

Report: Audit Completion Report 2023/24 and 2024/25

Relevant Portfolio Holder	Councillor Craig Warhurst
Portfolio Holder Consulted	Yes
Relevant Assistant Director	Debra Goodall
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Wards Affected	ALL
Ward Councillor(s) consulted	No
Relevant Council Priority	
Key Decision NO – Information only	
If you have any questions about this report, please contact the report author in advance of the meeting.	

1. RECOMMENDATIONS

The Audit, Governance and Standards Committee is asked to RESOLVE to:

- 1) Acknowledge the significance of consecutive years of disclaimed opinions and consider and endorse, with appropriate comment, the Completion Report attached at Appendix 1.**
- 2) Request a detailed updated Recovery Plan, including milestones and reporting arrangements, to address the recommendations raised within the Completion Report.**
- 3) Continue to oversee arrangements for financial reporting, including regular monitoring of progress against improvement actions and key milestones.**

2. BACKGROUND

- 2.1. The attached Completion Report from Ernst & Young (EY) summarises the outcome of the external audit work for Redditch Borough Council for the 2023/24 and 2024/25 financial years. EY were appointed late in October 2024 following the withdrawal of the previously appointed auditor, and this, combined with delays in concluding the 2022/23 audit and the late publication of the 2023/24 draft financial statements, has significantly constrained the audit timetable. As a result of these timing issues and statutory backstop deadlines, EY have been unable to obtain sufficient appropriate audit evidence and therefore intend to issue disclaimer opinions on both the 2023/24 and 2024/25 financial statements.
- 2.2. The anticipated disclaimer opinions for both financial years should be understood in the context of national audit backlogs and statutory backstop arrangements, rather than as an indication of identified material financial misstatement. A disclaimer reflects that the auditor has not been able to obtain sufficient evidence within the statutory timeframe to conclude their opinion, and this position is currently being experienced across a significant proportion of the local government sector.
- 2.3. These circumstances sit within a wider national reset of the local audit system, where backstop deadlines have been introduced to enable recovery of audit assurance over multiple years. As a result, audit opinions for this period should be viewed alongside this broader context, with the expectation that assurance will strengthen over subsequent audit cycles as timetables stabilise.
- 2.4. The report also sets out EY's findings in relation to value for money arrangements. It identifies several significant weaknesses in governance and financial management across the two years, including issues arising from the implementation of the Council's financial system, delays in financial reporting, capacity constraints within the finance function, regulatory judgements in relation to housing services and compliance issues such as late VAT submissions. These weaknesses are reported by exception and are explored in detail within the main report.
- 2.5. Since mid-2025, the Council has implemented a range of measures to strengthen governance, financial management and audit engagement. These include enhanced senior officer oversight arrangements, improved alignment between internal and external assurance functions, and strengthened processes for financial reporting and escalation. These actions are intended to support sustainable improvement and to provide a stronger platform for future audit assurance.

- 2.6. Members have the opportunity to review the attached report in full, noting the context for the audit opinions, the reported weaknesses in arrangements, and the recommendations for improvement, to inform their consideration of the Council's financial reporting, governance and value for money arrangements.
- 2.7. The recommendations contained within the report will be included in action plans. The Committee will continue to play a central role in overseeing delivery of the required improvement actions, including monitoring progress against audit recommendations and key milestones. Further updates will be provided through the Council's established governance framework to ensure continued transparency and accountability as the Council moves toward a more regularised audit cycle.
- 2.8. The production of the accounts for 2023/24 and 2024/25 precedes the appointment of the Council's current Section 151 Officer. The Section 151 Officer has reviewed the Audit Completion Report and, subject to consideration by the Audit, Governance and Standards Committee is content that the financial statements are appropriate for approval and formal sign off

3. FINANCIAL IMPLICATIONS

- 3.1. This report confirms the assurance that can be provided by EY following their audit of the accounts. The audit fees are set by PSAA and the total fee will be agreed at the completion of the audit process. The scale fee for core work for 2023/24 is £171,164 and for 2024/25 is £186,714.

4. LEGAL IMPLICATIONS

- 4.1. There are no direct legal implications arising from this report.

5. OTHER - IMPLICATIONS

Local Government Reorganisation

- 5.1. There are no direct implications arising from this report in relation to Local Government Reorganisation or Devolution.

Relevant Council Priority

- 5.2. Financial resilience and good governance underpin the council's ability to meet all of its priorities.

Climate Change Implications

- 5.3. None directly resulting from this report

Equalities and Diversity Implications

- 5.4. No adverse impacts resulting from the content of this report

6. RISK MANAGEMENT

- 6.1. The Council has a corporate risk relating to the resolution of the section 24 notice issued by the predecessor external auditors on 31 October 2022 and 27 November 2023 in relation to
- the flawed implementation of the ERP (financial) system
 - the failure to publish financial statements in line with statutory deadlines.
- 6.2. The report confirms that EY has reviewed the Council's response to those recommendations and concluded that further statutory recommendations are not currently required.

7. APPENDICES and BACKGROUND PAPERS

- 7.1. Appendix 1 – Completion Report for Those Charged with Governance