

EXTERNAL AUDIT UPDATE

Head of Service:	Brendan Bradley, Head of Finance
Wards affected:	(All Wards);
Urgent Decision?	No
If yes, reason urgent decision required:	N/A
Appendices (attached):	Appendix 1 – Letter from Grant Thornton

Summary

This report presents an update on the 2021/22 Statement of Accounts audit and the Annual Auditor's Report.

Recommendation (s)

The Committee is asked to:

- (1) Note the conclusion of the 2021/22 Statement of Accounts audit;
- (2) Receive Grant Thornton's letter regarding the Annual Auditor's Report.

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.

2 Background

- 2.1 In November, Grant Thornton (GT) presented its Audit Findings report on the Council's 2021/22 Statement of Accounts to this committee. In the report, GT anticipated issuing an unqualified [favourable] opinion on the Council's accounts by the 30 November statutory deadline, but this was subject to assurance being received from a separate audit of Surrey Pension Fund (administered by Surrey County Council), which is outside EEBC's control.

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- 2.2 With this uncertainty in mind, Audit & Scrutiny Committee agreed to *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.*
- 2.3 Regrettably, GT was unable to obtain sufficient assurance from the Surrey Pension Fund audit by 30 November, and consequently the Council's Statement of Accounts audit was not formally signed off by 30 November.
- 2.4 The Council published a statutory notice to this effect on its website, as required under legislation. This was also communicated via Members News in late November.

3 Latest Update

- 3.1 In week commencing 20 February, Grant Thornton received the necessary assurance from the Surrey Pension Fund (SPF) auditors, who are a separate Grant Thornton team.
- 3.2 In the audit, SPF's auditors identified a £28m undervaluation of certain investments within the county-wide pension fund assets, due to valuation timing differences between 31 December 2021 and 31 March 2022. For context, SPF assets total c.£5bn, so £28m is considered an immaterial difference and as such, SPF's accounts have not been amended for the timing difference.
- 3.3 The calculated difference allocated to EEBC based on a 2% share of total pension fund assets is £560k.
- 3.4 In the context of EEBC's originally reported net pension liability valuation which was £36.79m, Grant Thornton agree that £560k is not a material valuation difference, and consequently agree that the Council's 2021/22 accounts presented in November need not be adjusted. Instead the difference will be picked up in 2022/23's accounts valuations.
- 3.5 As such and in consultation with the Chair and Vice Chair of this committee, the 2021/22 audited Statement of Accounts (unchanged from those presented to committee in November) and final Audit Findings report have now been published on the Council's website:

<https://epsom-ewell.gov.uk/financialreports>
- 3.6 Grant Thornton has now commenced work on its separate 2021/22 Annual Auditor's Report, another statutory requirement that focusses on governance, value for money and financial sustainability.
- 3.7 This report is expected to be prepared by the end of May – as set out in Grant Thornton's letter at Appendix 1 – and should therefore be presented at the next Audit & Scrutiny Committee in July.

4 Risk Assessment

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Legal or other duties

4.1 Equality Impact Assessment

4.1.1 No direct implications arising from the contents of this report.

4.2 Crime & Disorder

4.2.1 No direct implications arising from the contents of this report.

4.3 Safeguarding

4.3.1 No direct implications arising from the contents of this report.

4.4 Dependencies

4.4.1 No direct implications arising from the contents of this report.

4.5 Other

4.5.1 No direct implications arising from the contents of this report.

5 Financial Implications

5.1 The Statement of Accounts audit fee for 2021/22 remains at £64,574 unchanged from the fee reported to Audit & Scrutiny in November, which fairly reflects that EEBC has not been responsible for any delay.

5.2 **Section 151 Officer's comments:** Although the external audit extended beyond 30 November, this was for reasons beyond the control of EEBC officers. At the time of writing (6 March), EEBC remains the first and only borough council in Surrey to publish a fully audited 2021/22 Statement of Accounts.

6 Legal Implications

6.1 The Accounts and Audit (Amendment) Regulations 2022 require that the audited Statement of Accounts be approved by a member committee and published on the council's website by 30 November 2022. Where this is not possible, a statutory notice must be published on the Council's website and the audit should be completed as soon as practicable thereafter.

6.2 The Council has followed these statutory requirements.

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.

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- 7.2 **Service Plans:** The matter is included within the current Service Delivery Plan.
- 7.3 **Climate & Environmental Impact of recommendations:** No direct implications arising from the contents of this report.
- 7.4 **Sustainability Policy & Community Safety Implications:** No direct implications arising from the contents of this report.
- 7.5 **Partnerships:** No direct implications arising from the contents of this report.

8 Background papers

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

Previous reports:

- 2021/22 Statement of Accounts & Audit Findings, Audit & Scrutiny Committee, 17 November 2022.

Other papers:

- None.