



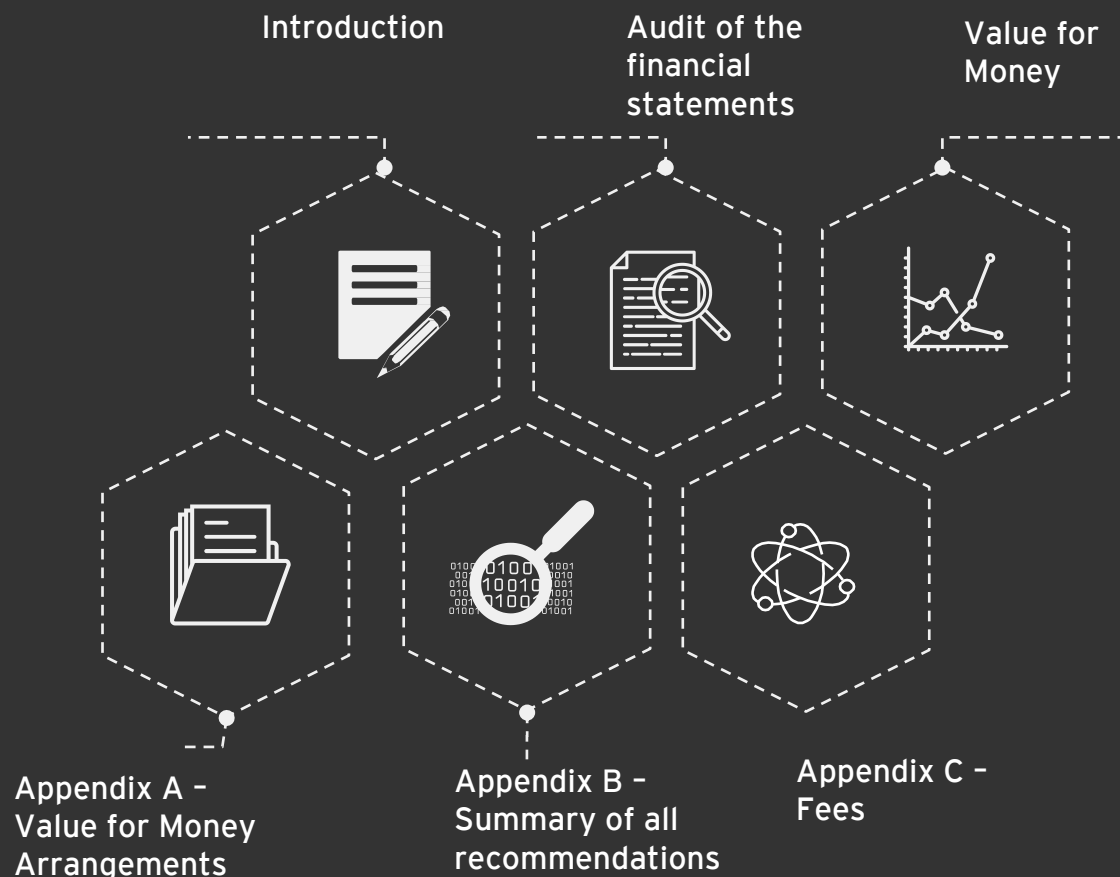
# **Horsham District Council**

## **Auditor's Annual Report**

Year ended 31 March 2022

12 September 2023

# 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 Committee and management of Horsham District Council in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to Audit Committee and management of Horsham District 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 Audit Committee and management of Horsham District 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 29 June 2022. 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)

### 2012/22 Conclusions

<b>Financial statements</b>	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. The financial statements have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022). We issued our auditor's report on 15 August 2023.
<b>Going concern</b>	We have concluded that the Director of Resources' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.
<b>Consistency of the other information published with the financial statement</b>	Financial information in the narrative statement and published with the financial statements was consistent with the audited accounts.
<b>Value for money (VFM)</b>	We had no matters to report by exception on the Council's VFM arrangements. We have included our VFM commentary in Section 03.
<b>Consistency of the annual governance statement</b>	We were satisfied that the annual governance statement was consistent with our understanding of the Council.
<b>Public interest report and other auditor powers</b>	We had no reason to use our auditor powers.
<b>Whole of government accounts</b>	We have not yet completed the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts submission. This is because we are awaiting confirmation from the NAO of any additional procedures to be performed by auditors for bodies which fall below the reporting threshold.
<b>Certificate</b>	We are not currently able to issue our certificate due to the outstanding work required for Whole of Government Accounts as explained above.



# Audit of the financial statements

## Key findings

The Narrative Statement and 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 15 August 2023, we issued an unqualified opinion on the financial statements. We reported our detailed findings to the Audit Committee. 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 and updated in the Audit Results Report. We reported one internal control recommendation 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.

In considering how the risk of management override may present itself, we conclude that this is primarily through management taking action to override controls and manipulate in-year financial transactions that impact the medium to longer term projected financial position.

We assessed the risk is most likely to occur through the inappropriate capitalisation of revenue expenditure, as there is an incentive to reduce expenditure which is funded from Council Tax. This could then result in funding of that expenditure, that should properly be defined as revenue, through inappropriate sources such as capital receipts, capital grants, or borrowings.

Our work did not identify any material misstatements from inappropriate capitalisation of revenue expenditure and our work did not identify any material weaknesses in controls or evidence of material management override in relation to capitalisation of revenue expenditure. Our work did not identify any instances of inappropriate judgements being applied.

### **Misstatements due to fraud or error - management override of controls**

There is a risk that the financial statements as a whole are not free of material misstatements whether caused by fraud or error. As identified in ISA (UK) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.

Our work did not identify any material weaknesses in the design of controls or evidence of material misstatements, whether due to fraud or error. 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.



# Audit of the financial statements

Significant risk	Conclusion
<p data-bbox="85 328 555 384"><b>Retail investment property valuations</b></p> <p data-bbox="85 443 555 528"><b>Valuation of land and buildings and investment property (excluding retail property) (inherent risk)</b></p>	<p data-bbox="562 328 2157 523">The Council holds a significant investment in retail property. The valuation of property is complex and subject to several assumptions and judgements. A small movement in these assumptions can have a material impact on the financial statements. Difficulties in the retail sector have led to many retailers, including well-known names, closing stores, going into administration, or otherwise looking to reduce their rental costs by renegotiating existing leases. These difficulties have had a direct impact on the value of the retail units (high street shops, out of town retail parks and shopping centres) leased to retailers.</p> <p data-bbox="562 560 2157 651">For one of the assets, Swan Walk, the valuation was not updated for 2021/22 due to the timing of information provided by the management agent. This valuation was then reassessed by the Council's valuer and an amendment was needed to the Accounts as a result. Management chose not to amend for this late adjustment.</p> <p data-bbox="562 687 2157 715">Our testing also highlighted one unadjusted judgmental difference in relation to land and building valuations.</p> <p data-bbox="562 751 2157 778">We are satisfied that the valuation of the assets are materially fairly stated.</p>
<p data-bbox="85 793 555 849"><b>Pension asset valuation (inherent risk)</b></p>	<p data-bbox="562 793 2157 922">The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme administered by West Sussex County Council. The information disclosed is based on the IAS 19 report issued to the Council by the actuary to the County Council.</p> <p data-bbox="562 959 2157 1054">Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.</p> <p data-bbox="562 1091 2157 1278">We identified that the pension asset value at 31 March 2022 used by the actuary in their report was overstated by £280k in the draft accounts. Management agreed to amend the accounts for this misstatement. However, while the audit remained unsigned at the end of March 2023, the Council obtained an updated IAS19 valuation report based on the triennial valuation at 31 March 2022. This reported an understatement of £830k of the pension asset value. As a result of the two misstatements, the net adjustment to pension asset in the final version accounts was an increase of £549k. Management has corrected this misstatement.</p>
<p data-bbox="85 1291 555 1358"><b>Accounting for COVID-19 business grants (area of focus)</b></p>	<p data-bbox="562 1291 2157 1422">Whilst there is no change in the CIPFA Code or accounting standard (IFRS 15) in respect of accounting for grant funding, the emergency nature of some of the COVID-19 grants received and in some cases the lack of clarity on any associated restrictions and conditions, means that the Council will need to apply a greater degree of assessment and judgement to determine the appropriate accounting treatment in the 2021/22 statements.</p> <p data-bbox="562 1458 2157 1485">We are satisfied that officers have appropriately accounted for and disclosed Covid Business grants received in year.</p>

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

Our VFM commentary highlights relevant issues for the Council and the wider public.

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

## 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 7 December 2022 Audit Committee meeting which was based on a combination of our cumulative audit knowledge and experience, our review of Council committee reports, meetings with the finance team and evaluation of associated documentation through our regular engagement with Council management and the finance team.

## Reporting

We completed our risk assessment procedures in March 2023 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 commentary for 2021/22 is set out over pages 8 to 10. 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 Annual Auditors Report and have been updated for 2021/22 where appropriate.

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?
<b>Financial sustainability:</b> 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
<b>Governance:</b> How the Council ensures that it makes informed decisions and properly manages its risks	No significant risks identified	No significant weaknesses identified
<b>Improving economy, efficiency and effectiveness:</b> 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



## Value for Money (continued)

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

Horsham District Council have a robust and detailed budget process in place. The budget is monitored on a monthly basis and quarterly reports are made to the Overview and Scrutiny Committee. This is reported to the Senior Leadership Team (SLT) and Quarter budget monitoring reports to Cabinet. Finance and budget holders prepare monthly forecasting. The Director of Resources holds regular meetings with the Cabinet Member for Finance and Resources to discuss financial strategy.

The Council has a good track record of delivering transformational programmes. The Council is progressing well with a major programme of digital transformation to meet the demands and expectations of our customers, funded from reserves, and this has delivered savings. However, the Council believes there is limited further scope for making savings through efficiencies. Therefore, the Council will have consider how to fill the future budget gaps by making difficult decisions, either making capital investments to generate revenue income or from the reduction of the Council's non-statutory services.

The Council is also committed to tackling climate change and on 24 September 2020, the Cabinet set an aspirational target for the Council's direct emissions to be carbon neutral by 2030. The medium-term financial plan sets out a high-level estimate of the cost of the Council becoming carbon neutral was also completed. This was calculated to be around £33m. The 2022/23 budget has set aside £1m for initial action on climate change. For the aspirational target to be met, the Council needs to fully resource its plans or scale back its ambitions.

The Council reviews its financial forecast on regular basis. The annual review of the budget is completed and approved every February. The constant review of the forecasts enables the Council to identify and manage risks to financial resilience as they arise. We also note that the projected budget on the revenue account in 2023/24 to 2025/26 are set out at a high level and the Medium Term Financial Strategy continues to be reviewed and refined to ensure that decisions are taken to set balanced budgets in these three years.

**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**

Horsham District Council maintains its risk register ordered by a RAG rating. We have inspected the risk register and note that risk reviews are performed and reviewed at committees which means the governing level reviews organisational risks regularly. Therefore, we note that the Council has procedures in place to review and address identified risks. The risk register is also regularly reviewed by the Audit Committee who challenge the risks included and ensure they obtain assurance that the right risks and mitigations are included.

Internal audit is part of the Council's governance and risk structure and is outsourced to a third party firm (Orbis). Based on our accumulated audit knowledge this is a reputable firm and we have not noted any issues in their work based on their prior year reports. In addition to internal audit reviews, Orbis also provides operational reviews where they give a more narrative conclusion with recommendations. We consider these arrangements to be appropriate and of a good standard covering the risk of fraud and effectiveness of controls. In addition, there are a number of policies in place to prevent and detect fraud. We note that in terms of corrective action, the Council takes actions against internal audit recommendations for both full audits and for operational reviews and the Audit Committee holds management to account for these actions.

We know from our review of minutes for the meetings of the Council and Cabinet, and attendance at Audit Committee meetings and review of the minutes from these meetings, that these committees meet regularly and that key issues are addressed with effective challenge from members. The Audit Committee perform an annual review of their effectiveness, which includes responses from internal and external audit. The Council also include a review of the effectiveness and compliance with key policies such as gifts and hospitality, declarations/conflicts of interest in the Internal Audit programme.

**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 a Senior Leadership Team (SLT) which monitors both financial and non-financial performance information and challenges officers where there are any departures from plans or expectation. We noted this process in action through minute reviews which details assessment of areas for improvement.

The Council have a functional internal audit function which produce operational reports on some key areas which demonstrate that they are still taking action to deliver their services effectively and timely. Furthermore the Council annually produce Key Performance Indicators report dashboard. The report consists of 37 KPIs for 2021/22 which were assessed with 76% meeting the target, an improvement from prior year. This then demonstrates that the Council indeed evaluates the services it provides to assess performance and identify areas for improvement.

We maintain the understanding of the entity through review of minutes and agendas of key meetings of the Council, and through periodic discussion with key officers including the Chief Executive and Director of Resources - quarterly meetings. In addition, we write to management to update our understanding in specific areas for ISA compliance.

From our minute reviews, meetings with management and general audit work we are generally satisfied with the entity's compliance with laws and regulations.

**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

## Appendix A – Summary of arrangements

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### Financial Sustainability

#### 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

Horsham District Council has a detailed budget process. The budget is monitored on a monthly basis and quarterly reports are made to the Overview and Scrutiny Committee. This is reported to the Senior Leadership Team (SLT) and Quarter budget monitoring reports to Cabinet. Finance and budget holders prepare monthly forecasting. The Director of Resources holds regular meetings with the Cabinet member for Finance and Resources to discuss financial strategy.

The focus is on the income and expenditure budgets, and the net position impacting on the Council Tax and general fund. This links to the key stakeholders (central government, public) expectations that finances are managed to the budget, therefore, managing the impact on the taxpayer. This can be seen in the year end reporting of spending against budgets.

HDC also have a 2022/23 budget and Medium Term Financial Strategy to 2025/26 which sets out financial plans on a medium-term and highlights the risk to the financial position and mitigations that HDC has in place to counter the risks.

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

As noted above the MTFs, produced in the context of significant uncertainty, estimate is for the Council to deliver a balanced budget in 2022/23 followed by budget deficits through to 2024/25. The cumulative amount of the budget deficits over the medium term is estimated at £2.5m.

The Council has sufficient reserves to absorb these budget deficits over the medium-term financial strategy but recognises that relying on reserves to bridge these gaps is not a sustainable strategy. The Council continues to review potential actions that it could take to balance the budgets in 2023/24 through to 2025/26, which they plan to present to members as part of the 2023/24 medium term financial plan.

The Council has a good track record of delivering transformational programmes, The Council is well into a major programme of digital transformation to meet the demands and expectations of our customers, funded from reserves, and this has delivered savings.

However, the Council believes there is limited further scope for making savings through efficiencies. Therefore, the Council will have to fill the future budget gaps from either making capital investments to generate revenue income or from the closure of the Council's non-statutory services, such as parks and cultural venues or quality cuts to its statutory services.

## Appendix A - Summary of arrangements

### Financial Sustainability

Reporting Sub-Criteria	Findings
How the body plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities	<p>The 2022/23 budget and resultant Council Tax levels are set within the context of the Council's Corporate Plan priorities, the financial strategy and to meet the Council's legal requirement to deliver a balanced budget. The Council's Corporate plan was set in 2019, with the following key strategic aims:</p> <ul style="list-style-type: none"><li>• A great place to live - Creating well balanced communities that meet residents' needs</li><li>• A thriving economy - Increase economic growth and create new local jobs</li><li>• A strong, safe and healthy community - Ensure Horsham District remains one of the best places in Sussex to live</li><li>• A cared-for environment - Prioritise the protection of our environment as we move to a low-carbon future</li><li>• A modern and flexible Council - Make it easy for our residents to access the services that they need.</li></ul> <p>The Council also committed to tackling climate change and on 24 September 2020, the Cabinet set an aspirational target for the Council's direct emissions to be carbon neutral by 2030. The medium-term financial plan sets out a high-level estimate of the cost of the Council becoming carbon neutral was also completed. This was calculated to be around £33m. The 2022/23 budget has set aside £1m for initial action on climate change.</p> <p>As noted above, the Council reviews its budgetary position annually and produces a rolling four year plan, known as the Medium Term Financial Strategy (MTFS). This enables the entity to consider the financial climate at both the local and national level together with available resources and budgetary pressures in order to arrive at a financial strategy. Throughout these processes, each service line is considered individually in order to ascertain whether savings can be made in each of these areas and the potential impact these savings may have. This enables the Council to ensure consistent delivery of services throughout the County and enables them to monitor progress and risks relating to each service area.</p>
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>Based on our minute reviews and accumulated audit knowledge with the Council, these issues are considered together at a governance level. The current joint working arrangement with Horsham District Council, Mid Sussex Council and Mole Valley District Council is consistent to HDC's commitment of working with other local public bodies as part of a wider system. This arrangement assists in putting together savings and efficiency plans amongst the teams involved.</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>Based on the review of the Cabinet meeting held on 27/01/22, HDC forecasted a net revenue surplus of £1.5m, this indicates that the Council is managing financial resilience well. The Council reviews its forecast on a regular basis. The annual review is done and approved every February. The constant review of the forecasts enables the Council to identify and manage risks to financial resilience. We also note that the projected budget on the revenue account in 2023/24 to 2025/26 are noted and the Medium Term Financial Strategy continues to be reviewed and refined to ensure that decisions are taken to set balanced budgets in these three years.</p>

## Appendix A - Summary of arrangements (continued)

### Governance

#### 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

Horsham District Council maintains its risk register ordered by RAG. We have inspected the risk register, we note that risk reviews are performed and reviewed at committees which means the governing level reviews organisational risks. We note that the Council has procedures in place to review and address identified risks. The risk register is also regularly reviewed by the Audit Committee who challenge the risks included and gain assurance that the right risks and mitigations are included. Internal audit is part of the Council's governance and risk structure and is outsourced to a third party firm (Orbis). Based on our accumulated audit knowledge, this is a reputable firm and we have not noted any issues in their work based on their prior year reports. In addition to internal audit reviews, Orbis also provides operational reviews where they give a more narrative conclusion with recommendations. We consider these arrangements to be appropriate and of a good standard covering the risk of fraud and effectiveness of controls.

In addition, there are a number of policies in place to prevent and detect fraud. These include:

- Counter Fraud Strategy and Framework 2019
- Code of Members Conduct
- Whistleblowing Policy

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

Each year as the budget is set, unavoidable growth becomes apparent in the services. This is because of increased responsibilities from legislation, contractual obligations and inflationary pressures. The 2021/22 budget estimate was for the Council to deliver a surplus in 2021/22 and near balanced budgets through to 2023/24. These remain predicted through a combination of income generation and other efficiency measures, as well as some political decisions. The Council is undertaking a major programme of digital transformation to meet the demands and expectations of our customers, funded from any budget surpluses it generates or from reserves.

## Appendix A – Summary of arrangements (continued)

### Governance

#### 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

The Local Government Act 2003 placed new duties on Local Authorities and their Chief Finance Officers in relation to the setting and monitoring of their budgets. Section 25 requires the s.151 officers to report on the robustness of estimates; and the adequacy or otherwise of the Council's reserves. Section 28 requires local authorities to monitor their budgets during the financial year and to take remedial action if this is necessary because of potential overspendings and/ or potential shortfalls in income. The Council prepares monthly and quarterly finance review reports that include analysis of the Council's position against the budget to date and forecast for the year. The budget is communicated to the Cabinet every year in January/February (the 2021/22 budget was tabled to the cabinet in January 2021).

Furthermore, we note that in terms of corrective action, the Council takes actions against internal audit recommendations for both full audits and for operational reviews and the audit committee holds management to account for these actions.

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

Primary oversight is the responsibility of the Council, with some delegated responsibilities (such as financial management) to the Audit Committee and to the Overview and Scrutiny Committee which reports to the Council. We know from our review of minutes for the meetings of the Council, Cabinet and Audit Committee, and attendance at meeting and review of the minutes from these meetings, that these committees meet regularly and that key issues are addressed with effective challenge from members.

The Audit Committee perform an annual review of their effectiveness, which includes responses from internal and external audit.

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 main responsibility for ensuring appropriate standards such as meeting legislative/regulatory requirements in terms of member behaviour is performed by the Audit Committee who have responsibility for overseeing the policies of the Council.

The Council also includes review of the effectiveness and compliance with key policies such as gifts and hospitality, declarations/conflicts of interest in the Internal Audit programme.

## Appendix A - Summary of arrangements (continued)

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### Improving economy, efficiency and effectiveness

Reporting Sub-Criteria	Findings
How financial and performance information has been used to assess performance to identify areas for improvement	<p>The Council has a Senior Leadership Team (SLT) which monitors both financial and non-financial performance information and challenges officers where there are any departures from plans or expectation.</p> <p>Financial Information: The budget is monitored on a monthly basis and quarterly reports are made to the Overview and Scrutiny Committee. This is reported to the Senior Leadership Team (SLT) and Quarter budget monitoring reports to Cabinet. Finance and budget holders prepare monthly forecasting. The Director of Resources holds regular meetings with the Cabinet member for Finance and Resources to discuss financial strategy.</p> <p>Non-Financial Information: Other performance indicators are reviewed annually by SLT. The indicators are held on the Covalent system where the performance indicators data is entered requires senior officer verification. After the officer has entered their data the relevant manager is sent an email to notify it requires verifying. This is used with the financial information to provide an overview of the Council's efficiency and effectiveness in delivering its services.</p> <p>We noted this process in action through minute reviews which details assessment of areas for improvement.</p>
How the body evaluates the services it provides to assess performance and identify areas for improvement	<p>The Council has a functional Internal Audit function which produce operational reports on some key areas which demonstrate that they are still taking action to deliver their services effectively and timely.</p> <p>Furthermore the Council annually produces a Key Performance Indicators report dashboard. The report consists of 37 KPIs for 2021/22 which were assessed with 76% meeting the target, an improvement from the prior year. This then demonstrates that the Council indeed evaluates the services it provides to assess performance and identify areas for improvement.</p>

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## Appendix A - Summary of arrangements (continued)

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### Improving economy, efficiency and effectiveness

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	We maintain the understanding of the entity through review of minutes and agendas of key meetings of the Council, and through periodic discussion with key officers including the Chief Executive and Director of Resources - quarterly meetings. In addition, we write to management to update our understanding in specific areas for ISA compliance.
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	From our minute reviews, meetings with management and general audit work we are generally satisfied with the entity's compliance with laws and regulations.

## Appendix B – Summary of 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: Access to information held by management agents of the Council's investment properties - the Council needs to ensure that it has access to all information in a timely manner from the management agents of its investment properties.</p> <p>The valuation of these assets requires the valuation inputs to be verified to source data and we had difficulty doing this as we struggled to obtain tenancy agreements and lettings information at the beginning of the audit.</p> <p>The difficulty in obtaining information has led to an unadjusted misstatement in the valuation of one of the investment properties as at 31 March 2022.</p>	<p>Due to the complexities of valuing this type of asset, the Council should review its access to information and strengthen arrangements with the management agents to ensure the draft accounts are based on the most up to date information.</p> <p>We do however note the Council is a minority stakeholder in this arrangement, holding 15.5% of the investment, which increases the difficulty of holding the management company accountable for supplying the required information.</p>	<p>The Council continues to request the information to be received from the managing agent in a timely manner.</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)". Given the number of significant risks and areas of audit focus that we highlighted in our audit plan as areas of additional work and in order to meet regulatory and compliance audit requirements not present in the market at the time of our most recent bid to PSAA, we undertook additional work to deliver the audit in 2021/22 and we expect this to reoccur in subsequent years. This also includes the impact of amended auditing standards, and the changing requirements for our VFM responsibilities. PSAA has provided outline amounts to charge for the work required to address these latter areas. As a result of the additional work, we have discussed an associated additional fee with the Director of Resources which remains subject to approval by PSAA Ltd.

Our proposed audit fee for 2021/22 is set out below.

Description	Final Fee 2021/22 £	Proposed Fee 2021/22 £	Final Fee 2020/21 £
<b>Total Audit Fee - Code work</b>	38,572	38,572	38,572
<b>Additional fee determined by PSAA (1)</b>	TBC	42,033	24,460
<b>Total audit fee</b>	38,572	80,605	63,032

(1) As detailed in our 2020/21 Auditor's Annual Report we submitted a proposed rebasing of the scale fee. PSAA have determined this fee for 2020/21. We requested an additional fee of £38,200 and PSAA determined that £24,460 could be invoiced in relation to this. As mentioned above, we have submitted a proposed scale fee rebasing for 2021/22 following the conclusion of the audit. We are waiting to hear back from PSAA regarding the approved fees.

All fees exclude VAT.

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

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