

# Audit and Governance Committee

20 July 2023



**Reading**  
Borough Council  
Working better with you

<b>Title</b>	<b>Closing Financial Accounts Update</b>
<b>Purpose of the report</b>	To note the report for information
<b>Report status</b>	Public report
<b>Report author</b>	Mark Sanders, Chief Accountant
<b>Lead Councillor</b>	Councillor Terry, Deputy Leader of the Council & Lead Councillor for Corporate Services and Resources
<b>Corporate priority</b>	Not applicable, but still requires a decision
<b>Recommendations</b>	1. That the Committee notes the completion of the 2019/20 audit of accounts, the progress made on the audit of the accounts for 2020/21 and preparation for the 2021/22 accounts.

## 1. Executive Summary

- 1.1. This report updates the Committee on the completion of the audit of the Council's Final Accounts for 2019/20, and the audit progress on the 2020/21 accounts. It also gives a progress update on the 21/22 accounts.

## 2. Summary

- 2.1. Since the last Committee meeting, the Council's 2019/20 audit of accounts has concluded and has been signed off under delegated authority by Darren Carter, Director of Finance (S151 Officer) and Councillor Williams, in his capacity of Chair of the Audit and Governance Committee.
- 2.2. The Final 19/20 Accounts and the Notice of Conclusion of Audit can now be found on the Council's website. [www.reading.gov.uk/the-council-and-democracy/finance-and-legal-information/statement-of-accounts/](http://www.reading.gov.uk/the-council-and-democracy/finance-and-legal-information/statement-of-accounts/).
- 2.3. The sign off and conclusion of the 2019/20 audit has been a significant milestone for the Council as we have received an "unqualified opinion" on the financial statements for the first time since 2015/16. This means our improvements in external financial reporting have been formally recognised by our external auditors.
- 2.4. The Council's External Auditor, EY, has begun the process to confirm their audit fees for 2019/20 which involves further discussion with Public Sector Audit Appointments and subsequently with the Council. At this stage the amount of additional fees above the scale fee of £84k has not yet been finalised, and this Committee will be updated with the final costs when they are confirmed.

- 2.5. The focus of the work now turns to the conclusion of the 2020/21 audit, which has been progressing well and the production of the 2021/22 and 2022/23 Accounts.
- 2.6. The Council's Finance team has continued to meet regularly with the External Auditor's team to manage the progress and discuss matters arising. This work is set to continue over forthcoming months.

#### **Progress on 2020/21 Accounts audit**

- 2.7. The Council's Finance team continues to work to answer all remaining audit questions from the 2020/21 audit, which began in August 2022. To date we have submitted responses to 301 audit queries, many of which involved multiple samples. The External Auditors have signed off 53 of these responses and we are currently working on 6 queries which are outstanding.

**Table 1 – Audit Queries as at 19/06/23**

<b>No of Queries</b>	<b>Status</b>
6	RBC – In Progress
248	EY – To review (response provided by RBC)
53	EY – Accepted
307	Total

- 2.8. 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. We have also been mindful of the amendments and improvements we have made to the 2019/20 accounts and incorporated these into the 2020/21 accounts and future years.
- 2.9. It is notable that there has been increased and detailed scrutiny of valuations and our Fixed Asset Register. This is a feature for all councils as this is an area of significant risk and can involve varying valuation methodologies and opinions. We maintain a good working relationship with our valuers, Sanderson Wetherall and have found them very accommodating and efficient with their responses to audit questions. We continue to work collaboratively with them to challenge valuations and ensure that we have a "safe" and prudent position for our fixed assets which form a significant proportion of our balance sheet values.
- 2.10. Whilst the Council is not aware of any significant issues arising to date, EY have still to complete their reviews and provide feedback.
- 2.11. We understand the importance of answering queries promptly to maintain momentum throughout the audit, but we also recognise the pressure this puts on services who are working to close-down the 2022/23 financial year and maintaining their work on monitoring 2023/24 budgets.
- 2.12. EY are not able to attend for this evening's Committee meeting, however they have confirmed to the Council's Finance Team that they anticipate bringing a substantively complete Audit Results Report for 2020/21 to the September Committee meeting and are working to fully sign off the accounts around then.

#### **Progress and Plan for 2021/22 Accounts**

- 2.13. We have now closed our ledger for 2021/22 and are in the process of producing the draft statutory accounts. This draft will then be published on our website and shared with the auditors for them to begin their audit work.

## **National progress on audit opinions**

- 2.14. The latest national position on audit delays continues to be a significant factor for councils and their stakeholders. We are working with our auditors to understand their resourcing issues and to align our resources to maintain momentum on closing our accounts and having the corresponding audits signed off. We are in regular contact with EY and we will provide a high level time plan to Committee in due course.
- 2.15. A recent report from LGimprove based on 314 local authorities suggests that only 116 (37%) have published their 2022/23 draft accounts. Only 19% have finalised their 2021/22 accounts, with 13% unpublished, one of which is Reading.
- 2.16. LGimprove go on to suggest that those councils who are significantly behind with their accounts are likely to be “struggling financially”. This is indeed the case for some councils with some notable examples gaining media attention but it is important to stress that Reading, as outlined in the Quarter 4 Financial Performance Report for 2022/23, shows an increase of General Reserve balances of £5.103m which is beyond the anticipated level in the 2023/24 budget setting process. Further details have been reported to the Council’s Policy Committee which can be found at the following link: <https://democracy.reading.gov.uk/ieListDocuments.aspx?CId=138&MId=5162&Ver=4>
- 2.17. The Quarter 4 Report goes on to say that we also continue to deliver significant savings against targets, with “a total of £7.401m of savings delivered in 2022/23” against a target of £10.224m. “The residual £2.823m will be carried forward for delivery in 2023/24”. This puts our provisional outturn position for General Fund Reserve Balances at £70.049m. The Director of Finance is, therefore, able to give assurances regarding robustness of budget setting and resilience.

## **3. Contribution to Strategic Aims**

- 3.1. 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.

## **4. Environmental and Climate Implications**

- 4.1. None arising.

## **5. Community Engagement**

- 5.1. 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.

## **6. Equality Implications**

- 6.1. Not applicable.

## **7. Other Relevant Considerations**

- 7.1. There are none.

## **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 2022/23, 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. Timetable for Implementation**

- 10.1. As set out in the body of the report.

## **11. Background Papers**

- 11.1. There are none.