

A woman with long brown hair is looking down at a document. A man in a white shirt and tie is also looking at the document. They are both holding pens and appear to be in a meeting or office setting. The background is a bright, slightly blurred office environment.

North Norfolk District Council

**Auditor's Annual Report
Year ended 31 March 2021**

29 September 2023



EY

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Public Sector Audit Appointments Ltd (PSAA) issued the "Statement of responsibilities of auditors and audited bodies". It is available from the PSAA website (<https://www.psaa.co.uk/audit-quality/statement-of-responsibilities/>). The 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 and further guidance (updated April 2018)" issued by the 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 in legislation, and covers matters of practice and procedure which are of a recurring nature.

This report is made solely to the Governance, Risk and Audit Committee and management of North Norfolk District Council in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Governance, Risk and Audit Committee and management of North Norfolk District Council those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Governance, Risk and Audit Committee and management of North Norfolk District Council for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.

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: Key conclusions from our 2020/21 audit

As a result of the work we carried out we have also:

Outcomes	Conclusion
Issued a report to those charged with governance of the Council communicating significant findings resulting from our audit.	We reported our final Audit Results Report on the 12 September 2023 to 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 2020 Code of Audit Practice.	We have issued the audit certificate on the 29 September 2023, alongside this report, following our audit opinion on the 20 September 2023.

Fees

We carried out our audit of the Council's financial statements in line with the "Terms of Appointment and further guidance (updated April 2018)" issued by the PSAA. As outlined in the Audit Results Report we were required to carry out additional audit procedures to address audit risks in relation to a range of areas including accounting for Covid-19 related Government Grant Income, the valuation of Property, Plant and Equipment, Infrastructure Assets and the new NAO Code for VFM. As a result, we will agree an associated additional fee with the Chief Finance Officer. We include details of the audit fees in Appendix 1.

We would like to take this opportunity to thank the Council staff for their assistance during the course of our work.



Mark Hodgson

Partner

For and on behalf of Ernst & Young LLP

Section 2

Purpose and responsibilities



Purpose and responsibilities

This report summarises our audit work on the 2020/21 financial statements.

Purpose

The purpose of the Auditor's Annual Report is to bring together all of the auditor's work over the year. A core element of the report is the commentary on VFM arrangements, which aims to draw to the attention of the Council or the wider public relevant issues, recommendations arising from the audit and follow-up of recommendations issued previously, along with the auditor's view as to whether they have been implemented satisfactorily.

Responsibilities of the appointed auditor

We have undertaken our 2020/21 audit work in accordance with the Audit Plan that we issued on 6 September 2022. We have complied with the NAO's 2020 Code of Audit Practice, International Standards on Auditing (UK), and other guidance issued by the NAO.

As auditors we are responsible for:

Expressing an opinion on:

- The 2020/21 financial statements;
- Conclusions relating to going concern; and
- The consistency of other information published with the financial statements, including the annual report.

Reporting by exception:

- If the governance statement does not comply with relevant guidance or is not consistent with our understanding of the Council;
- If we identify a significant weakness in the Council's arrangements in place to secure economy, efficiency and effectiveness in its use of resources; and
- Any significant matters that are in the public interest.

Responsibilities of the Council

The Council is responsible for preparing and publishing its financial statements, annual report and governance statement. It 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

We have issued an unqualified audit opinion on the Council's 2020/21 financial statements.

Key issues

The Statement of Accounts is an important tool for the Council's to show how it has used public money and how it can demonstrate its financial management and financial health.

On the 20 September 2023, we issued an unqualified opinion on the financial statements. We reported our detailed findings to Governance, Risk and Audit Committee on the 12 September 2023. We outline below the key issues identified as part of our audit, reported against the significant risks we included in our Audit Plan.

Significant risk	Conclusion
<p>Misstatements due to fraud or error - management override of controls</p> <p>An ever present risk that management is in a unique position to commit fraud because of its ability to manipulate accounting records directly or indirectly, and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.</p>	<p>We did not identify any instances of inappropriate judgements being applied, or of any management bias in accounting estimates.</p> <p>We did not identify any inappropriate journal entries or other adjustments to the financial statements.</p> <p>Our procedures identified that the Council does not have any formal procedure in place for the authorisation of journals. During the year, a control is in place that journals in excess of £0.100 million are subject to review before posting, however at year-end this procedure is lifted due to limited capacity within the finance team in this period. This represents a level of weakness in the Council's overall control environment and increases the risk of management override.</p>
<p>Inappropriate capitalisation of revenue expenditure (including REFCUS)</p> <p>Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition. We have identified an opportunity and incentive to capitalise expenditure under the accounting framework, to remove it from the General Fund.</p>	<p>We have completed our work in this area and have identified one difference to report. The Council have recognised a capital addition in respect of the purchase of a property recognised in 2020/21 for which the transaction did not complete until 2021/22. This will reduce the total Property, Plant and Equipment balance by £0.120 million.</p> <p>We did not identify any issues in respect of our REFCUS testing.</p> <p>We did not identify any instances of management override or fraud in respect of capitalisation of revenue expenditure.</p> <p>We did not identify any journal entries that inappropriately moved expenditure from a revenue code to a capital code.</p>

Continued over.

Financial Statement Audit (continued)

Significant Risk	Conclusion
<p>Accounting for Covid-19 related grant funding</p> <p>In response to the Covid-19 pandemic, the Council have received significant levels of grant funding, both to support the Council and to pass on to local businesses. Each of these grants will have distinct restrictions and conditions that will impact the accounting treatment of these.</p> <p>Given the volume of these grants, and the new conditions for the Council to understand the accounting impact of, there is a significant risk that these may be misclassified in the financial statements or inappropriately treated from an accounting perspective.</p>	<p>We have completed our testing procedures on Covid-19 related grant funding. We have identified three misstatements:</p> <ul style="list-style-type: none">• Accounting for the Council Tax Hardship grant had been incorrectly treated on a net basis. This is to be included as income and expenditure in the accounts, instead of being treated 'net'. This will increase income and expenditure by £0.544 million.• Accounting for two Covid grants had incorrectly been treated as an 'agency' arrangement when the Council was acting as Principal. This adjustment will increase income and expenditure by £4.982 million.• The Council had accounted for Covid Grant income where Management have been unable to demonstrate that the Council have met the conditions required to recognise the amount as income. This will decrease income and increase creditors by £0.170 million.

Continued over.

Financial Statement Audit (continued)

In addition to the significant risks identified, we also concluded on the following areas of audit focus or inherent risk.

Other area of audit focus	Conclusion
<p>Accounting for Infrastructure Assets An issue was been raised via the NAO's Local Government Technical Group that some local authorities are not writing out the gross cost and accumulated depreciation on highways infrastructure assets when a major part/component has been replaced or decommissioned. This matter has been considered by CIPFA. As a result of not writing out gross cost and accumulated depreciation where components are replaced, or having the audit evidence to be able to prove that, there is a risk that, if this is the case for elements not fully depreciated, assets in the Balance Sheet could be overstated.</p>	<p>We concluded in 2019/20, that the Council have complied with the Code requirements on the derecognition of Infrastructure Assets. In 2020/21, additions to infrastructure assets were immaterial and therefore we have concluded that the Council continues to meet the requirements of the Code.</p>
<p>Bad Debt Provision and Recoverability of Debtors As a result of the long term impact of Covid-19 and other market uncertainties there may be increased uncertainty around the recoverability of receivables. The provision for these bad debts is an estimate, and calculation requires management judgement. We would expect the Council to revisit their provision for bad debt calculation in light of Covid-19 and assess the appropriateness of this estimation technique. Given that there might be some subjectivity to the recoverability of debtors the Council will need to consider the level of any provision for bad debts.</p>	<p>We have completed our testing procedures on the bad debt provision and recoverability of debtors. Our work did not identify any issues with the reasonableness, accuracy or sufficiency of the bad debt provisions held. We have however identified that the Council had not posted a change in the estimate, of £0.083 million, to the General Ledger which is to be adjusted in the revised accounts.</p>
<p>Accounting for Collection Fund disclosures During 2020-21, in response to the financial hardship faced by individuals and businesses, there may be lower levels of recovery of collection fund income. There are also specific sectors including retail, hospitality and leisure that have received additional business rates relief for the financial year. There is therefore a risk of incorrect accounting based on the significant level of change in the year.</p>	<p>We have completed our testing procedures on Collection Fund Accounting and have identified two differences to report: Management have corrected an audit difference in relation to the accounting for Collection Fund debtors, reducing the asset by £0.338 million, as a result of adjustments required to the Council's NNDR3 submission. Management have corrected for an under-accrual in respect of Section 31 Business Rate payments due from the Council per the NNDR3. This has been recognised as an Earmarked Reserve, but should have been reflected as a Creditor. This will increase Creditors and Earmarked Reserves by £4.480 million.</p>

Continued over.

Financial Statement Audit (continued)

Other area of audit focus	Conclusion
<p>Valuation of Other Land and Buildings Other land and buildings (OLB) represents a significant balance in the Council's accounts (£37m at 31 March 2020) and is subject to valuation changes, impairment reviews and depreciation charges.</p> <p>Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet.</p>	<p>We have completed our testing procedures on the Valuation of Other Land & Buildings and have identified four differences to report:</p> <p>Management have corrected for a misstatement in respect of the revaluation of Cliff Top, Runton Road, which was revalued by Management's Expert but not posted to the Council's accounts. This will increase Property, Plant & Equipment by £0.069 million.</p> <p>Management have corrected for a misstatement in respect of the revaluation of three leisure centre assets, which were revalued by Management's Expert, but incorrect posted to the Council's accounts as there were multiple lines for each asset. This will decrease Property, Plant & Equipment by £1.553 million.</p> <p>Management have corrected for balances which have been held in Assets Under Construction but should be classified as expenditure as there is no support for this adding value to the underlying assets, which are separately held on the Balance Sheet. This will decrease Property, Plant & Equipment by £2.718 million.</p> <p>Management have corrected for valuation errors identified in the assumptions used for build life of assets valued under Depreciated Replacement Cost. This will decrease Property, Plant & Equipment by £0.674 million.</p> <p>The impact of these errors was originally reflected in previous years accounts, as these balances have been held on the Fixed Asset Register for a number of years. As a result, Property, Plant and Equipment was overstated in the 2018/19 accounts by £1.320 million and in the 2019/20 accounts by £2.718 million. We have therefore considered the need for a Prior Period Adjustment, and concluded, on the grounds of qualitative and quantitative materiality, that adjustments to comparative figures would not be required, given the size of this adjustment relative to the Property, Plant and Equipment Balance. Adjustments have been made within the 2020/21 financial statements to correct these issues.</p> <p>We have also raised two control recommendations linked to the Valuation of Other Land & Buildings. These can be found in Section 6 of this report.</p>

Continued over.

Financial Statement Audit (continued)

Other area of audit focus	Conclusion
<p>National Non-Domestic Rates Appeals Provision</p> <p>The calculation of the NNDR Appeals Provision is estimate based.</p> <p>Given the impact of Covid-19 on businesses seeking reductions in rateable values, there is a risk of material misstatement of the appeals provision due to the nature of the provision and the uncertainty around the full impact of Covid-19.</p> <p>In light of this we consider there to be an inherent risk of misstatement of the Council's NNDR appeals provision.</p>	<p>We completed our work in this area and have no matters to report.</p>
<p>Pension Liability Valuation & other pension disclosures</p> <p>The Authority makes extensive disclosures within its financial statements regarding its membership of Norfolk Pension Fund Scheme administered by Norfolk County Council. At 31 March 2021 the liability totalled £59 million.</p> <p>The information disclosed is based on the IAS 19 report issued to the Authority by the actuary to the Norfolk Pension Fund.</p> <p>Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. We undertake procedures on the use of management experts and the assumptions underlying fair value estimates.</p>	<p>We have reviewed the assessment of the Pension Fund actuary by PwC and EY Pensions and have undertaken the work required without identifying any issues.</p> <p>We have agreed the Council's IAS 19 disclosures to the actuaries' report to ensure these are fairly stated in the accounts.</p> <p>The Norfolk Pension Fund auditor highlighted a significant movement in the valuation of Investment Assets of the Pension Fund, in their assurance letter to us.</p> <p>As a result, the Council have received an updated IAS19 report from the Actuary to determine the impact on the Council's Pension Liability. The financial statements have been updated for this revised figure, reducing the net liability by £0.818 million.</p> <p>Subsequently, the actuary for Norfolk Pension Fund has completed the 2022 Triennial Valuation Report, and as a result the Council have obtained a revised IAS19 report for 2021/22 (noting that it is not possible to re-run the report as at the balance sheet date, given the Triennial Revaluation is effective from 1 April 2022. This shows an understatement of the net defined benefit liability by £3.891 million.</p> <p>Management are yet to provide a response to our request dated 3 May 2023 and therefore we are unable to conclude on the accuracy of this revised report, or the impact that this has on the position at 31 March 2021.</p>

Financial Statement Audit (continued)

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	We determined planning materiality to be £1.200 million as 2% of gross revenue expenditure reported in the accounts. We consider gross revenue expenditure to be one of the principal considerations for stakeholders in assessing the financial performance of the Council.
Reporting threshold	We agreed with the Finance, Resource, Audit and Governance Committee that we would report all audit differences in excess of £0.060 million.

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: We audited all disclosures and undertook procedures to confirm material completeness.
- ▶ Related party transactions. We audited all disclosures and undertook procedures to confirm material completeness.

Audit differences

Management corrected, within the authorised financial statements, audit differences in relation to:

▶ Property, Plant & Equipment

- ▶ Differences amounting to £0.242 million in respect of a land asset that was incorrectly classified as an 'Asset Held for Sale' instead of as a 'Surplus Asset'.
- ▶ Differences amounting to £0.120 million in respect of the purchase of a property which was recognised in 2020/21, but which did not complete until 2021/22.
- ▶ A difference in respect of the revaluation of 'Cliff Top', Runton Road, which was revalued by Management's expert, but not posted to the Council's accounts, of £0.069 million.
- ▶ A difference in respect of the revaluation of three leisure centre assets, which were revalued by Management's Expert, but incorrectly posted to the Council's accounts. This will decrease Property, Plant & Equipment by £1.553 million.
- ▶ Balances which have been held in 'Assets Under Construction' but should be 'expenditure' as there is no support that this spend added value to the underlying assets which are separately held on the Balance Sheet. This will decrease Property, Plant & Equipment by £2.718 million.
- ▶ Valuation errors identified in the assumptions used for the build life of assets valued under the Depreciated Replacement Cost basis. This will decrease Property, Plant & Equipment by £0.674 million.

Financial Statement Audit (continued)

Audit differences (continued)

▶ Property, Plant & Equipment (Continued)

- ▶ A misclassification of the Deep History Coast project asset (£0.722 million). This was held as an 'Asset Under Construction' at the balance sheet date, but became operational in 2020/21.
- ▶ Misclassifications of elements of Cromer Pier. This will ultimately be classified as a 'Community Asset' and therefore 'Assets Under Construction' will decrease by £1.689 million, 'Infrastructure Assets' will decrease by £0.074 million and 'Community Assets' will increase by £1.764 million.

▶ Grant Income

- ▶ A difference in respect of accounting for the 'Council Tax Hardship' grant. This is to be included as both Income and Expenditure in the accounts, instead of being treated on a net basis. This will increase both income and expenditure by £0.544 million.
- ▶ Differences in respect of Covid Grant funding. This is to be included as income and expenditure in the accounts, through treatment of this as a principal grant, instead of being treated 'net' as an agency arrangement. This will increase income and expenditure by £4.982 million.
- ▶ A difference in respect of Covid Grant income, where they have been unable to demonstrate that they have met the conditions required to recognise the amount has income. This will decrease income and increase creditors by £0.170 million. We identified an overstatement of debtors with the Council's subsidiary resulting in an overstatement of debtors of £0.243 million. The opposite side of this correction is to creditors, therefore the impact on the balance sheet is £nil.

▶ **Receivables** - Misstatements in relation to the Bad Debt Provision (Receivables Impairment), where a revised Bad Debt Provision had been calculated but not posted to the General Ledger. This will increase the Net Debtors (reduce the Gross Debtor) balance by £0.085 million.

▶ **Support Service Charges** – Differences in respect of the 'grossing up' of support service charges. This will reduce both income and expenditure by £1.564 million.

▶ **Collection Fund Creditors** – An under-accrual in respect of Section 31 Business Rate payments due from the Council per the NNDR3 submission. This has been recognised as an Earmarked Reserve, but should have been reflected as a Creditor. This will increase Creditors and Earmarked Reserves by £4.480 million.

▶ **Collection Fund Debtors** – A difference in respect of the closing Collection Fund position, linked to errors identified and reported in the prior year audit, that has required revisions to the current year NNDR3 model. This will reduce debtors by £0.339 million.

We also identified a small number of misstatements in disclosures which Management corrected. These include presentational changes to the Officer Remuneration disclosure and updating the Covid Grant and Related Party disclosure notes to ensure these are complete.

Section 4

Value for Money



Value for Money (VFM)

We did not identify any risks of significant weaknesses in the Council's VFM arrangements for 2020/21.

Scope and risks

We have complied with the NAO's 2020 Code and the NAO's Auditor Guidance Note in respect of VFM. We reported our VFM risk assessment within our Audit Results Report dated the 28 November 2022, which was based on a combination of our cumulative audit knowledge and experience, our review of Council and committee reports, meetings with the Chief Finance Officer and his team and evaluation of associated documentation through our regular engagement with management and the finance team. We reported that we had not identified any risks of significant weaknesses in the Council's VFM arrangements for 2020/21. This position remained at the 12 September 2023 when we presented our final Audit Results Report.

We had no matters to report by exception in the audit report.

Reporting

We completed our planned VFM arrangements work through to 20 September 2023 and did not identify any significant weaknesses in the Council's VFM arrangements. We have considered information obtained since this date and noted no changes to our conclusions. As a result, we had no matters to report by exception in the audit report on the financial statements.

Our VFM commentary highlights relevant issues for the Council and the wider public.

VFM Commentary

In accordance with the NAO's 2020 Code, we are required to report a commentary against three specified reporting criteria:

- 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.
-

Introduction and context

The 2020 Code confirms that the focus of our work should be on the arrangements that the audited body is expected to have in place, based on the relevant governance framework for the type of public sector body being audited, together with any other relevant guidance or requirements. Audited bodies are required to maintain a system of internal control that secures value for money from the funds available to them whilst supporting the achievement of their policies, aims and objectives. They are required to comment on the operation of their governance framework during the reporting period, including arrangements for securing value for money from their use of resources, in a governance statement.

We have previously reported the VFM work we have undertaken during the year including our risk assessment. The commentary below aims to provide a clear narrative that explains our judgements in relation to our findings and any associated local context.

For 2020/21, the significant impact that the Covid-19 pandemic has had on the Council has shaped decisions made, how services have been delivered and financial plans have necessarily had to be reconsidered and revised.

We have reflected these national and local contexts in our VFM commentary.

Financial sustainability

1. How the body ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them

The budget monitoring process where financial services meet with the budget managers and discuss spend to date and forecast for the remainder of the year identifies any financial pressures and additional income. This provides an essential tool for ensuring the current years budget is achievable and is also fundamental in ensuring the most up to date information is included in future budgets. These are reported to Cabinet and Scrutiny through the quarterly Budget Monitoring Reporting and to the Corporate Leadership Team, along with recommended action plans (if required) to ensure the overall budget can be met.

Through the budget setting process budget managers identify changes to budgets and report these to finance for inclusion in the new draft budgets. The budgets are collated by finance and show the net budget and funding and where required resources are re-allocated to ensure the budget remains affordable in the medium term.

2. How the body plans to bridge its funding gaps and identifies achievable savings

The budget approved in February 2020 identified a budget deficit from 2021/22 onwards, subject to the uncertainty over the Government funding. This did however demonstrate that the Council held sufficient reserves based on their budget to remain above the minimum level for the foreseeable future. As a result of Covid and the potential impact this would have on the Council's resources, the Budget has been revisited through Budget Monitoring Outturn reports. The Council continue to look at potential areas of savings as part of budget setting, especially in light of ongoing wider economic challenges.

The Council has had the arrangements we would expect to see to enable it to plan and manage its resources to ensure that it can continue to deliver its services.

Financial sustainability (continued)

3. How the body plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities

As part of budget setting each year, the Council look to align the demands on the budget with the strategic priorities of the Council. Priorities are based on the Council's Corporate Plan, which is tracked through an online Performance Portal which is available for general public access. A Delivery Plan reserve has been established in the year to support future progress against these plans.

4. How the body ensures that its financial plan is consistent with other plans such as workforce, capital, investment, and other operational planning which may include working with other local public bodies as part of a wider system

The budget process incorporates the review of other strategies such as the capital and investment and treasury management, ensuring they are consistent. The budgeting exercise ensures the Medium Term Financial Plan is in line with the priorities identified in the corporate plan. The financial plan factors in shared service arrangements and recognises the need to achieve efficiencies through these arrangements.

5. How the body identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans

Risks are identified through the regular budget monitoring carried out between finance and budget managers. Where action is required to manage risks identified, recommendation are made by finance to the Corporate Leadership Team and if necessary then reported onto Cabinet and Scrutiny (& Full Council if it was significant). Initially identified savings would be utilised to cover pressures, windfall income forms part of our constitution where Cabinet is responsible for considering how additional monies can be used, so these cannot simply be used by the generating service. In the event that these were not sufficient to cover the pressures then the Council has reserves which it could draw on as a one off to fund the pressures, creating time whilst additional savings were identified.

The Council has had the arrangements we would expect to see to enable to make informed decisions and properly manage its risks.

Governance

1. How the body monitors and assesses risk and how the body gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud

The Risk Management Framework is regularly reviewed and in operation. Risk Reviews take place every quarter at a service, corporate and strategic level. Service risks are escalated for consideration to be added as a corporate risk. The risk register is presented to the Governance, Risk and Audit Committee on a quarterly basis. The Council has a Counter Fraud, Corruption and Bribery Policy as well as a Whistleblowing Policy. The Council seek to deter and prevent fraud, corruption and theft to ensure that all risks in these areas are reduced to the lowest level possible.

The Council has had the arrangements we would expect to see to enable to make informed decisions and properly manage its risks.

The Council has an established internal audit function (through the Norfolk Internal Audit Consortium). The Internal Audit plan is set on a risk based approach and the plan is approved by the Governance, Risk and Audit Committee. Audit reports are presented to the Committee throughout the year reporting audit results and progress against recommendations.

2. How the body approaches and carries out its annual budget setting process

Each year a budget timetable is produced within the finance department identifying the tasks and key dates. Finance meet with budget holders to create a new budget for both revenue and capital, taking into account changes in legislation, demand, local and national factors. Once a draft budget and the proposed levels of fees and charges has been created this is considered by Corporate Leadership and Cabinet. A final budget with all changes considered and included where necessary is taken back through the committees to Full council alongside the formal setting of the Council Tax, precepts and other strategies. The budget for the previous year is used as the base to build on, adjusting for known changes and forecasts.

Governance (Continued)

3. How the body ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information where appropriate); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed.

The budget monitoring process where financial services meet with the budget managers and discuss spend to date and forecast for the remainder of the year identifies any financial pressures and additional income. This provides assurances that the current year budget is achievable and in ensuring the most up to date information is included in future budgets. These are reported to Cabinet and Scrutiny through the quarterly budget monitoring reporting and to the Corporate Leadership Team, along with recommended action plans (if required) to ensure the overall budget can be met. The system provides the necessary data to use as the base for the report and experts are used for technical areas such as Treasury Management to help support staff expertise.

The Council has had the arrangements we would expect to see to enable to make informed decisions and properly manage its risks.

4. How the body ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance/audit committee.

The Council's Constitution sets out the decision making framework. This includes what decisions are reserved to Full Council, and which are for the executive or a committee of the Council. Some decisions within the Constitution are delegated to officers and this is set out in the Constitution. The Governance Risk and Audit Committee and the Overview and Scrutiny Committee have an important role in ensuring transparency and informed decision making. The Governance, Risk and Audit Committee provides oversight and monitors the governance, risk management and internal control arrangements of the Council; providing an assurance that these are effective and efficient. This is achieved through items received by the Committee in relation but not limited to; internal and external audit, key finance items, governance reviews and strategic risk management reporting. The Overview and Scrutiny Committee is the Council's primary oversight Committee that seeks to ensure that Cabinet is held to account and that reliable services are provided, whilst value for money is achieved. The Council acknowledge and respond to recommendations raised by Internal & External Audit, including recommendations raised in 2019/20 in respect of the qualification on the Value for Money opinion.

Governance (Continued)

5. How the body monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of officer or member behaviour (such as gifts and hospitality or declarations/conflicts of interests).

Councillors are subject to the Member Code of Conduct. This relates not only to behaviour, but also to when an interest should be disclosed. The Council holds each Member's register of interests, both pecuniary and other interests. On each meeting agenda is an item which invites Members to declare any interests they may have. This is accompanied by a flowchart and information within the papers. There is a system where persons can complain about a Member's conduct, and this is published on the Council's website. Where Members are offered gifts and hospitality the Constitution requires that where this is over a set value or is otherwise significant that it is registered with the Monitoring Officer, who keeps a list of such and reports this in the annual Monitoring Officer report. Officers are subject to a Code of Conduct and have obligations to disclose potential conflicts of interest, gifts and hospitality. Such gifts and hospitality are also recorded in the MO report. A Member/Officer protocol defines the relationship and roles of these two council bodies.

The Council has had the arrangements we would expect to see to enable it to use information about its costs and performance to improve the way it manages and delivers services.

Improving economy, efficiency and effectiveness

1. How financial and performance information has been used to assess performance to identify areas for improvement.

The Performance Management Framework promotes the communication and understanding of performance management, and provides guidance to those with responsibilities for ensuring that performance management is applied effectively and consistently. It defines what performance management is, the key components, types of performance measures, the reporting framework, and roles and responsibilities. Performance management reports are presented to Cabinet on a quarterly basis and are reviewed by Overview and Scrutiny Committee.

Financial performance data is regularly reported to committees through the budget monitoring reports

2. How the body evaluates the services it provides to assess performance and identify areas for improvement

Targets are set for performance within each department each year. Benchmarking information against similar councils in England (CIPFA nearest neighbours) is provided to assess relative performance and identify high achieving councils with a view to reviewing how services are delivered and improve outcomes for our customers. As part of the Corporate Plan for 2019 - 2023, a Performance Portal has been set up where the public can access the Council's key targets and metrics for these, and see performance information against these targets.

Improving economy, efficiency and effectiveness (continued)

3. How the body ensures it delivers its role within significant partnerships, engages with stakeholders it has identified, monitors performance against expectations, and ensures action is taken where necessary to improve

The Council has a Customer Service Strategy and complaints procedure. This along with other processes such as Freedom of Information requests allows for internal reviews of decisions. There is opportunity for members of the public to attend and ask questions at Full Council, and participate at other committees. The Performance Portal provides further transparency into achievement of targets. The Council works closely with other neighbouring authorities to ensure efficiencies where possible.

4. How the body ensures that commissioning and procuring services is done in accordance with relevant legislation, professional standards and internal policies, and how the body assesses whether it is realising the expected benefits.

The Council has had the arrangements we would expect to see to enable it to use information about its costs and performance to improve the way it manages and delivers services.

The Council has an officer employed as a procurement officer who can provide specialist knowledge and expertise to officers, with the assistance where required of the Council's in-house legal service. A Procurement Strategy, vital to secure best value, supports the Council's priorities and provides information as to the Council's procurement values and principles. There are Contract Procedure Rules contained within the Council's Constitution which set out procedures required depending on the expected amount of a contract and situations where an exemption from the contract procedure rules can be made. The Chief Financial Officer and the Monitoring Officer have oversight in such circumstances. In response to concerns raised around procurement of, the Council's Governance, Risk and Audit Committee (GRAC) commissioned a review of Procurement arrangements in 20/21 through Internal Audit.

The review of Contract Standing Orders and Procurement Exemptions was reported to GRAC at its meeting of 15th June 2021, with decisions taken to strengthen the control and reporting environment subsequently agreed by Full Council.

Recommendations included updating the Contract Standing Orders within the Constitution, reviewing the information to be provided on the Council's Procurement Exemption Forms, drafting a clear procedure note for the completion of Procurement Exemption Forms, reviewing the number of signatories and process of signing off exemptions, retention of Procurement Exemption Forms in a single record held by the Procurement Officer, and regular reporting of exemptions through Cabinet and GRAC on a quarterly basis for transparency rather than at year end.

Recommendations

Recommendations

As a result of the VFM procedures we have not made any recommendations.

The Council faces further challenge and change beyond 2021 which will form part of our 2021/22 VFM arrangements work.

Forward look

Looking forward to 2021/22 and beyond, the Council continues to face significant financial pressures over the medium term, which we would expect to see continually updated and reflected within the Medium Term Financial Plan.

A photograph of a business meeting in progress. Several people are gathered around a 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

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 complies with relevant guidance. We completed this work and had no matters to report.

Whole of Government Accounts

Alongside our work on the financial statements, we also review and report to the National Audit Office on your Whole of Government Accounts return. The WGA group audit team confirmed that they did not require any submissions from us in respect of 2020/21.

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.

Other powers and duties

We identified no issues during our audit that required us to use our additional powers under the Local Audit and Accountability Act 2014.

Other Reporting Issues

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 approach and have therefore not tested the operation of controls.

Our audit identified five areas for attention of the Governance, Risk and Audit Committee:

1. The Council did not complete the CIPFA Disclosure Checklist at the time of accounts production and we believe that this would be a valuable closedown exercise to ensure that all the requirements are addressed within the draft financial statements.

RECOMMENDATION – We recommend that the Council prepares a full CIPFA Disclosure Checklist, as part of its closedown procedures, in advance of publishing future draft Statement of Accounts, to demonstrate that the Statement of Accounts are compliant with the CIPFA Code of Practice.

2. The Council were unable to evidence that, at the time of accounts production, that the Statement of Accounts had been subject to review by a Senior Officer within the Council.

RECOMMENDATION – We recommend that the Director for Resources documents their review of the Statement of Accounts prior to publication, to demonstrate that the Statement of Accounts have been subject to appropriate review and approval.

3. The Council does not have any formal procedure in place for the authorisation of journals before they are posted to the General Ledger. During the year, a control is in place that journals in excess of £0.100 million are subject to review before posting, however at year-end this procedure is also lifted due to limited capacity within the finance team in this period.

RECOMMENDATION - We recommend that the Council initiates a control to authorise all journals before they are posted to the General Ledger.

4. The Council's Fixed Asset Register holds a number of line items which relate to multiple properties, as well as multiple line items for the same asset. Whilst holding one line item for multiple properties has not lead to an audit adjustment, these should be sufficiently disaggregated to ensure future revaluations and other asset movements are accounted for appropriately.

RECOMMENDATION - We recommend that the Council reviews the full Fixed Asset Register to ensure that asset lines within the Fixed Asset Register are disaggregated or combined at an appropriate level to ensure that future adjustments will be recorded appropriately

Other Reporting Issues (continued)

5. The Council's rolling programme of asset valuations demonstrated that £0.245 million of Surplus Assets and £0.151 million of Other Land & Buildings had not been subject to revaluation within the five year rolling period prescribed by the Code. Whilst we have been able to perform sufficient procedures to gain assurance over the material accuracy of these assets, the Council should ensure that all assets are subject to revaluation within a five year rolling period.

RECOMMENDATION - We recommend that the Council reviews the rolling programme of asset revaluations to ensure that all assets subject to revaluation by the requirements of the Code, are revalued at least every five years.

We considered whether circumstances arising from Covid-19 resulted in a change to the overall control environment of effectiveness of internal controls, for example due to significant staff absence or limitations as a result of working remotely. We identified no issues which we wish to bring to your attention.

Appendix A

Audit Fees



Audit Fees

Our fee for 2020/21 is in line with the audit fee reported in our Annual Results Report presented to the Finance, Resource, Audit and Governance Committee on 22 September 2023, updated to reflect the conclusion of the audit.

Description	Final Fee 2020/21 £'s	Scale Fee 2020/21 £'s	Final Fee 2019/20 £'s
Initial Scale Fee – Code work	41,667	41,667	41,667
Fee Variation – Determined (Note 1)	-	-	60,078
Fee Variation – Proposed (Note 2)	TBC		-
Revised Scale Fee	TBC		101,745

Note 1 – PSAA Ltd determined the Fee Variation on 27 February 2023.

Note 2 – For 2020/21, we have re-assessed the scale fee again to take into account the same recurring risk factors as in 2019/20, which includes procedures performed to address the risk profile of the Council and additional work to address increase in Regulatory standards, as we set out in our Audit Results Report.

In addition, for 2020/21, we have had to perform additional audit procedures to respond to the financial reporting an associated audit risks pertaining to the enhanced considerations and procedures required in respect of estimates under ISA540, as well as new risks and audit findings outlined within our Audit Plan and Audit Results Report.

The full additional scale fee variation for 2020/21, once fully determined, will be notified to Management and will then be subject to determination by PSAA Ltd.

We will report the respective final fees formally, once they have been determined by PSAA Ltd.

Note that we also performed the Housing Benefit agreed upon procedures non-audit services for the Council. The planned fee for 2020/21 is £12,100 (2019/20: £11,708).

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