

DECISION-MAKER:	GOVERNANCE COMMITTEE
SUBJECT:	EXTERNAL AUDIT - 2021/22 INTERIM AUDITOR'S ANNUAL REPORT
DATE OF DECISION:	24 APRIL 2023
REPORT OF:	EY LLP (EXTERNAL AUDITOR)

<u>CONTACT DETAILS</u>			
Executive Director	Title	Executive Director Corporate Services	
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STATEMENT OF CONFIDENTIALITY
N/A

BRIEF SUMMARY
<p>This report sets out commentary for 2021/22 detailing significant weakness in the Council's value for money arrangements for 2022/23 and recommendations thereon. As Southampton's external auditor we are reporting below against the specified Value for Money criteria relating to the Council's arrangements for financial sustainability and governance. We have no points to raise at this stage on the specified Value for Money reporting criteria relating to the Council's arrangements for improving economy, efficiency and effectiveness.</p>

RECOMMENDATIONS:
(i) To note the 2021/22 External Auditor's Annual Report as attached

REASONS FOR REPORT RECOMMENDATIONS
1. Please see summary above.

ALTERNATIVE OPTIONS CONSIDERED AND REJECTED
2. None

DETAIL (Including consultation carried out)
3. Under the National Audit Office's (NAO) Code of Audit Practice 2020 (the '2020 Code' we are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. The 2020 Code requires the auditor to design their work to provide them with sufficient assurance to enable them to report to the Council a commentary against specified reporting criteria (see below) on the arrangements the Council has in place to secure value for money (VFM)

through economic, efficient and effective use of its resources for the relevant period.

The NAO's guidance notes require external auditors, in Southampton's case EY, to carry out a risk assessment which gathers sufficient evidence to enable us to document our evaluation of the Council's arrangements, in order to enable us to draft a commentary under the three reporting criteria. This included identifying and reporting on any significant weaknesses in those arrangements and making appropriate recommendations.

The NAO's 2020 Code enabled EY to report risks of significant weaknesses in a Council's arrangements as soon as we become aware of them, irrespective of whether or not we have started the current year audit. In addition, where we are not satisfied that the Council had made proper arrangements for securing economy, efficiency and effectiveness in its use of resources the 2020 Code requires us to refer to this by exception in the audit report on the financial statements for the year in question.

During the course of our audit, information came to our attention regarding the Council's arrangements for Value for Money in 2022/23. We concluded that this information had not affected our risk assessment for 2021/22 and we did not expect to have any matters to report by exception in our audit report on the financial statements for 2021/22. However, we have identified a significant weakness in the Council's arrangements for Value for Money in 2022/23 and action points for the Council.

The Auditor's Annual Report is a public facing document and is written for a wider audience because it must be published by the audited body.

RESOURCE IMPLICATIONS

Capital/Revenue

4. None

Property/Other

5. None

LEGAL IMPLICATIONS

Statutory power to undertake proposals in the report:

6.
 - Local Audit and Accountability Act 2014
 - Accounts and Audit Regulations 2015

Other Legal Implications:

7. None

RISK MANAGEMENT IMPLICATIONS

8. None

POLICY FRAMEWORK IMPLICATIONS

9. None

KEY DECISION?	No
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WARDS/COMMUNITIES AFFECTED:	N/A
<u>SUPPORTING DOCUMENTATION</u>	
Appendices	
1.	Southampton City Council Interim Auditor's Annual Report 2021/22
Documents In Members' Rooms	
1.	N/A
Equality Impact Assessment	
Do the implications/subject of the report require an Equality and Safety Impact Assessment (ESIA) to be carried out.	No
Data Protection Impact Assessment	
Do the implications/subject of the report require a Data Protection Impact Assessment (DPIA) to be carried out.	No
Other Background Documents	
Other Background documents available for inspection at:	
Title of Background Paper(s)	Relevant Paragraph of the Access to Information Procedure Rules / Schedule 12A allowing document to be Exempt/Confidential (if applicable)
1.	None