

External Audit Update

Report of the Head of Finance and Revenues

Recommendation:

That Ernst & Young's Value for Money Report, as shown in the Annex to the report, be noted.

SUMMARY:

The Council's external auditors, Ernst & Young, have prepared their 2022/23 Value for Money Report which is presented to the Audit Committee for consideration.

1 Introduction

- 1.1 The Council is required to produce and approve an Annual Statement of Accounts for each financial year.
- 1.2 Those accounts are subject to audit which is carried out by Ernst & Young (EY). EY report their opinion on the accuracy of the statement of accounts and also provide a value for money conclusion on the Council's use of resources.
- 1.3 This report presents the EY Value for Money Report for consideration and an update on the position regarding the national backlog of public sector audits.

2 Audit of Accounts

- 2.1 The Audit Committee has previously been informed of the shortage of audit capacity in the public sector and the issue of nationwide delays in the completion of audits.
- 2.2 DLUHC have recently concluded a consultation on proposals to clear the backlog of local audits in England. This sets out plans for a three-stage process that will; clear the current backlog (Reset); introduce new measures for completion of annual audits (Recovery); and address the systemic challenges being faced beyond the medium-term (Reform).
- 2.3 Under the first stage, all outstanding financial statement audits up to and including 2022/23 must be published by 30 September 2024 with a modified or disclaimed auditor opinion where a full audit has not been completed.
- 2.4 For Test Valley, accounts have been approved up to 2021/22 and so the only accounts this would affect are those for 2022/23.

- 2.5 During the recovery period (through to 2027/28) the deadline for publication of accounts and auditor opinions would be incrementally brought forward to a target date of 30 November each year.
- 2.6 The results of the consultation and the specific impact on Test Valley will be reported to a future Audit Committee meeting.
- 2.7 Working closely with EY, and in light of the limited guidance that is currently available, it is expected that a full audit of the 2022/23 statement of accounts will not be undertaken.
- 2.8 With the focus very much turning to resolving the audit backlog and with a need to ensure that 2023/24 financial statement audits are effectively planned and resourced, EY have begun the preparation for that audit.
- 2.9 EY and the Head of Finance and Revenues agree that any work to undertake an audit of the 2022/23 accounts at this stage is unlikely to be concluded before the 30 September deadline and would almost certainly lead to abortive audit costs that would not be value for money or an effective use of time.
- 2.10 EY will present details of their plans for the 2023/24 audit to a future meeting of the Audit Committee.

3 Ernst & Young's Annual Audit Results Report

- 3.1 Ernst & Young have carried out their review of the value for money arrangements at Test Valley Borough Council for the 2022/23 financial year.
- 3.2 There are three specified reporting criteria on which EY have reported, which are discussed fully in their report and shown in more detail in the Annex. Those three areas are:
 - Financial Sustainability
 - Governance
 - Improving economy, efficiency and effectiveness
- 3.3 In the case of all three headings, no significant risks or weaknesses have been identified.
- 3.4 Ernst & Young will introduce their report at the meeting and take any questions from committee members.

4 Risk Management

- 4.1 An evaluation of the risks associated with the matters in this report indicate that further risk assessment is not needed because the issues covered do not represent significant risks.

5 Conclusion and reasons for recommendation

- 5.1 External scrutiny of the Council's governance arrangements is an essential part of demonstrating to the public and those charged with governance that the Council is efficient in its use of resources and accurate in the financial information it shares. EY's Value for Money Report helps to deliver that public assurance.

Background Papers (Local Government Act 1972 Section 100D)

None

Confidentiality

It is considered that this report does not contain exempt information within the meaning of Schedule 12A of the Local Government Act 1972, as amended, and can be made public.

No of Annexes:	1	File Ref:	N/A
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(Portfolio: Finance and Resources) Councillor M Flood

Officer:	Carl Whatley	Ext:	8540
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Report to:	Audit Committee	Date:	18 March 2024
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