



**South Cambridgeshire
District Council**

Progress Report

Year-ended 31 March 2018

12 September 2018

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

12 September 2018

Dear Audit & Governance Committee Members

Audit Progress Report

We are pleased to attach our Audit Progress Report.

This report follows our July update and provides the Committee with an overview of our progress in auditing the Council's 2017/18 statement of accounts. In July we reported that due to significant issues with the Council's accounts, trial balance (TB) and supporting working papers we were unable to progress the audit and had agreed a plan with officers to continue the audit in two onsite visits. During the first visit in the first two weeks of August we made some progress with the audit but identified further issues with the accounts, TB and fixed asset register that has led us to defer the second visit from 10 September to 24 September, subject to the Council providing assurances that the TB is complete, reconciles to the accounts presented for audit which in turn is supported by adequate working papers.

At this stage we are unable to indicate when the audit will be complete, the extent of additional audit work we have been and will be, required to undertake and the associated fees.

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

Since the July meeting a number of the significant issues we reported have not been resolved, notably:

- The Trial Balance - a balanced and complete TB, reconciled to the accounts is an essential pre-requisite to commencing the audit. We apply our analytics tools to the TB to give us assurance that the basis of the accounts is sound. We also apply analytics, using the transaction list from the ledger, to select samples for testing efficiently and effectively. The issues we highlighted in July have not been resolved and officers are currently working on providing a revised TB that reconciles to the accounts. Only then can we apply our analytics capabilities to progress the sample testing we need to undertake.
- The statement of accounts - we identified several issues with the 7 June published unaudited statement of accounts. We have yet to receive assurances that the issues we reported in the prior year have been addressed for the 2017/18 accounts. The Council has made a number of changes to the format of the accounts including to the primary statements, and most significantly the movement in reserves statement. There are also a number of significant year on year variances. We are seeking explanations and appropriate support. We understand that the Council will be revising the current version of the accounts.
- Supporting working papers - we have raised a number of queries requesting supporting working papers for items in the accounts.
- Property, plant and equipment - we have raised a number of queries relating to issues with PPE.

During the week commencing 3 September we provided officers with a list of all outstanding audit queries, with dates raised and who they were raised to, as two of the key people involved in the closedown process have now left the Council. The Principal Accountant and the finance team are now working through this list. 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. Resuming the audit on 24 September is subject to the Council being able to demonstrate that they have resolved the matters included above.



Audit progress

Next steps

Audit Update

Key actions for the finance team:

- process the accounts adjustments necessary from addressing the issues in our query log, and any other adjustments identified by the finance team;
- produce a new trial balance;
- produce revised accounts; and
- update the supporting working papers.

What we need as a minimum to resume the audit:

- an amended statement of accounts*;
- analytics tools back from our analytics team (generated from the Council's new trial balance and transactions lists);
- the accounts and notes must agree back to the trial balance, and the asset register;
- the accounts and notes must agree to the supporting working papers for each area; and
- the 'Summary of Audit Differences' from the 2016/17 audit needs to be reviewed and evidence provided that issues/errors are resolved or not recurrent in the 2017/18 accounts.

*We have discussed, with officers the presentation of the Movement in Reserves Statement, and the omission of some of the key capital notes, that currently do not comply with the CIPFA code.

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