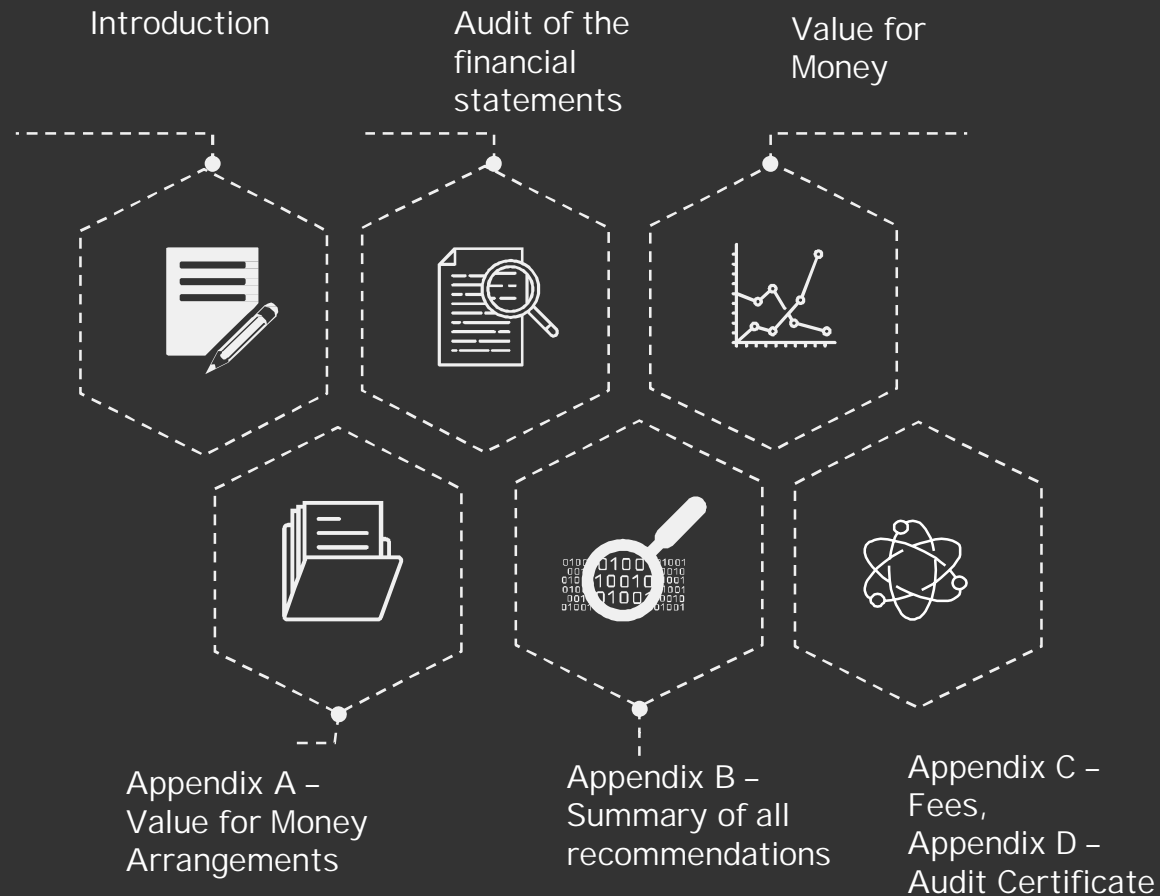


The background image shows a modern, multi-story building with a glass facade. The interior is visible through the glass, showing a bright, open-plan space with a polished floor that reflects the ceiling lights. The ceiling has recessed lighting fixtures. The glass panels are held together by dark metal frames. The overall atmosphere is clean, professional, and contemporary.

Havant Borough Council Auditor's Annual Report

Year ended 31 March 2022

Contents



Public Sector Audit Appointments Ltd (PSAA) issued the “Statement of responsibilities of auditors and audited bodies”. It is available from the PSAA website (<https://www.psa.co.uk/audit-quality/statement-of-responsibilities/>). The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The “Terms of Appointment and further guidance (updated July 2021)” issued by the PSAA 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 and Finance Committee and management of Havant Borough Council in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Audit and Finance Committee and management of Havant Borough 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 and Finance Committee and management of Havant Borough 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.



Introduction

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 value for money (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 2021/22 audit work in accordance with the Audit Plan that we issued on 14 March 2023. We have complied with the National Audit Office's (NAO) 2020 Code of Audit Practice, other guidance issued by the NAO and International Standards on Auditing (UK).

As auditors we are responsible for:

Expressing an opinion on:

- The 2021/22 financial statements;
- Conclusions relating to going concern; and
- The consistency of other information published with the financial statements, including the narrative statement.

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, narrative statement and annual governance statement. It is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.



Introduction (continued)

2021/22 Conclusions

Financial statements	Unqualified – the financial statements give a true and fair view of the financial position of the Council as at 31 March 2022 and of its expenditure and income for the year then ended. We issued our auditor's report on 13 June 2024.
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 the other information published with the financial statement	Financial information in the narrative statement and published with the financial statements was consistent with the audited accounts.
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 03.
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.
Whole of government accounts	We have performed the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts submission.
Certificate	We will be able to issue our certificate once the NAO have confirmed whether there are any additional group audit procedures required as part of the Whole of Government Accounts submission.



Audit of the financial statements

Key findings

The Statement of Accounts is an important tool for the Council to show how it has used public money and how it can demonstrate its financial management and financial health.

On 13 June 2024, we issued an unqualified opinion on the financial statements. We reported our interim findings to the 30 October 2023 Audit and Finance Committee meeting. We presented our final Audit Results Report to the Audit and Finance Committee in March 2024. 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. We did not report any internal control recommendations or areas for improvement in the control environment in the Audit Results Report.

Significant risk

Conclusion

Risk of fraud in revenue and expenditure recognition - 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.

From our risk assessment, we have assessed that the risk manifests itself through the potential to inappropriately capitalise revenue expenditure to improve the financial position of the general fund.

We have not identified any material weaknesses in controls or evidence of material management override. We tested a sample of Property, Plant and Equipment (PPE) additions and confirmed they met the capitalisation requirements under IAS16. We reviewed expenditure classified as Revenue expenditure funded from capital under statute (REFCUS) and identified one item incorrectly classified relating to the installation of a new artificial bowls surface amounting to £166k for an asset the Council owned. Management have agreed to process a correction to the statement of accounts.

We deemed this to be an error rather than fraud as the expenditure was appropriate to capitalise but as PPE and not REFCUS. We have not identified any other instances of inappropriate judgements being applied.

Misstatements due to fraud or error - management override of controls

Our work did not identify any material weaknesses in the design of controls or evidence of material misstatements, whether due to fraud or error, related to the inappropriate capitalisation of revenue expenditure. Our work did not identify any instances of inappropriate judgements being applied.

Our work did not identify any other transactions during our audit which appeared unusual or outside the Council's normal course of business.

We have not identified any unusual or unsupported journals, or other adjustments made in preparing the financial statements.

Audit of the financial statements

Significant risk	Conclusion
Valuation of Investment Property	<p>Investment Properties (IP) represent significant balances in the Council's accounts and are subject to valuation changes, material judgemental inputs and estimation techniques are required to calculate the balances held in the balance sheet.</p> <p>The risk is heightened for traditional retail assets due to market difficulties.</p> <p>Of the 19 properties selected for testing, four properties with a gross valuation of £5.155m had yield assumptions which were not in line with our expectations for these types of properties. Furthermore, we also identified one property with a gross valuation of £2.04m where the floor area used in the calculation did not match the floor area obtained from the letting agency. These differences in assumptions resulted in a total overstatement of £232k and a total understatement of £143k, resulting in a net overstatement of £89k.</p> <p>There are no other issues which we wish to draw to your attention from the results of our testing.</p>
Other risks / areas of audit focus	Conclusion
Valuation of Land & buildings	<p>Local testing of a sample of car parks noted that operating and maintenance costs applied for four car parks were above the upper end of our range resulting in an extrapolated understatement of £487k. For future valuation exercises in relation to car parks, we recommend that management provide the valuer with actual operating and maintenance costs to inform their valuations and challenge the valuations when such costs are based methods other than actual costs.</p> <p>We referred Havant Bust Station with a valuation of £585k to our specialists as this asset was valued using an Existing Use Value (EUV) valuation method where our expectation would be that this type of asset would be valued using Depreciated Replacement Cost (DRC) methodology as a specialist asset. Whilst these assets ultimately fell within our expected ranges, our specialists concluded that a more appropriate methodology for the bust station would be a DRC approach and we recommend management challenge the methodology were it to be applied in further valuation exercises.</p> <p>We also identified an incorrect income figure used to determine the valuation of beach huts which resulted in an understatement of £547k. The income schedules provided for audit did not agree to the income figures used by the Council's external valuer.</p> <p>Recommendation:</p> <ul style="list-style-type: none">• Provide the valuer with actual operating and maintenance costs for the Council's car parks.• If actual costs are not used, challenge the valuer and ensure you review the evidence behind their assumptions, and make sure this evidence is available for the audit.• Specialised assets such as Bus stations or similar should be valued using a DRC approach rather than an EUV approach.



Audit of the financial statements

Other risks / areas of audit focus	Conclusion
Pension Liability valuation	<p>The Code of Accounting Practice requires extensive disclosures regarding the Council's pension liability balances. The accounting requires significant estimation and judgement, with management engaging an actuary to undertake the calculations on their behalf.</p> <p>As the audit was not completed by 31 March 2023, management needed to take account of the completed 2022 triennial valuation. Management commissioned an updated IAS 19 report from their actuary, processing this change within the financial statements, being a decrease in the pension liability of £1,399m.</p> <p>Due to the above we performed additional procedures. This work included additional membership testing (completed at the Pension Fund level) and obtaining updated assurances from PWC as the consulting actuaries. We are satisfied that the updated assumptions within the revised report are supportable.</p> <p>There are no other issues from the results of our testing.</p>

We did not identify any risks of significant weaknesses in the Council's VFM arrangements for 2021/22.

Scope

We are required to report on whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. We have complied with the guidance issued to auditors in respect of their work on value for money arrangements (VFM) in the 2020 Code of Audit Practice (2020 Code) and Auditor Guidance Note 3 (AGN 03). We presented our VFM risk assessment to the 23 March 2023 Audit and Finance Committee meeting which was based on a combination of our cumulative audit knowledge and experience, our review of Council committee reports, meetings with the Chief Finance Officer and evaluation of associated documentation through our regular engagement with Council management and the finance team.

Reporting

We completed our risk assessment procedures and did not identify any significant weaknesses in the Council's VFM arrangements. We have also not identified any significant risks during the course of our audit. 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.

Our commentary for 2021/22 is set out over pages 9 to 11. The commentary on these pages summarises our conclusions over the arrangements at the Council in relation to our reporting criteria (see below) throughout 2021/22. Appendix A includes the detailed arrangements and processes underpinning the reporting criteria. These were reported in our 2020/21 Auditor's Annual Report and have been updated for 2021/22.

In accordance with the NAO's 2020 Code, we are required to report a commentary against three specified reporting criteria:

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	No significant risks identified	No significant weaknesses identified
Improving economy, efficiency and effectiveness: How the Council uses information about its costs and performance to improve the way it manages and delivers its services	No significant risks identified	No significant weaknesses identified

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



Value for Money (continued)

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

The council has appropriate arrangements in place to ensure financial sustainability.

The medium term financial strategy is updated annually, looking forward over a 4 year period.

During 2021/22, the MTFS in place was the “2021/22 to 2025/26 Medium Term Finance Strategy”. This was revised and approved in February 2021 by full Council and forecasted a deficit of £949k which includes a £987k contribution to earmarked reserves in 2022/23 and further deficits over the following 3 years of £6.292m cumulative which includes contributions of £2.961m over the same period.

Subsequent to the year we are assessing, the most recent update to the MTFS was for 2023/24 to 2027/28 and was approved by full Council in February 2023. The Five-Year Forecast indicates that there continues to be a number of spending pressures facing the Council over the coming years as core funding sources are expected to fall whilst unavoidable costs increase. A balanced budget was set for 2023/24 with no contributions from general fund reserves.

There are projected cumulative gaps in the subsequent years, in the region of:

- 2024/25 £0.06m
- 2025/26 £0.176m
- 2026/27 £0.252m
- 2027/28 £0.373m

These gaps will need to be addressed by the Council in the forthcoming periods, but the Council has a good track record of addressing gaps through their annual budget processes and putting in place arrangements to do so in advance of the annual budgets based on their forward projections.

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



Value for Money (continued)

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

The Council had arrangements in place to ensure it made informed decisions and properly managed its risks.

The Council maintains an internal audit service and the internal audit programme is provided by Southern Internal Audit Partnership, hosted by Hampshire County Council. The internal audit service has an annual audit plan based on a risk analysis carried out by the auditors each spring. This minimises the risk of fraud and error, and provides management with assurance that policies and procedures are robust.

An audit plan, based on a full risk evaluation, is approved annually. Progress against the audit plan is reported quarterly to the Audit and Finance Committee. Internal audit attend Corporate Governance Board every quarter to provide an update on progress of management actions. Any outstanding actions are reported to the management team to ensure that these are escalated where necessary and completed within a reasonable timescale.

The Council ensures that the roles and responsibilities for decision making and governance arrangements are defined and allocated, so that there is clear accountability for decisions made and actions taken. The Council does this by appointing a Leader and a Cabinet, which allocates specific executive responsibilities.

There are also a number of committees appointed to discharge regulatory and scrutiny functions. Each committee has clear terms of reference setting out roles and responsibilities. All leadership roles, the roles of key Officers and the Council's Scheme of Delegation are set out within the Council Constitution.

The Cabinet operates within the policy framework set by Full Council, and makes key decisions. Decisions made by Cabinet can be called in for review by the Overview & Scrutiny Committee. Decisions can also be made by Officers under delegated powers and reported to Councillors in line with the Council Constitution. Authority to make decisions is given in the Scheme of Delegation and by specific delegation by Cabinet or Council.

Risk is considered and recorded as part of the business planning process, and monitored throughout the year as part of the quarterly review of performance and financial management (quarterly performance report).

The Monitoring Officer and Chief Finance Officer maintain their legal responsibilities to ensure that the Council acts legally and within its financial means.

At the end of the year assessed, the Council approved the business case for managing the transition and withdrawal from the joint management and shared staffing arrangements with East Hampshire District Council. Management has recognised in the annual governance statement that a smooth transition is of critical importance and the need to ensure that the appropriate governance arrangements are put in place. Key actions for 2022/23 included the establishment of a transition team and clear work programme to move towards a standalone Council, a budget working group to review the budget and MTFs and a review of the current Corporate Governance Board to ensure it is fit for purpose.

Conclusion: Based on the work performed, the Council had proper arrangements in place in 2021/22 to enable it to make informed decisions and properly manage its risks.



Value for Money (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

The Council has arrangements in place to improve economy, efficiency and effectiveness. These derive from the Corporate Plan, setting out the Council's priorities and objectives. The Cabinet and senior management team monitors progress against the key projects, budgets and performance measures on a regular basis.

The Council monitors both financial and non-financial performance through the quarterly reporting process. Reports are provided to Cabinet and Audit and Finance Committee to review progress and uploaded onto the Council's website.

The budget monitoring and performance report highlights areas for improvement and considered actions. Any budgets that are forecast to vary from budget are highlighted in the quarterly report with supporting commentary and the performance report includes a RAG of Corporate Action Plan progress and key performance indicators and identifies where improvement actions are being taken.

A year end summary of performance is provided as part of the outturn report and Annual Statement of Accounts.

Major contracts have dedicated officers who monitor and report on performance of those partnerships. Performance is reported either through existing mechanisms within each partnership model and/or through the regular quarterly performance monitoring process.

Partnership governance is also reviewed by Internal Audit through its regular audit programme and also reported within the Annual Governance Statement.

In addition, resident surveys are held occasionally to gain insight and feedback on performance of the council from a residents perspective. This information is then fed into the corporate planning cycle.

The Council employs a Procurement team to assist with carrying out procurement processes and ensuring they met the relevant legislative and professional standards of procurement.

Services are required to liaise with the procurement team when undertaking significant purchasing decisions and ensure that the right process is followed. The procurement team provide guidance on templates to be completed. An electronic system for ordering or requesting quotes or tenders for any goods or service over £10,000 in value is in place and this is done through the PROACTIS ProContract Portal. This system provides user guides and ensures that relevant legislation, standards and processes are followed accordingly.

Internal Audit as part of their programme of work would routinely look at contract procurement and/or contract performance.

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

Appendices



Building a better
working world

Appendix A – Summary of arrangements

Financial Sustainability

Reporting Sub-Criteria	Findings
How the body ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them	<p>Risk areas are identified via regular monitoring and review as part of budget setting. These are built into the Medium Term Financial Strategy (MTFS) as appropriate. The MTFS is reviewed annually as part of the budget setting exercise. Assumptions are made on reductions on government funding, staffing inflation costs, other inflationary pressures and contract uplifts as well as any known service cost increases, such as additional expenditure on producing the Local Plan. The MTFS is a 5-year projection of net expenditure and funding sources with gaps highlighted, usually as a result of reduced funding from central government.</p> <p>There is a standing risk on the Corporate Risk Register, which is reviewed quarterly which covers the MTFS and highlights key mitigations that are taking place to manage that risk. Corporate Risks which may have a financial impact are also reviewed quarterly on the Corporate Risk Register.</p>
How the body plans to bridge its funding gaps and identifies achievable savings	<p>During the year the Council announced the proposed separation from its Joint Management Arrangements with East Hampshire District Council. As a result of that proposal a business case on the separation was drafted and this was reviewed by CIPFA. The CIPFA conclusion was that 'our overall conclusion is that the Council has the financial resources available to enable the delivery of the proposed separation of the two Councils. However, there are significant risks to the Council...'. The risks identified by CIPFA related to the work required to conduct the split and as such the necessary resources were put in place to manage the transition. In addition, a Budget Working Group was established as part of the budget setting papers in order to review the base budgets and look for to rebase the budget and set a new balanced MTFS. The Budget Working group was established as part of the 'Credible Plan' response to the budget setting work.</p>
How the body plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities	<p>The Council updated its Corporate Strategy and a new document was approved alongside the budget in February 2022. The new Corporate Strategy sets out the key strategic priorities and gives a timeframe for delivery. This work will be done by the established budget working group which forms part of the 'Credible Plan' response to the budget of 2022-23.</p>

Appendix A – Summary of arrangements

Financial Sustainability (Continued)

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	<p>These are considered as part of the budget setting work. The transformation programme has identified areas to review and these are done holistically within the areas of service delivery. Any papers coming forward which contain changes to operations or proposed agreement to new strategies are subject to a review and sign-off by firstly legal and finance officers and secondly by the Monitoring Officer and Section 151 Officer. Papers have a specific section on 'Additional Budgetary Implications' where details of any changes in budget requirements are outlined. The papers have detailed guidance which sets out what financial information is expected to be included and this is reviewed as above by finance officers and then signed off by the Section 151 Officer.</p> <p>The capital programme is approved as part of the budget setting process. Any new capital bids that come in during the year are subject to completion of a business case and review prior to being added to the approved Capital programme. Likely new capital bids are highlighted each year through the budget setting exercise and shown within the budget papers.</p> <p>Partnership budgets are agreed alongside the annual budget, any changes to partnership budgets would require the necessary report and approval. Partnership budgets are monitored through the regular budget monitoring process.</p>
How the body identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans	<p>Identified risks are consider at Executive Board and, where appropriate, at cabinet liaison. Unplanned risks, such as the pandemic, are monitored and considered as to whether they will have a significant financial impact. If required, financial resilience reserves are also available to be utilised at short notice.</p> <p>The Council has recently commissioned a report on financial resilience from Cipfa, in light of the decision to exit the joint management team arrangements with East Hampshire District Council. This report concluded there were adequate resources for future plans and service redesign. However, the report does highlight some significant risks in this regard which the Council will need to mitigate against. This includes the financial impacts and the need to provide a detailed proposal for the use of transformation reserves.</p>

Appendix A – Summary of arrangements (continued)

Governance

Reporting Sub-Criteria

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

Findings

Internal Audit (IA) have a programme of audits covering a number of areas across the organisation, in particular finance, in order to provide independent assurance. IA provides quarterly progress updates to the Audit and Finance Committee.

In addition, Corporate Governance Board (officers only) review all Internal Audit Management Actions and track progress at quarterly meetings in order to ensure actions are progressed in a timely manner. Outstanding management actions are reported through both the Internal Audit Quarterly Reports to Audit and Finance Committee as well as the Quarterly Performance Dashboard reported to All Member and published on the website: <https://www.havant.gov.uk/performance-and-strategy>

The Council has an Anti-fraud and Corruption Policy including a response plan: <https://havant.moderngov.co.uk/ecSDDisplay.aspx?NAME=SD953&ID=953&RPID=1964019>

The full suite of Governance policy can be viewed at: <https://havant.moderngov.co.uk/ecCatDisplay.aspx?sch=doc&cat=14206>

In addition the Annual Governance Statement (AGS) undertakes a questionnaire each year with staff which informs the production of the document. No change to previous process. The AGS also provides a full narrative of Governance matters and where to find information. The AGS is reviewed by the Audit and Finance Committee: [Agenda for Audit and Finance Committee on Thursday, 28th July, 2022, 5.00 pm | Havant Borough Council \(moderngov.co.uk\)](#).

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

The annual budget setting process follows a set timetable each year. Draft budgets are shared with Heads of Service and budget holders to review to identify pressures and savings and are then further scrutinised during the approval process.

The budget is reviewed by Cabinet, All Members are briefed, Overview & Scrutiny then have the opportunity to review and consider prior to final review by Cabinet and approval by Full Council.

Appendix A – Summary of arrangements (continued)

Governance (Continued)

Reporting Sub-Criteria	Findings
<p>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>	<p>The Council monitors both financial and non-financial performance through the quarterly reporting process. Each month budget holders are sent a request to complete their forecast for year-end spend against budget. At each quarter end a thorough review is undertaken by budget managers and finance business partners resulting in quarterly financial reporting provided to Councillors. In addition, non-financial information at quarter end is requested, for example progress against business plans and key performance indicators. This information, alongside the financial information forms the quarterly report pack of information. Reports are provided to Cabinet and Audit and Finance Committee to review progress and uploaded onto the Council's website: https://www.havant.gov.uk/performance-and-strategy</p> <p>Cabinet is presented with a pack of information including budget, spend to date and forecast outturn as well as progress against business plan and key performance indicators. This allows for Cabinet members to ask questions and review the latest performance, both financial and non-financial information. https://havant.moderngov.co.uk/ieListDocuments.aspx?CId=128&MId=11332&Ver=4 and Agenda for Cabinet on Wednesday, 15th December, 2021, 5.30 pm Havant Borough Council (moderngov.co.uk)</p> <p>Audit and Finance Committee are presented with the same information as Cabinet and allowed the opportunity to further review and ask questions to the Section 151 Officer and Finance Cabinet lead. https://havant.moderngov.co.uk/ieListDocuments.aspx?CId=528&MId=11303&Ver=4</p> <p>At year end a full narrative outturn report is produced as part of the year end accounts process and these are provided to Audit and Finance Committee in both draft and final form.</p>

Appendix A – Summary of arrangements (continued)

Governance (Continued)

Reporting Sub-Criteria	Findings
How the body ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance/audit committee	<p>The Constitution, including the Schemes of Delegation, sets out how different decisions are made, including who has responsibility for making them and what procedures should be followed. The Constitution was thoroughly reviewed and last updated in 2020/21.</p> <p>The authority operates through a Leader and Cabinet model with a scrutiny function in place to scrutinise decisions made or call-in potential decisions. Scrutiny sets out its work programme and reviews the work programme at each meeting. Full details of the Scrutiny function and papers can be found at: https://havant.moderngov.co.uk/mgCommitteeDetails.aspx?ID=532</p> <p>The Authority has report templates and guidance to ensure authors cover all the requirements to enable a decision to be made; they include options appraisal (if required), cost and risk analysis in addition to key signatories such as legal and finance and must include the relevant Cabinet lead. All reports require sign off from the Section 151 Officer, Monitoring Officer and relevant Cabinet lead, in addition, prior to sign off, a review of the report is undertaken by legal and finance officers to ensure that financial and legal implications are fully considered.</p> <p>All Key Decisions are published prior to being made and included on the Council Forward Plan which is published and updated regularly for review by any Councillor or member of the public, see https://havant.moderngov.co.uk/mgCommitteeDetails.aspx?ID=452.</p> <p>All decision-making meetings are held in public and decisions made are published in line with the statutory legal requirements, although some items are considered exempt due to commercial nature. Minutes of all Council meetings are made available to the public and members of the public have the opportunity to contribute to Council meetings.</p> <p>All decision are subject to scrutiny and can be called into Overview and Scrutiny if required, see scrutiny programme at Items for scrutiny (moderngov.co.uk).</p>

Appendix A – Summary of arrangements (continued)

Governance (Continued)

Reporting Sub-Criteria

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)

Findings

The Authority has a Standards Committee which meets regularly:
<https://havant.moderngov.co.uk/mgCommitteeDetails.aspx?ID=529>

The role of the Standards Committee is to promote, sustain and safeguard the behaviour of members within the Council and the probity of all the Council's proceedings.

Full details on its roles and responsibilities can be found in the Council's constitution
<https://havant.moderngov.co.uk/ieListDocuments.aspx?CId=506&MId=11235&Ver=4>

There are a number of policies such as code of conduct, councillor/officer relations and gifts and hospitality guidance – all these documents can be found at the below link:
<https://havant.moderngov.co.uk/ecCatDisplay.aspx?sch=doc&cat=14203>.

Any concerns or issues with respect to legislative/regulatory requirements would be raised with Human Resources, Data Protection Officer and/or Monitoring Officer for review and consideration. Advice would then be provided, steered by the policy in place as to the route to take in terms of disciplinary or report to Standards Committee. Complaint procedures are in place which can also be utilised if necessary, and if required complaints can be escalated to Local Government Ombudsman. The Corporate Governance Board is in place to consider issues around legislative or regulatory failings and has standing items covering updates from Head of Organisational Development (HR), updates from the Data Protection Officer and updates on current number of Local Government Ombudsman complaints.

All new employees to the authority are briefed as part of their induction into the various policies and procedures around Code of Conduct and this is also included in the Councillor induction. In accordance with the Local Government Transparency Code 2015 details are published of any information with respect to counter fraud work:
<https://www.havant.gov.uk/fraud-and-irregularities>

Appendix A – Summary of arrangements (continued)

Improving economy, efficiency and effectiveness

Reporting Sub-Criteria

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

Findings

The Council monitors both financial and non-financial performance through the quarterly reporting process. Reports are provided to Cabinet and Audit and Finance Committee to review progress and uploaded onto the Council's website:

<https://www.havant.gov.uk/performance-and-strategy>

Cabinet review of performance

<https://havant.moderngov.co.uk/ieListDocuments.aspx?CId=128&MId=11332&Ver=4>

Audit and Finance Committee review of performance

<https://havant.moderngov.co.uk/ieListDocuments.aspx?CId=528&MId=11303&Ver=4>.

The budget monitoring and performance report highlights areas for improvement and considered actions. For example, any area that is forecasting an overspend, narrative is supplied as to the reasoning and appropriate mitigations that are in place. In addition a corporate wide response by the finance terms is considered as to any actions that are required to reduce any potential overspend. When the reports are reviewed by Executive Board consideration is given as to what actions can be further taken to mitigate any potential overspends. The same process applies for non-financial performance, whereby those measures and action plans that are not achieving as intended are given a RAG (red/amber/green) rating with supporting commentary about how to move towards an improved position.

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

As above – any budgets that are forecast to vary from budget are highlighted in the quarterly report with supporting commentary and the performance report includes a RAG of Corporate Action Plan progress and key performance indicators and identifies where improvement actions are being taken

A year end summary of performance is provided as part of the outturn report and Annual Statement of Accounts.

In addition, resident surveys are held occasionally to gain insight and feedback on performance of the council from a residents perspective. This information is then fed into the corporate planning cycle. The most recent residents survey has focused on the council response to the pandemic and the results can be found at the below location:

<https://www.havant.gov.uk/news/2021/havant-borough-residents-recovering-well-pandemic>

Businesses are also regularly contacted and engaged through our Economic Development team with a range of support provided, see

<https://www.havant.gov.uk/businesses>

Appendix A – Summary of arrangements (continued)

Improving economy, efficiency and effectiveness (Continued)

Reporting Sub-Criteria	Findings
<p>How the body ensures it delivers its role within significant partnerships, engages with stakeholders it has identified, monitors performance against expectations, and ensures action is taken where necessary to improve</p>	<p>The Council maintains a list of its significant contracts and this includes its partnerships. https://www.havant.gov.uk/procurement</p> <p>Major contracts, such as Norse South East and Capita have dedicated officers who monitor and report on performance of those partnerships. Performance is reported either through existing mechanisms within each partnership model and/or through the regular quarterly performance monitoring process as articulated above. Where necessary, for example with Norse, senior officers are appointed to sit on the appropriate Board in order to monitor performance. The Coastal Partnership, led by Havant, has a dedicated Head of Service who oversees and reports how the partnership is performing.</p> <p>Partnership governance is also reviewed by Internal Audit through its regular audit programme and also reported within the Annual Governance Statement.</p>
<p>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</p>	<p>The Council employs a Procurement team to assist with carrying out procurement processes and ensuring they met the relevant legislative and professional standards of procurement.</p> <p>Services are required to liaise with the procurement team when undertaking significant purchasing decisions and ensure that the right process is followed. The procurement team provide guidance on templates to be completed. An electronic system for ordering or requesting quotes or tenders for any goods or service over £10,000 in value is in place and this is done through the PROACTIS ProContract Portal. This system provides user guides and ensures that relevant legislation, standards and processes are followed accordingly.</p> <p>Details of contracts are published online, and major contracts consist of Capita (IT, Revenue & Benefits and Customer Services) and Norse (environmental waste services). https://www.havant.gov.uk/procurement</p> <p>Rules on providing goods and services are published on the Council's website and included within the constitution in terms of delegated authority to spend monies. Regular reporting of Council spend over £500 is published as required, see https://www.havant.gov.uk/payments-exceeding-500</p> <p>The Council publishes information on many areas of Council spend which is detailed below: https://www.havant.gov.uk/publication-scheme/transparency</p>

Appendix A – Summary of arrangements (continued)

Improving economy, efficiency and effectiveness (Continued)

Reporting Sub-Criteria	Findings
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 (continued)	<p>Once a contract is in place an officer or team will be responsible for ensuring that it achieves against its original aims. For the large contracts these are monitored as described above in terms of council performance reporting and individual mechanisms established to monitor performance within each contract, for example, the Capita contract has a series of key performance indicators which are monitored through the Client Relationship Team and reported through the Client Relationship Director. Regular meetings will be held between the relevant contract manager and partner to review performance and if required poor performance is escalated, firstly through the contract mechanisms and secondly through the reporting of performance to Executive Board and/or Cabinet.</p> <p>Internal Audit as part of their programme of work would routinely look at contract procurement and/or contract performance.</p>

Appendix B – Summary of all recommendations

Recommendations

The table below sets out all the recommendations arising from the financial statements and value for money audits in 2021/22. All recommendations have been agreed by management.

Issue	Recommendation	Management Response
<p>Financial statements: As a sense check, the Council does not compare the information in the ledger in relation to car park costs to the assumed operational and maintenance costs used by the external valuers in relation to car park valuations. The external valuers use their own research and benchmarking to derive assumed operating and maintenance costs as a percentage of income.</p>	<p>The Council should challenge the external valuer when assumed operating and maintenance costs are inconsistent with the information held in the ledger in relation to car park costs. Whilst detailed costing is not available per car park, overall figures within the ledger can be used as a sense check to challenge where the percentage of costs to income are unusually high or low compared to overall costing information held in the ledger.</p>	<p>The Council does not have a PPM programme for all its car parks and site specific management / maintenance costs are not available. We would always challenge the valuer if their assumptions look to be incorrect, however, when establishing the value of such an asset, a prospective purchaser would rely on their own assumptions and experience in managing car parks to arrive at an appropriate percentage discount to apply to the operating income</p>
<p>Financial statements: Specialised assets such as Havant Bus Station was valued using an EUV approach. Whilst there may be a lease in place, this is an operational asset of a type for which there is very little transactional evidence in the market. The lease agreement will presumably be linked to other contracts and the delivery of a bus service and we consider that it would be entirely reasonable to adopt a Depreciated Replacement Cost (DRC) approach to the valuation.</p>	<p>The Council should challenge the external valuer where specialised assets are valued using an EUV approach rather than DRC.</p>	<p>The Bus Station is in third party ownership subject to a lease. It is not an operational property that the Council would have any residual responsibility to operate, nor is it specialist as it could be put to alternative automotive type uses. An alternative approach could be to value the reversion based upon an AUV, though in accordance with published guidance DRC should only be used a last resort.</p>
<p>Value for Money: None noted</p>		

Appendix C – Fees

Fees

We carried out our audit of the Council’s financial statements in line with PSAA Ltd’s “Statement of Responsibilities of auditors and audited bodies” and “Terms of Appointment and further guidance (updated April 2018)”.

Our proposed fees for 2021/22 are set out below and subject to agreement with the S151 Officer and PSAA.

Description	Final Fee 2021/22 £	Planned Fee 2021/22 £	Final Fee 2020/21 £
Total Audit Fee – Code work	36,036	36,036	36,036
Scale fee Rebasing: Changes in the work required to address professional and regulatory standards (1)	35,813	35,813	26,055
Revised Proposed Scale Fee	71,849	71,849	62,091
Change in risks, errors and other additional time incurred (2,3)	31,618	20,478	30,431
Scale fee variation – triennial pensions (4)	4,646	-	-
TOTAL	108,113	92,327	92,522

All figures exclude VAT

- As detailed in the our 2020/21 Audit Results Report, we submitted a proposed rebasing of the scale fee to reflect changes in work required to address professional and regulatory requirements and scope associated with risk. We have rolled this forwards for the purposes of the 2021/22 planned fee.
- Starting from the 2020/21 audit, there were two new audit requirements which are not included in the initial scale fee. These were:
 - the introduction of the 2020 Code of Audit Practice and it’s updated requirements for our Value for Money assessment.
 - ISA540 (revised) audit of accounting estimates – introducing updated requirements.

PSAA communicated an expected range of fees for these new areas, and our work at Havant Borough Council is towards the lower end of that range, i.e. £6,069 for VFM and £2,351 for ISA 540 (revised).

Appendix C – Fees (continued)

Fees

3. We have incurred additional time through internal specialists in areas of property and pension valuations as well as additional work on errors and amendments identified throughout the audit.
 - £4,951 – use of internal experts to verify property valuations
 - £5,890 – additional work performed by the local team on the valuation of other land and buildings and investment properties
 - £3,498 – additional work undertaken to audit going concern and Covid-19 considerations
 - £1,982 – difficulties encountered during the audit highlighted in our Audit Results Report
 - £478 - additional work undertaken on aspects of housing benefit income and expenditure which would previously have been performed as part of HB certification
 - £6,399 – other errors and amendments identified during the audit, including pension fund assets, other creditors, NNDR arrears and a number of misstatements and casting errors in the disclosure notes
4. As explained in Section 2 of this report, we have had to perform additional work over the Pension balance within the Accounts. This is due to an updated triennial valuation of the Pension Fund.

Appendix C – Fees Relationships, services and related threats and safeguards

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

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

As at the date of this report, there are no non-audit services which have been contracted and no written proposal to provide non-audit services has been submitted.

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