



Report to Audit and Governance Committee

Date:	1 st February 2023
Reference number:	N/A
Title:	External Auditors Interim Annual Report
Relevant councillor(s):	N/A
Contact officer:	David Skinner (S151)
Ward(s) affected:	N/A
Recommendations:	The Committee are requested to note the findings in the report by the external auditor attached at Appendix A on the Council arrangement for securing Value for Money (VfM) in its use of resources, the recommendations made and management's response.
Reason for decision:	N/A

Executive summary

- 1.1 Under National Audit Office (NAO) Code of Practice regulations, external auditors are also required to make a Value for Money assessment to consider that local authorities have put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.
- 1.2 The report provides detail on Council's overall arrangements, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

Background

- 1.3 The NAO issued a new Code of Audit Practice which came into force on 1 April 2020 and applies to the 2020/21 audit. The new approach to VfM re-focuses the work of auditors to provide more meaningful and more accessible annual reporting on VfM arrangements issues in key areas as summarised below;

- i. provide a sharper focus on reporting in the key areas of financial sustainability, governance, and improving economy, efficiency and effectiveness; and
- ii. provide clearer recommendations to help local bodies improve their arrangements.

1.4 Under the previous Code, auditors had only to undertake work on VfM where there was a potential significant risk and reporting was by exception. Whereas against the new Code, auditors are required to undertake work to provide a commentary against three criteria set by the NAO.

- i. **Financial sustainability:** how the Council plans and manages its resources to ensure it can continue to deliver its services;
- ii. **Governance:** how the Council ensures that it makes informed decisions and properly manages its risks; and
- iii. **Improving economy, efficiency and effectiveness:** how the Council uses information about its costs and performance to improve the way it manages and delivers its services

1.5 Grant Thornton's conclusion of the Council's Value for Money detailed assessment is provided in Appendix A and is summarised below.

- i. **Financial Sustainability** - There are no significant weaknesses identified and the one improvement recommendation around identifying and agreeing savings over the Medium-Term Financial Planning (MTFP) is already being implemented through enhancing our monitoring of 'pipeline' of future savings options and opportunities through additional reporting to CMT and Members commencing in 2023.
- ii. **Governance** – In total there are six improvement recommendations of which three have already been implemented and the status of remaining three are summarised below:
 - a. Central register for member's interest – This is work in progress and will be completed by March 23;
 - b. Internal audit on associated companies – This will be added to the Q1 2023/24 audit work plan; and
 - c. Strengthening of Corporate Finance Team – This is work in progress. The recently appointed Chief Accountant has started work and leading on the 2020/21 audit and preparation of 2021/22 draft Statement of Accounts. The Service Review for the Financial Control and Accounting Team has been prioritised which takes account of Growing our Own which will strengthen the team to build its resilience. It is anticipated that the fully recruited team will be in place by the first quarter of the new financial year which will facilitate a more 'normal' approach to be taken for future Statement of Accounts work.

- iii. **Improving economy, efficiency and effectiveness** : The one improvement recommendation on Children's services improvement plan is already work in progress. The service has a clear plan in place and is working at pace on the areas of improvement identified.

1.6 Significant weaknesses have been identified for the later two: **Governance** due to late and inaccurate production of draft Statement of Accounts for financial year 2020/21 and **Improving economy, efficiency and effectiveness** due to Children's Ofsted rating.

Other options considered

1.7 Not applicable

Legal and financial implications

1.8 Not directly related to this report.

Corporate implications

1.9 Not applicable

Consultation and communication

1.10 The report has been agreed with the Corporate Management Team

Next steps and review

1.11 Not applicable

Background papers

1.12 Not applicable

