

## Financial Reporting and County Council Audit Plan

To: Audit and Accounts Committee

Meeting Date: 29 September 2022

From: Service Director: Finance & Procurement

Electoral division(s): All

Key decision: No

Forward Plan ref: Not applicable

Outcome: Committee will have agreed the plan for the audit of the 2021/22 financial statements, and will have been updated on the status of audits of previous years' statements.

Recommendation: Audit and Accounts Committee is recommended to approve the Initial Audit Plan for the 2021/22 draft financial statements

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# 1. Background

- 1.1 This report provides an update on several items relating to the Council's financial reporting across several financial years.
- 1.2 The Council's external auditor is Ernst & Young (EY) and has been since 2018/19.

# 2. Main Issues

## 2.1 2021/22 Initial Audit Plan

- 2.1.2 The Council's draft financial statements for 2021/22 were published by the statutory deadline of 31 July 2022, and are [available online](#).
- 2.1.2 These are subject to audit by the external auditor, and they will provide an audit opinion on:
  - whether the financial statements give a true and fair view of the financial position and transactions of the Council for the year ended 31 March 2022
  - the consolidation of the financial statements for the group, which includes the Council, the pension fund and This Land Ltd.
- 2.1.3 EY have produced an audit plan, setting out identified risks, expected materiality levels, the scope of the audit, the team, and the planned timescales. This is available as annex 1.
- 2.1.4 The main audit work commenced in September and is expected to continue through to November 2022. The plan does still need to be agreed by committee.
- 2.1.5 The audit plan also updates on the status of value for money reporting for the financial years 2018/19 to 2020/21 which are still outstanding due to the predecessor auditor only recently concluded 2017/18 value for money work (see 2.2 below).

## 2.2 Outstanding objections to 2017/18 and 2016/17 accounts

- 2.2.1 The Council's auditor for the 2017/18 financial year was BDO.
- 2.2.2 Although the financial statement and value for money opinions have been received the auditor has not yet certified the completion of the audit as they need to determine objections received in 2017 and 2018. Committee received an update on this from BDO at its May meeting.
- 2.2.3 While the main work of the value for money opinion has been concluded by BDO, they have not at the time of writing provided a full statement of reasons confirming the outcome of their consideration of the objection to the accounts. At the meeting in May, BDO expected to issue this by the end of August 2022. BDO have recently reported IT issues hampering their final review stages but also report progress towards issuing the determination. This will first go to the PSAA followed by the Objector and the Council. With the further delay, the Council is now requesting weekly updates from BDO.

## 2.3 2020/21 Statement of Accounts

- 2.3.1 Since the last meeting, the Council's audited financial statements for 2020/21 were [published online](#).
- 2.3.2 The audit of these financial statements was impacted by national issues related to accounting for infrastructure assets, which Committee received an update on in May. This issue has resulted in auditors being unable to verify historical values and depreciation for infrastructure assets due to lack of detailed information for some financial years. In Cambridgeshire, this issue affects financial years preceding 2014/15, but continues to impact the financial statements as those historical values carry-forward into the carrying values of assets in later years.
- 2.3.3 This is a national issue affecting most upper tier authorities, and is being considered by CIPFA who have recommended a statutory override is provided by government to enable councils to move past it. Until the CIPFA code or statute provides relief from this issue, it will continue to impact on our financial statements.
- 2.3.4 As we could not provide sufficient assurance to the auditors around historical values for infrastructure assets, and as no override has yet been provided, the final audit opinion was qualified by reason of limitation of scope. This is set out from page 38 of the final statements, but in summary the auditor concluded that the financial statements did provide a true and fair view of our financial position other than in respect of infrastructure assets where they did not have enough evidence to reach a conclusion. The Council hopes this will be a one-off situation and took comfort from the "information gap" relating to periods before 2014.

### 3. Alignment with corporate priorities

#### 3.1 Environment and Sustainability

There are no significant implications for this priority.

#### 3.2 Health and Care

There are no significant implications for this priority.

#### 3.3 Places and Communities

There are no significant implications for this priority.

#### 3.4 Children and Young People

There are no significant implications for this priority.

#### 3.5 Transport

There are no significant implications for this priority.

## 4. Significant Implications

### 4.1 Resource Implications

The external audit provides assurance to the Council and to the public about the use of resources for the relevant financial year.

### 4.2 Procurement/Contractual/Council Contract Procedure Rules Implications

There are no significant implications for this priority.

### 4.3 Statutory, Legal and Risk Implications

The external audit process is a statutory requirement.

### 4.4 Equality and Diversity Implications

There are no significant implications for this priority.

### 4.5 Engagement and Communications Implications

There are no significant implications for this priority.

### 4.6 Localism and Local Member Involvement

There are no significant implications for this priority.

### 4.7 Public Health Implications

There are no significant implications for this priority.

### 4.8 Environment and Climate Change Implications on Priority Areas

#### 4.8.1 Implication 1: Energy efficient, low carbon buildings.

Status: Neutral

Explanation: No impact expected

#### 4.8.2 Implication 2: Low carbon transport.

Status: Neutral

Explanation: No impact expected

#### 4.8.3 Implication 3: Green spaces, peatland, afforestation, habitats and land management.

Status: Neutral

Explanation: No impact expected

#### 4.8.4 Implication 4: Waste Management and Tackling Plastic Pollution.

Status: Neutral

Explanation: No impact expected

#### 4.8.5 Implication 5: Water use, availability and management:

Status: Neutral

Explanation: No impact expected

#### 4.8.6 Implication 6: Air Pollution.

Status: Neutral

Explanation: No impact expected

4.8.7 Implication 7: Resilience of our services and infrastructure, and supporting vulnerable people to cope with climate change.

Status: Neutral

Explanation: No impact expected

Have the resource implications been cleared by Finance? Yes

Name of Financial Officer: Stephen Howarth

Have the procurement/contractual/ Council Contract Procedure Rules implications been cleared by the Head of Procurement? No

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Has the impact on statutory, legal and risk implications been cleared by the Council's Monitoring Officer or Pathfinder Legal? No

Have the equality and diversity implications been cleared by your EqlA Super User? No

Have any engagement and communication implications been cleared by Communications? No

Have any localism and Local Member involvement issues been cleared by your Service Contact? Yes

Name of Officer: Stephen Howarth

Have any Public Health implications been cleared by Public Health? No

If a Key decision, have any Environment and Climate Change implications been cleared by the Climate Change Officer?

N/A

## 5. Source documents guidance

### 5.1 Source documents

[Published accounts for 2020/21](#)

[Published draft accounts for 2021/22](#)