

Agenda item 6

AGS/04/24

Report title: Auditor's Annual Report: Finance Year ended 31 March 2021	
Report to: Audit, Governance and Standards Committee	
Report author: Nicole Wood, Executive Director, Corporate Services	
Date of meeting: 25 January 2024	For: Noting
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Divisions affected: All Essex	

1. Executive summary

- 1.1 The External Auditor's Annual Report provides a summary of the key issues arising from the audit of the Council for the year ended 31 March 2021.
- 1.2 In relation to the financial statements, the Auditor's Annual Report simply provides a high-level summary of the matters set out in the Audit Completion Report for the Council, which is presented elsewhere on the agenda.
- 1.3 The commentary on the Council's arrangements to secure value for money in its use of resources is only provided in the Auditor's Annual Audit letter, and so is the main focus of this report.
- 1.4 BDO have **not identified any significant weaknesses** in respect of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources.
- 1.5 BDO have **not raised any statutory recommendations** on the Council's value for money arrangements, but they have highlighted areas that they expect will warrant focus in future periods and some recommendations for improvements in certain arrangements.

2. Recommendations

- 2.1 None – the report is for information only.

3. Background and proposals

- 3.1 The detailed findings from the audit work performed by BDO LLP in relation to the financial statements for year ending 31 March 2021 are set out in the **Audit Completion Report** for the Council, which is presented elsewhere on the agenda.
- 3.2 The purpose of the **Auditor's Annual Report** (as appended) is to communicate key issues arising from the audit work for 2020/21. In particular, the report includes commentary on the Council's arrangements for securing value for money (economy, efficiency and effectiveness) in the use of resources.
- 3.3 The National Audit Office (NAO) has issued guidance for auditors to report against three specified reporting criteria in relation to value for money:
- **Financial sustainability** - planning and managing resources to ensure the Council can continue to deliver its services.
 - **Governance** - informed decisions and properly managing risks.
 - **Improving economy, efficiency and effectiveness** – using information about costs and performance to improve the way the Council manages and delivers its services.
- 3.4 BDO report that they have **not identified any significant weaknesses** in respect of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources, having regard to the criteria specified by the NAO.
- 3.5 BDO have provided a summary of their views on the Council's arrangements as they currently stand, and highlighted areas that may warrant focus in future periods. BDO have **not raised any statutory recommendations** on the Council's value for money arrangements.
- 3.6 In relation to **financial sustainability**, BDO conclude that the Council has demonstrated arrangements to plan and manage resources, especially in difficult and uncertain times. BDO will continue to monitor the Council's financial position and financial sustainability though, to ensure it remains able to set a balanced budget, manage its financial resources and deliver services as expected.
- 3.7 In relation to **governance**, BDO conclude that they have not identified any significant weaknesses in this area but note that the number of "Limited Assurance" Internal Audit opinions should be closely monitored to ensure the control environment is not weakening.

- 3.8 Finally, in relation to **improving economy, efficiency and effectiveness**, BDO conclude that the Council has demonstrated that it has arrangements in place to ensure that it effectively uses information about its costs and performance to improve the way it manages and delivers its services. BDO considers the arrangements around the complaints process and Essex Countywide Traveller Unit (ECTU) as areas of focus for improvement and continued monitoring.
- 3.9 Although BDO have no formal recommendations to make, they have noted several recommendations for improvement in relation to the South-East Local Enterprise Partnership (SELEP). Management responses to these recommendations have been provided to BDO and are included in the Auditor's Annual Report.

4. Policy context and Outcomes Framework

- 4.1 The Auditor's Annual Report communicates the key matters related to the audit of the Council for the 2020/21 financial year. As such, this report relates to the Council's financial health and financial standing rather than to specific policies or outcomes.

5. Financial Implications

- 5.1 There are no specific financial implications associated with this report.

6. Legal Implications

- 6.1 This report forms part of the statutory external assurance framework regulated by the Local Audit and Accountability Act 2014.

7. Staffing and other resource implications

- 7.1 There are no staffing or other resource implications associated with this report.

8. Equality and Diversity implications

- 8.1 There are no equality and diversity implications associated with this report.

9. List of appendices

- 9.1 Auditor's Annual Report: Year ended 31 March 2021.

10. List of Background Papers

10.1 None