
Report to: Audit and Governance Committee **Date of Meeting:** 21 September 2016

Subject: Statement of Accounts 2015/2016

Report of: Head of Corporate Resources

Wards Affected: All

Is this a Key Decision? No

Is it included in the Forward Plan? No

Exempt/Confidential No

Purpose/Summary

To present the final audited 2015/2016 Statement of Accounts for consideration and approval. In addition, the proposed "Letter of Representation" letter from Sefton to Ernst & Young LLP (EY) is attached for approval.

Recommendation(s)

The Audit and Governance Committee is asked to:

- i) Approve the 2015/2016 Statement of Accounts;
- ii) Approve the Annual Governance Statement;
- iii) Note the comments of Ernst & Young LLP;
- iv) Approve the Letter of Representation and Authorise the Chair and the Head of Corporate Resources to sign it on the Council's behalf; and,
- v) Note that following completion of the VFM assessment the final audit certificate will be provided to the Chair of the Audit and Governance Committee and the Head of Corporate Resources and a follow up report will be made available at the next meeting of the Committee.

How does the decision contribute to the Council's Corporate Objectives?

	<u>Corporate Objective</u>	<u>Positive Impact</u>	<u>Neutral Impact</u>	<u>Negative Impact</u>
1	Creating a Learning Community		√	
2	Jobs and Prosperity		√	
3	Environmental Sustainability		√	
4	Health and Well-Being		√	

5	Children and Young People		√	
6	Creating Safe Communities		√	
7	Creating Inclusive Communities		√	
8	Improving the Quality of Council Services and Strengthening Local Democracy	√		

Reasons for the Recommendation:

The Council, or nominated Committee charged with responsibility for Governance, must approve the Statement of Accounts. The Audit and Governance Committee has been delegated with this responsibility and is required to approve the audited Accounts for 2015/2016 by the 30 September 2016.

What will it cost and how will it be financed?

(A) Revenue Costs

None arising from this report.

(B) Capital Costs

None arising from this report.

Implications:

The following implications of this proposal have been considered and where there are specific implications, these are set out below:

Legal	This report complies with legislation, particularly the requirements of the Accounts and Audit (England) Regulations 2015	
Human Resources	None	
Equality		
1.	No Equality Implication	<input checked="" type="checkbox"/>
2.	Equality Implications identified and mitigated	<input type="checkbox"/>
3.	Equality Implication identified and risk remains	<input type="checkbox"/>

Impact on Service Delivery:

N/A

What consultations have taken place on the proposals and when?

The Head of Corporate Resources has been involved in the preparation of this report. (FD 4324/16).

The Head of Regulation and Compliance (LD 3607/16/16) has been consulted and has no comments on the report.

Are there any other options available for consideration?

None.

Implementation Date for the Decision

N/A

Contact Officer: Stephan Van Arendsen
Tel: 0151 934 4081
Email: Stephan.VanArendsen@sefton.gov.uk

Background Papers: None.

1. Background

- 1.1 Since 2010/2011 the Audit and Governance Committee is only required to approve the Statement of Accounts following the completion of the Audit.
- 1.2 Ernst & Young (EY) have now completed the audit of the 2015/2016 Statement of Accounts. Paragraph 2 discusses the content of the Statement of Accounts and highlights there are no significant changes to the content of the Accounts since 2014/2015. The approval of the Annual Governance Statement is considered in paragraph 3. The report from EY on the financial statements (including formal opinion on the accounts) can be found in Paragraphs 4 and 5. This report also provides informal feedback on the work EY have undertaken to date to assess Sefton's Value for Money position.
- 1.3 As part of the formal process to approve the Accounts, the Committee is required to authorise Sefton's "Letter of Representation" to EY. This basically acknowledges the Council's responsibilities in preparing the Accounts and confirms whether there have been any material changes to the financial circumstances contained in the Accounts that EY should be made aware of. This is considered further in Paragraph 6.

2 The Content of the Statement of Accounts

- 2.1 The 2015/2016 Statement of Accounts is an important document, which aims to provide clear information about the Authority's finances for the year and is intended to answer:
 - What the Authority's services cost for the year?
 - Where the money comes from to pay for these services?
 - What were the Authority's assets and liabilities at the year-end?
- 2.2 On 5 March 2015 the Council approved a revenue budget for 2015/2016 of £218.068m which included £0.894m relating to the expenditure of Parish Councils.
- 2.3 As a result it was previously reported that balances for non-school budgets would total £5.802m at 31 March 2016; i.e. the assumption was that balances would reduce by £2.594m. The outturn for 2015/2016 shows that a net underspend of £2.376m has been achieved against this budget. This has therefore reduced General Fund Balances by £0.218m rather than the £2.594m estimated, leaving balances at £8.178m at 31 March 2016.
- 2.4 In line with previous practice, savings agreed by the Council in March 2015 for 2016/2017 were approved for as early an implementation as possible. This has

led to an overachievement of the savings targets in some areas in 2015/2016 (in order to achieve the targets for 2016/2017). Officers have been diligent in the management of resources and this has given the Council early savings which can contribute to earmarked reserves / balances to assist the Authority phase in savings in coming years.

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

- Demonstrating proper stewardship of public monies;
- Providing evidence of the quality and robustness of the authority's financial systems and processes;
- Indicating that current financial performance, monitoring and the Medium Term Financial Plan are integrated processes which will assist the Council in improving its financial standing;
- Providing the key financial information, which will enable future plans and decisions to be made on the basis of known facts and available financial resources; and
- Providing a key line of communication to stakeholders on the Council's current financial performance. The detailed accounts will be available online on Sefton's website and the Executive Summary circulated to all Council Members and other stakeholders.

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

2.7 The 2010/2011 Statement of Accounts was the first set of accounts to be produced under the International Financial Reporting Standards (IFRS) code. Adoption of the IFRS based code resulted in significant changes to both presentation and values in the accounts. For 2015/2016 there are no significant changes.

2.8 The statutory declaration by the Head of Corporate Resources in the Statement represents his approval of the Accounts. Following approval of the Statement of Accounts by the Audit and Governance Committee, the Chair of the Committee will be required to sign the Accounts along with the external auditor completing their statutory certification in relation to his opinion on the financial statements. As mentioned in paragraph 4.5 the final VFM opinion will be presented to the Chair of Audit and Governance Committee and the Head of Corporate Resources together with the final audit certificate.

3 **Annual Governance Statement**

3.1 The "Annual Governance Statement" is required to be presented with the Statement of Accounts. The statement is included as section 10 of the Council's Accounts and needs to be formally accepted by this Committee.

4 Significant Accounting Matters / Corrected Misstatements

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

4.2 Significant audit and accounting matters (Sections 3.2 to 3.3):

- Opening Balances
- Asset Verification
- Payroll Contracts
- Closedown Process

4.3 Corrected Misstatements (Appendix A):

Impacting Main Statements

- Non-Accrual of capital invoices relating to 2015/2016 expenditure.
- Better Care Fund – incorrect accounting for de-recognition of transactions on the Balance Sheet.
- Correction to reflect the revaluation of Ainsdale Hope High School site not applied in the draft statements.

Impacting Disclosure Notes Only:

- Incorrect classification of debtors relating to housing benefits
- Correction relating to de-recognition of previously accounted for Capital Grants and Contributions
- Incorrect classification of Revenue Expenditure Funded from Capital Under Statute (Refcus) in Note 6
- Incorrect classification of Depreciation / Amortisation re. Crosby PFI, Arvato and Leased In Properties in Note 6
- Incorrect classification of Employee Expenses in Note 6
- Incorrect classification of movements in Property, Plant and Equipment (PPE) values in PPE Note.

4.4 It should be noted that all of the adjustments made have no impact on the Council's net assets or on the General Fund position reported in paragraph 2.3.

4.5 At present work is ongoing with regard to the VFM assessment and in particular the procurement procedures that the Council is following. There has been an area of weakness identified in the year and work is continuing in this area. Once complete the VFM opinion will be presented to the Chair of Audit and Governance Committee and the Head of Corporate Resources together with the final audit certificate.

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

5.1 The report covers the audit of the Statement of Accounts and Value for Money work undertaken by EY. Staff from EY will be present at the meeting to provide a brief summary of the issues contained in the report and to answer any questions Members may have.

- 5.2 With regard to the Accounts issues, the report has not identified any matters that require reporting to this Committee. At the time of writing the report, EY had a small number of items to conclude; however they anticipate that an unqualified opinion will be issued.
- 5.3 EY have a responsibility to carry out sufficient and relevant work in order to conclude on whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in the use of resources. As reported in paragraph 4.5 work is continuing in this area with all work completed except for an assessment of the Council's procurement procedures.
- 5.4 EY's report also makes recommendations in relation to weaknesses identified in internal control systems. Officers have considered the recommendations and the report includes their response to each issue.

6 Letter of Representation

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