



Audit & Governance Committee
18 January 2023

External Audit: Auditor's Annual Report 2021/22

Purpose of the report:

To inform the Committee of the result of Grant Thornton's consideration whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Recommendations:

It is recommended that the Committee:

1. Note the report and consider the improvement recommendations outlined in Grant Thornton's Annual Report on Surrey County Council for 2021/22 (page 14, 21-24 of the Appendix))

Introduction:

2. The audit of our financial statements is in progress and scheduled to be completed by 31 January 2023.
3. Under National Audit Office (NAO) Code of Practice regulations, external auditors are 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.
4. Auditors report in more detail on the Council's overall arrangements, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

Background

5. The NAO issued a new Code of Audit Practice which came into force on 1 April 2020 and applies to the 2021/22 audit. The key change is an extension to the framework for Value for Money work.
6. The new approach to Value for Money re-focuses the work of local auditors to:
 - promote more timely reporting of significant issues to local bodies;
 - provide more meaningful and more accessible annual reporting on Value for Money arrangements issues in key areas

- provide a sharper focus on reporting in the key areas of financial sustainability, governance, and improving economy, efficiency and effectiveness; and
 - provide clearer recommendations to help local bodies improve their arrangements.
7. Under the previous Code, auditors had only to undertake work on Value for Money 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
- Financial sustainability: how the body plans and manages its resources to ensure it can continue to deliver its services
 - Governance: how the body ensures that it makes informed decisions and properly manages its risks
 - Improving economy, efficiency and effectiveness: how the body uses information about its costs and performance to improve the way it manages and delivers its services
8. The rating is split between the rating following the initial risk assessment and the rating following the detailed review of the Council's arrangement
9. No significant weaknesses in arrangement were identified in the report for financial sustainability, governance and improving economy, efficiency and effectiveness.
10. Improvement recommendations have been included in the report, including the Council's management response to the recommendations. We will work with the auditor's recommendations to improve our value for money practices.

Conclusion

11. Grant Thornton's conclusion of the Council's Value for Money assessment is provided in Appendix 1.
12. The Council accepts the findings in respect of financial sustainability, governance or improving economy, efficiency and effectiveness and welcomes that Grant Thornton acknowledge the council has, as planned, addressed the recommendations reported in 2020/21 report.
13. The Council accepts any recommendations to continually improve its value for money practices which will be reported back to Audit and Governance Committee in subsequent external audit reviews.

Financial and value for money implications

14. Financial Implications are outlined in Appendix 1

Equalities and Diversity Implications

15. There are no direct equalities implications of this report.

Risk Management Implications

16. There are no direct risk management implications of this report.

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Sources/background papers:

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