



16 March 2023

Dear Members,

**Audit and Standards Committee - 20 March 2023**

I am now able to enclose, for consideration, the following report at the above meeting that was unavailable when the agenda was printed.

<b>Item No</b>	<b>Item</b>
<b>4a</b>	<b>The External Auditor's (Deloitte) progress report on the draft 2019/20 Statement of Accounts (Pages 3 - 12)</b>  Report of Director of Finance and Performance

Yours sincerely,

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<b>Report to:</b>	<b>Audit and Standard Committee</b>
<b>Date:</b>	<b>20 March 2023</b>
<b>Title:</b>	<b>The External Auditor's (Deloitte) progress report on the draft 2019/20 Statement of Accounts</b>
<b>Report of:</b>	<b>Director of Finance and Performance (Chief Finance Officer – S151 Officer)</b>
<b>Ward(s):</b>	<b>All</b>
<b>Purpose of report:</b>	<b>To review the Independent Auditor's (Deloitte) status report to those charged with governance regarding the draft 2019/20 Statement of Accounts.</b>
<b>Officer recommendation(s):</b>	<b>The Committee is recommended to:</b> <ol style="list-style-type: none"><li><b>1. Note the Independent Auditor's (Deloitte) progress report to those charged with governance on LDC Accounts, and the Value for Money conclusion report.</b></li><li><b>2. Delegate authority to the Chair in consultation with the Director of Finance and Performance (Chief Finance Officer – S151 Officer) to sign-off the audited LDC 2019/20 Statement of Accounts.</b></li><li><b>3. Authorise the Director of Finance and Performance (Chief Finance Officer – S151 Officer) to sign the formal Letter of Representation to Deloitte.</b></li></ol>
<b>Reasons for recommendations:</b>	<b>The Council is required to produce an annual Statement of Accounts in line with the Accounts and Audit Regulations.</b>
<b>Contact Officer:</b>	<b>Name: Ola Owolabi</b> <b>Post title: Deputy Chief Finance Officer</b> <b>E-mail: <a href="mailto:ola.owolabi@lewes-eastbourne.gov.uk">ola.owolabi@lewes-eastbourne.gov.uk</a></b> <b>Telephone number: 01273 415083</b>

## **1 Introduction**

- 1.1 This report summarises few areas where the audit work is on-going and the key findings (Appendix A) arising from Deloitte final 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').

- 1.2 The delayed final audit is now nearing completion, and disappointing that the previously agreed revised completion deadlines were missed. However, this is presenting the Council with a significant and serious risk of the existing auditors (Deloitte) not being in the position to hand over the final audit function to Grant Thornton LLP, i.e., the Council's newly appointed auditors and in doing so, the build-up of unaudited accounts might continue.
- 1.3 The Committee is also reminded that every day delayed comes at a cost, financial cost, reputational cost, and governance cost. Taking into consideration the Council's Pre-election period and Local Elections, it could be that the next opportunity for the Committee to approve the 2019/20 accounts will be no sooner than July 2023, should the Committee decide not to accept the recommendations included in this report.
- 1.4 **Projected completion dates** - The following are the projected completion dates for the Lewes District Council audit:
- **FY 2019/20 - Scheduled date of completion is 28 April 2023.**
  - FY 2020/21 - Scheduled date of completion is 29 September 2023.
  - FY 2021/22 - Scheduled date of completion is 31 January 2024.
  - FY 2022/23 - Scheduled date of completion is 30 May 2024.

## **2 2019/20 Statement of Accounts**

- 2.1 Under its terms of reference, it is the role of this Committee to review/approve the annual statement of accounts and the external auditor's report to those charged with governance, having considered whether appropriate accounting policies have been followed, and any issues raised by Deloitte from the audit of the accounts.
- 2.2 The auditors envisage issuing an unqualified audit opinion on the 2019/20 Council's financial statements subject to the completion of a number of areas where audit work is on-going, which include:
- Completion of procedures on housing property valuations.
  - Completion of testing over housing benefit, grants, council tax, and NNDR income.
  - Completion of quality assurance review procedures, including on the updated statement of accounts.
- 2.3 Deloitte has also completed 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. Deloitte is 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 2020, and did not feel it necessary to report on any particular points on value for money issues.

## **Letter of Representation 2019-20**

- 2.4 Each year, on completion of the audit of the Council's Financial Statements, the Director of Finance and Performance (Chief Finance Officer – S151 Officer) is required to submit a Letter of Representation to the Council's external auditor. The letter formally and publicly confirms the accuracy and completeness of the presented Statement of Accounts.
- 2.5 On receipt of the signed Letter of Representation, the Council's external auditor will formally issue an opinion on the Financial Statements.

## **3 Corporate plan and council policies**

- 3.1 Considered as part of the overall Accounts and Audit Regulations requirement and the timescales.

## **4 Financial appraisal**

- 4.1 There are no direct financial considerations arising from this report.

## **5 Legal implications**

- 5.1 Comment from the Legal Services Team is not necessary for this routine monitoring report. The Accounts and Audit (England) Regulations requires the Statement of Accounts to be considered and approved by way of a committee resolution and thereafter published.

## **6 Risk management implications**

- 6.1 There are no implications arising from this report.

## **7 Equality analysis**

- 7.1 Equality issues are considered.

## **8 Appendix**

- 8.1 Appendix A - The Lewes District Council update report to the Audit and Standard Committee on the 2019/20 Statement of Accounts audit status.

## **9 Background papers**

- 9.1 None.

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## Lewes District Council

### Update to the Audit & Standards Committee on audit status

Issued for the meeting on 20 March 2023

Deloitte Confidential: Government and Public Services

# Status update on the 2019/20 audit

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## Status update on the 2019/20 audit

### Our work on the 2019/20 audit is on-going

The audit team and finance officers are progressing the audit of the 19/20 accounts. Work in the majority of areas is now complete subject to quality assurance reviews, which are on-going. We have an ongoing dialogue with the finance officers and we have weekly online meetings where we communicate updates and resolve queries and outstanding matters, including outstanding information requests.

There are a number of areas where our audit work is on-going, in particular:

- Completion of procedures on housing property valuations;
- Completion of testing over housing benefit, grants, council tax, and NNDR income;
- Completion of quality assurance review procedures, including on the updated statement of accounts;

Management will update the statement of accounts for items adjusted to date and any significant further adjustments from finalisation of the above, after which we will also need to complete a review of the updated statement of accounts, including arithmetic checks and tie through of amounts reflected on the updated statement of accounts.



# Status update on the 2019/20 audit

## Status update on the 2019/20 audit

### Significant risks and other focus area 2019/20 audit

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<b>Property Valuations</b>	<p>Our property valuation specialists have reviewed the work of the Council's valuers on the Council's non-HRA assets with the work on HRA assets still on-going. We have identified internal control issues and we have noted some control recommendations which will be reported in the final report. In light of the findings in respect of assets reviewed, we recommend the Council consider its controls over the valuation process, including review of the accuracy of the information provided to the valuer, and review of the valuations received by officers with understanding of the relevant assets.</p> <p>Our testing of valuation inputs and work on posting of entries is on-going. Following challenge by Deloitte's property valuation specialists, the council's valuer has adjusted their valuation for two assets, reducing the valuation by £2.1m, which management are updating in the financial statements.</p> <p>The Council's valuer identified a material uncertainty over the property valuation as at 31 March 2020 as a result of the Covid-19 pandemic. This is a common feature of 2019/20 audit across all Councils where properties are held on revaluation basis due to the volatility of markets caused by the Covid-19 pandemic, and we will make reference to this in an Emphasis of Matter in our opinion.</p>
<b>Completeness of Expenditure and Liabilities</b>	<p>Our audit procedures in this area involve focused testing on completeness of expenditure and liabilities. We have completed our testing in this area. We have not identified any significant findings from our work and we do not anticipate any issues arising from quality reviews.</p>
<b>Management Override of controls</b>	<p>We selected a sample of journals for testing and have received support for the selected items. We have not identified any significant findings from our work and we do not anticipate any issues arising from quality reviews.</p>

# Status update on the 2019/20 audit

## Other focus area 2019/20 audit

<b>Defined Pension Scheme</b>	<p>We have tested the valuation of the pension liability with support from Deloitte actuarial specialists. We have not identified significant matters with regards to the liability.</p> <p>With respect to the pension scheme assets, we have received the requested reporting from Grant Thornton LLP, the pension scheme auditor, and have completed our own procedures in respect of scheme assets. The pension scheme auditors did not identify any errors from testing requiring reporting.</p> <p>The pension scheme auditor identified a material valuation uncertainty with regards to the Pooled Property Investments in pension fund assets as at March 2020. However, given the relative materiality of the Council's share of these assets, we do not consider this to be material for the council's financial statements, and do not intend to refer to this in our opinion.</p>
<b>Value for Money</b>	<p>Our work on the Council's Value for Money arrangements is complete, and did not identify any matters that would impact our Value for Money conclusion in our opinion. We have previously commented on the housing software issues for the Council, which we concluded did not represent a significant risk to the Council's overall VFM arrangements. We have not identified any significant VFM matters to report.</p>

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## Other Matters

### Infrastructure Assets

The Council has a net infrastructure asset balance of £1.2m, with gross book value of £11.7m. The government has issued a statutory override, and CIPFA accompanying guidance, on infrastructure assets, which addresses challenges that have arisen in respect of these assets. This permits showing the balance net in the accounts, while longer term infrastructure asset accounting issues are considered nationally. This will require a presentational change in the accounts, but has no net impact on assets or liabilities, and given the level of the Council's net balance there is not a risk of material misstatement in respect of this balance.

## Audit timelines

### Projected completion dates

The following are the projected completion dates for the Lewes District Council audit.

- FY 2019/20 - Scheduled date of completion is 28 April 2023.
- FY 2020/21 - Scheduled date of completion is 29 September 2023.
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