

Report to: Audit Committee

Date of meeting: 29 March 2022

By: Chief Finance Officer

Title: Auditor's Annual (VFM) Report on East Sussex County Council 2020/21

Purpose: To provide the Committee with Grant Thornton's Annual (Value for Money) Report for 2020/21

RECOMMENDATION:

The Committee is recommended to consider and comment on the Auditor's Annual Report on East Sussex County Council 2020/21

1. Background

1.1 The Code of Audit Practice issued by the National Audit Office (NAO) requires the authority's external auditor (Grant Thornton (GT)) to provide a separate Value for Money (VfM) assessment from the main audit of the statement of accounts. This is a new requirement for 2020/21 onwards, in which GT are required to consider whether the authority has in place proper arrangements to ensure economy, efficiency and effectiveness in the use of its resources. There is no longer a requirement to provide a binary qualified/unqualified VfM conclusion. Instead GT are reporting in more detail on the authority's arrangements, together with any key recommendations on any significant weaknesses in arrangements identified during the audit.

2. Annual Report 2020/21

2.1 The Annual Report 2020/21 (Appendix 1) sets out the work that GT has undertaken to assess the arrangements the Council has in place to secure economy, efficiency and effectiveness in the use of its resources; with particular focus on risks in respect of financial sustainability, governance arrangements and improving economy, efficiency and effectiveness.

2.2 It is pleasing to be able to report that no significant weaknesses in the Council's arrangements have been identified. In reporting this outcome, GT has made 9 improvement recommendations (these are advisory and not mandated) which are summarised below:

Financial Sustainability	Management Response
1. Consider expanding the detail of reporting on the capital programme within the regular quarterly outturn budget reporting, to clearly report the reasons for slippage, whether the slippage is within the control/oversight of the Council, and	We will consider how we can improve the level of detail provided; if not within the covering report to the quarterly monitoring, then within the more detailed service appendices. Consideration will also be given to the level of reporting by the Capital Asset Strategy Board.

<p>what mitigating actions are in place to address the slippage</p>	
<p>2. Consider including in the Annual Budget/MTFP further information as to what the Core Offer is, how it was reached and how this is defined so that the reader is able to understand what the real impact of going “below the Core Offer” would be in the circumstances that the Council did need to close a funding gap. It would also be useful to enhance documentation of how discretionary spend is prioritised within the funding envelope.</p>	<p>The Annual Report relates to the 2020/21 financial year. As we approach the start of 2022/23, the relevance to refer to Core Offer has passed; and no management actions will be taken to address the issue raised here.</p>
<p>3. Consider improving how the Capital Programme is linked to the Council’s Corporate Priorities and Priority and Delivery outcomes so that readers are able to understand more clearly how the Programme is aligned to the overarching strategy.</p>	<p>This is already done via the principles of the Capital Strategy, in that investments are made to support service delivery. We will consider how we can include a section in the next version of the Capital Strategy that adds transparency as to how the Basic Need principles align to the corporate priorities.</p>
<p>Governance</p>	<p>Management Response</p>
<p>4. Consider whether the Strategic Risk Register reporting to Cabinet could be presented more concisely for ease of oversight by Members, and could potentially include some further “at a glance” summary of escalation/de-escalation and scoring.</p>	<p>We purposefully do not detail the scoring of risk in the reports to Cabinet as this potentially distracts from the message around the risk and the mitigations. In reporting to the Audit Committee we have developed a quarterly tracker – see Agenda Item 12 Appendix A on the link - (Public Pack)Agenda Document for Audit Committee, 17/09/2021 10:00 (eastsussex.gov.uk). During 2021/22, all Service Risk Managers have had external training on how to report risk.</p>
<p>5. Consider whether mapping of strategic risks against the Council’s strategic priorities would be useful for management in monitoring and reporting on the risks.</p>	<p>We will consider the recommendation and whether it adds clarity to the understanding of the overall risk register and, in particular, actions and mitigations taken.</p>
<p>6. Consider whether the Audit Committee would benefit by carrying out a self-assessment of the effectiveness of the Committee, as per guidance issued by the National Audit Office (NAO).</p>	<p>In light of the national improvement agenda for audit, including Audit Committees, it would be sensible to consider this recommendation alongside other considerations, including training and development of Audit Committee members, that are brought forward during 2022.</p>

Improving Economy, Efficiency and Effectiveness	Management Response
7. The Council should consider agreeing an entity-level Procurement Strategy	Procurement will take into consideration this recommendation as it moves to complete Phase 1 of its modernisation programme over the summer of 2022.
8. We would recommend that given the complexity of contract management, that the Council reviews the effectiveness of the training given and continues to keep under review the need to deliver further training in contract management and procurement as necessary.	This recommendation will be considered, as Procurement respond to recommendations arising from an internal audit report on Contract Management.
9. The Council should consider additional reporting of the progress/risks/milestones in the MBOS project to Cabinet.	The Audit Committee has established an MBOS Sub Group, comprising 3 members of the Audit Committee, to have an assurance oversight of the programme. Regular engagement with the Lead Member Resources and Climate Change, including their attendance at Audit Committees, provides a sound basis for Cabinet assurance.

2.3 In addition, GT considered how the Council had responded to the challenges and risks of COVID-19. Again, it is pleasing to report that no significant weaknesses in the Council's VfM arrangements for responding to the pandemic were identified.

3. Conclusion and Recommendation

3.1 The Annual (Value for Money) Report for 2020/21 has identified no significant weaknesses in the Council's VfM arrangements. Whilst putting forward 9 improvement recommendations, these are only advisory and management has responded appropriately.

3.2 The Committee is recommended to review and comment on the Annual (Value for Money) Report 2020/21.

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Local Member(s): All
Background Documents
None