

Committee Name: Audit

Committee Date: 08/03/2022

Report Title: Audit Plan Addendum VFM Risk Assessment (Year ended 31 March 2021)

Portfolio:	Councillor Kendrick
Report from:	Executive director of corporate and commercial services (S151 officer)
Wards:	All wards
OPEN PUBLIC ITEM	

Purpose

This report presents the report of the external auditors, appended to this report, as an addendum to the External Audit Plan 2020-21 and provides members with an update on the external auditors' Value for Money (VFM) assessment and sets out their responsibilities for reporting Value for Money considerations under the 2020 Code.

Recommendation:

It is recommended that the committee reviews and notes the attached report from the external auditor.

Policy Framework

The Council has three corporate priorities, which are:

- People living well
- Great neighbourhoods, housing and environment
- Inclusive economy

This report meets all the corporate priorities

This report addresses healthy organisation strategic action in the Corporate Plan

This report helps to meet council's financial objective of the COVID-19 Recovery Plan

Report Details

Introduction

1. At its meeting on 13 July 2021, the committee approved the Annual External Audit Plan 2020-21 report, which set out the external auditor's proposed approach to the audit of the accounts for the 2020-21 financial year.
2. The external auditor's report, appended to this report, is an addendum to the Annual External Audit Plan 2020-21 and provides members with an update on the external auditors' Value for Money (VFM) assessment and sets out the changes to their responsibilities for reporting Value for Money considerations under the 2020 Code.
3. There are no other changes to the external auditor's planned approach and risk assessment to the audit of the accounts 2020-21, as set out in the Annual Audit Plan 2020-21.

Key points to note

4. The external auditor has concluded their work in relation to VFM planning and risk assessment. No significant weaknesses have been identified at this stage. The auditor will revisit this work before the audit opinion on the accounts 2020-21 is finally issued. The VFM commentary, as required under the new Code will be issued within the external auditor's Annual Report.

Consultation

5. Audit committee and with officers.

Implications

Financial and Resources

6. Any decision to reduce or increase resources or alternatively increase income must be made within the context of the council's stated priorities, as set out in its Corporate Plan 2019-22 and Budget.
7. There are no proposals in this report that would reduce or increase resources.

Legal

8. There are no specific legal implications arising from this report.

Statutory Considerations

Consideration:	Details of any implications and proposed measures to address:
Equality and Diversity	None identified
Health, Social and Economic Impact	None identified
Crime and Disorder	None identified
Children and Adults Safeguarding	None identified
Environmental Impact	None identified

Risk Management

Include operational, financial, compliance, security, legal, political or reputational risks to the council

Risk	Consequence	Controls Required
None identified		

Other Options Considered

9. Production of the attached report is a statutory requirement and as such there are no alternative options to the consideration of this report.

Reasons for the decision/recommendation

10. It is a statutory requirement for the auditor to comment on the Council's provision for value for money, and for the committee to review and note the report from the council's external auditor, making any recommendations for action as required.

Background papers:

None

Appendices: Norwich City Council Audit Plan Addendum VFM Risk Assessment (Year ended 31 March 2021) Ernst & Young

Contact Officer:

Name: Neville Murton

Telephone number: 01603 987766

Email address: nevillemurton@norwich.gov.uk

Norwich City Council

Audit Plan Addendum - VFM Risk Assessment

Year ended 31 March 2021

21 January 2022

21 January 2022



Audit Committee
Norwich City Council
City Hall
St Peter's Street
Norwich
NR2 1NH

Dear Audit Committee Members,

Audit Plan Addendum - VFM Risk Assessment

We are pleased to attach our Audit Plan Addendum - VFM Risk Assessment, ahead of the upcoming meeting of the Audit Committee.

The purpose of this report is to provide the Audit Committee with an update on our VFM Risk Assessment, which we flagged as requiring completion in our Provisional Audit Plan dated 30 June 2021.

The Audit Committee should note that there are no other changes to our planned audit approach and risk assessment that we set out in the Provisional Audit Plan dated 30 June 2021.

Yours faithfully

Mark Hodgson

Mark Hodgson
For and on behalf of Ernst & Young LLP
Enc



01

Value for Money Risks



Value for money

Norwich City Council's responsibilities for value for money

The Council is required to maintain an effective system of internal control that supports the achievement of its policies, aims and objectives while safeguarding and securing value for money from the public funds and other resources at its disposal.

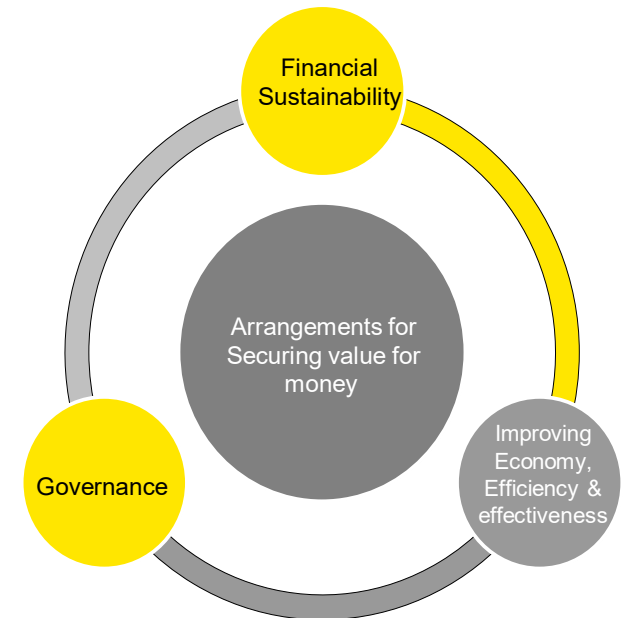
As part of the material published with its financial statements, the Council is required to bring together commentary on its governance framework and how this has operated during the period in a governance statement. In preparing its governance statement, the Council tailors the content to reflect its own individual circumstances, consistent with the requirements of the relevant accounting and reporting framework and having regard to any guidance issued in support of that framework. This includes a requirement to provide commentary on its arrangements for securing value for money from their use of resources.

Auditor responsibilities under the new Code

Under the 2020 Code we are still required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. However, there is no longer overall evaluation criterion which we need to conclude on. Instead the 2020 Code requires the auditor to design their work to provide them with sufficient assurance to enable them to report to Council a commentary against specified reporting criteria (see below) on the arrangements the Council has in place to secure value for money through economic, efficient and effective use of its resources for the relevant period.

The specified reporting criteria are:

- Financial sustainability
How the Council plans and manages its resources to ensure it can continue to deliver its services;
- Governance
How the Council ensures that it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness:
How the Council uses information about its costs and performance to improve the way it manages and delivers its services.





Value for money risks

Planning and identifying VFM risks

The NAO's guidance notes require us to carry out a risk assessment which gathers sufficient evidence to enable us to document our evaluation of the Council's arrangements, in order to enable us to draft a commentary under the three reporting criteria. This includes identifying and reporting on any significant weaknesses in those arrangements and making appropriate recommendations. This is a change to 2015 Code guidance notes where the NAO required auditors as part of planning, to consider the risk of reaching an incorrect conclusion in relation to the overall criterion.

In considering the Council's arrangements, we are required to consider:

- The Council's governance statement
- Evidence that the Council's arrangements were in place during the reporting period;
- Evidence obtained from our work on the accounts;
- The work of inspectorates and other bodies and
- Any other evidence source that we regard as necessary to facilitate the performance of our statutory duties.

We then consider whether there is evidence to suggest that there are significant weaknesses in arrangements. The NAO's guidance is clear that the assessment of what constitutes a significant weakness and the amount of additional audit work required to adequately respond to the risk of a significant weakness in arrangements is a matter of professional judgement. However, the NAO states that a weakness may be said to be significant if it:

- Exposes - or could reasonably be expected to expose - the Council to significant financial loss or risk;
- Leads to - or could reasonably be expected to lead to - significant impact on the quality or effectiveness of service or on the Council's reputation;
- Leads to - or could reasonably be expected to lead to - unlawful actions; or
- Identifies a failure to take action to address a previously identified significant weakness, such as failure to implement or achieve planned progress on action/improvement plans.

We should also be informed by a consideration of:

- The magnitude of the issue in relation to the size of the Council;
- Financial consequences in comparison to, for example, levels of income or expenditure, levels of reserves (where applicable), or impact on budgets or cashflow forecasts;
- The impact of the weakness on the Council's reported performance;
- Whether the issue has been identified by the Council's own internal arrangements and what corrective action has been taken or planned;
- Whether any legal judgements have been made including judicial review;
- Whether there has been any intervention by a regulator or Secretary of State;
- Whether the weakness could be considered significant when assessed against the nature, visibility or sensitivity of the issue;
- The impact on delivery of services to local taxpayers; and
- The length of time the Council has had to respond to the issue.



Value for money risks

Responding to identified risks

Where our planning work has identified a risk of significant weakness, the NAO's guidance requires us to consider what additional evidence is needed to determine whether there is a significant weakness in arrangements and undertake additional procedures as necessary, including where appropriate, challenge of management's assumptions. We are required to report our planned procedures to the audit committee.

Reporting on VFM

In addition to the commentary on arrangements, where we are not satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources, the 2020 Code has the same requirement as the 2015 Code, in that we should refer to this by exception in the audit report on the financial statements.

However, a new requirement under the 2020 Code is for us to include the commentary on arrangements in a new Auditor's Annual Report. The 2020 Code states that the commentary should be clear, readily understandable and highlight any issues we wish to draw to the Council's attention or the wider public. This should include details of any recommendations arising from the audit and follow-up of recommendations issued previously, along with our view as to whether they have been implemented satisfactorily.

Value for money (VFM) risk assessment

We have concluded our detailed VFM planning and risk assessment.

We have based our assessment on a combination of our cumulative audit knowledge and experience, our review of Committee reports and policies the Council has in place, meetings with key officers, and the evaluation of associated documentation through our regular engagement with Council management and the finance team.

As a result of this work, we have not identified any risks of significant weaknesses in the Council's arrangements. As a result we have no risk based procedures to carry out. We will revisit the risk assessment prior to issuing the audit opinion on the 2020/21 accounts and at this stage anticipate having no matters to report on VFM.

We plan to issue the VFM commentary, as required under the new Code, in March / April 2022, within our Auditor's Annual Report.