

Report to: **Governance Committee**

Date: **10 November 2020**

By: **Chief Finance Officer**

Title of report: **Independent Auditor's, Grant Thornton (GT), Report to those charged with governance and Statement of Accounts for 2019/20.**

Purpose of report: **To present the GT report to those charged with governance, and to report an anticipated unqualified audit opinion on the 2019/20 Statement of Accounts.**

RECOMMENDATIONS - to:

- (i) Note the Independent Auditor's (GT) Report to those charged with governance on ESCC Accounts and the Value for Money conclusion report.**
 - (ii) Authorise the Chief Finance Officer to sign the formal Letter of Representation to GT UK LLP.**
 - (iii) Approve the 2019/20 Statement of Accounts for publication.**
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1. Background

- 1.1 This report summarises the key findings arising from GT's audit work 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 GT UK LLP is obliged to produce a report to those charged with governance on the East Sussex County Council accounts (Appendix A), which formally reports on the outcome of the audit of the Council's statement of accounts.
- 2.2 GT report requires publication of more detailed points, which in the past were treated as routine technical matters between officers and 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 (CFO) on 6 August 2020 formally approved the draft Statement of Accounts, in line with the Accounts and Audit 2015 Regulations. Since then the audit has been carried out by GT, and the Regulations require the CFO to report on changes to the accounts before they can be published.
- 3.2 Subject to any issues being identified by GT between the issue of this report and the meeting, the CFO is able to report that the auditors propose to issue an unqualified "true and fair" audit opinion.
- 3.3 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 49 – 52) has been updated to reflect the issue and potential impacts.

- 3.4 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 recommendations, which have been discussed and responses included on page 27 of the GT report.
- 3.5 1 area for improvement was identified:
- *Prompt updating of the leases register:* it was identified that 1 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.
- 3.6 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), 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.
- 3.7 The revised set of accounts is attached at Appendix B.

4. Publication of Statement of Accounts

- 4.1 The legal deadline for publishing the 2019/20 accounts has been extended, due to COVID-19, to 30 November 2020. Once GT has completed their work, a Letter of Representation (Appendix C) needs to be signed by the Chief Finance Officer prior to GT issuing an unqualified opinion. This will enable the 2019/20 Statement of Accounts to be published on the Council’s website, which fulfils the legal requirement.

5. Conclusion and reasons for recommendations

- 5.1 The Committee to note the Independent Auditor’s report to those charged with governance on the ESCC Accounts, the Value for Money conclusion report and to authorize the Chief Finance Officer to sign the Letter of Representation to GT UK LLP.

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Chief Finance Officer

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Local Member(s): All

Appendices

Appendix A Independent Auditor's (GT) report to those charged with governance on the East Sussex County Council Accounts and Value for Money conclusion
Appendix B ESCC 2019/20 Statement of Accounts
Appendix C Letter of Representation