

Report to: **Governance Committee**

Date: **17 July 2018**

By: **Chief Finance Officer**

Title of report: **Independent Auditor's (KPMG) Report to those charged with governance and Statement of Accounts 2017/18.**

Purpose of report: **To present the KPMG report to those charged with governance, and to report on anticipated unqualified audit opinion on the 2017/18 Statement of Accounts.**

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## **RECOMMENDATIONS**

**The Governance Committee is recommend to:**

- (1) note the Independent Auditor's (KPMG) report to those charged with governance on ESCC Accounts, and the Value for Money conclusion report;**
  - (2) authorise the Chief Finance Officer to sign the formal Letter of Representation to KPMG LLP; and**
  - (3) approve the 2017/18 Statement of Accounts for publication.**
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### **1. Background**

1.1 This report summarises the key findings arising from KPMG final audit work in relation to the Council's 2017/18 financial statements; and on the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources ('VFM conclusion').

### **2. Supporting Information**

2.1 KPMG LLP is obliged to produce a report to those charged with governance on the East Sussex County Council accounts (Appendix 1), which formally reports on the outcome of the final audit of the Council's financial statements.

2.2 KPMG report requires publication of more detailed points, which in the past were treated as routine technical matters between officers and the auditors. As it happens, on this occasion there are few such points.

### **3. Changes to ESCC Statement of Accounts**

3.1 The Chief Finance Officer on 30 May 2018 formally approved the draft Statement of Accounts, in line with the Accounts and Audit 2015 Regulations. Since then the final audit has been carried out by KPMG, and the Regulations require me to report on changes to the accounts before they can be published.

3.2 Subject to any issues being identified by KPMG between the issue of this report and the meeting, I am able to report that the auditors propose to issue an unqualified "true and fair" audit opinion.

3.3 A small number of presentational adjustments arising from normal audit work have been noted, discussed, and resolved as stated in the reports to those charged with governance. KPMG has made a recommendation, which was discussed and management response is included on page 16 of the KPMG report.

3.4 The area considered for improvement relates to the use of a contingency provision within the land and buildings valuation. KPMG identified that the valuer Montagu Evans has included a contingency provision of 5% of each revalued specialised asset, of a total value of £13.6m. The current guidance on the subject does not expressly prohibit the use of a contingency provision for such assets, and there is currently a RICs consultation ongoing regarding the guidance for specialised asset valuations.

3.5 KPMG also carried out the review of the arrangements made by the Council to secure economy, efficiency and effectiveness in the use of resources (Value for Money - VFM), did not identify any significant VFM risks in 2017/18. KPMG are satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2018, based upon the criteria of informed decision making, sustainable resource deployment and working with partners and third parties. KPMG did not feel it necessary to report on any particular points on value for money issues.

3.6 The revised set of accounts is attached as Appendix 2.

#### **4 Publication of Statement of Accounts**

4.1 The legal deadline for publishing the 2017/18 accounts is the end of July 2018. Once KPMG has completed their work, a Letter of Representation (Appendix 3) needs to be signed by the Chief Finance Officer prior to KPMG issuing an unqualified opinion. This will enable me to publish the 2017/18 Statement of Accounts on the Council's website, which fulfils the legal requirement.

#### **5. Conclusion and reasons for recommendations**

5.1 The Committee is recommended to note the Independent Auditor's report to those charged with governance on ESCC Accounts, the Value for Money conclusion report and to authorise the Chief Finance Officer to sign the formal Letter of Representation to KPMG LLP.

**IAN GUTSELL**  
**Chief Finance Officer**

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