

READING BOROUGH COUNCIL
DIRECTOR OF RESOURCES

TO:	AUDIT & GOVERNANCE COMMITTEE		
DATE:	27 SEPTEMBER 2018	AGENDA ITEM:	6
TITLE:	ACCOUNTS 2016/17 AND ACCOUNTS 2017/18		
LEAD COUNCILLOR:	Councillor Brock	PORTFOLIO:	CORPORATE AND CONSUMER SERVICES
SERVICE:	FINANCE	WARDS:	BOROUGHWIDE
LEAD OFFICER:	MATTHEW DAVIS	TEL:	
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1. EXECUTIVE SUMMARY

- 1.1 As reported previously to this Committee, the 2016/17 Accounts should originally have been audited and signed off by the end of September 2017. Regular reports have been received by the Committee providing updates on progress being made towards completing the audit. This report updates the Committee on steps taken since the last meeting in August 2018.
- 1.2 A revised draft of the 2016/17 Statement of Accounts was prepared and submitted to the last meeting of this Committee and was then passed to EY in advance of them returning to complete the audit through August and September.
- 1.3 EY recommenced work in August with a small audit team and officers have worked with the auditors to further refine the 2016/17 accounts. This has led to a number of further changes to the figures, mainly related to impairment and depreciation of assets. Additionally refinements have also been made to the presentation of some of the notes to the accounts.
- 1.4 Officers have applied the learning from the 2016/17 process as they work on preparing the 2017/18 accounts.

2. RECOMMENDED ACTION

- 2.1 To note the progress made by the External Auditor and officers in finalising the 2016/17 accounts.
- 2.2 To note the progress made in closing the 2017/18 accounts.

3. BACKGROUND AND PROCESS

- 3.1 A revised set of accounts were presented to the August meeting of the Committee and formally submitted to the External Auditor subsequent to the meeting. The External Auditors recommenced the audit the week after the Committee meeting and the audit is ongoing.
- 3.2 Following detailed discussions with the Auditors, it has been agreed that identifying sufficient evidence to substantiate some creditor and debtor balances is not viable given the passing of time and the turnover of officers. Consequently, the External Auditor has indicated that they will need to qualify this aspect of the 2016/17 accounts.
- 3.3 The Auditors will probably qualify both on grounds of uncertainty of recognition (i.e. does the Council actually owe the liability or does it actually have an asset) and measurement (i.e. is what has been recognised appropriately valued in the Statement of Accounts). The Auditors are likely to require the Accounts to be adjusted for the measurement point, but they first need to quantify the sums involved.
- 3.4 There are still a number of fixed asset and capital accounting issues to be resolved with the EY. These will impact on the value of Property, Plant and Equipment and two of the unusable reserves. Council's expert consultants are working through these issues and the proposed amendments to deal with EY's concerns will be with the Auditors by 21st September.
- 3.5 The Council's consultants have recommended further changes to the accounts for the Council's two Public Finance Initiative (PFI) Schemes and provided EY with details of the changes. EY have indicated that their specialist will complete his review of the revised figures and backing information in week commencing 24th September. The amendments to the accounts will be made as soon as agreement is reached with EY.
- 3.6 EY still need to complete the audit of a number of other areas of the accounts, but are making good progress. The last progress log received from EY showed eighteen queries raised during August and the first part of September. Twelve of these queries have been cleared and we are in active dialogue regarding the other six items.
- 3.7 It had been hoped to bring the final version of the accounts to this committee for approval, but given the ongoing work being undertaken this is not possible. EY's Associate Partner, Maria Grindley, has confirmed that the external audit field work will be completed in early October. However, her draft opinion will be subject to consultation with the Council and review by EY's Professional Standards Panel. Given the delay in the audit and the potential qualification, it is likely that a review by Public Sector Audit Appointments will also be required. Therefore EY do not expect to be in a

position to give an opinion on the accounts until late October or early November.

- 3.8 EY have confirmed that if they qualify the 2016/17 accounts, the 2017/18 opening balances will also be qualified due to uncertainties around the creditor and debtor balances. To ensure the qualification is lifted on the balances at 31st March 2018, the Finance Team have commenced a full review of all year end balances on creditor and debtor ledger codes in 2017/18 to ensure that they are fully evidenced and correctly calculated.
- 3.9 Until the issues with fixed asset and capital accounting in 2016/17 have been resolved with EY it is not possible to finalise the entries in the ledgers for 2017/18.
- 3.10 EY have advised that the 2017/18 accounts should not be finalised until they have finalised their opinion on the 2016/17 accounts and hence the opening balances at 1st April 2017 are confirmed. This does not prevent the finalisation of transactions in 2017/18 ledgers and officers will finalise this work as soon as the exercise on creditors and debtors is complete, this will enable the outturn figures already reported to members to be confirmed.
- 3.11 It is anticipated that the 2017/18 accounts will be ready for issue to EY in late November.

4. EQUALITY IMPACT ASSESSMENT

- 4.1 Not applicable.

5. LEGAL IMPLICATIONS

- 5.1 None arising directly from this report.

6. FINANCIAL IMPLICATIONS

- 6.1 The indicative audit fee notified by EY in April 2016 for the 2016/17 audit was £108,938. This fee was in line with the scale fee set by Public Sector Audit Appointments Ltd. Due to the additional work that EY have undertaken on the audit over the last year, they have advised that the final fee is likely to be £300,000 more than the indicative fee.

