

Audit & Standards Committee

Agenda Item 38

Subject: External Auditor's Annual Report 2021-22

Date of meeting: 24 January 2023

Report of: Grant Thornton (External Audit)

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Ward(s) affected: All

For general release

1. Purpose of the report and policy context

1.1 The external auditor's (Grant Thornton's) Annual Report for the year ending 31 March 2022 reports on the council's value for money arrangements and comments on financial sustainability, governance arrangements and arrangements for securing economy, efficiency and effectiveness in the use of its resources. The report is attached at **Appendix 1**. The Annual Report is a statutory requirement for local authorities.

2. Recommendations

2.1 That the Audit & Standards Committee notes the external auditor's Annual (Value for Money) Report for the financial year ending 31 March 2022 including the auditor's recommendations and management comments.

3. Context and background information

3.1 The external auditor is required to consider whether the authority has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources (securing value for money). The report reviews this under three categories which are financial sustainability, governance and improving economy, efficiency and effectiveness. Appendix B (An Explanatory note on the recommendations) within Appendix 1 sets out three types of recommendations that can be made by the external auditors in this report which are:

- Statutory written recommendations - to which the council is required to discuss and respond publicly to the report;
- Key Recommendations - where significant weaknesses have been identified;
- Improvement Recommendations - which are not a result of identifying significant weaknesses.

- 3.2 For first category, the risk assessment for the council was “no risks of significant weakness identified”. For the second category, there is one key recommendation (set out on page 4 of Appendix 1) relating to ‘significant weaknesses’ in the council’s financial sustainability highlighting a need for realistic plans for replenishing reserves and financial planning focused on reducing reliance on one-off measures. The recommendation also suggests “over-programming” of savings targets to meet budget shortfalls and manage delivery risks. It is important to note that all local authorities are facing financial challenges in the current economic climate, particularly Unitary Authorities as they provide the full range of upper and lower tier services and consequently experience a wider range of risks and challenges.
- 3.3 There are also improvement recommendations to which management has responded (relating to setting the annual capital budget and the Annual Governance Statement) and two prior year recommendations which require follow up in 2023 (whole entity workforce planning and procurement strategy).

4. Analysis and consideration of alternative options

- 4.1 Not applicable.

5. Community engagement and consultation

- 5.1 Not applicable.

6. Conclusion

- 6.1 This report and appendix are for noting. The auditor has made one ‘Key Recommendation’, regarding financial sustainability, and two improvement recommendations to the council. The auditor has not issued any statutory written recommendations.

7. Financial implications

- 7.1 There are no direct budgetary implications arising from this report. However, the report does identify ‘Financial Sustainability’ as a significant weakness and therefore it is important to consider the auditor’s findings and recommendations and implement any improvement recommendations identified by the auditor. Failure to do so within a reasonable timeframe could lead to further investigation by the auditor and/or the auditor may choose to issue a Report in the Public Interest under the Local Audit and Accountability Act 2014.

Finance officer consulted: James Hengeveld Date consulted: 16/01/2023

8. Legal implications

- 8.1 The Local Audit and Accountability Act 2014 makes it a requirement that the council's external auditors consider whether the council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources (securing value for money). This committee has delegated powers for (amongst other things) providing assurance on the adequacy and effectiveness of the work of external as well as internal audit, and is the appropriate body for the consideration of this report by elected members of the council.

Lawyer consulted: Victoria Simpson Date consulted: 16/01/2023

9. Equalities implications

- 9.1 There are none identified.

10. Sustainability implications

- 10.1 There are none identified.

11. Other Implications

- 11.1 There are none identified.

Supporting Documentation

Appendices

Appendix 1: Auditor's Annual Report on Brighton & Hove City Council 2021-22

