

Agenda Item 5

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22 July 2019

Chair of Audit and Governance Committee Eastbourne Borough Council ("the Council") 1 Grove Road Eastbourne NS21 4UG

For the attention of the Chair of the Audit and Governance Committee

We refer to the Agreement relating to Audit Services for Principal Bodies dated 5 September 2017 (our "Terms of Engagement") pursuant to which we have been appointed as the auditor for the Council.

We are writing to provide you with an update as to the status of our work, and the proposed steps for completion.

The Council is required to prepare the financial statements and make available for public inspection by the first working day in June. Our planned audit timings were aligned with this.

The completion of the audit is expected to be delayed due to accounting issues with respect to the investment in Investment Company Eastbourne Limited ("ICE"). The accounting treatment and valuation of the ICE guarantee contract will require resolution prior to completion of the financial statement audit.

We have updated our risk assessment and identified a 'significant risk' (i.e. a matter requiring special audit consideration) in respect of accounting and value for money arrangements in respect of ICE. Work to address these risks, and any associated change to the financial statements will take place once management have completed their analysis of this arrangement.

We have undertaken work on underlying balances and review of the draft financial statements, and have recommended a number of changes to address issues identified, which management intend to address in finalisation of the financial statements.

For these reasons, we will not be able to complete our procedures in advance of the deadline date of 31 July 2019, and we will need to redeploy our team in order to return later in the year to finish the audit work. As you will anticipate this will lead to additional cost, owing to the complexities and additional work in relation to the ICE guarantee, delays arising during audit work, as well as the efficiencies anticipated in performing the Eastbourne Borough Council audit alongside the Lewes District Council audit not being realised.

Management plan to prepare and internally review:

- A comprehensive accounting paper (with support from accountancy experts) in relation to ICE;
- Updated financial statements containing the relevant entries.

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Additionally there are a number of areas of our main audit work outstanding which require further input from management, particularly with regards to the property valuation and desktop review and accounting for the local government pension scheme.

We note management's actions in taking steps to resolve the situation and to move forward with the financial statements, and we acknowledge the assistance they have given us in these matters.

Yours faithfully,

Ben Sheriff Deloitte LLP

St Albans, UK