

Report To: Council 18th October 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. At the Audit and Governance Committee meeting of 28th September the auditors issued a report saying they are considering issuing recommendations to Council under section 24 schedule 7 of the Local Accountability and Audit act 2014. Whilst the 2018/19 Audit of the Accounts is nearing completion there is a small number of issues to resolve, the most significant being related to the Councils Asset Register.

Recommendation

2. **To note the position on the Audit of the Accounts for 2018/19.**

Background information

Introduction

3. There have been issues with the audit of the council's statement of accounts for a number of years culminating in a particularly protracted audit of the 2017/18 accounts which were signed off in July 2020. These legacy issues led to a late start on the 2018/19 audit and a combination of the Pandemic, the change of accounting system mid-year and the introduction of a new asset register have led to another challenging audit which has taken longer than expected.
4. The draft 2018/19 accounts have been undergoing audit since late last calendar year and we are now nearing completion. The biggest element of the final work relates to the finalisation of the asset register for which all information has been provided to the audit team for review.

2018/19 Accounts update on outstanding items

5. There were a few outstanding pieces of information required by the auditors within two weeks of the audit committee date and an update is given below.

6. "Nil value surplus land" – 259 pieces of land were identified as having a Nil value on the asset register. These assets have been identified as nil value for many years. The auditor uncovered one of these assets which was actually sold for £200,000 (it was a piece of land required for access to a new development) and therefore we have been required to revalue all of the nil value assets individually, to ensure that they really do have no financial value. (These sorts of assets are normally small strips of land on the edge of housing estates). The 259 assets have been reviewed by Housing colleagues and whilst there were some items needing to be removed from the register due to previously being sold, information relating to 170 assets held have been passed to the external valuer to provide an updated valuation. There are a further 15 pieces that originally could not be physically identified but further work has identified that 10 pieces should be removed from the Asset Register and the remaining 5 have now been identified and passed to the valuer to enable them to value these too. The valuer committed to providing the draft valuation report by Friday 8th October and if appropriate we will need to update the asset register, run the reports and amend the statement of accounts. A document has also been provided to the auditors detailing the work carried out in relation to these assets.
7. Revaluation Reserve 2018/19 opening balance – There is a difference of £6.2m between the opening balance reported on the reserve in the new asset register compared to the closing position reported in the old asset register. There are two elements that have caused this position. First, a difference of £2m relating to housing assets which we have asset by asset information on and second, a block manual adjustment of £4.2m which we cannot identify to individual assets. Audit will need to perform tests on both these amounts. The Revaluation Reserve holds all upward revaluations in relation to assets held by the council where their current value exceeds their 2007 value. The information held on the old asset register has been put into the new asset register and the calculations performed by the two registers have resulted in this difference. The Revaluation Reserve was created on 1st April 2007 so this difference has arisen over the intervening period. The new asset register is created by CiPFA (the Chartered Institute for Public Finance and Accounting – local government's lead financial body) and carries out the calculations based on the accounting code issued by them. It therefore follows that the calculations carried out by the new register are in line with the accounting code. This issue is not peculiar to South Cambs and other authorities have had similar issues when moving from spreadsheets to a database system. A note to the accounts has been prepared explaining this difference and provided to the auditors for review.
8. A Final version of the Fixed Asset Register can be produced once 6 & 7 above are resolved and the asset register updated as appropriate. The various notes to the accounts can then be updated in line with this information.

9. There are three other more minor items not listed within the two week deadline. These are: (i) clarifying what action to take regarding two section 106 sums, (ii) getting agreement from the auditors to the council's IFRS 9 assessment which relates to financial instruments and (iii) updating the going concern assessment (if necessary). These can be resolved fairly quickly over the final weeks of the audit.
10. Once this work is completed there will be a further audit review prior to final sign off which is expected later in the Autumn.

Options

11. The report is a position statement with regard to the information requirements relating to the audit request for information in two weeks.

Implications

12. 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

13. Since 2016 there has been a requirement under the Accountancy and Audit Regulations for councils 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

14. 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.

Staffing

15. There are currently 2.5 staff working full time on the outstanding audits, supported by 10 colleagues within the Finance Service as and when required. Further resource will be procured for the 2019/20 audit and an assessment of the requirements is currently being made.

Risk

16. There is a risk that the financial statements are incorrectly stated with consequential impacts. This is still a significant risk going forward but with

dedicated experienced resources now tasked with accounts completion for 2019/20 the risk should be mitigated to a significant extent.

Environmental

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

Equality Analysis

18. 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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