

Cherwell District Council

Accounts Audit and Risk Committee

18 March 2020

Closure of Accounts 2019/20 – Progress Report

Report of the Director of Finance

This report is public

Purpose of report

To receive an update from the EY and the Council on progress with the preparations for the closure of the Council's Group Accounts for 2019/20 and to receive the EY Audit Plan for 2019/20.

1.0 Recommendations

- 1.1 The meeting is recommended to note and comment on the progress in the preparations for the closure of the 2019/20 financial accounts and the subsequent production and auditing of the Statement of Accounts.

2.0 Introduction – year end outlining process

- 2.1 In order for the Council's Statement of Accounts for 2019/20 to be completed in a timely manner, the finance team have established a forward plan that included the preparation of an interim closedown process. This planning and interim work provides the Council and EY the opportunity to ensure that there is time to both practice and learn together. This early planning and preparation, has allowed the Finance team to identify, assess, analyse and then evaluate the best outcome to deliver a smooth, efficient and effective close down. This report highlights the progress to date and also allows EY the opportunity to update the committee with their Audit Plan for 2019/20.

3.0 Report Details

3.1 EY - Draft Audit Plan 2019/20

- 3.1.1 EY have provided the Council with their draft Audit Plan (attached as Appendix 1) which sets out how they intend to carry out their responsibilities as our auditor. The purpose of the report is to provide the Accounts, Audit & Risk Committee with a basis to review the proposed audit approach and scope for the 2019/20 audit in accordance with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2015 Code of Audit Practice, the Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd, auditing

standards and other professional requirements. It is also to ensure that the audit is aligned with the Committee's service expectations.

- 3.1.2 This Provisional Audit Plan summarises the EY initial assessment of the key risks driving the development of an effective audit for the Council and outlines the planned audit strategy in response to those risks. The EY planning procedures remain ongoing because EY were only able to give an opinion on the 2018/19 statements in February 2020; EY will inform the Accounts, Audit & Risk Committee if there are any significant changes or revisions once they have completed these procedures and provide an update to the members of the Committee.
- 3.1.3 The attached report (Appendix 1) outlines their overview of their 2019/20 audit strategy and plan, which includes five risk areas as detailed below:

- a) Misstatement's due to Fraud or Error,

"Linking to our fraud risk below we have considered the capitalisation of revenue expenditure on property, plant and equipment as a separate risk, given the extent of the Council's capital programme."

- b) Incorrect Capitalisation of revenue expenditure,

- c) Valuation of Castle Quay

"We consider the accounting treatment of the valuations of CQ as it is a complex asset."

- d) Valuation of land and buildings including Investment Properties

"There is a risk on fixed assets may be under/overstated or the associated accounting entries incorrectly posted."

- e) Pension valuation

"The Council's fund deficit is a material estimate balance disclosed on the Councils Balance sheet."

- 3.1.4 EY welcome the opportunity to discuss their report with the Committee, as well as to understand whether there are other matters which the Committee consider may influence their audit.

3.2 EY Annual Audit Letter 2018/19

- 3.2.1 The annual audit for 2018/19 has now been completed and EY have enclosed a final Annual Audit Letter attached at Appendix 2. This concludes the work for 2018/19 which has been discussed at previous meetings.

3.3 CDC response to the Draft Audit Plan Risks

- 3.3.1 Misstatement's due to Fraud or Error

The Finance team are already working on this, training has been given to accountants for coding the capital spend correctly. Workshops and flowcharts have been set up using the CIPFA guidelines.

- 3.3.2 Incorrect Capitalisation of revenue expenditure.

This again feed in from the misstatements and plans have been put in place to correct this.

3.3.3 Valuation of Castle Quay

Work on this has already begun before the year end evaluations take place, work and discussions are already in hand to assess what impact their might be following the changes with the tenants.

3.3.4 Valuation of land and buildings including Investment Properties

Work on this has already taken place where we are doing the best we can to correct posting from last year. This year we are giving this a different focus which will reduce the risk as identified by EY.

3.3.5 Pension valuation

Our Pensions team & Closedown lead are looking at other options to capture this; they are looking at the dates to see what impact different dates might have on the final position of the General Ledger, to ensure we can plan to avoid this risk.

3.4 Business Continuity Planning – Coronavirus Impact

3.4.1 The team have been assessing and updating a variety of business continuity aspects following the news about coronavirus; which includes discussions around the various deadlines for the year end processes, assessing and exploring across the finance staff.

3.4.2 Business as Usual plans, accessibility of systems, and the general well being of staff has been discussed and explored with the finance team. Implications and planning has taken place.

3.4.3 The Finance team will work closely with EY on the impact of deadlines for year end and should any changes to the national position take place the joint teams will be ready with mitigation, with the prudent potential to move deadlines along to a more suitable date.

3.5 Identify the issues for year end

3.5.1 Brainstorming session with finance staff regarding issues, knowledge gaps, and process improvements, and the general moral of the team regarding Year End, which has allowed the team to learn and importantly move forward together as a team, something that is really important in delivering an effective and economic closedown procedure.

3.6 Interim Year End

3.6.1 The finance team have produced an interim Income and Expenditure statements as at the end of period 8 for 2019/20 and submitted those closedown Statement of Account to EY last week.

3.6.2 This Finance team have developed a lot of understanding from the process and a lot has been learnt from process of preparing interim accounts, with further improvements and planning to help deal with the various hiccups that were encountered. The process has taught the finance team a great deal, including for example that communication both external and internal was the key to all things running smoothly, and transparently.

3.6.3 One important aim was to allow the finance team to establish the self confidence and faith in being able to produce a Statement of Accounts. The team are now demonstrating far greater confidence in being able to deliver the Statement of Accounts on time.

3.7 Year End 2020

3.7.1 The finance team have so far undertaken the following:

- a) Training session with CIPFA on closedown
- b) Transparency of processes and tasks
- c) Planning tasks with team
- d) Drafting deadlines in line with existing day to day roles
- e) Communicating closedown via weekly/monthly newsletters
- f) Finance Fact sheet sent to rest of Council for Interim/Year End
- g) Planning year end with EY (10th January)
- h) Holding weekly drop in sessions for finance staff for support
- i) Weekly finance meeting for updates of progress of team

3.7.2 The preparations are well in hand for the year end processes and the team are working closely together and also with EY to ensure that all the resources can be deployed to ensure delivery in line with the required timescales.

4.0 Conclusion and Reasons for Recommendations

4.1 This report summarises the progress with the year end preparations including working closely with EY, to ensure an effective programme which includes the EY Draft Audit Plan which is included within this report.

5.0 Consultation

None

6.0 Alternative Options and Reasons for Rejection

6.1 The following alternative options have been identified and rejected for the reasons as set out below.

Option 1: No alternative options have been identified as this report is for information only, however, members may wish to request further information from the Council team and the senior team from EY.

7.0 Implications

Financial and Resource Implications

7.1 The cost of the close down process and the audit of the Statement of Accounts is within the approved budget and there are no further financial implications arising directly from any outcome of this report.

Comments checked by:
Dominic Oakeshott, Interim Assistant Director of Finance (Interim), 0300 003 0110
dominic.oakeshott@cherwell-dc.gov.uk

Legal Implications

7.2 There are no legal implications arising directly from any outcome of this report.

Comments checked by:
Chris Mace, Solicitor, 01295 221808
christopher.mace@cherwell-dc.gov.uk

Risk Management Implications

7.3 There are no risk management issues arising directly from this report. Risks are managed as part of the operational risk register and escalated to the Leadership risk register as and when necessary.

Comments checked by:
Louise Tustian, Head of Insight and Corporate Programmes 01295 221786
louise.tustian@cherwell-dc.gov.uk

8.0 Decision Information

Wards Affected

All wards are affected

Links to Corporate Plan and Policy Framework

All corporate plan themes.

Lead Councillor

Councillor Tony Illott – Lead Member for Financial Management.

Document Information

| Appendix No | Title |
|----------------------------|-----------------------------------|
| Appendix 1 | EY Draft Audit Plan 2019/20 |
| Appendix 2 | EY Annual Audit Letter 2018/19 |
| Background Papers | |
| None | |
| Report Author | Lorna Baxter, Director of Finance |
| Contact Information | |