



Report To: Audit and Governance 28th September 2021

Lead Cabinet Member(s): Councillor John Williams,
Lead Cabinet Member for Finance

Lead Officer: Peter Maddock, Head of Finance

Audit of the 2018/19 Accounts

Executive summary

1. The 2018/19 Audit of the Accounts is nearing completion. It is expected that the audit will complete within the next couple of months.

Recommendation

2. **To note the position on the Audit of the Accounts for 2018/19.**

Background information

Introduction

3. The draft 2018/19 accounts have been undergoing audit since late last calendar year and whilst this has not been a continuous process overall it has taken rather longer than expected. The biggest element of the final work relates to the asset register for which all information has been provided to the audit team for review.

2018/19 Accounts update on outstanding items

4. There are a few outstanding items to resolve before the audit can be completed and these are dealt with in turn below.
5. There are a number of pieces of land that are on the **asset register** with a nil value. Colleagues in Housing Services have reviewed the list (which included 259 assets) and provided sufficient information on all but 15 of the items to enable the Council's external valuer to carry out a valuation of these. For the remaining 15 sites, inspections are planned during week commencing 27th September to ascertain the size and exact location of these pieces of land. This information will then be passed to the valuer for his work. The valuation work is currently being undertaken with completion expected within the next week. Once this work is complete we will know whether any further adjustment is needed to the asset register.

6. The opening balance of the **Fixed Asset Register** did not match the Statement of Accounts. The necessary adjustments have now been made to the asset register and the reports passed to the auditors for review. The relevant note to the accounts has also been adjusted to reflect the correct position.
7. There is a significant difference between the balance on the **revaluation reserve** in the asset register and that in the accounts. A sample of assets have been taken from both the old and new assets registers and the calculation performed in both systems has been compared. This analysis concluded that the calculations performed on the old asset register were different and, in some cases, not carried out at an individual asset level in accordance with the accounting code. This has resulted in differences between the two systems. The outcome of this review has been provided to the auditors for their review.
8. The **going concern assessment** needs updating. The previous assessment provided information on the Council's finances for a period of a year after sign off so in relation to 2018/19 to August 2022. This will need updating to the end of December 2022 and it has been agreed to provide this in early October. It is important to note that the provision of this information to the auditors in no way means there is any doubt about the Council being a going concern it is just provided to satisfy this additional requirement placed on the auditors.
9. The **IFRS 9 assessment** relating to Financial Instruments has been provided and will be reviewed by the auditors in due course.
10. The outstanding points regarding section 106 monies are currently being reviewed by audit.
11. Once this work is completed there will be a further audit review prior to final sign off which is expected in the Autumn.

Issues affecting the 2018/19 accounts audit

12. Issues with accounts sign off go back a number of years but came to a head with the 2017/18 audit. Progress on that had stalled a number of times and a dedicated resource was brought in during Autumn of 2019 in an effort to complete this. Significant progress was made during the early part of 2020 and although the pandemic hit in March 2020 the accounts were finally signed off during July 2020.
13. This resource commenced work on the 2018/19 accounts audit and whilst they had put together the statement and working papers in readiness for the audit they then left the authority. This resource was replaced fairly quickly and there was a brief handover between the incoming and outgoing staff,

nevertheless there were some issues locating some papers which led to some delay in servicing the audit.

14. The Council decided to change Finance systems midway through 2018/19 moving away from open accounts to T1. This meant additional assurance work was needed by Audit to satisfy themselves that data had been moved from one system to the other correctly. In hindsight moving mid-year was probably the wrong decision and has caused significant additional work. Obtaining evidence for the audit supporting transactions in a system no longer in use added delays to the turnaround times. Data from the first 6 months of 2018/19 originally in Open Accounts was put into T1 without the full detail which again made it more difficult to obtain the required evidence.
15. At the outset of the 2018/19 audit it was recognised that the asset register presented a significant risk as this was the first year that it was used for the accounts. It was originally proposed to look at fixed assets early on in the audit but the auditors felt this should be left until later. Early discussions and work on the system may have avoided some of the issues encountered later in the process and it is disappointing that this request was not agreed to. In the event there were significant difficulties in lining up the register with the accounts and it has been concluded that the opening balances in 2018/19 on the Capital Adjustment Account and Revaluation Reserve were incorrectly calculated by the previous asset register. Effectively both accounts are wrong by the same amount, but it is worth noting that as they are both unusable reserves – effectively accounting categories - there is no effect on the Councils usable reserves such as the General Fund and HRA balances.
16. The impact of the Pandemic cannot be underestimated either. The whole Finance team were involved in the delivery of the Business Grants across the district during 2020/21, and the impact of this enormous workload, which was almost exclusively carried out from home, cannot be overestimated.
17. The issues in the Audit Progress Report are being addressed. In February of this year a Chief Accountant/Deputy Chief Finance Officer was appointed and they will be part of the team providing support to the 2019/20 audit. An additional resource to support the audit was appointed at the start of September and they will be working with the current final accounts lead to service the 2019/20 audit. There will also be further resources available to support the asset register when that is needed.
18. An assessment of whether further resources are needed for the 2019/20 audit will be carried out and these will be engaged when they are needed.
19. Since the last meeting further work has been carried out and the information required has been passed to the auditors. It was known at the last meeting that the lead auditor was leaving and that one of the auditors on the ground would not be available during August due to paternity leave so the intention was to pass information to them during September and this has now

happened. So whilst it might appear that little has happened since the July meeting plenty of background work has been undertaken to support the audit going forward and they now have everything they need.

2019/20 Accounts Audit timeline

20. Once the 2018/19 audit is completed there will be a short pause to enable the 2019/20 accounts to be completed and the audit planning process to be carried out before the next audit commences in January 2022. It is hoped that the next audit will be more straight forward as all transaction will be on one finance system, evidence will be more easily obtained and the asset register will also be in line with the accounts.
21. The 2020/21 accounts will be prepared during the last quarter of this financial year though the audit will now fall into financial year 2022/23. The exact date of that taking place will be dependent on completion of both the 2018/19 and 2019/20 audits.

Options

22. The report is a position statement informing members of the progress so far and the estimated timeline going forward.

Implications

23. In the writing of this report, taking into account the financial, legal, staffing, risk management, equality and diversity, climate change, community safety and any other key issues, the following implications have been considered:

Legal

24. Since 2016 there has been a requirement under the Accountancy and Audit Regulations for council's to present their accounts for the preceding financial year for audit by 31st of May each year and for those accounts to be audited and published by 31st July each year. An extension was granted for 2019/20 and 2020/21 accounts due to COVID but the delay in the audit of the 2018/19 accounts has made this largely academic.

Financial

25. There will be additional audit fees over and above the scale fee set, there were additional fees ensuring the transfer of information from the old finance system to the new which occurred during the year and additional fees are incurred as a result of having to prepare group accounts. The protracted nature of the audit will involve some additional fees too.

Risk

26. There is a risk that the financial statements are incorrectly stated with consequential impacts. This is still a significant risk going forward but with

dedicated experienced resources now tasked with accounts completion for 2019/20 the risk should be mitigated to a significant extent.

Environmental

27. There are no environmental implications arising directly from the report.

Equality Analysis

28. In preparing this report, due consideration has been given to the District Council's statutory Equality Duty to eliminate unlawful discrimination, advance equality of opportunity and foster good relations, as set out in Section 149(1) of the Equality Act 2010. It is considered that the report has no relevance to South Cambridgeshire District Council's statutory equality duty to eliminate unlawful discrimination, advance equality of opportunity and foster good relation. An equality analysis is not needed.

Background Papers

Where the Local Authorities (Executive Arrangements) (Meetings and Access to Information England) Regulations 2012 require documents to be open to inspection by members of the Public, they must be available for inspection:

- (a) at all reasonable hours at the offices of South Cambridgeshire District Council;
- (b) on the Council's website; and
- (c) In the case of documents to be available for inspection pursuant to regulation 15, on payment of a reasonable fee required by the Council by the person seeking to inspect the documents at the offices of South Cambridgeshire District Council.

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