



**North Norfolk District
Council**

Annual Audit Letter for the year
ended 31 March 2020

28 November 2022



EY

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Public Sector Audit Appointments Ltd (PSAA) have issued a 'Statement of responsibilities of auditors and audited bodies'. It is available from the Chief Executive of each audited body and via the PSAA website (www.psa.co.uk).

This Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The 'Terms of Appointment (updated April 2018)' issued by PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and statute, and covers matters of practice and procedure which are of a recurring nature.

This Annual Audit Letter is prepared in the context of the Statement of responsibilities. It is addressed to the Members of the audited body, and is prepared for their sole use. We, as appointed auditor, take no responsibility to any third party.

Our Complaints Procedure - If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with your usual partner or director contact. If you prefer an alternative route, please contact Hywel Ball, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.





Section 1

Executive Summary

Executive Summary

We are required to issue an Annual Audit Letter to North Norfolk District Council following completion of our audit procedures for the year ended 31 March 2020. Covid-19 had an impact on a number of aspects of our 2019/20 audit. We updated our audit procedures to take account of the following issues:

Area of impact	Commentary
Impact on the delivery of the audit	
▶ Changes to reporting timescales	As a result of Covid-19, new regulations, the Accounts and Audit (Coronavirus) (Amendment) Regulations 2020 No. 404, were published and came into force on 30 April 2020. This announced a change to the publication date for final, audited accounts from 31 July to 30 November 2020 for all relevant authorities. Given the nature of the Value for Money risks that we encountered during the audit, this deadline was not achievable. We reported at the earliest opportunity and ensured that the Council published appropriate wording on its website by the 30 November 2020 date.
Impact on our risk assessment	
▶ Valuation of Property Plant and Equipment and Investment Property	The Royal Institute of Chartered Surveyors (RICS), the body setting the standards for property valuations, issued guidance to valuers highlighting that the uncertain impact of Covid-19 on markets might cause a valuer to conclude that there is a material uncertainty over the valuations in place at the 31 March 2020. Caveats around this material uncertainty were included in the year-end valuation reports produced by the Council's external valuer.
▶ Disclosures on Going Concern	Financial plans for 2020/21 and medium term financial plans required revision to take account of Covid-19. We considered the unpredictability of the current environment gave rise to a risk that the Council would not appropriately disclose the key factors relating to going concern, underpinned by Management's assessment with particular reference to Covid-19.
Impact on the scope of our audit	
▶ Information Produced by the Entity (IPE)	We identified an increased risk around the completeness, accuracy, and appropriateness of information produced by the entity due to the inability of the audit team to verify original documents or re-run reports on-site from the Council's systems because of remote working protocols. We undertook the following to address this risk: <ul style="list-style-type: none">▶ Used the screen sharing function of Microsoft Teams to evidence re-running of reports used to generate the IPE we audited; and▶ Agree IPE to scanned documents or other system screenshots.
▶ Consultation requirements	Additional EY consultation requirements were required concerning the impact on auditor reports.

Executive Summary (cont'd)

The tables below set out the results and conclusions on the significant areas of the audit process.

Area of Work	Conclusion
Opinion on the Council's:	
▶ Financial statements	Unqualified - the financial statements give a true and fair view of the financial position of the Council as at 31 March 2020 and of its expenditure and income for the year then ended.
▶ Consistency of other information published with the financial statements	Other information published within the Statement of Accounts was consistent with the financial statements.
▶ Concluding on the s arrangements for securing economy, efficiency and effectiveness	We modified our Value for Money Conclusion on an exception basis. We concluded that the Council had put in place proper arrangements to secure value for money in its use of resources, with the exception of arrangements in relation to Informed Decision Making - Maintaining a sound system of Internal Control.

Area of Work	Conclusion
Reports by exception:	
▶ Consistency of Governance Statement	The Governance Statement was consistent with our understanding of the Council.
▶ Public interest report	We had no matters to report in the public interest.
▶ Written recommendations to the Council, which should be copied to the Secretary of State	We had no matters to report.
▶ Other actions taken in relation to our responsibilities under the Local Audit and Accountability Act 2014	We had no matters to report

Area of Work	Conclusion
Reporting to the National Audit Office (NAO) on our review of the Council's Whole of Government Accounts return (WGA).	We were not required to perform any procedures.

Executive Summary (cont'd)

As a result of the above we have also:

Area of Work	Conclusion
Issued a report to those charged with governance of the Council communicating significant findings resulting from our audit.	Our Audit Results Report was issued on 18 March 2022, with a verbal update to the 27 September 2022 meeting of the Governance, Risk and Audit Committee.
Issued a certificate that we have completed the audit in accordance with the requirements of the Local Audit and Accountability Act 2014 and the National Audit Office's 2015 Code of Audit Practice.	Our certificate was issued on 30 September 2022.

We would like to take this opportunity to thank the Council's staff for their assistance during the course of our work and, in particular given the challenging priorities they faced as a result of their work in responding to the Covid-19 pandemic, their collaborative approach which enabled us to complete the 2019/20 audit by working remotely.

Mark Hodgson
Associate Partner
For and on behalf of Ernst & Young LLP

Section 2

Purpose and Responsibilities



Purpose and Responsibilities

The Purpose of this Letter

The purpose of this Annual Audit Letter is to communicate to the Council and external stakeholders, including members of the public, the key issues arising from our work, which we consider should be brought to the attention of the Council.

We have already reported the detailed findings from our audit work in our 2019/20 Audit Results Report to the Governance and Audit Committee, representing those charged with governance. We do not repeat those detailed findings in this letter. The matters reported here are the most significant for the Council.

Responsibilities of the Appointed Auditor

Our 2019/20 audit work has been undertaken in accordance with the Audit Plan that we issued on 6 May 2020 and is conducted in accordance with the National Audit Office's 2015 Code of Audit Practice, International Standards on Auditing (UK), and other guidance issued by the National Audit Office.

As auditors we are responsible for:

- ▶ Expressing an opinion:
 - ▶ On the 2019/20 financial statements; and
 - ▶ On the consistency of other information published with the financial statements.
- ▶ Forming a conclusion on the arrangements the Council has to secure economy, efficiency and effectiveness in its use of resources.
- ▶ Reporting by exception:
 - ▶ If the annual governance statement is misleading or not consistent with our understanding of the Council;
 - ▶ Any significant matters that are in the public interest;
 - ▶ Any written recommendations to the Council, which should be copied to the Secretary of State; and
 - ▶ If we have discharged our duties and responsibilities as established by the Local Audit and Accountability Act 2014 and Code of Audit Practice.

Alongside our work on the financial statements, we also review and report to the National Audit Office (NAO) on your Whole of Government Accounts return. The Council is below the specified audit threshold of £500 million. Therefore, we did not perform any audit procedures on the return.

Responsibilities of the Council

The Council is responsible for preparing and publishing its statement of accounts accompanied by an Annual Governance Statement (AGS). In the AGS, the Council reports publicly each year on how far it complies with its own code of governance, including how it has monitored and evaluated the effectiveness of its governance arrangements in year, and any changes planned in the coming period.

The Council is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Section 3

Financial Statement Audit



Financial Statement Audit

Key Issues

The Council's Statement of Accounts is an important tool for the Council to show how it has used public money and how it can demonstrate its financial management and financial health. We audited the Council's Statement of Accounts in line with the National Audit Office's 2015 Code of Audit Practice, International Standards on Auditing (UK), and other guidance issued by the National Audit Office and issued an unqualified audit report on the 30 September 2022.

Our detailed findings were reported to the Governance, Risk and Audit Committee on the 30 March 2022 and the 27 September 2022. The key issues identified as part of our audit were as follows:

Risks	Conclusion
Misstatements due to fraud or error	We did not identify any matters to report to the Council.
Incorrect capitalisation of revenue expenditure	We identified two non-material classification differences which were adjusted for within the authorised financial statements.
Valuation of Property, Plant and Equipment	<p>We did identified two over-valuation differences which were adjusted for within the authorised financial statements.</p> <p>We had to perform additional procedures over the valuations in light of the valuation report having a 'material uncertainty' clause in place as a result of the Covid Pandemic in relation to a number of the assets.</p> <p>We had to perform a significant level of additional procedures to gain sufficient appropriate assurance for Infrastructure Assets (Coastal Protection) and the compliance with the accounting treatment requirements of the CIPFA Code of Practice.</p>
Pension liability	We did not identify any matters to report to the Council.
Omission or understatement of NDR appeals provision	<p>We did not identify any matters to report to the Council in relation to the provision.</p> <p>We did identify an issue with the Collection Fund accounting entries as a result of a system report issue. These were corrected within the revised financial statements.</p>
Going Concern Disclosures	The Council assessed the impact of Covid-19 on its income, expenditure, cash and reserves position into 2020/21 and 2021/22 and made an appropriate disclosure in the statements.

Financial Statement Audit (cont'd)

Our application of materiality

When establishing our overall audit strategy, we determined a magnitude of uncorrected misstatements that we judged would be material for the financial statements as a whole.

Item	Thresholds applied
Planning materiality	<p>We determined planning materiality to be £1.2 million (2018/19: £1.379 million), which is 2% of gross expenditure on the provision of services reported in the accounts.</p> <p>We consider gross expenditure on the provision of services to be one of the principal considerations for stakeholders in assessing the financial performance of the Council.</p>
Reporting threshold	<p>We agreed with the Governance, Risk and Audit Committee that we would report to the Committee all audit differences in excess of £66,000.</p>

We also identified the following areas where misstatement at a level lower than our overall materiality level might influence the reader. For these areas we developed an audit strategy specific to these areas. The areas identified and audit strategy applied include:

- ▶ Remuneration disclosures including any severance payments, exit packages and termination benefits: We agreed all disclosures back to source data and approved amounts in line with bandings disclosed in the financial statements.
- ▶ Related party transactions: We tested the completeness of related party disclosures and the accuracy of all disclosures by checking back to supporting evidence applying a reduced materiality level equal to the reporting threshold.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations.

Section 4

Value for Money



Value for Money

We are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness in its use of resources. This is known as our value for money conclusion.

Proper arrangements are defined by statutory guidance issued by the National Audit Office. They comprise your arrangements to:

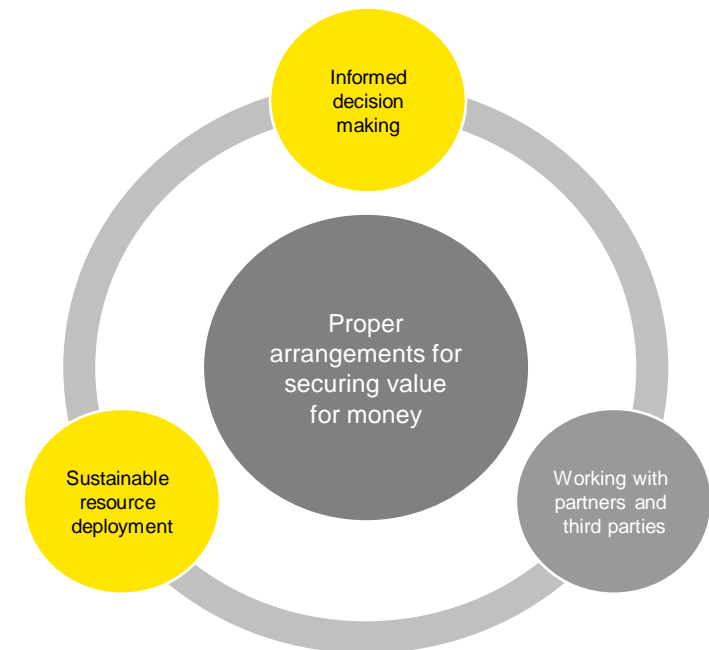
- ▶ Take informed decisions;
- ▶ Deploy resources in a sustainable manner; and
- ▶ Work with partners and other third parties.

On 16 April 2020 the National Audit Office published an update to auditor guidance in relation to the 2019/20 Value for Money assessment in the light of Covid-19. This clarified that in undertaking the 2019/20 Value for Money assessment auditors should consider Local Authorities' response to Covid-19 only as far as it relates to the 2019/20 financial year; only where clear evidence comes to the auditor's attention of a significant failure in arrangements as a result of Covid-19 during the financial year, would it be appropriate to recognise a significant risk in relation to the 2019/20 VFM arrangements conclusion.

We identified two significant risks in relation to these criteria. These are set out on the next page.

We performed the procedures outlined in our audit plan. We did not identify any significant weaknesses in the Council's arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

Based on our findings, we issued a qualified 'except for' value for money conclusion on 30 September 2022.



Value for Money

We are only required to determine whether there are any risks that we consider significant within the Code of Audit Practice, where risk is defined as:

“A matter is significant if, in the auditor’s professional view, it is reasonable to conclude that the matter would be of interest to the audited body or the wider public”

Our risk assessment supports the planning of enough work to deliver a safe conclusion on your arrangements to secure value for money, and enables us to determine the nature and extent of any further work needed. If we do not identify a significant risk we do not need to carry out further work.

What is the significant value for money risk?

The Council was the subject of two police investigations relating to issues arising during the 2019/20 financial year; as follows:

- ▶ Investigation undertaken by Cambridgeshire Constabulary in the period July 2020 - March 2021 in relation to a “whistle-blower” allegation into a breach of internal controls by members of the senior leadership team relating to a procurement matter in May 2019; and
- ▶ Investigation undertaken by Norfolk Constabulary in November / December 2019 into the loss of £1,000 of cash from the digital mailroom.

Internal Audit investigations and additional reviews in respect of these issues have subsequently identified a number of areas for improvement.

These issues highlight potential weaknesses with the non-compliance of internal policies and procedures and as such we are categorizing them as a significant risk.

What arrangements did the risk affect?

Maintaining a sound system of internal control

What are our findings?

In order to address this risk we have:

- ▶ Engaged EY Forensics to examine and review the ‘whistle-blower’ allegation alongside the Cambridgeshire Police investigation’;
- ▶ Reviewed the EY Forensics report and any governance issues identified, and the Council’s response to those issues;
- ▶ Reviewed the findings of any Internal Audit reviews and considered the Internal Audit recommendations from these reviews and the status of the implementation of those recommendations; and
- ▶ Assess whether any additional audit procedures are required and performed them where relevant.

Our findings are set out on the following pages.

Value for Money

What are our findings?

Procurement of a Capability Review

Background

In January 2020, we received notification of a Whistleblowing allegation through the Public Interest Disclosure Act (1998). It is important to note that the same PIDA submission had already been made to Norfolk Police - as the primary Proscribed person.

The whistleblowing allegation related to an issue that occurred in May 2019 - the 2019/20 financial year - and respective audit year.

The allegation focussed on the tender process for the procurement of a Capability Review - a review of the corporate structure at the Council - and specifically the use of a tender waiver form for that process, that was alleged to have been back dated by two officers of the Council.

Norfolk Police were the primary proscribed person, but in June 2020 - Norfolk Police handed over the investigation responsibility to Cambridgeshire Police to maintain independence, given the collaborative working between Norfolk Police and the Council.

Cambridgeshire Police's investigation commenced in July 2020 and ran through August and into September 2020. Our EY Forensic team was deployed and were able to shadow that investigation through a Memorandum of Understanding.

The Police case was passed to the Crown Prosecution Service (CPS) on the 16 September 2020. The CPS concluded that it would not pursue a criminal prosecution. Formally, the Police case remained open until 19 March 2021, when it was closed.

The Issue

The crux of the issue is that the Council's financial regulations were not complied with in respect of the procurement of a Capability Review in May 2019.

Following the May 2019 elections, the incoming administration wanted to review the existing corporate management structure. The contracted Capability Review provider are known in the Local Government sector and were recommended by a member of the incoming administration for the review.

Value for Money

What are our findings?

The key findings of the investigation were:

- ▶ no formal tender process was undertaken and no other quotes were obtained as required by the Council's financial regulations;
- ▶ the proper procurement exemption process was not followed in the procurement of a Capability Review;
- ▶ no formal contract was in place between the Capability Review provider and the Council; and
- ▶ two leading members of the incoming administration were central to the selection of the Capability Review provider which the Investigating Officer viewed as being inappropriate due to their role as Councillors.

There are some circumstances when it is not possible to follow the extant procurement policy, and in such cases a procurement exemption form is required, setting out the reasons that the policy could not be followed. The reasons given for not going through the procurement exemption process for the procurement of a Capability Review are not in line with the acceptable rationale within the relevant Council guidance.

The procurement exemption form (PEF) was 'dated' 20 May 2019. However, an internal Council IT investigation identified that the Council proforma was downloaded and printed from the Council's system on the 9 October 2019. The completed PEF was handwritten and signed by two officers of the Council.

The Capability Review provider commenced work in late May 2019. There was no formal contract in place based on the Council's standard terms and conditions between the Council and the Capability Review provider.

Following the Police Investigation and review of the case file by the CPS, criminal proceedings were not pursued against the Council's two officers.

Value for Money

What are our findings?

EY Forensics undertook a review of all PEF forms for 2018/19 and 2019/20. With the exception of the Capability review PEF, the critical factors listed in the PEFs appear to be in line with the Council's procurement exemption guidance. No other forms were handwritten as the Capability Review PEF has been. However, there is one PEF from 2018/19 that has not been signed by anyone - contrary to the approval process for such forms.

Internal Audit undertook a review of procurement and contract management arrangements as part of their annual audit plans for 2019/20 and 2020/21 and, in response to the issue outlined above, an additional review specifically of procurement exemptions granted in 2019/20 and up to the date of their review. These reviews raised many of the same significant weaknesses highlighted above, and a number of recommendations have been made to improve arrangements and ensure compliance with regulations and standing orders. These reviews and recommendations have been reported to the Council's Governance, Risk and Audit Committee

Weaknesses in arrangements

1. The rationale for following the Procurement Exemption policy was not in line with Council guidance.
2. The date that the Procurement Exemption Form was downloaded for use, and the date that it was signed by the two officers is different. The date it is 'signed' is significantly before the date the form itself was downloaded, suggesting that it was 'backdated', which is a clear override of the Council's procurement controls.
3. The Council's standard contract was not used for the engagement with the Capability Review provider. This exposes the Council to potential risk, given the standard terms and conditions of the Council did not form part of the contract.
4. The Council's process for completing and authorising PEF's was not followed on more than one occasion.

Internal Council Investigation

In the Autumn of 2019, the issue became known within the Council by Senior Officers, when a Freedom of Information (FoI) request was made. In responding to the request, it became apparent that there was a potential issue over the process in which the Capability Review contract was awarded. Some investigative work was undertaken, including a review by the Council's IT department.

Value for Money

What are our findings?

Other considerations

As part of our wider audit responsibilities:

1. We have reviewed the contract from an accounting transaction perspective. The Council can contract with a consultancy firm for a review of this nature. The cost of the contract with the Capability Review provider at c£30,000 is not out of line with what we would expect to see for a review of this type. We are therefore satisfied that the transaction was not unlawful and was not so unreasonable in value that wider value for money or public interest reporting considerations are required.
2. We reviewed the Council's disciplinary procedures and identified that the Council did not have an Employment and Appeals Committee in place at the commencement of the municipal year, as required with appropriate membership, training and support.

The action required by North Norfolk District Council to address the weakness:

The Council's Internal Control environment, including financial regulations and standing orders need to be adhered to in full for each and every transaction.

This issue is evidence of a weakness in proper arrangements in how North Norfolk District Council maintain a sound system of internal control.

Recommendations

1. The Council should ensure that the recommendations made by Internal Audit with respect to procurement exemptions are completed in line with the agreed timeframe.
2. The Council should ensure that all Procurement Exemptions Forms are subject to robust review for adherence to Council policy.
3. All Procurement Exemption Form's should be summarised and reported to the Governance, Risk and Audit Committee on a regular reporting cycle.
4. The Council should establish a standing Employment and Appeals Committee, which is in place at the commencement of each municipal year.
5. The Membership of the Employment and Appeals Committee should be provided with appropriate training to allow them to fulfil their responsibilities in a timely manner.
6. Any Employment and Appeals Committee meeting should be formally recorded and those minutes agreed as an accurate record of the meeting.

Value for Money

What are our findings?

Cash Loss from the Digital Mail Room

Background

We have also been made aware through Internal Audit and media coverage of a cash loss of £1,000 from the Council's digital mail room in October 2019.

Following a report to Internal Audit on 17 October 2019, an investigation was undertaken into the missing cash from the digital mail room. This investigation was unable to establish whether the cash had been lost or stolen.

This matter was subsequently reported to, and subject to an investigation by, Norfolk Constabulary, who concluded that there was insufficient evidence to continue with the investigation.

The Issue

Whilst the amount is clearly immaterial (in terms of the Council's financial statements) and covered by insurance, it is clear that the processes surrounding the Council's standard procedures have been undermined, which would suggest a weak control environment and financial control arrangements.

Both the investigations undertaken by Internal Audit and Norfolk Constabulary were inconclusive and unable to identify whether the cash was lost or stolen. The Internal Audit Report included 5 recommendations to strengthen cash handling procedures and prevent any reoccurrence of cash loss. A follow-up report to Governance, Risk and Audit Committee in August 2020 confirms that all recommendations have been implemented.

Conclusion

This issue does not form part of our 'except for' modified Value for Money Conclusion, as the impact of the weakness in arrangements are not deemed to be quantitatively significant and we recognise that the Internal Audit recommendations have been implemented in full.

Value for Money

What are our findings?

Other Matters

Background

As part of our VFM work we undertake a number of standard procedures to inform our assessment of the Council's arrangements, including reviews of Committee reports and minutes, media and internal audit reports made during the year.

The Issue

Performance reports are usually presented to Cabinet on a quarterly basis, however there were no such reports during 2019/20.

Following Council elections and a change in administration in May 2019, the new Corporate Plan 2019 - 2023 was not approved until November 2019. With no Corporate Plan in place and no performance targets or measures to report on, there were no performance reports presented to Cabinet during the 2019/20 financial year.

Internal Audit's programme of work for 2019/20 included a review of project management which identified a number of issues including ineffective governance arrangements, lack of input from areas such as finance and legal into project appraisals and project objectives and milestones not being adequately defined or reported on. As a result of this, two individual projects were subsequently selected for further review, with further suggested actions for implementation. In 2020/21 internal audit undertook an additional review of the Cromer Sports Hub Project which resulted in a no assurance rating and six urgent recommendations being made due to inadequate project governance arrangements.

Weaknesses in arrangements

1. There were no performance reports presented to Cabinet during the 2019/20 financial year.
2. Inadequate governance arrangements were in place in relation to project management.

The action required by North Norfolk District Council to address the weakness:

The Council's Internal Control environment needs to be strengthened in relation to performance reporting and project management arrangements. This issue is evidence of a weakness in proper arrangements in how North Norfolk District Council maintain a sound system of internal control.

Recommendation

1. The Council should ensure that the recommendations made by Internal Audit are implemented in line with the agreed timeframe.

A photograph of a business meeting in progress. Several people are seated around a dark wooden conference table, looking at documents. A woman with blonde hair is in the foreground, resting her chin on her hand and looking intently at the papers. Other participants are visible in the background, some standing and some seated. The scene is brightly lit, suggesting a modern office environment.

Section 5

Other Reporting Issues

Other Reporting Issues

Whole of Government Accounts

We are required to perform the procedures specified by the National Audit Office on the accuracy of the consolidation pack prepared by the Council for Whole of Government Accounts purposes. The Council is below the specified audit threshold of £500 million.

Therefore, we were not required to perform any audit procedures on the consolidation pack.

Annual Governance Statement

We are required to consider the completeness of disclosures in the Council's Annual Governance Statement, identify any inconsistencies with the other information of which we are aware from our work, and consider whether it is misleading.

We completed this work and did not identify any matters to report.

Report in the Public Interest

We have a duty under the Local Audit and Accountability Act 2014 to consider whether, in the public interest, to report on any matter that comes to our attention in the course of the audit in order for it to be considered by the Council or brought to the attention of the public.

We did not identify any issues which required us to issue a report in the public interest.

Written Recommendations

We have a duty under the Local Audit and Accountability Act 2014 to designate any audit recommendation as one that requires the Council to consider it at a public meeting and to decide what action to take in response.

We did not identify any issues which required us to issue a written recommendation.

Objections Received

We did not receive any objections to the 2019/20 financial statements from members of the public, although we were required to consider and take into account a whistleblowing notification under the Public Interest Disclosure Act (PIDA) - 1998. This formed part of our work which led to the modification of the Value for Money Conclusion (see Section 4).

Other Powers and Duties

We did not identify any issues during our audit that required us to use our additional powers under the Local Audit and Accountability Act 2014.

Other Reporting Issues (cont'd)

Independence

We communicated our assessment of independence in our Audit Results Report to the Governance and Audit Committee on 30 March 2022 and updated on the 27 September 2022. In our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning regulatory and professional requirements.

Control Themes and Observations

As part of our work, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. Although our audit was not designed to express an opinion on the effectiveness of internal control, we are required to communicate to you significant deficiencies in internal control identified during our audit.

We have adopted a fully substantive audit approach and have therefore not tested the operation of controls.

Our audit did not identify any controls issues to bring to the attention of the Council or the Governance, Risk and Audit Committee.

Section 6

Focused on your future



Focused on your future

The NAO has a new Code of Audit Practice for 2020/21. The impact on the Council is summarised in the table below.

Council 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 the financial statements, the Council is required to bring together commentary on the governance framework and how this has operated during the period in a governance statement. In preparing the 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 arrangements for securing value for money from the 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 the 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.
- 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.

Continued over the page.

Focused on your future

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.

A hand is holding a bright yellow rectangular box over a row of file folders. The folders are arranged in a row, each containing a stack of papers. The folders have colorful tabs (blue, white, yellow, white, yellow, white, blue) and are placed on a grey metal filing cabinet. The background is a light-colored wall with a subtle pattern.

Section 8

Audit Fees

Audit Fees

In the Audit Results Report we indicated that we had carried out additional work as a result of the impact of Covid-19 that necessitated an additional audit fee. We have now quantified this fee. We have discussed the proposed additional fee with the Chief Finance Officer after providing supporting details. We will now seek formal approval from PSAA.

Description	Final Fee 2019/20 £'s	Planned Fee 2019/20 £'s	Scale Fee 2019/20 £'s	Final Fee 2018/19 £'s
Total Audit Fee - Code work	41,667	41,667	41,667	41,667
Additional Scale Fee Variation - 2018/19 additional procedures in relation to Property, Plant and Equipment, Financial Instruments and Going Concern	-	-	-	8,702
Changes in work required to address professional and regulatory requirements and scope associated with risk - Note 1	28,238	28,238	-	N/A
2019/20 additional procedures required in relation to the significant VFM risks, including engagement of EY Forensics leading to the qualification of the VFM Conclusion, the public reporting of the matter and formally dealing with the Whistleblowing Notification under the Public Interest Disclosure Act (PIDA).	29,705	17,153	-	-
Revised Proposed Scale Fee	99,610	87,058	41,667	50,369
Additional work:				
Assessment of Going Concern in light of Covid-19 including consultation process and documentation and the reassessment of materiality and identification of any further audit risks (including in relation to VFM)	4,170			
Infrastructure Asset Accounting - Coastal Protection, Property, Plant & Equipment procedures to address the RICS material uncertainty clause	11,835			
Audit Adjustments and Additional Audit Procedures relating to REFCUS and Collection Fund accounting entries	7,593			
Total Audit Fee	123,208			

Note 1 - For 2019/20, we have proposed an increase to the scale fee to reflect the increased level of audit work required which has been impacted by a range of factors, as detailed in our Audit Plan. Our proposed increase has been discussed with management and is with PSAA for determination.

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