

## External Audit Update

Report of the Head of Finance and Revenues

### Recommendations:

1. That Ernst & Young's Audit Planning Report, as shown in the Annex to the report, be noted.
2. That the planned materiality and reporting levels, as set out on page 26 of the Annex to the report, be approved.

### SUMMARY:

- Ernst & Young (the Council's appointed external auditor) present their Audit Planning Report for the Audit Committee's attention.
- Ernst & Young's report sets out their planned approach to the 2023/24 Statement of Accounts audit and also provides a brief update on the national backlog of audits for earlier financial years.

### 1 Introduction

- 1.1 The Council is required to produce and approve a Statement of Accounts for each financial year.
- 1.2 Ernst & Young (EY) are the Council's external auditor and were appointed following a national procurement exercise managed by Public Sector Audit Appointments Ltd.

### 2 Audit of the 2023/24 Statement of Accounts

- 2.1 To ensure that an effective and meaningful audit is delivered, it is essential that external auditors have ready access to report to those charged with governance of an authority.
- 2.2 EY have prepared their annual Audit Planning Report for the Committee's attention. This sets out the scope of their audit and the approach taken to assessing audit risks; setting materiality thresholds; and the value for money assessment.
- 2.3 The audit planning report will be introduced by EY representatives at the meeting and there will be an opportunity for any questions to be asked of them.

2.4 The report specifically seeks “the Audit Committee confirm its understanding of, and agreement to, these materiality and reporting levels” (page 26 of the annex). The nature of the types of materiality and levels proposed are explained in the annex and are put forward as:

- Planning Materiality - £1.36M
- Performance Materiality - £1.02M
- Audit differences reporting threshold - £68,000

2.5 It is anticipated that the audit will be completed by December 2024.

### **3 Update on 2022/23 Statement of Accounts**

3.1 Councillors will be aware from previous reports that there is a national backlog of local authority audits, related to 2022/23 and, in some cases, further back. In Test Valley, it is only the 2022/23 Statement of Accounts audit that is not completed.

3.2 Consultation on a three-stage process to resolve this backlog, and prevent it from recurring, has been undertaken. This proposed a cut-off for all outstanding audits for 2022/23 (and before, where appropriate) would be placed at 30 September 2024.

3.3 However, implementation of this will require the passing of new Regulations and, with the suspension of parliament ahead of the General Election, it is unlikely that any Regulations will be approved in time for them to become effective by the end of September.

3.4 EY contemplate this issue on page 7 of their report.

3.5 Further updates on how the 2022/23 Statement of Accounts process will be concluded will be presented to a future meeting of the Audit Committee.

### **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 Part of the external auditor’s role is to report directly to those charged with governance in a local authority. EY’s audit planning report is attached in the annex and will be introduced directly by the auditors.

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)

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Report to:	Audit Committee	Date:	17 June 2024
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