

Report to: Governance Committee

Date: 10 December 2024

By: Chief Finance Officer

Title of report: Independent Auditor's, Grant Thornton (GT), Report to those charged with governance and Statement of Accounts for 2023/24

Purpose of report: To present the GT report to those charged with governance, and to report an anticipated unqualified audit opinion on the 2023/24 Statement of Accounts.

RECOMMENDATIONS:

The Governance Committee is recommended to:

- 1) Note the Independent Auditor's (Grant Thornton) Report to those charged with governance on the East Sussex County Council Statement of Accounts;**
 - 2) Authorise the Chief Finance Officer to sign the formal Letter of Representation to GT UK LLP; and**
 - 3) Approve the 2023/24 Statement of Accounts for publication.**
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1. Background

1.1 This report summarises the key findings arising from Grant Thornton's (GT) audit work in relation to the Council's 2023/24 financial statements. The audit report, at Appendix A of the report, references that whilst final audit files review remains to be completed, together with a review of the final set of financial statements, there is no suggestion that this will identify issues that require the audit opinion or statement of accounts to change.

2. Supporting Information

2.1 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.

2.2 The Grant Thornton Audit Findings Report to those charged with governance is attached at Appendix 1, with the Council's Statement of Accounts for 2023/24 at Appendix 3 of the report.

2.3 I am pleased to be able to report that GT are anticipating being able to issue an unqualified audit opinion for the 2023/24 Statement of Accounts.

2.4 Appendix D of the report at Appendix 1 sets out the Audit Adjustments identified. A small number of presentational adjustments arising from normal audit work have been noted, discussed, and resolved. There were also items for which the decision was made not to adjust, as either not material or an extrapolated misstatement for which adjustment was not appropriate. Any decision to adjust the accounts considers whether the adjustment improves the reader's understanding of the accounts.

2.5 Appendix B of the report at Appendix 1 identifies 2 management recommendations, for which there are management responses:

Issue and Risk	Recommendation	Management Response
<p>GIA and Land Area Records</p> <p>There were instances identified where the Council was unable or struggled to obtain backing for their gross internal areas (GIA) and Land Areas.</p>	<p>The Council improves their system of storing data in relation to GIA and Land Area records to ensure that the information is being appropriately updated and is readily available for audit purposes.</p>	<p>We will undertake an appropriate review of the documentation held on land and floor areas and obtain updated support where necessary.</p>
<p>Cut off error in insurance claim income recognition</p> <p>One error was identified in which insurance claim income was being recognised based on when the Council received the income post year end, as opposed to when the Council had confirmation that the insurance claim was successful pre year end, which would have been the correct point at which to recognise the revenues under accrual principles.</p>	<p>The Council ensures that the income cut-off recognition policy (accruals based) is applied in the same way to all relevant streams of income that the Council receives.</p>	<p>We will provide training in year-end process to ensure that all transactions, both income and expenditure, are appropriately accrued in the future, where required.</p>

2.6 Appendix 2 of the report provides the Financial Statements: Information Technology report, as part of the overall audit. This has identified an issue with SAP, the main accounting system for ESCC, relating to segregation of duties. Some members of the SAP technical support team have access permissions which would allow them to both develop changes and then import those changes in the production environment, as there are only limited segregation of duties in the Team structure. This issue was identified and reported in the 2022/23 financial year audit and has been revisited as part of the 2023/24 IT Audit Review. There is a SAP IT General Controls report that is in draft, which will be concluded once management responses have been received and then presented to the Audit Committee.

2.7 Appendix E of the report at Appendix 1 sets out total audit fees of £279,996. The fee will be subject to Public Sector Audit Appointments Ltd (PSAA) review and confirmation in due course.

2.8 To issue their unqualified audit opinion GT will sign off their audit working papers and a Letter of Representation (Appendix 4) will need to be signed by the Chief Finance Officer. The 2023/24 Statement of Accounts will then be published in the Council's website.

3. Conclusion and reasons for recommendations

3.1 The Committee are recommended to note the Independent Auditor's Report to those charged with governance on the ESCC Statement of Accounts, to authorise the Chief Finance Officer to sign the Letter of Representation to GT UK LLP and approve the publication of the

2023/24 Statement of Accounts on the Council's website.

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Chief Finance Officer

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