

READING BOROUGH COUNCIL
REPORT BY DIRECTOR OF FINANCE

TO:	AUDIT & GOVERNANCE COMMITTEE		
DATE:	12th APRIL 2022		
TITLE:	CLOSING FINANCIAL ACCOUNTS UPDATE		
LEAD COUNCILLOR:	COUNCILLOR MCEWAN	PORTFOLIO:	CORPORATE AND CUSTOMER SERVICES
SERVICE:	FINANCE	WARDS:	BOROUGHWIDE
LEAD OFFICER:	MARK SANDERS	TEL:	
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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 audit of the Council's Final Accounts for 2019/20. The information contained in the report was the position as at 31st March 2022. This report should be considered alongside the External Auditors' (EY) progress report.

2. RECOMMENDED ACTION

- 2.1 That the Committee notes the progress made on the audit of the 2019/20 accounts.

3. SUMMARY

2019/20 Accounts

- 3.1 Members will recall that the draft 2019/20 accounts were published on 10 November 2021 and are currently subject to External Audit scrutiny.
- 3.2 Since the last committee meeting, the Council's Final Accounts Team have been responding to a substantial amount of audit queries including:

Income & Expenditure Sampling

- 3.3 465 audit samples have been requested by our external auditors, all of which have been reviewed and supporting evidence has been presented to External Audit. Of these, 413 (89%) have been passed and 52 (11%) require further clarification which the Council is responding to. There are none that have failed testing following further assessment.

Walk Throughs

- 3.4 The following walk through tests are 100% complete and are now subject to review:

- Accounts Payable (short term creditor)
- Adult Care & Health Services
- Children, Education & Early Help Services
- Corporate Support Services expenditure
- Environment & Neighbourhood Services
- Business Rates
- Council Tax
- Housing Rents
- Housing Repairs
- Payroll (including pensions)
- PPE - Fixed asset register
- School System
- Housing Benefits

3.5 A further three walk through tests are in progress:

- Accounts receivable (short term debtor)
- Cash and treasury management
- Financial statement close process and journals

Adjusting Items

3.6 Two adjusting items have been highlighted by the auditors and agreed in relation to
 1) a miscoding error between short and long-term borrowing and;
 2) the transfer of a school to Academy status which occurred in 2019/20 but which had not been reflected in the accounts at 31 March 2020.

3.7 We also identified three errors which we have highlighted to the auditors following our own reviews. These are in relation to
 1) 4 duplicate assets which were reflected in both the HRA and the General Fund (GF)
 2) A Housing Benefit overpayment adjustment which reduces a short term debtor and also;
 3) We identified some mortuary assets which were transferred at nil value from the Home Office but we had not reflected on our Balance Sheet at 31 March 2020. We have now received valuations in respect of these assets and reflected them accordingly.

3.8 All the required amendments for the adjusting items to date, have now been made.

Technical Assessments

3.9 Technical assessments of Asset valuations; PFI contracts and pension liabilities are underway and nearing conclusion. The External Auditors' report to this committee at a later Agenda Item will highlight some issues with the Pension Fund, it is worth noting that these are at Fund level and therefore are not within the control of this Council. We have, however, reflected the updates to the Pension Fund valuation, following its audit, in our accounts.

2020/21 Accounts

3.10 A draft Statement of Accounts for 2020/21 is in the final stages of being prepared. Any adjustments and improvements in reporting identified during the audit of the 2019/20 accounts will need to be included in the 2020/21 accounts.

- 3.11 Subject to any remaining audit matters arising, is intended that the draft 2020/21 accounts will be published shortly, with the External Audit team returning late Summer/Autumn to begin their fieldwork.
- 3.12 The Council will focus on controls and working paper improvements with a clear aim to reduce the time taken to conclude audit processes, and this will include taking account of emerging national accounting/auditing issues as they arise.

Team Update

- 3.13 The Council has in place dedicated and experienced interim staff to support and provide focus on bringing the Final Accounts process back up to date, building on the improvements made and maintain excellent working processes with colleagues and the External Audit team.
- 3.14 Whilst the Council's wider finance team will be working on the current financial year's management accounts closedown, the Final Accounts Team will continue to work on 2019/20 and 2020/21 statutory accounts, and soon will also begin initial work on 2021/22 accounts.
- 3.15 Following resignation of the previous post holder, Mark Sanders, our new Chief Accountant, joined the Council at the end of March after undertaking a similar role at Worcestershire County Council for a number of years. As well as leading the accounts process, as part of a wider Finance Improvement programme, the Council's general ledger and financial controls will be modernised which in turn will reinforce the robust processes needed to underpin the timely production of future year's accounts.

4. CONTRIBUTION TO STRATEGIC AIMS

- 4.1 The production of annual Statement of 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. ENVIRONMENT AND CLIMATE CHANGE IMPLICATIONS

- 5.1 None arising.

6. COMMUNITY ENGAGEMENT AND INFORMATION

- 6.1 The draft 2019/20 accounts were made available for public inspection during November / December 2021 as required under Part Five of the Accounts and Audit Regulations 2015.

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 the financial year to which the accounts relate. The Council was unable to

comply with this requirement in respect of the 2017/18, 2018/19, 2019/20 and 2020/21 accounts as they were not ready for inspection.

9. FINANCIAL IMPLICATIONS

9.1 The audit fees for 2019/20 will be reported in due course.

10. BACKGROUND PAPERS

10.1 None.