

STATEMENT OF ACCOUNTS 2019/20 – 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 25 January 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 updated process and timetable for approval of the 2019/20 Statement of Accounts and receiving the Audit opinion

1 INTRODUCTION

- 1.1 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
- 1.2 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

- 1.3 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>
- 1.4 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.
- 1.5 As reported to the committee at the meeting in November 2020 and January 2021 the Council's external auditor opinion was not due to be received until after the statutory deadline with a commitment to work towards an opinion being available for the March 2021 meeting.
- 1.6 In terms of context, it is worth noting that there were 265 public bodies (Councils, Fire and Rescue, Police and other LG bodies) that did not receive an auditor opinion by 30 November 2020 (around 55%) – as compared to 210 out of 486 (43%) for 2018/19.
- 1.7 According to data from Public Sector Audit Appointments (PSAA) the number of public bodies that did not receive their audit opinion by mid-March was 147.
- 1.8 The National Audit Office (NAO) published their report on the timeliness of local auditor reporting on local government in England on 16 March 2021. This report concludes that the position on audit reporting has worsened significantly since their last report in 2019:

“Given the increasing financial challenge and service pressures on local authorities since 2010, local councils need strong arrangements to manage finances and secure value for money. External auditors have a key role in providing independent assurance on whether these arrangements are strong enough and recommending any action. The late delivery of 2019-20 audit opinions is concerning, given the important part that external audit plays in assurance over taxpayers’ money both centrally and locally.”

“Since we reported on local authority governance and audit in 2019, despite efforts by the various organisations involved in the local audit system and by the Ministry of Housing, Communities and Local Government, we can only conclude that the local audit system has worsened. The increase in late audit opinions, concerns about audit quality and doubts over audit firms’ willingness to continue to audit local authorities all highlight that the situation needs urgent attention. This will require cooperation and collaboration by all bodies involved in the local audit system, together with clear leadership from government.”

<https://www.nao.org.uk/wp-content/uploads/2021/03/Timeliness-of-local-auditor-reporting-on-local-government-in-England-2020-.pdf>

- 1.9 This report provides members with an update on progress made since January 2021.

2 CURRENT STATUS OF THE AUDIT

- 2.1 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.
- 2.2 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.
- 2.3 Audit work was restarted late in February 2021 and has worked through some of the remaining issues. However, at the time of writing this report there are a number of audit queries that remain unresolved and will prevent an audit opinion being available for the committee to consider at the meeting on 29 March 2021.
- 2.4 Progress during the latest audit visit has been slower than expected due to several new samples and requests being raised, the latest being made on 12 March 2021 and would suggest that earlier sampling and testing had not been fully completed.
- 2.5 The majority of audit issues relate to asset valuations with queries raised by EY's technical specialists. However, it is unclear how the Council can respond to the valuation differences without further detailed discussion with EY, their technical specialist, and liaison with the Council's independent valuers.
- 2.6 The Council will also have to provide EY with an 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. In order to complete the accounts and audit opinion process, the Statement of Accounts would need to include a detailed Disclosure Note that addresses Going Concern.
- 2.7 A Disclosure Note will be drafted with an updated forward projection of the Council's Reserves and Balances and a projection of the Council's cashflow and liquidity for the next 12-18 months, and a forward projection of reserve deployment over the MTFS period.
- 2.8 A further meeting has been scheduled with EY for 24 March 2021 and a verbal update will be provided to the committee outlining actions and a provisional timescale for completion of the audit opinion.

2.9 Therefore, it is anticipated that the audited Statement of Accounts and the Audit Results Report will be considered by the committee at their meeting in May 2021.

3 2020/21 STATEMENT OF ACCOUNTS AND AUDIT TIMINGS

3.1 Deadlines for the completion and publication of the 2020/21 and 2021/22 accounts have been 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.

3.2 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
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3.3 The Council has amended its 2020/21 accounts closure process to meet the revised Accounts and Audit Regulation 2021 timetable. The timetable will be challenging against the backdrop continuing COVID-19 pressures. In addition, the delay in concluding the 2019/20 audit means that the opening balance for 2020/21 will be fluid. Working on two audit year at the same time and having to revisit opening balances will increase the workload for the Council and potentially further delay the audit process for 2020/21.

4 CONCLUSION

4.1 Subject to the final review of the financial statements and EY’s review process, the Council should receive the Audit Opinion in early May 2021.

4.2 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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