

**ANNUAL STATEMENT OF ACCOUNTS AND EXTERNAL AUDIT OPINION –  
UPDATE #2**

**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 26 July 2022. The report also updates Members on the outlined timetable for the audit of the 2020/21 and 2021/22 Financial Statements.

**RECOMMENDATIONS:**

It is recommended that the committee

- i) Note the Annual Statement of Accounts and External Audit Opinion update report
- ii) Note the impact on the outline timetable for the external audit of the 2020/21 and 2021/22 Statement of Accounts approval of the 2020/21 and 2021/22 Statement of Accounts and receiving the Audit opinion.

**1 BACKGROUND**

- 1.1 This report updates members on the status of the 2019/20 Statement of Accounts and Audit Opinion, and the impact on the outline timetable for the external audit of the 2020/21 and 2021/22 Statement of Accounts and provision of the Audit Opinion.

**2 INTRODUCTION**

- 2.1 The Government have recognised the challenges around the timeliness of local audit and the downward trend nationally in the number of external audit opinions delivered on time. On 16 December 2021, the Government published further information and guidance for public audit stakeholders "Measures to improve local audit delays".
- 2.2 The Council finalised the draft Statement of Accounts for 2021/22 by the statutory deadline and has been updating the accounts to reflect adjustments required to 2019/20 accounts. These are available on the Council's website: <https://www.rushmoor.gov.uk/statementofaccounts>
- 2.3 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 Corporate Governance, Audit and Standards Committee) is required to approve

the accounts and publish both the approved set of accounts and the audit opinion by 30 September 2022.

- 2.4 As previously reported to the Corporate Governance, Audit and Standards committee, due to the delay in receiving the 2019/20 and 2020/21 audit opinions the statutory deadline for the 2021/22 accounts will not be met.

### **3 2019/20 UPDATE, 2020/21 AND 2021/22 STATEMENT OF ACCOUNTS AND AUDIT TIMINGS**

- 3.1 The external audit opinion for the 2019/20 Accounts is expected in October 2022. The Accounts have been updated in respect of asset valuation differences which require review by external audit and consideration of the updated Going Concern Note and cashflow forecast.
- 3.2 This will clearly impact the timing of the external audit for the 2020/21 and 2021/22 accounts as opening and closing balances will need to be restated in light of adjustments made to the 2019/20 accounts.
- 3.3 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.
- 3.4 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.

<b>Action</b>	<b>Deadline as set out in Accounts and Audit Regulations 2015</b>	<b>Revised Deadline as set out in Accounts and Audit (Amendment) Regulations 2021</b>
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

- 3.5 As referenced in paragraph 2.2 of this report, the Council has published the draft Statement of Accounts for 2021/22. Members should be aware that these accounts will be updated on an-ongoing basis as adjustments made to the 2019/20 and 2020/21 accounts will need to flow through into the opening balances of the 2021/22 accounts.

- 3.6 With 3 years of active accounts, the complexity and workload of the finance team has increased. Producing the accounts for 2021/22 has been a testing process requiring significantly more time to work through all the corresponding accounting entries and adjustments. Over the coming months, the finance team will review the way in which the financial system is configured to reduce reliance on manual reconciliations and for the financial system to produce reports and supporting notes.
- 3.7 Recent discussions with the Council's external auditors (EY) around the timing of the external audit of the Council's Financial Statements for 2020/21 and 2021/22 indicate the proposal to completing audit work and issuing opinions for both sets of accounts by the end of the current financial year will be challenging. Subject to further discussions, it is likely the 2021/22 accounts will not be audited this financial year.
- 3.8 Initial walkthrough tests and confirmation for both audit years were undertaken in August 2022.

#### **4 CONCLUSION**

- 4.1 The delay in concluding the 2019/20 audit will have an impact on the timing of the audit of the 2020/21 and 2021/22 Financial Statements and it is likely the audit of the 2021/22 accounts will not be completed by the end of the current financial year.
- 4.2 There will remain some risk and uncertainty around the timing of when the Council will receive the audited financial statements and EY's Audit Opinion given the issues reported to the committee on the audit issues for the 2018/19 and 2019/20 Financial Statements. Members will be kept updated on progress through the civic year.
- 4.3 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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