

Financial reporting and external audit update

To: Audit & Accounts Committee

Meeting Date: 25 November 2021

From: Chief Finance Officer

Electoral division(s): All

Outcome: Committee will have considered several financial matters related to in-year budget monitoring and the external audit of last year's accounts. This will enable the committee to be informed in its role in providing independent scrutiny of financial performance, and in overseeing the financial reporting process.

Recommendation: To note and comment on the report.

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Member contacts:

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1. Background

- 1.1 This report provides an update to the committee on several financial matters, specifically on the regular overall Council financial reporting and the progress of our ongoing external audit of 2020/21's accounts.

2. Main Issues

2.1 Integrated Finance Monitoring Report for August 2021:

- 2.1.1 At its meeting on 2 November 2021, Strategy & Resources (S&R) Committee considered the regular integrated finance monitoring report, covering the period to the end of August 2021. This report provides a comprehensive view of the whole Council's financial position, and builds on service-level finance monitoring reports that are considered by service committees. It can be found at this link, [Integrated Monitoring Report link](#) and is presented to this committee for information.
 - 2.1.2 In that report, S&R Committee were provided with an update on the overall forecast financial position for the Council this year, particularly an increasing projected revenue underspend, up by £523k to £1.5m (0.3%). The increasing underspend mainly related to adult social care, where growth in cost of and demand for services has not been at the level expected when budgets were set. On capital budgets, the report showed a projected £1.2m (0.7%) underspend on the capital programme for the year. Key exception reports are detailed in sections 3 and 6 of the linked report.
 - 2.1.3 As well as regular update, S&R Committee were asked to agree several recommendations relating to financial management, two of which are worth bringing to this committee's attention. Firstly, S&R Committee agreed to commit some resource for this council to join with district councils, the fire authority and the police & crime commissioner to work together to reduce Council Tax fraud and so increase local taxation receipts. Secondly, they agreed capital funding for a replacement to a farmhouse on the Council's rural estate. The farm has a sitting tenant, but it is believed that the new building is necessary due to the dilapidation of the current building, the need to comply with safety regulations as a landlord, and the desire to protect the viability of that farm estate into the future.
- ### 2.2 Update on progress of the external audit of 2020/21's accounts:
- 2.2.1 The Council's draft accounts for 2020/21 were published at the end of July 2021. Under the current governing regulations for local government audit (The Accounts and Audit (Amendment) Regulations 2021) this should have been approved and published in final form by the end of September 2021.
 - 2.2.2 It was reported at the September meeting of this committee that the external audit would not be concluded in September due to sector-wise issues with resourcing local government audits and the phased approach to completing them. The Council published the statement on its website required by the regulations to explain this and to state that final audited accounts would be available as soon as possible.

- 2.2.3 The agreed audit plan showed that substantive testing would take place from mid-October to the end of November. Work commenced in line with that timetable, with the detailed testing work being done through November.
- 2.2.4 As at 17 November, that testing is progressing well. All main areas of work have commenced except for journals and pensions, and Cambridgeshire staff are successfully responding the majority of testing requests within agreed timeframes.
- 2.2.5 Several key focuses of the audit are:
- Grants – the very significant additional grant funding received by the Council in 2020/21 to address the pandemic, as well as the large recognition of Greater Cambridge Partnership grant funding covering several years, will mean grants are reviewed closely in the audit.
 - Property, Plant & Equipment – work started very early in the audit and reviewing this requires information from the Council's external valuers.
 - Payroll – this work requires a large amount of information from the payroll service (who also need to provide similar for external audits of the other councils they serve). Some information remains outstanding and is being requested urgently.
- 2.2.6 An element of contingency was built into the plan for the audit, and both EY and the Council have faced some sickness absence that has delayed several items, which has consumed most of the planned slippage. At the same time, the Finance team is also supporting the business planning process, in-year monitoring and continues to support the administration of pandemic-related grants.
- 2.2.7 With testing planned to be completed by the end of November, we expect to resolve outstanding queries and make any required adjustments over December, with a view to reporting in the new year.
- 2.2.8 The external auditor has received a single objection made to the Council's accounts by a local resident.

3. Alignment with corporate priorities

3.1 Communities at the heart of everything we do

There are no significant implications for this priority.

3.2 A good quality of life for everyone

There are no significant implications for this priority.

3.3 Helping our children learn, develop and live life to the full

There are no significant implications for this priority.

3.4 Cambridgeshire: a well-connected, safe, clean, green environment

There are no significant implications for this priority.

3.5 Protecting and caring for those who need us

There are no significant implications for this priority.

4. Significant Implications

4.1 Resource Implications

Section 2 sets out the resource implication.

4.2 Procurement/Contractual/Council Contract Procedure Rules Implications

There are no significant implications.

4.3 Statutory, Legal and Risk Implications

The external audit is a statutory process as set out in section 2.2

4.4 Equality and Diversity Implications

There are no significant implications.

4.5 Engagement and Communications Implications

There are no significant implications.

4.6 Localism and Local Member Involvement

There are no significant implications.

4.7 Public Health Implications

There are no significant implications.

4.8 Environment and Climate Change Implications on Priority Areas:

4.8.1 Implication 1: Energy efficient, low carbon buildings.

Neutral

Explanation:

4.8.2 Implication 2: Low carbon transport.

Neutral

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

Neutral

4.8.4 Implication 4: Waste Management and Tackling Plastic Pollution.

Neutral

4.8.5 Implication 5: Water use, availability and management:

Neutral

4.8.6 Implication 6: Air Pollution.

Neutral

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

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? N/A
Name of Officer: N/A

Has the impact on statutory, legal and risk implications been cleared by the Council's Monitoring Officer or LGSS Law? N/A
Name of Legal Officer: N/A

Have the equality and diversity implications been cleared by your Service Contact? N/A
Name of Officer: N/A

Have any engagement and communication implications been cleared by Communications? N/A
Name of Officer: N/A

Have any localism and Local Member involvement issues been cleared by your Service Contact? N/A
Name of Officer: N/A

Have any Public Health implications been cleared by Public Health? N/A
Name of Officer: N/A

If a Key decision, have any Environment and Climate Change implications been cleared by the Climate Change Officer? N/A
Name of Officer: N/A

5. Source documents

5.1 Source documents

Integrated Finance Monitoring Report for August 2021 presented to S&R Committee
The Accounts and Audit (Amendment) Regulations 2021/

5.2 Location

The IFMR was considered as item 4 at the 2 November meeting of S&R Committee. That paper is here: [Integrated Monitoring Report link](#)

[The Accounts and Audit \(Amendment\) Regulations 2021](#)