

2019-20 STATEMENT OF ACCOUNTS AND AUDIT FINDINGS ADDENDUM

Head of Service:	Lee Duffy, Chief Finance Officer
Wards affected:	(All Wards);
Urgent Decision?(yes/no)	No
If yes, reason urgent decision required:	N/A
Appendices (attached):	Appendix 1: Audit Findings Report Appendix 2: Audit Findings Addendum Appendix 3: 2019/20 Statement of Accounts (includes Annual Governance Statement) Appendix 4: Letter of Representation

Summary

This report presents the 2019/20 Statement of Accounts and Grant Thornton's Audit Findings Addendum following the external audit.

Recommendation (s)

The Committee is asked to:

- (1) Re-approve the Statement of Accounts for the year ended 31 March 2020;**
- (2) Consider the amendment to the Statement of Accounts since 22 September S&R Committee, as set-out in the Audit Findings Addendum;**
- (3) Agree the management action in response to the audit recommendations within the Audit Findings Addendum;**
- (4) Agree that the Chairman or Vice Chairman of Strategy and Resources Committee and the Chief Finance Officer sign the Letter of Representation on behalf of the Council;**
- (5) Delegate any further amendments to the 2019/20 Statement of Accounts to the Chief Finance Officer in consultation with the Chairman or Vice Chairman of Strategy and Resources Committee.**

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- 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 2019/20.

2 Background

- 2.1 The Accounts and Audit (Coronavirus) (Amendment) Regulations 2020 require Councils to publish the audited Statement of Accounts by 30 November this year.

- 2.2 On 22 September 2020, EEBC's external auditor, Grant Thornton, presented their Audit Findings Report, attached at Appendix 1, to this Committee. The Audit Findings Report stated that Grant Thornton anticipated issuing an unqualified (favourable) opinion on the Council's accounts, subject to resolution of a number of outstanding items which included:

2.2.1 Completion of our [Grant Thornton's] final senior level review of the accounts and resolution to any queries raised;

2.2.2 Receipt from the auditors of Surrey County Council Pension Fund assurances over controls surrounding the validity and accuracy of membership data; contributions data and benefits data.

3 Outcome of Senior Level Review

- 3.1 Grant Thornton have now completed the final senior level review, which has resulted in an Audit Findings Addendum being issued at Appendix 2. In summary, the final senior level review identified the following:
 - 3.1.1 Surrey Pension Fund have disclosed a material valuation uncertainty with respect to pooled property and private equity investments. As such, the Council has now disclosed this material uncertainty in Disclosure Note 4 of the Statement of Accounts, with no impact on the Council's reserves, outturn position or core financial statements.
 - 3.1.2 An adjustment is required to the Council's operating leases Disclosure Note 31, to include expected income, from a recent commercial property acquisition (Emerald House in February 2020), in projected figures from financial year 2022 onwards. Prior year projected income within the same disclosure note has also been restated. There is no impact on the Council's reserves, outturn position, or core financial statements.
 - 3.1.3 Two other immaterial misstatements, as set out in the Addendum, which have not been corrected due to being below the materiality threshold.

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- 3.2 At the time of writing, Grant Thornton has not yet received assurances, from the auditors of Surrey County Council Pension Fund, around controls surrounding the validity and accuracy of membership data; contributions data and benefits data. This is outside the control of Epsom & Ewell Borough Council.
- 3.3 The Audit Findings Addendum 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. Subject to receipt of the above assurance at paragraph 3.2, the auditors still anticipate issuing an unqualified (favourable) opinion on the Council's accounts. The auditors expect to receive the assurance by 30 November.
- 3.4 The audited Statement of Accounts are included as Appendix 3 to this report. The accounts are complex and so Members are asked to raise any detailed queries with the Chief Finance Officer prior to the meeting.
- 3.5 The Annual Governance Statement (AGS) was approved at both Audit, Crime and Disorder, and Scrutiny Committee and Strategy and Resources Committee in September. There have been no changes to the AGS.
- 3.6 The Council is required to provide Grant Thornton with a Letter of Representation, attached at Appendix 4. The Letter of Representation provides the auditor with assurance that the Council has fulfilled its responsibilities relating to the audit and financial statements.
- 3.7 Appendix C of the Audit Findings Addendum includes the recommendations where management action has been agreed with the auditors.

4 Risk Assessment

Legal or other duties

4.1 Impact Assessment

- 4.1.1 The Council has a statutory requirement to approve and publish its audited Statement of Accounts by 30 November 2020, under the Accounts and Audit (Coronavirus) (Amendment) Regulations 2020.

4.2 Crime & Disorder

- 4.2.1 None.

4.3 Safeguarding

- 4.3.1 None.

4.4 Dependencies

- 4.4.1 None.

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4.5 Other

4.5.1 None.

5 Financial Implications

- 5.1 The external audit fee is expected to be within the £44,175 budget previously reported on 2 July 2020.
- 5.2 The Committee received a separate report on 28 July 2020 setting out the General Fund position for 2019/20 and the financial reserves at 31 March 2020. The Committee has also received details of expenditure on the capital programme on 28 July 2020.
- 5.3 **Section 151 Officer's comments:** The Statement of Accounts are extensive and detailed so please raise any queries regarding Appendix 3 with the Chief Finance Officer prior to the Committee meeting.

6 Legal Implications

- 6.1 The requirements for external audit are set out in the executive summary of the Audit Findings report.
- 6.2 The Accounts and Audit (Coronavirus) (Amendment) Regulations 2020 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 2020.
- 6.3 **Monitoring Officer's comments:** None arising from the contents of this 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:

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- 2019/20 Statement of Accounts and Audit Findings report to Strategy & resources Committee, 22 September 2020
- External Audit Update report to Strategy & Resources Committee, 2 July 2020
- Financial Outturn reported to Strategy & Resources Committee on 28 July 2020.

Other papers:

- None.