



**Report To:** Audit and Governance 23<sup>rd</sup> March 2021

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

**Lead Officer:** Peter Maddock, Head of Finance

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## **Audit of the 2018/19 Accounts**

### **Executive summary**

1. The 2018/19 Audit of the Accounts is currently ongoing. It had been hoped to complete the process by the end of March but for a number of reasons this has not been possible. Much of the work has been completed, however the Asset Register in particular has presented some issues which are in the process of being resolved.

### **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 presented for audit and that process commenced toward the end of October 2020. The work has been ongoing during the intervening period and whilst there have been times where work has been paused to allow the Council time to collate evidence and responses to audit queries. It is important to note that unlike the 2017/18 audit momentum has been maintained. The audit will not be complete by the end of March 2021 as planned however all but the Asset Register work should be completed soon after.

#### **2018/19 Accounts Audit timeline**

4. The final accounts audit commenced during October 2020. Shortly before that the final accounts lead who saw the 2017/18 process through left the authority and a replacement was brought in in early October. There was a two week handover period which was important in ensuring that the new final accounts lead was up to speed when the audit commenced and the actual start was slightly delayed as a result. The current lead has built up a good working relationship with the auditors over the intervening period.

5. Initially the audit ran for approximately two months during which time a significant amount of work was carried out but because of the need to finalise the 2021/22 budget the accountancy team was becoming increasingly stretched and a decision was made to take a months break as responses to audit queries were becoming more and more difficult to manage. There have been 199 items requested some of which had sub requests so the process became logistically quite difficult and auditors were waiting for responses and unable to continue with their work so this was the only reasonable course of action. Issues relating to the Fixed Asset Register were raised during this period and it became evident that the entries in the accounts did not match the output from asset register but also the information from the Fixed Asset Register was not correct either.
6. The audit recommenced in mid-January for 4 weeks where it left off and the Finance team began work on identifying and rectifying the error within the Asset Register. The auditors were unable to complete the non asset related work in this period due to follow up queries being raised. The auditor's will now restart on 22<sup>nd</sup> March. There are now only a few queries still outstanding but there is likely to be further follow up questions or information requirements relating to information previously provided which will need to be addressed in the next few weeks.
7. The corrections to the asset register and the resulting amendments to the statement of accounts are scheduled for completion by the end of the month which is achievable and that can be audited separately as it is a specialist area and the auditors want to ensure that the right resource carries out that part of the audit. Once that work is complete we should be in a position to move to sign off the 2018/19 accounts subject to any amendments necessary as a result of the audit work.
8. It is recognised that the signing off of the 2018/19 accounts will, as was the case for 2017/18, be significantly after the year in question has ended however the actual time taken to do the audit will be rather less and generally the momentum has been maintained.

### **Issues affecting the audit**

9. The audit has progressed reasonably well though not gone completely smoothly but there have been factors contributing to this which I will explore in a little more detail below.
10. During 2018/19 not only was the Council's finance system replaced but also a new asset register was installed and whilst the register was activated from the start of 2017/18 the first year this was used for the final accounts was 2018/19. Because of this, additional audit work was carried out by the auditors to check that data from each 'old' system was migrated accurately and completely to the 'new' system and in the case of the new finance system, the

auditors deployed specialist IT auditors to review the appropriateness of IT controls and system parameters from moving from the old to the new system. This additional work would not be necessary as part of a standard final accounts audit. It is also worth noting that the cost of this time would not be included within the scale fees agreed by the Public Sector Audit appointments (PSAA). The work on the finance system has been completed but the asset register work has still to be completed as mentioned earlier.

11. The audit of the accounts would normally fall outside the main part of the budget cycle but because the Council are somewhat behind the two activities have clashed. Some of the audit work is carried out by those not involved in the budget process however a significant amount of the work fell on staff putting the budget together and a balance has had to be struck between delivering two very important pieces of work at the same time. I believe under the circumstances that both the Council and EY teams have progressed the audit as best they can and hopefully the audit itself can be completed during the spring.
12. Not only do the auditors need to complete the audit of the accounts we also engage them separately to act as the reporting accountant for Housing Benefit certification. This work has been delayed nationally and the DWP have agreed an extension from the original November 2020 deadline to the end of March 2021. This work is also ongoing and will inevitably have some knock on effect to the final accounts audit. The Housing Benefit audit examines the entries behind the claim that the Council makes for housing benefit subsidy from the DWP and a failure to complete this process within agreed timescales can potentially have financial consequences for the Council. It is understood that a further months extension has been sought as completing this work satisfactorily by the end of March is looking increasingly difficult.
13. The ongoing nature of the pandemic and the need to work remotely has added delays into the process and it is my view that an audit carried out face to face is more efficient than one carried out remotely. Having said that the ability to work remotely has probably improved as time has passed and it is difficult to know exactly much remote working has actually affected the audit process.

### **2019/20 Accounts Audit timeline**

14. The timeline for the audit of the 2019/20 accounts is completely dependent on the outcome of the current audit and because we need the agreed closing position for 2018/19 before the 2019/20 accounts can be completed this makes it quite difficult to estimate when the 2019/20 accounts audit will start. Much of the work on 2019/20 has been completed and once the asset register issues have been resolved and audited then that information can be amended and the accounts completed.

15. The other issue will be organising the audit resources to carry out the work at a time when other audits are occurring with the uncertainty of not being exactly sure when the 2019/20 accounts will be ready for audit. At this stage we can only make indicative plans but one thing is sure we need to progress this as soon as we possibly can with a view to completing both 2019/20 and 2020/21 by 31<sup>st</sup> March 2022.

## **Options**

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

## **Implications**

18. 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***

19. 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 31<sup>st</sup> of May each year and for those accounts to be audited and published by 31<sup>st</sup> July each year. An extension was granted for 2019/20 accounts due to COVID but the delay in the audit of the 2018/19 accounts has made this largely academic.

### ***Financial***

20. There will be additional audit fees over and above the scale fee set of between £50,000 and £75,000.

### ***Risk***

21. There is a risk that the financial statements are incorrectly stated with consequential impacts. This is still a significant risk going forward but with a dedicated experienced resource now tasked with accounts completion for 2019/20 the risk should be mitigated to an extent.

### ***Environmental***

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

### ***Equality Analysis***

23. 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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