

## **East Herts Council Report**

### **Council**

**Date of meeting: Wednesday 14 May 2025**

**Report by:** Councillor Carl Brittain – Executive Member for Financial Sustainability

**Report title:** Statutory Recommendations from External Auditors Ernst & Young

**Ward(s) affected: (All Wards);**

**Summary** – The external auditors, Ernst & Young (EY) presented their Audit Results Report for the 2021/22 and 2022/23 Statement of Accounts to the Audit & Governance Committee on the 22 April 2025 setting out the results of their delayed audit. The report included three Statutory Recommendations for Council to consider under section 24 schedule 7 of the Local Audit and Accountability Act 2014.

Within the report, the Leadership Team have outlined the steps that will be taken to resolve these recommendations. Addressing the recommendations will re-affirm basis for sound financial management and effective governance within the Council.

### **RECOMMENDATIONS FOR COUNCIL:**

- a) That Council considers / accepts the recommendations made by the External Auditor within Appendix A.**
  
- b) Agree that the Audit & Governance Committee receives updates on progress against the recommendations and actions within this report on a regular basis.**

### **1.0 Proposal(s)**

- 1.1 To consider recommendations made by EY under section 24 schedule 7 of the Local Audit and Accountability Act 2014.

## **2.0 Background**

- 2.1 Nationally there has been a significant backlog of outstanding audit opinions for English local authorities Statement of Accounts. For East Herts, all Statement of Accounts up to and including 2020/21 have been audited and published, leaving 2021/22, 2022/23 and 2023/24 audits outstanding.
- 2.2 The Government introduced legislation to bring the local authorities audit up to date and an initial backstop date of 13 December 2024 for all audits up to and including 2022/23. For 2023/24 audit backstops being 28 February 2025. This involves auditors to issue 'disclaimed' audit opinions (no assurance) on many accounts.,

## **3.0 Reason(s)**

- 3.1 The external auditor is required by auditing standards to present the Audit & Governance Committee with their Audit Completion Report. The external auditor presented their report to the Audit & Governance Committee on 22 April 2025 on the Council's financial statement and provided a value for money conclusion.
- 3.2 The report issued a disclaimed audit opinion for the financial years ending 31 March 2022 and 31 March 2023 due to the inability to meet the statutory backstop date of 13 December 2024.
- 3.3 The report highlights significant weaknesses in the Council's arrangements for the preparation and publication of financial statements. This includes delays in providing required information and inadequate quality of the information provided. The Council failed to publish draft financial statements within the regulatory timeframe for the years 2021/22 and 2022/23.

3.4 The report identifies risks of significant weaknesses related to governance and improving economy, efficiency and effectiveness arrangements as part of the Value for Money audit undertaken. Specific recommendations include conducting a comprehensive review of the finance function workflow, implementing a thorough review of the quality assurance process for draft accounts, and reassessing roles, responsibilities, and resource requirements for financial reporting.

3.5 The three statutory recommendations along with the Council's responses are shown in the appendix on pages 71-74 of the External Auditors (EY) report.

#### **4.0 Options**

4.1 Members can ask questions and make observations, but they cannot reject the Recommendations.

#### **5.0 Risks**

5.1 These are contained with the body of the main report.

#### **6.0 Implications/Consultations**

##### **Community Safety**

No

##### **Data Protection**

No

##### **Equalities**

No

##### **Environmental Sustainability**

No

##### **Financial**

These are contained in the report.

## **Health and Safety**

No

## **Human Resources**

No

## **Human Rights**

No

## **Legal**

Statutory Recommendations under Section 24 and Schedule 7 of the Local Audit and Accountability Act 2014 refer to formal advice issued by the External Auditor. These recommendations require the Council to discuss and respond publicly to the report.

## **Specific Wards**

No

## **7.0 Background papers, appendices and other relevant material**

- 7.1 Appendix A – EY Completion Report for Those Charged with Governance for years ended 31 March 2022 and 31 March 2023.

## **Contact Member**

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