

READING BOROUGH COUNCIL
REPORT BY DIRECTOR OF FINANCE

TO: AUDIT & GOVERNANCE COMMITTEE

DATE: 20th APRIL 2021

TITLE: CLOSING FINANCIAL ACCOUNTS UPDATE

**LEAD
COUNCILLOR:**

**COUNCILLOR:
EMBERSON**

**PORTFOLIO: CORPORATE
& CONSUMER SERVICES**

SERVICE:

FINANCE

WARDS: BOROUGHWIDE

LEAD OFFICER:

ANNETTE TRIGG

TEL:

JOB TITLE:

CHIEF ACCOUNTANT

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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 2018/19 and 2019/20.
- 1.2. The draft 2018/19 Accounts were handed over to EY in February 2020. These were updated in November 2020 for the revised brought forward 2017/18 balances although the Audit of these Accounts commenced in September 2020.
- 1.3. Officers have almost completed the 2019/20 accounts but have agreed with EY to focus on prioritising and resolving the 2018/19 outstanding queries and getting these signed off before passing them to EY. This will mean that any changes as a result of the 2018/19 audit can be updated and included in the brought forward balances from 2018/19 to save more audit time.

2. RECOMMENDED ACTION

That Audit & Governance Committee note:

- 2.1. To note the progress made in relation to the Audit of the 2018/19 Accounts.
- 2.2. To note the progress being made in closing the 2019/20 Accounts.

3. BACKGROUND AND PROCESS

2018/19 Accounts

- 3.1. The audit has been substantially progressed and most of the areas are under EY internal review. Officers are working with EY to answer the remaining outstanding and follow up queries arising on the 2018/19 Accounts. As in 2017/18 the number of queries is significantly higher than would be received during the course of a routine Audit, a result of the qualification of the 2016/17 and 2017/18 accounts and the ensuing reduction in the Council's materiality level.
- 3.2. With regards to the areas of qualification, EY have confirmed that the 2018/19 opening balances of short-term creditors and pensions liability will be qualified, which flows from the prior year qualifications of the closing balances of 2017/18 accounts. EY are not in a position to confirm the outcome of the audit until the internal reviews have been completed up to partner level.
- 3.3. Officers have had to overcome a number of challenges to get to this stage as a result of Covid 19, including a number of staffing changes. It is anticipated that the Audit work will be completed by the end of April 2021 however this will be subject to the completion of the EY internal quality assurance reviews which are ongoing and expected to be completed in May.

2019/20 Accounts

- 3.4. Much of the work had been completed on the 2019/20 accounts, but it was agreed with EY to prioritise finalising the 2018/19 accounts and bringing forward updated balances from 2018/19 before passing them for Audit.
- 3.5. The changes relating to the 2018-19 audit will need to be reflected in the draft Statement of Accounts for 2019/20 which we are aiming to complete alongside the Statement of Accounts for 2020/21 by July 2021.
- 3.6. EY have advised that the earliest date the audit can start for the 2019/20 Statement of Accounts will be 1 August 2021, this is due to EY having a full programme of NHS and other Local Authority audits to complete between April and July. EY have also advised that they will look to cover aspects of the 2020/21 accounts alongside the audit of the 2019/20 accounts which will result in greater efficiency. The aim is to have both 2019/20 and 2020/21 Statement of Accounts signed off by 31 December 2021.

2020/21 Accounts

- 3.7. Preparation of the 2020/21 Accounts has commenced and work to finalise the 2018/19 audit and 2019/20 Accounts will be completed alongside this.

4. The Accounts and Audit (Amendments) Regulations 2021

- 4.1. The Accounts and Audit (amendment) Regulations 2021 came into force on 31 March 2021. The regulations amend the date for publication of the draft accounts from 1 June to the 1 August and the date for publication of the final accounts from the 31 July to 30 September for the next 2 accounting years, 2020/21 and 2021/22.
- 4.2. The regulations also include a new requirement for all local authorities to post a notice if they fail to publish their draft accounts by the deadline. The notice must state the reasons why it has not been possible to commence the period for the exercise of public rights. The draft accounts must be published as soon as reasonably practicable thereafter.

5. CONTRIBUTION TO STRATEGIC AIMS

- 5.1. 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.

6. ENVIRONMENTAL AND CLIMATE IMPLICATIONS

- 6.1. None arising from this report.

7. COMMUNITY ENGAGEMENT AND INFORMATION

- 7.1. 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.
- 7.2. The inspection period for the 2019/20 Accounts is expected to commence shortly after the draft accounts are finalised in 2021.

8. EQUALITY IMPACT ASSESSMENT

- 8.1. Not applicable

9. LEGAL IMPLICATIONS

- 9.1. 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.
- 9.2. The inspection period for the 2019/20 Accounts is expected to commence shortly after the draft accounts are finalised.

10. FINANCIAL IMPLICATIONS

10.1. The audit fees for 2018/19 will be above the scale fee but EY have not provided an estimate at this stage.

11. BACKGROUND PAPERS

11.1. None