

Name of Committee:	Audit & Finance Committee		
Committee Date:	30 th October 2023		
Report Title:	2021/22 Financial Year Audit progress report		
Responsible Officer:	Steven Pink		
Cabinet Lead:	Councillor Bowdell		
Status:	Non-Exempt		
Urgent Decision:	Yes / No	Key Decision:	Yes/ No
Appendices:	Appendix A – 22 HBC Audit progress report October 23		
Background Papers:	None		
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Report Number:	HBC/042/2023		

Corporate Priorities:

The “external” audit is a legal and statutory requirement for Havant Borough Council.

Executive Summary:

The audit of Havant Borough Council’s 2021/22 financial statements is nearing completion and is expected to be finalised by early in the new calendar year.

Valuations have been an area of difficulty due, in part, to the nature of using 3rd party valuers but also by the increased scrutiny being place on local authority valuation after several high-profile national cases where incorrect valuation led to significant financial issues after the audits were completed and signed off.

Furthermore, the shortage of auditors and audit team’s staff has led to delays in audits being completed nationally.

Havant Borough Council remains in a good position where very few areas of concern have been raised and those that have are being investigated thoroughly and rectified where possible.

The 2021/22 audit is expected to be completed in the next few months.

Recommendations:

The Audit and Finance Committee is requested to:

- A. Note the progress report.

1.0 Introduction

- 1.1 This paper is submitted to Audit and Finance Committee to update the Council on the position of the current audit of the 2021/22 financial statements.

2.0 Background

- 2.1 Local Authorities are required by law to have an annual audit of their financial statements and their financial position and performance.
- 2.2 This includes but is not limited to areas such as:
 - Fraud risk
 - The control environment and management overrides of control
 - Revenue Recognition
 - Classification of Capital expenditure
 - Valuation of assets and liabilities
 - Value for Money
- 2.3 The audits must be completed by an independent external auditor and Havant Borough Council's auditor are appointed under the Public Sector Audit Appointments (PSAA) national scheme.
- 2.4 For the 2021/22 financial year, Ernst & Young have been appointed as the Council's external auditors.
- 2.5 Annual audits are due to be completed by September in the year of the financial year-end (31st March). However, there has been a national shortage of auditors for some years and this has led to severe delays in audits being completed.

- 2.6 Currently there are in excess of 900 public sector audits national that are late or have been delayed, with some delayed audits date back as far as the 2015/16 financial year.
- 2.7 Havant Borough Council have had financial years up to 31st March 2021 audited but the 2021/22 financial year is still work in progress.
- 2.8 Whilst nearing completion, they are not yet ready to be presented to the audit and finance committee and a progress report has been submitted detailing the remaining outstanding issues and highlighting where some areas of assurance can be given thus far.

3.0 Options

- 3.1 Not applicable

4.0 Relationship to the Corporate Strategy

- 4.1 The “external” audit is a legal and statutory requirement for Havant Borough Council.
- 4.2 The Financial Statement are required to present a “true and fair” view of the financial health of the authority, its financial performance during the year and its financial position at the year-end.
- 4.3 The “external” audit aims to verify the statements and provide an “opinion” on whether the statements do achieve that objective. This provides the Council, and users of the financial statements with a level of assurance over the use of the Council’s financial resources and in itself acts as a control measure to prevent financial mismanagement (accidental or deliberate).

5.0 Conclusion

- 5.1 There has been significant progress made on the 2021/22 audit in the last quarter and the audit is nearing completion. The Council can take assurance from the work completed to date and that the remaining work is being given the appropriate attention by both the Auditors and the Officers of the Council to ensure the final statements and the audit opinion is true and fair.

6.0 Implications and Comments

6.1 S151 Comments

Members of the committee can take comfort in the finding of the audit work to date. The Finance team has been fully compliant with the auditors' requests and where any concerns may have been raised they are discussed in detail and rectified where possible. The importance of an "unqualified" audit cannot be understated and therefore it is vital that the auditors take the time required to provide the necessary level of assurance in their final report and should not be rushed.

6.2 Financial Implications

The report itself does not impact directly any financial implications. Failure to complete the audit appropriately could negatively impact the Council's future financial position.

6.3 Comments Received on Behalf of the Monitoring Officer

The Local Audit and Accountability Act 2014 - the External Auditor is required to satisfy themselves that the Council's accounts comply with statutory requirements and that proper practices have been observed in compiling them.

6.4 Equality and Diversity

Not Applicable

6.5 Human Resources

Not Applicable

6.6 Information Governance

Not Applicable

6.7 Climate and Environment

Not Applicable

7.0 Risks

- 7.1 Failure to allow the necessary time to complete all outstanding audit work could prevent a risk to the quality and value of the Council's financial statements.
- 7.2 This could impact our ability to raise funds via grants or borrowing to undertaken important future Council business.

8.0 Consultation

- 8.1 Not applicable

9.0 Communications

- 9.1 No applicable

Agreed and signed off by:		Date:
Cabinet Lead:	Cllr N Bowdell	20/10/2023
Executive Head:	Matt Goodwin	20/10/2023
Monitoring Officer:	Sarita Riley (on behalf of)	20/10/2023
Section151 Officer:	Steven Pink	19/10/2023