

STATEMENT OF ACCOUNTS PROCESS UPDATE

To: **Audit and Accounts Committee**
Date: 28th March 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 (CCC) 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 we have provided updates as to the status of the planning process for the production of the 2018/19 Statement of Accounts and associated audit of those accounts.
- 1.2 This update expands on what has been previously discussed as we approach the end of the financial year.

2. 2018/19 STATEMENT OF ACCOUNTS UPDATE

2.1 Property Valuations

- 2.1.1 The annual property valuation process is being undertaken by external valuers and is nearing completion for 2018/19. As previously reported, the valuation date has been changed from 1st April to 30th November.
- 2.1.2 All 165 individual valuation reports requested have been provided, covering approximately 70% of the value of the 2017/18 closing balance for properties. An extensive quality assurance process is underway, with only a few outstanding queries awaiting response from the valuers.
- 2.1.3 The external valuers are to complete a review for any indication of valuation movements since 30th November, with repeat revaluations (at 31st March 2019) being undertaken on assets valued in-year if significant change in the intervening period is suspected.
- 2.1.4 An assessment will also be made by CCC's Property Teams, using indices provided by the external valuers, to determine whether the value of properties not valued during 2018/19 is significantly different to the value carried in the accounts. An indexation exercise will be considered if a significant difference is indicated. The purpose of this exercise being to ensure that the overall property valuations are materially correct at the balance sheet date.

2.2 ERP Gold Statement of Accounts Production

- 2.2.1 As advised in the previous report to the Committee, the introduction of a new chart of accounts (coding structure) carries an inherent risk of miscoding of transactions as users adapt to the changes. Work with a range of stakeholders is continuing to ensure that transactions are coded correctly. The aim of this work is to minimise the time spent calculating the outturn position and producing the draft accounts in April and May 2019, as well as to reduce the likelihood of audit adjustments.

2.2.2 As part of the implementation of ERP Gold 2017/18 balance sheet closing balances were uploaded to ERP Gold to form the opening balances for 2018/19. A mapping exercise was undertaken to translate the old coding structure to the new ERP Gold codes. During the review in preparing information for the 2018/19 closedown some amendments to code mapping have been required to reflect the subtleties of the old coding structure. This has meant that some adjustments to the opening balances mapping and a reconciliation of the balance sheet categories assigned to old and new codes has been carried out. To provide some context there were c50 adjustments identified from over 11,000 migrated balances. The final elements of this work are being undertaken to resolve the remaining £276k. This additional analysis will be completed before the end of March, and all corrections made to the opening balances on ERP Gold.

2.3 Data Analytics

2.3.1 Since the last report to the Committee, data has now been extracted from CCC's and CCC Pension's ledgers and provided to Ernst Young (EY) for data analytics processing. The data extract was provided to EY in line with the agreed data specification, and to date no issues have been identified.

2.3.2 The external audit teams have begun using the output from the data analytics process to underpin the interim audit work and this has so far worked well for both sides. Importantly this approach has enabled early selection of income and expenditure samples by the auditors, which will positively impact on the final audit workload. Within the first two weeks of the interim audit the auditors had selected samples totalling 158 items, with evidence to be provided for each item by the beginning of April. At the time of writing, members of the Finance team are continuing the process of gathering the required evidence (copies of invoices, evidence of bank statement entries, back-up documentation for journals and detailed explanations for certain transactions), with approximately 25% of the documentation obtained to date.

2.4 External Audit

2.4.1 EY are currently mid-way through the interim audit, having spent two weeks on site during March and with a further three weeks scheduled on site during April.

2.4.2 The key areas identified by EY to be covered during the first period were undertaking system walkthroughs (to gain an understanding of how transactions are created, the source of the transactions and how the transactions feed the internal and external reporting requirements) and the selection of income and expenditure samples. As mentioned at para 2.3.2 above, the sample selection work has been successfully completed, and the system walkthroughs only requiring a final review

regarding year-end processes (as ERP Gold is a new system and the year-end processes have not been undertaken before).

- 2.4.3 The auditors have a number of areas of work planned for the second phase of the interim audit in April. As well as reviewing the evidence provided to them in relation to the income and expenditure samples (para. 2.3.2 above), this includes auditing of the fixed asset register, including valuations, several elements of payroll testing, debtor and creditor sample testing, and auditing of cash, investment and borrowing balances held.

Source Documents	Location
N/a	