

Report To: Audit and Governance

19th December 2019

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

Lead Officer: Peter Maddock, Head of Finance

**SUBJECT: COMPLETION OF THE 2017/18 AUDIT OF THE ACCOUNTS AND
THE PROPOSED TIMESCALES FOR THE AUDIT OF THE 2018/19 ACCOUNTS**

PURPOSE

1. To approve the final Statement of Accounts for 2017/18 (to follow) subject to final review and sign off by the Auditors and to note the proposed timetable for the completion of the external audit of 2018/2019 financial statements.

RECOMMENDATIONS

2. **To approve the 2017/18 Statement of Accounts (subject to final audit procedures) and to note the proposed timetable for the completion and audit of the 2018/19 Statement of Accounts.**

REASON FOR RECOMMENDATION

3. The 2017/18 Accounts audit is now nearing completion and the accounts need to be approved and issued as the final version. The auditors have one or two final things to resolve prior to signing off. Focus will then need to move on to the 2018/19 accounts audit with a view to completing these by the end of March 2020.

BACKGROUND INFORMATION

Introduction

4. There is 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.

2017/2018 Accounts

5. With regard to the 2017/18 Accounts these were issued for audit in line with the regulations but had been rushed and had no proper working papers to verify most of the transactions and although the audit commenced in June of 2018 it soon became evident that they were unable to progress the audit further.
6. Since that time there have been a number of attempts to complete the final accounts audit and, for a variety of resource reasons, have had to be paused. The latest attempt to complete the audit commenced on 11th November and although it was expected to take three weeks it has in fact taken rather longer.

7. The 2017/18 accounts audit is now nearing completion and it is fair to say that there were a significant number of errors within the accounts which has necessitated a more detailed audit than would otherwise be the case. Also because of the sporadic nature of the audit a number of different auditors have been involved which has led to duplication for both finance and audit staff. This has been exacerbated by the passage of time in that some of the transactions were carried out over two years ago by different people than are currently having to answer the audit queries and some important detailed knowledge has since been lost.
8. Having said that we can shortly draw a line under the 2017/18 accounts and move on. Whilst the accounts need approving, there is little point in going into any detail as the accounts themselves are so out of date now as to be of little practical use.

2018/2019 Accounts

9. Turning to the 2018/19 accounts and given the recent history surrounding accounts preparation, the Team was faced with two choices - either (i) preparing the accounts to the timetable knowing that, in reality, they would be rushed, would still be based on information that was not reliable and indeed on an unaudited starting point or, (ii) preparing and presenting a set of accounts somewhat later with a much better chance of them being able to stand up to audit. The latter course of action was considered the most appropriate and therefore it is proposed to issue the 2018/19 accounts for audit during January when it is expected that they will be complete, with the agreed balance sheet starting point.
10. It was recognised that additional resources would be required to complete the 2018/19 accounts and this has proved quite difficult with a number of possibilities not working out, however a temporary resource has now been secured until May 2020 and the initial signs are very promising.
11. The biggest risk to a completed set of accounts for 2018/19 by the proposed deadline is still the asset register. Setting up the register and agreeing it to the accounts has taken rather longer than expected. Once we are completely happy with the 2017/18 closing position which will not be until the audit for that year is completed, we still need to load the 2018/19 transactions which include Depreciation, Additions and Re-valuations. It is possible that this work may not be completed until after Christmas, which will leave little time for checking and verification before the audit commences. At this stage it is still felt that this is achievable.
12. The other difficulty during January is that getting the accounts ready will clash with 2020/21 budget setting and whilst some staff dealing with the accounts do not get heavily involved with the budget others do including myself. This will need to be a carefully managed to ensure neither process is compromised in any way.

2019/2020 Accounts

13. As regards the year due to end on 31st March 2020 it is unlikely that the council will be able to meet the 31st May deadline for presentation of the accounts for audit or the 31st July audit completion deadline. It is also possible that the earlier deadline for audit completion introduced for 2017/18 will be put back to the previous 30th September deadline. The difficulties facing audit teams in 2018/19 when nearly half of local authority accounts audits were not complete by 31st July should not be underestimated and although the audit firms will be planning to complete their local

authority audits by the end of July there must be a significant risk that this will not be achieved. Given the particular difficulties experienced at South Cambs it also makes sense to re-assess the situation early in the new calendar year before making any firm decisions but a later audit commencement than June 2020 would seem the best course of action.

Summary Position

14. The 2017/18 accounts audit is nearing completion and it is expected that an unqualified audit opinion will be issued before Christmas.
15. The 2018/19 accounts are partially complete but the Asset Register has still to be completed and reconciled for 2018/19. If this is not achieved by Christmas there is a risk that the accounts will not be ready until well into January and given that this is also a busy period with budget preparation there is a significant risk to the process completing by the end of March as planned.
16. The Finance Team, whilst very committed, has had a number of long term vacancies with delayed recruitment, and also suffers from a shortfall of knowledge and relevant experience and has lacked motivation. Internal and/or external training would help to improve this. Some has already been undertaken but more is needed.
17. It is likely that the Council will not be able to meet the 2019/20 final accounts deadline and a decision on this will need to be made early in the new calendar year.

OPTIONS

18. The options around the 2018/19 accounts are that a set of accounts could be presented for external audit at the earliest opportunity after the completion of the 2017/18 audit but there could be limited confidence that the statements were prepared to the required standard; such an approach would essentially leave it to the auditors to find any errors and correct them when they arise but this is, however, bad practice and potentially could lead to additional costs for the Council as more work would be required by the auditors than otherwise. The alternative option, which has now been verbally agreed, is to present a set of accounts toward the end of January with a view to completing the audit by the end of March prior to the auditors focus shifting to the 2019/20 National Health audits which commence in May 2020.

IMPLICATIONS

19. 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:

Policy

20. Timely closure and audit of the Council's accounts is important to ensure that the financial position of the Council is ascertained as soon as possible after the year end in question. Failure to do so leads to uncertainty and if the true position is not certain when budgets are set this process becomes more difficult.

Legal

21. There is 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. This however is not a statutory requirement.

Financial

22. Timely and robust consideration of the Council's budgets is vital to ensure that financial statements are correctly stated, financial procedures are followed and that the financial position of the Council is effectively managed and monitored.

Risk

23. There is a risk that the financial statements are incorrectly stated with consequential impacts.

Environmental

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

Equality Analysis

25. 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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