

21 November 2022

Draft Auditor's Annual Report 2021/22 – Value For Money Summary

Ward(s): All

Portfolios: Lead Portfolio – Finance (Leader of the Council), All

Purpose: For Information

1. Aim

- 1.1 To present the draft External Auditors Annual Report on their findings in respect of the council's value for money arrangements (VFM) during 2021/22.

2. Summary

- 2.1 This report provides the External Auditors second draft Annual Report in respect of the council's value for money arrangements for 2021/22. There are no significant weaknesses identified in respect of the council's VFM arrangements. The report identifies four improvement recommendations which the council accepts and for which it is putting in place actions to address. Three of the recommendations are new, with one brought forward from the previous year. Management responses have been provided for all recommendations. The report is draft at this point as it cannot be finalised until the sign off of the annual statement of accounts. The report will then be formally published in the final Auditors Annual Report, expected to be presented to Audit Committee in March 2023.

3. Recommendations

- 3.1 That Audit Committee receives the draft Annual Audit Report (Appendix 1) and management responses to the four improvement recommendations and comments accordingly.

4. Report detail – know

- 4.1 The council's External Auditors, Grant Thornton, are required by the National Audit Office Code of Audit Practice to consider whether the council has put into place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. The Code also requires the auditors to produce a report to the council detailing these arrangements along with any key recommendations on significant weaknesses that were identified.
- 4.2 On 1 April 2020, the National Audit Office (NAO) introduced a new Audit Code of Practice which came into effect from audit year 2020/21. The Code introduced a

revised approach to the audit of value for money (VFM), which included three main changes:

- I. A new set of key criteria, covering:
 - a) Financial sustainability – the arrangements for ensuring the council can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (305 years);
 - b) Governance – the arrangements for ensuring the council makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the council makes decisions based on appropriate information;
 - c) Improving economy, efficiency and effectiveness – the arrangements for improving the way council delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.
- II. More extensive reporting, with external auditors required to provide a commentary on arrangements across the key criteria, rather than on an exception basis;
- III. Replacement of the ‘qualified/unqualified’ judgement on the VFM conclusion with judgements on performance, as well as recommendations on any significant weaknesses identified during the audit.

4.3 This is the second Auditor’s Annual Report and is attached. The first report identified eight Improvement recommendations. Progress on implementation of these is outlined in pages 22-24 of the attached report.

- Improving economy, efficiency and effectiveness
- Governance
- Financial sustainability

4.4 For all three criteria no significant weaknesses were identified in 2021/22. Four improvement recommendations were identified for the council to consider across the three criteria. These are outlined within the report.

Control Environment

4.5 This report relates to the arrangements the council has in place to secure economy, efficiency and effectiveness in its use of resources; its governance including financial governance and its risk management arrangements; and in relation to financial sustainability.

Assurance of Controls

4.6 The council’s External Auditors, Grant Thornton, are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy themselves that

the council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

- 4.7 Further, the Code of Audit Practice issued by the National Audit Office requires them to produce an Annual Audit Report giving details of their findings relating to these proper arrangements.

Strategic Risks

- 4.8 This report reviews actual performance in relation to the 2021/22 financial year. As no significant weaknesses were identified there are no strategic risks directly related to the Annual Audit Report and value for money assessment specifically, however it does link strongly to and form part of the assurances in place in relation to strategic risk 7 which is focussed on the overall financial resilience of the council.

5. Financial information

There are none directly related to this report. Securing value for money is a key objective of the council.

6. Reducing Inequalities

Effective value for money arrangements ensure a focus on delivery of Corporate Plan objectives, a key driver of which is reducing inequalities.

7. Decide

Once considered by Audit Committee and once the final audit of the Statement of Accounts has been concluded, the report will be presented to Full Council.

8. Respond

Audit Committee may wish to comment on the report.

9. Review

There are no significant weaknesses reported within the draft Annual Report (Appendix 1). Recommendations for improvement will be considered and implemented within the council's proper arrangements going forward.

Background papers

Code of Audit Practice

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