

Financial reporting and related matters update

To:	Audit & Accounts Committee
Meeting Date:	23 March 2021
From:	Deputy Chief Executive and Chief Finance Officer
Electoral division(s):	All
Forward Plan ref:	Not applicable
Key decision:	No
Outcome:	That the Committee is appraised of the progress with the Statement of Accounts for the year ending 31 March 2020, preparations for the year-end process for 2020-21, national updates and context and other connected matters.
Recommendation:	Audit and Accounts Committee is invited to note this report.

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1. 2019-20 Statement of Accounts

- 1.1 In the January report to this Committee we set out that the auditor and the Council are ensuring completion of the process according to professional and quality standards, recognising that this has had an impact on delaying the final results. There continue to be no arising issues identified since November which are in dispute with the auditor in terms of accounting treatment.
- 1.2 Much of the focus since the last Committee has been on property valuations and the six specific areas set out in that report (schools, investment properties, car parking, solar farm, operational assets (particularly in Cambridge City) and valuation methodology). These have required input in turn from the Council's appointed valuer, an external firm of chartered surveyors.
- 1.3 As at 15 March 2021, of the remaining items required to complete the audit, seven areas are with the auditor for review (including schools and nursery valuation, cash follow-up and for the specific assets referred to in 1.2). Going concern information has been updated to reflect the latest position. The Council is due to reply to remaining requests on payroll, valuation of an annex at an individual school, and unrecorded liabilities by mid-March. The final stage is to input the results of the valuation and other adjustments into the accounts, once the auditor is content.
- 1.4 The nature of the audit is that where specific issues are detected they can have a wider and enlarged impact as a result of extrapolating conclusions from a sample to wider population. Particularly in relation to the Council's assets, there has been close and iterative liaison in recent weeks between the Council's accountants and surveyors, our appointed professional valuers and the auditor, in order to reach an acceptable outcome. We have also seen the review process at the auditor raise additional queries around schools cash balances, accumulated absences and accounting for grants received in advance, amongst other issues. These were unforeseen requests at the January audit committee, which have been responded to proactively and collaboratively. We will provide a further verbal update on progress at the Committee meeting.

2. 2020-21 Statement of Accounts

- 2.1 On 9 March 2021, following consultation, the government laid regulations that amend the draft and final deadlines for principal local authorities, including Cambridgeshire County Council, for the years ending 31 March 2021 and 31 March 2022. In both years the date for publication of draft accounts is 31 July and the date for completion of the audit is 30 September. For 2019-20, extended deadlines operated as a consequence of the pandemic, although a large number of authorities, including Cambridgeshire, did not meet those dates for audited accounts. Mindful of the sector-wide issues considered in the Redmond Review (and reported to this Committee in January), and the specific issues faced by CCC, that the deadlines have not immediately reverted to the tight timescales that operated in 2018-19 is welcome.
- 2.2 Prior to the formal confirmation of these stipulated timescales, the Council's external auditor had set out its work plan for phasing audit activity across local government clients in the East of England. It is intended that the Pension Fund audit will commence in June 2021

with the Council's main accounts audited from October 2021. While the Council is confident that draft accounts will again be published in accordance with the timescales by the end of July, the planned audit dates mean that the audit will not be completed to timescale, which will require the Council to publish a notice explaining the reason for this. Additional preparation time for the audit will be beneficial in terms of the quality assurance the Council can itself undertake, following a number of time consuming issues in recent years, and it is recognised there is a finite amount of experienced public sector audit resource available to the audit firms across the region. Representations have however been made to EY to request that sample selection and initial procedures begin earlier than October, to enable the most effective progress given previous experience.

2.3 Further to the fuller update and explanation of areas for improvement identified in the January report. Two areas are highlighted for the Committee's attention:

- Property valuations – revised approach agreed with Property team taking the lead on instructions to the external valuer. Valuations for the current year are underway and due in the next 3 weeks. The Chief Finance Officer has agreed permission, in accordance with CIPFA / RICS conditions, that exceptionally, due to the pandemic, external (rather than full) inspections will be relied upon for 2020-21.
- Accruals and purchase orders – revised process agreed and finance business partners have completed a detailed analytical review to close unneeded purchase orders and aid the accruals process at year-end

3. Value for Money Opinion 2017-18

3.1 The Council's then external auditor, BDO LLP, gave the financial statements opinion for 2017-18 on 6 August 2018, with the value for money opinion to follow at a later date. The Council has repeatedly pressed BDO to progress their conclusions in this area since then and in November 2019, the then Chairman of this Committee wrote formally to BDO to express significant concern at the delay in concluding the process. BDO replied formally to Cllr Shellens in September 2020, apologising for the delay, and setting out the remaining steps with a report to this Committee anticipated in January 2021. During the first months of 2021 BDO have advised that a key team member has been unwell and that they have also sought legal advice on their final conclusions.

3.2 Most recently, at the beginning of March 2021, a manager at BDO contacted the Council to raise further queries about two contracts that the Council had entered into: one commencing in 2015 and another relating to 2015 and 2016. The Council has replied to BDO. The firm have stated they anticipate reporting on value for money shortly, with the determination of objections lodged in 2017 and 2018 happening subsequently and separately. A verbal or addendum update will be given at the meeting of this Committee, contingent on the form of report that BDO issue and the extent to which the Council needs to provide management action commentary alongside this.

- 3.3 Matters have progressed sufficiently for EY to commence some areas of value for money review, for the years for which they are responsible. This is welcomed.

4. Significant Implications

- 4.1 Resource Implications
- 4.2 Procurement/Contractual/Council Contract Procedure Rules Implications
- 4.3 Statutory, Legal and Risk Implications
- 4.4 Equality and Diversity Implications
- 4.5 Engagement and Communications Implications
- 4.6 Localism and Local Member Involvement
- 4.7 Public Health Implications
- 4.8 Environment and Climate Change Implications on Priority Areas

This report refers to the progress being made with the Statement of Accounts in the context of the relevant regulations and statutory framework. There are no other significant implications.

5. Source documents

- 5.1 January 2021 report to this Committee
[Council and committee meetings - Cambridgeshire County Council > Meetings \(cmis.uk.com\)](https://cmis.uk.com/council-and-committee-meetings-cambridgeshire-county-council-meetings)
- 5.2 Accounts and Audit (Amendment) Regulations 2021
[The Accounts and Audit \(Amendment\) Regulations 2021 \(legislation.gov.uk\)](https://www.legislation.gov.uk/uksi/2021/1000/contents/made)