

Report to: **Audit Committee**

Date: **6 November 2020**

By: **Chief Finance Officer**

Title of report: **Review of the Grant Thornton (GT) report to those charged with governance and Statement of Accounts for 2019-20**

Purpose of report: **For the Committee to review the Independent Auditor's (GT) report to those charged with governance prior to its submission to the Governance Committee on 10 November 2020.**

RECOMMENDATIONS: The Committee is asked to:

- 1) note the reports and its appendices; and**
- 2) identify any concerns arising from the Independent Auditor's (GT) report or the management response to it, that need to be brought to the attention of the Governance Committee.**

1. Background

1.1 This report summarises the key findings arising from the audit work of Grant Thornton (GT) in relation to the Council's 2019/20 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 Under its terms of reference, it is the role of this Committee to "Review the annual statement of accounts and the external auditor's report to those charged with governance."

2.2 It is the role of the Governance Committee to approve the County Council Statement of Accounts having considered whether appropriate accounting policies have been followed and any issues raised by GT from the audit of the accounts.

2.3 The GT reports to those charged with governance and the Council's Statement of Accounts for 2019/20, along with the covering report under which they will be taken to the Governance Committee for approval on 10 November 2020 are attached at Appendix 1.

2.4 The audit of the 2019/20 Statement of Accounts by GT has now been completed. Whilst there remain a few outstanding items to finalise the audit, I am pleased to be able to report that GT will be issuing an unqualified "true and fair" audit opinion.

2.5 The audit opinion will include an "Emphasis of Matter" to ensure users of the accounts are aware of material uncertainties relating to the valuation of Property, Plant and Equipment and the valuation of pooled property investments within the East Sussex Pension Fund. These areas of professional valuation have been impacted by COVID-19 and, although the numbers in the accounts have not changed, note 5 in the accounts (pages 50 – 53) has been updated to reflect the issue and potential impacts.

2.6 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, and GT has made a recommendation, which have been discussed and responses included on page 27 of the GT report.

2.7 One area for improvement was identified:

- *Prompt updating of the leases register:* it was identified that one lease was still on the lease register when it was no longer an ongoing lease commitment for the Council. There were £3.6m of forward commitments disclosed relating to this lease. The accounts disclosure was updated to correct the error. In this case the error was not material. GT recommend that adequate controls are in place to ensure that the lease register is promptly and accurately updated. In response, management have agreed that during the preparation for the implementation of IFRS16, the lease register, and the process for keeping it up to date will be reviewed and, where appropriate, updated.

2.8 GT 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) and did not identify any significant VFM risks in 2019/20. GT concluded that *“the Council continues to demonstrate good financial stewardship in line with delivery of the core offer. As for all councils across the country, COVID-19 had presented a major challenge to the Council’s financial position and its future financial sustainability. However, we are satisfied that the Council has put in place adequate arrangements to understand and secure its financial sustainability in the short to medium term.”* GT provided a detailed commentary on pages 18 – 24 of their report.

3. Conclusion and reasons for recommendations

3.1 In carrying out their responsibility for review, Members should consider:

- The findings made by the external auditors as a result of final audit of the 2019/20 accounts;
- Whether there is any issue arising that Members might wish to bring to the attention of the Governance Committee when it meets to approve the Statement of Accounts for 2019/20 on 10 November 2020.

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Local Member(s): All
Background Documents: None