



## Report to Audit & Governance Committee

<b>Date:</b>	24 March 2021
<b>Title:</b>	<b>Value for Money Arrangements</b>
<b>Relevant councillor(s):</b>	Cllr Katrina Wood
<b>Author and/or contact officer:</b>	Richard Ambrose, Service Director - Corporate Finance
<b>Ward(s) affected:</b>	None specifically
<b>Recommendations:</b>	<b>To note the new arrangements around assessing value for money for the 2020/21 financial year.</b>
<b>Reason for decision:</b>	To understand the new arrangements for assessing value for money relating to 2020/21.

### **1. Content of report**

- 1.1 The National Audit Office (NAO) have recently published the Code of Audit Practice for 2020. This recognises that the current work that local auditors do in respect to the Value for Money (VfM) conclusion does not add much value to audited bodies.
- 1.2 The new Code of Audit Practice sets out an overall framework for VfM work and this will apply to the 2020/21 audits of financial statements. Furthermore, an updated Auditor Guidance Note has been drafted, which sets out detailed guidance on what VfM work needs to be performed. This is currently out for public consultation although no significant changes are expected.

- 1.3 The new approach to VfM re-focuses the work of local auditors to:
- ✓ promote more timely reporting of significant issues to local bodies;
  - ✓ provide more meaningful and more accessible annual reporting on VfM arrangement issues in key areas;
  - ✓ provide a sharper focus on reporting in the key areas of financial sustainability, governance, and improving economy, efficiency and effectiveness; and
  - ✓ provide clearer recommendations to help local bodies improve their arrangements.
- 1.4 Under the new Code, the NAO have devised three specified reporting criteria to help auditors structure their commentary on VfM arrangements. These are governance, financial sustainability and improving economy, efficiency and effectiveness. Auditors will need to report their conclusions on each of these three criteria.
- 1.5 External auditors will now need to publish an Auditor's Annual Report, which will be different to the old annual audit letter. The aim is that this new document will have far more impact. It will include: -
- Commentary on arrangements – allows auditors to better reflect local context and draw attention to emerging or developing issues. It will also include their risk-based work;
  - Recommendations – where there are significant weaknesses identified. It will include the auditor's judgement of the weaknesses and the evidence on which the view has been based;
  - Progress in implementing recommendations – from the previous year;
  - Use of additional powers – such as issuing a public interest report;
  - Opinion of the financial statements – summary of what the opinion audit found.
- 1.6 Conversations with our external auditors, Grant Thornton, have taken place and they have highlighted that they will need to speak to a range of officers / members but do expect to be able to consider the work of internal audit and so hope not to have to duplicate any work. They will also share with us the sort of documents / working papers that they are likely to need to carry out their work although they would expect much of this to already exist. Grant Thornton have produced some slides that they would like to discuss with the Audit & Governance Committee (see appendix).
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## **2. Legal and financial implications**

- 2.1 It is likely that audit fees will be increased in the range of 10% to 20% to reflect the additional VfM work that needs to be performed. Further increases may be needed for those audited bodies that have more risk of significant weaknesses. There has been a government announcement of some additional funding (£15m) for local authorities but this may not fully cover the additional fees charged.
- 2.2 There are no legal implications arising from the report.

## **3. Corporate implications**

- 3.1 The external auditors will need to speak to a selection of Officers from across the authority. An action plan in response to any recommendations made will need to be formulated and monitored against.

## **4. Local councillors & community boards consultation & views**

- 4.1 N/A

## **5. Communication, engagement & further consultation**

- 5.1 N/A

## **6. Next steps and review**

- 6.1 Any further guidance and/or identification of evidence required will be shared with the Committee.

## **7. Background papers**

Appendix 1 – Value for Money update for Audit Committee on new arrangements 2020-21.

