

REPORT TO: Audit & Governance 1 December 2021

LEAD CABINET MEMBER: Councillor John Williams,
Lead Cabinet Member for Finance

LEAD OFFICER: Peter Maddock, Head of Finance

Final Accounts Update

Executive Summary

1. The Council has 3 years of Accounts where external audits have yet to be finalised and specifically for 2019/20 and 2020/21, the draft accounts are still to be completed. Further details are set out below. This report updates the Committee on progress with the completion of the Council's Final Accounts for 2018/19, and proposed closure for 2019/20, 2020/21 and 2021/22 by the end of 2022 with potential further slippage provided for into early 2023.
2. The 2017/18 Audit of Accounts was completed in July 2020 and the 2018/19 Audit started during October 2020. This Audit is nearing completion and it is expected that the audit will complete during December 2021, with final sign off expected in early January.
3. Officers are in the process of compiling the 2019/20 accounts. The Accounts for that year have yet to be drafted in full, due to the delays caused by earlier years' accounts still being audited, however the Council is on track to produce a completed draft in early 2022 and have indicated to EY they will be focusing on prioritising resolving the 2018/19 outstanding queries previously reported to committee and getting these signed off before passing over the 2019/20 accounts closure package to EY for a proposed audit start date early in 2022 subject to EY confirmation, (EY have indicated that they are unable to produce an Audit Plan for 2020-21 for review and agreement until the previous years' Audits are largely complete.) This will also enable transformation work to be completed to assist with the closure of the 2020/21 accounts.

Key Decision

4. This is not a key decision as there are no resource implications directly arising from the report at this stage.

Recommendation

5. **To note the progress made in relation to the Audit of the 2018/19 Accounts.**

6. **To note the progress being made in closing the 2019/20 Accounts.**
7. **To note the content and timelines of the attached Gantt Chart appendix 1 for the closure of the 2019/20, 2020/21 and 2021/22 Accounts.**

Reason for Recommendation

8. To inform the committee of progress on the 2018/19 accounts audit and timelines for closure and audit of the accounts for 2019/20, 2020/21 and 2021/22.

Details

9. Public Sector Audit and Appointments (PSAA), which manages audit contracts for 98% of local authority bodies, has announced that audit completion rates have progressively worsened in recent years. About half (45%) of 2019-20 audits and 57% of 2018-19 audits were completed by the deadlines of 30 November 2020 and 31 July 2019 respectively. PSAA, the appointing body for local audit, says “delayed audit opinions continue to be a major concern in the local audit system”. It said performance is being impacted by the challenges of the pandemic alongside other pressures documented in the Redmond review published last September. These include a shortage of auditors with the experience to deal with increasingly “complex structures and transactions” and a growing backlog of audits.
10. Former Audit Committee reports set out the context and background in more detail.

2018/19 Accounts

11. The Audit of the 2018/19 accounts is close to completion and Officers are working with EY to complete the final queries arising on the 2018/19 Accounts previously reported to committee. It is anticipated that the Audit will be completed during December 2021 and sign off by audit committee will follow early in the new year.

2019/20 Accounts

12. The majority of pre audit work has been completed on the 2019/20 accounts. Pre audit work comprises of over 127 EY Client Assistance items of information to be provided to EY in advance of or at the time of commencement of audit. Currently of those 127 items 70 are either completed or in progress, this work was commenced on or around 22 September 2021 approximately 6 to 8 weeks ago from the date of this report, on the historic basis of completion or work in progress of circa 10 to 11 items per week the remaining circa 50 items should be completed in approximately 5 weeks but is dependent on the 2018/19 audit being finalised in December to allow for those balances to be rolled over into 2019/20.
13. The 2019/20 Audit will conflict with preparation for the 2021-22 Accounts and may potentially be completed after the start of the financial year 2022-23 when

the Accounts for 2021-22 will be being produced, which is very challenging. Estimated audit completion date is likely to be after March 2022.

2020/21 Accounts

14. Preparation for the 2020/21 Accounts has commenced with the closure of year end ledger routines, with a proposed audit start date and completion subject to EY confirmation of May 2022 and June/July 2022 respectively as per the Gantt chart in appendix 1.

2021/22 Accounts

Preparation for the 2021/22 Accounts will not commence until March/April 2022 with the closure of year end ledger routines and a proposed audit start date and completion subject to EY confirmation of September 2022 and October 2022 respectively as per the Gantt chart in appendix 1.

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.

Finance

17. The Council's accountancy function consists of approximately 17.5 full time equivalent officers together with 2 interims to support the Accounts production for 2021/22, and the Audits of previous years. Wherever possible tasks will be shared or will be reallocated with resources flexed, officers have indicated they are willing to work overtime to complete deadlines.
18. In order to meet the January deadline, officers have considered the logistics of the audit to complete their work as efficiently as possible and have implemented a tracking and response document for each officer responsible, interim lead closure will then use this list to contact the team members directly for the required evidence, and on receipt, will log and update where applicable. This will have the effect of speeding up the audit completion so that officers are aware of the volume of requests that will be coming their way and be supported with any prioritisation of workload and assist officers to identify where and when additional resources are required.

19. Getting the accounts audits back on track is essential to improving the financial management and reporting of the Council, however the financial health of the authority is still very good is not affected by this.

Risks

20. 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, 2020/21 and 2021/22 the risk should be mitigated to a significant extent.

Environmental

21. None arising from this report.

Equality and Diversity

22. None arising from this report.

Effect on Council Priority Areas

23. The production of annual accounts results in the publication of accurate, transparent financial information which gives a true and fair view of economic performance and financial stability.

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.

The following documents are relevant to this report:

- Audit of 2018/19 Accounts – Report to Audit & Governance Committee : 28 September 2021.
- Audit of 2018/19 Accounts – Report to Audit & Governance Committee : 29 July 2021.

- Audit of 2018/19 Accounts – Report to Audit & Governance Committee : 23 March 2021.

Appendices

1 Final Accounts Gantt Chart

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