

Ernst and Young (EY) Update on the External Audit of the 2022 to 2023 Financial Statements and Interim Value for Money Report to those Charged with Governance

Report number:	PAS/WS/24/007	
Report to and date(s):	Performance and Audit Scrutiny Committee	30 May 2024
Cabinet member:	Councillor Diane Hind Portfolio Holder Resources and Property Email: diane.hind@westsuffolk.gov.uk	
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Decisions Plan: This item is not required to be included in the Decisions Plan.

Wards impacted: All wards

Recommendation: It is recommended that the Committee:

1. Notes the update on the external audit of the 2022 to 2023 financial statements; and
2. Notes that, at this stage, the auditor has concluded that the council had proper arrangements in place in 2022 to 2023 to secure economy, efficiency and effectiveness in its use of resources (Appendix A).

1. Context to this report

- 1.1 Ernst and Young (EY), the council's appointed external auditor, are formally required to report the results of their audit of the 2022 to 2023 financial statements of West Suffolk Council, to those charged with governance. This committee is charged with governance in accordance with powers delegated to it under the council's constitution.
- 1.2 EY are also required to report on the results of the work undertaken to assess the council's arrangements to secure value for money (VFM) in the use of resources.
- 1.3 The purpose of this report is to update members on the audit of the 2022 to 2023 financial statements and, through the attached interim report, explain the work the external auditor has undertaken to assess the Council's value for money arrangements for the period 1 April 2022 to 31 March 2023 and highlight any significant weaknesses identified along with recommendations for improvement (see **Appendix A**).
- 1.4 The auditor will consider any new information at the conclusion of the 2022 to 2023 audit and summarise their final view of the value for money arrangements as part of the Auditor's Annual Report.

2. Proposals within this report

- 2.1 The Department for Levelling-up, Housing and Communities (DLUHC) has developed measures to address the sector wide delays in local audits, including the introduction of statutory backstop dates for the completion of audits and publication of financial statements. The proposed backstop date for 2022 to 2023 is 30 September 2024.
- 2.2 The most recent audited set of financial statements for West Suffolk Council are those relating to the year 2021 to 2022. The unaudited financial statements for West Suffolk Council relating to 2022 to 2023 were published on the council's website on 31 May 2023 and have been available to EY, as our external auditors, to be audited from that publication date. Although requested for them to do so, EY are not undertaking any core local authority audits for the financial year 2022 to 2023 (except for pension audits).
- 2.3 The focus for EY is to start the planning and delivery of 2023 to 2024 audits, their strategy being to recover audits across their audit clients as a whole for 2023 to 2024, drawing a line on all historical previous audits (for some councils this will be for multiple years, for West Suffolk this relates to the 2022 to 2023 financial statements). As a result of the backstop dates and EY's approach to not undertake any

2022 to 2023 audits, EY are likely to issue a disclaimed and modified opinion on the council's 2022 to 2023 financial statements. As this is through no fault of West Suffolk, this will be made clear in EY's disclaimed and modified opinion when issued later this year. EY are awaiting the formal outcome of the recent DLUHC consultation on local audit delays – link provided in the background report - before issuing any 2022 to 2023 audit reports. EY are, however, continuing to report VFM in line with existing responsibilities as set out in the National Audit Office's Code of Audit Practice (the Code).

2.4 The Code requires auditors to provide an annual commentary on the council's arrangements to secure economy, efficiency and effectiveness in its use of resources (value for money). This commentary must be against the following three specified criteria:

- Financial sustainability – how the council plans and manages its resources to ensure it can continue to deliver its services.
- Governance – how the council ensures that it makes informed decisions and properly manages its risks.
- Improving economy, efficiency and effectiveness – how the council uses information about its costs and performance to improve the way it manages and delivers its services.

2.5 At the time of this interim report, EY have concluded that the council had proper arrangements in place in 2022 to 2023 to enable it to plan and manage its resources to ensure that it can continue to deliver its services and to make informed decisions and properly manage its risks. A final report is anticipated alongside their anticipated reporting of a disclaimed and modified opinion on the core financial statements later this year.

2.6 The issuing of a disclaimed and modified opinion by EY for the financial statements for 2022 to 2023 should not be seen as a negative reflection on the council's financial management or the quality of its draft accounts. It is simply an unintended consequence for West Suffolk Council of the national audit backlog, the proposals to reset the system and EY's approach to not conducting any 2022 to 2023 audits of the financial statements. West Suffolk Council have a strong track record in the delivery of good quality financial statements and supporting working papers as seen in previous external audit reports.

3. Alternative options that have been considered

3.1 The audit of the financial statements is governed by the Local Audit and Accountability Act 2014 and is conducted in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Therefore, there are no alternative options.

3.2 EY are West Suffolk’s assigned auditors under the Public Sector Audit Appointments contract. Therefore, no alternative audit provision can be considered.

3.3 West Suffolk have responded to the DLUHC consultation on the audit backlog, suggesting that for those councils that only have the financial year 2022 to 2023 outstanding that a backstop date is not appropriate and that we should continue to have our accounts audited when audit resources are available and accept that these will be delayed but still completed.

4. Consultation and engagement undertaken

4.1 This report and the appendix have been compiled by the Finance team in consultation with external audit.

5. Risks associated with the proposals

5.1 There are no risks associated with considering this report.

6. Implications arising from the proposals

6.1 All implications arising from the report are covered within the report and its associated appendices.

7. Appendices referenced in this report

7.1 **Appendix A** – West Suffolk Council Value for Money Interim Report for the year ended 31 March 2023

8. Background documents associated with this report

8.1 [Addressing the local audit backlog in England: Consultation - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/consultations/addressing-the-local-audit-backlog-in-england)