

Agenda Item No. 5

Statement of Accounts Process Update

To: **Audit and Accounts Committee**
Date: 24 January 2019
From: Jon Lee (Head of Integrated Finance Services,
LGSS)
Electoral Division(s): All

Purpose:

To provide an update on progress of the planning for the 2018/19 Closure of Accounts and production of the Cambridgeshire County Council Statement of Accounts.

Recommendation:

The Audit and Accounts Committee are asked to note and comment on the contents of the report.

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1. BACKGROUND

- 1.1 During previous Audit and Accounts Committee meetings updates have been provided on the status of the planning process for the production of the 2018/19 Statement of Accounts and associated external audit of those accounts.
- 1.2 This update expands on what has been previously discussed as work increases in the preparations for the end of the financial year.

2. 2018/19 STATEMENT OF ACCOUNTS UPDATE

2.1 General Points

- 2.1.1 Meetings have continued to take place with EY (external auditors) as changes in process are embedded to improve the delivery and audit of the accounts. Some of these improvements have been identified from previous year's audits and some have been made by officers, in particular utilising the new ERP Gold system. The meetings with EY have resulted in promising developments in terms of preparing for the interim audit, which in a similar way to last year will be used to maximum benefit to reduce the amount of audit work needed by the auditors during the final audit to sign off the accounts by the end of July.
- 2.1.2 As this is EY's first year as external auditors, it is to be expected that there may be some initial teething problems as both parties get to understand the requirements of the other party. To date, this has not caused any issues and officers are working well with the EY audit team.
- 2.1.3 Similarly, 2018/19 is the first financial year in which the ERP Gold system has operated. This generates both opportunities and risks in terms of the production and audit of the statement of accounts. The opportunities are that the system has been configured to streamline the production of the accounts (both the click of a button solution and the data analytics scripts outlined below were not possible using the previous systems) but the risks are that, as with any new system, there are issues that have yet to be identified and/or resolved. Internal Audit have audited the core financial processes supported by ERP Gold, and the issues identified have either been resolved or are in the process of being resolved. Examples of these issues include the timely reconciliation of control accounts, which was delayed after go-live but has subsequently been improved.

2.2 ERP Gold Statement of Accounts Production

- 2.2.1 As highlighted in previous reports to the Committee, ERP Gold has been designed to adopt a 'push of a button' approach to producing the statement of accounts. Work to refine elements of the closedown

template has been completed, with discussions with various stakeholders taking place to ensure that transactions are coded correctly in order to minimise the time spent calculating the outturn position and producing the accounts in April and May 2019.

- 2.2.2 This improved reporting functionality has allowed greater oversight over the transactions that have been posted to system, and problems to be solved in advance of year end. Examples of this include income being incorrectly allocated, cost centres and account codes not being included in the reporting hierarchy.
- 2.2.3 Some parts of the accounts are by nature not linked to the system and therefore will continue to be completed in the same way as previous years. These include the Contingent Liability and Contingent Assets notes which rely on input from the legal team to identify potential future assets or liabilities for the council. In addition, the group accounts require information from the This Land Ltd accounts and it would not be efficient to load this data onto the system.

2.3 Data Analytics

- 2.3.1 Discussions to agree the data specification required to maximise the use of data analytics during the 2018/19 audit has begun, with a number of meetings with EY
- 2.3.2 As a result of these meetings, EY have provided a data analytics specification, which has allowed the Integrated Finance Team to produce a script that will provide the information required to EY directly from ERP Gold.
- 2.3.3 During the interim audit, we will provide the information in the format requested by EY and this should allow transaction testing to take place during the interim audit. This will be an improvement on previous years and we have begun to try and ensure that we have resources in place to be able to facilitate this.

2.4 External Audit

- 2.4.1 EY are currently undertaking their planning work for the 2018/19 external audit. Initial requests for specific information have been received from EY in relation to areas such as Treasury, PPE and opening balance, with information and documentation for several areas have already been provided, with the outstanding areas in relation to This Land, MRP and Tax to be responded to by the end of January. It has been agreed that the aim is to complete as much of the audit work during the interim audit as possible, reducing the pressure on the final audit period.

2.4.2 In addition as all LGSS partners and customers have EY as their external auditors both EY colleagues and officers are discussing opportunities to make efficiencies from the arrangement. For example this includes having a single data specification for data analytics as referred to above, undertaking walkthrough testing on ERP Gold once and standardising the approach to specific parts of the accounts and audit such as pensions valuations.

Source Documents	Location
N/a	