

READING BOROUGH COUNCIL
REPORT BY DIRECTOR OF FINANCE

TO:	AUDIT & GOVERNANCE COMMITTEE		
DATE:	24th JANUARY 2023		
TITLE:	CLOSING FINANCIAL ACCOUNTS UPDATE		
LEAD COUNCILLOR:	COUNCILLOR TERRY	PORTFOLIO:	CORPORATE AND CUSTOMER SERVICES
SERVICE:	FINANCE	WARDS:	BOROUGHWIDE
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1. PURPOSE OF REPORT AND EXECUTIVE SUMMARY

- 1.1 This report updates the Committee with progress on completion of the audit of the Council's Final Accounts for 2019/20, 2020/21 and preparation for the 2021/22 accounts. This report should be considered alongside EY's External Audit Update report also on tonight's agenda.
- 1.2 The report also confirms that KPMG will be the Council's new External Auditor for five years covering the 2023/24 to 2027/28 Statements of Account.

2. RECOMMENDED ACTION

- 2.1 That the Committee notes the progress made on the audit of the accounts for 2019/20, 2020/21 and preparation for the 2021/22 accounts.
- 2.2 That the Committee notes the appointment of KPMG as the Council's new independent External Auditor for five years from 2023/24.

3. SUMMARY

- 3.1 Since the last committee meeting, the Council's work has now moved to concurrently working on three sets of accounts (2019/20, 2020/21 and 2021/22) which are all at different stages of completion. This brings additional complexities to both Council and External Audit teams but remains the best strategy for bringing the whole process up to date.
- 3.2 An incremental approach is being adopted, such that any significant adjustments arising in one year which are agreed during the audit process will be reflected in the accounts of the following year before they are prepared.
- 3.3 The Council's Finance team has continued to meet regularly with the External Auditor's (EY) team to manage the progress and discuss matters arising. This work is set to

continue over forthcoming months. To date, there are no significant issues arising and the Council continues to respond to audit queries raised.

National progress on audit opinions

- 3.4 The latest national position on audit delays published by the PSAA (Public Sector Audit Appointments) reports that as at 30 November 2022 only 12% of 2021/22 audit opinions had been given. Whilst these challenges are reflected locally, the Council is working in partnership with EY by retaining staff experienced with our systems and audit processes to work on the audit of accounts.
- 3.5 This approach will help mitigate some of these challenges, whilst enabling the Council to move forward with its accounts recovery plan.

2019/20 Accounts

- 3.6 Members will recall that the draft 2019/20 accounts was published on 10 November 2021 and has been subject to External Audit scrutiny since that date.
- 3.7 The Government have now issued a statutory override, which came into force on 25 December 2022, to support local authorities in the presentation of Infrastructure Asset valuations in the accounts. CIPFA has also issued an update to their accounting code. These documents have been reviewed and compared with the Council's accounts and historical information available.
- 3.8 The Council intends to take advantage of the statutory override and amend the draft 2019/20 Accounts (and later year's) accordingly. A detailed briefing note has been prepared and provided to EY who will now review and provide feedback.
- 3.9 Over the last month, there has been a small number of new audit queries raised for which responses have been provided. To date, there are no further issues outstanding and once the Infrastructure disclosure has been resolved it is expected that the accounts can finally be closed, and external audit opinion given.
- 3.10 The Committee, at its meeting on 19 July 2022 approved that the Director of Finance, in consultation with the Chair of Audit & Governance Committee, be authorised to sign off the Statement of Accounts for 2019/20 on behalf of the Council.

2020/21 Accounts

- 3.11 The external audit of the 2020/21 accounts began at the start of August 2022 and continues to be the main focus of work for the Council's final accounts team.
- 3.12 The draft accounts are published on the Council's website and the public inspection period closed on 9 November 2022.
- 3.13 The total number of audit queries and their status is as follows:

Table 1 - Audit Queries as at 12/01/23

No of Queries	Status
20	RBC - In Progress
234	EY - To review (response provided by RBC)
18	EY - Accepted
272	Total

- 3.14 The above table shows that the majority of outstanding queries are with EY for review which shows the considerable amount of progress that has been made. The Council's remaining outstanding queries are expected to be reviewed and explanations provided to EY before the end of January 2023.
- 3.15 The total number of queries include requests for a large number of sample transactions, with around 400 being traced back to original documentation and follow through evidence to the Council's bank statement. This work has involved the support of non-finance staff and detailed analytical work to confirm associated reconciliations and calculations in many cases. For future years, it is hoped that greater reliance can be placed by EY on the Council's controls processes which means the number of transactions sampled can be reduced, thus leading to a reduced volume of work required.
- 3.16 There have been a number of amendments to the draft accounts, some identified by the Council as data improvements have been identified, and some raised through External Audit fieldwork. In all cases the statement of accounts has been updated where appropriate.
- 3.17 Whilst the Council is not aware of any significant issues arising to date, EY have still to complete their reviews and provide feedback. Additionally, as the audit process is still underway, it is likely that there will be further queries raised over the next few months.

2021/22 Accounts

- 3.18 The draft 2021/22 accounts are being prepared and can be finalised when sufficient reviews have been completed by EY to give assurance to balances brought forward from the 2020/21 accounts.

External Auditor Appointment

- 3.19 Members will be aware that the Council opted in to the PSAA's External Auditor appointment process alongside 470 local government, police and fire bodies (99% of eligible local bodies).
- 3.20 This process has now concluded, and KPMG has been appointed as the Council's new auditor for five years covering the 2023/24 Statement of Accounts through to 2027/28.
- 3.21 The share of contract awards over auditor bodies is as follows:

Table 2 - Share of PSAA awarded audit contracts

	Share of PSAA's work
Grant Thornton	36.0%
Mazars	22.5%
Ernst & Young	20.0%
KPMG	14.0%
Bishop Fleming	3.75%
Azets Audit Services	3.25%

3.22 There will now be a planning process over the next few months to begin the transition between auditors. EY will still sign off the 2022/23 Statement of Accounts and will support the transition process. Updates will be brought to this Committee as this work progresses.

3.23 At this stage, the new appointment is acknowledged, and the Council offers its thanks for the support and services provided by EY as External Auditor.

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 and the draft 2020/21 accounts during September / December 2022 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 this 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 financial years 2017/18 to 2021/22 as the accounts were not ready for inspection.

9. FINANCIAL IMPLICATIONS

9.1 The audit fees for 2019/20 and 2020/21 will be reported in due course.

10. BACKGROUND PAPERS

10.1 None.