

13 March 2023

Ref:
Your ref: Section 151 Officer

Direct line: 01223 394

Email: mhodgson@uk.ey.com

Dear Section 151 Officer colleagues

Planning for 2022/23 financial year audits

I trust that you are well and your budget setting cycle has gone well and is nearing conclusion.

We have in recent years, at about this time, communicated our plans for phasing and delivering the audits of that year's financial statements.

We are not in a position to do this for the 2022/23 financial statements audit due to the sector wide issues that continue to impact audit delivery. The resulting considerable increase to our workload, number of issues and desire to close out a number of audits that are currently underway has not allowed us the bandwidth to be as advanced in our planning thoughts as we have been previously.

This is a direct result of a key number of factors:

- A significant number of audits with significant governance issues including non-compliance with laws and regulations, objections and Value for Money weaknesses;
- The quality of draft financial statements, supporting evidence, and responses to audit queries;
- Infrastructure Asset considerations and additional procedures to address the Code requirements (adapted or otherwise); and
- Audits that have had to be deferred because of delays in the provision of supporting audit evidence at the Authority.

All of these factors have added significant audit resource and time to consider and respond to through a quality audit with the appropriate reporting outcome. This is impacting the delivery therefore of our 2021/22 audits and prior years which are yet to be concluded because of their own significant issues. We are not where we planned or wanted to be.

It is important to consider the wider context. The sector wide issues identified in the 2020 independent review by Sir Tony Redmond on Local authority financial reporting and external audit continue to impact on the timelines to deliver a quality audit to the Council. There remain a number of sector wide actions to be implemented in line with the Government's response to the 23 recommendations made in the independent review across the following themes:

- Action to support immediate market stability
- Consideration of system leadership options
- Enhancing the functioning of local audit, and the governance for responding to its findings
- Improving transparency of local authorities' accounts to the public

We are aware that the action plans emanating from these reviews are currently being taken forward by DLUC and the FRC in their respective roles for the sector.

However, whilst this may leverage some opportunities to rationalise elements of the sector wide approach to audit, with a view to completing current and prior year open audits, the how and when these can be implemented is currently unknown. Therefore, we will continue to revisit our plans on a monthly basis and communicate any impact of sector wide changes with you on our plans.

We are of course not immune to our own issues, which we recognise and we have been dealing with under-performance, sickness absence and Manager shortfall due to resignations, which have not helped the situation but which we are continuing to actively address.

We are currently investing significantly in additional headcount, across our national team, to address these issues and support our local team in getting the audit cycle back to where it is intended to be, but in a sustainable way as increasing audit capacity is only one of the sector wide improvement actions referred to above.

Taking all of this together, our view is that we will not be in a position to commence any 2022/23 financial year audits before the 1 November 2023 at the absolute earliest, and this date would be dependent on our ability to conclude the remaining 2021/22 audits, and any outstanding prior year audits before that date. We are reviewing our plans to work through this segment of work, so we can give you a better indication of the timing of your 2022/23 audit, probably in the early summer.

We appreciate that this is not an ideal, but we can only provide you with a clear and transparent view of the current situation and work with you to get through both the backlog and into the next round of financial year audits. We will not compromise the quality of our audits or their reporting.

We will continue to work at our maximum capacity through the current audits and will come back to you with the 2022/23 plan as set out above.

Our ask of you, is to ensure your draft financial statements and supporting evidence is subject to robust internal quality review before they are sent for audit. Your Audit Partner and Audit Manager will be happy to discuss good practice in this area. We will be providing extra guidance on this in the next few months.

Thank you for your understanding. We are happy to discuss the issues with you on an engagement level with the relevant Audit Partner, or indeed our Sector Lead, Janet Dawson.

Yours sincerely



for and on behalf of Ernst & Young LLP
Mark Hodgson – Partner
David Riglar – Partner
Debbie Hanson - Partner