

# AUDIT AND GOVERNANCE COMMITTEE



Report subject	<b>External Auditor - Auditor's Annual Report 2023/24 (Value for Money arrangements report)</b>								
Meeting date	25 July 2024								
Status	Public Report								
Executive summary	<p>The External Auditor, Grant Thornton for BCP Council, is required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness its use of resources.</p> <p>Auditors are required to report their commentary under specific criteria, namely financial sustainability, governance and improving economy, efficiency and effectiveness. They are required to report on any significant weaknesses they identify.</p> <p>The External Auditor has produced a 2023/24 Annual Report which has identified the following:</p> <table border="1"> <thead> <tr> <th>Criteria</th><th>2023/24 Auditor judgement on arrangements</th></tr> </thead> <tbody> <tr> <td>Financial sustainability</td><td><b>R</b> Two new key recommendations raised in 2023/24 relating to the plan to manage the Dedicated Schools Grant (DSG) deficit and the Council's cash position. One significant weakness from the prior year remains outstanding in respect of medium-term financial plan. Positively, the prior year key recommendation in respect of the control and management of the transformation programme, as well as the delivery of savings and management of costs has been removed. No new improvement recommendations made in 2023/24 but one improvement recommendation from the prior year remains open.</td></tr> <tr> <td>Governance</td><td><b>A</b> No significant weakness identified. The key recommendation from the prior year has been resolved and closed. We raised one improvement recommendation in 2023/24 and a further two improvement recommendations from the prior year remain outstanding.</td></tr> <tr> <td>Improving economy, efficiency and effectiveness</td><td><b>R</b> The key recommendation raised in the prior year relating to transformation and BCP Future Places is closed. We raise a new key recommendation on the Council's SEND provision. One key recommendation from the prior year relating to children's services remains open.</td></tr> </tbody> </table> <div> <div><b>G</b></div> No significant weaknesses in arrangements identified or improvement recommendation made. <div><b>A</b></div> No significant weaknesses in arrangements identified, but improvement recommendations made. <div><b>R</b></div> Significant weaknesses in arrangements identified and key recommendations made. </div> <p>Three key recommendations were made to address significant weaknesses (two covering financial sustainability and one covering improving economy, efficiency and effectiveness).</p> <p>A further three improvement recommendations were made, and thirty one previous recommendations from 2020/21, 2021/22 and 2022/23 were followed up (23 implemented and remaining 8 being addressed). The Council has provided the External Auditor with management responses to all the recommendations.</p> <p>Grant Thornton anticipate concluding their opinion on the financial statements by the end of October 2024.</p>	Criteria	2023/24 Auditor judgement on arrangements	Financial sustainability	<b>R</b> Two new key recommendations raised in 2023/24 relating to the plan to manage the Dedicated Schools Grant (DSG) deficit and the Council's cash position. One significant weakness from the prior year remains outstanding in respect of medium-term financial plan. Positively, the prior year key recommendation in respect of the control and management of the transformation programme, as well as the delivery of savings and management of costs has been removed. No new improvement recommendations made in 2023/24 but one improvement recommendation from the prior year remains open.	Governance	<b>A</b> No significant weakness identified. The key recommendation from the prior year has been resolved and closed. We raised one improvement recommendation in 2023/24 and a further two improvement recommendations from the prior year remain outstanding.	Improving economy, efficiency and effectiveness	<b>R</b> The key recommendation raised in the prior year relating to transformation and BCP Future Places is closed. We raise a new key recommendation on the Council's SEND provision. One key recommendation from the prior year relating to children's services remains open.
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<b>Recommendations</b>	<b>It is RECOMMENDED that Audit &amp; Governance Committee notes the findings, recommendations and management comments in relation to the External Auditor's Annual Report 2023/24 (Value for Money arrangements report).</b>
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 2024, as set out in the report (Appendix 1) attached.
Portfolio Holder(s):	Mike Cox, Portfolio Holder for Finance
Corporate Director	Graham Farrant, Chief Executive
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Wards	Council-wide
Classification	For Information

## Background

- 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:
  - give a true and fair view of the financial position of the group and the Council and of their income and expenditure for the year; and
  - 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.
- 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. External Auditors report their findings in this area in their Auditor's Annual Report, sometimes referred to as the Value for Money conclusion, under the following three areas:
  - Financial Sustainability.
  - Governance
  - Improving Economy, Efficiency and Effectiveness.

## Auditor's Annual Report 2023/24

### Value for Money arrangements and key recommendations

- The Auditor's Annual Report for the year ended 31 March 2024 is attached at Appendix 1. It sets out the findings of Grant Thornton following their audit work to date. The External Auditor emphasises that the report is open to revision to the point at which the 2023/24 audits of the financial statements are concluded.

#### 4. The conclusions of the External Auditor are summarised as follows:

Criteria	2022/23 Auditor judgement on arrangements	2023/24 Auditor judgement on arrangements	Direction of travel
Financial sustainability	<b>R</b> Two key recommendations on the transformation programme and the medium term plan. Three improvement recommendations made.	<b>R</b> Two new key recommendations raised in 2023/24 relating to the plan to manage the Dedicated Schools Grant (DSG) deficit and the Council's cash position. One significant weakness from the prior year remains outstanding in respect of medium-term financial plan. Positively, the prior year key recommendation in respect of the control and management of the transformation programme, as well as the delivery of savings and management of costs has been removed. No new improvement recommendations made in 2023/24 but one improvement recommendation from the prior year remains open.	↔
Governance	<b>R</b> One key recommendation made in relation to the Council entering in high-risk ambitious projects without due governance. Seven improvement recommendations raised.	<b>A</b> No significant weakness identified. The key recommendation from the prior year has been resolved and closed. We raised one improvement recommendation in 2023/24 and a further two improvement recommendations from the prior year remain outstanding.	↑
Improving economy, efficiency and effectiveness	<b>R</b> Two key recommendations raised around children's social care and BCP Future Places. One improvement recommendation raised in 2021/22 and 2022/23. Two improvement recommendations from 2020/21 remain open.	<b>R</b> The key recommendation raised in the prior year relating to transformation and BCP Future Places is closed. We raise a new key recommendation on the Council's SEND provision. One key recommendation from the prior year relating to children's services remains open.	↔

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<b>R</b>	Significant weaknesses in arrangements identified and key recommendations made.

5. Appendix 1 also includes the Council's management responses to issues and recommendations made.

6. The following key recommendations were made by the External Auditor:

#### SW1 – Financial sustainability – Key Recommendation 1

The Council should continue to explore all opportunities to manage the Dedicated Schools Grant deficit in the medium term. This should include continued discussions with the Department for Education (DfE) and Ministry of Housing, Communities & Local Government (MHCLG), as well as other measures aimed at addressing the deficit.

#### SW2 – Financial sustainability – Key Recommendation 2

The Council must devise a plan to manage the cash shortfall expected to occur in 2025/26 and beyond. This plan should include consideration of the application for a capitalisation direction following liaison with Ministry of Housing, Communities & Local Government (MHCLG) to mitigate the forecast cash flow emergency.

#### SW3 – Economy, efficiency and effectiveness – Key Recommendation 3

The Council should address the weaknesses identified by a recent statutory direction in relation to the SEND (special education needs and disabilities) service.

- In addition three improvement recommendations were made, and previous recommendations from 2020/21, 2021/22 and 2022/23 were followed up. Of the 31 previous recommendations, 23 have been implemented or superseded and action is ongoing to address the remaining 8 recommendations.
- Management comments have been provided for all recommendations. Some of these comments may be enhanced given there has been limited time between receiving the report from External Auditor and the publication date for this Committee.

#### Opinion on the financial statements

- The Council's draft 2023/24 financial statements were produced by the 30 May 2024 deadline. The proposed application of the backstop for 2022/23 has enabled a prompt start on the 2023/24 post-statements audit. Grant Thornton anticipate concluding their work by the end of October 2024.

### **Options Appraisal**

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

### **Summary of financial implications**

11. A number of findings and recommendations directly relate to the financial sustainability of the Council and impact on future budget setting and MTFP development.

### **Summary of legal implications**

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

### **Summary of human resources implications**

13. There are no direct human resources implications from this report. The financial implications above may have a resulting impact on human resource levels.

### **Summary of sustainability impact**

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

### **Summary of public health implications**

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

### **Summary of equality implications**

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

### **Summary of risk assessment**

17. 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 for the year ended 31 March 2024