

**STATEMENT OF ACCOUNTS 2019/20 – UPDATE 5**

**SUMMARY:**

The purpose of this report is to inform Members of audit progress for the Council's Statement of Accounts for 2019/20 and provision of the audit opinion since the meeting on 27 July 2021. The Committee is reminded that the deadline for issuing a final set of audit statements of accounts and audit opinion of 30 November 2020 was not met.

**RECOMMENDATIONS:**

It is recommended that the committee

- i) Note the Statement of Accounts Update Report
- ii) Note the indicative timetable for approval of the 2019/20 Statement of Accounts and receiving the Audit opinion.
- iii) Subject to all Members of the Committee being provided with a copy of the audited Statement of Accounts and the Audit Results Report in advance, the Chairman of the Committee and the Executive Head of Finance be authorised to approve formally and certify the audited Statement of Accounts 2019/20 and to receive the final External Auditor's Report.

**1 BACKGROUND**

- 1.1 This report updates members on the status of the 2019/20 Statement of Accounts and Audit Opinion.

**2 INTRODUCTION**

- 2.1 Owing to the impact of Covid-19 deadlines for the completion and publication of the 2019/20 accounts have been relaxed recognising the possible disruption to relevant authorities caused by the spread of coronavirus
- 2.2 The table below sets out the changes made to the deadlines, as set out in the Accounts and Audit (Coronavirus) (Amendment) Regulations 2020 which came into force on 30 April 2020.

Action	Deadline as set out in Accounts and Audit Regulations 2015	Revised Deadline as set out in Accounts and Audit (Coronavirus) (Amendment) Regulations 2020
Draft Accounts completion	31 May	31 August
Public Inspection period	First 10 working days of June of the financial year immediately following the end of the financial year to which the statement relates	First 10 working days of September of the financial year immediately following the end of the financial year to which the statement relates
Publication of Accounts	31 July	30 November

- 2.3 The Council published a draft statement of account 2019/20 on 31 August 2020. These are available on the Council's website:  
<https://www.rushmoor.gov.uk/statementofaccounts>
- 2.4 The Council is required under regulation to obtain an independent external audit opinion on the true and fair nature of the statement of accounts. Following provision of the external audit opinion the relevant Council Committee (being Licencing, Audit and General Purposes Committee) is required to approve the accounts and publish both the approved set of account and the audit opinion by 30 November 2020.
- 2.5 As reported to the Corporate Governance, Audit and Standards committee in July 2021, there were several outstanding issues around asset valuations and the Going Concern consideration. Officers have been working closely with EY to resolve these issues and queries arising from EY's review of the audit. This report and the draft Audit Results Report from EY provides members with an update on progress made since July 2021.

### 3 CURRENT STATUS OF THE AUDIT

- 3.1 Members will be aware from the meeting in November 2020 that the Council's external auditors set out in the Audit Plan an outline of the timetable and work required to complete their audit and issue an Audit Results Report.
- 3.2 At the LA&GP meeting in January 2021, members were informed that following discussions with EY on 14 January 2021, it was agreed that the current audit work would be paused until mid-February. This would allow the finance team to complete work on the 2021/22 budget setting process unencumbered by other work pressures. The audit would be reconvened in mid-February with the intention to have a scaled-up audit resource to allow the completion of the audit process to be achieved in advance of the next meeting of LA&GP in March 2021.

- 3.3 Audit work was restarted late in February 2021 and worked through some of the remaining issues. However, there were several audit queries that remained unresolved which meant the audit opinion was not available for the committee to consider at the meetings on 29 March 2021, 27 May 2021 or 27 July 2021.
- 3.4 Officers from the Council and EY held further virtual meetings in July and August to assess progress and resolve the audit queries. However, it became clear during August 2021 that there was no prospect of the property and valuation related audit issues being resolved before the end of the month preventing the audit reaching a conclusion. Therefore, it was agreed to work towards a revised timescale for receiving the audit opinion and this was anticipated to be available during October 2021 subject to the outstanding issues being resolved. The Chief Executive and Chair of the Committee were made aware of the delay and the impact this would have on the timetable for the 2020/21 audit work.
- 3.5 The detailed Disclosure Note that addresses Going Concern issues was provided to EY during August with a cashflow forecast covering the period required. This sets out the updated impact on the Council's finances from Covid-19 and any Post Balance Sheet Event (PBSE) given the ongoing risk Covid-19 poses to the Council's financial standing.
- 3.6 The Council and EY will need to assess the timing of finalising the audit opinion on the 2019/20 accounts given the outstanding matters that were outlined in the Audit Results Report considered by members at the meeting in July 2021.
- 3.7 At the time of writing this report there remains a small number of property and valuation related queries. Officers are reviewing documents and records to ensure that all outstanding points have been covered-off. Whilst it is anticipated that the Council will be able to provide the relevant information by the time the committee meet on 27 September, members will receive an update at the meeting informing them of the status of the audit.
- 3.8 It is not clear when the audit opinion will be received due to the the outstanding property and valuation issues. It had been anticipated that the audited Statement of Accounts, Audit Opinion, and the Final Audit Results Report will be available in October 2021 and prior to the next scheduled meeting of the committee (22 November 2021).
- 3.9 Should it be possible to resolve all remaining queries and receive the audit opinion during October 2021 it is proposed to agree the accounts and audit opinion before the next scheduled meeting of the committee. Subject to all Members of the Committee being provided with a copy of the audited Statement of Accounts and the Audit Results Report in advance, the Chairman of the Committee and the Executive Head of Finance be authorised to approve formally and certify the audited Statement of Accounts 2019/20 and to receive the final External Auditor's Report.

#### 4 2020/21 STATEMENT OF ACCOUNTS AND AUDIT TIMINGS

- 4.1 Deadlines for the completion and publication of the 2020/21 and 2021/22 accounts were amended as part of the Government's response to the recommendations contained in the independent Redmond Review into the effectiveness of external audit and transparency of financial reporting in local authorities. The Redmond review reported on 08 September 2020.
- 4.2 The regulations will amend the draft and final accounts publication deadlines for relevant bodies from 1 June and 31 July to 1 August and 30 September for the next 2 accounting years – i.e. 2020/21 and 2021/22 and the position will be reviewed at that time. The regulations come into force on 31 March 2021.

Action	Deadline as set out in Accounts and Audit Regulations 2015	Revised Deadline as set out in Accounts and Audit (Amendment) Regulations 2021
Draft Accounts completion	31 May	01 August
Public Inspection period	First 10 working days of June of the financial year immediately following the end of the financial year to which the statement relates	First 10 working days of September of the financial year immediately following the end of the financial year to which the statement relates
Publication of Accounts	31 July	30 September

- 4.3 The Council has amended its 2020/21 accounts closure process to meet the revised Accounts and Audit Regulation 2021 timetable. It is unclear when the audit of the 2020/21 financial statement will commence as the audit process for 2019/20 is not yet completed.
- 4.4 Further discussions will need to take place over the coming weeks with EY to schedule the 2020/21 audit work. It is unlikely the opinion will be received by the deadline indicated in the July 2021 update report to the committee (the report indicated no later than 31 December 2021). The schedule below sets out the indicative timings for the 2020/21 that were communicated to the committee in July 2021 and will be subject to significant change. It should be expected that the conclusion of the audit may now be in early 2022.

<b>Date</b>	<b>Activity</b>
w/c 19 July 2021 to w/c 09 August 2021	Scope and Strategy/Audit Planning
31 July 2021	Draft Accounts published
w/c 23 August 2021	Data Analytics
w/c 06 September 2021 to w/c 13 September 2021	EY Audit team – substantive work on walkthroughs and sample selection
w/c 20 September 2021 to w/c 04 October 2021	EY Audit team – substantive testing of financial statements
October 2021 (dates tbc)	Further audit work
November 2021	Conclusion of Audit work and draft opinion
December 2021	Audit opinion/Audit Results report

## **5 CONCLUSION**

- 5.1 There is some uncertainty around the timing of when the Council will receive the audited financial statements and EY's Audit Opinion as it is dependent on the Council providing further information to resolve the outstanding property-related queries. Subject to EY's internal consultation process, officers and EY will work towards a formal completion of the audit during October 2021. However, there remains some risk around the exact timing given the need to agree the final accounts position, review any proposed adjustments and a revision to the Council's financial statements.
- 5.2 It is worth reassuring members that the additional time taken is not due to errors, omissions or matters concerning the quality of the final accounts.

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