

# **South Cambridgeshire District Council Audit Progress to March 2021**

Accounts year ending 31 March 2019



South Cambridgeshire District Council

16 March 2021

Dear Audit and Corporate Governance Committee Members

### **2018/19 Accounts and audit update**

At the September 2020 Committee we reported to you our Outline Audit Plan for the audit of the Council's 2018/19 statement of accounts. Since then we have made good progress with some aspects of the audit and have seen improvements in the way the Council has strengthened its financial reporting arrangements and dealt with the short notice departure of its finance lead in October 2020. However, from our initial review of property, plant and equipment accounting balances and disclosures we identified significant issues, particularly in relation to the supporting reconciliations with the Council's new fixed asset register which should underpin these balances. In response, the Council is carrying out extensive work to review and correct the information held in its new fixed asset register to ensure it adequately reflects the true position of the Council's property, plant and equipment balances and will amend the 2018/19 statement of accounts once this has been completed. The Council does not expect to complete this work until the end of March 2021. In addition, audit progress has been hindered by the conflicting priorities faced by finance and other staff who have been identified by the Council as being able to respond to audit queries. This has led to a high level of responses requiring follow up audit queries. We have worked in collaboration with the Council to allow these staff sufficient time to respond to audit queries effectively.

As a result of the above, we have been unable to complete our audit to the original planned timetable of the end of 2020 and we have and continue to require additional audit inputs to complete the audit. We plan to complete the audit procedures with the exception of those related to property, plant and equipment, by the end of April 2021. We are currently identifying the right audit resource to carry out the procedures on property, plant and equipment but before we do so we will carry out a critical review of the Council's revised accounts disclosures, supporting reconciliations and working papers.

We include in this progress report a detailed analysis of the status of the audit. We also include an update on our audit fees.

This report is intended solely for the information and use of the Audit and Corporate Governance Committee and management, and is not intended to be and should not be used by anyone other than these specified parties. We welcome the opportunity to discuss this report with you on 23 March 2021 as well as understand whether there are other matters which you consider may influence our audit.

Yours faithfully

**Suresh Patel** - Associate Partner, for and on behalf of Ernst & Young LLP





# Status of the audit





## Status of the audit

We summarise the status of our audit procedures to help inform the Committee of progress and findings to date.

Audit testing completed subject to final review	
Area of the accounts	Item
Balance Sheet	Borrowings
Balance Sheet	Unusable Reserves
Balance Sheet	Cash and Cash Equivalents
Balance Sheet	Pension fund liability
Balance Sheet	Provisions
Comprehensive Income and Expenditure Statement	Finance Costs
Comprehensive Income and Expenditure Statement	Finance Income
Comprehensive Income and Expenditure Statement	Housing Benefit Expenditure
Comprehensive Income and Expenditure Statement	Employee costs
Comprehensive Income and Expenditure Statement	Precepts
Comprehensive Income and Expenditure Statement	Grant Income

Audit testing completed subject to final review	
Area of the accounts	Item
Collection Fund	Income
Collection Fund	Expenditure
Collection Fund	Disclosures
Housing Revenue Account	Income
Housing Revenue Account	Expenditure
Housing Revenue Account	Disclosures
Disclosures	Exit packages
Disclosures	Officers remunerations
Disclosures	Other accounting disclosures
Other procedures	Cashflow Statements
Other Procedures	Opening Balances
Other procedures	Journals testing
Other procedures	Disclosure Checklist

## Status of the audit

### In progress

Area of the accounts	Item	Commentary
Balance Sheet	Property, Plant and Equipment and related balances and disclosures	<p>The Council has utilised a new non-current asset system (CIPFA AMS) for preparation of the 2018/19 statement of accounts. In October 2020 we undertook an initial review of the non-current asset balances reported in the draft statement of accounts and identified a number of queries in regard to how the balances presented were derived from the new asset system. It was determined that the balances in the draft statement of accounts did not agree to the non-current asset system and that the system did not hold all of the relevant information and as such was not complete.</p> <p>The Council are undertaking a review of the information contained within the asset system and will amend the statement of accounts to reflect the revised balances disclosures.</p> <p>Once the Council are assured that the asset system has been appropriately updated and the statement of accounts correctly amended, we will carry out a critical review of the work done by the Council. We will then commence detailed audit testing of these balances and disclosures.</p>
Balance Sheet	Earmarked reserves	Audit procedures on Earmarked reserves has been substantially progressed. Audit procedures to be completed in March/April 2021.
Balance Sheet	Debtors	Audit procedures on the Council's Debtors balance has been substantially progressed. Final areas of audit testing in regard to existence testing and bad debt provision to be completed in March/April 2021. Council have responded to all outstanding audit queries.
Balance Sheet	Creditors	Audit procedures on the Council's Creditors balance has been substantially progressed. Final areas of audit testing in regard to existence testing and capital grants received in advance to be completed in March/April 2021. Council have responded to all outstanding audit queries other than in regard to section 106 monies with capital grants received in advance.
Balance Sheet	Unrecorded liabilities/cut-off testing	Audit procedures have progressed, further top up of unrecorded liabilities and expenditure cut-off to be undertaken in March/April 2021.
Balance Sheet	Investments	Audit procedures in regard to the Council's investment balance have been substantially progressed. The Council have responded to all outstanding audit queries audit work to be completed in March/April 2021.



## Status of the audit

### In progress (continued)

Area of the accounts	Item	Commentary
Comprehensive Income and Expenditure Statement	Service income testing	Audit procedures in regard to the Council's service income have been progressed. Testing sample has been selected and the Council have provided evidence to support the sample selected. To be completed in March/April 2021.
	Service expenditure testing	Audit procedures in regard to the Council's service expenditure have been progressed. Testing sample has been selected and the Council have provided evidence to support the sample selected. To be completed in March/April 2021.
Disclosures	Going Concern	The Council's statement of accounts will require updated going concern disclosures reflecting the Council's position 12 months post the date the accounts are approved. We will perform our going concern procedures closer to the opinion date.
Disclosures	Financial Instruments	The Council's financial instrument disclosure's within the draft statement of accounts is not in line with the requirements of IFRS 9 and the Code. We are awaiting the Council's updated disclosure note.
Disclosures	Expenditure Funding Analysis	Audit procedures to be completed in March/April 2021.
Other Procedures	Walkthroughs	Initial audit procedures on walking through the Council's financial systems have been undertaken. Due to the in year change in the Council's general ledger, additional walkthroughs are required to ensure the systems and controls are in place for both the old (Open Accounts) and new (Technology 1) general ledgers. Due to the timings of the system change versus audit date we have currently not been able to perform all of the required walkthroughs due to availability of supporting evidence from the old general ledger. We will perform additional walkthrough procedures in March/April 2021 and consider the impact on our audit opinion.
Other Procedures	Information Produced by the Entity (IPE)	We are required to perform audit procedures on all information produced by the entity to confirm the validity of the information used to prepare the accounts. One of the key tests for this is ensuring any information, such as system reports, agrees back to the system from where it was produced. Due to COVID and lockdown restrictions we have been unable to sit with key officers to observe these reports being re-run and as such will need to perform alternative procedures via screensharing to obtain the required assurance. Audit procedures to be completed in March/April 2021.

## Status of the audit

### In progress (continued)

Area of the accounts	Item	Commentary
Other Procedures	Group Accounting/Consolidation	Audit procedures are substantially completed. Final review of component auditors audit working papers to be completed in March/April 2021.
Disclosures	Related Party's	Audit procedures are substantially completed. All response to audit queries received from the Council and work to be completed in March/April 2021.
Other Procedures	Significant contract review	Audit procedures to be completed in March/April 2021.
Other Procedures	Value for Money Conclusion	We will finalise and reassess our risk assessment on our value for money conclusion once audit work has been substantially completed to assess the impact of the Council in meeting financial reporting duties for publishing draft and audited accounts, specifically the Council's arrangements for producing reliable and timely financial reporting that supports the delivery of strategic priorities. We are likely to reissue the VFM qualification in respect of timely financial reporting.
Other Procedures	Fraud considerations	We are awaiting receipt of one outstanding response to our fraud enquiry letter from the chair of the Audit and Corporate Governance Committee .

## Fees

Below we have provided an estimate as to the current position of additional fees on the audit. We have included a range for the additional fees associated to known new risks and areas of audit focus as reported in our Outline Audit Plan. We will revisit these ranges on completion of the work and seek agreement with the Section 151 officer.

	Planned fee 2018/19 (£)	Final Fee 2017/18 (£)
Scale Fee - Code work	40,021	51,975
Additional risks and areas of focus:		
- Group accounts	4,000-5,000	5,000
- Impact of 50% performance materiality & higher risk factors (Note 1)	10,000-20,000	-
- Data migration relating to new Fixed Asset Register (FAR) (Note 2)	7,000-11,000	-
- New financial management system use of EY ITRA (Note 3)	5,000-7,500	-
- Going concern (Note 4)	2,000-4,000	-
- New accounting standards	1,500-2,500	-
- Impact of Covid-19 on the audit opinion and EY consultations (Note 5)	2,000-3,500	
- Value for Money Conclusion (Note 6)	4,000-7,000	
- Additional audit overruns & delays	14,500-19,500	142,000
<b>Total audit</b>	<b>90,021-120,021</b>	<b>198,975</b>

*All fees exclude VAT*

Note 1: Using the lower testing threshold of 50% of performance materiality in addition to using higher risk factors will increase sample sizes and require additional audit input.

Note 2: Additional testing relating to the new FAR.

Note 3: Additional input from EY IT specialists

Note 4: To review the Council's going concern assessment and associated disclosure.

Note 5: Additional inputs to ensure we are giving the right assurances in the audit opinion. This will involve internal EY consultation.

Note 6: Additional audit time in regards to finalising our value for money conclusion and responding to risks identified.



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