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24 November 2022

To: Chair – Councillor Michael Atkins
Vice-Chair – Councillor Peter Sandford
Members of the Audit and Corporate Governance Committee –
Councillors Jose Hales, Geoff Harvey, Helene Leeming, Richard Stobart
and Heather Williams

Quorum: 3

Dear Councillor

This is a supplement to the previously-published agenda for the meeting of **Audit and Corporate Governance Committee** on **Thursday, 1 December 2022** containing those reports which had not been received by the original publication deadline.

Yours faithfully
Liz Watts
Chief Executive

Requests for a large print agenda must be received at least 48 hours before the meeting.

Agenda		Pages
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South Cambridgeshire District Council Audit Progress report

Year ended 31 March 2020

21 November 2022

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Agenda Item 6



21 November 2022

Dear Audit and Corporate Governance Committee Members

The purpose of the report is to update you on our external audit of the Council's 2019/20 financial statement, further to the Audit Planning report presented to the Audit and Corporate Governance Committee on the 28 July 2022.

As reported in our Audit Planning report, we re-commenced our 2019/20 audit in September 2022 following the initial visit in July 2022. We have been working closely with the Council to progress the audit and resolve the outstanding items that remained from our July 2022 visit.

The 2019/20 audit is well advanced and there has been a marked improvement in management's ability to answer audit queries and support balances within the draft 2019/20 financial statements. Management has created a new process for populating the financial statements from the Council's underlying financial systems, this being initially used to start creating the 2020/21 statement of accounts, but was also run for the 2019/20 statement of accounts to confirm the accuracy of the new process against management previous method of accounts creation. This 2019/20 re-run was performed after the draft statement of accounts had been prepared. We have performed an initial review of the new process and we are using the output from it to aid in our 2019/20 audit. The new process appears to be a significant improvement on the previous method and should help reduce the time required for management to prepare it's statement of accounts and provide better links between balances disclosed in the financial statement and underlying transactions that support them.

Management is in the process of updating their draft statement of accounts, which will change some of the disclosures and balances reported. Upon receipt of the updated draft statement of accounts we will need to review this against the original draft to ensure that work we have performed to date provides assurance over any balances and disclosures that have been amended.

Our planned timeline was to complete all of our audit procedures by mid November 2022. This timeline was an estimate as to the number of audit hours required to complete outstanding audit work using our experience of prior year audits and baseline expectations from other audits of a similar size and nature. Given the protracted nature of the 2018/19 audit and the significant issues faced during that audit cycle, the estimated timeline for the 2019/20 audit was subject to change dependent on how audit work progressed.

Whilst there have been improvements since the 2018/19 audit, we have experienced a number of instances where responses to audit requests do not include all the information requested/required and further clarification is required of how evidence provided supports the balance being tested. This has had an impact on delivery of the audit against the estimated timeline.

Our team experienced a small number of days lost through sickness absence during November, however, we were able to deploy additional resources within the month and minimise the impact on audit delivery. We have now reassessed the progress of the audit, allocated additional resources and now aim to complete our audit work on the statement of accounts by the end of December 2022.

In the rest of this report we have provided detail as to the progress of the audit against the areas within the statement of accounts.

Status of the Audit

-  Audit procedures completed
-  Audit procedures started but not completed
-  Audit procedures substantially completed
-  Audit procedures not started

As at the date of this report our audit remains in progress. We have summarised below the status of our audit procedures to help inform the Committee of progress and findings to date.






Audit procedures completed

Area of accounts and risks raised in our Audit planning report	Status	Findings
 Tick and tie and internal consistency check of accounts	Audit procedures completed	We have identified a number of disclosure adjustments that management will amend in the final version of the statement of accounts.
 Balance Sheet - Borrowings (short term & long term)	Audit procedures completed	There are no findings to report from our audit procedures.
 Balance Sheet - Cash and Bank / Overdraft	Audit procedures completed	There are no findings to report from our audit procedures.
 Balance Sheet - Investments (Short term and long term)	Audit procedures completed	There are no findings to report from our audit procedures.
 Balance Sheet - Pension scheme liabilities <i>Other Risk: Pension Liability Valuation & other pension disclosures</i>	Audit procedures completed	We have identified a number of disclosure adjustments that management will amend in the final version of the statement of accounts.
 CIES - Finance & Investment - Pension Costs <i>Other Risk: Pension Liability Valuation & other pension disclosures</i>	Audit procedures completed	There are no findings to report from our audit procedures.
 CIES - Re-measurement of Defined Pension Scheme Liabilities <i>Other Risk: Pension Liability Valuation & other pension disclosures</i>	Audit procedures completed	There are no findings to report from our audit procedures.
 CIES - Impairment/Revaluation	Audit procedures completed	There are no findings to report from our audit procedures.

Status of the Audit (continued)

-  Audit procedures completed
 Audit procedures substantially completed
 Audit procedures started but not completed
 Audit procedures not started

Audit Procedures Substantially Completed with only a few remining outstanding requests and audit work outstanding

Area of accounts and risks raised in our Audit planning report	Status	Findings
 Balance Sheet - PPE Valuations and other tests. <i>Significant Risk: Capital accounting entries</i> <i>Other Risk: Valuation of Other Land and Buildings (OLB) and housing</i>	Our audit procedures are substantially complete - outstanding queries with management	<p>Our testing has identified that manual adjustments made to the fixed asset register to reclassify an asset to land (previously recorded as a building) was incorrectly processed as it was accounted for as an asset disposal and addition rather than a correction to the fixed asset register.</p> <p>This results in a misstatement in the draft statement of accounts as the historic revaluation impairment loss of £1.08 million in the CIES had been incorrectly reversed out as the building asset had been disposed of and a revaluation gain of £1.08 million had been incorrectly recorded in the revaluation reserve as the new land asset had been capitalised as an addition. Management have agreed to adjust for these misstatements.</p> <p>Given the nature and value of the misstatements identified we are required to perform additional testing over other adjustments posted to the fixed asset register to gain assurance that no further adjustments have been incorrectly made. We have requested a list of adjustments posted to the fixed asset register from CIPFA who manage and maintain the system.</p>
 Balance Sheet - PPE Capital additions testing <i>Fraud Risk: Inappropriate capitalisation of revenue expenditure</i>	Our audit procedures are substantially complete - outstanding queries with management	There are no findings to report from our audit procedures performed to date.
 Balance Sheet - Investment Property Valuations <i>Significant Risk: Valuation of investment properties.</i>	Review of the investment property valuations has been undertaken by our internal valuers - final queries from our internal valuers are with management	There are no findings to report from our audit procedures performed to date.
 Balance Sheet - Provisions including NDR Appeals Provision <i>Other Risk: Non-domestic rate (NDR) appeals provision</i>	Our audit procedures are substantially complete - follow-up queries raised with Council.	There are no findings to report from our audit procedures performed to date.
 Balance Sheet - Debtors (Short & Long term)	Our audit procedures are substantially complete - outstanding queries with management	There are no findings to report from our audit procedures performed to date.

Status of the Audit (continued)

-  Audit procedures completed
-  Audit procedures started but not completed
-  Audit procedures substantially completed
-  Audit procedures not started


Audit Procedures Substantially Completed with only a few remining outstanding requests and audit work outstanding (continued)

Area of accounts and risks raised in our Audit planning report	Status	Findings
CIES - Gains/Losses on disposal of non-current assets	Our audit procedures are substantially complete - outstanding queries with management	There are no findings to report from our audit procedures performed to date.
Collection fund - Expenditure and other disclosures	Our audit procedures are substantially complete - outstanding queries with management	There are no findings to report from our audit procedures performed to date.
Collection Fund - Income	Our audit procedures are substantially complete - follow-up queries raised with Council.	There are no findings to report from our audit procedures performed to date.
HRA - Income	Our audit procedures are substantially complete - outstanding queries with management	There are no findings to report from our audit procedures performed to date.
Other Statement - Cash Flow Statement	Our audit procedures are substantially complete and the audit team are working through the final elements testing.	There are no findings to report from our audit procedures performed to date.
Reserves - Movements In Reserves Statement	Our audit procedures are substantially complete and the audit team are working through the final elements testing regarding Capital financing requirement and minimum revenue provision.	There are no findings to report from our audit procedures performed to date.
Reserves - Usable and Unusable Reserves	Our audit procedures are substantially complete and the audit team are working through the final elements of testing regarding the capital adjustments account.	There are no findings to report from our audit procedures performed to date.

Status of the Audit (continued)

-  Audit procedures completed
  Audit procedures started but not completed
-  Audit procedures substantially completed
  Audit procedures not started










Audit Procedures started but outstanding requests and audit work not substantially completed

Area of accounts and risks raised in our Audit planning report	Status	Findings
 CIES - Finance & Investment - Interest Costs	Our audit procedures have commenced - A sample of transactions for testing has been selected and provided to management. Management to provide supporting evidence for the selected sample.	There are no findings to report from our audit procedures performed to date.
 CIES - Finance & Investment - Interest Income	Our audit procedures have commenced - A sample of transactions for testing has been selected and provided to management. Management to provide supporting evidence for the selected sample.	There are no findings to report from our audit procedures performed to date.
 Balance Sheet - Creditors (Short term payables and accruals)	Our audit procedures have commenced including samples selected and initial testing performed - outstanding queries with management	There are no findings to report from our audit procedures performed to date.
 CIES - Net cost of services - Grant income	Our audit procedures have commenced and initial queries are with management to provide breakdown of the balances disclosed.	There are no findings to report from our audit procedures performed to date.
 CIES - Net cost of services - Other expenditure	Our audit procedures have commenced - A sample of transactions for testing has been selected and provided to management. Management to provide supporting evidence for the selected sample.	There are no findings to report from our audit procedures performed to date.
 CIES - Net cost of services - Other income	Our audit procedures have commenced - A sample of transactions for testing has been selected and provided to management. Management to provide supporting evidence for the selected sample.	There are no findings to report from our audit procedures performed to date.
 CIES - Precepts & Levies	Our audit procedures have commenced and initial queries have been responded to by management which the audit team are working through.	There are no findings to report from our audit procedures performed to date.
 CIES - Taxation and non specific grant income	Our audit procedures have commenced and the audit team are working through the required testing.	There are no findings to report from our audit procedures performed to date.
 HRA - Expenditure	Our audit procedures have commenced and the audit team are working through the required testing.	There are no findings to report from our audit procedures performed to date.
 Agreement of Accounts to TB	Our audit procedures are well progressed and the audit team are working through the required testing.	There are no findings to report from our audit procedures performed to date.
 Related Party Transactions	Our audit procedures have commenced and initial request for evidence has been requested to management.	There are no findings to report from our audit procedures performed to date.

Status of the Audit (continued)

-  Audit procedures completed
  Audit procedures started but not completed
  Audit procedures substantially completed
  Audit procedures not started

Audit Procedures not started

Area of accounts and risks raised in our Audit planning report	Status	Findings
 CIPFA Disclosure checklist	Audit work on this area has not commenced - management to provide updated accounts upon which disclosure checklist check will be performed.	Not applicable
 Journals testing <i>Fraud Risk: Misstatements due to fraud or error</i>	Audit work on this area has not commenced.	Not applicable
 Balance Sheet - Bad Debt Provision	Audit work on this area has not commenced.	Not applicable
 Disclosure - All other disclosures not separately identified	Audit work on this area has not commenced.	Not applicable
 Disclosure - Expenditure and Funding Analysis	Audit work on this area has not commenced.	Not applicable
 Group Statements and Notes <i>Other Risk: Group accounts</i>	Audit work on this area has not commenced.	Not applicable
 CIES - Net cost of services - Employee costs	Audit work on this area has not commenced.	Not applicable
 CIES - Net cost of services - Housing services expenditure (Housing Benefit)	Audit work on this area has not commenced.	Not applicable
 Closing procedures: <ul style="list-style-type: none"> Subsequent events review; Going Concern Assessment; Agreement of the final set of financial statements; Receipt of signed management representation letter; and Final Senior Manager and Partner reviews. 	Closing procedures to be performed upon completion of audit work and receipt of final version of the Statement of Accounts Management will be required to update their going concern assessment for 12 months post anticipated opinion date.	Not applicable

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