant – 2023/24	37,970	Self-interest, Self review and management	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 £37,970 in comparison to the total fee for the audit of £389,972, 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. For the self-review threat safeguards include the fact that we do not prepare any of the work reviewed and any changes would be agreed with the local authority prior to submission, and we would have no subsequent involvement in any decisions made about changes once our report has been issued. In respect of the management threat the scope of our work does not include making decisions on behalf of management or recommending or suggesting a particular course of action for management to follow. We believe these factors all mitigate the perceived threats to an acceptable level.
Certification of Teachers Pension Return – 2023/24	20,000	Self-interest, Self review and management	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 £20,000 in comparison to the total fee for the audit of £389,972, 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. For the self-review threat safeguards include the fact that we do not prepare any of the work reviewed and any changes would be agreed with the local authority prior to submission, and we would have no subsequent involvement in any decisions made about changes once our report has been issued. In respect of the management threat the scope of our work does not include making decisions on behalf of management or recommending or suggesting a particular course of action for management to follow. We believe these factors all mitigate the perceived threats to an acceptable level.
Certification of Teachers Pension Return - 2022/23	12,500	Self-interest, Self review and management	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 £12,500 in comparison to the total fee for the audit of £389,972, 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. For the self-review threat safeguards include the fact that we do not prepare any of the work reviewed and any changes would be agreed with the local authority prior to submission, and we would have no subsequent involvement in any decisions made about changes once our report has been issued. In respect of the management threat the scope of our work does not include making decisions on behalf of management or recommending or suggesting a particular course of action for management to follow. We believe these factors all mitigate the perceived threats to an acceptable level.
Certification of Teachers Pension Return – 2021/22	10,000	Self-interest, Self review and management	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 £10,000 in comparison to the total fee for the audit of £389,972, 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. For the self-review threat safeguards include the fact that we do not prepare any of the work reviewed and any changes would be agreed with the local authority prior to submission, and we would have no subsequent involvement in any decisions made about changes once our report has been issued. In respect of the management threat the scope of our work does not include making decisions on behalf of management or recommending or suggesting a particular course of action for management to follow. We believe these factors all mitigate the perceived threats to an acceptable level.

These services are consistent with the group's policy on the allotment of non-audit work to your auditors. All services have been approved by the Audit & Governance Committee.

None of the services provided are subject to contingent fees.

4. Independence considerations

As part of our assessment of our independence we note the following matters:

Matter	Conclusion
Relationships with Grant Thornton	We are not aware of any relationships between Grant Thornton and the Company that may reasonably be thought to bear on our integrity, independence and objectivity
Relationships and Investments held by individuals	We have not identified any potential issues in respect of personal relationships with the Group or investments in the Group held by individuals
Employment of Grant Thornton staff	We are not aware of any former Grant Thornton partners or staff being employed, or holding discussions in respect of employment, by the Group as a director or in a senior management role covering financial, accounting or control related areas.
Business relationships	We have not identified any business relationships between Grant Thornton and the Group
Contingent fees in relation to non-audit services	No contingent fee arrangements are in place for non-audit services provided
Gifts and hospitality	We have not identified any gifts or hospitality provided to, or received from, a member of the Group's board, senior management or staff.

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 and consider that an objective reasonable and informed third party would take the same view. The firm and each covered person have complied with the Financial Reporting Council's Ethical Standard and following this consideration, we confirm that we are independent and are able to express an objective opinion on the financial statements.

In making the above judgement, we have also been mindful of the quantum of non-audit fees compared to audit fees disclosed in the financial statements and estimated for the current year.

Appendices

A. Communication of audit matters to those charged with governance

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	•	
Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks	•	
Confirmation of independence and objectivity	•	•
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	•	•
Significant findings from the audit		•
Significant matters and issue arising during the audit and written representations that have been sought		•
Significant difficulties encountered during the audit		•
Significant deficiencies in internal control identified during the audit		•
Significant matters arising in connection with related parties		•
Identification or suspicion of fraud involving management and/or which results in material misstatement of the financial statements		•
Non-compliance with laws and regulations		•
Unadjusted misstatements and material disclosure omissions		•
Expected modifications to the auditor's report, or emphasis of matter		•

ISA (UK) 260, as well as other ISAs (UK), prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table here.

This document, the Audit Findings, outlines those key issues, findings and other matters arising from the audit, which we consider should be communicated in writing rather than orally, together with an explanation as to how these have been resolved.

Respective responsibilities

As auditor we are responsible for performing the audit in accordance with ISAs (UK), 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.

Distribution of this Audit Findings report

Whilst we seek to ensure our audit findings are distributed to those individuals charged with governance, we are also required to distribute our findings to those members of senior management with significant operational and strategic responsibilities. We are grateful for your specific consideration and onward distribution of our report to all those charged with governance.

B. Action Plan – Audit of Financial Statements

We have identified 12 recommendations for the group as a result of issues identified during the course of our financial statements audit. We have agreed our recommendations with management and we will report on progress on these recommendations during the course of the 2024/25 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.

On pages 37-42, we have also included the 12 recommendations identified during our IT audit. On pages 43 and 44 we have noted 4 controls for which assurance could not be provided. Those recommendations have been agreed with the Council IT team and the report agreed with Council management. If you would like to receive a copy of the full IT audit report, please let us know.

Assessment	Issue and risk	Recommendations
Medium	**Control environment** As part of our initial review of the Council's control environment we have noted the following findings: - Senior finance staff can post journals - Users can self-authorise journals There is a risk is that users could create and approve inappropriate entries to the financial statements or with collusion that potentially there could be the opportunity to commit fraud.	We recommend that the Council review their IT control environment to establish either some sort of preventative system approval control is built in where practicable, or management introduce a detective control to provide reassurance that journals are posted appropriate. **Management response** The Council has previously investigated implementing controls within the financial system, but the system isn't able to accommodate these. Manual processes are in place for journal approvals (as per the Scheme of Financial Delegation) to ensure all journals are appropriate. In addition, measures are in place to mitigate the risk of potential error though budget monitoring, closedown processes, etc.
Medium	**Reconciliations** Our audit work identified issues with reconciliations not always been performed on a timely basis or not being performed. Reconciliations are an important financial control, ensuring the accuracy of the financial data. We note that this was often as a result of capacity issues.	We recommend that management ensure regular reconciliations are performed to help mitigate any financial risks associated with discrepancies, fraud or mismanagement. **Management response** Agree The Council will ensure that all reconciliations are completed on a timely basis.
Medium	**Related party transactions** We noted that not all register of interests had been received and our audit work also noted some undisclosed related party transactions. In addition, the working papers supporting the members transaction could be made clearer.	We recommend that the guidance in respect of the disclosure forms is clarified and that each councilor and senior officer should submit the related party's disclosure forms on a regular, not less than annual, basis. A reminder should be sent to all councilors and senior officers to ensure they are submitted a completed register of interest's form. For completeness, nil returns should be requested. **Management response** Agree The Council believes the guidance is clear but has asked for any examples of best practice that could be shared that would improve our guidance. All councillors and senior officers are required to complete annual returns, reminders are sent, and nil returns are requested. However, the Council will continue to try to ensure 100% compliance.

Controls

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

B. Action Plan – Audit of Financial Statements

Assessment	Issue and risk	Recommendations
	The financial statements preparation process As of the receipt of the draft accounts on June 14th, 2024, we observed that certain aspects were incomplete: a) Group accounts were not populated; b) The valuation of the Strand Shopping Centre (Investment property) was also pending. Additionally, it has been signed by the S151 officer as properly prepared, which should not be the case.	We recommend that management review its year-end process so that when the draft accounts are prepared for publication they are a full set of accounts, subject to audit. **Management response** Agree The Council has introduced more robust processes to ensure the valuations of the Strand is completed in line with the timetable. In addition, the Council will work with its wholly owned subsidiaries to they produce draft accounts that can be incorporated in the Council's draft Statement of Accounts.
	The financial statements preparation process – level of adjustments Whilst we fully acknowledge the circumstances of this audit, i.e. no significant external audit presence for several years, no audited accounts since 2020/21 and starting the audit before the previous years accounts were disclaimed, we have noted a significant number of adjustments to the accounts since the version that was published and submitted for audit.	We recommend, now that management are in a clearer audit cycle, the Council reviews its year-end process and ensures there is sufficient review time built in that the quality of the first draft is sufficiently high that there are less adjustments required post publication. **Management response** Agree As suggested, the production of the 2023/24 Statement of Accounts was impacted by the audit processes still being ongoing on earlier year's Statement of Accounts. The Council's timetable for completion of the 2024/25 Statement of Accounts includes additional review time to ensure the document contains fewer errors.
	Asset ceiling calculation The Actuary's calculation of secondary contributions uses a perpetuity assumption rather than a funding horizon, which is considered the most appropriate assumption. Although for the current period we are comfortable from our own calculations that there is a sufficient asset ceiling for Sefton to recognise a pension asset, this should form part of the management's experts response to the Council.	We recommend that Sefton discuss the appropriateness of their assumptions with their actuary. **Management response** Agree The Council will request the actuary uses the suggested approach when undertaking their calculations.
	Review of valuation assumptions Our audit work identified some adjustments linked to obsolescence rates and build rates being incorrect.	We recommend that the Council review and perform a sense check of the assumptions used by the valuer where similar assets would expect to have similar inputs. **Management response** Agree Additional reviews will be undertaken to ensure consistency.

B. Action Plan – Audit of Financial Statements

Assessment	Issue and risk	Recommendations
	Income recognition We noted as part of our fees and charges testing that due to delays in agreeing the amounts with utility companies, income from the prior year was only being agreed and accounted for in the current year, meaning income is being accounted for in the incorrect period. As the net effect of this was below triviality at £200k for 2023/24 we have not included an adjustment in respect of this.	We recommend that management review the Network management cost centre to make sure there are no significant amounts of unagreed income, which are then being accounted for in the wrong year. **Management response** Agree Will review as part of the 2024/25 closedown process.
	Group Companies The Council's internal audit review identified areas where appropriate internal controls weren't always in place. This combined with the fact that the Council was not able to obtain sufficient information to publish Group Accounts indicates that could be improvements made to the Council's monitoring of its group arrangements. Our Value for Money work also identifies some improvement recommendations on the Council's arrangements with its subsidiaries.	We recommend that management review the arrangements with Group companies and with the shortening deadlines in respect of the local government backstop arrange to receive sufficient information from their subsidiaries to allow the Group Accounts to be included when the draft Statement of Accounts is published for inspection. **Management response** Agree The Council will work with its wholly owned subsidiaries to they produce draft accounts that can be incorporated in the Council's draft Statement of Accounts.
	Financial Instrument Disclosure and credit risk exposure We requested support for the calculation of the 3.29% historical default experience and discovered that this figure has remained unchanged since 2018/19, spanning a period of five years. Consequently, we requested an updated calculation. Upon recalculation, the updated percentage is 2.85%. As a result, the total estimated maximum exposure variance amounts to £172.78k. Since the amount is deemed trivial, no adjustment has been proposed in Appendix D.	We recommend that the Council updates its historical experience assessment. Outdated historical data may not accurately capture current market conditions and debt collection performance, potentially affecting risk management and decision-making processes. **Management response** Agree The Council will ensure the calculation is updated annually.
	Valuation - RICS Compliant Letter of Engagement We have obtained a framework agreement document, but not a RICS compliant terms of engagement letter that sets out key matters. As per enquiry with valuer, no instructions were received from Finance. Finance and Property Services were all part of Corporate Resources at that time so it was not felt necessary that a terms of engagement letter was required. Now that the Property Team has moved to a different directorate, there should be a terms of engagement letter issued for future years starting with valuations as at 31 March 2025.	We recommend that the Council has a RICS compliant terms of engagement letter that sets out key matters for their asset valuations, with both internal and external valuers. **Management response** Agree This will be introduced for 2024/25.
	Signed agreements We noted on our review of service organisations that the agreement with Halton Borough Council was unsigned.	We recommend that the Council has signed contracts where they have arrangements in place with third parties. **Management response** Agree The Council believe this is an isolated occurrence but will ensure all arrangements with third parties have a signed document in place.

B. Action Plan – IT Audit Findings

We have identified 12 recommendations for the Council on progress on these recommendations during the course of the 2024/25 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. We also identified 4 controls for which assurance could not be provided. These are detailed on pages 43 and 44.

Assessment	Issue and risk	Recommendations
(red)	**Segregation of duties conflicts within Agresso** Administrative access to Agresso was granted to users who had financial reporting responsibilities. Specifically, we noted that the MSLSYSADMSC' role, with the privilege to user administration, was inappropriately granted to 5 finance system team with financial reporting responsibilities. This combination of roles violates the fundamental security principles of least privilege and segregation of duties, as it allowed excessive access and undermines the separation of responsibilities.. **Risk** A combination of administration and financial privileges creates a risk that system-enforced internal controls can be bypassed. This could lead to - unauthorized changes being made to system parameters - creation of unauthorized accounts, - unauthorized updates to their own account privileges - deletion of audit logs or disabling logging mechanisms.	Access should be based on the principle of least privilege and commensurate with job responsibilities. Management should define segregation of duty policies and processes and ensure that there is an understanding or roles, privileges assigned to those roles. It may be helpful to create matrices to provide an overview of the privileges assigned to roles. Management should adopt a risk-based approach to reassess the segregation of duty matrices on a periodic basis. This should consider whether the matrices continue to be appropriate or required updating to reflect changes within the business. **Management response** All risks and recommendations noted and understood. The role of the Finance Systems Team is hybrid in nature. The team have responsibility for the following roles: • Management of the main finance system and general ledger for the local authority • To manage resources, delivering a time critical production schedule including interfaces and payments • To ensure effective system administration of the FS, including maintenance of security and efficient and timely intervention related to workflow/processing related issues Due to overall numbers in councils, it is difficult to practically achieve true segregation of duties. That said, Sefton will explore the potential to create separate accounts for users who may need to complete tasks which require elevated permissions.
(red)	**Developers had Implementer access in the production environment** 5 users were granted the SYSTEM role on production and development environments, allowing them to develop and implement changes into the production environment without adequate segregation of duties. **Risk** Without a dedicated development environment, testing may be compromised due to unstable or incomplete code being tested directly in the test environment. This increases the likelihood of defects going undetected, leading to potential issues in the production environment.	Management should segregate a user's ability to develop and implement changes. Privileged access to the production environment should be revoked from users that are involved in development. Where management is unable to fully segregate access for operational reasons, alternative options to mitigate the risk could include performing a review of change implementation activity logs. These should be regularly reviewed for appropriateness by an independent individual with evidence retained. **Management response** All risks and recommendations noted and understood. Sefton's finance system is hosted and provided by Halton Borough Council. The 5 users named are the administrators of the system and those with the skills, knowledge and experience to advise, test and implement changes. All changes are documented and those requiring end user testing are done so by Sefton resources. That said, Sefton will explore if a more robust change management process (including review and sign-off by a senior officer) could be implemented to increase assurance.

Assessment
- ● Significant deficiency – ineffective control/s creating risk of significant misstatement within financial statements and / or directly impact on the planned financial audit approach.
- ● Deficiency – ineffective control/s creating risk of inconsequential misstatement within financial statements and not directly impacting on the planned financial audit approach
- ● Improvement opportunity – improvement to control, minimal risk of misstatement within financial statements and no direct impact on the planned financial audit approach

B. Action Plan – IT Audit Findings

Assessment	Issue and risk	Recommendations
	Inadequate Audit Logging and Monitoring of Privileged Users It was noted that there was no adequate control in place to ensure that the roles of requester, tester, and approver in the system change management process were inadequately segregated. For a sample change implemented within the audit period, we noted that the same individual - (Finance Systems Manager), was responsible for requesting, testing, and approving the change. Also, the change was approved for production deployment on 10/07/2023, before testing was conducted on 18/08/2023. **Risk** This inadequacy poses a moderate risk to the organization, as it:- Limits the ability to detect unauthorized or malicious administrative actions- Increases the risk of undetected security incidents and data breaches- Hinders forensic investigations and incident response efforts	Considering the criticality of Agresso for financial reporting, information security events such as - repeated invalid/ unauthorized login attempts to access systems, data or applications - privileged user activities - changes to system configurations, tables and standing data should be logged and formally reviewed. It is recommended that security event logs are reviewed on a regular basis for example daily or weekly, ideally by an IT security personnel / team who are independent of those administrating Agresso and its underlying database. Any issues identified within these logs should be investigated and mitigating controls implemented to reduce the risk of reoccurrence. **Management response** All risks and recommendations noted and understood. The finance system is hosted and provided by Halton Council. The Sefton Council set up has replicated the Halton configuration as far as is practicable. However, Sefton Council will discuss with Halton regarding options as to how event logs can be monitored and investigated.
	Insufficient Segregation of Duties in Change Management process for Agresso It was noted that there was no adequate control in place to ensure that the roles of requester, tester, and approver in the system change management process were inadequately segregated. For a sample change implemented within the audit period, we noted that the same individual - (Finance Systems Manager), was responsible for requesting, testing, and approving the change. Also, the change was approved for production deployment on 10/07/2023, before testing was conducted on 20/07/2023. **Risk** This lack of segregation of duties and premature approval for deployment to production increase the risk of introducing unvalidated changes into production, potentially resulting in errors, security breaches, or system downtime.	We recommend that Management should - Establish clear role-based access controls to ensure segregation of duties in the change management process. - Assign distinct responsibilities to different individuals for requesting, testing, and approving changes to prevent single-point control. -Ensure testing is completed successfully before granting approval for production deployment. - Enhance change management policies and procedures to emphasize the importance of segregation of duties and prevent similar control weaknesses. **Management response** All risks and recommendations noted and understood. The role of the Finance Systems Team is hybrid in nature. The team have responsibility for the following roles: • Management of the main finance system and general ledger for the local authority • To manage resources, delivering a time critical production schedule including interfaces and payments • To ensure effective system administration of the FS, including maintenance of security and efficient and timely intervention related to workflow/processing related issues Due to overall numbers in councils, it is difficult to practically achieve true segregation of duties. The nature of changes is that specialised knowledge is required for both the system and the usage of the system for business purposes – due to the nature of the role – this is currently within the remit of the role holder. The Council will look at how formal change control can be managed for this system moving forwards.

Assessment
- ● Significant deficiency – ineffective control/s creating risk of significant misstatement within financial statements and / or directly impact on the planned financial audit approach.
- ● Deficiency – ineffective control/s creating risk of inconsequential misstatement within financial statements and not directly impacting on the planned financial audit approach
- ● Improvement opportunity – improvement to control, minimal risk of misstatement within financial statements and no direct impact on the planned financial audit approach

Assessment	Issue and risk	Recommendations
Green	**Non-compliance with the Password Policy** The existing configuration on Agresso did not enable password complexity requirements, contrary to industry leading practices. Also, the password minimum length was set to 8 characters which did not meet the Council's password policy requirement of a minimum of 16 characters. **Risk** A lack of robust password settings may allow financial information to be compromised by unauthorized users. In particular: - Short passwords can easily be guessed. -- If password complexity is not configured, users will tend to choose simple, guessable words as their passwords.	Management should ensure that password settings configured on Agresso are in line with the organization's password policy. We recommend that password parameters for Agresso should be configured to meet best practice guidelines such as those recommended by NCSC. **Management response** All risks and recommendations noted and agreed. Sefton's finance system is hosted and provided by Halton Borough Council and replicates as far as possible the Halton set up – Halton utilises SSO and thus the requirements of Sefton for passwords was constructed to accommodate the requirements at the time. All literature and training refers users to the Council Current Password policy. Sefton Council is currently working with Halton Council to introduce SSO for Agresso at Sefton; timescales are to be confirmed. It should also be noted that, in order to access the Sefton instance of Agresso, you have to be logged into the Sefton network, which has a 16 character password (and for hybrid users, the VPN also requires a 16 character password). The Sefton instance of Agresso is not accessible outside of the Sefton network, so the above provides an additional layer of security.
Red	**Inadequate privileged access control on application level for ContrOCC** We noted the following: - The 'SUPERUSER' role, which had full access to all functionalities, including user management and security configuration, was inappropriately granted to six (6) users with financial reporting and/or business responsibilities. This combination of roles violated the fundamental security principles of least privilege and segregation of duties. **Risk** Granting privileged access permissions to inappropriate users without appropriate justification can result in unauthorized access and bypassing of system-enforced controls such as: - unauthorized changes being made to system parameters - creation of unauthorized accounts, - unauthorized updates to their own account privileges - deletion of audit logs or disabling logging mechanisms.	Access should be based on the principle of least privilege and commensurate with job responsibilities. Management should define segregation of duty policies and processes and ensure that there is an understanding or roles, privileges assigned to those roles and where incompatible duties exist. It may be helpful to create matrices to provide an overview of the privileges assigned to roles. Management should adopt a risk-based approach to reassess the segregation of duty matrices on a periodic basis. This should consider whether the matrices continue to be appropriate or required updating to reflect changes within the business. Redundant privileged generic accounts and user accounts should be removed **Management response** All risks and recommendations noted and agreed. A widespread review of all ContrOCC users and assigned profiles is being planned from within Adult Social Care with the aim of: Restructuring the outdated 'Grouping' of profiles to better reflect the current team structure (and associated duties) within Sefton. Review and reduce superuser access. Remove redundant generic/user accounts. Strip back existing rights to the baseline requirements for all users based on role whilst introducing a change request forum for team managers to use if additional rights are needed for a particular user or role within that team. These would be assessed by a panel consisting of Service Manager, Senior User & Systems Lead

Assessment
- ● Significant deficiency – ineffective control/s creating risk of significant misstatement within financial statements and / or directly impact on the planned financial audit approach.
- ● Deficiency – ineffective control/s creating risk of inconsequential misstatement within financial statements and not directly impacting on the planned financial audit approach
- ● Improvement opportunity – improvement to control, minimal risk of misstatement within financial statements and no direct impact on the planned financial audit approach

B. Action Plan – IT Audit Findings

Assessment	Issue and risk	Recommendations
Deficiency (amber)	**User access within ContrOCC was not timely revoked for a terminated employee** For a sample leaver [Joseph Welch (Finance Support Officer)] who left on 11 June 2023, it was noted that the leaver's access on ContrOCC was revoked on 28 July 2023. However, we noted that last logon date on ContrOCC for this user preceded the date of termination., 06 June 2023. **Risk** Where system access for leavers is not disabled in a timely manner, there is a risk that former employees will continue to have access and can process erroneous or unauthorised access transactions. There is also a risk that these accounts may be misused by valid system users to circumvent internal controls.	Management should ensure that a comprehensive user administration procedures are in place to revoke application and Active Directory access in a timely manner. For a user administration process to be effective, IT must be provided with timely notifications from HR and/ or line managers Management should consider performing user access reviews on all terminated accounts to ensure all accounts have been disabled in a timely manner. Where old or unused accounts have been identified, these should be immediately revoked. **Management response** Generally, we have a robust process in place for managing leavers (as outlined in the starters, movers and leavers policy document). We feel this addresses the first recommendation and picks up the fact that all access is periodically removed even if managers do not notify so also address the second and third recommendations.
Significant deficiency (red)	**Inappropriate segregation of duties as developers had access to the production environment** Excessive access privileges were identified, as 13 users were granted the SUPERUSER role on production and development/ test environment, allowing them to develop and implement changes into the production environment without adequate separation of duties. **Risk** Without a dedicated development environment, testing may be compromised due to unstable or incomplete code being tested directly in the test environment. This increases the likelihood of defects going undetected, leading to potential issues in the production environment.	Management should segregate a user's ability to develop and implement changes. Privileged access to the production environment should be revoked from users that are involved in development. Where management is unable to fully segregate access for operational reasons, alternative options to mitigate the risk could include performing a review of change implementation activity logs. These should be regularly reviewed for appropriateness by an independent individual with evidence retained. **Management response** All risks and recommendations noted and agreed. Superuser accounts have been reviewed and superuser access has now been reduced to key specific users in production and development environments for the reasons outlined. Sefton Council proposes to implement a regular review of change implementation activity logs, along with a robust process around implementation of changes.

Assessment
- ● Significant deficiency – ineffective control/s creating risk of significant misstatement within financial statements and / or directly impact on the planned financial audit approach.
- ● Deficiency – ineffective control/s creating risk of inconsequential misstatement within financial statements and not directly impacting on the planned financial audit approach
- ● Improvement opportunity – improvement to control, minimal risk of misstatement within financial statements and no direct impact on the planned financial audit approach

B. Action Plan – IT Audit Findings

Assessment	Issue and risk	Recommendations
	Inconsistent Access Provisioning for User Account within ContrOCC During our review, we identified a discrepancy between the requested access profile and the actual access granted to a sample user account created within the period under review. Specifically, the access granted to these user differed from their requested profile, indicating a potential breakdown in the access provisioning process. **Risk** This inconsistency poses a risk to the organization's access control and segregation of duties, potentially allowing users to perform unauthorized actions or access sensitive data. This could lead to data breaches, financial losses, or compliance violations.	We recommend that the organization reviews and updates its access provisioning process to ensure that granted access aligns with requested profiles. Additionally, consider implementing automated controls or regular audits to detect and correct any discrepancies in user access. This will help ensure that access is properly managed and reduces the risk of unauthorized access or data breaches. **Management response** All risks and recommendations noted and agreed. As part of our internal review relating to profile security and access rights, we will develop robust reporting to monitor and support the upkeep and correction of user accounts. In the case highlighted in appendix 5 of the IT Audit report, we will investigate the discrepancy but are confident that a robust monitoring process would highlight this allowing swift remedial action to be taken.
	Lack of Approval for User Access Modification During our review, we noted that there was no evidence of approval for the modification of user Paul Cousin's access to the application before the changes were made to their profile on ContrOCC. The user made a self-request without evidence of approval from their line manager. **Risk** User access may not be appropriately aligned to job role requirements which may lead to inappropriate access within the application or underlying data.	We recommend that the management establishes a formal approval process for user access modification, requiring line manager approval before making any changes. Additionally, controls should be implemented to detect and prevent unauthorized self-service requests. This will help ensure that access changes are appropriate and authorized, reducing the risk of unauthorized access and security breaches **Management response** All risks and recommendations noted and agreed. As part of our review and proposed change control process, any access modification requests will have to be made by a Team Manager on behalf of a user and agreed by a panel. This robust approach would mitigate unauthorised changes to user profiles.
	Lack of review of information security/audit logs in ContrOCC and Agresso There were no controls in place to actively monitor the usage of active generic privileged users within the ContrOCC applications and the underlying database. **Risk** Without formal and routine reviews of event logs, inappropriate and anomalous activity may not be detected and resolved in a timely manner. Additionally, unauthorised system configuration and data changes made using privileged accounts will not be detected by management.	It is recommended that critical activities on the event logs are reviewed on a regular basis for example daily or weekly, ideally by an IT security personnel / team who are independent of those administrating [the applications and their underlying database. Any issues identified within these logs should be investigated and mitigating controls implemented to reduce the risk of reoccurrence. **Management response** All risks and recommendations noted and understood. Agilisys will be asked to investigate how event logs can be monitored and investigated.

Assessment
- Significant deficiency – ineffective control/s creating risk of significant misstatement within financial statements and / or directly impact on the planned financial audit approach.
- Deficiency – ineffective control/s creating risk of inconsequential misstatement within financial statements and not directly impacting on the planned financial audit approach
- Improvement opportunity – improvement to control, minimal risk of misstatement within financial statements and no direct impact on the planned financial audit approach

B. Action Plan – IT Audit Findings

Assessment	Issue and risk	Recommendations
●	**Lack of evidence of CAB approval for deployment of a change sample** The change management process was not followed for a sample change, as it was deployed to production without CAB approval, although approved for development. This oversight may lead to unauthorized changes, errors, or security breaches in production **Risk** Inadequate change management controls increase the risk of unapproved, untested, or unauthorized changes being introduced into production, potentially compromising system stability, security, and integrity. .	We recommend that the management should do the following : - Ensure that all major changes to production environments receive formal approval from the Change Advisory Board (CAB) prior to deployment. - Reinforce change management policies and procedures to prevent deviations from the approved process. - Conduct regular audits and reviews to ensure compliance with change management controls. - Provide training to personnel involved in the change management process to emphasize the importance of adhering to established protocols. **Management response** All risks and recommendations noted and agreed. Responses to assessments 6, 9 and 10 highlight our commitment to ensuring these recommendations are taken seriously and actions put into place. From the review and change control process, training will materialise from the agreed approach and finer details to ensure all Team Managers responsible for ContrOCC users are aware of the requirements and why those requirements are necessary.

Assessment

- ● Significant deficiency – ineffective control/s creating risk of significant misstatement within financial statements and / or directly impact on the planned financial audit approach.
- ● Deficiency – ineffective control/s creating risk of inconsequential misstatement within financial statements and not directly impacting on the planned financial audit approach
- ● Improvement opportunity – improvement to control, minimal risk of misstatement within financial statements and no direct impact on the planned financial audit approach

B. Action Plan – IT Audit Findings

As well as the recommendations on the preceding pages, we also identified 4 controls for which assurance could not be provided. These are detailed below on pages 42 and 43 and management's response has been noted.

	Control Name and Description	Reason/Justification
1.	**Agresso Application - Change Management** **CM5** Ability to develop and deploy changes is with the Third-Party Halton Council where the application database is also hosted.	GT has inquired and noted that the Agresso database is hosted and managed by a third-party provider, Halton Council. However, no SOC 2 or other assurance reports were available for review. Furthermore, it was observed that there are no controls in place to prevent developers from implementing changes directly to production. Notably, developers who are employees of Halton Council have access to implement changes, which raises concerns about the separation of duties and the potential for unauthorized changes. **Management response** Risk noted and understood. Sefton Council will discuss the requirement for change management controls with Halton Council.
2.	**Agresso Application - Security Management** **SM5** Administrative privileges (including generic super user access rights) to the network, applications and their associated databases are restricted to those users requiring this level of access (in line with their roles and responsibilities). Privileged duties do not conflict with other roles. **SM6** Applications have been configured to generate security event logs (audit logs, user activity logs) which are proactively reviewed to detect any unauthorized access attempts or inappropriate use of the application	GT inquired and noted that Halton Council, the third-party provider, has sole access and management control over the Agresso database. Sefton Council personnel do not have system-administrator privileges, and SOC 1/2 assurance reports are not available. Consequently, GT is unable to provide control assurance **Management response** Risk noted and understood. Sefton Council will discuss the requirement for improved security management controls with Halton Council.

B. Action Plan – IT Audit Findings

	Control Name and Description	Reason/Justification
3.	**ContrOCC Application - Security Management** **SM5** Administrative privileges (including generic super user access rights) to the network, applications and their associated databases are restricted to those users requiring this level of access (in line with their roles and responsibilities). Privileged duties do not conflict with other roles. **SM6** Applications have been configured to generate security event logs (audit logs, user activity logs) which are proactively reviewed to detect any unauthorized access attempts or inappropriate use of the application	GT inquired and noted that Agilysis, the third-party provider, has sole access and management control over the ContrOCC database. Sefton Council personnel do not have system-administrator privileges, and SOC 1/2 assurance reports are not available. Consequently, GT is unable to provide control assurance **Management response** Risk noted and understood. Agilisys, as the contracted IT service management provider to Sefton Council, manages key centralised databases (including the ContrOCC database) for the entire Council and all relevant systems. We would not expect Sefton Council staff to have administrator privileges in this respect and any risk is inherent in the overarching contractual agreement.
4.	**Active Directory Application - Security Management** **SM5** Administrative privileges (including generic super user access rights) to the network, applications and their associated databases are restricted to those users requiring this level of access (in line with their roles and responsibilities). Privileged duties do not conflict with other roles. **SM6** Applications have been configured to generate security event logs (audit logs, user activity logs) which are proactively reviewed to detect any unauthorized access attempts or inappropriate use of the application	GT inquired and noted that Agilysis, the third-party provider, had sole access and management control over the Active Directory. Sefton Council personnel do not have administrator privileges, and SOC 1/2 assurance reports are not available. Consequently, GT is unable to provide control assurance **Management response** Risk noted and understood. Agilisys, as the contracted IT service management provider to Sefton Council, manages Active Directory for the entire Council and all relevant systems. We would not expect Sefton Council staff to have administrator privileges in this respect and any risk is inherent in the overarching contractual agreement.

C. Audit Adjustments – impact on 2022/23 corresponding amounts

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 adjusted misstatements

All adjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year ending 31 March 2023. As we started our audit of 2023/24 before the 2022/23 accounts had been finalised some adjustments were noted that related to the prior period and the Council adjusted those accounts before they were finalised in December 2024 impacting on the corresponding amounts in the 2023/24 statement of accounts.

Detail	Comprehensive Income and **Expenditure Statement £'000**	Balance Sheet **£' 000**	Impact on total net **expenditure £'000**	Impact on general fund **£'000**
Derecognitions – originally recognised in 2023/24 but related to 2022/23 so as the accounts were still open these were adjusted in that period.	9,998	(9,998)	9,998	0
Update for asset revaluations not in draft accounts	6,594	(6,594)	6,594	0
Adjustment re capital grants	(1,895)	1,895	(1,895)	0
Overall impact	**£14,697**	**£(14,697)**	**£14,697**	**£0**

Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit relating to 2022/23 which have then been updated in the final set of 2022/23 statements of accounts and therefore updated the corresponding amounts in the 2023/24 statement of accounts.

Accounts area	Disclosure/issue/Omission	Adjusted?
Infrastructure assets	Disclosure to be updated to reflect the fact that the Council are taking advantage of the temporary relief to be offered by the Code	✓
Capital receipts	Reclassification of a capital receipt as a deferred capital receipt	✓

Unadjusted errors

Our audit work noted that no depreciation was charged on highway assets during 2022/23. This would have been an adjustment of £524,000 in the 2022/23 accounts but was not processed in the final accounts. This has been updated in the 2023/24 statement of accounts, see page 46.

D. Audit Adjustments - impact on 2023/24

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 adjusted misstatements

All adjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year ending 31 March 2024.

Detail	Comprehensive Income and Expenditure Statement **£'000**	Balance Sheet **£' 000**	Impact on total net **expenditure £'000**	Impact on general **fund £'000**
Updating of the accounts for the Strand revaluation	577	(577)	577	0
Updating of pension asset following our request for an update of values to year-end.	12,800	(12,800)	12.800	0
Removal of land value accidentally included twice	395	(395)	395	0
Derecognitions – originally recorded incorrectly in 2023/24 but subsequently adjusted in 2022/23.	(9,998)	9,998	(9,998)	0
Adjustment for wrong obsolescence rate	**1,035**	**(1,035)**	**1,035**	**0**
Adjustment for wrong build rate	**(941)**	**941**	**(941)**	**0**
Adjustment for highway asset depreciation not charged in 2022/23	**524**	**(524)**	**524**	**0**
Overall impact	**£4,392**	**£(4,392)**	**£4,392**	**£0**

There are no unadjusted misstatements for 2023/24.

D. Audit Adjustments - impact on 2023/24

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

Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Accounts area	Disclosure/issue/Omission	Adjusted?
Minor amendments to the narrative report	Improved cross-referencing, typographical errors and to reflect updated numbers in the statement of accounts and updated climate change information.	✓
Audit fees incorrect	Audit fees to be updated.	✓
Cash flow statement	Updated to show consistent accrual methodology between years and also correction of signage and further disclosure of other amounts.	✓
Minor amendments to the statement of accounts	Correction of signage and typographical errors.	✓
Presentation of pension asset/liability	Presentation change to show pension asset in long-term assets with unfunded liabilities remaining in pension liabilities. In addition, the Council needed to add in disclosure in respect of the impact of the asset.	✓
Operating leases	Note updated to be consistent with supporting working paper.	✓
Grant Income	Inconsistencies between CIES and note to be updated and minor presentational changes. Reclassification of capital grant disclosure and REFCUS	✓ X
Contingent liabilities	Note updated to reflect Merseyside Pension Fund figures for pension guarantees.	✓
Dedicated School Grant	Note updated to reflect the amounts as per the government funding.	✓
Cash and cash equivalents	Presentational change to show overdraft separately in current liabilities rather than within cash and cash equivalents.	✓
Bad debt provision	The provision for long-term debtors was original sat against the short-term debtor balance so this has been reclassified to be shown against long-term debtors.	✓
Senior officer remuneration	Updating the disclosure to include names where appropriate and original table for over £50k pay did not include all the bandings.	✓

D. Audit Adjustments - impact on 2023/24

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

Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Accounts area	Disclosure/issue/Omission	Adjusted?
Infrastructure assets	Disclosure to be updated to reflect the fact that the Council are taking advantage of the temporary relief to be offered by the Code	✓
Annual Governance Statement	To be updated to reflect non-compliance with PSIAS.	✓
Related party transactions	Note to be updated to reflect missing related party transactions.	✓
Financial Instruments	Some liabilities needed reclassifying between financial liabilities and non-financial liabilities.	✓
	There is no disclosure of the FV hierarchy for FI carried at amortised cost and FV disclosed.	✓
	We identified areas of improvement within the disclosures where the Council wasn't fully compliant with IFRS13.	x
Impact of implementation of IFRS16	Given IFRS 16 applies from 1 April 2024, would expect the council to be able to provide some quantitative disclosures, even if estimated.	x
Compliance with IAS1	Some of the critical judgements and material uncertainties noted in the accounts do not actually represent critical judgements or material uncertainties in accordance with IAS1.	✓
Expenditure and Funding Analysis	Note to be updated to add a column to show the reconciliation to the outturn position.	✓

E. Fees and non-audit services

We confirm below our final fees charged for the audit and provision of non-audit services.

Audit fees	Proposed fee	Final fee
Sefton Council Audit – scale fee	£371,422	£371,422
ISA 315	£12,550	£12,550
Cost for External Valuation expert (may vary depending on work required)	£6,000	£6,000
Total audit fees (excluding VAT)	£389,972	£389,972

All variations to the scale fee will need to be approved by PSAA.

E. Fees and non-audit services

Non-audit fees for other services	Proposed fee	Final fee
Audit Related Services – Housing Benefit Certification	37,970	37,970
Audit Related Services – Teachers Pension Return Certification	20,000	20,000
Total non-audit fees for 2023/24 (excluding VAT)	**£57,790**	**£57,970**
Non-audit fees for previous periods (accrued in the financial statements for those years)		
Audit Related Services – Teachers Pension Return Certification – 2022/23	12,500	12,500
Audit Related Services – Teachers Pension Return Certification – 2021/22	10,000	10,000

Total audit and non-audit fee for 2023/24	
(Audit Fee) £ 389,792	(Non Audit Fee) £57,970

The fees and non-audit fees reconcile to the financial statements. The non-audit fees for previous periods were recorded in the relevant financial statements for those periods.

None of the above services were provided on a contingent fee basis.

This covers all services provided by us and our network to the group/company, its directors and senior management and its affiliates, and other services provided to other known connected parties that may reasonably be thought to bear on our integrity, objectivity or independence.

F. Auditing developments

Revised ISAs

There are changes to the following ISA (UK):

ISA (UK) 315 (Revised July 2020) 'Identifying and Assessing the Risks of Material Misstatement'

This impacts audits of financial statement for periods commencing on or after 15 December 2021.

ISA (UK) 220 (Revised July 2021) 'Quality Management for an Audit of Financial Statements'

ISA (UK) 240 (Revised May 2021) 'The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements

A summary of the impact of the key changes on various aspects of the audit is included below:

These changes will impact audit for audits of financial statement for periods commencing on or after 15 December 2022.

Area of change	Impact of changes
Risk assessment	The nature, timing and extent of audit procedures performed in support of the audit opinion may change due to clarification of: • the risk assessment process, which provides the basis for the assessment of the risks of material misstatement and the design of audit procedures • the identification and extent of work effort needed for indirect and direct controls in the system of internal control • the controls for which design and implementation needs to be assess and how that impacts sampling • the considerations for using automated tools and techniques.
Direction, supervision and review of the engagement	Greater responsibilities, audit procedures and actions are assigned directly to the engagement partner, resulting in increased involvement in the performance and review of audit procedures.
Professional scepticism	The design, nature, timing and extent of audit procedures performed in support of the audit opinion may change due to: • increased emphasis on the exercise of professional judgement and professional scepticism • an equal focus on both corroborative and contradictory information obtained and used in generating audit evidence • increased guidance on management and auditor bias • additional focus on the authenticity of information used as audit evidence • a focus on response to inquiries that appear implausible
Definition of engagement team	The definition of engagement team when applied in a group audit, will include both the group auditors and the component auditors. The implications of this will become clearer when the auditing standard governing special considerations for group audits is finalised. In the interim, the expectation is that this will extend a number of requirements in the standard directed at the 'engagement team' to component auditors in addition to the group auditor. • Consideration is also being given to the potential impacts on confidentiality and independence.
Fraud	The design, nature timing and extent of audit procedures performed in support of the audit opinion may change due to: • clarification of the requirements relating to understanding fraud risk factors • additional communications with management or those charged with governance
Documentation	The amendments to these auditing standards will also result in additional documentation requirements to demonstrate how these requirements have been addressed.

G. Management Letter of Representation

Grant Thornton UK LLP

Royal Liver Building

Liverpool

L3 1PS

[Date] – [TO BE DATED SAME DATE AS DATE OF AUDIT OPINION]

Dear Grant Thornton UK LLP

Sefton Council

Financial Statements for the year ended 31 March 2024

This representation letter is provided in connection with the audit of the financial statements of Sefton Council and its subsidiary undertakings Sandway Homes Limited, Sefton New Directions Limited and Sefton Hospitality Operations Limited for the year ended 31 March 2024.

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 group and 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 2023/24 ("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 group and 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 group and Council 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 valuation of land and buildings and the net defined pension liability. 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.

G. Management Letter of Representation

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 group and Council financial statements:

a. there are no unrecorded liabilities, actual or contingent

b. none of the assets of the [group and]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 adjusted misstatements and misclassification and disclosures changes schedules included in your Audit Findings Report. The group and 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 group and 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. No material issues have been identified in respect of RAAC or Equal Pay claims and we have disclosed any and all related information to our auditors.

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. We continue to believe that the group and 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 group and Council means that, notwithstanding any intention to cease the group and Council 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 group and 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 group and Council's ability to continue as a going concern need to be made in the financial statements

xv. The group and Council has complied with all aspects of ring-fenced grants that could have a material effect on the group and Council's financial statements in the event of non-compliance.

Information Provided

xvi. All transactions have been recorded in the accounting records and are reflected in the financial statements.

G. Management Letter of Representation

xvii. We have disclosed to you the identity of the group and Council's related parties and all the related party relationships and transactions of which we are aware.

xviii. On 30 September 2024 parliament approved the Accounts and Audit (Amendment) Regulations 2024. These Regulations set a publication date for financial statements in respect of 2023/24 of 28 February 2025. The new National Audit Office Code which was approved on 14 November 2024 also requires that where auditors are unable to conclude their work, they should issue either a qualified audit opinion or a disclaimer of opinion by this date, known as the 'statutory backstop date'. It has not been possible to provide you with the all the required information for you to complete your audit for year ending 31 March 2024 by the statutory backstop date. This includes the following:

a. providing you with:

i. access to all information of which we are aware that is relevant to the preparation of the group and Council's financial statements such as records, documentation and other matters;

ii. additional information that you have requested from us for the purpose of your audit; and

iii. access to persons within the Council via remote arrangements, from whom you determined it necessary to obtain audit evidence.

b. communicating to you all deficiencies in internal control of which management is aware.

c. disclosing to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

d. disclosing to you all information in relation to fraud or suspected fraud that we are aware of and that affects the group and Council, and involves:

i. management;

ii. employees who have significant roles in internal control; or

iii. others where the fraud could have a material effect on the financial statements.

e. disclosing 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.

f. disclosing 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.

g. disclosing to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

Annual Governance Statement

xix. 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

xx. The disclosures within the Narrative Report fairly reflect our understanding of the group and Council's financial and operating performance over the period covered by the financial statements.

Approval

The approval of this letter of representation was minuted by the Council's Audit & Governance Committee at its meeting on 12 February 2025.

H. Audit opinion

Our anticipated audit report opinion will be disclaimed.

Independent auditor's report to the members of Sefton Council

Report on the audit of the financial statements

Disclaimer of opinion

We were engaged to audit the financial statements of Sefton Council (the 'Authority') and its subsidiaries (the 'group') for the year ended 31 March 2024, which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Collection Fund Statement, the Group Comprehensive Income and Expenditure Statement, the Group Movement in Reserves Statement, the Group Balance Sheet, the Group Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24.

We do not express an opinion on the accompanying financial statements of the Authority or the group. Because of the significance of the matters described in the basis for disclaimer of opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for disclaimer of opinion

The Accounts and Audit (Amendment) Regulations 2024 ('the Regulations') require the Authority to publish audited financial statements for the year ended 31 March 2024 by 28 February 2025 ('the backstop date'). The backstop date has been put in law with the purpose of clearing the backlog of historical financial statements.

As a result of the limitations imposed by the previous backstop date, 13 December 2024, we were unable to obtain sufficient appropriate audit evidence that the corresponding figures included in the financial statements for the year ended 31 March 2024 were free from material misstatement. We were therefore unable to obtain sufficient appropriate audit evidence over the corresponding figures or whether there was any consequential effect on the Authority's Comprehensive Income and Expenditure Statement and the Group's Comprehensive Income and Expenditure Statement for the year ended 31 March 2024 for the same reason.

Furthermore, due to the limitations imposed by the backstop date, we have been unable to obtain sufficient appropriate audit evidence over the Authority's and group's opening balances reported in the financial statements for the year ended 31 March 2024. Consequently, we have been unable to satisfy ourselves over the in-year movements in the net pension liability and property, plant and equipment. This has also resulted in uncertainty over the closing balance of property, plant and equipment of £288million as at 31 March 2024. Similarly, we have not been able to obtain assurance over the Authority's and group's closing reserves balance of £461million as at 31 March 2024, also due to the uncertainty over their opening amount.

We have concluded that the possible effects of these matters on the financial statements could be both material and pervasive. We have therefore issued a disclaimer of opinion on the financial statements. This enables the Authority to comply with the requirement of the Regulations to publish the financial statements for the year ended 31 March 2024 by the backstop date.

Other information we are required to report on by exception under the Code of Audit Practice

Because of the significance of the matters described in the basis for disclaimer of opinion section of our report, we have been unable to consider whether the Annual Governance Statement does not comply with 'delivering good governance in Local Government Framework 2016 Edition' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit.

H. Audit opinion

We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

Opinion on other matters required by the Code of Audit Practice

The Executive Director of Corporate Services and Commercial is responsible for the other information. The other information comprises the information included in the Statement of Accounts, other than the Authority's and group's financial statements and our auditor's report thereon. Because of the significance of the matters described in the basis for disclaimer of opinion section of our report, we have been unable to form an opinion, whether based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority gained through our work in relation to the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources, whether the other information published together with the financial statements in the Statement of Accounts for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters.

Responsibilities of the Authority and the Executive Director of Corporate Services and Commercial

As explained more fully in the Statement of Responsibilities for the Statement of Accounts, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Authority, that officer is the Executive Director of Corporate Services and Commercial. The Executive Director of Corporate Services and Commercial is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24, for being satisfied that they give a true and fair view, and for such internal control as the Executive Director of Corporate Services and Commercial determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Executive Director of Corporate Services and Commercial is responsible for assessing the Authority's and the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have been informed by the relevant national body of the intention to dissolve the Authority and the group without the transfer of its services to another public sector entity.

Auditor's responsibilities for the audit of the financial statements

Our responsibility is to conduct an audit of the Authority's and the group's financial statements in accordance with International Standards on Auditing (UK) and to issue an auditor's report. However, because of the matters described in the basis for disclaimer of opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on those financial statements.

We are independent of the Authority and group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

H. Audit opinion

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The audit was defective in its ability to detect irregularities, including fraud, on the basis that we were unable to obtain sufficient appropriate audit evidence due to the matters described in the basis for disclaimer of opinion section of our report.

Report on other legal and regulatory requirements – the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Matter on which we are required to report by exception – the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Under the Code of Audit Practice, we are required to report to you if, in our opinion, we have not been able to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2024.

We have nothing to report in respect of the above matter except:

On 12 February 2025 we identified significant weaknesses in the Authority's arrangements for Financial Sustainability. This related to:

• unidentified savings or actions to meet funding gaps in the Medium Term Financial Plan including the ongoing and significant demand and cost pressures in relation to Children's Social Care, Home to School Transport and more recently in relation to Adult Social Care. We recommend that:

O further immediate action is required to ensure that planned savings are successfully implemented, that additional savings are identified, that service transformation is delivered as planned, budget pressures are more effectively managed, and reserves are maintained at planned levels.

On 12 February 2025 we also identified significant weaknesses in the Authority's arrangements for Governance. This related to:

• the Authority's recent history of significant use of procurement waivers (exceptions to contract procedure rules) which presents risks to the Authority in realising value for money. We recommend that:

. the Authority take urgent steps to change procurement culture in the use of waivers, ensure waiver data is reported quarterly to the Audit Committee, analyse waiver activity to understand the reasons for the level of waivers, confirm that waivers related to existing contracts or framework agreements, confirm that no waiver approvals resulted in a conflict of interest, gain assurances that all waivers are approved in line with the Authority's Contract Procedure Rules and relevant procurement legislation and that procurement activity that required a waiver did not take place.

On 12 February 2025 we also identified significant weaknesses in the Authority's arrangements for improving economy, efficiency and effectiveness. This related to:

• the Authority's pace of improvement of the Children's Social Care service is impacting on the Authority's ability to effectively and efficiently meet its children's social care statutory responsibilities, and at the same time failure to manage demand pressures is having a significant impact on the Authority's medium-term financial sustainability. We recommend that:

o the Authority ensure there is a corporate grip on successfully delivering the Improvement Plan for Children's Social Care.

Responsibilities of the Authority

The Authority is responsible for putting in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

H. Audit opinion

Auditor's responsibilities for the review of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We undertake our review in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in November 2024. This guidance sets out the arrangements that fall within the scope of 'proper arrangements'. When reporting on these arrangements, the Code of Audit Practice requires auditors to structure their commentary on arrangements under three specified reporting criteria:

- Financial sustainability: how the Authority plans and manages its resources to ensure it can continue to deliver its services;
- Governance: how the Authority ensures that it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness: how the Authority uses information about its costs and performance to improve the way it manages and delivers its services.

We document our understanding of the arrangements the Authority has in place for each of these three specified reporting criteria, gathering sufficient evidence to support our risk assessment and commentary in our Auditor's Annual Report. In undertaking our work, we consider whether there is evidence to suggest that there are significant weaknesses in arrangements.

Report on other legal and regulatory requirements – Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate for Sefton Council for the year ended 31 March 2024 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have completed the work necessary in relation to consolidation returns, including Whole of Government Accounts (WGA), and the National Audit Office has concluded their work in respect WGA for the year ended 31 March 2024. We are satisfied that this work does not have a material effect on the financial statements for the year ended 31 March 2024.

Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 [and as set out in paragraph 85 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited]. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Signature:

Georgia Jones, Key Audit Partner

for and on behalf of Grant Thornton UK LLP, Local Auditor

Liverpool

Date: