

READING BOROUGH COUNCIL

REPORT BY EXECUTIVE DIRECTOR OF RESOURCES

<b>TO:</b>	<b>AUDIT &amp; GOVERNANCE COMMITTEE</b>		
<b>DATE:</b>	<b>14<sup>th</sup> JULY 2020</b>		
<b>TITLE:</b>	<b>FINAL ACCOUNTS UPDATE</b>		
<b>LEAD COUNCILLOR:</b>	<b>COUNCILLOR EMBERSON</b>	<b>PORTFOLIO:</b>	<b>CORPORATE AND CONSUMER SERVICES</b>
<b>SERVICE:</b>	<b>FINANCE</b>	<b>WARDS:</b>	<b>BOROUGHWIDE</b>
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**1. PURPOSE OF REPORT AND EXECUTIVE SUMMARY**

- 1.1 This report updates the Committee on progress with the completion of the Council's Final Accounts for 2017/18, 2018/19 and 2019/20
- 1.2 The Audit of the 2017/18 Accounts is nearing completion, with RBC Officers now having responded to all aside from a handful of the current Ernst and Young (EY) queries. EY are currently reviewing RBC responses and some follow-on queries may subsequently arise given the volume of work undertaken
- 1.3 An update by EY elsewhere on the agenda will provide further information to the Committee on progress, outstanding tasks and the next steps required in order to sign off the 2017/18 Audit.
- 1.4 The draft 2018/19 Accounts are complete and were handed over to the Auditors in mid February 2020. Audit of this set of Accounts is anticipated to begin in August 2020.
- 1.5 Officers are also fully engaged in completing the 2019/20 accounts. At this stage it is anticipated that the draft 2019/20 accounts will be completed and handed over to EY in August 2020 and available for public inspection shortly thereafter.

**2. RECOMMENDED ACTION**

- 2.1 To note the progress made in relation to the Audit of the 2017/18 Accounts
- 2.2 To note the progress being made in closing the 2019/20 Accounts
- 2.2 To note the indicative commencement date of the Audits of both the 2018/19 and 2019/20 Accounts will be August 2020.

### **3. BACKGROUND AND PROCESS**

#### **2017/18 Accounts**

- 3.1 The Audit of the 2017/18 Accounts is nearing completion, with RBC Officers now having responded to all current Ernst and Young (EY) queries. EY are currently reviewing RBC responses and, although some follow-up queries are possible, the volume will be significantly reduced.
- 3.2 Officers have responded to over 2,000 queries during the course of the 2017/18 Audit. The quantum of queries was significantly higher than one would receive during the course of a routine Audit, a result of the qualification of the 16/17 accounts and the ensuing reduction in the Council's materiality level. As may be imagined this has put considerable pressure on the Finance Team, particularly latterly with the added pressures of the Covid Pandemic. However relationships have remained effective and professional.
- 3.3 The majority of the remaining tasks which need to be undertaken before sign-off is achieved now lie with EY. It is anticipated that sign-off will take place in the coming weeks, with more precise timescales being provided within the update from EY to this Committee.
- 3.4 A log of agreed changes to the accounts has been maintained throughout the audit process and we have agreed with EY that the changes will be made in one batch, which will result in the production of a version 2 of the 17/18 Accounts. None of the agreed changes have thus far been deemed to be material.
- 3.5 There are two matters relating to pensions which are the subject of active discussions with EY, and which may be deemed to be material if not resolved. Both relate to the unavailability of some historic information in relation to pension fund accounts.

#### **2018/19 Accounts**

- 3.6 The 2018/19 Accounts are complete and were handed over to the Auditors in mid February. It is anticipated that a second version of the 18/19 Accounts will be prepared to incorporate any changes recommended during the Audit of the 17/18 accounts - as closing balances from 17/18 will become the opening balances for 18/19. These changes will be made once version 2 of the 17/18 Accounts has been signed off.
- 3.7 The public period of inspection opened on 27<sup>th</sup> February, elapsing on the 9<sup>th</sup> April. One member of the public contacted us in mid-March to indicate that they wish to exercise their right to inspect the accounts, shortly before the Covid-19 situation escalated. They have now been contacted and informed that they may do so when convenient to themselves.
- 3.8 Audit of the 2018/19 Accounts is scheduled to begin in early August

## **2019/20 Accounts**

- 3.9 The 2019/20 management accounts have been closed and officers are now engaged on compiling the 2019/20 draft accounts.
- 3.10 In recognition of the challenges faced by closure teams across the country as a result of Covid 19, the overall deadline for publication of Audited Accounts has, however, been pushed back to 30<sup>th</sup> September.
- 3.11 At present, the key issue affecting the Council's timeline relates to the HRA beacon valuations. Beacon properties are properties which are exemplars of a particular type of establishment - assessment of one property enables valuers to revalue other properties of the same nature. The council currently has 260 beacon properties, with at least 25% requiring external inspection. Unfortunately the valuers have capacity issues, as many of their staff are furloughed, and are therefore forecasting that they will have completed this exercise by the end of July.
- 3.12 To ensure that completion timescales remain on target, we have deployed a range of measures, including bringing in additional resource, moving tasks around in line with staff capacity and placing restrictions on annual leave. We are currently on target to complete by early August, putting us in line with the majority of councils.
- 3.13 The work being undertaken on accounts closure is not detracting from the emphasis we are continuing to place on the Finance Improvement Programme. The Programme is the catalyst for wider-ranging improvements, which will ensure that Readings Finance Department embodies best practice before we produce the 2020/21 accounts and that we will be in line with - or ahead of - our peers.

## **4. CONTRIBUTION TO STRATEGIC AIMS**

- 4.1 The production of annual accounts results in the publication of accurate, transparent financial information which gives a true and fair view of reading Borough Council's economic performance and financial stability.

## **5. ENVIRONMENTAL AND CLIMATE IMPLICATIONS**

- 5.1 None arising from this report.

## **6. COMMUNITY ENGAGEMENT AND INFORMATION**

- 6.1 Both the 2017/18 and 2018/19 Accounts have been made available for public inspection as required under Part Five of the Accounts and Audit Regulations 2015
- 6.2 The inspection period for the 2019/20 Accounts is expected to commence in August 2020, shortly after the draft accounts are finalised.

## **7. EQUALITY IMPACT ASSESSMENT**

7.1 Not applicable

## **8. LEGAL IMPLICATIONS**

8.1 Part Five of the Accounts and Audit Regulations 2015 requires authorities to allow the public to inspect the accounts for a single period of 30 working days and stipulates that must include the first 10 working days of June of the financial year immediately following financial year. The Council were unable to comply with this requirement in respect of both the 2017/18 and the 2018/19 Accounts as they were not ready for inspection.

8.2 Both sets of draft Accounts have subsequently been published on the Council's website, with the notices for the 30 day public inspection periods for each having been published and the accounts having been made available for the required timespan.

8.3 The inspection period for the 2019/20 Accounts is expected to commence in August 2020, shortly after the draft accounts are finalised.

## **9. FINANCIAL IMPLICATIONS**

9.1 The Council has not yet received EY's final audit fee for the audit of the Council's 2017/18 accounts; EY indicated in May 2020 that their fee was likely to be at least £400,000 above the scale fee due to the additional work involved.