

AUDIT AND GOVERNANCE COMMITTEE



Report subject	External Auditor - Auditor's Annual Report 2020/21 (Value for Money report)								
Meeting date	20 October 2022								
Status	Public Report								
Executive summary	<p>The attached report, at Appendix 1, sets out the findings of the Council's external auditor, Grant Thornton, following their audit of the Council's Statement of Accounts 2020/2021. The key points to note are:</p> <ul style="list-style-type: none"> • They have not yet completed the audit of the Council's financial statements, due to delays in receiving confirmations from the auditor of Dorset Pension Fund and a national issue affecting all local authorities with material infrastructure balances. • The Value for Money (whether the Council has proper arrangements to secure economy, efficiency and effectiveness in its use of resources) conclusions were: <table border="1"> <thead> <tr> <th>Criteria</th> <th>Finding</th> </tr> </thead> <tbody> <tr> <td>Financial Sustainability</td> <td>Significant weakness in arrangements identified and 3 key recommendations made. One improvement recommendation also made.</td> </tr> <tr> <td>Governance</td> <td>No significant weakness in arrangements identified, but 4 improvement recommendations made.</td> </tr> <tr> <td>Improving economy, efficiency and effectiveness</td> <td>Significant weakness in arrangements identified and a key recommendation made. Five improvement recommendations also made.</td> </tr> </tbody> </table>	Criteria	Finding	Financial Sustainability	Significant weakness in arrangements identified and 3 key recommendations made. One improvement recommendation also made.	Governance	No significant weakness in arrangements identified, but 4 improvement recommendations made.	Improving economy, efficiency and effectiveness	Significant weakness in arrangements identified and a key recommendation made. Five improvement recommendations also made.
Criteria	Finding								
Financial Sustainability	Significant weakness in arrangements identified and 3 key recommendations made. One improvement recommendation also made.								
Governance	No significant weakness in arrangements identified, but 4 improvement recommendations made.								
Improving economy, efficiency and effectiveness	Significant weakness in arrangements identified and a key recommendation made. Five improvement recommendations also made.								
Recommendations	<p>It is RECOMMENDED that:</p> <p>The Audit & Governance Committee notes:</p> <ul style="list-style-type: none"> • The delay to the completion of the audit of the financial statements, and • The findings, recommendations and management comments in relation to the Value for Money arrangements 								
Reason for recommendations	To ensure that the Audit & Governance Committee are fully informed of the findings of the Council's external auditor following their Annual Report for the year ended 31 March 2021, as set out in the report attached.								

Portfolio Holder(s):	Drew Mellor, Leader of the Council
Corporate Director	Graham Farrant, Chief Executive
Report Authors	Nigel Stannard nigel.stannard@bcpcouncil.gov.uk Head of Audit & Management Assurance (Chief Internal Auditor) Ruth Hodges ruth.hodges@bcpcouncil.gov.uk Audit Manager (Deputy Chief Internal Auditor)
Wards	Council-wide
Classification	For Information

Background

1. Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), the external auditor is required to report whether, in their opinion, the group and Council's financial statements:
 - a. give a true and fair view of the financial position of the group and the Council and their income and expenditure for the year; and
 - b. have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014.
2. In addition, the external auditor is required to reach a formal conclusion on whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources (the Value for Money conclusion), under the following three areas: Financial Sustainability, Governance, and Improving Economy, Efficiency and Effectiveness.
3. The report attached, at Appendix 1, sets out the findings of the Council's external auditor following their audit work to date on the Councils' Statement of Accounts 2020/21. The audit on the Council's financial statements is not yet completed but key issues arising to date are reported. The Value for Money conclusions, findings and recommendations, along with management response are contained in the report.

Opinion on the financial statements

4. The auditors have not yet given their opinion on the Council's 2020/21 financial statements, due to delays in receiving confirmations from the auditor of Dorset Pension Fund and a national issue affecting all local authorities with material infrastructure balances.
5. However, their work to date has not identified any significant unadjusted findings in relation to other information produced by the Council, including the Narrative Report or Annual Governance Statement.
6. Two key issues arising from the accounts were identified, in respect of property valuations and complexity of accounts & audit process.

Value for Money arrangements and key recommendations

7. The conclusions of the external auditor in relation to value for money arrangements are summarised as follows:

Criteria	Risk Assessment	Finding
Financial Sustainability	Risk identified due to the uncertainties inherent in the Council's plans to finance its transformation programme.	Significant weakness in arrangements identified and 3 key recommendations made. One improvement recommendation also made.
Governance	No risks of significant weakness identified.	No significant weakness in arrangements identified, but 4 improvement recommendations made.
Improving economy, efficiency and effectiveness	Risk identified due to Ofsted focused inspection.	Significant weakness in arrangements identified and a key recommendation made. Five improvement recommendations also made.

8. Four key recommendations were made stating that the Council should:
- i. urgently identify other options to balance the books in the medium term should the current Capital Direction proposal not be realised in part or full. Specifically, scenario planning assessing what changes to service provision (both savings and income growth) would be necessary to enable the Council to balance the budget.
 - ii. also consider what additional assets could be disposed of to fund transformation. Even if the current proposal of a Capitalisation Direction comes to fruition, capital receipts will invariably form part of the associated strict conditions. If this Direction is not awarded in full, then even more capital receipts to fund transformation will be required.
 - iii. provide more information on the increasing costs of the transformation programme alongside the associated savings, the proposed timelines for implementation and ongoing reporting of delivery against these milestones to ensure further slippage is minimised and savings and the associated improvements in service provision realised. The Council should also ensure that periodical clear reporting is provided on the benefits realisation of the transformation programme against original expectations.
 - iv. continue to address the weaknesses identified by Ofsted to ensure all children have access to quality services which meet their needs in a timely manner.
9. In addition, ten improvement recommendations were made.
10. Management comments were provided for all recommendations.

Options Appraisal

11. An options appraisal is not appropriate for this report.

Summary of financial implications

12. Whilst there are no direct financial implications from this report, a number of findings and recommendations directly relate to the financial sustainability of the Council.

Summary of legal implications

13. There are no direct legal implications from this report.

Summary of human resources implications

14. There are no direct human resources implications from this report.

Summary of sustainability impact

15. There are no direct sustainability impact implications from this report.

Summary of public health implications

16. There are no direct public health implications from this report.

Summary of equality implications

17. There are no direct equality implications from this report.

Summary of risk assessment

18. The Auditor's Annual Report identified a number of risks which were considered as part of the Management comments. Where appropriate, these will be further considered as part of the wider risk management review process and necessary mitigations agreed,

Background papers

None

Appendices

Appendix 1 – External Auditor – Auditor's Annual Report 2020/21