

2020-21 STATEMENT OF ACCOUNTS AND AUDIT FINDINGS

Head of Service:	Lee Duffy, Chief Finance Officer
Wards affected:	(All Wards);
Urgent Decision?	No
If yes, reason urgent decision required:	N/A (<i>Statutory requirement to certify audited Statement of Accounts by 30 September 2021</i>)
Appendices (attached):	Appendix 1: Audit Findings Report Appendix 2: 2020/21 Statement of Accounts (includes Annual Governance Statement) Appendix 3: Letter of Representation Appendix 4: Management responses to Grant Thornton's enquiries. Appendix 5: Auditor's Letter on Value for Money and Annual Report

Summary

This report presents the 2020/21 Statement of Accounts and Grant Thornton's 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 2021;
- (2) Agree the Annual Governance Statement included within the Statement of Accounts;
- (3) Receive the Audit Findings for 2020/21;
- (4) Agree the management action in response to the audit recommendations detailed at Appendix A of the Audit Findings report;
- (5) Agree that the Chair or Vice Chair of Strategy and Resources Committee and the Chief Finance Officer sign the Letter of Representation on behalf of the Council;
- (6) Consider and approve the management responses to Grant Thornton's enquiries, as set out in Appendix 4.

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(7) Delegate any further amendments to the 2020/21 Statement of Accounts to the Chief Finance Officer in consultation with the Chair or Vice Chair of Strategy and Resources 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 2020/21.

2 Background

- 2.1 The Accounts and Audit (Amendment) Regulations 2021 require Councils this year to publish unaudited Statement of Accounts by 31 July and the audited Statement of Accounts by 30 September.
- 2.2 The Council met the first requirement by publishing its unaudited accounts on 6 July and will meet the second requirement assuming 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 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 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 Chief Finance Officer prior to the meeting.**
- 2.8 The Annual Governance Statement (AGS) was approved at the Audit, Crime and Disorder, and Scrutiny Committee on 15 June 2021.
- 2.9 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.

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- 2.10 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.
- 2.11 The ISA emphasises the importance of two-way communication between auditors and audit committees. As such, Grant Thornton has requested that Strategy and Resources Committee consider whether the management responses to the audit queries, at Appendix 4, are consistent with members' understanding and whether there are any further comments the committee wishes to make.
- 2.12 The Council's financial performance for 2020/21 was reported to this committee on 27 July 2021.

3 Outcome of Audit

- 3.1 The following specific points are made in the report:-
- 3.2 The Auditors anticipate an unqualified 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 Strategy & Resources Committee. Any adjustments have been agreed and implemented and did not affect the Council's reported outturn position or usable reserves.
- 3.4 The audit has identified three immaterial differences, totalling £104k, relating to the valuation of the Council's property assets, as set-out in Appendix A of the Audit Findings Report. The Council's property assets are valued at £136m; in this context, a valuation difference of £0.1m is immaterial, therefore it has not been adjusted in the accounts. Strategy & Resources Committee are required to approve this proposed treatment.
- 3.5 In line with new auditing requirements and as explained in the Audit Letter at Appendix 5, a separate Value for Money opinion will be presented to a subsequent meeting of this Committee, expected to be in November. 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 an Auditor's Annual Report to be issued within three months of the opinion on the financial statements.
- 3.6 As set-out on page 3 of the Audit Findings report (Appendix 1), the anticipated unqualified opinion is subject to the auditors concluding their evaluation work and receiving assurance from the Surrey Pension Fund auditors, which is expected in mid-September.
- 3.7 Appendix A of the Audit Findings report includes the recommendations where management action has been agreed with the auditors.

4 Risk Assessment

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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 September 2021, under the Accounts and Audit (Amendment) Regulations 2021.

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 None.

5 Financial Implications

5.1 The external audit fee for the 2020/21 is expected to be £59,675 (the fee subject to approval of Public Sector Audit Appointments Ltd), as set-out in the Audit Findings Report, Appendix B. For comparison the 2019/20 audit fee was £51,175 and the 2018/19 fee was £40,675.

5.2 The Council's budget historically includes £36,750 for the main audit fee. However, 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 To fund increased audit fees, MHCLG has committed additional funding of £15m for the local government sector, however, EEBC has not yet been informed of its individual allocation. It is anticipated that this funding will be used to bridge the gap between the Council's budget and the actual audit fee.

5.4 The Committee received a separate report on 27 July 2021 setting out the provisional General Fund position for 2020/21 and the financial reserves at 31 March 2021. The Committee also received details of expenditure on the capital programme on 27 July 2021.

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 Chief Finance Officer prior to the Committee meeting.

6 Legal Implications

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- 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 (Amendment) Regulations 2021 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 September 2021.
- 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:

- 2020-21 Provisional Financial Outturn reported to Strategy & Resources Committee on 27 July 2021.
- 2020-21 External Audit Plan, reported to Strategy & Resources Committee on 30 March 2021.

Other papers:

- None.