



Report To: Audit and Governance

24th March 2020

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

Lead Officer: Peter Maddock, Head of Finance

COMPLETION OF THE 2017/18 AUDIT OF THE ACCOUNTS AND TIMESCALES FOR THE 2018/19 and 2019/20 ACCOUNTS AND AUDIT

PURPOSE

1. To update the Committee on the latest position regarding the accounts for 2017/18, 2018/19 and 2019/20.

RECOMMENDATIONS

2. To note the position with the 2017/18 Statement of Accounts and proposed timetable for the completion and audit of the 2018/19 and 2019/20 accounts.

REASON FOR RECOMMENDATION

3. The 2017/18 accounts audit is nearing completion and once these are completed and signed off focus will shift to the 2018/19 and 2019/20 accounts.

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 an expectation for those accounts to be audited and published by 31st July each year.

2017/2018 Accounts

5. As regards 2017/18 I do not propose to go through the issues with the accounts prior to December 2019 again but concentrate on what has happened since then.
6. At the last meeting a set of accounts was presented and approved subject to their not being any further 'significant' issues identified. It was noted that there was still an outstanding issue to resolve and following investigation it soon became clear that there was a further material error within the accounts.
7. The completion of the audit has been impacted to a degree by staff sickness both within the Council and Ernst and Young (EY), but also accountancy staff have been

finalising the 2020/21 budget during January and the first couple of weeks of February.

8. EY also carry out the Housing Benefit audit and the Department for Work and Pensions (DWP) deadline for this is 30th November. Due to difficulties concluding accounts audits across the County an extension was sought and agreed by the DWP to 29th February. This audit has to be completed by the agreed deadline otherwise the DWP has the power to impose financial penalties on the Council. This audit was completed and signed off ahead of the revised deadline but of course the work was carried out during January and February.
9. Having said this the substantive audit work has now been completed and making sure the adjustments identified have been carried out and correctly reflected in the accounts is no small task given the sheer number of adjustments necessary. This process is currently being undertaken and whilst it was hoped that it would be completed in time for this meeting this now looks unlikely.
10. The Council has recently taken on an additional resource to complete the accounts for 2017/18 and future years. This colleague has considerable experience in this area and has previously worked in audit so has a good understanding of the processes they undertake and the information they need to complete the audit. It should therefore be possible to complete this work and get the accounts signed off by the end of March. It will then be necessary for the Committee to re-approve the accounts as soon as practically possible after everything has been concluded.
11. The other related issue is that of the Asset Register. Since 1st April 2007 accounting for Non-Current Assets has become more complicated and it is generally recognised that in order to keep track of individual assets a proper asset register system is required. Whilst this should have been done some years ago we now have a proper asset register system that has in excess of 5,500 individual assets on it the majority being HRA dwellings. A lengthy process of reconciling this to the 2017/18 accounts has been ongoing for sometime and we have finally achieved this in the last week or so.

2018/2019 Accounts

12. Turning to the 2018/19 accounts. These have been substantially prepared but cannot be completed until the final position for 2017/18 has been ascertained and the asset register reconciled for 2018/19 too.
13. One of the issues with 2017/18 was the lack of working papers and evidence to support the figures in the accounts. A significant amount of effort has been put in to ensuring that there is enough information and evidence for the audit when it does take place which should mean a smoother audit and take less time. There will also need to be plenty of reasonableness checking in an effort to reduce the number of errors and given the recent history surrounding accounts preparation this may take a while.
14. Having said that as soon as the 2017/18 accounts are complete we can move straight to the 2018/19 accounts and providing the final outstanding capital transaction are processed, checked and put into the statements fairly quickly a set of accounts can probably be ready within a month or so.

15. Once completed they can be published and presented for audit. EY have said they will not be able to audit the 2018/19 accounts until September but it makes sense to complete the 2018/19 accounts albeit subject to audit so we can then move on to the 2019/20 accounts. The audit of the 2018/19 accounts should be completed by the end of October or early November.

2019/2020 Accounts

16. Work on the 2019/20 accounts is already taking place. For example the housing stock valuation work was completed and valued at 29th February and a reasonableness check is being carried out. This work can be carried out in isolation and there are a number of other tasks that can be done before we reach the year end. Most of the year end transactions are carried out by colleagues who are not involved in either the 2017/18 or 2018/19 accounts so the two processes should not conflict with each other to a significant extent.
17. When the accounts are prepared to the proper timetable it is usual to do most of the year end transactions in April and the first week of May and put the statement together after that. The intention is to try to meet this timetable for 2019/20 if at all possible but given the amount of work needed between now and then this seems a very tall order. There is also the issue of publishing a draft set of 2019/20 accounts before the previous year is audited and unsurprisingly the Accounts and Audit Regulations do not envisage this situation occurring, so the legality and practicality of this approach needs to be fully explored.
18. As regards the audit EY have said they can go straight onto the 2019/20 audit after they have completed 2018/19 so it is possible we might be up to date by Christmas 2020 but there is a possibility that this will continue until January 2021. The colleague working on the accounts is with us until 30th November 2020 but providing he is willing and able it would make sense to keep him on until the 2019/20 audit is complete.

Other Issues

19. As well as getting the final accounts process back on track there is the issue of making sure, going forward, we are in a position to complete the accounts to timetable and to a satisfactory standard. This involves a degree of staff training as significant knowledge was lost back in 2017 and this has never been fully restored. Some progress has been made on this but because of the protracted nature of the 2017/18 accounts and other work commitments much of this is still to be done. The period between mid-June and mid-September of this year is probably the first opportunity we will get to address this fully but it should be enough time to do so.
20. It is proposed that a set of final accounts guidance papers are produced detailing the accounting treatment for particular aspects of the accounts as these can be quite complex and difficult to follow. Local Authority accounts are very different to the private sector and indeed more complex not least because of the need to exclude certain items from the deficit or surplus for the year to calculate the amount chargeable against the Council Tax and/or Housing Rents.
21. The final issue is with the accounting system which whilst it records transactions accurately and is capable of producing all the information needed for the final accounts it has not been set up in the most efficient manner and the coding structure

is not the best. Work therefore needs to be done to get the system working in a way that makes our life easier and all transactions are grouped in the appropriate manner.

Summary Position

22. The 2017/18 accounts audit should be complete by the end of March and both the 2018/19 and 2019/20 should follow within a few months afterwards. The Audit though is unlikely to be completed until the autumn so 2020/21 will probably be the first year for sometime that we are on track to meet the required timetable.

OPTIONS

23. There are few other options available to the Council. The accounts need to be completed and audited the only other options are around amending the timeline. If we try and complete the accounts sooner there is more chance of error but since they are not going to be audited for sometime this does not make much sense. Alternatively we could delay accounts completion but we then run the risk of affecting the audit timeline which from past experience could mean it takes even longer to get the process back on track.

IMPLICATIONS

24. 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

25. Timely and robust consideration of the Council's accounts is vital to ensure that corporate procedures and priorities are met and the financial position of the Council is effectively managed and monitored.

Legal

26. 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.

Financial

27. 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. The failure to deliver the 2017/18 accounts on time and without error has lead to additional cost to the Council.

Risk

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

Environmental

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

Equality Analysis

30. 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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