



Horsham District Council

**Auditor's Annual Report
Year ended 31 March 2021**

3 March 2022



EY

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Public Sector Audit Appointments Ltd (PSAA) issued the “Statement of responsibilities of auditors and audited bodies”. It is available from the PSAA website (<https://www.psaa.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 April 2018)” 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 the 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 the 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.

Our Complaints Procedure – If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with your usual partner or director contact. If you prefer an alternative route, please contact Hywel Ball, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.

Section 1

Executive Summary



Executive Summary: Key conclusions from our 2020/21 audit

Area of work	Conclusion
Opinion on the Council's:	
Financial statements	Unqualified – the financial statements give a true and fair view of the financial position of the Council as at 31 March 2021 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 2020/21. We issued our auditor's report on 11 November 2021.
Going concern	We have concluded that the Director of Corporate Resources' 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 statements	Financial information in the Narrative Report in the financial statements was consistent with the audited accounts.

Area of work	Conclusion
Reports by exception:	
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 04.
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.

Executive Summary: Key conclusions from our 2020/21 audit

As a result of the work we carried out we have also:

Outcomes	Conclusion
Issued a report to those charged with governance of the Council communicating significant findings resulting from our audit.	We issued an Audit Results Report dated September 2021 to the 21 September 2021 Audit Committee.
Issued a certificate that we have completed the audit in accordance with the requirements of the Local Audit and Accountability Act 2014 and the National Audit Office's 2020 Code of Audit Practice.	We have not yet issued our certificate for 2020/21 as we have not yet performed the procedures required by the National Audit Office on the Whole of Government Accounts submission. The guidance for 2020/21 is delayed and has not yet been issued.

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)". As outlined in the Audit Results Report we were required to carry out additional audit procedures to address audit risks in relation to: management override of controls; inappropriate capitalisation of revenue expenditure; inappropriate revenue recognition of sales, fees and charges grant income; and the valuation of property, plant and equipment, including investment property. As a result, we have discussed an associated additional fee with the Director of Corporate Resources. We include details of the final audit fees in Appendix 1.

We would like to take this opportunity to thank the Council staff for their assistance during the course of our work.

Elizabeth Jackson

Associate Partner
For and on behalf of Ernst & Young LLP

Section 2

Purpose and responsibilities



Purpose and responsibilities

This report summarises our audit work on the 2020/21 financial statements.

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 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 2020/21 audit work in accordance with the Audit Plan that we issued on 14 April 2021. We have complied with the NAO's 2020 Code of Audit Practice, International Standards on Auditing (UK), and other guidance issued by the NAO.

As auditors we are responsible for:

Expressing an opinion on:

- The 2020/21 financial statements;
- Conclusions relating to going concern; and
- The consistency of other information published with the financial statements, including the annual report.

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

Section 3

Financial Statement Audit



Financial Statement Audit

We have issued an unqualified audit opinion on the Council's 2020/21 financial statements.

Key issues

The Annual Report 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 11 November 2021, we issued an unqualified opinion on the financial statements. We reported our detailed findings to the 21 September 2021 Audit Committee meeting. 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.

Significant risk	Conclusion
Misstatements due to fraud or error - management override of controls An ever present risk that management is in a unique position to commit 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.	We found no evidence that management had attempted to override internal controls. We did not identify any instances of inappropriate judgements being applied or of any other transactions during our audit which appeared unusual or outside the Council's normal course of business. This conclusion is based on detailed testing of accounts entries susceptible to potential manipulation.
Inappropriate capitalisation of 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. We have identified an opportunity and incentive to capitalise expenditure under the accounting framework, to remove it from the general fund.	Our testing did not identify any material misstatements from inappropriate capitalisation of revenue expenditure. We did not identify any material weaknesses in controls or evidence of material management override or any instances of inappropriate judgements being applied.

Continued over.

Financial Statement Audit (continued)

Significant Risk	Conclusion
<p>Risk of fraud in revenue recognition – sales, fees and charges grant income</p> <p>As one of the responses to the Covid-19 pandemic and its impact on Local Authority finances, the Government introduced a reimbursement scheme for lost fees and charges income. After an initial 5% reduction for annual variability, local authorities are funded for 75% of their claimed losses. There is both incentive and opportunity for local authorities to inflate the returns to Central Government, and claim for funds that they are not entitled to under the scheme. There is also the potential for error.</p> <p>The Council received £1.9m, and therefore, there is the potential this could be materially overstated.</p>	<p>Our testing did not identify any material misstatements in the recognition of grant income relating to sales, fees and charges.</p>
<p>Valuation of property, plant and equipment, including investment property</p> <p>Land and buildings is the most significant balance in the Council's balance sheet. The valuation of land and buildings is complex and is subject to a number of assumptions and judgements. A small movement in these assumptions can have a material impact on the financial statements.</p>	<p>Our testing did not identify any material misstatements in relation to the valuation of the property, plant and equipment.</p>

Continued over.

Financial Statement Audit (continued)

In addition to the significant risks, we also concluded on the following areas of audit focus.

Other area of audit focus	Conclusion
Going concern disclosures The Council is required to carry out an assessment of its ability to continue as a going concern for the foreseeable future, being at least 12 months after the date of the approval of the financial statements. There is a risk that the Council's financial statements do not adequately disclose the assessment made, the assumptions used and the relevant risks and challenges that have impacted the going concern period.	<p>We reviewed managements Going Concern assessment and confirmed their conclusion that the Council remains a Going Concern is based on reasonable and supportable assumptions.</p> <p>We also reviewed managements updated Going Concern Disclosure in the financial statements and confirmed it was sufficiently detailed, transparent and accurately reflects managements underlying Going Concern assessment.</p>
Auditing Accounting Estimates ISA 540 (Revised) - Auditing Accounting Estimates and Related Disclosures applies to audits of all accounting estimates in financial statements for periods beginning on or after December 15, 2019. This revised ISA responds to changes in financial reporting standards and a more complex business environment which together have increased the importance of accounting estimates to the users of financial statements and introduced new challenges for preparers and auditors. The revised ISA requires auditors to consider inherent risks associated with the production of accounting estimates.	<p>Our review of the estimates used by management to prepare the financial statements did not identify any material misstatements.</p> <p>An amendment was required to the Pension Asset valuation which is a key estimation in the financial statements. Detail is set out on page 11.</p>

Continued over.

Financial Statement Audit (continued)

Other area of audit focus	Conclusion
<p>Accounting for Covid-19 related grant funding</p> <p>The Council received government funding in relation to Covid-19. 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 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 2020/21.</p>	<p>We are satisfied that officers have appropriately accounted for and disclosed Covid Business grants received in year.</p>
<p>Pension Asset Valuation</p> <p>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.</p> <p>The Council's pension fund asset is a material estimated balance and the Code requires that this asset be disclosed on the Council's balance sheet. At 31 March 2021 this totalled £31,006,000.</p> <p>The information disclosed is based on the IAS 19 report issued to the Council by the actuary to the County Council.</p> <p>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>We identified that the pension asset value at 31 March 2021 used by the actuary in their report was overstated. The Council amended their financial statements to reflect the revised report. The effect of this was to decrease the pension asset by £669,000.</p> <p>We concluded that the net pension asset was fairly stated after the adjustment was made.</p>

Continued over.

Financial Statement Audit (continued)

Audit differences

We identified one misstatement greater than our reporting level and a small number of disclosures amendments which management corrected. We did not identify any misstatements that management declined to amend.

Our application of materiality

When establishing our overall audit strategy, we determined a magnitude of uncorrected misstatements that we judged would be material for the financial statements as a whole.

Item	Thresholds applied
Planning materiality	We determined planning materiality to be £1.46 million as 2% of gross revenue expenditure reported in the accounts. We consider gross revenue expenditure to be one of the principal considerations for stakeholders in assessing the financial performance of the Council.
Reporting threshold	We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of the nominal value of £73,000.

We also identified the following areas where misstatement at a level lower than our overall materiality level might influence the reader. For these areas we developed an audit strategy specific to these areas. The areas identified and audit strategy applied include:

- ▶ Remuneration disclosures including any severance payments, exit packages and termination benefits. We audit these fully given their inherent sensitive nature.
- ▶ Related party transactions. We audited all disclosures and undertook procedures to confirm material completeness.

Section 4

Value for Money



Value for Money (VFM)

We did not identify any risks of significant weaknesses in the Council's VFM arrangements for 2020/21.

Scope and risks

We have complied with the NAO's 2020 Code and the NAO's Auditor Guidance Note in respect of VFM. We presented our VFM risk assessment to the 21 September 2021 Audit Committee meeting which was based on a combination of our cumulative audit knowledge and experience, our review of Council and committee reports, meetings with the Director of Corporate Resources and Deputy Director of Corporate Resources and evaluation of associated documentation through our regular engagement with management and the finance team. We reported that we had not identified any risks of significant weaknesses in the Council's VFM arrangements for 2020/21.

Reporting

We completed our planned VFM arrangements work on 21 September 2021 and did not identify any significant weaknesses in the Council's VFM arrangements. As a result, we had no matters to report by exception in the audit report on the financial statements.

VFM Commentary

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

- Financial sustainability
How the Council plans and manages its resources to ensure it can continue to deliver its services;
- Governance
How the Council ensures that it makes informed decisions and properly manages its risks; and
- 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.

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

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

Introduction and context

The 2020 Code confirms that the focus of our work should be on the arrangements that the audited body is expected to have in place, based on the relevant governance framework for the type of public sector body being audited, together with any other relevant guidance or requirements. Audited bodies are required to maintain a system of internal control that secures value for money from the funds available to them whilst supporting the achievement of their policies, aims and objectives. They are required to comment on the operation of their governance framework during the reporting period, including arrangements for securing value for money from their use of resources, in a governance statement.

We have previously reported the VFM work we have undertaken during the year including our risk assessment. The commentary below aims to provide a clear narrative that explains our judgements in relation to our findings and any associated local context.

The Council has had the arrangements we would expect to see to enable it to plan and manage its resources to ensure that it can continue to deliver its services.

For 2020/21, the significant impact that the Covid-19 pandemic has had on the Council has shaped decisions made, how services have been delivered and financial plans have necessarily had to be reconsidered and revised.

We have reflected these national and local contexts in our VFM commentary.

Financial sustainability

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

The Council monitors the budget on a monthly basis to the Corporate Management Team (CMT) and quarterly reports are made to the Overview & Scrutiny Committee and Cabinet. Finance and budget holders prepare monthly forecasting. The Director of Corporate Resources holds regular meetings with the Cabinet member for Finance 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 expectations of the key stakeholders that finances are managed to the budget and therefore any potential impact on the taxpayer is managed effectively. This can be seen in the year end reporting of spending against budgets.

The Council's Medium Term Financial Strategy to 2024/25 sets out financial plans over the medium-term. The Strategy highlights the risk to the financial position over this period and the mitigations management have put in place to counter the risks.

Financial sustainability (continued)

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

The Medium Term Financial Strategy, produced in the context of significant uncertainty, sets out how the Council will deliver a balanced budget in 2021/22. However, the financial years 2022/23 to 2024/25 are currently predicting an annual budget deficits without mitigating action being taken. The cumulative amount of the budget deficits over the medium term period is approximately £7m.

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 2022/23 through to 2024/25, which they plan to present to members as part of the 2022/23 Medium Term Financial Strategy.

The Council has had the arrangements we would expect to see to enable it to plan and manage its resources to ensure that it can continue to deliver its services.

The Council has a good track record of delivering transformational programmes, and is currently progressing a major programme of digital transformation to meet the demands and expectations of our customers. This programme is funded from reserves and has already 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, from the closure of the Council's non-statutory services or making cuts to its statutory services.

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

The 2021/22 budget and resultant Council Tax level 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:

- A great place to live - creating well balanced communities that meet residents' needs
- A thriving economy - Increase economic growth and create new local jobs
- A strong, safe and healthy community - Ensure Horsham District remains one of the best places in Sussex to live
- A cared-for environment - Prioritise the protection of our environment as we move to a low-carbon future
- A modern and flexible Council - Make it easy for our residents to access the services that they need.

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

Financial sustainability (continued)

estimate of the cost of the Council becoming carbon neutral was also completed. This was calculated to be around £33m. Work is now underway to develop a more robust understanding of this figure.

The Council reviews its budgetary position annually and produces a rolling four year plan, known as the Medium Term Financial Strategy. 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.

The Council has had the arrangements we would expect to see to enable it to plan and manage its resources to ensure that it can continue to deliver its services.

How the body ensures that its financial plan is consistent with other plans such as workforce, capital, investment, and other operational planning which may include working with other local public bodies as part of a wider system

The arrangements in place to underpin the governance of the Council ensure that the financial plans are consistent with other key plans. All key documents are reviewed by Corporate Management Team and considered / approved by Cabinet which ensures that an overview is given by the leadership of the Council to its strategic direction.

The current joint working arrangement between Horsham District Council, Mid Sussex Council and Mole Valley District Council shows that the Council is committed to working with other local public bodies to deliver services in the most efficient and cost effective way.

How the body identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans

The council reviews its forecast on regular basis throughout the year. Annual reviews are carried as part of the budget setting process every February. The monthly review of the budget forecasts enables the council to identify and manages risks to financial resilience in a timely way.

The projected annual and cumulative budget deficits on the revenue account in 2022/23 to 2024/25 are presented to the Cabinet 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.

Governance

How the body monitors and assesses risk and how the body gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud

The Council maintains its corporate risk register on a regular basis and this is reviewed by Corporate Management Team to ensure that the whole team is aware of emerging and high risk areas. The register is ordered by colour coding (red, amber and green) status so provides a clear snapshot for decision making.

We are satisfied 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 being monitored by management.

Internal audit is part of the council's governance and risk structure. The service is outsourced to a third party firm, Orbis. They also provide operational reviews in greater depth as requested by the Council.

The Council has the expected policies in place to prevent and detect fraud. We consider these arrangements to be appropriate and of a good standard covering the risk of fraud and effectiveness of controls.

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

The Council has a robust process in place to set its annual budget. As set out above, there is an annual process with regular budget monitoring.

Each year as the budget is set, and in line with similar bodies, unavoidable growth becomes apparent in the Council's services. This is because of increased responsibilities from legislation, contractual obligations and inflationary pressures. The current budget estimate is for the Council to break even in 2021/22 and near balanced budgets through to 2023/24.

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.

The Council has had the arrangements we would expect to see to enable to make informed decisions and properly manage its risks.

Governance (continued)

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 (s.151 officer) in relation to the setting and monitoring of their budgets.

Section 25 requires the s.151 officer 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 prepare monthly and quarterly finance review reports that include analysis of the council position against the budget to date and forecast for the year. The budget is communicated to the Cabinet every year in January/February (current year budget was tabled to the cabinet in 23 January 2020).

Furthermore, we note that in terms of corrective action, the Council takes action 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 of decision making is the responsibility of the Full Council, with some delegated responsibilities (such as financial management) to the Audit Committee and to the Scrutiny Committee which reports to the Council. We know from our review of minutes for the meetings of the Full 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.

The Council has had the arrangements we would expect to see to enable to make informed decisions and properly manage its risks.

Governance (continued)

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

The Council has had the arrangements we would expect to see to enable to make informed decisions and properly manage its risks.

Improving economy, efficiency and effectiveness

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

Financial Information

The budget is monitored on a monthly basis and quarterly reports are made to the Overview & Scrutiny Committee. This is reported to the Corporate Management Team (CMT) and Quarter budget monitoring reports to Cabinet. Finance and budget holders prepare monthly forecasting. The Director of Corporate Resources holds regular meetings with the Cabinet member for Finance to discuss financial strategy.

Non-financial information

Other performance indicators are reviewed annually by CMT. The indicators are held on the Covalent system and all data entered requires senior officer verification to confirm it is accurate. 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.

We noted this process working in action through minute reviews which detail officer and member assessment of areas for improvement.

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

The council have a functional Internal Audit function. The team produce operational reports on the key areas expected across the Council which gives sufficient coverage of how the Council is taking action to deliver their services effectively and timely.

Furthermore, the Council annually produces Key Performance Indicators (KPIs) report dashboard. The report consist of 33 KPIs for 2020/21 which were assessed with 64.4% improvement from prior year. This demonstrates that the Council evaluates the services it provides to assess performance and identify areas for improvement. The frequency of reporting the dashboard would need to be more than annually if there were underlying issues in a service area as once a year would be insufficient.

The Council has had the arrangements we would expect to see to enable it to use information about its costs and performance to improve the way it manages and delivers services.

Improving economy, efficiency and effectiveness (continued)

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

In May 2017, the Council entered a partnership with LGSS to deliver its Revenues and Benefits services. This outsourced service is working effectively from the Council's perspective since it began in April 2019.

We maintain the understanding of the entity through review of minutes and agendas of key meetings of the Council, and through regular discussions with key officers. In addition, we write to management to update our understanding in specific areas for compliance with the auditing standards.

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.

The Council has had the arrangements we would expect to see to enable it to use information about its costs and performance to improve the way it manages and delivers services.

Internal audit have carried out audits of the Council's procurement function. The results of the internal audit on this area was Partial assurance and an action plan was put in place to address recommendations.

Furthermore, from our minute reviews, meetings with management and general audit work we are generally satisfied with the entity's compliance with laws and regulations as no issues have been brought to our attention by management.

We have not made any recommendations in 2020/21.

Recommendations

As a result of the VFM procedures we have not identified any recommendations.

The Council faces further challenge and change beyond 2021 which will form part of our 2021/22 VFM arrangements work.

Forward look

Looking forward to 2021 and beyond, the Council need to ensure they maintain the financial sustainability whilst delivering planned projects for the future. This includes the digital transformation plans.

A blurred background image of a business meeting. Several people in professional attire are gathered around a wooden conference table. A woman with blonde hair is in the foreground, looking intently at a document on the table. Other people's hands and arms are visible, some resting on the table. The scene is brightly lit, suggesting a modern office environment.

Section 5

Other Reporting Issues

Other Reporting Issues

Governance Statement

We are required to consider the completeness of disclosures in the Council's governance statement, identify any inconsistencies with the other information of which we are aware from our work, and consider whether it complies with relevant guidance.

We completed this work and did not identify any areas of concern.

Whole of Government Accounts

We have not yet performed the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts consolidation pack submission. The guidance for 20/21 is yet to be issued. We will liaise with the Council to complete this work as required.

Report in the Public Interest

We have a duty under the Local Audit and Accountability Act 2014 to consider whether, in the public interest, to report on any matter that comes to our attention in the course of the audit in order for it to be considered by the Council or brought to the attention of the public.

We did not identify any issues which required us to issue a report in the public interest.

Other powers and duties

We identified no issues during our audit that required us to use our additional powers under the Local Audit and Accountability Act 2014.

Other Reporting Issues (cont'd)

Control Themes and Observations

As part of our work, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. Although our audit was not designed to express an opinion on the effectiveness of internal control, we are required to communicate to you significant deficiencies in internal control identified during our audit.

We have adopted a fully substantive approach and have therefore not tested the operation of controls. Our audit did not identify any controls issues to bring to the attention of the Audit Committee.

Appendix A

Audit Fees



Audit Fees

Our proposed audit fee for 2020/21 is set out below.

Description	Final Fee 2020/21 £	Planned Fee 2020/21 £	Final Fee 2019/20 £
Total Audit Fee – Code work	38,572	38,572	38,572
Scale fee Rebasing: changes in the work required to address professional and regulatory standards (1)	25,000	20,352	
Additional fee determined by PSAA Ltd (2)	-	-	17,636
PSAA agreed fee for estimates (3)	2,500	-	-
PSAA agreed fee for VfM (3)	6,000	-	-
EY Pensions Specialist Engagement (3)	2,000	-	-
EY Real Estates Specialist Engagement (3)	1,700	-	-
Additional work in relation to covid-19 grants (3)	1,000	-	-
Total Fee	76,772	58,924	56,208

Note:

- (1) For 2020/21 the scale fee has been re-assessed to take into account a number of risk factors which includes procedures performed to address the risk profile of the Council and additional work to address increase in Regulatory standards. The scale fee rebasing has been discussed with management and remains subject to approval by PSAA Ltd. The increase from 2019/20 relates to increased base rates within EY.
- (2) As detailed in our 2019/20 annual audit letter we have submitted a proposed rebasing of the scale fee (on the basis set out above). PSAA concluded the review and the fee agreed for 2019/20 is £17,636.
- (3) As noted in the main section of this report we have identified new risks for 20/21, as well as a change in ISA 540 and the requirements on VfM reporting. These changes have impacted on the cost of delivering the 20/21 audit. The additional fee for 2020/21 has been discussed with management and remains subject to approval by PSAA Ltd.

All fees exclude VAT.

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

We have adopted the necessary safeguards in our completion of this work and complied with Auditor Guidance Note 1 issued by the NAO.

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