

# **Title of report: External Auditor's Annual Report 2021/22**

**Meeting: Audit and Governance Committee**

**Meeting date: Friday 23 June 2023**

**Report by: Head of Strategic Finance**

## **Classification**

Open

## **Decision type**

This is not an executive decision

## **Wards affected**

(All Wards)

## **Purpose**

To present to the Audit and Governance Committee the External Auditor's Annual Report 2021/22 for information and discussion.

## **Recommendation**

**That:**

- a) The committee reviews the external auditor's report, notes its findings and recommendations and considers the management responses.**

## **Alternative options**

1. There are no alternative recommendations. The auditor's Annual Report forms part of the statutory external audit of the Council.

## **Key considerations**

2. The external auditor's draft Annual Report for 2021/22 is attached at Appendix 1. Under the National Audit Office Code of Audit Practice, the external auditor is required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in the use of its resources. The Annual Audit Report looks back over the 2021/22 year and summarises all of the reports and work that the external auditors have undertaken. The report closes the 2021/22 audit.

3. As well as reporting on overall arrangements, the external auditor has considered whether there were any significant risks or weaknesses in the arrangements in place. The report includes the external auditor's findings together with their recommendations as to how any weaknesses identified can be addressed.
4. The report focuses on the arrangements in place during the financial year ended 31 March 2022 under three key themes: financial sustainability, governance and improving economy, efficiency and effectiveness in the use of resources. Improvements noted across these themes during 2021/22 are summarised on page 3 of the report.

### **Financial Sustainability**

5. The auditor's work considers the council's arrangements to identify risks to financial resilience, financial pressures and funding gaps as well as the robustness of financial planning and monitoring activity to support strategic priorities.
6. In this area, the report notes that there are no significant weaknesses in arrangements or improvement recommendations and the auditors consider that, subject to continued careful financial management, the council has sufficient reserves to mitigate against uncertainty in the short to medium term.

### **Governance**

7. The auditor's work considers how the council monitors and assesses risk, gains assurance over the effectiveness of internal controls and how the council makes properly informed decisions, supported by appropriate evidence to allow for challenge and transparency.
8. In this area, the report notes that there are no significant weaknesses in the council's governance arrangements for ensuring that it makes informed decisions and properly manages risks. Two areas for improvement have been identified and these are detailed on pages 18 and 19 of the report with proposed management action provided by officers.

### **Improving economy, efficiency and effectiveness in the use of resources**

9. The auditor's work considers how the council uses financial and performance information to identify areas for improvement and evaluate service delivery, stakeholder engagement and expected benefits from commissioning and procurement activity.
10. In this area, the report notes three significant weakness first identified in 2020/21 which remain:
  - a) Improvements in Children's Social Care Services;
  - b) Contract management arrangements in respect of the public realm contract; and
  - c) Contract arrangements and trading status of Balfour Beatty Living Places
11. Two areas for improvement have been identified and these are detailed on pages 26 and 27 of the report with proposed management action provided by officers.
12. The report recognises that progress against these findings and recommendations has been made in the period since the financial year under review (2021/22) and this progress will be assessed as part of the work undertaken in respect of the 2022/23 financial year.

## **Community impact**

13. One of the principles in the council's code of corporate governance is to implement good practices in transparency, reporting, and audit to deliver effective accountability. To support effective accountability the council is committed to reporting on actions completed and outcomes achieved, and ensuring stakeholders are able to understand and respond as the council plans and carries out its activities in a transparent manner. External audit contributes to effective accountability.

## **Environmental impact**

14. Herefordshire Council provides and purchases a wide range of services for the people of Herefordshire. Together with partner organisations in the private, public and voluntary sectors we share a strong commitment to improving our environmental sustainability, achieving carbon neutrality and to protect and enhance Herefordshire's outstanding natural environment.
15. Whilst this is a report for information and will have minimal environmental impacts, consideration has been made to minimise waste and resource use in line with the council's Environmental Policy.

## **Equality duty**

16. Under section 149 of the Equality Act 2010, the 'general duty' on public authorities is set out as follows:

A public authority must, in the exercise of its functions, have due regard to the need to –

- a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act;
  - b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;
  - c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it.
17. The public sector equality duty (specific duty) requires us to consider how we can positively contribute to the advancement of equality and good relations, and demonstrate that we are paying 'due regard' in our decision making in the design of policies and in the delivery of services. As this is a decision on back office functions, we do not believe that it will have an impact on our equality duty.

## **Resource implications**

18. There are no specific resource implications from the report itself. However, there may be resource implications from implementing specific recommendations. If these cannot be contained within approved budgets, then a specific decision will be presented for approval.

## **Legal implications**

19. There are no specific legal implications arising from this report itself.

## **Risk management**

20. Specific risks are included within the external auditor's report.

## **Consultees**

21. None.

## **Appendices**

Appendix 1 Auditor's Annual Report on Herefordshire Council 2021/22

## **Background papers**

None identified.