

# Audit and Risk Committee

21 September 2021

Agenda item number 9

## Audit plan addendum – Value for Money Risk Assessment

Report by Chief Financial Officer

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### Summary

This report appends the amended audit plan which provides the committee with an update on Ernst and Young's Value for Money (VFM) risk assessment.

### Recommendation

That the addendum is noted.

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## 1. Introduction

- 1.1. The provisional Audit Plan for the 2020/21 audit by Ernst and Young (EY) was considered by this committee on 20 July where it was highlighted that the VFM risk assessment would require completion. This has now been updated and can be found in appendix 1.
- 1.2. A representative from EY will be attending the meeting to introduce the addendum and answer any questions.

Author: Emma Krelle

Date of report: 10 September 2021

Appendix 1 – Audit Plan Addendum - VFM Risk Assessment - 7 September 2021

# **Broads Authority**

## **Audit Plan Addendum - VFM Risk Assessment**

Year ended 31 March 2021

7 September 2021



7 September 2021



Audit and Risk Committee  
Broads Authority  
62-64 Thorpe Road  
Norwich  
Norfolk  
NR1 1RY

Dear Audit and Risk Committee Members,

**Audit Plan Addendum - VFM Risk Assessment**

We are pleased to attach our Audit Plan Addendum - VFM Risk Assessment, ahead of the upcoming meeting of the Audit and Risk Committee.

The purpose of this report is to provide the Audit and Risk Committee with an update on our VFM Risk Assessment, which we flagged as requiring completion in our Provisional Audit Plan dated 23 June 2021.

The Governance and Audit Committee should note that there are no other changes to our planned audit approach and risk assessment that we set out in the Provisional Audit Plan dated 23 June 2021.

Yours faithfully

*Mark Hodgson*

Mark Hodgson  
For and on behalf of Ernst & Young LLP  
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# Value for Money Risks



## Value for money

### Broads Authority's responsibilities for value for money

The Authority is required to maintain an effective system of internal control that supports the achievement of its policies, aims and objectives while safeguarding and securing value for money from the public funds and other resources at its disposal.

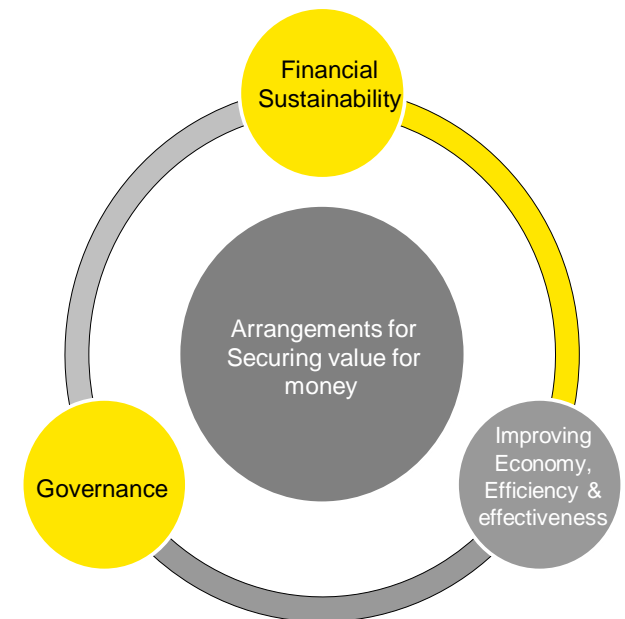
As part of the material published with its financial statements, the Authority is required to bring together commentary on its governance framework and how this has operated during the period in a governance statement. In preparing its governance statement, the Authority tailors the content to reflect its own individual circumstances, consistent with the requirements of the relevant accounting and reporting framework and having regard to any guidance issued in support of that framework. This includes a requirement to provide commentary on its arrangements for securing value for money from their use of resources.

### Auditor responsibilities under the new Code

Under the 2020 Code we are still required to consider whether the Authority has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. However, there is no longer overall evaluation criterion which we need to conclude on. Instead the 2020 Code requires the auditor to design their work to provide them with sufficient assurance to enable them to report to Authority a commentary against specified reporting criteria (see below) on the arrangements the Authority has in place to secure value for money through economic, efficient and effective use of its resources for the relevant period.

The specified reporting criteria are:

- Financial sustainability  
How the Authority plans and manages its resources to ensure it can continue to deliver its services;
- Governance  
How the Authority ensures that it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness:  
How the Authority uses information about its costs and performance to improve the way it manages and delivers its services.





# Value for money risks

## Planning and identifying VFM risks

The NAO's guidance notes require us to carry out a risk assessment which gathers sufficient evidence to enable us to document our evaluation of the Authority's arrangements, in order to enable us to draft a commentary under the three reporting criteria. This includes identifying and reporting on any significant weaknesses in those arrangements and making appropriate recommendations. This is a change to 2015 Code guidance notes where the NAO required auditors as part of planning, to consider the risk of reaching an incorrect conclusion in relation to the overall criterion.

In considering the Authority's arrangements, we are required to consider:

- The Authority's governance statement
- Evidence that the Authority's arrangements were in place during the reporting period;
- Evidence obtained from our work on the accounts;
- The work of inspectorates and other bodies and
- Any other evidence source that we regard as necessary to facilitate the performance of our statutory duties.

We then consider whether there is evidence to suggest that there are significant weaknesses in arrangements. The NAO's guidance is clear that the assessment of what constitutes a significant weakness and the amount of additional audit work required to adequately respond to the risk of a significant weakness in arrangements is a matter of professional judgement. However, the NAO states that a weakness may be said to be significant if it:

- Exposes - or could reasonably be expected to expose - the Authority to significant financial loss or risk;
- Leads to - or could reasonably be expected to lead to - significant impact on the quality or effectiveness of service or on the Authority's reputation;
- Leads to - or could reasonably be expected to lead to - unlawful actions; or
- Identifies a failure to take action to address a previously identified significant weakness, such as failure to implement or achieve planned progress on action/improvement plans.

We should also be informed by a consideration of:

- The magnitude of the issue in relation to the size of the Authority;
- Financial consequences in comparison to, for example, levels of income or expenditure, levels of reserves (where applicable), or impact on budgets or cashflow forecasts;
- The impact of the weakness on the Authority's reported performance;
- Whether the issue has been identified by the Authority's own internal arrangements and what corrective action has been taken or planned;
- Whether any legal judgements have been made including judicial review;
- Whether there has been any intervention by a regulator or Secretary of State;
- Whether the weakness could be considered significant when assessed against the nature, visibility or sensitivity of the issue;
- The impact on delivery of services to local taxpayers; and
- The length of time the Authority has had to respond to the issue.



## Value for money risks

### Responding to identified risks

Where our planning work has identified a risk of significant weakness, the NAO's guidance requires us to consider what additional evidence is needed to determine whether there is a significant weakness in arrangements and undertake additional procedures as necessary, including where appropriate, challenge of management's assumptions. We are required to report our planned procedures to the audit committee.

### Reporting on VFM

In addition to the commentary on arrangements, where we are not satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources, the 2020 Code has the same requirement as the 2015 Code, in that we should refer to this by exception in the audit report on the financial statements.

However, a new requirement under the 2020 Code is for us to include the commentary on arrangements in a new Auditor's Annual Report. The 2020 Code states that the commentary should be clear, readily understandable and highlight any issues we wish to draw to the Authority's attention or the wider public. This should include details of any recommendations arising from the audit and follow-up of recommendations issued previously, along with our view as to whether they have been implemented satisfactorily.

### Value for money (VFM) risk assessment

We have concluded our detailed VFM planning and risk assessment.

We have based our assessment on a combination of our cumulative audit knowledge and experience, our review of Committee reports and policies the Authority has in place, meetings with key officers, and the evaluation of associated documentation through our regular engagement with Authority management and the finance team.

As a result of this work, we have not identified any risks of significant weaknesses in the Authority's arrangements. As a result we have no risk based procedures to carry out. We will revisit the risk assessment prior to issuing the audit opinion on the 2020/21 accounts and at this stage anticipate having no matters to report on VFM.

We plan to issue the VFM commentary, as required under the new Code, in October 2021, within our Auditor's Annual Report.