



Report To: Audit and Governance 29th July 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 had been hoped to complete the process by now but issues with the Fixed Asset register have become somewhat protracted and at the time of writing have not been 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 undergoing audit since late last calendar year and whilst this has not been a continuous process overall it has taken rather longer than expected and this has been exacerbated by the ongoing work to get the Fixed Asset Register opening balances to line up with the 2018/19 accounts. The Asset Register has been a difficult nut to crack. The Council have experienced delays in data upload and correction as we are reliant on CIPFA, who provide the system, and remote working has also introduced delays into the process .

2018/19 Accounts Audit remaining timeline

4. It is fair to say failure to complete the accounts sign off by this meeting is extremely disappointing and whilst there has been a significant improvement in the audit of the accounts process this has been overshadowed by the failure to get the Fixed Asset Register to line up with the accounts. The audit process excluding the fixed asset register whilst it has not been perfect has been much improved on the experience in 2017/18. However there were delays in response times which was partly related to the remote working caused by covid, but also the passage of time since the year in question

creates issues such as difficulty locating working papers and relevant information. It is also worth noting that the significant number of errors experienced in 2017/18 has not been repeated though some amendments to the disclosures have been necessary.

5. There are three main asset register issues still ongoing which I will deal with in turn.
6. Firstly there are a number of pieces of land that are on the asset register with a nil value that require further investigation. Most of these pieces of land are owned by the Housing Revenue Account and are likely to be small and their value is likely to be low however we need to obtain the evidence to support this assertion. Colleagues in Housing Services are currently reviewing the list to establish the size and status of these pieces of land. Once this exercise is complete, hopefully later this week, we will know what action if any needs to be taken. It is likely some work will be required to either remove or amend information on the register even if there is no financial effect on the accounts. There will also be a need to carry out a revaluation exercise on these assets even if that is to confirm their value should remain at nil.
7. Secondly ensuring the opening balance of the Fixed Asset Register matches the Statement of Accounts. Whilst the in year transactions on the register are correct the opening balances are not. This is a bit of a hangover from 2017/18 and has been very difficult to progress, the Council has been in discussion with CiPFA for a while now attempting to resolve the issue. At the time of writing the information has now been corrected and the relevant note is being prepared for the auditors.
8. Thirdly there is a significant difference between the balance on the revaluation reserve in the asset register and that in the accounts. This is under investigation at the moment and any corrective action needed will be required before the audit can be completed.
9. An additional going concern assessment was added to the audit process last year as a result of the pandemic. This involves providing the auditors with information on the Council's finances for a period of a year after sign off so in relation to 2018/19 to August 2022. General Fund and cashflow projections have been provided for this purpose along with some disclosure notes to the accounts. 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 them.
10. 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 complete the audit should be rather less.

11. Once the final points have been resolved the accounts can be signed off but it will be necessary to convene an additional meeting for that to take place.

2019/20 Accounts Audit timeline

12. The timeline for the audit of the 2019/20 accounts is completely dependent on the outcome of the current audit, 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 the system rolled into that financial year the accounts can then be completed. It is intended to take on additional resources with a view to speeding up the accounts closure and audit processes to give an opportunity for the Council to catch up as soon as possible.
13. 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 the plan is for the audit to start in October 2021 and we need to progress this as soon as we possibly can with a view to completing both 2019/20 and 2020/21 by 31st March 2022. This might now be looking a bit optimistic but is something we must aim for but will need to discuss with the new lead auditor who will be taking over during August.

Options

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

Implications

15. 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

16. 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

17. 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

18. 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

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

Equality Analysis

20. 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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