

**Report To:** Audit and Corporate Governance Committee  
**Lead Officer:** Executive Director (Corporate Services)

26 January 2018

## **Audit and Corporate Governance Committee Achievement of Statutory Accounts Deadlines 2017-18**

### **Purpose**

1. To inform the Committee of the plans to achieve the statutory accounts deadlines in 2017-18 and the proposed dates for accounts approval.
2. This is not a key decision because this report is informing the Committee of the statutory accounts deadlines in 2017-18.

### **Background**

3. The audit of the 2016-17 accounts did not meet the statutory deadline. Going forward, in order to meet the new deadlines set out below, the Finance Department have formulated new planning and working arrangements in conjunction with our external auditors, Ernst and Young, to ensure that this is not repeated in 2017-18 and that the new more challenging timetable can be met.

### **Considerations**

4. The key milestones for the 2017-18 accounts are as follows :

<b>Key Milestone</b>	<b>Date</b>
Submission of draft accounts and Annual Governance Statement (AGS) to External Auditors	31 <sup>st</sup> May
Audit and Corporate Governance Committee – workshop to review draft accounts and AGS	8th June
Meeting of Audit and Corporate Governance Committee to approve the accounts	27 <sup>th</sup> July

5. The accounts do not require committee approval at the draft stage. In the past they have been submitted in draft prior to the audit so that members had a chance to review and comment before the accounts are finalised for approval. We are now proposing to hold a workshop session on 8<sup>th</sup> June , following the deadline for submission to audit so that members can be taken through the accounts in a more informal and interactive way. Please note that the milestone for submitting the accounts to the External Auditors stipulated by the DCLG is much tighter than in previous years.
6. The Finance Department has devised a revised accounts delivery timetable with key milestones which will ensure that all staff know which tasks they need to complete by when in order to ensure that the accounts are delivered

on time. The Chief Accountant will also ensure that all staff know when they need to start work on each task. Regular weekly accounts closedown meetings will be held in order to ensure that all team members can report on progress, enabling action to be taken to avert delivery blockages. A summary of the draft year end and accounts preparation timetable is provided in Appendix 1.

7. The accounts delivery timetable is clear on the risks of each deliverable and management will focus attention on the key risk areas (for example, the asset register) as the accounts process moves forward. The views of external audit will be sought on key risk areas in conjunction with a review of the 2016-17 accounts to ensure risk areas are identified and managed.
8. The key risks to the delivery of the audit timetable are set out in the table below together with details on how we will mitigate those risks. This takes into account the lessons learned from the 2016-17 accounts process.

<b>Key Accounts delivery risks 2017-18 taking account of issues from last year's accounts process</b>	<b>Mitigation Actions Taken/to be taken</b>
Loss of key accounts staff in the middle of accounts preparation. This happened last year. Were it to happen again, it would threaten the timetable delivery.	Recruitment of two experienced temporary staff members to ensure the accounts are delivered on time. Whilst one can never guard fully against staff illness or departures, the arrangements put in place this year are much more robust
Too much responsibility for completion of the accounts devolved on one individual. If this risk is not tackled, the Council will be vulnerable if too much knowledge is kept within one individual.	We will ensure that responsibility for delivery of accounts is assigned to several staff members with appropriate supervision. This will have short-term benefits in ensuring we are not over dependent on one staff for delivery and long-term benefits in that the accounts staff will gain more confidence and skill in delivering the final accounts
Staff Uncertain as to their accounts area responsibilities. If staff are unclear as to why they are doing things, poor work can result. They need to know how their work fits into the financial statements and notes.	The revised timetable will make clear who is required to deliver particular outputs and the deadlines for delivery. It will also show who is required to deliver the individual financial statements and each note to the accounts
Staff uncertain regarding the timetable. There is a risk that although staff know the deadlines, that they may not realise the time the work will take or the dependencies between accounts completion tasks.	Although there was a timetable last year, it did not specify when tasks had to be completed or the linkages between the delivery of the outturn reports at year end and the financial statements. This will be made clear in the revised timetable
Minimal arrangements for communication between accounts staff meaning progress is	The revised timetable includes regular weekly accounts closedown

difficult to monitor or delays difficult to avoid	meetings will be held in order to ensure that all team members can report on progress, enabling action to be taken to avert delivery blockages
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9. The Finance Department will engage with the External Auditors to ensure that both parties are both fully aware of the timetable. We will ensure that all audit queries are communicated to and through a single point of contact at the Council (the Chief Accountant) and that a single audit queries spreadsheet is maintained to ensure that both parties are aware of progress during the course of the audit. The table below sets out the key risks to the timely completion of this year's audit and what we will do to make sure that they are managed.

<b>Key audit risks 2017-18 taking account of issues from last year's audit process</b>	<b>Mitigation Actions Taken/to be taken</b>
Poor continuity of audit personnel leading to time wasted because new audit staff having to learn requirements and not always aware of their colleagues' requests or work.	External Auditors to communicate names and qualifications of audit staff to be used on the audit and to provide reasons to South Cambridgeshire District Council if these staff need to be replaced during the audit. Any replacements should be like to like with similar qualifications and experience and wholesale changes of personnel should be avoided.
Audit queries being delivered orally or in a haphazard fashion. This leads to confusion and it is difficult to understand how the audit is progressing.	A single audit queries spreadsheet will be maintained to ensure that both parties are aware of progress during the course of the audit. No audit queries should be raised without it featuring on this document.
Audit queries being delivered to a number of accounts staff rather than through a single point of contact. This leads to an inefficient audit as audit queries may not being end up in the most efficient way. Management of the process becomes difficult and accounts staff may be faced with answering audit queries when they should be working on the accounts	We will ensure that all audit queries are communicated to and through a single point of contact at the Council (the Chief Accountant)
Poor or suboptimal working relations between the auditors and the Council. If this risk materialises, it can lead to a stand off in which the accounts timetable is inevitably delayed. Examples of poor working relations may involve each not being aware of what the other is doing	We will ensure we engage with the 2017/18 audit team at EY from an early stage and establish working relationships and protocols. In particular we will ensure that our key

rather than any ill-feeling.	milestones in our accounts delivery timetable and the milestones in their audit plan are compatible.
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### **Implications**

10. There are no significant implications.

### **Effect on Strategic Aims**

#### **Aim 1 – An Innovative and Dynamic Organisation**

The improvements outlined in this report will ensure that the accounts and audit are delivered to the statutory timescale in 2017-18. This will demonstrate that we can improve performance year on year whilst maintaining the required accounting and working standards.

### **Background Papers**

None

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## Appendix 1

### Summary of the Draft Year End Accounts Preparation Timetable

Task	Deadline
Download of Month 9 Financial Data to Ernst and Young Portal for Interim Audit	22 <sup>nd</sup> January
Issue of Accounts Timetable to Ernst and Young and to accounts staff	2 <sup>nd</sup> February
Interim Audit completed by Ernst and Young	TBA – provisionally end of February
Last creditors and cheque runs and other 2017-18 in year transactions to be completed	29 <sup>th</sup> March
Completion of Outturn Reports	13 <sup>th</sup> April
1 <sup>st</sup> Draft Statement of Accounts	14 <sup>th</sup> May
Submission of final draft statement of accounts including Annual Governance Statement (AGS) to External Auditors	31 <sup>st</sup> May
Audit and Corporate Governance Committee – workshop to review draft accounts and AGS	8 <sup>th</sup> June
Meeting of Audit and Corporate Governance Committee to approve the accounts	27 <sup>th</sup> July