

## 2021-22 STATEMENT OF ACCOUNTS AND AUDIT FINDINGS

<b>Head of Service:</b>	Brendan Bradley, Head of Finance
<b>Wards affected:</b>	(All Wards);
<b>Urgent Decision?(yes/no)</b>	No
<b>If yes, reason urgent decision required:</b>	N/A
<b>Appendices (attached):</b>	Appendix 1: Provisional Audit Findings Report Appendix 2: 2021/22 Statement of Accounts (includes Annual Governance Statement) Appendix 3: Letter of Representation

### Summary

This report presents the 2021/22 Statement of Accounts and Grant Thornton's Provisional Audit Findings report following the external audit.

### Recommendation (s)

#### The Committee is asked to:

- (1) Approve the Statement of Accounts for the year ended 31 March 2022;
- (2) Receive the Provisional Audit Findings for 2021/22;
- (3) Agree the management action in response to the audit recommendations detailed at Appendix A of the Provisional Audit Findings report;
- (4) Agree that the Chair or Vice Chair of Audit and Scrutiny Committee and the Chief Finance Officer sign the Letter of Representation on behalf of the Council;
- (5) Delegate any further amendments to the 2021/22 Statement of Accounts to the Chief Finance Officer in consultation with the Chair or Vice Chair of Audit and Scrutiny Committee.

### 1 Reason for Recommendation

- 1.1 Approving the recommendations will enable the Council to meet its statutory requirements under the Accounts and Audit Regulations (England), regarding the preparation of its year-end accounts for 2021/22.

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### 2 Background and Proposals

- 2.1 The Accounts and Audit (Amendment) Regulations 2022 require councils this year to publish unaudited Statement of Accounts by 31 July and the audited Statement of Accounts by 30 November.
- 2.2 The Council met the first requirement by publishing its unaudited accounts on 23 June and will meet the second requirement with approval of the audited Statement of Accounts at this meeting.
- 2.3 The Statement of Accounts incorporate disclosures that show the combined financial position of the council and Epsom & Ewell Property Investment Company. These disclosures are known as group accounts.
- 2.4 Grant Thornton, the Council's external auditor, has issued their Provisional Audit Findings following completion of the audit of the Statement of Accounts. The report is attached at Appendix 1.
- 2.5 As part of the audit, Grant Thornton performed sufficient work to gain assurance that the group accounts are materially accurate.
- 2.6 The Provisional Audit Findings Report will be presented to the committee by a senior officer from Grant Thornton, who will also answer any questions members may have on the audit.
- 2.7 The audited Statement of Accounts are included as Appendix 2 to this report. **The accounts are complex and so Members are asked to raise any detailed queries with the Head of Finance prior to the meeting.**
- 2.8 Audit and Scrutiny Committee is asked to approve the audited Statement of Accounts and authorise the Chair to sign the accounts on behalf of the committee.
- 2.9 The Annual Governance Statement (AGS) was approved at Audit and Scrutiny Committee on 14 June 2022. The AGS has been provided to Grant Thornton who plan to issue an unmodified (i.e. favourable) opinion. The AGS will then be signed by the Chair of Strategy and Resources and Chief Executive prior to publication on the council's website.
- 2.10 The Council is required to provide Grant Thornton with a Letter of Representation, attached at Appendix 3. The Letter of Representation provides the auditor with assurance that the Council has fulfilled its responsibilities relating to the audit and financial statements.
- 2.11 Grant Thornton undertakes the external audit in accordance with International Standards on Auditing (ISAs). Under updated ISA 240 guidance, Grant Thornton submitted a number of audit queries to management, to inform its risk assessment for the audit. The management response to these queries was approved by Audit and Scrutiny Committee at their meeting on 7 April 2022.

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2.12 The Council's financial performance for 2021/22 was reported to Strategy & Resources Committee on 26 July 2022.

### 3 Outcome of Audit

3.1 The following specific points are made in the report:-

3.2 The auditors anticipate issuing an unqualified (i.e. favourable) opinion on the Council's Statement of Accounts.

3.3 The audit has not identified any material adjustments to the unaudited accounts that are required to be reported to Audit and Scrutiny Committee. Any adjustments that have been agreed and implemented did not affect the council's reported outturn position or usable reserves.

3.4 The audit has identified three immaterial differences, as set-out in Appendix A of the Provisional Audit Findings Report, which have not been adjusted for in 2021/22's accounts. £320k relates to an overstatement of depreciation on the Council's property, plant and equipment assets. These assets are valued at an estimated £74.8m; in this context an estimation difference of £320k is immaterial, consequently the adjustment will be made in the 2022/23 accounts.

3.5 The non-accrual of unused holiday leave, calculated at £110k at 31 March 2022, has not been adjusted for in line with the council's policy. Differences on debtor and creditor listings of £50k each will be adjusted for as necessary in 2022/23. Both items are below the materiality threshold set out on page 6 of the Provisional Audit Findings Report.

3.6 As explained in the Appendix E of the Provisional Audit Findings Report, a separate Value for Money opinion will be presented to a subsequent meeting of this committee, expected to be in February 2023. Grant Thornton expect to issue the Value for Money opinion alongside its Annual Report as per the National Audit Office's updated guidelines, which require the Auditor's Annual Report to be issued within three months of the opinion on the financial statements.

3.7 As set-out on page 3 of the Provisional Audit Findings Report, the anticipated unqualified opinion is subject to the auditors concluding their evaluation work and receiving assurance from the Surrey Pension Fund auditors.

3.8 Appendix A of the Provisional Audit Findings Report includes the recommendations where management action has been agreed with the auditors.

### 4 Risk Assessment

Legal or other duties

4.1 Equality Impact Assessment

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4.1.1 None.

4.2 Crime & Disorder

4.2.1 None.

4.3 Safeguarding

4.3.1 None.

4.4 Dependencies

4.4.1 None.

4.5 Other

4.5.1 The Council has a statutory requirement to approve and publish its audited Statement of Accounts by 30 November 2022, under the Accounts and Audit (Amendment) Regulations 2022.

4.5.2 The completion of the audit of the Council's accounts is dependent on the completion of the Surrey County Council Pension Fund audit, which is outside the control of the Council. There is a risk that this audit will not conclude by the end of November, preventing any Surrey district or the County Council, from publishing their audited accounts. In the event of the pension audit not being completed by the end of November, the Council will publish a statutory notice of delay of publication of accounts and the final Statement of Accounts will be published as soon as practicable following the relevant assurance being received from the Pension Fund audit.

## **5 Financial Implications**

5.1 The external audit fee for 2021/22 is expected to be £64,574 (the fee is subject to approval of Public Sector Audit Appointments Ltd), as set-out in the Provisional Audit Findings Report, Appendix B. For comparison the 2020/21 audit fee was £59,289 and the 2019/20 audit fee was £51,175.

5.2 Audit fees have increased across the local government sector since 2018/19, principally due to additional audit requirements introduced by the Financial Reporting Council and National Audit Office.

5.3 The Council's budget was £36,750 for the 2021/22 external audit fee. This has been increased for future years to reflect the increased cost.

5.4 To fund increased audit fees, DLUHC has committed additional funding of £15m for the local government sector, of which EEBC received £17,746 for 2020/21. The Council is expected to receive the same sum for 2021/22. It is anticipated that this funding will be used to bridge the gap between the council's budget and the actual audit fee.

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- 5.5 **Section 151 Officer's comments:** The Statement of Accounts are extensive and detailed so please raise any queries regarding Appendix 2 with the Head of Finance prior to the committee meeting.

### 6 Legal Implications

- 6.1 The requirements for external audit are set out in the executive summary of the Provisional Audit Findings report.
- 6.2 The Accounts and Audit (Amendment) Regulations 2022 require that the audited Statement of Accounts and Annual Governance Statement be approved by a member committee and published on the council's website by 30 November 2022.
- 6.3 **Legal Officer's comments:** The legal implications are contained within the body of the report.

### 7 Policies, Plans & Partnerships

- 7.1 **Council's Key Priorities:** The following Key Priorities are engaged: Effective Council.
- 7.2 **Service Plans:** The matter is included within the current Service Delivery Plan.
- 7.3 **Climate & Environmental Impact of recommendations:** None.
- 7.4 **Sustainability Policy & Community Safety Implications:** None.
- 7.5 **Partnerships:** None.

### 8 Background papers

- 8.1 The documents referred to in compiling this report are as follows:

#### **Previous reports:**

- 2021-22 Provisional Financial Outturn, reported to Strategy and Resources Committee on 26 July 2022.
- Annual Governance Statement 2021-22, reported to Audit and Scrutiny Committee on 14 June 2022.
- 2021-22 External Audit Plan, reported to Audit and Scrutiny Committee on 7 April 2022.

#### **Other papers:**

- None.