

EXTERNAL AUDIT UPDATE

Head of Service:	Brendan Bradley, Head of Finance
Wards affected:	(All Wards);
Urgent Decision?	No
If yes, reason urgent decision required:	N/A
Appendices (attached):	1. 2020/21 Auditor's Annual Report

Summary

This report presents Grant Thornton's 2020/21 Annual Report to members.

Recommendation (s)

The Committee is asked to:

- (1) Receive the Auditor's Annual Report;
- (2) Note the management responses to the auditor's recommendations at Appendix 1;
- (3) Advise whether the Auditor's Annual Report should be presented to Full Council.

1 Reason for Recommendation

- 1.1 The external audit is a statutory part of the control environment for local authorities. It provides external assurance that the Council can use to demonstrate it can achieve the Four Year Plan priority of being an Effective Council.
- 1.2 The recommendations will enable the Council to meet its statutory obligations with regard to external audit.

2 Background

- 2.1 In September 2021, Grant Thornton completed the audit of the Council's 2020/21 Statement of Accounts. Epsom & Ewell Borough Council was among a small minority of just 9% nationwide (and the only one in Surrey) to meet the 30 September statutory deadline for publishing audited accounts.

Strategy and Resources Committee

27 January 2022

- 2.2 Under the 2020 Code of Audit Practice, a new requirement this year is for external auditors to issue an Auditor's Annual Report, to include commentary on the Council's arrangements to secure value for money, within three months of auditing the Statement of Accounts.
- 2.3 The auditor has met this requirement by providing the report to management on 15 December, which through this report is now presented to members at the earliest scheduled opportunity.

3 Auditor's Annual Report

- 3.1 The Auditor's Annual Report is attached at Appendix 1. The report's findings can be considered to reflect positively on the Council, with key findings relating to financial sustainability, governance and value for money summarised as follows:

Financial Sustainability

- 3.1.1 *"We assessed the arrangements concerning Financial Sustainability and raised no indications of potential significant weaknesses. We note the Council is operating in an increasingly uncertain financial environment and for the second successive year, the [government's] 'Comprehensive Spending Review was a single year spending review. Whilst the Council will need to continue to plan with a lack of certainty over funding in the medium term it has the assurance of a track record of delivering robust financial plans"*.

Governance

- 3.1.2 *"We assessed the arrangements concerning Governance and raised no indications of potential significant weaknesses. The Council has demonstrated that both its business as usual and temporary arrangements arising due to Covid-19 were appropriately robust and applied across the organisation"*.

Improving Economy, Efficiency and Effectiveness (Value for Money)

- 3.1.3 *"We assessed the arrangements concerning the 3e's and raised no indications of potential significant weaknesses. The Council has demonstrated a clear understanding of its role in securing economy, efficiency and effectiveness in its use of resources. Covid-19 has had an adverse impact on a number of KPIs but the Council, despite having to re-deploy and alter priorities, was still able to maintain a large proportion of its services as planned"*.
- 3.2 The auditors also presented five improvement recommendations, to further strengthen the Councils processes. The five recommendations cover three pages, so are not duplicated here but can be found on pages 12-14 of the Auditor's Annual Report (Appendix 1), along with the management response to each.

Strategy and Resources Committee

27 January 2022

3.3 Strategy & Resources Committee is asked to note the management response to the five recommendations within the Auditor's Annual Report.

3.4 Grant Thornton has advised that it would be best practice for the Auditor's Annual Report to be presented to Full Council. This is because the national 'Redmond Review' recently found that in a number of high-profile corporate failures, those at the top of the organisation often cited in their defence that they were not made aware of issues raised by auditors, because audit reports had been discussed elsewhere in the governance structure.

3.5 As such, Strategy & Resources Committee is asked to decide whether Full Council should be presented with the Auditor's Annual Report for information in February.

4 2020/21 Housing Benefit Subsidy Certification

4.1 At the time of writing, audit work on the Council's Housing Benefit Subsidy claim for 2020/21 is ongoing. Certification of the claim is expected to be completed in the coming months, in time to be reported to Strategy & Resources Committee on 29 March 2022.

4.2 The statutory deadline for completing the certification work is 31 January 2022.

5 Risk Assessment

Legal or other duties

5.1 Impact Assessment

5.1.1 The auditor's recommendations and management actions should further enhance the Council's risk management framework.

5.2 Crime & Disorder

5.2.1 None arising directly from the contents of this report.

5.3 Safeguarding

5.3.1 None arising directly from the contents of this report.

5.4 Dependencies

5.4.1 None arising directly from the contents of this report.

5.5 Other

5.5.1 None arising directly from the contents of this report.

Strategy and Resources Committee

27 January 2022

6 Financial Implications

- 6.1 The Auditor's Annual Report has been produced within the £59,675 main audit fee for 2020/21, as previously reported to this Committee on 21 September 2021.
- 6.2 **Section 151 Officer's comments:** The Auditor's Annual Report forms a new part of the overall external audit process for local authorities. The Council received an unqualified (i.e. favourable) opinion on its Statement of Accounts from the external auditor for 2020/21.

7 Legal Implications

- 7.1 The Local Audit and Accountability Act 2014 sets out the framework for audit of local authorities. Grant Thornton's work is undertaken in the context of the Statement of Responsibilities of Auditors and Audit Bodies issued by the Comptroller and Auditor General.
- 7.2 **Legal Officer's comments:** None arising from the contents of this report.

8 Policies, Plans & Partnerships

- 8.1 **Council's Key Priorities:** The following Key Priorities are engaged: Effective Council.
- 8.2 **Service Plans:** The matter is included within the current Service Delivery Plan.
- 8.3 **Climate & Environmental Impact of recommendations:** None arising directly from the contents of this report.
- 8.4 **Sustainability Policy & Community Safety Implications:** None arising directly from the contents of this report.
- 8.5 **Partnerships:** None arising directly from the contents of this report.

9 Background papers

- 9.1 The documents referred to in compiling this report are as follows:

Previous reports:

- 2020/21 Statement of Accounts and Audit Findings Report – Strategy & Resources Committee, 21 September 2021.

Other papers:

- External Audit Update, Strategy & Resources Committee, 30 March 2021.