

READING BOROUGH COUNCIL

DIRECTOR OF RESOURCES

TO:	AUDIT & GOVERNANCE COMMITTEE		
DATE:	16 APRIL 2019		
TITLE:	UPDATE ON 2016/17 AND 2017/18 ACCOUNTS		
LEAD COUNCILLOR:	COUNCILLOR BROCK	PORTFOLIO:	CORPORATE AND CONSUMER SERVICES
SERVICE:	FINANCE	WARDS:	BOROUGHWIDE
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1. EXECUTIVE SUMMARY

- 1.1 Regular reports have been received by the Committee providing updates on progress with completing the 2016/17 audit. This report updates the Committee on progress since its last meeting in January 2019.
- 1.2 Revised accounts containing new valuations were submitted to the External Auditors (EY) in the first week of March. This was later than anticipated due to further issues with property valuations, in particular with the accounting treatment of historic Council Dwellings valuations.
- 1.3 EY have been progressing their audit checks and queries are being dealt with and resolved as quickly as possible.
- 1.4 Whilst significant work has been undertaken to provide suitable evidence to our external auditors so that they can form an opinion on the 2016/17 accounts, it has not been possible to retrospectively provide sufficient evidence to fully prove the debtor and creditor balances carried forward at the end of March 2017. As a consequence, EY have advised that the accounts will be qualified for both these balances (and the Comprehensive Income & Expenditure Statement will correspondingly also be qualified as a result of these). Specific additional work has been undertaken by staff to fully verify the closing 2017/18 debtor and creditor balances to ensure as far as possible this qualification does not continue into 2018/19.
- 1.5 Officers have continued to apply the learning from the 2016/17 process to the completion of the 2017/18 accounts. The accounts for 2017/18 will be

handed to EY as soon as is practical once the 2016/17 accounts are finalised.

- 1.6 The auditors have advised that due to their commitments to other clients they will be unable to complete the audit of the 17/18 accounts until later in the year. It has therefore been agreed that the 2017/18 and 2018/19 audits will be run concurrently in the late summer.

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 expected qualifications to the accounts for 2016/17
- 2.3 To confirm the delegation of authority to the Chair of the Committee to sign the final version of 2016/17 accounts, following consultation with the S151 Officer.
- 2.4 To note the progress made in closing the 2017/18 accounts.

3. BACKGROUND AND PROCESS

- 3.1 The External Auditors (EY) recommenced the audit in August and the audit is ongoing.
- 3.2 At the January meeting of this Committee it was anticipated that revised accounts would be submitted for audit in late January, however there was a further delay due to ongoing discussions with EY about the valuation of the dwellings (Council Houses). This has resulted in further work being required, revisiting the valuations for every year back to the 2007/08 accounts.
- 3.3 A revised set of accounts was prepared, but could not be finalised until the recalculation of the valuation of the dwellings was completed. Once the recalculation was completed, a revised set of accounts was submitted to EY in the first week of March.
- 3.4 Work has intensified since the revised accounts were submitted; they contained a number of amendments to the previous version that changed the prior year figures as well as the 2016/17 year. These included: -
- Revised property valuations;
 - Revised valuation figures for the Council Dwellings;
 - Agreed amendments to the treatment of the PFI schemes;
 - The impact of a review of Infrastructure Assets;

- Clear disclosure of the reclassification of Investment Properties (previously included, but not disclosed as a Prior Year Adjustment); and
- Reclassification of properties incorrectly shown as held for sale.

3.5 EY are nearing completion of their audit of the 2016/17 accounts and have had their work and overall opinion reviewed by their own internal review panel. EY have already indicated that they will qualify the 2016/17 accounts. The qualifications are on the grounds of uncertainty with the Creditor and Debtor figures. This will also lead to a qualification of the Income and Expenditure figures on the same grounds, as they are intrinsically linked to the Creditor and Debtor figures.

3.6 EYs Associate Partner, Maria Grindley, has confirmed that her draft opinion has been subject to review by EY's Professional Standards Panel and feedback on that review will be provided to the Committee by EY.

3.7 The final accounts will need to be formally signed by the Chair of the Audit and Governance Committee, but as there may still be some final changes required following the completion of the auditors review, the accounts cannot be signed at this meeting. It is therefore recommended that the Committee re-confirm their previous delegation of authority to sign the final version of the accounts to the Chair of the Committee in consultation with the Council's S151 Officer.

3.8 EY presented a draft version of their "Audit Results Report" to the Committee at their January meeting. It is expected that a finalised version of this report will be available at the conclusion of the audit.

3.9 Until the 2016/17 Accounts have been signed off by EY it is not possible to finalise the 2017/18 accounts, however work is underway to finalise these accounts over the next two to three weeks.

3.10 Work is also underway to close the 2018/19 accounts

4. EQUALITY IMPACT ASSESSMENT

4.1 Not applicable.

5. LEGAL IMPLICATIONS

5.1 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 financial year. The Council were unable to comply with this requirement in respect of the 2017/18 Accounts as they were not ready for inspection.

5.2 As soon as the 2017/18 accounts are ready, the Council will publish a formal notice on the website and open the accounts for the 30 working day inspection period.

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 at least £300,000 more than the indicative fee.

6.2 The additional valuation work commissioned required to enable the completion of the 2016/17 and 2017/18 accounts has cost £139,000.