

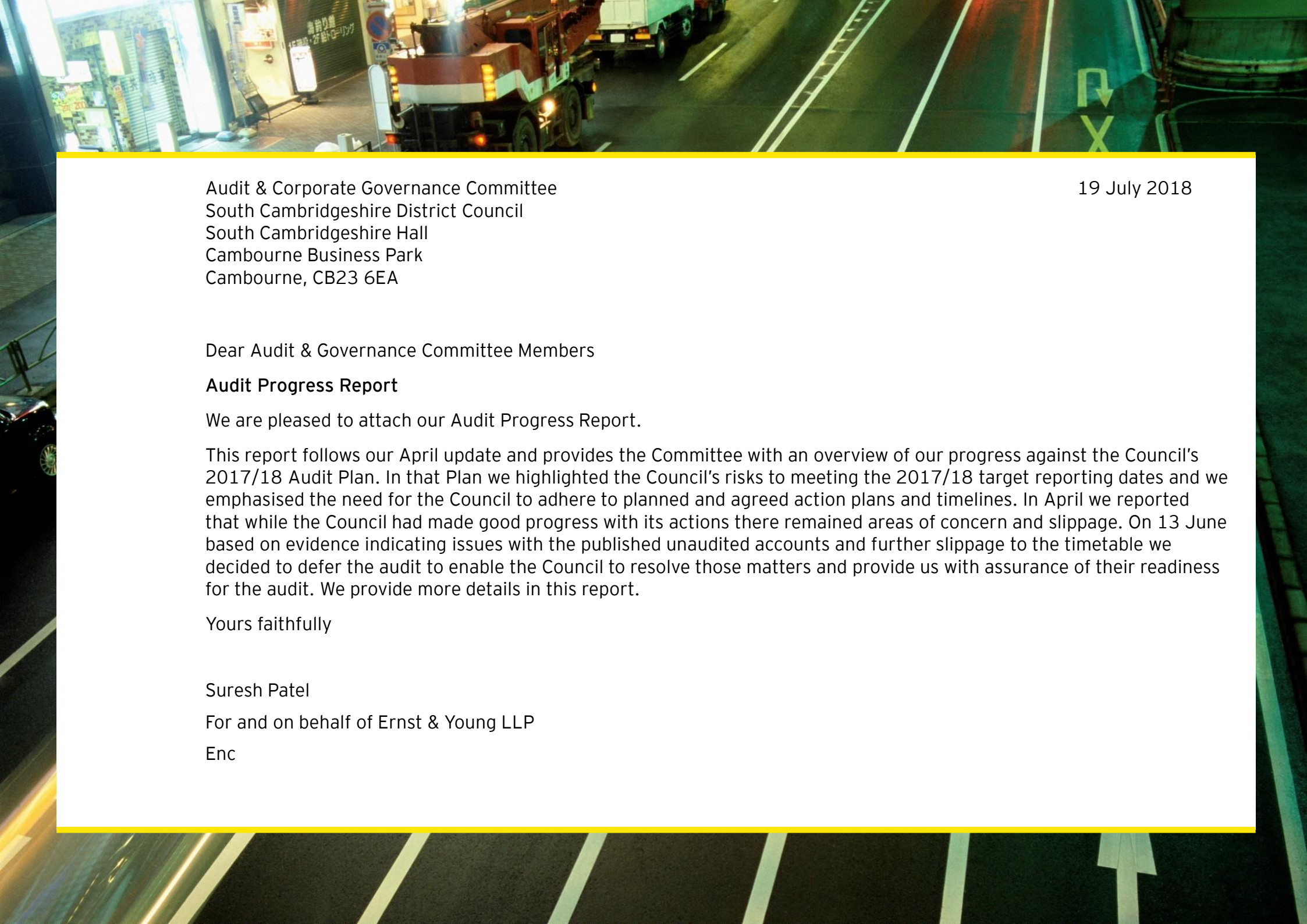
A background photograph showing a meeting in progress. Several people are seated around a white table, with their hands and arms visible as they look at and point to documents. A smartphone lies on the table. The scene is brightly lit, suggesting an indoor office or meeting room environment.

# **South Cambridgeshire District Council**

## **Progress Report**

**Year-ended 31 March 2018**

**19 July 2018**



Audit & Corporate Governance Committee  
South Cambridgeshire District Council  
South Cambridgeshire Hall  
Cambourne Business Park  
Cambourne, CB23 6EA

19 July 2018

Dear Audit & Governance Committee Members

**Audit Progress Report**

We are pleased to attach our Audit Progress Report.

This report follows our April update and provides the Committee with an overview of our progress against the Council's 2017/18 Audit Plan. In that Plan we highlighted the Council's risks to meeting the 2017/18 target reporting dates and we emphasised the need for the Council to adhere to planned and agreed action plans and timelines. In April we reported that while the Council had made good progress with its actions there remained areas of concern and slippage. On 13 June based on evidence indicating issues with the published unaudited accounts and further slippage to the timetable we decided to defer the audit to enable the Council to resolve those matters and provide us with assurance of their readiness for the audit. We provide more details in this report.

Yours faithfully

Suresh Patel

For and on behalf of Ernst & Young LLP

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## Audit progress



## Audit progress

### Preparation of the accounts

#### Audit update

In the prior year the Council experienced significant problems preparing its statement of accounts, working papers and responding to audit queries. For this year the Council needed to prepare draft accounts by 31 May 2018 and publish audited accounts by 31 July 2018.

The Council has taken steps to strengthen its arrangements for accounts closedown and the associated requirements for meeting the accelerated timetable. However, the Council also faced additional pressures from its planned implementation of a new asset register, consolidating a second subsidiary company, potential implementation of a new general ledger (now planned for early October) and continued key staff turnover. As a result we viewed it as a significant risk that the Council would not prepare materially accurate accounts, with good quality working papers and respond to audit queries effectively and promptly.

#### Update to this risk:

- The Council published unaudited accounts on 7 June, missing the 31 May deadline - we identified several issues with the accounts, in particular the reporting and disclosure of property, plant and equipment.
- The Council has postponed the use of the new asset register - we were informed on 12 June that the Council had experienced problems with the move to the new asset register and it has reverted to the existing asset register to prepare the 2017/18 accounts.
- As a result of the above our audit work on the new asset register (carried out in late April) does not provide the assurances we need for 2017/18.
- As reported in April, we were unable to complete all of the planned interim audit work, mainly sample testing of income and expenditure and journals testing where we seek to deploy our analytics tools, as we were unable to resolve issues with mapping data until the end of the planned interim visit. As a result we were required to plan the majority of audit testing at the year end.

As a result of these risks and in line with the messages we reported in the Audit Plan and subsequent update reports to the Committee in respect of the impact of unexpected issues and slippage, we decided to postpone the audit of the accounts.

On 2 July we visited the finance team for a further review of the accounts and to make an initial assessment of the working papers and the finance team's readiness for audit. We were informed of unresolved issues with the accuracy of the accounts and outstanding key supporting working papers. The Council had yet to resolve issues with its trial balance and as a result had yet to provide a full data set to inform our analytics work. The finance team had not carried out a high level review of the latest version of the accounts, an expected quality assurance process, although earlier versions had been reviewed. The finance team highlighted a number of changes to the format of the accounts including to primary statements, in particular the movement in reserves statement. In addition there are large movements between the expenditure figures in the initial set of accounts and the latest draft. These changes and movements will require audit attention.

We understand that the accounts presented to this Committee meeting will be the final draft version of the accounts, replacing the published 7 June version.

## Audit progress

### Next steps

#### Audit Update

We are aware of the interim status of some key finance staff and the timing of the end of their contracts. We continue to liaise with the finance team about their readiness for audit as we are keen to ensure we deliver an efficient audit and avoid unnecessary additional costs.

We have agreed to start the audit in the first two weeks of August, and then taking into account the planned holidays of the audit team and the finance team, a further visit in September. We are aware that the Council is putting in place arrangements to ensure that the planned implementation of the new general ledger in early October does not impact on finance staff capacity to deal with audit queries during September.

We will update the Committee with any further information on 31 July.

At our initial visit in August, we plan to focus on the following areas:

- agreeing the accounts to the ledger, and resolving any issues highlighted by our Analytics tools;
- reviewing the finance team's own quality review of the accounts;
- revisiting the issues that were raised in the 'Summary of Audit Differences' in our Audit Results Reports from 2016/17, to ensure they all addressed correctly in this year's accounts;
- agreeing the PPE notes to the asset register and working papers, ensuring there are adequate working papers for any manual adjustments;
- completing our work on valuations that we started in May including a review of a sample of Beacon properties, and focussing on issues we raised about valuations in last year's audit;
- resolving our queries from our initial audit review on 2 and 3 July;
- reviewing the finance team's completion of the CIPFA disclosure checklist to assess code compliance;
- selecting samples for the rest of our PPE work;
- selecting samples for income and expenditure testing;
- completing an overall analytical review; and
- making an initial assessment about the quality of the rest of the working papers.

We will then return in September to complete the rest of the audit.

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