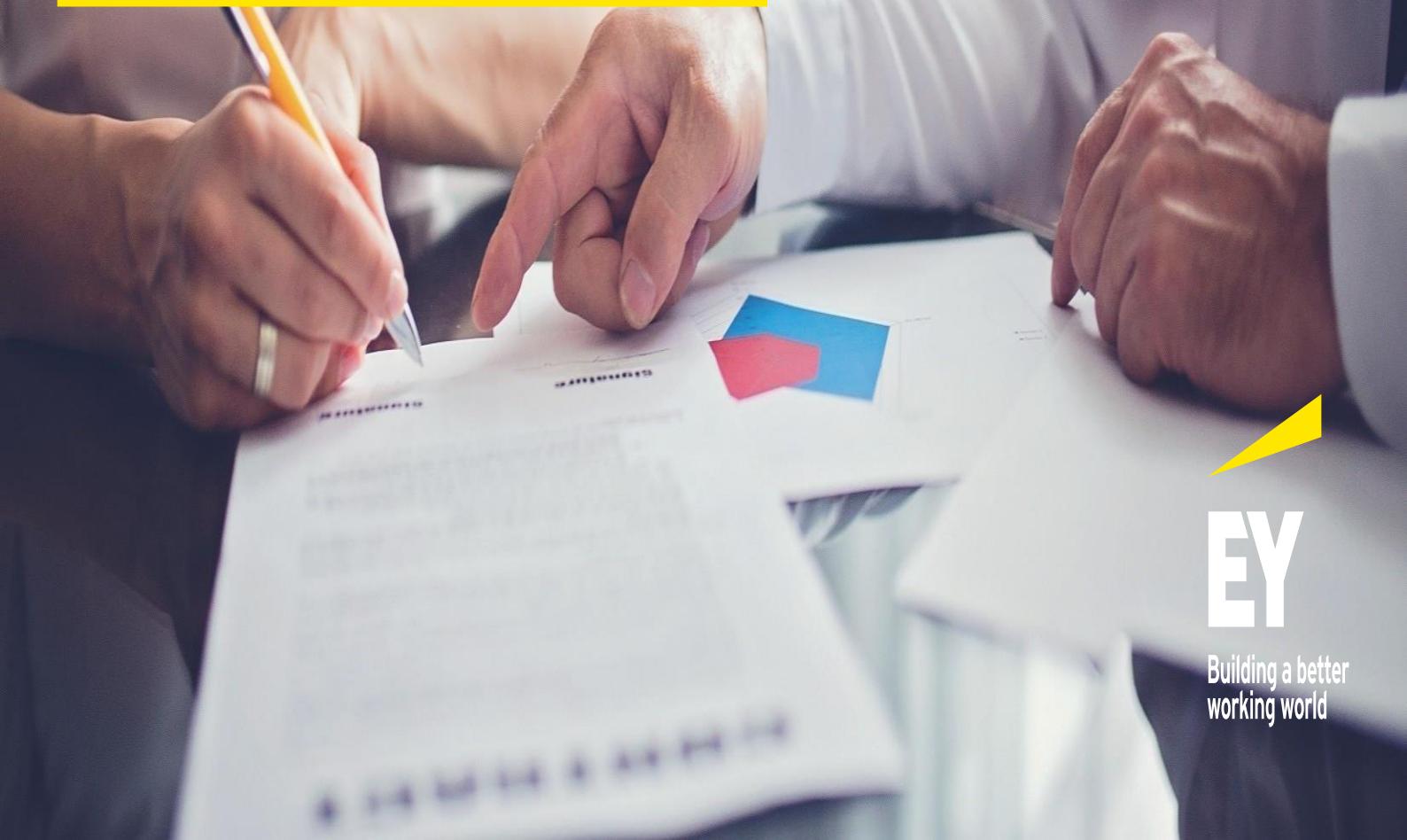


Norwich City Council

Auditor's Annual Report
Year ended 31 March 2021

1 June 2022



Contents

Section	Page
01 - Executive Summary	02
02 - Purpose and responsibilities	05
03 - Financial statements audit	07
04 - Value for Money	15
05 – Other reporting issues	23
Appendix 1 – Audit Fees	25

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 Audit Committee and management of Norwich City Council in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Audit Committee and management of Norwich City 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 Audit Committee and management of Norwich City 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

Area of work	Conclusion
Opinion on the Council's:	
Financial statements	Unqualified – the financial statements give a true and fair view of the financial position of the Council as at 31 March 2021 and of its expenditure and income for the year then ended. The financial statements have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21. We issued our Audit Report on the 1 June 2022.
Going concern	We have concluded that the Chief Finance Officer's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.
Consistency of other information published with the financial statements	Financial information in the financial statements was consistent with the audited accounts.

Area of work	
Reports by exception:	
Value for money (VFM)	We had no matters to report by exception on the Council's VFM arrangements. We have included our VFM commentary in Section 04.
Consistency of the Annual Governance Statement	We were satisfied that the Annual Governance Statement was consistent with our understanding of the Council.
Public interest report and other auditor powers	We had no reason to use our auditor powers.

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 issued our Audit Results Report on the 9 May 2022 to the Audit Committee, with an Audit Results Report Addendum dated the 25 May 2022.
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 not yet issued our certificate for 2020/21 as we have not yet performed the procedures required by the National Audit Office on the Whole of Government Accounts submission. The guidance for 2020/21 is delayed and has not yet been issued to auditors.

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 accounting for Covid-19 related Government Grant Income, Going Concern, the valuation of Property, 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

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

A photograph of a man with long dark hair and a beard, wearing a blue blazer over a plaid shirt, sitting at a desk and writing in a spiral-bound notebook with a pen. He is smiling broadly. On the desk next to him is a white coffee cup with a brown sleeve and a laptop keyboard. A large yellow rectangular graphic is overlaid on the left side of the image.

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 30 June 2021 and Audit Plan Addendum on the 21 January 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 1 June 2022, we issued an unqualified opinion on the financial statements. We reported our detailed findings to Audit Committee on the 17 May 2022. We outline below the key issues identified as part of our audit, reported against the significant risks and other areas of audit focus we included in our Audit Plan.

Significant risk	Conclusion
Misstatements due to fraud or error - management override of controls 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.	We did not identify any material weakness in controls or evidence of material management override. We did not identify any instances of inappropriate judgements being applied, or of any management bias in accounting estimates. We did not identify any inappropriate journal entries or other adjustments to the financial statements.
Inappropriate capitalisation of revenue expenditure 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.	Our sample testing of additions to Property, Plant and Equipment found that they had been correctly classified as capital and included at the correct value. Our sample testing did not identify any revenue items that were incorrectly classified. Our data analytics procedures did not identify any journal entries that incorrectly moved expenditure into capital codes.

Continued over.

Financial Statement Audit (continued)

Significant Risk	Conclusion
<p>Accounting adjustments to movement in reserves</p> <p>We consider the management override risk also applies to accounting adjustments made in the movement in reserves statement.</p> <ul style="list-style-type: none">• The adjustments between accounting basis and funding basis under Regulation changes the amounts charged to General Fund balances. Regulations are varied and complex, resulting in a risk that management misstatement accounting adjustments to manipulate the General Fund balance. We have identified the risk to be highest for adjustments concerning:• Revenue Expenditure Funded from Capital Under Statute (REFCUS)• Minimum revenue provision	Our work did not identify any issues with the accounting for adjustments to movements in reserves.
<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>	Our work did not identify any issues with the accounting for Covid-19 related grant funding.
<p>Valuation of Property, Plant, and Equipment</p> <p>Property, Plant, and Equipment represents a significant balance in the Council's accounts 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>	Our work did not identify any issues with the Valuation of Property, Plant and Equipment.

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
Valuation of Investment Property	Our work did not identify any issues with the valuation of Investment Property.
<p>The fair value of Investment Property (IP) represent significant balances in the Council's accounts (£103.394 million at 31 March 2021). These balances are subject to valuation changes, impairment reviews and depreciation charges. Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the Balance Sheet.</p>	
National Non-Domestic Rates Appeals Provision	We completed our work in this area and identified an overstatement of the provision. Government guidance indicated that the provision for material change in circumstances for Large Shops was no longer required to be carried resulting in an adjustment to the provision of £0.192 million which management has corrected in the accounts.
Recoverability of Debtors <p>There is increased risk that money due to the Council becomes less recoverable due to the Covid-19 pandemic as an increased number of businesses and residents struggle to meet financial obligations. As a result, the Council needs to ensure that it has appropriately considered the impairment of year-end receivables.</p>	Our work did not identify any issues with the reasonableness, accuracy or sufficiency of the provision for the recoverability of receivables made. Our sample testing of trade receivables also did not identify any issues around the recoverability of Debtors held on the Balance Sheet at year end.

Continued over.

Financial Statement Audit (continued)

Other area of audit focus	Conclusion
<p>Pension Valuations and Disclosures</p> <p>The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding the Local Government Pension Scheme (LGPS) in which it is an admitted body</p> <p>The Council's current pension fund deficit is a material and sensitive item and the Code requires that this liability be disclosed on the Council's Balance Sheet. Accounting for this scheme involves significant estimation and judgement. The information disclosed is based on the IAS 19 report issued to the Council by the actuary to the administering body.</p> <p>ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.</p>	<p>We were informed by the Pension Fund auditor that Investment Valuations within the Pension Fund were understated. On receipt of an updated IAS 19 report from the Actuary, we determined that the Authority's Pension Fund Liability was overstated by £3.865 million. Management have adjusted for this audit difference.</p> <p>We had no other matters to report.</p>
<p>Accounting for Collection Fund disclosures</p> <p>In the 2019/20 accounts, the Council identified the need for two prior period adjustments relating to the Collection Fund. They related to historic errors identified by the Section 151 officer.</p> <p>The Council needs to ensure that it has now fully resolved historic errors in the Collection Fund.</p>	<p>Our work did not identify any issues with the accounting for Collection Fund disclosures.</p>
<p>Going concern disclosures</p> <p>The Council is required to carry out an assessment of its ability to continue as a going concern for the foreseeable future, being at least 12 months after the date of the approval of the financial statements. There is a risk that the Council's financial statements do not adequately disclose the assessment made, the assumptions used and the relevant risks and challenges that have impacted the going concern period</p>	<p>We did not identify any events or conditions in the course of our audit that may cast significant doubt on the entity's ability to continue as going concern.</p> <p>Management have used the basis of their assessment to produce the disclosures included within the draft financial statements.</p> <p>We were satisfied that the revised disclosure note appropriately sets out the circumstances surrounding the financial implications prevalent at the date of authorisation of the financial statements.</p>

Continued over.

Financial Statement Audit (continued)

Other area of audit focus	Conclusion
<p>Group Accounting</p> <p>In 2015 the Council incorporated Norwich Regeneration Limited (NRL), a company, with the Council as the sole owner. Activity is at a level considered material, which requires the Council to prepare group accounts.</p> <p>We will also need to consider the implications of the incorporation and transactions for Norwich City Services Ltd, another Council owned company, on the Council's group boundary and consolidation requirements.</p> <p>We have designated this as an Inherent risk at the Council, as the considerations and consolidation can be a complex area of accounting.</p>	<p>Our work identified a number of minor disclosure errors throughout the group consolidation workbook which were corrected by management.</p> <p>We also identified a number of formula formatting errors in the preparation of the group cash flow which have been adjusted by management.</p> <p>No further issues were noted .</p>

Continued over.

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 £2.924 million (single entity) and £3.119 million (group) 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 Audit Committee that we would report all audit differences in excess of £0.146 million (single entity) and £0.173 million (group).

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.

Financial Statement Audit (continued)

Audit differences

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

- ▶ **National Non-Domestic Rate (NNDR) Appeals** – Reduced provision by £0.192 million in line with government guidance for material change of circumstances for large shops.
- ▶ **Government Grants** – identified an over accrued grant by £0.201 million after review of supporting calculations. The government issued calculator for the Tax Income Guarantee grant contained an error which was corrected on 30 June. Using the revised calculator resulted in an over accrual of the grant of £0.201million which the Council corrected.
- ▶ **Pension Liability** - The Pension Fund auditor identified that Investment Valuations within Norfolk Pension Fund were understated. On receipt of an updated IAS 19 report from the Actuary, we determined that the Authority's Pension Fund Liability was overstated by £3.865 million. This is a result of a timing difference reported through the audit of Norfolk Pension Fund.
- ▶ **Capital Financing** - Management noted that the financial statements reported the acquisition of NRL share equity which was financed via borrowing when approval had been received from Full Council for financing via the capital receipts. This resulted in an audit difference and adjustment of an increase of 'Usable Reserve – Capital Receipts Reserve' and decrease in 'Unusable Reserve – Capital Adjustment Account' for the amount of £1.150 million.
- ▶ **Group Cash Flow** – We identified a number of formula formatting errors in preparation of Group Cash Flow statement, resulting in changes to numerous within the Group Cash Flow Statement - starting at Cash paid to suppliers of goods and services line and ending at Other operating cash payments.

We also identified a small number of misstatements in disclosures which management corrected.

There were two audit differences identified for which management did not adjust the accounts:

- ▶ **Redundancy Provision** – One individual subject to redundancy was mis-classified as a provision, when it should have been classified as an accrual, given the timing and amount of the payment were certain. This is a classification difference impacting the Balance Sheet amounting to £0.154 million.
- ▶ **Debtors** – We identified an over-accrual of a Debtor balance in respect of parking and recycling credits where management's accrual estimate was in excess of the actual final invoice in two instances totalling £0.142 million. We have projected an error based on the identified error, across the whole population (Error rate of 39.1% across a full population of £1.355 million), which results in a projected error of £0.530 million.

As the differences were not material, and does not reflect a factual misstatement within the Statement of Accounts, management chose not to amend for the difference and confirmed this within their letter of representation to us.

A photograph showing two people at a table. On the left, a woman with blonde hair is seen from behind, wearing a dark pinstripe suit and a white watch, her hands on the keyboard of a silver laptop. On the right, a man with a beard and short brown hair, also in a dark suit and tie, is looking down at an open notebook, writing with a pen. A white smartphone lies on the table next to the notebook. The background is blurred, showing what appears to be a clothing store or a similar retail environment.

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 Plan Addendum dated the 21 January 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 her 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.

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

Reporting

We completed our planned VFM arrangements work in January 2022 and did not identify any significant weaknesses in the Council's VFM arrangements. 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.

VFM Commentary

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 Chief Finance Officer is responsible for the preparation and submission of the reports on the Medium Term Financial Strategy (MTFS) for Council and Cabinet and for advising on the medium term implications of spending decisions.

The MTFS provides a projection of the cost of delivering current council services over the next 5 years alongside the expected scale of demand and projections for income forecasts, and any estimated budget gap, from which the Council will need to identify options to deliver savings or to generate additional income across all areas of the Council spending.

The MTFS considers key assumptions including Council Tax and Business Rates, payroll, inflation, government grants, revenue contribution to capital, housing benefit, capital financing budget and short-term growth. The financial modelling also includes the cost to the Council of services commissioned through the Council's wholly owned companies, Norwich City Services Ltd and Norwich Regeneration Ltd, as well as the income streams generated from the Council's provision of support services and loan financing to the companies.

In addition, the Council has identified provisional themes that underpin the budget approach to address the medium-term financial challenges, which include the consideration of the fees and charges, contracts, wholly-owned companies, service transformation, driving value from assets, inward investment and growth, commercialisation and stop doing some things.

The MTFS maintains an approach of presenting a strategy to deliver saving requirements over 4-year period and utilising general reserves, while maintaining the prudent minimum level of reserves which is set at £5.1 million.

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.

VFM Commentary

Financial sustainability (continued)

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

As part of the annual budget setting process, each service area is required to consider the required need for savings (including additional efficiencies), budget growth and capital bids in their opening brief forms which are signed off and submitted for review.

In 2020/21, all savings and growth items were reviewed firstly by the Corporate Quality Assurance Group led by the Chief Finance Officer, and secondly by the Corporate Leadership Team (CLT) to assess the overall deliverability and any impacts on the Corporate plan. This process has been strengthened in 2021/22 as a new corporate board, the 'Resources, Performance and Delivery Board' (RPDB), is now responsible for the review of the opening briefs and the recommendations of the Board will be taken to CLT to decide which projects will be incorporated into the budget.

The process of identifying savings is continuous throughout the year, with Budget Managers refining and updating the opening briefs throughout the budget process.

Budget updates go to Cabinet on a quarterly basis where the revenue and capital budget status are compared to the forecasts. In addition, the Finance Team also share the budget challenge slides and/or organise briefing sessions with Members throughout the year where they demonstrate the performance against target by Directorates and the need for / consideration of further options in relation to priorities for closing any identified budget gaps.

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

The Council has a Corporate Plan which sets out its priorities over the coming three year period, and provides the performance framework to achieve these priorities. The delivery of the plan is monitored regularly with progress reported to Cabinet via the quarterly Corporate Performance Report.

The impact of the annual budget and funding of future years of the Medium Term Financial Strategy (MTFS) are considered as part of the budget setting process to align the budget against the corporate priorities, ensuring that the MTFS is lined up with the Corporate Plan over the medium term and to ensure the necessary resources are in place for its delivery.

While the Corporate Plan is reviewed and updated every 3 years, it is also refreshed as and when necessary to ensure it reflects the current political and economic climate. For an example, in light of the Covid-19 pandemic, the Corporate Plan was updated in June 2020 to reflect the Council's responses to the crisis and re-designed its priorities to meet the needs of the city.

VFM Commentary

Financial sustainability (continued)

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 Medium Term Financial Strategy (MTFS) flows from the Corporate Plan and therefore investments are directed to specific projects to ensure the delivery of the Council's priorities.

The MTFS includes both revenue (General Fund and Housing Revenue Account (HRA)) and capital spending over the medium term. It also contains the Council's Non-Financial Investment (Commercial) Strategy and the Treasury Management Strategy. These are all set simultaneously as part of the annual budgeting process to ensure consistency and sufficiency of funding.

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

The Capital Strategy sets out the Council's budget and preliminary plan for capital investment over the next five years, covering both General Fund and HRA projects and programmes. The Capital Strategy also shows strategic links to Non-Financial (Commercial) Investment Strategy and the Treasury Management Strategy, which identifies the Council's underlying need to borrow.

The Non-Financial (Commercial) Investment Strategy provides the investment principles adopted by the Council with respect to the commercial related activity, which includes investment in commercial property and equity investments. It also sets out the business model between the Council and the wholly owned subsidiary, Norwich Regeneration Ltd (NRL), and the approved lending arrangements, over which the Council are obliged to have regard to the Minister for Housing, Communities and Local Government's Investment Code and CIPFA's Prudential Code.

The Council works in a partnership with a number of other local councils within the Greater Norwich Growth Board (GNGB), which provides strategic direction, monitoring and coordination of both the City Deal and Growth Programme for the Greater Norwich area. This includes the collection of Community Infrastructure Levy (CIL) and how the funding to be utilised to fund capital schemes and local schemes. The MTFS considers the funding impact in its financial plan to ensure that the CIL contributions are utilised in an efficient way to deliver the capital programme.

VFM Commentary

Financial sustainability (continued)

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.

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

The Council identifies and manages risks to financial resilience through quarterly performance reports which are presented to Cabinet for discussion. The reports provide the full year forecast financial position for revenue and capital, including the details on any significant variances identified between budget and forecast outturn at directorates level.

In addition, Chief Finance Officer also reports twice-yearly on treasury management activities to the Cabinet and Council.

As a result of the Covid-19 pandemic, the Council revisited its budget and Medium Term Financial Strategy (MTFS) in November 2020 to update the key developments impacting on the MTFS, the estimated increase in the future savings challenge as well as the next steps for refining the MTFS and budget options going forward. This shows that the Council pro-actively manages risks to financial resilience to ensure the assumptions and modelling adopted are sufficiently robust and reflects the best estimates from the business.

The Council also actively updated its Corporate Risk Register to include the Council's short-term funding arrangements in relation to Covid-19 and the mitigation actions to reduce the risk.

VFM Commentary

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 Council has put in place the Risk Management Strategy and Corporate Risk Register which are closely linked to the Corporate Plan, ensuring that risks to the achievement of the Council's corporate and service priorities are identified and effectively managed.

The risk management approach adopted by the Council is based on identifying, assessing, managing and monitoring risks at all levels across its activities and includes risk perspectives such as corporate, change related and operational.

Risks are normally identified by means of a risk workshop at management team level or open discussions at team meetings. The identified risks are then assessed using the scoring matrix based on two-staged approach of current residual risk level and target risk level. Each risk has a named owner at individual post level and, where required, it will be escalated up the management chain until it reaches the level at which it can be effectively dealt with.

A full review of risk is undertaken on a quarterly basis at Corporate Leadership Team (CLT) to monitor the identified risks and the agreed mitigations and/or actions in place. The Corporate Risk Register will be reported to Cabinet on a quarterly basis as part of the Combined Performance Report.

In addition to its inclusion in the quarterly performance monitoring reports, a risk management report will be provided to the Audit Committee twice yearly, who challenge the approach to the management of risk and gain assurance that the right risks and mitigations are included. The Audit Committee is also responsible for reviewing the Council's Risk Management Strategy and for reviewing the effectiveness of risk management.

The Council has an Internal Audit service to help gain assurance over the effectiveness of the Council's internal controls systems, and the Head of Internal Audit provides an opinion to the Audit Committee on an annual basis.

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

VFM Commentary

Governance (Continued)

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

Budget managers are consulted in the preparation of the budgets for which they are held responsible. This includes identifying efficiencies, service transformation suggestions and income generation, which are then reviewed and agreed by the Corporate Leadership Team (CLT), who assess both the deliverability of the projects and the financial implications.

The Council use the prior year's budget as a base, and will include annual uplifts as relevant with one-off/non-recurring budgets being removed from the base. All the non/inflationary growth and savings as detailed in the opening briefs will be included where appropriate.

The Council also consults the public on the proposed approach to meeting the savings target and on the potential for any Council Tax increases. The 2020/21 budget consultation took form of an online survey in January 2020.

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 Cabinet makes recommendations to the Council on the budget and policy framework. It is also responsible for overseeing the Council's overall financial performance.

Budget managers are responsible for managing income and expenditure within their areas and for monitoring service performance. Detailed budget monitoring is undertaken by Budget Managers on a monthly basis and, as part of their budgetary control responsibilities, with significant budget variations investigated by the Budget Managers and the relevant member of the Corporate Leadership Team (CLT).

The Chief Finance Officer (CFO) is responsible for preparing and submitting quarterly reports to the Cabinet on the Council's projected income and expenditure compared with the budget and the action required where relevant.

Non-financial information such as corporate performance and risk management monitoring is also reported to the Cabinet on a quarterly basis. The report sets out progress against the delivery of the Corporate Plan priorities and key performance indicators as well as an update on Corporate Risk Register.

VFM Commentary

Governance (continued)

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.

Full Council is the key decision-making body of the Council. The Council operates an Executive form of governance, which means that Full Council appoints an Executive Leader who then appoints two to nine other councillors to form the Cabinet.

The Cabinet is responsible for most day-to-day decisions and carries out all of the Council's Executive functions. It is also responsible for publishing the Cabinet Notice (Forward Plan) 28 days in advance, for all decisions by the Cabinet and key decisions to be made by officers.

The Cabinet Notice enables elected members, members of the public and the Scrutiny Committee to consider which items they wish to examine and consider in good time before they are determined. Members of the Council and the public have the right to ask questions at each ordinary Cabinet meeting.

Committee papers all follow a proforma template which consider the key implications such as financial, risk and legal of the issue, in the decision making process. All papers are signed off by the relevant Executive Directors prior to publication and there is a tracker to monitor these approvals.

The Audit Committee meets four times a year as a minimum and is comprised of members who receive appropriate training on the function and responsibilities of the Audit Committee. The Committee has clear terms of reference which emphasises its role in providing effective challenge and has an annual work plan to help ensure that it focuses on the relevant aspects of governance, internal control and financial reporting.

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

VFM Commentary

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).

The Council sets out the “Code of Conduct” and the “Gifts and Hospitality for Councillors” within its Constitution. It also appoints a Standards Committee to promote and maintain high standards of conduct by members and co-opted members of the Council.

The Council maintains the Register of Disclosures and Interests and Register of Gifts and Hospitality which are held by Democratic Services.

The Monitoring Officer is legally responsible for monitoring the compliance of the Council’s policies and acts as the Council’s chief legal and governance advisor to ensure it operates lawfully and within the agreed Constitution. The Monitoring Officer deals with any formal complaints that are raised, and is also able to engage an independent person, if needed, to conduct investigations into alleged breaches of the Member Code of Conduct.

In addition, the Council also has a formal Anti-fraud and Corruption policy and a Whistleblowing policy in place to ensure that staff operate in accordance with relevant legislative and regulatory requires, including the acceptance of gifts and hospitality. Both policies are kept under review and updated regularly, for an example the anti-fraud and corruption policy is reviewed annually.

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

VFM Commentary

Improving economy, efficiency and effectiveness

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

Cabinet receives the budget monitoring and Corporate Performance reports respectively on a quarterly basis.

The reports are reviewed and discussed at the relevant meetings, including challenge by Members. Depending on the performance areas, Cabinet will have oversight of the actions that are identified and taken to address any identified areas for improvements.

In addition, the Corporate Performance report also incorporates the Corporate Risk Register highlighting key corporate risks and/or emerging risks. The Corporate Risk Register is reviewed each quarter by Corporate Leadership Team (CLT) as part of its performance review and CLT provides the Audit Committee with a Risk Management report twice yearly so that the Committee can fulfil its governance function.

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

The Council has put in place a process to assess the performance of the services that it provides. This includes quarterly meetings between Heads of Services and the Performance team to track performance against the Key Performance Indicators (KPIs), and, where it is identified that performance is declining, early interventions and options are considered.

Executive Directors and Heads of Service also meet up quarterly via Directorate Management Team (DMT) meetings to discuss the Performance Report in advance of the Corporate Leadership Team (CLT) Meeting, in which Executive Directors provide an update on their areas and discuss remedial actions and/or progress on agreed actions. In 2021/22, a new Corporate Board has been established - the Resources, Performance and Delivery Board (RPDB), to proactively review the performance data and to identify areas where actions required, as well as making recommendations to the CLT.

A Corporate Performance report is presented to the Cabinet on a quarterly basis to provide the performance updates against KPIs and the commentary on output measures.

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.

VFM Commentary

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 number of joint arrangements with other local authorities to exercise the Council's Executive and/or Non-Executive functions. Where the arrangements are to exercise the Council's statutory functions, the terms of reference and functions of these joint committees are set out within the Constitution.

The Council also works in partnership with others to drive efficiency and improve the effectiveness of service delivery to its community. One of the key partnerships is the Norwich Town Deal which sees the Council working closely with local communities, partners and public/private investors to deliver major regeneration projects in the city. The partnership has put in place a Board with representatives from all the partners organisations, including the Chief Executive and Executive Director of Development and City Services from the Council. The Board meets monthly to discuss the progress of the programme with the minutes being published on the website. Regular updates are also provided to Cabinet as appropriate.

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 sets out its contract and procurement procedures in the Constitution and officers with purchasing responsibilities must comply with these procedures. There is also a Procurement and Contract Management Strategy which details the Council's vision and priorities in respect of its purchasing and commissioning. The strategy is reviewed by the Scrutiny Committee who makes recommendation for Cabinet for consideration and approval. The Council also participates in the two-yearly review of procurement against the National Procurement Strategy, which took place in 2019/20 and 2021/22.

In addition, the Council has a Procurement Team which includes members of staff holding the Chartered of Institute of Procurement and Supply (CIPS) qualification. The team is responsible for providing advice and guidance on procurement and ensuring that the contract and procurement procedures are followed.

The Council maintains a detailed contract register for those contracts with a value of £25,000 and over and it is made publicly available. The Council currently has larger contracts in the following areas: Assets and Estate Management services, Repairs and Maintenance services, Waste Refuse and Recycling collection. Each contract is assigned to a Service Manager and they are expected to manage the contract in line with the Contract Management Strategy.

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.

VFM Commentary

Improving economy, efficiency and effectiveness (Continued)

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 also undertakes a monitoring assurance exercise on an annual basis where Service Managers of significant value or risk contracts are expected to complete and submit a monitoring form, highlighting any risks associated with the delivery of the contract and are reported to the Cabinet.

In addition, the Corporate Risk Register also includes a risk around 'Contract Management – Governance', on which the updates are reported to the Cabinet on a quarterly basis. The Council's Internal Audit service undertakes periodic audits in this area to gain assurance to assess the levels of compliance with the strategy and procedures and to ensure the implementation of recommendations are being monitored.

VFM Commentary

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 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 professional meeting. In the foreground, a person's hands are visible on a wooden conference table, one wearing a silver watch. Behind them, several people in business attire are seated around the table, looking towards the right. A large yellow rectangular graphic is overlaid on the left side of the image.

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 recommended revisions to include the outstanding actions from Internal Audit review in respect of their findings on contract management, waste management, and Equalities Duties. All revisions were appropriately included in the final version of the Annual Governance Statement.

Whole of Government Accounts

We have not yet performed the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts consolidation pack submission. The guidance for 2020/21 is yet to be issued. We will liaise with the Council to complete this work as required.

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.

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 did not identify any controls issues to bring to the attention of the Audit Committee.

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 Audit Committee on 27 April 2022.

Description	Final Fee 2020/21	Scale Fee 2020/21	Final Fee 2019/20
	£'s	£'s	£'s
Initial Scale Fee – Code work	61,534	61,534	61,534
Fee Variation	TBC	-	43,710 (Note 1)
Revised Scale Fee	TBC	61,534	105,244
Agreed Upon Procedures - Housing Benefit Subsidy (Certification Assurance Work)	23,250		

Note 1 – PSAA Ltd determined the Fee Variation on 22 October 2021.

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 outlined within our Audit Plan and Audit Results Report. The additional fee for 2020/21 is yet to be notified to management and thus remains subject to determination by PSAA Ltd.

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

We confirm we have not undertaken any non-audit work.

EY | Assurance | Tax | Transactions | Advisory

Ernst & Young LLP

© Ernst & Young LLP. Published in the UK.
All Rights Reserved.

The UK firm Ernst & Young LLP is a limited liability partnership
registered in England and Wales
with registered number OC300001 and is a member firm of Ernst &
Young Global Limited.

Ernst & Young LLP, 1 More London Place, London, SE1 2AF.

ey.com