

DECISION-MAKER:	AUDIT COMMITTEE		
SUBJECT:	RESPONSE AND ACTION PLAN TO IMPROVING THE EXTERNAL AUDITORS VALUE FOR MONEY (VFM) OPINION		
DATE OF DECISION:	12 FEBRUARY 2025		
REPORT OF:	EXECUTIVE DIRECTOR ENABLING SERVICES & S151 OFFICER		
<u>CONTACT DETAILS</u>			
Executive Director	Title:	Executive Director Enabling Services & S151 Officer	
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STATEMENT OF CONFIDENTIALITY	
NOT APPLICABLE	
BRIEF SUMMARY	
<p>The external auditors 2022/23 value for money opinion and the 2023/4 opinion concluded that there were significant weaknesses in this area following their annual audit. These reports were published in February 2024 and January 2025 with a further update due in March 2025.</p> <p>The reporting criteria looks at three areas, all of which showed weaknesses:</p> <ol style="list-style-type: none"> 1. financial sustainability, 2. governance 3. improving efficiency and effectiveness. <p>Before and since the first report was published the council has undertaken significant work to improve the position. This work, along with the next steps is set out in the report at Appendix 1.</p> <p>Elsewhere on the Committee's agenda is a progress update on the external audit of the council's 2023/24 accounts, and the likely disclaimed opinion that will be provided by the external auditors. We provide a brief response to that in this report</p>	
RECOMMENDATIONS:	
	(i) To note the further actions to be taken to improve the external auditors (EY) Value for Money opinion
	ii) To provide a quarterly update on progress to Audit Committee alongside the quarterly Medium Term Financial Strategy (MTFS) update

	iii)	To note the Council's response to the likely disclaiming of the 2023/24 statement of accounts by EY (see the EY report on Audit Finding elsewhere on the Committee Agenda).
REASONS FOR REPORT RECOMMENDATIONS		
1.		This is an update report for noting
ALTERNATIVE OPTIONS CONSIDERED AND REJECTED		
2.		None
DETAIL (Including consultation carried out)		
CONSULTATION		
3.		Not applicable.
EY VALUE FOR MONEY OPINION		
4.		<p>This report informs and updates the Audit Committee on the actions taken to date to address the concerns raised by external audit.</p> <p>It is key to the council's recovery and transformation that we plan to address the points raised and we are transparent about how we are going to address these points.</p> <p>The transformation plan is the main item that addresses the points raised. However rather than the plan simply responding to the value for money conclusion, it sets out a path for the council to become financial sustainable, allowing the organisation to move to investing with purpose to improve the outcomes for residents and the city.</p> <p>Appendix 1 sets out the issues raised. The appendix also sets out the actions and evidence that have been or will be taken to address the issues raised.</p> <p>It is recommended that the Audit Committee receive an update on progress each quarter alongside the Medium-Term Financial Strategy (MTFS) and transformation update.</p> <p>The transformation programme is already underway with evidence of change already happening.</p>
EY 2023/24 EXTERNAL AUDIT RESULTS REPORT		
5.		<p>The council's external auditors (EY) have previously reported a disclaimed opinion on the council's 2022/23 accounts, because of the decision not to audit 2022/23 as part of the national audit reset and recovery process. In their Audit Results report (elsewhere on the Committee's agenda) EY state that the 2023/24 accounts are also likely to have a disclaimed audit opinion.</p> <p>They cite difficulty in obtaining evidence, especially to verify opening balances for 2023/24 as the reason for the likely disclaimer. This in the context of working within the backstop dates for audited accounts publication including the need to publish our audited accounts by 28 February 2025. EY</p>

	<p>did not plan to undertake such verification as part of the 2023/24 audit, and therefore the disclaim opinion is a likely outcome irrespective of any action or shortcomings by the council in providing the necessary information.</p> <p>The council is however reviewing its internal processes and management arrangements ahead of the 2024/25 audit to address the issues raised by EY in their report in respect of the timeliness and completeness of information it provides to the auditors.</p>
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RESOURCE IMPLICATIONS

Capital/Revenue

6. Not applicable

Property/Other

7. Note applicable

LEGAL IMPLICATIONS

Statutory power to undertake proposals in the report:

8.

Other Legal Implications:

9. None

RISK MANAGEMENT IMPLICATIONS

10. None beyond those set out in the accompanying report

POLICY FRAMEWORK IMPLICATIONS

11. Not applicable.

KEY DECISION?	Yes/No
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WARDS/COMMUNITIES AFFECTED: None

SUPPORTING DOCUMENTATION

Appendices

1. Response to the EY Value for Money (VFM) Conclusion

2.

Documents In Members' Rooms

1.

Equality Impact Assessment

Do the implications/subject of the report require an Equality and Safety Impact Assessment (ESIA) to be carried out.	Yes/No
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Privacy Impact Assessment

Do the implications/subject of the report require a Privacy Impact Assessment (PIA) to be carried out.		Yes/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	