



The Audit Findings Addendum for Epsom and Ewell Borough Council

Year ended 31 March 2020

November 2020



Headlines

Purpose

We presented our Audit Findings Report in September 2020 to the Strategy and Resources Committee as those charged with governance for Epsom and Ewell Borough Council. At that time there were a small number of outstanding items that have now been concluded. This addendum updates you on the findings in resolving the outstanding items and covers

- IAS19 Pension Fund findings (see page 3)
- Audit adjustments for
 - A new lease omitted from the disclosure note on leases (see page 4)
 - An incorrect analysis in the prior period between disclosure categories in the note on leases (see page 5)
- Unadjusted misstatements identified (see page 6)

IAS 19 Pension Fund findings

Surrey Pension Fund has disclosed a material valuation uncertainty with respect to pooled property investments and private equity investments. Of this the Council's share of these assets is

- £4.5 million for pooled property investments
- £5 million for private equity investments

As these values are material to the Council's financial statements, additional disclosure has been added to Note 4 of the financial statements to reflect the material valuation uncertainty for with respect to pooled property investments and private equity investments for pension. In response we will include an emphasis of matter in the audit opinion in relation to this matter.

Please note we had already agreed with you our emphasis of matter paragraph in relation to the material uncertainty in the valuation of your property and the paragraph will be amended to now include the material uncertainty in relation to pension assets held in pooled property investments and private equity investments.

Our work on pension fund is concluded except for receipt of the IAS19 Assurance letter from the auditor of the Surrey Pension Fund. We understand that the outstanding letter will be received in time to meet the 30 November audit deadline.

Audit Adjustments

We are required to report all nontrivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Misclassification and disclosure changes

The table below provides details of additional misclassification and disclosure changes identified since we issued the audit findings report to those charged with governance in September 2020. The disclosure changes have been made in the final set of financial statements.

Disclosure omission	Auditor recommendations	Adjusted?
<p>The Council acquired an office building which is classified in the accounts as an investment property in 2019/20.</p> <p>The Council has a lease agreement in place from September 2019 for this building however the building is rent free until July 2022, from when the rent will be £430k per annum until September 2029.</p> <p>This should have been disclosed as part of the operating lease note. Per the Code of Practice on Local Authority Accounting, Section 4.2 ; Income from operating leases shall be recognised on a straight-line basis over the lease term .</p> <p>There should have been a disclosure to reflect the transactions associated with the above lease as part of the operating lease disclosure.</p>	<p>We recommend that management include this disclosure in their accounts since the income which will be received across the leases term is material to the accounts. .</p> <p>Management response</p> <ul style="list-style-type: none"> • Management has agreed to update the operating lease disclosure note to include the income from Emerald House 	Yes

Audit Adjustments

Prior Period Adjustment.

We have shown below details of misclassification and disclosure changes identified during the audit which have resulted in a prior period adjustment. The changes have been made in the final set of financial statements.

In 2018/19, the disclosure note for income from operating leases was incorrectly analysed between the following categories:

- later than one year and not later than 5 years
- later than 5 years

The 'later than one year and not later than 5 years' category only included 3 years of income at £8,244k when it should have included 4 years of income and the additional year was incorrectly included within the 'later than 5 years' category at £81,701k

The restated figures are

- later than one year and not later than 5 years of £10,433k
- later than 5 years of £79,175k

The income recorded in the primary statements for 2018/19 was correct and this adjustment relates to the disclosure note only.

Audit Adjustments

Impact of unadjusted misstatements

The table below provides details of additional adjustments which have been identified since we issued the audit findings report to those charged with governance in September 2020 . The adjustments have not been made within the final set of financial statements.

The Strategy and Resources Committee is required to approve management's proposed treatment of all items recorded within the table below:

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000	Reason for not adjusting
1 Undervaluation of Other Land and Buildings- The valuer omitted a floor area of 92 sq. m in their calculation of the value of the Town Hall. This resulted in the value of the town hall being understated by £160k in the valuation report and the accounts as at 31 March 2020.	0	160	0	Management are of the view that this overstatement is not material to the financial statements. We have satisfied ourselves that there is not a risk of material error as a result of this issue.
2 The Council submitted an earlier version 1.0. of NNDR 3 to MHCLG as a result of an administration error. The updated version of the form – 1.1 should have been submitted.	0		0	Management are of the view that this overstatement is not material to the financial statements. We have satisfied ourselves that there is not a risk of material error as a result of this issue.
The version 1.0 calculated, in Part 5 of the NNDR3 form, incorrect opening and closing shares of the NDR bad debt provision and appeals provision, between Surrey County Council, MHCLG and The Council which resulted in				
• a decrease in short term creditors of £114k and		+114		
• an increase in long term liabilities of 102k .		-102		
• A decrease in short term debtors of £12k		-12		
The net impact on the balance sheet is nil				
Overall impact	£0	£160	£0	



© 2019 Grant Thornton UK LLP. All rights reserved.

'Grant Thornton' refers to the brand under which the Grant Thornton member firms provide assurance, tax and advisory services to their clients and/or refers to one or more member firms, as the context requires.

Grant Thornton UK LLP is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. GTIL and each member firm is a separate legal entity. Services are delivered by the member firms. GTIL does not provide services to clients. GTIL and its member firms are not agents of, and do not obligate, one another and are not liable for one another's acts or omissions.