

Audit and Governance Committee

10 April 2024



Reading
Borough Council
Working better with you

Title	Closing Financial Accounts Update
Purpose of the report	To note the report for information
Report status	Public report
Report author	Mark Sanders, Chief Accountant
Lead Councillor	Councillor Terry, Deputy Leader of the Council & Lead Councillor for Corporate Services and Resources
Corporate priority	Not applicable, but still requires a decision
Recommendations	That the Committee notes the accounts progress and findings to date.

1. Executive Summary

- 1.1 This report updates the Committee on the progress of the audit of the Council's Final Accounts for 2020/21, as it nears completion. The report also provides an update on the 2021/22 accounts and also the 2022/23 accounts. This report should be considered alongside the External Auditor's progress update and findings to date reported elsewhere on tonight's agenda. The previous update to Committee requested approval for the audit of accounts 2020/21 to be signed off under delegated power by Darren Carter, Director of Finance (S.151 Officer) and Councillor Williams, in his capacity as Chair of the Audit and Governance Committee.
- 1.2 It is notable that in future the accounts will need to be signed off by Full Council, but the Audit and Governance Committee will continue to play a pivotal role in their scrutiny and debate.

2. Progress on 2020/21 Accounts audit

- 1.3 At the time of writing this report, it is anticipated that the 2020/21 audit process will conclude on 8 April 2024. The external auditors have submitted the final management letter of representation and Audit Results Report (ARR), and these have been discussed with the Chair of the Audit & Governance Committee. The Chair has confirmed to the external auditors that he is happy to use the delegation referred to in paragraph 1.1 above to sign off the 2020/21 Statement of Accounts.
- 1.4 The Council is anticipating an unqualified audit opinion for 2020/21 subject to the completion and review of EY's audit work.

3. Update on the Publication of the 2021/22 Accounts

- 3.1. We published the draft 2021/22 accounts at the latter end of November 2023 and the public inspection period commenced on 22 November 2023 and concluded on 10 January 2024.

- 3.2. We provided the accounts and the reconciled Financial System Report to the auditors at the beginning of 2024 but have yet to have been informed of their intended audit approach and any dates for the 2021/22 audit.

4. Update on the Preparation of the 2022/23 Accounts

- 4.1. We published the draft 2022/23 accounts on 28 February 2024 and the public inspection period commenced on 29 February 2024 and will conclude on 12 April 2024.

5. Transition to new External Auditors, KPMG

- 5.1. The Statement of Accounts 2022/23 is the last year that our auditors will be Ernst and Young. It is prudent practice for the external auditors to change on a scheduled basis to avoid any bias and to ensure impartiality and an objective approach. Our new auditors from 2023/24 will be KPMG who will build upon the assurances they receive from EY and commence their audits with their own approach.
- 5.2. We anticipate being in a good position to work with both EY and KPMG to ensure a smooth transition. Producing timely accounts will aid this process.

6. National Position

- 6.1. Although we continue to work “in arrears” on our accounts we have seen positive improvement in processes and the timely production of accounts is far more feasible than in previous years. It must be noted that our issues are not isolated and the majority of councils across the country are finding it difficult to either complete their accounts on time and/or have them audited in a timely manner.
- 6.2. The following table is provided by independent local government finance specialist, showing the results from a status tracker for February 2024. Reading Borough Council is a Unitary Authority and has published its 2021/22 and 2022/23 draft accounts.

Table 1. Accounts Status by Type of Authority

Authority Type	2021/22 Not Published	2021/22 Draft	2021/22 Final	2022/23 Not Published	2022/23 Draft	2022/23 Final
ILB	1	6	5	1	9	2
OLB	3	10	7	3	15	2
Met	1	17	18	3	23	10
Unitary	6	27	25	12	41	6
County	0	5	18	0	18	3
District	13	71	80	37	110	17
Total	24	136	153	56	216	40

- 6.3. Delays in publishing local government audited accounts have increased significantly in recent years and Table 1 shows there are a significant number of local audits in England which remain outstanding.
- 6.4. The recent Department for Levelling Up, Housing & Communities (DLUHC) Consultation: Addressing the local audit backlog in England, sought views on amending the Accounts and Audit Regulations 2015 (as amended) as part of a package of cross-system measures to reset and clear the backlog and to put the system on a sustainable footing.

- 6.5. The consultation outlined proposed changes across three phases of delivery.
- **Phase 1** proposes the implementation of a backstop date for all financial years up to and including 2022/23 to reset and clear the backlog of historical audit opinions. Under the measures proposed, audit teams will be permitted to issue an opinion even where little to no substantive testing has been carried out.
 - **Phase 2** proposes further backstop dates to enable recovery from modified and disclaimed audit opinions without a recurrence of the backlog.
 - **Phase 3** proposes longer term reform to address systemic challenges in the local audit system and the financial reporting framework.
- 6.6. The proposals will impact the Council for both the 2021/22 and 2022/23 Statement of Accounts, and it should be noted that the requirement for audit firms to issue multiple opinions by the proposed backstop date of 30 September alongside delivering audit opinions for other sectors and completing 2023/24 financial statement work for authorities with no backlog, will present increased challenge for audit firms.
- 6.7. We await further updates from Central Government following this consultation, and from EY to ascertain the next steps for our outstanding audits. This in turn will impact future audit planning with KPMG.

7. Contribution to Strategic Aims

- 7.1. The external audit process includes the approval of the annual Statement of Accounts results and the publication of accurate, transparent financial information which gives a true and fair view of Reading Borough Council's economic performance and financial stability.

8. Environmental and Climate Implications

- 8.1. None arising.

9. Community Engagement

- 9.1. The Public Inspection period has concluded (10 Jan 2024) and there are no implications to report.

10. Equality Implications

- 10.1. No equalities impact implications have been identified as arising from this report.

11. Other Relevant Considerations

- 11.1. There are none.

12. Legal Implications

- 12.1. 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.

13. Financial Implications

13.1. The audit fees will be reported in due course.

14. Timetable for Implementation

14.1. Not applicable

15. Background Papers

15.1. There are none.