



Borough Council of Kings
Lynn & West Norfolk

Value for Money Interim Report

Years ended 31 March 2021, 31 March 2022 and 31
March 2023

24 September 2024

Audit Committee
Borough Council of King's Lynn & West Norfolk
Kings Court, Chapel Street
King's Lynn
Norfolk
PE30 1EX

24 September 24

Dear Audit Committee Members

Value for Money Interim Report for years 2020/21, 2021/22 and 2022/23

We are pleased to attach our interim commentary on the Value for Money (VFM) arrangements for the Borough Council of King's Lynn & West Norfolk. 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 2020/21, 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 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 Audit Committee meeting on 3 October 2024.

Yours faithfully

David Riglar
Partner
For and on behalf of Ernst & Young LLP

Encl

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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/auditquality/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 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 Audit Committee and Management of Borough Council of Kings Lynn & West Norfolk in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Audit Committee and Management of Borough Council of Kings Lynn & West Norfolk 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 Borough Council of Kings Lynn & West Norfolk for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.



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, auditor's 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).

The purpose of this interim commentary is to explain the work we have undertaken during the period 01 April 2020 to 31 March 2023 and highlight any significant weaknesses identified along with recommendations for improvement. The commentary covers our interim findings for audit years 2020/21, 2021/22 and 2022/23. The NAO has confirmed that where VFM reporting is outstanding for more than one year, the auditor can issue one report covering all years.

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;
- An explanation of the planned responsive audit procedures to the significant risks identified;
- 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 2020/21, 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 the key Finance 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 Governance as part of our risk assessment procedures. We set out our planned response to address this risk in the table below.

Description of risk identified	Work planned to address the risk of significant weakness
<p>In the 2020/21, 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 2022/23 unaudited statements have not been published as at the date of this report.</p> <p>The Council's finance team has faced resourcing challenges, with additional impact when resources were diverted to support the Council's response to the COVID-19 pandemic. This has impacted the timeliness of accounts preparation and the audit of the Statement of Accounts for 2020/21 to 2022/23. The last set of audited financial statements were the 2019/20 accounts in January 2024.</p> <p>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. The issue above is evidence of a risk in proper arrangements for supporting its statutory reporting requirements and effective processes and systems for accurate and timely management and financial information - Governance.</p>	<ul style="list-style-type: none">• 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 2020/21, 2021/22 and 2022/23 is set out over pages 10 to 13. The interim commentary on these pages summarises 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 2020/21, 2021/22 and 2022/23. We include within the VFM commentary the associated recommendation we have agreed with the Council.

Appendix A includes the detailed arrangements and processes underpinning the reporting criteria.

In accordance with the NAO's 2020 Code, we are required to report a commentary against the 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 weaknesses identified
Governance: How the Council ensures that it makes informed decisions and properly manages its risks	Significant risk identified concerning the Council's arrangements to publish its statement of accounts by the target dates required by the Accounts and Audit Regulations 2015.	Significant weaknesses identified concerning the Council's arrangements to publish its statement of accounts by the target dates required by the Accounts and Audit Regulations 2015.
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 weaknesses 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 2020 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 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 2021, 31 March 2022 and 31 March 2023. Our risk assessment did not identify any risk of significant weakness in arrangements to secure financial sustainability.

For 2020/21, 2021/22 and 2022/23 the Council prepared its annual Financial Plan for the medium term which contained the forecasted financial position, significant financial challenges, and solutions to address identified budget gaps. These were discussed with portfolio holders to shape the financial objectives and identify associated risks. The development of financial plans and budget reports include feedback from a range of sources such as service demand, local priorities, efficiency needs, new legislation and staffing.

In 2020/21, the pandemic created significant uncertainty for the Council on its financial sustainability in the short term with expectations that there would be some residual impact in the longer term. The council suspended its cost management plan during this time to focus resource on responding to the pandemic. A commitment to pay an upfront pension contribution was also reversed to assist with potential short term cashflow implications. The response to the pandemic changed the activity levels in some service areas resulting in reduced expenditure in non-essential service areas. In contrast to this there was increased spend in those service areas that were critical in the response to the pandemic and staff were diverted to assist where possible.

The Council's Corporate Plans for 2020/21 to 2022/23 set out the strategic priorities for the Council and these are reflected in service plan objectives. The budget setting process is a collaborative process across the Council that captures key projects/workstreams to be included in the financial plan that underpins the delivery of the corporate plan. The financial plan sets out several assumptions around the projection of costs and income over the medium term for both revenue and capital budgets. Each directorate has a finance officer allocated to them to support them with management of their respective budgets. This involves regular meetings to discuss their financial position which is reflected through the budget monitoring and budget setting process.

The 2020/21 budget approved by Council on 27 February 2020 approved expenditure for the year of £22.17m and funding of £21.82m showing a funding gap of £0.35m which was planned to be met by a contribution from the general fund reserve. The 2020/21 outturn showed that the final position for the year was a surplus with no funding gap due to reduced spend of £15.72m and a net contribution to the General Fund reserve of £0.61m.

The 2021/22 budget approved by Council on 25 February 2021 approved expenditure for the year of £21.47m and funding of £21.72m showing a funding surplus of £0.25m. The 2021/22 outturn showed that the final position for the year was a surplus with a reduced spend of £20.29m and a net contribution to General Fund reserve of £0.29m.

The 2022/23 budget approved by Council on 23 February 2022 approved expenditure for the year of £21.03m and funding of £21.55m showing a funding surplus of £0.53m. The 2022/23 outturn showed that the final position for the year was a surplus with a reduced spend of £19.69m and a net contribution to General Fund reserve of £0.66m.

Risk management is embedded within the Council's financial planning arrangements. The financial plan sets out the risk around budget assumptions such as cost and pay inflation, future funding uncertainties, interest rates and service demand pressures. These assumptions are reviewed by the management team and subsequently approved by Members.

Conclusion: Based on the work performed, the Council had proper arrangements in place in 2020/21, 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 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, 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 2021, 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 a Risk Management Policy and Risk Management Strategy that are approved by full Council. The Council also has a Corporate Risk Register which is updated on a four monthly cycle by the Senior Corporate Governance and Risk Officer in consultation with Assistant Directors and Executive Directors for identified risks. The risk register is then reviewed and updated by each Assistant Director and reported to Senior Leadership Team and Audit Committee.

Internal Audit set out the Strategic Audit Plan for the next four years and the Annual Audit Plan for the forthcoming year. These are agreed with Senior Leadership Team and approval at Audit Committee each year. The Senior Internal Auditor will present regular updates on delivery of the audit plan and implementation of recommendations to the Senior Leadership Team and Audit Committee during the year.

For 2020/21, 2021/22 and 2022/23, the Head of Internal Audit issued a 'reasonable assurance' opinion for each year in relation to the framework of governance, risk management and control at the Council.

The Internal Audit function includes provision for a Fraud Officer who carries out various functions in relation to fraud and error prevention, and detection. This includes the National Fraud Initiative exercises, debt tracing activities, and the Norfolk Fraud Hub which carries out data matching across Norfolk authorities and shares best practice and emerging new threats/risks. A report on findings is presented to Audit Committee twice a year.

The Council prepare a timetable for the budget setting process that includes reporting and updates to Senior Leadership Team, budget development sessions with Councillors, and other consultation sessions (including businesses and the voluntary sector). This informs the preparation of the Medium-Term Financial Plan and the Annual Budget that is considered and approved by Cabinet and Council in February each year. The Medium-Term Financial Plan sets out the financial projections for the next four years based on assumptions including cost and pay inflation, future Government Funding and other income streams available to the Council.

The Council's finance team circulate month end reports to Assistant Directors and Budget Managers. Service Accountants undertake a review of month end data and review anything they feel needs investigation or explanation with the budget manager. The Council have risk rated services to ensure that some higher risk services receive monthly meetings with their service accountants whilst other lower risk activities will receive a bi-monthly or quarterly meetings. Quarterly budget monitoring reports are presented to the Audit Committee.

Value for Money Commentary (continued)

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

There is currently a significant backlog of unaudited financial statements for local authority bodies. The Ministry of Housing, Communities and Local Government are working collaboratively with the Financial Reporting Council (FRC), the National Audit Office (NAO) and organisations in the wider system to take actions designed to address the backlog and put local audit on a sustainable footing. The challenges facing the local audit system have been highlighted by auditors, the Redmond Review, the NAO, the Local Government Association and Parliament - through Select Committee hearings.

For 2020/21, 2021/22 and 2022/23 the Council have been unable to publish its Statement of accounts by the deadlines outlined in the Accounts and Audit Regulations 2015 with 2020/21 being published 5/11/2021 (deadline 31/8/2021), 2021/22 being published 1/08/2022 (deadline 31/07/2022), and the 2022/23 statement of accounts remaining unpublished as at the date of this report in June 2024 (deadline 31/07/2023).

Councils are required to advertise a public inspection notice for the Statement of Accounts and the Annual Governance Statement for each financial year. For 2020/21 and 2021/22 the requirement of this notice as per the Accounts and Audit regulations 2015 were not met as the Annual Governance Statements for these years were not released until after the inspection periods were initially set and as such the Council is required to readvertise their public inspection notice for the financial years 2020/21 and 2021/22.

From our review of the draft Statement of accounts we have identified:

- No entries have been made into the financial statements relating to any valuation adjustments on Plant, Property and Equipment and Investment Properties as required by the CPIFA Accounting Code.
- Bank reconciliations were not prepared and reviewed in a timely manner for the year end:
 - the 2020/21 bank reconciliation was prepared 23/2/22 with sign off and review on the 4/4/2024, this is after the draft Statement of Accounts had been prepared;
 - the 2021/22 bank reconciliation was prepared 10/8/22 with sign off and review on the 4/4/2024, this is after the draft Statement of Accounts had been prepared; and
 - the 2022/23 bank reconciliation being prepared on 24/4/23 but not reviewed until the 3/8/2023.
- The Cash and Cash Equivalents figure in the Statement of Accounts is different to the balance in the bank reconciliation as the Council's general ledger had not been closed resulting in transactions being posted back into the relevant years after the Statement of Accounts had been prepared. This indicates that the Cash and Cash Equivalent figure in the draft 2020/21 and 2021/22 Statement of Accounts could be materially misstated.

The Council has faced ongoing operational and resourcing difficulties over several years impacting the timeliness of accounts preparation and the audit of historic Statement of Accounts with the 2019/20 accounts being concluded in January 2024. This has had a knock-on impact for subsequent years Statement of accounts.

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.'

Conclusion: Based on the work performed, we identified a significant weakness in the Council's arrangements in 2020/21, 2021/22 and 2022/23 that we will be reporting by exception in relation to Governance.

Recommendation and management response: see Appendix B.

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 2021, 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.

Throughout the period 2020/21 to 2022/23, budget monitoring information has been reported to the Senior Leadership Team, the Finance Portfolio holder, Audit Committee and other Councillors on a quarterly basis.

The Council's performance management framework includes regular monitoring and reporting of performance. Key performance indicators are determined in conjunction with Portfolio holders and monitored throughout the year. Performance Data is reported to Senior Leadership Team and the Corporate Performance Panel on a quarterly basis. Feedback from all parties is provided and considered for prioritisation and action. The Senior Leadership Team have responsibility for taking action to meet performance expectations and be accountable for corrective action.

A Covid-19 Recovery Strategy was agreed by Council in October 2020, and this was monitored through the Corporate Performance Panel.

The Council has an in-house procurement team that maintains the Council's Contracts Register and support services in market testing and contract extensions to ensure compliance with legislation. Key contracts (e.g., Waste collection) are managed by the service and performance reported to Senior Leadership Team, Portfolio Holder, and Cabinet. Additionally key performance indicators are in place and monitored by the Corporate Performance Panel.

Conclusion: Based on the work performed, the Council had proper arrangements in place in 2020/21, 2021/22 and 2022/23 to enable it to plan and manage its resources to ensure that it can continue to deliver its services.



03 Appendices

Appendix A - Summary of arrangements

Financial Sustainability

We set out below the arrangements for the financial sustainability criteria covering the years 2020/21 to 2022/23.

Reporting Sub-Criteria

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

Findings

The Council prepares a Financial Plan annually for the medium term containing the forecasted financial position, significant financial challenges, and solutions to address identified budget gaps. There are portfolio holder discussions that are conducted to shape the financial objectives and identify associated risks. The development of financial plans and budget reports include feedback from a range of sources such as service demand, local priorities, efficiency needs, new legislation and staffing.

During 2020/2021 the Council was required to undertake regular review and assessment of the financial impact of the pandemic on the Council's finances. This included additional monitoring returns to MHCLG and regular updates on cashflow forecasts. This was used in the Sales, Fees and Charges Scheme to claim funding from Government to support the Council's loss of income during the period. A revised budget was approved by Council during the year with an estimated drawdown from reserves to fund the budget of £1.258m.

For 2021/22 and 2022/23 measures were put in place by the Council to help create robust planning and control cycles. This included calendars for developing and submitting plans and reports, the performance and risk management frameworks, corporate policy guidance, and equality impact assessments. The Financial Plan is consistent with the corporate business plan and annual budget setting guidance is issued to service managers to inform service planning.

The 2020/21 budget approved by Council on 27 February 2020 approved expenditure for the year of £22.17m and funding of £21.82m showing a funding gap of £0.35m which was planned to be met by a contribution from the general fund reserve. The 2020/21 outturn showed that the final position for the year was a surplus with no funding gap due to reduced spend of £15.72m and a net contribution to the General Fund reserve of £0.61m.

The 2021/22 budget approved by Council on 25 February 2021 approved expenditure for the year of £21.47m and funding of £21.72m showing a funding surplus of £0.25m. The 2021/22 outturn showed that the final position for the year was a surplus with a reduced spend of £20.29m and a net contribution to General Fund reserve of £0.29m.

The 2022/23 budget approved by Council on 23 February 2022 approved expenditure for the year of £21.03m and funding of £21.55m showing a funding surplus of £0.53m. The 2022/23 outturn showed that the final position for the year was a surplus with a reduced spend of £19.69m and a net contribution to General Fund reserve of £0.66m.

Appendix A - Summary of arrangements

Financial Sustainability

We set out below the arrangements for the financial sustainability criteria covering the years 2020/21 to 2022/23.

Reporting Sub-Criteria

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

Findings

In 2020/21, the pandemic created significant uncertainty for the Council on its financial sustainability in the short term with expectations that there would be some residual impact in the longer term. The council suspended its cost management plan during this time to focus resource on responding to the pandemic. A commitment to pay an upfront pension contribution was also reversed to assist with potential short term cashflow implications. The response to the pandemic changed the activity levels in some service areas resulting in reduced expenditure in non-essential service areas. In contrast to this there was increased spend in those service areas that were critical in the response to the pandemic and staff were diverted to assist where possible. A revised budget was approved by Council during the year with an estimated drawdown from reserves to fund the budget of £1.258m. The final outturn position was a drawdown from reserves of £1.083m (leaving an estimated balance of £8.998m to support the MTFs) with a further £1.69m set aside in earmarked reserves for future activity/service requirements.

The Council prepares its Financial plan annually, which estimates the level of expenditure and income by service area over the medium term (5 years). From this assessment the Council determines the level of funding gap in any given year.

The 2021-26 Financial Plan shows no funding gaps in 2021/22 or 2022/23. The plan however shows funding gaps in the medium term in 2023/24 (of £2.8m), 2024/25 (of £3.4m) and 2025/26 (of £4.3m). The 2021-26 Financial Plan shows that the Council has sufficient General fund reserves above the Section 151 officers' minimum level to meet the funding gaps in 2023/24, 2024/25 and for £2.0m of the 2025/26 gap. Resulting in a residual funding gap in 2025/26 of £2.3m.

In response to the funding gaps, in 2021/22 the Council's Cost Reduction and Income Generation Plan was revisited. In 2021/22 and 2022/23 the Council's plans focused on the delivery of major corporate capital projects to generate additional/new income. The Council's review of reserves in 2022/23 resulted in a release of funds of £3m and this has been set aside for investment in proposals to meet the funding gaps and the review of the capital programme also rephased the projects and funding streams considering the resource and capacity levels in the Council.

Appendix A - Summary of arrangements

Financial Sustainability

We set out below the arrangements for the financial sustainability criteria covering the years 2020/21 to 2022/23.

Reporting Sub-Criteria

Findings

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

The Corporate Plan sets out the strategic priorities for the Council and these are reflected in service plan objectives. The budget setting process is a collaborative process across the Council that captures key projects/workstreams to be included in the financial plan that underpins the delivery of the corporate plan. The financial plan sets out several assumptions around the projection of costs and income over the medium term for both revenue and capital budgets. Each directorate has a finance officer allocated to them to support them with management of their respective budgets. This involves regular meetings to discuss their financial position which is reflected through the budget monitoring and budget setting process.

The reduction in spend against the revised budget for 2020/2021 resulted in a revised General Fund Reserve on 31 March 2021 of £8.998m. This is well above the minimum reserve requirement level of £1.071m (5% of the budget requirement for the year).

The General Fund Reserve on 31 March 2022 was £8.696m. This being above the minimum reserve requirement level of £1.09m (5% of the budget requirement for the year).

The General Fund Reserve on 31 March 2023 was £9.645m, an increase from £8.696m at 31 March 2022 remaining above the minimum reserve requirement level of £1.08m (5% of the budget requirement for the year).

Appendix A - Summary of arrangements

Financial Sustainability (continued)

We set out below the arrangements for the financial sustainability criteria covering the years 2020/21 to 2022/23.

Reporting Sub-Criteria	Findings
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 setting process is a collaborative process across the council. The process allows for regular reporting and discussion at Senior Leadership Team meetings so that Assistant Directors and Management Team can incorporate emerging matters to be considered as part of the financial plan. The financial planning incorporates the savings plans identified, the staffing plan, the capital plan and treasury management considerations to develop the Medium Term Financial Strategy which is prefaced on the objectives identified in the Corporate Plan. Various officer meetings take place with representation from other authority/public bodies which allow for engagement on operational delivery that may impact on the Council's finances. The Council monitors and reports its performance on a quarterly basis.
How the body identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans	Risk management is embedded within the Council's financial planning arrangements. The financial plan sets out the risk around budget assumptions such as cost and pay inflation, future funding uncertainties, interest rates and service demand pressures. These assumptions are reviewed by the management team and subsequently approved by Members. The budget monitoring and reporting process will then pick up in year risks and challenges in year including changes to the economic outlook and other key factors such as inflation and interest rate. The Council also regularly monitors and reports its key performance indicators through the Corporate Performance Panel.

Appendix A - Summary of arrangements

Governance

We set out below the arrangements for the governance criteria covering the years 2020/21 to 2022/23.

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 Policy and Risk Management Strategy are approved by the Council. The Corporate Risk Register is updated on a four monthly cycle by the Senior Corporate Governance and Risk Officer in consultation with Assistant Directors and Executive Directors. The risk register is then reviewed and updated by each Assistant Director and reported to Senior Leadership Team and Audit Committee.

Internal Audit set out the Strategic Audit Plan for the next four years and the Annual Audit Plan for the forthcoming year. These are agreed with Senior Leadership Team and approval at Audit Committee each year. The Senior Internal Auditor will present regular updates on delivery of the audit plan and implementation of recommendations to the Senior Leadership Team and Audit Committee during the year.

For 2020/21, 2021/22 and 2022/23, the Head of Internal Audit issued a 'reasonable assurance' opinion for each year in relation to the framework of governance, risk management and control at the Council.

The Internal Audit function includes provision for a Fraud Officer who carries out various functions in relation to fraud and error prevention, and detection. This includes the National Fraud Initiative exercises, debt tracing activities, and the Norfolk Fraud Hub which carries out data matching across Norfolk authorities and shares best practice and emerging new threats/risks. A report on findings is presented to Audit Committee twice a year.

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

The Council prepare a timetable for the budget setting process that includes reporting and updates to Senior Leadership Team, budget development sessions with Councillors, and other consultation sessions (including businesses and the voluntary sector). This informs the preparation of the Medium-Term Financial Plan and the Annual Budget that is considered and approved by Cabinet and Council in February each year.

The Medium-Term Financial Plan sets out the financial projections for the next four years based on assumptions including cost and pay inflation, future Government Funding and other income streams available to the Council.

Appendix A - Summary of arrangements

Governance

We set out below the arrangements for the governance criteria covering the years 2020/21 to 2022/23.

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>All budget lines are allocated to a named budget officer who is responsible for controlling spend against that budget and the assets used in the provision of their service. Monitoring and delivery of Council spending to budget is a high priority target in the performance management framework for individual managers.</p> <p>The Council's finance team circulate month end reports to Assistant Directors and Budget Managers. Service Accountants undertake a review of month end data and review anything they feel needs investigation or explanation with the budget manager. The Council have risk rated services to ensure that some higher risk services receive monthly meetings with their service accountants whilst other lower risk activities will receive a bi-monthly or quarterly meetings. Quarterly budget monitoring reports are presented to the Audit Committee.</p> <p>For 2020/21, 2021/22 and 2022/23 the Council have been unable to publish its Statement of accounts by the deadlines outlined in the Accounts and Audit Regulations 2015 with 2020/21 being published 5/11/2021 (deadline 31/8/2021), 2021/22 being published 1/08/2022 (deadline 31/07/2022), and the 2022/23 statement of accounts remaining unpublished as at the date of this report in June 2024 (deadline 31/07/2023).</p> <p>Councils are required to advertise a public inspection notice for the Statement of Accounts and the Annual Governance Statement for each financial year. For 2020/21 and 2021/22 the requirement of this notice as per the Accounts and Audit regulations 2015 were not met as the Annual Governance Statements for these years were not released until after the inspection periods were initially set and as such the Council is required to readvertise their public inspection notice for the financial years 2020/21 and 2021/22.</p> <p>From our review of the draft Statement of accounts we have identified:</p> <ul style="list-style-type: none">• No entries have been made into the financial statements relating to any valuation adjustments on Plant, Property and Equipment and Investment Properties as required by the CPIFA Accounting Code.• Bank reconciliations were not prepared and reviewed in a timely manner for the year end:<ul style="list-style-type: none">• the 2020/21 bank reconciliation was prepared 23/2/22 with sign off and review on the 4/4/2024, this is after the draft Statement of Accounts had been prepared;• the 2021/22 bank reconciliation was prepared 10/8/22 with sign off and review on the 4/4/2024, this is after the draft Statement of Accounts had been prepared; and• the 2022/23 bank reconciliation being prepared on 24/4/23 but not reviewed until the 3/8/2023.

Appendix A - Summary of arrangements

Governance (continued)

We set out below the arrangements for the governance criteria covering the years 2020/21 to 2022/23.

Reporting Sub-Criteria

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 (Continued)

Findings

- The Cash and Cash Equivalents figure in the Statement of Accounts being different to the balance in the bank reconciliation as the Council's general ledger had not been closed resulting in transactions being posted back into the relevant years after the Statement of Accounts had been prepared. This indicates that the Cash and Cash Equivalent figure in the draft 2020/21 and 2021/22 Statement of Accounts could be materially misstated.

The Council has faced ongoing operational and resourcing difficulties over several years impacting the timeliness of accounts preparation and the audit of historic Statement of Accounts with the 2019/20 accounts being concluded in January 2024. This has had a knock-on impact for subsequent years Statement of accounts.

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.'

Appendix A - Summary of arrangements

Governance (continued)

We set out below the arrangements for the governance criteria covering the years 2020/21 to 2022/23.

Reporting Sub-Criteria

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

Findings

Quarterly budget monitoring reports are presented to the Audit Committee (the committee defined as Those Charged with Governance at the Council). The Finance Portfolio Holder has input to the quarterly budget monitoring report before it is published to all Councillors, allowing questions and review by all. The Audit Committee terms of reference are in line with the CIPFA guidelines.

The Council prepares and presents quarterly finance monitoring reports to Cabinet. These reports compare the performance of the Council against the budget, including treasury management performance. As part of this, areas where expenditure is exceeding plans are identified, there is an expectation that remedial action is taken to improve budgetary performance. In relation to the use of performance information, and how this is used to identify areas for improvement.

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 'Officers Code of Conduct' and the 'Members Code of Conduct' sets out regulatory requirements and behaviour expectations. This also provides guidance on accepting gifts and hospitality. There are terms of reference for each Committee setting out responsibilities. Members interests are recorded and maintained within a formal register and any conflicts of interest must be declared at the start of each meeting so that the member does not participate in decision making for any item for which they have a conflict of interest.

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.

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 years 2020/21 to 2022/23.

Reporting Sub-Criteria	Findings
How financial and performance information has been used to assess performance to identify areas for improvement.	<p>Throughout the period 2020/21 to 2022/23, monthly budget monitoring information has been reported to the Senior Leadership Team, the Finance Portfolio holder, Audit Committee and other Councillors received quarterly monitoring information.</p> <p>Performance data is reported to Senior Leadership Team and Corporate Performance Panel on a quarterly basis. Feedback from all parties is provided and considered for prioritisation and action.</p> <p>The Senior Leadership Team have responsibility for taking action to meet performance expectations and be accountable for corrective action.</p>
How the body evaluates the services it provides to assess performance and identify areas of improvement.	<p>The Council's performance management framework includes regular monitoring and reporting of performance. Key performance indicators are determined in conjunction with Portfolio holders and monitored throughout the year. Performance Data is reported to Senior Leadership Team and the Corporate Performance Panel on a quarterly basis. Feedback from all parties is provided and considered for prioritisation and action. The Senior Leadership Team have responsibility for taking action to meet performance expectations and be accountable for corrective action.</p> <p>A Covid-19 Recovery Strategy was agreed by Council in October 2020, and this was monitored through the Corporate Performance Panel.</p>

Appendix A - Summary of arrangements

Improving economy, efficiency and effectiveness (continued)

We set out below the arrangements for improving economy, efficiency and effectiveness criteria covering the years 2020/21 to 2022/23.

Reporting Sub-Criteria	Findings
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 Annual Governance Statement (AGS) for each year details the numerous partnership and joint working arrangements in which the Council is involved. A list of the Council's partnerships and joint working arrangements is shown in appendix D of the AGS and section 12 of that document details key partnership working including the companies owned by the Council.</p> <p>The Council has interests in a number of Council owned Companies namely Alive West Norfolk, West Norfolk Housing Company Ltd and West Norfolk Property Ltd. At the time of this interim report, we have an outstanding question to management regarding the governance arrangements and structure of the companies.</p> <p>Managers within services are responsible for managing contracts and Service Level Agreements. For the Council owned companies, the Council has positions on the company boards and reports back to Council via the Corporate Performance Panel and Senior Leadership Team.</p>
Where the body commissions or procures services, how the body ensures that this is done in accordance with relevant legislation, professional standards and internal policies, and how assesses whether it is realising the expected benefits.	<p>The Council has 'Financial Regulations', 'Contract Standing Orders' and a 'Procurement Strategy' that follow the relevant legislation and are updated regularly.</p> <p>The Council has an in-house procurement team that maintains the Council's Contracts Register and support services in market testing and contract extensions to ensure compliance with legislation.</p> <p>Key contracts (e.g., Waste collection) are managed by the service and performance reported to Senior Leadership Team, Portfolio Holder, and Cabinet. Additionally key performance indicators are in place and monitored by the Corporate Performance Panel.</p>

Appendix B – Recommendations and Management Response

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

We identified a significant weakness in the Council's arrangements in 2020/21, 2021/22 and 2022/23 regarding 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.'

Recommendations

We recommend that the Authority assesses the responsibilities and resource requirements of its finance function to ensure the Council has effective processes and systems to support its statutory financial reporting requirements.

Management Response

1. For 2020/21, 2021/22 and 2022/23 the Council have been unable to publish its Statement of accounts by the deadlines outlined in the Accounts and Audit Regulations 2015 with 2020/21 being published 5/11/2021 (deadline 31/8/2021), 2021/22 being published 1/08/2022 (deadline 31/07/2022), and the 2022/23 statement of accounts remaining unpublished as at the date of this report in June 2024 (deadline 31/07/2023).

Response:

We acknowledge that the statutory deadlines have not been met during this period and are committed to ensure that statutory deadlines in future years are complied with. Officers have continued to work with EY during these periods to support and finalise the audit for both 2018/19 and 2019/20 statements of accounts. These audits have been resource intensive and there have been resourcing issues at both EY and the Council which has impacted on the timely delivery of the audits and subsequent statutory deadlines. Officers have liaised with EY on timescales to manage expectations and direct resource appropriately to key priorities. Management Team and Audit Committee have also been kept informed of progress during this time.

Action taken:

All draft Statement of Accounts up to and including 2022/23 are now published on the councils website. Link:

Inspection of accounts | Inspection of accounts | Borough Council of King's Lynn & West Norfolk (west-norfolk.gov.uk)

Appendix B – Recommendations and Management Response

Management Response (Continued)

2. Councils are required to advertise a public inspection notice for the Statement of Accounts and the Annual Governance Statement for each financial year. For 2020/21 and 2021/22 the requirement of this notice as per the Accounts and Audit regulations 2015 were not met as the Annual Governance Statements for these years were not released until after the inspection periods were initially set and as such the Council is required to readvertise their public inspection notice for the financial years 2020/21 and 2021/22.

Action taken:

Annual Governance Statements for each year up to and including 2022/23 are now published on the councils website alongside the draft statement of accounts with the required notice for public inspection (link as above).

3. Valuation Adjustments on Plant, Property, and Equipment and Investment Properties

Response:

We acknowledge the audit comment regarding the absence of entries related to valuation adjustments on Plant, Property, and Equipment and Investment Properties in the financial statements. Per the CIPFA Accounting Code, it is essential to accurately reflect these adjustments to ensure compliance and provide a true and fair view of the financial position.

Action Taken:

- ▶ We have engaged a member of the team to conduct comprehensive valuation updates for all years.
- ▶ The valuation adjustments are now incorporated into the draft financial statements published for 2022/23 and will be up to date for the 2023/24 fiscal year when that is published shortly.
- ▶ Moving forward, we will ensure that valuations are updated annually and reflected in the financial statements as required by the CIPFA Accounting Code.

Appendix B – Recommendations and Management Response

Management Response (Continued)

4. Timeliness of Bank Reconciliations

Response:

We recognise the importance of timely preparation and review of bank reconciliations to maintain accurate financial records and internal controls. The delays in the preparation and review of bank reconciliations for the years 2020/21, 2021/22, and 2022/23 are noted and acknowledged. A point to note is that the misstatement of cash and cash equivalents would have been due to account mapping rather than errors on the bank reconciliations.

Action Taken:

- ▶ We have implemented a policy of monthly bank reconciliations to ensure that any discrepancies are identified and addressed promptly.
- ▶ A dedicated team has been assigned to oversee the preparation and review of bank reconciliations to ensure they are completed in a timely manner.
- ▶ We have established a timeline for the preparation and review of bank reconciliations to ensure they are completed before the draft Statement of Accounts is prepared.

Conclusion

We are committed to improving our financial reporting processes and ensuring compliance with all relevant accounting standards. The actions outlined above demonstrate our commitment to addressing the audit comments and enhancing the accuracy and timeliness of our financial statements.

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