

North Norfolk District Council

Value for Money Interim Report

Years ended 31st March 2022 and 31 March
2023

24 May 2024



Governance, Risk and Audit Committee
North Norfolk District Council
Council Offices
Holt Road
Cromer
NR27 9EN

24 May 2024

Dear Governance, Risk and Audit Committee Members

2021/22 and 2022/23 Value for Money Interim Report

We are pleased to attach our interim commentary on the Value for Money (VFM) arrangements for North Norfolk District Council. This commentary explains the work we have undertaken during the year and highlights any significant weaknesses identified along with recommendations for improvement. The commentary covers our interim findings for audit years 2021/22 and 2022/23.

The Department for Levelling Up, Housing and Communities (DLUHC) has worked collaboratively with the FRC, as incoming shadow system leader, and other system partners, to develop measures to address the delay in local audit. The National Audit Office (NAO) issued a consultation on 8 February 2024 seeking views on changes to the Code of Audit Practice (the Code) to support auditors to meet backstop dates and promote more timely reporting of their work on value for money arrangements. The consultation proposes to reduce the scope of the VFM reporting up to and including the 2022/23 financial year. At this stage, we are continuing to report VFM in line with our existing responsibilities as set out in the 2020 Code.

This report is intended solely for the information and use of the Governance, Risk and Audit Committee and management. It is not intended to be and should not be used by anyone other than these specified parties.

We welcome the opportunity to discuss the contents of this report with you at the Governance, Risk and Audit Committee meeting on 11 June 2024.

Yours faithfully

David Riglar
Partner
For and on behalf of Ernst & Young LLP
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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.psa.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 July 2021)” issued by the PSAA (<https://www.psa.co.uk/managing-audit-quality/terms-of-appointment/terms-of-appointment-and-further-guidance-1-july-2021/>) 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 the North Norfolk District Council in accordance with our engagement letter. 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.



BOARDROOM

01 Executive Summary



Executive Summary

Purpose

Auditors are required to be satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We do not issue a 'conclusion' or 'opinion', but where significant weaknesses are identified we will report by exception in the auditor's opinion on the financial statements. In addition, auditors provide an annual commentary on arrangements published as part of the Auditor's Annual Report. In doing so, we comply with the requirements of the 2020 Code of Audit Practice (the Code) and Auditor Guidance Note 3 (AGN 03).

Appendix B sets out the Council responsibilities for value for money, and the Auditor's responsibilities.

The purpose of this interim commentary is to explain the work we have undertaken during the period 01/04/2021 to 31/03/2023 and highlight any significant weaknesses identified along with recommendations for improvement. The commentary covers our interim findings for audit years 2021/22 and 2022/23.

The Department for Levelling Up, Housing and Communities (DLUHC) has worked collaboratively with the Financial Reporting Council (FRC), as incoming shadow system leader, and other system partners, to develop measures to address the delay in local audit. As part of the NAO consultation issued on 8 February 2024, there is a proposal to reduce the scope of the VFM reporting up to and including the 2022/23 financial year. However, the consultation states that where auditors have begun or already undertaken work that no longer falls under the reduced scope (if agreed once the consultation closes), they may still report on it in accordance with Schedule 4. We are continuing to report VFM in line with our existing responsibilities as set out in the 2020 Code to ensure a smooth transition to the 2023/24 audit year when auditors are required to meet the full Code reporting responsibilities.

The report sets out the following areas which have been assessed up to the point of issuing this interim report:

- Any identified risks of significant weakness, having regard to the three specified reporting criteria;
- Findings to date from our planned procedures; and
- Summary of arrangements over the period covered by this report (Appendix A).

We will summarise our final view of the value for money arrangements as part of the Auditor's Annual Report once the audit report has been issued for 2021/22 and 2022/23.

Executive Summary (continued)

Risks of Significant Weakness

In undertaking our procedures to understand the body's arrangements against the specified reporting criteria, we identify whether there are risks of significant weakness which require us to complete additional risk-based procedures. AGN 03 sets out considerations for auditors in completing and documenting their work and includes consideration of:

- our cumulative audit knowledge and experience as your auditor;
- reports from internal audit which may provide an indication of arrangements that are not operating effectively;
- our review of Council committee reports;
- meetings with management and key officers;
- information from external sources; and
- evaluation of associated documentation through our regular engagement with Council management and the finance team.

We identified a significant risk related to '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'.

Description of risk identified

In the 2021/22 and 2022/23 financial years the Authority has been unable to publish its statement of accounts by the target dates required by the Accounts and Audit Regulations 2015. The unaudited statements were not published at the date of this report. The issues have been discussed by the Governance, Risk and Audit Committee where it was reported the delays were caused by staff shortages and the need to prioritise closing the budget gap. This demonstrates the associated risk of non-compliance with key financial controls and the consequence of not having a fully resourced Finance Team to be able to provide services needed by the Council.

The issue above is evidence of a risk in proper arrangements in how the Council ensures effective processes and systems are in place to ensure accurate and timely management information (including non-financial information where appropriate); supports its statutory financial reporting requirements.

Work planned to address the risk of significant weakness

- Reviewing the Council's financial statement closedown arrangements and plans to publish statement of accounts.
- Review Internal Audit reports and council committee papers to determine whether the staff shortages have impacted wider finance team responsibilities.

Executive Summary (continued)

Reporting

Our interim commentary for 2021/22 and 2022/23 is set out over pages 15 to 22. The interim commentary on these pages summarises our conclusions and our understanding of the arrangements at the Council based on our evaluation of the evidence obtained in relation to the three reporting criteria (see table below) throughout 2021/22 and 2022/23.

Appendix A includes the detailed arrangements and processes underpinning the reporting criteria. These were reported in our 2020/21 Auditor's Annual Report and have been updated for 2021/22 and 2022/23.

In accordance with the NAO's 2020 Code, we are required to report a commentary against three specified reporting criteria. The table below sets out the three reporting criteria, whether we identified a risk of significant weakness as part of our planning procedures, and whether, at the time of this interim report, we have concluded that there is a significant weakness in the body's arrangements.

Reporting Criteria	Risks of significant weaknesses in arrangements identified?	Actual significant weaknesses in arrangements identified?
Financial sustainability: How the Council plans and manages its resources to ensure it can continue to deliver its services	No significant risks identified	No significant weakness identified
Governance: How the Council ensures that it makes informed decisions and properly manages its risks	Significant risks identified	Significant weakness identified
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	No significant risks identified	No significant weakness identified



Executive Summary (continued)

Independence

The FRC Ethical Standard requires that we provide details of all relationships between Ernst & Young (EY) and the Council, and its members and senior management and its affiliates, including all services provided by us and our network to the Council, its members and senior management and its affiliates, and other services provided to other known connected parties that we consider may reasonably be thought to bear on the our integrity or objectivity, including those that could compromise independence and the related safeguards that are in place and why they address the threats.

There are no relationships from 1 April 2021 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

EY Transparency Report 2023

Ernst & Young (EY) has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained.

Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the year end 30 June 2023:

[EY UK 2023 Transparency Report | EY UK](#)



02

Value for Money Commentary

Value for Money Commentary

Financial Sustainability: How the Council plans and manages its resources to ensure it can continue to deliver its services

No significant weakness identified

The Council is required to have arrangements in place to ensure proper resource management and the primary responsibility for these arrangements and reporting on the design and operation of these arrangements via the annual governance statement, rests with management. In accordance with the NAO's Code of Audit Practice, the focus of our work should be on the arrangements that the Council is expected to have in place during the years ended 31 March 2022 and 31 March 2023. Our risk assessment did not identify any risk of significant weakness in arrangements to secure financial sustainability.

During 2021/22 and 2022/23 the Council continued to manage the impact on finances of a number of issues such as general inflation, pay increases and uncertainties in relation to the amount of funding to be received in the future.

The final outturn position for general fund income and expenditure for the 2021/22 financial year was an underspend of £0.616 million. The underspending in operations was largely due to more income than predicted and absence of interest payments for capital projects. For the 2022/23 financial year there was an overspend of £0.782 million caused by revenue overspend and shortfall in retained business rates. Volatility was primarily caused by external influences such as companies shutting down or seeking rate relief. The deficit be funded from the General Reserve and the Business Rates Reserve.

During the year, the Council have continued to revisit and monitor financial plans to ensure they have sufficient resources to deliver services through quarterly budget monitoring reports taken to Cabinet meetings. The Council recognises the financial challenges ahead. The Council has budgeted a balanced budget in 2023/24, with the following years having a budget gap (2024/25 to 2026/27). In order to deliver a balanced budget in the medium term, the Council needs to identify savings of £2.5 million. Service managers must identify savings within their budgets. A budget gap will exist without these savings. The Council has sufficient reserves to ensure financial resilience, however these balances will continue to reduce as significant budget gaps in the Medium Term Financial Plan.

The budget estimates have been produced on a prudent basis, with an emphasis on identifying the existing cost pressures the Council faces and a realistic level of savings and efficiencies. The budget has been constructed so that all known costs are budgeted for, and income budgets are based on realistic projections. The budget is therefore constructed on a prudent basis, and we are satisfied with the robustness of the estimates.

Conclusion: Based on the work performed, the Council had proper arrangements in place in 2021/22 and 2022/23 to enable it to plan and manage its resources to ensure that it can continue to deliver its services.

Value for Money Commentary (continued)

Governance: How the Council ensures that it makes informed decisions and properly manages its risks

Significant weakness identified

The Council is required to have arrangements in place to ensure proper risk management. The primary responsibility for these arrangements and reporting on the design and operation of these arrangements, rests with management. In accordance with the NAO's Code, the focus of our work should be on the arrangements that the Council is expected to have in place during the years ended 31 March 2022 and 31 March 2023. Our risk assessment identified one risk of significant weakness in arrangements in respect of governance.

The Council has continued to manage governance considerations. The Council reviewed the 2021/22 and 2022/23 Budget and Medium Term Financial Strategy in February 2021 and February 2022, with further quarterly tracking and updates during both 2021/22 and 2022/23. The documents were taken to the Cabinet Committee for approval, which ensures that all Members are kept well informed of the process and financial performance of the Council.

The Council's Annual Governance Statement sets out the core governance arrangements for the year. This demonstrates how the Council's code of governance arrangements reflect the principles of good governance. The Head of Internal Audit concluded that for the 2021/22 and 2022/23 financial years, reasonable assurance may be awarded over the framework of governance, risk management and controls at the Council.

The risk register and risk management policy were also updated in 2021/22 and 2022/23. The risk register focuses on service, corporate and strategic risks. Risks on the register are reviewed quarterly at Governance, Risk and Audit Committee meeting, with elevation to Cabinet meetings for significant risks or issues identified to agree a programme of risk reduction.

Internal Audit issued a limited assurance regarding key financial controls for the 2022/23 financial year. Non-compliance with key financial controls represents a significant risk of weakness in the Council's governance arrangements. The Council is currently responding to the weaknesses identified and will report progress back to the Committee.

We identified that improvements are required in the preparation of Statement of Accounts across 2021/22 and 2022/23. The Authority has been unable to publish its statement of accounts by the target dates required by the Accounts and Audit Regulations 2015. As outlined in Governance, Risk and Audit Committee the delays were caused by staff shortages and the need to prioritise closing the budget gap. This demonstrates the associated risk of non-compliance with key financial controls and the consequence of not having a fully resourced Finance Team to be able to provide services needed by the Council.

Value for Money Commentary (continued)

Governance: How the Council ensures that it makes informed decisions and properly manages its risks (continued)

Significant weakness identified

The issue above is evidence of weaknesses in proper arrangements for supporting its statutory reporting requirements and effective processes and systems for accurate and timely management and financial information - Governance '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.'

Based on the work performed, we have identified a significant weakness in the arrangements in 2021/22 and 2022/23 that we will be reporting by exception in relation to Governance.

Recommendation: To assess the responsibilities and resource requirement of the finance function to ensure the Council has effective processes and systems to support its statutory financial reporting requirements and implement Internal Audit key financial control recommendations.

Value for Money Commentary (continued)

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

No significant weakness identified

The Council is required to have arrangements in place to ensure economy, efficiency and effectiveness, and the responsibility for these arrangements and reporting on the design and operation of these arrangements via the annual governance statement, rests with management. In accordance with the NAO's Code, the focus of our work should be on the arrangements that the Council is expected to have in place during the years ended 31 March 2022 and 31 March 2023. Our risk assessment did not identify any risk of significant weakness in arrangements in respect to Improving economy, efficiency and effectiveness.

The Council prepares the Medium-Term Financial Strategy covering a 4 year period. It sets the vision, priorities, and strategic objectives for 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. The budget process incorporates the review of other strategies such as the capital and investment and treasury management, ensuring they are consistent.

The Performance Management Framework setting priorities that are relevant to Corporate Plan themes, taking account of stakeholders' needs and expectations. Performance reporting is maintained against the identified priorities and delivery measures, with quarterly reporting to the Cabinet and Overview and Scrutiny Committee throughout the year to continuously monitor performance and take prompt action as needed.

The Council has a procurement strategy to ensure services are procured in line with relevant legislation, professional standards and internal policies. Contract management arrangements monitor the delivery of services.

Conclusion: Based on the work performed, the Council had proper arrangements in place in 2021/22 and 2022/23 to enable it to use information about its costs and performance to improve the way it manages and delivers services.



03 Appendices

Appendix A - Summary of arrangements

Financial Sustainability

We set out below the arrangements for the financial sustainability criteria covering the financial years 2021/22 and 2022/23 (01/04/2021 to 31/03/2023).

Reporting Sub-Criteria	Findings
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	<p>The budget monitoring process, wherein financial services meet with budget managers to discuss spending to date and forecast for the remainder of the year, identifies any financial pressures and additional income. This process is an essential tool for ensuring that the current year's budget is achievable and is also fundamental in providing the most up-to-date information for inclusion in future budgets. These findings are reported to the Cabinet and Scrutiny Committees through quarterly Budget Monitoring Reports and to the Corporate Leadership Team, along with recommended action plans (if required) to ensure the overall budget can be met.</p> <p>During the budget setting process, budget managers identify changes to their budgets and report these to the finance department for inclusion in the new draft budgets. The budgets are collated by finance and present the net budget and funding. Where required, resources are reallocated to ensure the budget remains affordable in the medium term.</p> <p>The Council has the responsibility to provide strategic direction, which includes formulating the Council's Medium Term Financial Strategy (MTFS). The MTFS is designed to ensure that adequate resources are available to meet the Council's objectives. It projects the current financial situation and includes a three-year financial projection for the Council. The annual budget setting process also informs the MTFS, which is subsequently reviewed annually.</p>

Appendix A - Summary of arrangements (continue)

Financial Sustainability

We set out below the arrangements for the financial sustainability criteria covering the financial years 2021/22 and 2022/23 (01/04/2021 to 31/03/2023).

Reporting Sub-Criteria	Findings
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How the body plans to bridge its funding gaps and identifies achievable savings

The budgets for 2022/23 and 2023/24 are in a balanced position; however, there is a forecasted deficit for the following three years. The Council does hold sufficient reserves, based on their budget, to remain above the minimum level for the foreseeable future. As a result of the cost-of-living crisis and the potential impact it could have on the Council's resources, the budget has been revisited through Budget Monitoring Outturn reports. The Council continues to look for potential areas of savings as part of the budget-setting process, especially in light of ongoing wider economic challenges.

The Council's plan is to stimulate innovation, expand existing services, develop new business, and adopt an efficient, sustainable approach that generates greater financial and social returns. This assists the Council's financial resilience and sustainability, enabling it to safeguard and deliver the services that people need, and more effectively achieve its corporate aims and objectives while demonstrating the delivery of value for money (VFM). The Council has a Corporate Plan for 2023-27, the previous plan covered 2019-2023, to ensure they have clear aims and actions for the future, which helps the Council allocate resources to deliver services.

The final outturn position for the general fund income and expenditure for the 2021/22 financial year was an underspend of £0.616 million. This underspending in operations was largely due to higher-than-predicted income and the absence of interest payments for capital projects. For the 2022/23 financial year, there was an overspend of £0.782 million caused by revenue overspend and a shortfall in retained business rates. Volatility was primarily caused by external influences, such as companies shutting down or seeking rate relief. The deficit will be funded from the General Reserve and the Business Rates Reserve.

During the year, the Council has continued to revisit and monitor financial plans to ensure they have sufficient resources to deliver services, with quarterly budget monitoring reports taken to Cabinet meetings. The Council recognizes the financial challenges ahead and has budgeted a balanced budget for 2023/24, with the following years showing a budget gap (2024/25 to 2026/27). To deliver a balanced budget in the medium term, the Council needs to identify savings of £2.5 million. The Council has sufficient reserves to ensure financial resilience; however the Council must identify savings over the medium-term financial plan to mitigate the need to use available reserve balances.

A savings exercise was undertaken with officers and members, which identified several potential savings and initiatives to produce extra income, as reflected in the outturn report for 2022/23. The Council has a good track record of delivering savings, with greater scrutiny of savings having taken place since 2016/17 through the revenue monitoring process. The previous savings program, which commenced in 2016/17, now delivers an annual saving of approximately £744k. The Council also identifies a risk that anticipated savings/efficiencies may not be achieved, with a possible significant impact and high likelihood. Regular monitoring and reporting take place, but the size of the funding cuts increases the likelihood of this risk.

Appendix A - Summary of arrangements (continue)

Financial Sustainability

We set out below the arrangements for the financial sustainability criteria covering the financial years 2021/22 and 2022/23 (01/04/2021 to 31/03/2023).

Reporting Sub-Criteria	Findings
How the body plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities	As part of the budget setting process each year, the Council looks to align the demands on the budget with the strategic priorities of the Council. These priorities are based on the Council's Corporate Plan, which is tracked through an online Performance Portal that is available for general public access. A Delivery Plan reserve has been established in the year to support future progress against these plans
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 capital investment and treasury management, to ensure consistency. The budgeting exercise ensures that the Medium-Term Financial Plan aligns with the priorities identified in the Corporate Plan. The financial plan considers shared service arrangements and recognizes the need to achieve efficiencies through these arrangements.
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 regular budget monitoring carried out between finance and budget managers. When action is required to manage identified risks, recommendations are made by finance to the Corporate Leadership Team, and if necessary, they are then reported to the Cabinet and Scrutiny Committees (and the Full Council if significant). Initially identified savings would be utilized to cover pressures. Where the Council identify additional income (windfall income), the Cabinet is responsible for considering how additional monies can be used; therefore, these funds cannot simply be used by the service that generated them. In the event that these measures are not sufficient to cover the pressures, the Council has reserves that it could draw upon as a one-off to fund the pressures, thereby creating time while additional savings are identified.

Appendix A - Summary of arrangements

Governance

We set out below the arrangements for the governance criteria covering the financial year years 2021/22 and 2022/23 (01/04/2021 to 31/03/2023).

Reporting Sub-Criteria

Findings

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. Risk Reviews take place every quarter at the service, corporate, and strategic levels. Service risks that are significant enough are escalated for consideration to be added as corporate risks. 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 seeks 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 an established internal audit function through the Norfolk Internal Audit Consortium. The Internal Audit plan is based 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 on audit results and progress against recommendations.

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

Each year, the finance department produces a budget timetable that identifies the tasks and key dates. Finance staff meet with budget holders to create a new budget for both revenue and capital, this considers changes in legislation, demand, and local and national factors. Once a draft budget and the proposed levels of fees and charges have been created, they are considered by the Corporate Leadership Team and the Cabinet. A final budget, with all changes considered and included where necessary, is taken back through the committees to the Full Council alongside the formal setting of the Council Tax, precepts, and other strategies. The budget from the previous year is used as the base to build upon, adjusting for known changes and forecasts.

Appendix A - Summary of arrangements (continue)

Governance

We set out below the arrangements for the governance criteria covering the financial year years 2021/22 and 2022/23 (01/04/2021 to 31/03/2023).

Reporting Sub-Criteria	Findings
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	<p>The budget monitoring process, wherein financial services meet with budget managers to discuss spending to date and forecasts for the remainder of the year, identifies any financial pressures and additional income. This process provides assurances that the current year's budget is achievable and ensures that the most up-to-date information is included in future budgets. These are reported to the Cabinet and Scrutiny Committees through quarterly budget monitoring reports 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 serve as the base for the report, and experts in technical areas such as Treasury Management are utilized to support staff expertise.</p> <p>The Section 151 officer has overall statutory responsibility for the proper administration of the authority's financial affairs, including the preparation of the Statement of Accounts and making arrangements for appropriate systems of financial control.</p> <p>Internal Audit issued a limited assurance regarding key financial controls for the 2022/23 financial year. Key strategic findings include: the Council struggled to perform core financial reconciliations; investments have not been independently authorized since May 2022; aged debts have not been regularly reviewed; and car parking income has not been regularly reconciled.</p> <p>Non-compliance with key financial controls represents a significant risk of weakness for the governance of the Council. The Council is currently responding to the weaknesses identified and will report progress back to the Governance, Risk, and Audit Committee (GRAC).</p> <p>In the 2021/22 and 2022/23 financial year, the Authority was unable to publish its statement of accounts by the target dates required by the Accounts and Audit Regulations 2015. Delays were caused by staff shortages and the need to prioritize closing the budget gap, resulting in the accounts process suffering. This demonstrates the associated risk of non-compliance with key financial controls and the consequence of not having a fully resourced Finance Team to produce the set of accounts.</p> <p>The issue above is evidence of weaknesses in proper arrangements for supporting the Council's statutory reporting requirements and in having effective processes and systems for accurate and timely management information.</p>

Appendix A - Summary of arrangements (continue)

Governance

We set out below the arrangements for the governance criteria covering the financial year years 2021/22 and 2022/23 (01/04/2021 to 31/03/2023).

Reporting Sub-Criteria	Findings
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, which includes specifying which decisions are reserved for the Full Council and which are for the executive or a committee of the Council. Some decisions within the Constitution are delegated to officers, and these delegations are outlined in the Constitution. The Governance, Risk, and Audit Committee and the Overview and Scrutiny Committee play important roles 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, assuring their effectiveness and efficiency. This is achieved through items received by the Committee, including 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 the Cabinet is held to account, reliable services are provided, and value for money is achieved.
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, which relates not only to behaviour but also to the disclosure of interests. The Council maintains a register of each Member's interests, including both pecuniary and other interests. Each meeting agenda includes an item that invites Members to declare any interests they may have. This is supported by a flowchart and information provided within the meeting papers. There is a system in place for individuals to lodge complaints about a Member's conduct, and this procedure is published on the Council's website. When Members are offered gifts and hospitality, the Constitution requires that any gift or hospitality over a set value, or otherwise significant, must be registered with the Monitoring Officer. The Monitoring Officer maintains a list of such gifts and hospitality and reports this in the annual Monitoring Officer report. Officers are also subject to a Code of Conduct and have obligations to disclose potential conflicts of interest, gifts, and hospitality. Such gifts and hospitality are similarly recorded in the Monitoring Officer's report. A Member/Officer protocol defines the relationship and roles of these two Council bodies.

Appendix A - Summary of arrangements

Improving economy, efficiency and effectiveness

We set out below the arrangements for improving economy, efficiency and effectiveness criteria covering the financial years 2021/22 and 2022/23 (01/04/2021 to 31/03/2023).

Reporting Sub-Criteria	Findings
How financial and performance information has been used to assess performance to identify areas for improvement	<p>The Performance Management Framework promotes the communication and understanding of performance management and provides guidance to those responsible 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.</p> <p>Financial performance data is regularly reported to committees through the budget monitoring reports.</p>
How the body evaluates the services it provides to assess performance and identify areas for improvement	<p>Each department sets performance targets annually. Benchmarking information against similar councils in England, using CIPFA's Nearest Neighbours model, is provided to assess relative performance and identify high-achieving councils. This comparison aims to review service delivery and improve outcomes for our customers. As part of the Corporate Plan for 2023-2027, a Performance Portal has been established where the public can access the Council's key targets and metrics, and view performance information relative to these targets.</p>
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	<p>The Council has a Customer Service Strategy and a complaints procedure, which, along with other processes such as Freedom of Information requests, allow for internal reviews of decisions. Members of the public have the opportunity to attend and ask questions at Full Council meetings and participate in other committees. The Performance Portal provides further transparency into the achievement of targets. The Council also works closely with neighbouring authorities to ensure efficiencies where possible.</p> <p>Decisions regarding Council representation in partnerships follow a set delegation scheme. The Cabinet approves delegations and plays a key role in forging partnerships with local organizations, provided there is no major policy change. While the Cabinet can delegate partnership-related functions, it remains accountable to the Full Council. The Monitoring Officer ensures high standards of conduct in financial dealings with partners and monitors the risk appraisal for contracts with external bodies. The Chief Financial Officer must confirm that satisfactory accounting arrangements will be adopted in relation to partnerships and joint ventures, including the verification of third-party identities. Directors must secure approvals prior to finalizing negotiations with external entities.</p>

Appendix A - Summary of arrangements (continue)

Improving economy, efficiency and effectiveness

We set out below the arrangements for improving economy, efficiency and effectiveness criteria covering the financial years 2021/22 and 2022/23 (01/04/2021 to 31/03/2023).

Reporting Sub-Criteria

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

Findings

The Council employs an officer as a procurement specialist who can provide knowledge and expertise to other officers, with assistance from the Council's in-house legal service when required. A Procurement Strategy, which is vital for securing best value, supports the Council's priorities and provides information about the Council's procurement values and principles. The Council's Constitution contains Contract Procedure Rules that set out the required procedures depending on the expected value of a contract and the situations in which an exemption from these rules can be granted. The Chief Financial Officer and the Monitoring Officer have oversight in such circumstances.

Appendix B – Council and Auditor Responsibilities

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.

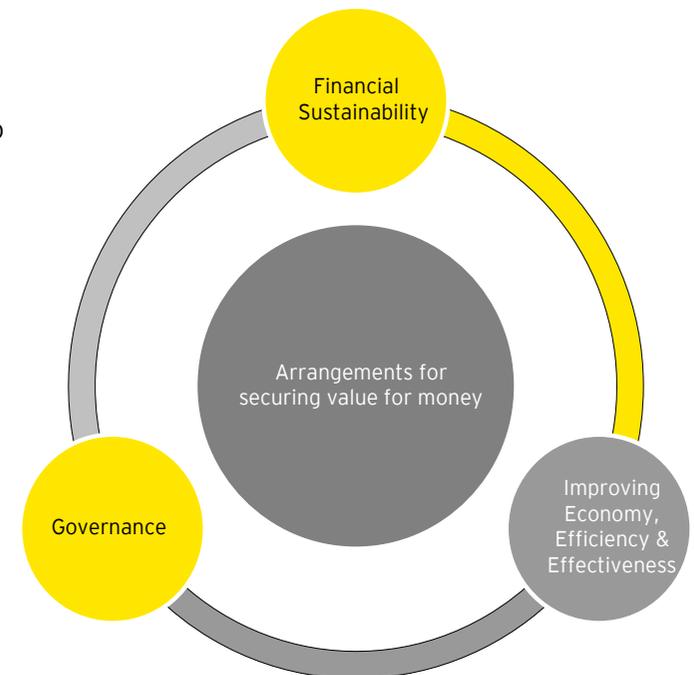
As part of the material published with the financial statements, the Council is required to bring together commentary on the governance framework and how this has operated during the period in a governance statement. In preparing the governance statement, the Council tailors the content to reflect its 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 NAO Code of Audit Practice we are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. The 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.



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UKC-024050 (UK) 07/22. Creative UK.

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