

# **Notice of Meeting**

# **Audit Committee**

**Date:** Monday 25 September 2023

**Time:** 5.30 pm

**Venue:** Conference Room 1, Beech Hurst, Weyhill Road, Andover SP10

3AJ

#### For further information or enquiries please contact:

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#### **Legal and Democratic Service**

Test Valley Borough Council, Beech Hurst, Weyhill Road, Andover, Hampshire, SP10 3AJ www.testvalley.gov.uk

The recommendations contained in the Agenda are made by the Officers and these recommendations may or may not be accepted by the Committee.

#### **PUBLIC PARTICIPATION SCHEME**

If members of the public wish to address the meeting they should notify the Legal and Democratic Service at the Council's Beech Hurst office by noon on the working day before the meeting.

## **Membership of Audit Committee**

Andover Millway

MEMBER	WARD
Councillor C Borg-Neal (Chairman)	Andover Harroway
Councillor S Hasselmann (Vice-Chairman)	Anna
Councillor R Hughes	Andover Harroway
Councillor I Jeffrey	Mid Test
Councillor R Kohli	Romsey Cupernham

Councillor M Leech

#### **Audit Committee**

Monday 25 September 2023

## **AGENDA**

# The order of these items may change as a result of members of the public wishing to speak

1	Apologies	
2	Public Participation	
3	Declarations of Interest	
4	Urgent Items	
5	Minutes of the previous meeting	4 - 6
	To approve as a correct record the minutes of the meeting held on 19 June 2023.	
6	External Audit Update	7 - 31
	To present Ernst and Young's Annual Audit Results Report on the 2021/22 Statement of Accounts. (Ernst and Young)	
7	Internal Audit Progress Report to 31 August 2023	32 - 47
	To outline the work undertaken and progress against the Internal Audit Plan for 2023/24. (Jan Balfour, Internal Audit Manager)	
8	Corporate Risk Register - Update	48 - 53
	To provide an update and summary of the key risks contained in the Council's Corporate Risk Register. (Jan Balfour, Internal Audit Manager)	
9	Audit Committee Work Programme	54 - 57
	To consider the work programme of the Audit Committee for the coming year. (Carl Whatley, Head of Finance and Revenues)	

#### ITEM 5

# Minutes of the Audit Committee of the Test Valley Borough Council

held in Conference Room 1, Beech Hurst, Weyhill Road, Andover on Monday, 19 June 2023 at 5.30 pm

Attendance:

Councillor C Borg-Neal (Chairman)

Councillor S Hasselmann (Vice-Chairman)

Councillor R Hughes Councillor I Jeffrey

Councillor M Leech

53

## **Apologies**

Apologies for absence were received from Councillor Kohli.

54

#### **Public Participation**

No members of the public had registered to speak.

55

## **Declarations of Interest**

There were no declarations of interest.

56

## **Urgent Items**

There were no urgent items to be considered.

#### 57

## Minutes of the meeting held on 27 March 2023

#### Resolved:

That the minutes of the meeting held on 27 March 2023 be confirmed and signed as a correct record.

#### 58

## **External Audit Update**

Kelly Gates of Ernst and Young gave an update on the 2021/22 and 2022/23 Audits. She advised that the audit of the 2021/22 accounts had not yet been completed following some updated information around Pension liabilities that the auditors must

take into account. She expected that this would be resolved by the end of the first week in July, following which the 2022/23 audit planning report would be presented at the September Audit Committee.

# 59 <u>Internal Audit Annual Report 2022/23 and Progress Report 2023/24 to 31 May 2023</u>

Consideration was given to a report of the Internal Audit Manager which set out the Internal Audit coverage, findings and performance for audit work undertaken in 2023/24 to 31 May 2023 and gave an assurance opinion on the adequacy and effectiveness of the Council's internal control framework for those areas reviewed. It also provided an opinion on the overall adequacy and effectiveness of the Council's control environment and a summary of the audit work from which the opinion is derived for the financial year ending 31 March 2023.

#### Resolved:

- 1. That the Internal Audit Annual Report 2022/23 (shown in Annex 1 to the report), which provides the assurance opinion as at 31 March 2023 on the system of internal control and the overall conclusion on the effectiveness of Internal Audit be endorsed.
- 2. That the Internal Audit Progress report to 31 May 2023 (shown in Annex 2 to the report) be noted.

## 60 Corporate Risk Register - Update on approach

Consideration was given to a report of the Internal Audit Manager which provided an update on how the Council's corporate risks are being managed and a summary of the key risks contained in the Council's Corporate Risk Register.

#### Resolved:

That the update on the Council's approach to the management of the Council's key risks, as shown in the draft Corporate Risk Register, be noted.

## 61 Accounting Policies 2022/23

The Council is required to prepare an Annual Statement of Accounts in accordance with proper accounting practices. The Accounting Policies set out the basis of the figures in the Statement of Accounts and discloses policies that are significant and relevant to the Council.

The report of the Accountancy Manager was presented to ensure compliance with the Audit Committee's responsibility to approve the Accounting Policies and subsequently produced Statement of Accounts each year.

#### Resolved:

That the Accounting Policies to the Statement of Accounts 2022/23, attached as an Annex to the report, be approved.

(The meeting terminated at 6.11 pm)

#### ITEM 6

#### **External Audit Update**

Report of the Head of Finance & Revenues

#### **Recommendation:**

That Ernst & Young's Annual Audit Results Report, as shown in the Annex to the report, be noted.

#### SUMMARY:

- Following the completion of the 2021/22 statement of accounts, Ernst & Young (the Council's appointed external auditor) present their Auditor's Annual Report for the committee's attention.
- A verbal report on the plans for the audit of the 2022/23 statement of accounts will be given by Ernst & Young at the meeting.

#### 1 Introduction

- 1.1 The Council is required to produce and approve an Annual Statement of Accounts for each financial year.
- 1.2 Reports on the progress of the audit have been presented to previous Audit Committee meetings.
- 1.3 At its meeting on 27 March 2023, the Audit Committee gave delegated authority to the Chairman and Head of Finance & Revenues to approve the final audited statement of accounts for 2022/23.
- 1.4 The audit work was completed on 25 July and the accounts duly authorised for issue.

#### 2 Ernst & Young's Annual Audit Results Report

- 2.1 Pursuant to the completion of the audit, Ernst & Young have prepared their annual Audit Results Report for consideration by the Audit Committee.
- 2.2 This contains one recommendation related to the way that Internal Audit updates are presented to the Audit Committee; particularly with reference to an annual report from the Internal Audit Manager. The agreed action has already been implemented.
- 2.3 Ernst & Young will introduce their report at the meeting and take any questions from committee members.

#### 3 Audit of 2022/23 Statement of Accounts

- 3.1 The completion of the 2021/22 statement of accounts enabled confirmation of the opening balances to be brought forward into the 2022/23 statement of accounts.
- 3.2 The draft 2022/23 statement of accounts was published on 28<sup>th</sup> July 2023.
- 3.3 Councillors will be aware of a national backlog in the completion of public sector audits. This, together with a lack of clarity on the deadlines and reporting requirements for future audits, means that there is not yet a detailed plan for undertaking and completing the audit of those accounts.
- 3.4 Ernst & Young will provide a verbal update to the meeting on how their plans to manage this are developing.
- 3.5 Members should be aware that the statutory deadline of 30<sup>th</sup> September for the publication of the statement will be missed. This will be the case for the vast majority of local authorities and there is no sanction for not meeting this deadline.

#### 4 Risk Management

4.1 An evaluation of the risks associated with the matters in this report indicate that further risk assessment is not needed because the issues covered do not represent significant risks.

#### 5 Conclusion and reasons for recommendation

- 5.1 The audit of the 2021/22 statement of accounts has been concluded since the last meeting of the Audit Committee.
- 5.2 Part of the external auditor's role is to report directly to those charged with governance in a local authority. This report is attached in the annex and will be introduced directly by the auditors.

## Background Papers (Local Government Act 1972 Section 100D)

Test Valley Borough Council – Statement of Accounts 2021/22

#### Confidentiality

It is considered that this report does not contain exempt information within the meaning of Schedule 12A of the Local Government Act 1972, as amended, and can be made public.

No of Annexes:	1			
Author:	Carl Whatley Ext: 8540			
File Ref:	N/A			
Report to:	Audit Committee	Date:	25 September 2023	



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# Introduction Audit of the Value for financial Money statements Appendix C -Appendix B -Appendix A -Fees Summary of all Value for Money recommendations Arrangements

Public Sector Audit Appointments Ltd (PSAA) issued the "Statement of responsibilities of auditors and audited bodies". It is available from the PSAA website (<a href="https://www.psaa.co.uk/audit-quality/statement-of-responsibilities/">https://www.psaa.co.uk/audit-quality/statement-of-responsibilities/</a>). 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 Test Valley Borough 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 Test Valley 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 Committee and management of Test Valley 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 in August 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)

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 25 July 2023.
Going concern	We have concluded that the Head of Finance and Revenues' 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 25<sup>th</sup> July 2023, we issued an unqualified opinion on the financial statements. We reported our detailed findings to the 27<sup>th</sup> March 2023 Audit Committee meeting with a verbal update being given to the Committee on 19<sup>th</sup> June 2023. 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 reported no areas for improvement in the control environment in the Audit Results Report.

	Significant risk	Conclusion
Ú	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.
age 13	•	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.
w		We tested a sample of Property, Plant & Equipment and Investment Property additions and noted one audit difference in relation to Property Additions for £111k.
		We identified no issues in relation to Revenue expenditure financed from capital under statute.
	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. 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.
	Accounting for Nitrate Credits	In 2021/22 the Council purchased Nitrate Credits. The scheme enables housing developers to buy Nitrate Credits to offset the footprint on areas vulnerable to Nitrate pollution. This is a new accounting issue, impacting only a small number of authorities, without specific CIPFA guidance.
		We engaged an EY reporting specialist to look at this area. We agreed with the Nitrate Credits being held on the Balance Sheet as Inventory and are comfortable with the Balance Sheet valuation. However, there is a difference in management's approach to the accounting treatment compared with our view for the I&E impact. Management has recorded the sale of these credits through revenue but in our view these should be treated as capital. In the current year this is clearly trivial at £16.6k, however, we note that this may become material in the future.



# Audit of the financial statements

			1
	Other risks / areas of audit focus	Conclusion	
	Valuation of Land & buildings and Investment Property	Valuations of land & buildings 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.	
		Our Property, Plant and Equipment (PPE) Valuations and Investment Property Valuations is now complete. As per the verbal update given in June, there were no issues to note in relation to PPE however there were a couple of findings in relation to Investment Properties. These are shown below:  • £1,000,000 understatement of 1 investment property – this was due to a typo in the External Valuation report. Management have adjusted for this in the final set of Accounts.  • £365,000 understatement of 1 investment property – this was due to a difference in professional opinion re. industrial land values between the external valuer and our EY Real Estates team. Given this is due to a difference in judgement, management have decided to not adjust for this in the Accounts and therefore forms part of our schedule of uncorrected errors. Please note this error is not material.	Test Valley Borough Council
Page 14	Pension Liability valuation	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.	- Audit Committee -
+>		As the audit was not completed by 31 March 2023, management needed to take account of the completed 2022 triennial valuation.	mmitte
		data. This testing was performed at a Fund level by the auditors of Hampshire County Council. This work has now been	e - 25 September
			er 2023

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.

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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 it 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 30 January 2023 Audit & Governance Committee meeting which was based on a combination of our cumulative audit knowledge and experience, our review of Council committee reports, meetings with the Head of Finance and Revenues 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 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 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:

er		Risks of significant weaknesses in arrangements identified?	Actual significant weaknesses in arrangements identified?	25 Septeml
_	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	ber 2023

to ensure it can continue to deliver its services		identified	2023
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	

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

The Council managed its budget during 2021/22. It reported an outturn £1.6m better than expected, with the variance put into five reserves. The Budget Equalisation reserve was increased by £0.5m of this total, to offset the emerging budget pressures including inflation.

During Feb 2022 the Council set its 2022/23 annual budget. This increased the Council Tax (Band D) by £5, following reasonable assumptions being made on cost pressures, income generation, and an anticipated use of £0.25m from the Budget Equalisation Reserve.

The medium term forecast at that point showed a deficit of £3.6m for the next financial year (23/24) and £3.9m for 24/25, with a process instigated with officers and members to identify options to close the gap.

More recently, in February 2023 the Council has set its 2023/24 budget. Council Tax (Band D) was again raised by £5, with a total of £2m income generation (£1.758m) and saving proposals (£0.267m). Improvements since the previous forecast also included additional investment income due to the rise in interest rates, and a better than expected settlement. The medium term forecast for 24/25 has also reduced the deficit down to £0.4m, which is an improvement since the previous year. The projection for year 2025/26 is a £1.8m deficit. The Revenue Budget and Council Tax Proposals 2023/24 report rightly recognises that opportunities for efficiencies reduce over time, and the further ahead is looked the less certain forecasts can be. However, in our judgement the Council remains well place to address future financial challenges.

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.

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

The Council has appropriate arrangements in place to make informed decisions and manage its risks.

The Council approved changes to its internal governance structure by establishing the Audit Committee on 6th April 2022, which we recommended in our prior year report. The Audit Committee undertakes the duties previously performed by the Audit Panel of the Overview and Scrutiny Committee (OSCOM) as well as specific functions that were undertaken by OSCOM and the General Purposes Committee.

The Audit Committee has provided input to review another recommendation for improvement we made in the prior year, to assess the presentation of Risk.

Our third recommendation for improvement in our prior year report was to ensure the Contract Standing Orders and Financial Procedures rules were reviewed and updated. The Council has completed this review, with the latest versions approved as at November 2022, published as part of the Constitution.

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.

Page

# 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 appropriate arrangements in place.

We were informed by management during the audit of an instance of non-compliance with procurement regulations relating to the procurement of public art in in commemoration of the Queen's Platinum Jubilee. An investigation was undertaken by management, following a question on the subject from a member of the public, confirming that the Council did not follow the Public Contracts Regulations or its own Contract Standing Orders (breached due to the failure to advertise the commissions on the government's *find-a-tender* and *Contracts Finder* portals). The contract has since been cancelled and a re-procurement completed.

We considered the matter to be isolated, and no other instances of non-compliance have been identified including through internal audit reviews. We undertook no further consideration as management were already implementing the required actions. The values were assessed as 'clearly trivial' to the audit.

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.



# Appendix A – Summary of arrangements

#### Financial Sustainability

significant financial pressures that are relevant to its short and medium-term plans and builds these into them

Regarding financial planning, the Council monitors its financial pressures in detail each month. The revenue budget must ensure that the resource allocation properly reflects the Council's Corporate Plan, Corporate Action Plan projects and service plans. Budgets (spending plans) are needed so that the Council can plan, authorise, monitor and control the way money is allocated and spent. To enable the Authority to prepare for events in advance, a rolling three-year medium term forecast is produced based on known and anticipated changes in the Authority's finances over that period.

In order to produce an initial Budget Forecast the prior year budget is 'rolled forward' to take account of inflation and any changes in the base level of expenditure and income. Following this, discussions are had with all Heads of Service and the Head of Finance and Povenues, to review all areas of each Service's budget to identify entions to reduce not How the body ensures that it identifies all the Regarding financial planning, the Council monitors its financial pressures in detail each month. The revenue budget

and the Head of Finance and Revenues, to review all areas of each Service's budget to identify options to reduce net expenditure and to discuss any financial pressures to each Service.

#### Medium Term Forecast (MTF):

To enable the Authority to prepare for events in advance, a rolling three-year medium term forecast is produced based on known and anticipated changes in the Authority's finances over that period. The MTF sets out a framework for financial decision making and anticipates additional spending requirements and the level of savings that will be needed.

A Medium Term Financial Strategy (MTFS) is also approved each year and sets out the key financial assumptions that have been made in producing the MTF and sets out a proposed framework within which to work over the life of the strategy.

Annual Budget Setting Process:

The Head of Finance and Revenues is responsible for ensuring that a revenue budget and a forward financial forecast for three years is prepared each year for consideration by Cabinet.

Budget management ensures that once the budget has been approved by the full Council, resources allocated are used for their intended purposes and are properly accounted for. For the purposes of budgetary control by managers, a budget will permally be the planned income and expenditure for a service area or cost centre, broken down into a property accounted for the purposes. a budget will normally be the planned income and expenditure for a service area or cost centre, broken down into a level of detail agreed by the Head of Finance and Revenues.

The Head of Finance and Revenues is responsible for establishing an appropriate framework of budgetary management and control to enable budgets to be monitored effectively. The Head of Finance and Revenues must monitor expenditure against budget allocations and report regularly to Cabinet on the overall position. The Head of Finance and Revenues is responsible for controlling income and expenditure on their budgets and for monitoring performance, taking account of financial information provided by the Chief Officers. The Head of Finance and Revenues should provide a statement to the Cabinet as soon as practicable after 31st March each year setting out a comparison of the Council's actual and estimated income and expenditure and explanations of variances between the two for the preceding financial year.



# Appendix A – Summary of arrangements

# Financial Sustainability (Continued)

	Reporting Sub-Criteria	Findings
	How the body plans to bridge its funding gaps and identifies achievable savings	The Council operates a Medium-Term Forecast and annual budget in order to conduct their financial planning. The Council aims to balance any funding gaps through the identification of revenue savings or generation of additional income. The use of reserves may be considered as a short term measure or in respect of areas of significant volatility such as retained business rates.
		The Council will also look to mitigate any risks by looking for further options for efficiency savings across all areas as part of their drive for continuous improvement. The Head of Finance and Revenues should encourage the best use of resources and value for money by working with Chief Officers to identify opportunities to improve economy, efficiency and effectiveness, and by encouraging good practice in conducting financial appraisals of development or savings options, and in developing financial aspects of service planning
D N	How the body plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities	their services. In order to ensure these finances support the delivery of services the Council produces a "Corporate"
		The MTF feeds into the Corporate Plan by reviewing the financial implications of what the Council do and sets the annual budget.
	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	Plan" which sets out how the Council can build upon the strengths of the Borough and its communities to improve the quality of life across Test Valley. The Corporate Plan outlines the Council's vision and priorities for Test Valley over a four-year period. It sets the direction and provides a focus for all activities and services. As a result, it informs decision making and the allocation of resources across the Council.  The MTF feeds into the Corporate Plan by reviewing the financial implications of what the Council do and sets the annual budget.  We note that throughout the financial planning i.e. budget and MTF, consideration of other plans such as capital and treasury management also take place. The Capital, Investment, Treasury Management and Reserves strategies all form part of the annual budget setting process with the strategies being taken for approval at the same time as the revenue budget.  The Capital Strategy sets out the framework within which all Council capital expenditure is approved, monitored and
	of a wider system	The Capital Strategy sets out the framework within which all Council capital expenditure is approved, monitored and financed and demonstrates how the Council takes capital expenditure and investment decisions in line with service objectives and properly takes account of stewardship, value for money, prudence, sustainability and affordability.
		The Council's Corporate Plan sets out the Council's aims over the period 2019 – 2023. In particular this highlights the four priority areas that the Council is focussed on. The Capital Strategy will enable delivery of projects to reinforce these priority areas.
		The Council also operate a Treasury Management and Annual Investment Strategy.

#### Financial Sustainability (Continued)

Appendix A – Summary of arrangements

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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 (continued)

How the body ensures that its financial plan is The Council is required to operate a balanced budget, which broadly means that cash raised during the year will meet cash expenditure. Part of the treasury management operation is to ensure that this cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in low risk counterparties or instruments commensurate with the Council's low risk appetite, providing adequate liquidity before considering investment return. In addition to the above, the Head of Finance and Revenues is required to assess the adequacy of Revenue Reserves. Reserve balances have been identified as a key indicator of financial health and the Council continues to have an appropriate level of reserves to deal with identified risks. As a minimum, there are sufficient balances to support the budget and capital programme and provide an adequate contingency for financial risks.

Please see documentation above about the annual budget setting process, MTF and Corporate Plan that the Council has in place.

Throughout the preparation of each of these, risks are taken into consideration in order to see how they impact certain areas and what the financial implications of these risks might be.

Monitoring of the budget through the year then identifies emerging trends and risks, and these are taken into account in the subsequent budget setting identifying pressures and changes since the prior budget setting or update reports. cash expenditure. Part of the treasury management operation is to ensure that this cash flow is adequately planned,

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

The Council has an effective risk management strategy in place to identify, mitigate and monitor the risks to the Council in delivering strategic objectives. This includes both financial and non-financial risks.

# Appendix A – Summary of arrangements (continued)

#### Governance

detect fraud

#### 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

The Council produces a risk management strategy which sets out clearly risk management implementation process and the roles and responsibilities of managing risk. This process involves identifying, analysing, prioritising, managing \( \mathbb{g} \)

and monitoring risks that present themselves.

Quarterly reports are received from the internal auditors highlighting work carried out including a breakdown of fraud investigations with any significant issues detailed in summary format. Internal audit reviews culminate in an opinion on the assurance that can be placed on the effectiveness of the framework of risk management, control and governance designed to support the achievement of management objectives.

The requirement for an internal audit function in local government is detailed within the Accounts and Audit (England) Regulations 2015, which states that a relevant body must "undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal

effectiveness of its risk management, control and governance processes, taking into account public sector internal effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance". Internal Audit progress reports are monitored regularly throughout the year.

The Head of Finance and Revenues is responsible for ensuring that a revenue budget and a forward financial forecast for three years is prepared each year for consideration by Cabinet.

Budget management ensures that once the budget has been approved by the full Council, resources allocated are

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

Budget management ensures that once the budget has been approved by the full Council, resources allocated are used for their intended purposes and are properly accounted for. For the purposes of budgetary control by managers, & a budget will normally be the planned income and expenditure for a service area or cost centre, broken down into a September 2023 level of detail agreed by the Head of Finance and Revenues.

The Head of Finance and Revenues is responsible for establishing an appropriate framework of budgetary management and control to enable budgets to be monitored effectively. The Head of Finance and Revenues must monitor expenditure against budget allocations and report regularly to Cabinet on the overall position.

The Head of Finance and Revenues is responsible for controlling income and expenditure on their budgets and for monitoring performance, taking account of financial information provided by the Chief Officers. The Head of Finance and Revenues should provide a statement to the Cabinet as soon as practicable after 31st March each year setting out a comparison of the Council's actual and estimated income and expenditure and explanations of variances between the two for the preceding financial year.

# Appendix A – Summary of arrangements (continued)

#### 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

Within the Financial Procedure Rules of the Council there are procedures in place to ensure the body has effective processes and systems to ensure budgetary control, to communicate relevant, accurate and timely management information; to support its statutory financial reporting requirements and to ensure the body is taking corrective action where needed.

The Head of Finance and Revenues is responsible for assisting the Authority to put in place an appropriate control environment and effective internal controls which provide reasonable assurance of effective and efficient operations financial stewardship, probity and compliance with laws and regulations. They are also responsible for preparing an annual statement on the effectiveness of internal controls within the Authority's Annual Governance Statement. Internal Audit form part of this process through their audit plan, and raising recommendations for corrective action where needed.

How the body ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for Full Council effective challenge from those charged with governance/audit committee

The entity has a number of arrangements in place to ensure that appropriate decisions are made. The Council's Constitution records and regulates decision-making processes and the role of elected members and officers.

The Borough Council (comprising all 43 elected members) meets at least six times each year to conduct business. The Mayor of Test Valley acts as Chairman of these meetings. When the full Council meets, its agenda is largely devoted to discussion of reports and recommendations from Committees.

#### The Cabinet

The Cabinet comprises eight elected members, who are appointed by the Leader and have powers to take decisions on the Council's behalf (generally concerned with operation of Council services and the formulation of policy). They also make recommendations for approval by the Council relating to the Council's overall policy framework.

#### Overview and Scrutiny Committee

The main functions of this Committee include:

- developing and reviewing policy
- holding the Cabinet to account in public for the discharge of the functions for which it is responsible

The Committee is a key mechanism for enabling Councillors to represent the views of their constituents and other organisations to the Cabinet, and seek to ensure that these views are taken into account in policy development. The Overview and Scrutiny Committee is responsible for scrutinising Cabinet decisions and holding the Cabinet to account, including examining the budget proposals and budget strategy proposed by the Cabinet to full Council.

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# Appendix A – Summary of arrangements (continued)

## Governance (Continued)

## How the body ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and effective challenge from those charged with governance/audit committee (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)

#### **Audit Committee** The Audit Committee has been recently formed on the back of recommendations previously provided through the external audit. The Audit Committee undertakes the duties previously performed by the Audit Panel of the Overview transparency. This includes arrangements for and Scrutiny Committee (OSCOM) as well as specific functions that were undertaken by OSCOM and the General Purposes Committee. Council approved changes to its internal governance structure by establishing an Audit Committee on 6th April 2022.

We have inspected the website of Test Valley Borough Council and identified the various policies in place regarding the integrity, ethical values and behaviour of key executives.

To ensure effective leadership throughout the entity, members and officers work together to deliver agreed plans with defined functions and roles. These roles and responsibilities are set out in the Constitution and the rules under which they operate. In particular, it looks at how decisions are made and how procedures are to be followed to ensure

which they operate. In particular, it looks at how decisions are made and how procedures are to be followed to ensure that actions are efficient, legal, transparent and accountable to the community. Many of these processes are required by statute and regulations by Governmental and other bodies (e.g. CIPFA) while the Authority has determined others locally.

The Council has a sound management philosophy, demonstrates clarity of purpose and focus, with emphasis on performance and risk management. Our experience and knowledge of senior management is that they act with integrity, have good standards of behaviour and performance and lead by example. Both management and those charged with governance maintain an ethical stance and respond to instances of non-compliance with remedial action. There is an ethos of compliance with laws and regulations.

Page

# Appendix A – Summary of arrangements (continued)

#### 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 The Corporate Plan sets out how the Council can build upon the strengths of the Borough and its communities to improve the quality of life across Test Valley. The Corporate Plan outlines the Council's vision and priorities for Test Valley over a four-year period. It sets the direction and provides a focus for all activities and services. As a result, it informs decision making and the allocation of resources across the Council.

The Council has developed 4 priorities that they are committed to for the life of the plan:

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

- Town Centres to adapt and be attractive, vibrant and prosperous places
- Communities to be empowered, connected and to build upon their strengths
- People to be able to live well and fulfil their aspirations
- The Local Environment for current and future generations

Cabinet reviews the performance of the Corporate Plan on an annual basis. This enables the active performance management of the Corporate Plan and ensures the Council is allocating resource in the most effective way. Each year, the Leader of the Council will make an annual presentation to the Overview and Scrutiny Committee to report on progress made during that year. This will form the basis of an annual update report and will be published on the Council's website.

Progress is monitored through a range of performance and satisfaction-based indicators against which progress can be judged. The indicators are used as part of a broader suite of operational management tools that ensure standards are being met ensuring that the things that matter most to residents are being delivered in an efficient and effective way. In addition, each of our services produces an annual Service Plan which describes the things they do and how they contribute to the Corporate Plan priorities. Progress is monitored on a quarterly basis through the service performance boards.

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

The Council has identified its key partnerships and promotes good governance in those. The Council's Contract Standing Orders and Financial Regulations contain specific sections on partnerships and identify officer responsibilities in relation to the management and involvement in partnerships. Protocols and agreements are put in place for the management of significant partnerships. A single strategic partnership for the Borough is in place called the Test Valley Partnership. It brings together the key partner agencies from across the public and voluntary and community sector. It meets twice a year and provides a place in which the key strategic issues facing the borough can be discussed, joint work developed and statutory duties met.

# Appendix A – Summary of arrangements (continued)

## Improving economy, efficiency and effectiveness (Continued)

#### 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's Contract Standing Orders contains specific sections on procurement and the Council's Procurement Strategy sets out the Council's vision for the way forward in its procurement of services, supplies and works for staff, partners, suppliers and stakeholders. The Contract Standing Orders states that "Every contract must be let in compliance with all applicable legal requirements, the Council's Procurement Strategy and the Council's Financial Procedure Rules".

\*\*Borough Council\*\* Audit Committee - 25 September 2023\*\*

\*\*Borough Council\*\* Standing Orders contains specific sections on procurement of services, supplies and works for staff, and supplies and supplies and supplies and staff, and supplies and

# Appendix B - Summary of all 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
	Financial statements: None noted		
<u>e</u>	Value for Money: We identified that internal Audit do not produce a separate standalone report for their year-end conclusions including their Head of Internal Audit Opinion. This is reported to the Audit Committee via the normal Committee papers, on a continuing basis. We note that the information needed to be communicated is included by this method, but we believe it to be better practice (and normally seen elsewhere) to have a separate year-end report	Produce a separate, standalone, year-end Internal Audit Report containing the Head of Internal Audit Opinion.	This was introduced in 2023, with the Annual Audit Report 2022/23 presented to the Audit Committee on 19th June 2023.

# Appendix C - 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 the valuation of property, plant and equipment. As a result, we have discussed an associated additional fee with the Head of Finance and Revenues which remains subject to approval by PSAA Ltd.

Our final proposed fees for 2021/22 are set out in the table below:

Description	Planned Fee 2021/22 £	Final Fee 2020/21 £
Scale Fee	40,679	40,679
Scale Fee Rebasing (1)	25,612	
Scale Fee Variation (2)	10,593	
Scale Fee Variation – changes in the Code of Audit Practice and Auditing Standards (note 3)	9,098	38,074
Total Audit Fee - Code work	85,982	78,753

Note 1: Proposed Scale Fee Rebasing: this relates to our scale fee rebasing for the audit, to take into account changes in professional and regulatory requirements to that date. These have been raised in prior year audits and as these are ongoing requirements, we have included the resource impact again in our 2021/22 requested fees. This is the same request that has was submitted in the prior year.

Note 2: We intend to submit request for an additional fee due to additional work being undertaken by the audit team. For 2021/22 it includes work undertaken on:

- New Significant Risk: Nitrate Credits (£1,223)
- Work of EY expert to calculate an auditors estimate of the pension liability (£605)
- NDR Provision re-work x 2 (£4,885)
- EY Real Estates input (£3,095) for valuations of complex properties
- Additional consideration in relation to the revised IAS 19 balances as a result of the updated triennial valuation (£785)

Note 3: This figure shows the impacts of the NAO's 2020 Code of Audit Practice, and the revised ISA540 on estimates. PSAA communicated fee ranges for each type of client, and our assessed impact for Test Valley BC is at the bottom of those ranges.

# 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

EY provided no non-audit services to the council for the year end 31 March 2022. As at the date of this report, there are no future non-audit services which have been contracted and no written proposal to provide non-audit services has been submitted.

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ED None

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#### ANNE

#### ITEM 7 Internal Audit Progress Report to 31 August 2023

Report of the Internal Audit Manager (Portfolio: Finance and Resources)

#### Recommended:

That the Internal Audit progress report be noted.

#### SUMMARY:

This report sets out the Internal Audit coverage, findings, and performance for 2023/24 to 31 August 2023 and summary risk profile for those areas reviewed.

#### 1 Introduction

- 1.1 The Annual Audit Plan for 2023/24 was approved by the Audit Committee on 27th March 2023.
- 1.2 The scope of audits included in the plan enable a continuing assurance opinion to be provided on the adequacy and effectiveness of the Council's internal control framework and reflects the Council's key priorities and objectives.
- 1.3 A risk assessment has ensured that the Corporate and Service risk registers, in consultation with all Heads of Service and Senior Management, inform the plan and that the audit resource required is matched against available resources.

#### 2 Independence and Objectivity

2.1 The Internal Audit Team's independence and objectivity has been maintained in accordance with the Public Sector Internal Audit Standards (PSIAS).

#### 3 Performance against the Audit Plan

- 3.1 Since 1 April 2023, the Internal Audit function has made good progress against the Annual Audit Plan 2023/24 as summarised in the Internal Audit Progress Report in the Annex.
- 3.2 Of the 6 audits reported as complete in the Annex, 5 were classified as substantial assurance and 1 as limited assurance. The executive summary detail, assurance opinion and risk profiling definitions are detailed in the Annex.
- 3.3 All actions arising from audit reviews to date have been accepted by management and programmed for implementation.

#### 4 Corporate Objectives and Priorities

4.1 The work of the Internal Audit function supports the Council's five strategic priorities to work in a way that recognises the varying needs of the borough communities, working collaboratively, to deliver high quality services that support all communities in Test Valley to thrive.

#### 5 Consultations/Communications

- 5.1 The external auditors have been consulted on internal audit's planned coverage for 2023/24.
- 5.2 The Internal Audit Plan for 2023/24 has involved full consultation with senior management, service heads, external audit, and has been approved by the Audit Committee at its previous meeting.

#### 6 Risk Management

6.1 The annual audit plan 2023/24 is based on the Council's risk registers and Internal Audit contributes towards the overall corporate governance framework of assurance.

#### 7 Resource Implications

- 7.1 The Internal Audit Team has been fully resourced for the period from 1 April 2023. The Senior Auditor will however be leaving the Authority on 18 September and there will be a shortfall in resources pending a new appointment.
- 7.2 This will be monitored during the next quarter, but it is anticipated that external resource will need to be sought to support the coverage of the remaining audits in the 2023/24 Audit Plan. The progress report in the Annex also proposes the deferral of 2 audits.
- 7.3 Due to the scale and complexity of the Town Centre Regeneration Programmes it is anticipated that additional time will also be needed to continue to provide project assurance and support for the remainder of the year.

#### 8 Equality Issues

8.1 The report is for information purposes, so the Council's EQIA process does not need to be applied.

#### 9 Conclusion

- 9.1 This report outlines the work undertaken and progress against the Internal Audit Plan for 2023/24 by Internal Audit to 31 August 2023.
- 9.2 As of 31 August 2023, progress on the planned 2023/24 Audit Plan is on target. The procurement of additional external resource will be sought to support the delivery of the plan as needed.

Background Papers (Local Government Act 1972 Section 100D)			
None			
Confidentiality			
It is considered that this report does not contain exempt information within the meaning of Schedule 12A of the Local Government Act 1972, as amended, and can be made public.			
No of Annexes:	1		
Author:	Jan Balfour	Ext:	8234
File Ref:	N/A		
Report to:	Audit Committee	Date:	25 September 2023

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**Internal Audit Progress Report as of 31 August 2023** 

Jan Balfour – Internal Audit Manager

#### 1.0 INTRODUCTION

Internal Audit is a statutory function for all local authorities.

The requirement for an Internal Audit function in local government is detailed within the Accounts and Audit (England) Regulations 2015 as to:

"Undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards and guidance."

The standards for "proper practices" are laid down in the Public Sector Internal Audit Standards (PSIAS) (the standards – updated 2016).

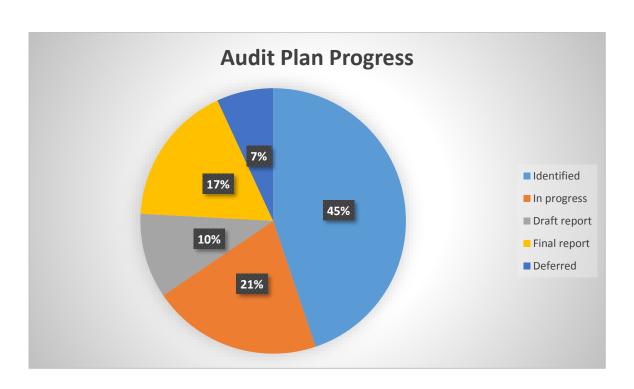
Internal Auditing is an independent, objective and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

This report includes the status against the 2023/24 internal audit plan.

### 2.0 AUDIT PLAN 2023/24 PROGRESS AS AT 31st AUGUST 2023

There are 27 full audits and 2 follow up reviews totalling 29 reviews in the 2023/24 Audit Plan. These include the "core" financial audits which are compulsory and take place on an annual basis, cross cutting/corporate audits, and service specific reviews. Also included are 2 reserve audits to be undertaken if capacity allows and 2 audits commissioned by the S151 Officer.

To date 5 (17%) have been completed, 3 (10%) are at draft report stage and 6 (21%) are in progress.



#### 3.0 ONGOING ACTIVITIES

Internal Audit has provided advice and assurance in the following areas:

Adhoc advice and assurance.

National Fraud Initiative (NFI) to facilitate national data matching carried out by the Cabinet Office.

Audit Committee reporting and attendance.

Audit Planning and consultation.

Risk Management and Annual Governance Statement.

Work is underway to develop and promote Fraud Awareness and carry out a risk assessment of the Council's Anti-Fraud and Corruption processes and procedures.

Project Assurance role on 6 projects.

## 4.0 **CONTINGENCIES**

1 special investigation is currently underway.

2 pieces of work have been undertaken under provision of requests from the S151 Officer, these include a probity review of Community Grants and post assurance review of Housing Support Grants issued.

#### 5.0 AUDIT PLAN CHANGES

Due to a reduction in staff resource availability pending the appointment of a new Senior Auditor it is proposed to defer 2 audits to the 2024/25 Audit Plan. These include Risk Management and Grants. This will also enable revisions to the risk management arrangements to become fully embedded and specific grants have been reviewed on a probity basis elsewhere in the 2023/24 plan.

More time than originally anticipated has been undertaken providing project assurance support to the Regeneration programme and it is estimated that an additional 20 days will be required to continue this work in the remainder of the year.

## 6.0 ASSURANCE LEVEL/OPINION

Internal Audit Reviews culminate in an opinion on the assurance that can be placed on the effectiveness of the framework of risk management, control and governance designed to support the achievement of management objectives for the area under review.

Assurance Level/Opinion:	Description:	
Full	There is a sound system of control designed to achieve the system objectives.	
Substantial	While basically there is a sound system there are weaknesses which put some of the control objectives at risk.	
Limited	Weaknesses in the system of controls are such as to put the system objectives at risk.	
No	Control is generally weak leaving the system open to significant error or abuse.	

The **opinion** is formed with reference to the Councils Corporate risk matrix. Each control weakness identified during an audit review is scored according to this matrix. Where \* shown this opinion is qualified when selected.

#### **Likelihood**

A Very High	Substantial or Limited*	Limited	No Assurance	No Assurance
B High	Substantial	Limited*	Limited Or No Assurance*	No Assurance
C Significant	Substantial	Substantial or Limited*	Limited	Limited Or No Assurance*
D Moderate	Substantial or Full*	Substantial	Substantial or Limited*	Limited
E Low	Full	Substantial or Full*	Substantial**	Limited
F Very Low	Full	Full	Substantial	Substantial or Limited*
	IV	III	II	l
	Negligible	Significant	Critical	Catastrophic
	0 0	<u>Impact</u>		•

## 7.0 CONTROL WEAKNESS – RISK RANKING

Priority Level:	Description:	
High	Major issues for the attention of Senior Management. Action needs to be taken within a reasonable timescale to address significant control weaknesses and to ensure that the cont can be relied upon for the effective performance of the Service or function.	
Medium	Issues for middle management action. These include control weaknesses that may expose the system function or process to a key risk but the likelihood of it occurring is significant rather the high.	
Low	Minor matters. Low risk exceptions or improvements which help to improve service effectiveness and efficiency.	

The following summaries relate to Audits from the 2022/23 and 2023/24 Audit Plan not previously reported to the Audit Committee.

1.

Control Weaknesses Identified:			
High	Medium	Low	
0	3	0	

## PROCUREMENT 2023/24

## **Overall Assurance Opinion:**

Limited Assurance

Agreed actions have been implemented. A procurement briefing note has been issued to all authorised signatories providing a refresher on the key points.

Scope:	Control Weakness:	Control improvement upon implementation:
To ensure that the Public Procurement Regulations and Contract Standing Orders have been followed for a sample of procurements.	<ul> <li>In respect of 3 suppliers, consideration had not been given to the appropriateness of a framework or call off arrangement based on the level of recurrent need for supplies and services and the above threshold cumulative spend over 4 years.</li> <li>There was limited assurance of officer awareness on the need to consider recurrent spend over a 4-year period when estimating the contract sum for the purpose of applying the Public Procurement Regulations.</li> <li>2 contracts with values over £100k had not been completed and retained in the strong room. 1 contract over £50k had not been completed and retained in the Service.</li> </ul>	Improved awareness of the requirements of the Public Procurement Regulations particularly around recurrent spend. Compliance with the regulations and the Council's Contract Standing Orders.

<b>Control We</b>	aknesses Ide	entified:		Overal
High	Medium	Low	FLOATS AND IMPRESTS 2023/24	Substa
0	0	1		Agreed
Scope:			Control Weakness:	

Overall Assurance Opinion:	
Substantial Assurance	
Agreed action has been implemented.	

Scope:	Control Weakness:	Control improvement upon implementation:
<ul> <li>To ensure all floats and imprests are accounted for.</li> <li>Floats and imprests are held securely.</li> <li>Reconciliations are carried out and evidence (receipts and vouchers) retained.</li> </ul>	At the time of the audit 1 float had an unexplained deficit of £37.54.	Cash is fully accounted for, and discrepancies promptly identified and investigated.

Control Weaknesses Identified:				
High	Medium Low			
0	2	4		

## **EVENTS & PUBLIC HALL BOOKINGS** 2023/24

Overall Assurance Opinion:	
Substantial Assurance	
Agreed action is scheduled to be	
implemented by 31/12/23	

Scope:	Control Weakness:	Control improvement upon implementation:
<ul> <li>The application processes.</li> <li>Payments and banking processes.</li> <li>Charitable bookings and concessions.</li> <li>Refunds.</li> <li>The utilisation of public halls.</li> <li>Health &amp; Safety.</li> </ul>	<ul> <li>For 6 chargeable bookings no evidence of booking confirmation could be obtained for 2 and 3 were sent the booking confirmation before payment had been received.</li> <li>Physical health and safety checks were not undertaken on the day to ensure that the event takes place in accordance with the risk assessment provided.</li> <li>Refunds had not in all cases been provided as per the terms and conditions of hire and issued at 100% of the original cost rather than 75%. Not all had been evidenced by booking paperwork or documented authorisation.</li> <li>Venue utilisation is not monitored or actively promoted. The current system does not have the facility to provide utilisation statistics.</li> <li>The booking form refers to the Corporate Director and requires update.</li> <li>There is no formal approval of the policy for the Mayor's free lets and the waiver of the venue hire fee for these bookings.</li> </ul>	<ul> <li>All income due is received prior to an event taking place.</li> <li>Potential public health and safety risks are mitigated.</li> <li>Venue usage is actively promoted, and all potential income realised.</li> <li>Authority for decision making on concessionary rates and free lets is clearly defined.</li> </ul>

Control Weaknesses Identified:			
High	Medium	Low	
0	2	0	

## HOUSING REGISTER AND LETTINGS 2023/24

Overall Assurance Opinion:	
Substantial assurance	
Agreed action is scheduled to be	
implemented by 31/10/23	

Scope:	Control Weakness:			
<ul> <li>Policies and Procedures.</li> <li>Applications.</li> <li>Housing Needs Assessments.</li> <li>Registration &amp; Renewal.</li> <li>Allocations &amp; Lettings.</li> <li>Hampshire Homechoice Register System Access.</li> </ul>	<ul> <li>Testing of 10 live applications found that 3 did not have any supporting evidence of income and 6 had no supporting evidence of savings and investments.</li> <li>Testing of 5 applicants at point of nomination found that 2 in paid employment had not provided evidence and 3 had not provided evidence of savings.</li> <li>There is no segregation of duties between:         <ul> <li>the assessment and award of prioritisation of applications</li> <li>the shortlisting of applicants for bidding or</li> <li>at point of nomination or</li> <li>review by a second officer/manager</li> </ul> </li> </ul>	Housing needs are consistently assessed and only eligible applicants are added to the Housing Register and allocated a property.		

Control Weaknesses Identified:						
High	Medium	Low				
0	1	0				

# INSURANCE (PROPERTIES) 2023/24

Overall Assurance Opinion:	
Substantial assurance	
Agreed action is scheduled to be	
implemented by 31/07/23	

Scope:	Control Weakness:	Control improvement upon implementation:
To ensure all vacant Council owned properties are appropriately insured.	The Property & Asset Management Service Asset register (vacant properties) and the "vacant property spreadsheet" do not reconcile with 12 discrepancies identified. All were however insured.	Greater assurance that all vacant properties are picked up promptly to ensure insurance cover put in place.

Control Wea	aknesses Ide	entified:
High	Medium	Low
0	0	0

## REVENUES SYSTEM 2023/24

Overall Assurance Opinion:
Substantial assurance
No control weaknesses were identified during the audit.

Scope:	Control Weakness:	Control improvement upon implementation:
<ul> <li>Contingency planning and restoring of data.</li> </ul>	None identified.	
Audit trails within the system.		
<ul> <li>System and parameter updates and testing.</li> </ul>		
System access controls.		
Register of interests.		
Information security.		
Payment runs.		
• Registering of Housing Benefit and Council Tax Support claims.		

### 9.0 CONTROL WEAKNESSES

Of the 6 audits completed, where an opinion has been given 13 exceptions have been raised:

Risk:	No. of exceptions (actions):
High	0
Medium	7
Low	6

## ITEM 8 Corporate Risk Register – Update

Report of the Internal Audit Manager (Portfolio: Finance and Resources)

#### Recommended:

That the update on the Council's approach to the management of its key risks as shown in the Corporate Risk Register is noted.

#### SUMMARY:

This report provides the Audit Committee with an update and summary of the key risks contained in the Council's Corporate Risk Register (attached as an Annex).

#### 1 Introduction

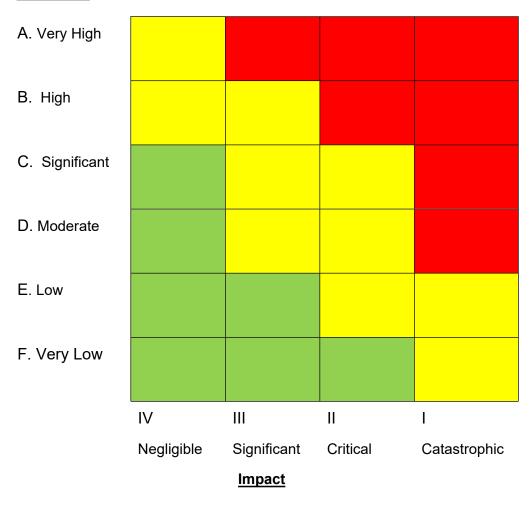
- 1.1 The purpose of risk management is to assess the potential barriers to achieving the Council's corporate objectives and priorities. Management recognises the need to embed robust risk management arrangements.
- 1.2 Maintaining up-to-date risk registers at both a Corporate and Service level assists with the management of risks and monitoring of the actions to mitigate them.

#### 2 Risk Management Process

- 2.1 The key stages of the risk management are set out below:
- 2.2 Risk Identification The 'key' or 'significant' risks that could affect the achievement of business objectives and the Corporate Plan priorities have been identified. This is an ongoing process which includes, but is not limited to, research of national risk profiles and forecasts, reviews of risk registers, significant issues coming out of internal reviews, Council decisions and ongoing discussions with senior management.
- 2.3 Risk Analysis and Action Planning This involves ensuring a clear understanding of the root cause and consequences of the risks identified by considering the factors which influence or have a bearing on their likelihood or impact. Often these are external factors such as changes to legislation, government policy or the UK economy. The existing controls in place to mitigate each risk and their adequacy are then considered and further action planned where necessary.
- 2.4 Risk Prioritisation The risks identified are assessed and scored using a 6x4 matrix, according to the potential likelihood of the risk occurring and its impact if it does. The risk score assigns a simple traffic light system which further indicates the priority of the risk. By mapping the scores for all the risks onto the matrix this provides the overall risk profile for the Council.

#### **Risk Profile**

#### **Likelihood**



2.5 Risk Management Monitoring - The Corporate Risk Register is reviewed on a quarterly basis by management team as part of the Performance Management Framework. Senior management are responsible for ensuring that the risks on the corporate risk register are managed and further mitigating actions progressed. A full review of the risks in the Corporate Risk Register is carried out annually as part of the corporate planning cycle.

#### 3 Corporate Risk Register

3.1 The way that risks are recorded on the Corporate Risk Register was fundamentally changed earlier this year. This involved taking a fresh look at the categories and types of risks facing a local authority at the current time and reconsidered the key strategic risks alongside and in the context of the Corporate Plan process. This rationalised the number of risks whilst bringing greater focus on the key areas. Work is continuing to identify and plan for any additional mitigations required.

#### 4 Service Risks

- 4.1 Service risks are more operational and relate specifically to the respective service objectives. Actions to prevent or control these risks are likely to be managed at a service level. Corporate and service risks are not mutually exclusive, and a service risk may have the potential to impact on the whole of the Council and likewise a corporate risk may relate to, or require management from, one Service. Heads of Service are responsible for ensuring that the key risks in their service risk registers are managed.
- 4.2 Service Risk Registers are in the process of being reviewed following the revision of the Corporate Risk Register. This is to consider the Service risks in the context of the key corporate risks identified, to rationalise and better align them.

#### 5 Corporate Objectives and Priorities

5.1 The purpose of risk management is to manage the barriers to achieving the Council's objectives and priorities.

#### 6 Consultations/Communications

6.1 The Corporate Risk Register is subject to regular review and update by senior management on at least a quarterly basis.

## 7 Risk Management

7.1 The maintenance of the Council's risk registers contributes towards the overall corporate governance framework of assurance.

#### 8 Resource Implications

8.1 The Internal Audit Manager facilitates the risk management process. This role is segregated from her Internal Audit role and to maintain independence any audit review of risk management is undertaken by the Senior Auditor and reported to the Head of Finance & Revenues/S151 Officer.

#### 9 Equality Issues

9.1 The report is for information purposes, so the Council's EQIA process does not need to be applied.

#### 10 Conclusion

- 10.1 Risks are identified and managed throughout the year as part of the Council's Performance Management Framework.
- 10.2 The Internal Audit Manager facilitates the risk management process, updates the Corporate Risk register and can respond to any queries relating to the risk management process. Each risk has a designated officer as "Risk Owner" and they are responsible for ensuring that all agreed mitigation actions are completed.

Background Papers (Local Government Act 1972 Section 100D)						
None						
Confidentiality						
	nat this report does not contain dule 12A of the Local Govern					
No of Annexes:	1					
Author:	Jan Balfour Ext: 8234					
File Ref:	N/A					
Report to:	Audit Committee	Date:	25 September 2023			

CORPO	RATE RISK REGIST	ER													
Risk No	Category of Risk	Risk (Description)	Sub Risks	Factors	Potential Consequences	Existing Mitigations/Risk Controls	Additional mitigating action required	Action due date	Responsible Officer	Previous risk score	Current Risk Score	Current Risk Score (overall)	Direction of Travel	Target Risk Score	Target Risk Score (overall)
C1	All	Insufficient capacity (staff) to deliver Council services	Inability to recruit and retain staff (to posts already have)	Competition/limited supply of labour Flexible/homeworking Industrial action	Quality of Council Services affected. Delay in service provision. Increase in complaints etc.  Budget strain from using temporary/agency staff.	Organisational Development journey Grow your own - actual or planned Agile working/hybrid working Review of pay policy allowances Use of agency staff	Develop structured approach to succession planning and forecasting capacity needs  To determine approach to defining, assessing and measuring capacity as part of Internal Review.  Forecast future resource needs - fed from demand forecast. Medium term forecast to be prepared as part of MTFS		Deputy Chief Executive  Deputy Chief Executive  Head of Finance & Revenues		CII	CII		DII	DII
			Inability to recruit and retain a sufficient level of appropriately skilled staff needed to deliver and expand on new responsibilities e.g. food waste	Limited supply of appropriately skilled staff. All Local Authorities in similar position therefore increased competition  Government support not forthcoming or uncertain	Non compliance with statutory responsibilities.  Potential non-compliance with statutory requirements.	Build up reserves in advance to meet need Resource projects - staff and funding See C4. Budget approvals being sought New burdens funding	Full costing of staff/fuel etc. for rounds  Depot costs to be determined (capacity for parking new vehicles)	29/02/24 30/11/24	Environmental Services/ Head of Finance & Revenues		CII			DII	
	Managerial/ Professional	Failure of Internal Governance Arrangements	Inability to sustain appropriate quality of leadership	Experience and knowledge of staff in leadership positions.  Changes in ways of working and adapting to leading in a more agile environment	Deterioration in quality of service provision.  Regulatory/legislative breaches resulting in penalties/sanctions  Abuse of position/allegations reconduct and fraud	Leadership Development Programme is mitigation against poor leadership.  New manager induction programme under development  Continuing good officer/member relations  Officer/Member Codes of Conduct	To deliver and embed new leadership framework throughout all levels of staff within the Council.  Developing and embed structural governance training for officers	31/08/23	Chief Executive  Head of Legal & Democratic/ Head of Finance & Revenues		DII	DII		EII	DII
			Governance failings not promptly recognised and identified	Annual Governance Statement (assessment not embedded)  Setting an unsustainable budget.	Governance failing at TVBC Special measures imposed	Regular Statutory Officers meetings with Governance action plan.  Governance and Risk Management forms part of Corporate Dashboard.  Exercises undertaken to learn from the experiences of other failing authorities	More detailed plan to embed AGS development throughout the year	31/01/24	Statutory Officers		DII			EII	
							Political Awareness - development as appropriate for all levels Refresh of recent failures work. Consideration of the Local Authority failures and factoring into the Council's action plans. Refresher training for all staff on governance issues identified from review of failing Councils to minimise complacency. New case studies to be provided Improve understanding of policies and processes at officer level Monitoring of and implementation of Governance Action Plan								
			Failure to maintain an effective internal control environment	Internal control processes not robustly managed	Failings in governance and internal control not recognised and effectively scrutinised  Qualified opinion in Annual Governance Statement  Increase in fraud	Internal Audit Team planned review of internal control processes  Clearly defined Terms of Reference for the Audit Committee  Compliance with IIA standards and annual assessment against these reported to Audit Committee. Robust and reviewed Constitution including Contract Standing Orders and Financial Procedure Rules etc.  Review of the Constitution and the subsets within these is ongoing	Consideration of independent Member on Audit Committee in accordance with CIPFA best practice. Review of Contract Standing Orders in	-	Head of Finance & Revenues/ Head of Legal & Democratic Head of Finance & Revenues/Head of Legal & Democratic		DII			DII	
			Failure of decision making processes	Decisions not made at the correct level/correct committee  Decision taken by decision maker are incorrect  Decisions are based on reports containing inadequate details	Decisions are ultra vires and open to challenge Poor decisions made Not achieving the most economically advantageous	Standard report template with key headings Statutory Officer oversight of decision making reports  Detailed and regularly reviewed Scheme of delegations	Review of single report template underway  Report writing training		Head of Legal & Democratic  Head of Legal & Democratic		DII			DII	
	Economic/ Financial	Inability to set a balanced budget	Inability to set revenue budget	Drop in interest rates / sustained high inflation Loss of major tenants (rental income) Loss of investment income (debt management) New government burdens	Issue of S114 notice	Established process of building reserves for future losses/increased costs  Don't build in grant funding like New Homes Bonus to base budget	Accountancy Manager to review	29/02/24	Head of Finance & Revenues  Head of Finance &		DII	DII		DII	DII
			Inability to set capital budget	project	Not able to fully deliver on all aspects of regeneration programmes within planned timeframe Unable to commit to wider capital programme	Established process of building reserves for future losses/increased costs  Review of land assets  Revenue contributions built into base budget	S106/commuted sum allocation over budget setting period.  Regular annual review of the capital strategy and forecast balances of capital reserves  Financial Strategy for overall regeneration programme to be produced and approved by Programme Board	29/04/24	Head of Finance & Revenues  Head of Finance & Revenues		СІІ	_		DII	
			Inability to fund AMP	Reduced cash balances following delivery of Inflation  Costs greater than annual contribution to reserves	Inability to adequatley maintain council assets / replace life-expired vehicles and plant	Resources set aside (regen pot)  Established process of building reserves for future losses/increased costs	Annual review of Asset Management Plan (AMP) (forecasting, future need) to be presented to Cabinet and Council	29/04/24	Head of Finance & Revenues		DII	-		DII	

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C4	Environmental	Inability to fulfil emerging environmental duties and ambitions	Inability to meet Climate emergency commitments.  Inability to meet the requirements of the Environment Act inc waste reform and Biodiversity Net Gain (BNG)		Not becoming a carbon neutral organisation  Breach of Environment Act Inability to make appropriate planning decisions	Climate Emergency Action Plan (CEAP) CEAP refresh identified as Corporate Action plan Review of CEAP governance underway. CEAP Governance Group established (sits between officer and MT) to help facilitate management of CEAP Ability to switch between HVO and other Early funding/ability to start procurement Mitigation/Provision/Framework to satisfy BNG - New Ecologist - Land purchase - consideration of - Review own estate potential (ongoing) and other possible options. Any fields suitable for BNG/price etc	Management Team re management of CEAP action plan and outcome addressed  Implementation of actions arising from 22/23 internal audit.  Re Waste reform - Purchase of vehicle and waste infrastructure	As per Audit report action plan  To procure by 31/12/23.	Policy & Economic Development Head of Environmental Services Head of Property & Asset Management/ Head of Planning &	DIII	СШ	DIII	DIII
C5	All	Inability to deliver and meet the Corporate Plan priorities and objectives		Changing needs of communities  Population growth and population changes e.g. demographics and aging  Policy decisions of other organisations  Partner service provision  Officer capacity due to high demand  Delivery and access to affordable housing  Cost of living  Mass migration - Ukraine  Rent levels exceeding LHA - affordability of rent	Inability to meet the needs of the communities	Local Plan - Specific needs met through housing type and infrastructure provision.  Keep communities informed as far as can. Forecasting via housing market assessment  People focused approach should place the Council well to deal with issues that arise e.g. existing community resilience.  Corporate action plan is process to focus on the projects, resources and capacity required to deliver on those priorities and informs the Medium Term Financial Strategy  New Corporate Plan refers to working in a more placed based way.  Structure of Management Team enables a strategic review across Services.	Put in place and update Local Plan as per the statutory stages. First stage - consultation on draft.  Work to be undertaken with local places to map and understand their priorities, assets and skills needed.	31/01/2024	Head of Planning Policy & Economic Development  Head of Strategy & Innovation	To be scored when Corporate Action Plan complete (C or Dil current estimate) To reflect risk assessment scoring in Cabinet report.			
C6	Managerial/ Professional	Inability to deliver Services in event of a major incident or cyber attack	Failure of Business Continuity Plans (BCP) Disaster recovery - Failure of IT reciprocal arrangements	Power outages/restrictions Increased risk of cyber attacks Involvement of 3rd parties/contractors hosting systems e.g. MHR Personal data held in some systems	Council services.  Loss of data or personal information (reputational) litigation or sanctions from Information Commissioner's Office	Agile working has reduced the need for physical location for staff  Changes to way BCP managed to give more resource  Hosting journey to cloud (methods work)  Bolstering of skills through training of other officers  Cyber response plan and playbooks produced and endorsed by MT	physical premises  Review/scope what is (or should be covered by BCP (Corporate review)  Testing of BCP arrangements for eventuality of systems being lost.  Ensuring most data can be accessed remotely  Weekend monitoring and response to cyber incidents  To test Cyber response plan and playbooks by end of Oct 23  Creation of new roles/rota (refresh)  Commitment to a clear (and managed) staff training programme (awareness for all) by end of Nov 23. Training will be determined by outcomes of testing		Head of Strategy & Innovation	DI	Di	DI	DII
			Failure to comply with duties under Civil Contingency Act	Insufficient resources given to Emergency Plan Maintaining a wide enough pool of sufficiently trained staff	Inadequate response to emergency incidents	Emergency Response Plan in place Take part in local Resilience forum and exercises Improved resilience on single points of failure (resourcing) Ensure staff are sufficiently trained SLA with HCC covering Civil Contingency Act compliance	To further bolster support for emergency planning officer/deputies		Deputy Chief Executive/ Head of Strategy & Innovation	DII		DII	
C7	Economic/ Financial	Inability to deliver major projects and programmes within planned timescale/budget/scope	Inability to fulfil expectations of the regeneration programme	Affordability Expertise and capacity	Reputational damage Increased costs Non delivery of project outcomes	Regeneration programme risk workshop and on-going monitoring of regeneration- specific risk register. Regeneration Board and governance structure	Terms of Reference to be produced for Asset Management Plan/Capital planning (formal projects). Costs to be estimated and Funding Strategy to be produced (see C3).  Structured review of resource implications of the programme before implementation i.e. the impacts on other Services.  In the interim to focus on resource implications of current projects  To take forward/plan actions re the outcomes from the regen risk workshop and produce risk register	31/03/24 31/12/23 31/08/23	Programme Board (Management Team)  Programme Board (Management Team)  Head of Planning Policy & Economic Development	СІІ	СІІ	DII	DII

## ITEM 9 Audit Committee Work Programme

Report of the Head of Finance and Revenues

#### **Recommended:**

That the work programme for the Audit Committee, as set out in the Annex to the report, be approved.

#### SUMMARY:

This report sets out an update to the work programme for the Audit Committee for the coming year.

### 1 Background

- 1.1 A work programme for the Audit Committee was last reviewed in December 2022.
- 1.2 This report introduces an updated work programme to cover the next year's reporting schedule, which is shown in the annex to the report.
- 1.3 The work programme is based on a number of cyclical reports that are required to be considered by the Committee as part of its terms of reference and any emerging themes for the Committee to consider.

#### 2 Options

2.1 The options are whether to approve the work programme or make modifications to it.

#### 3 Option Appraisal

- 3.1 The recommended work programme covers all cyclical matters that can be planned in advance as regular work items. Additional items may be added throughout the year as and when the need arises.
- 3.2 The Committee is asked to consider whether any further items should be included before the final work programme is approved.

#### 4 Risk Management

4.1 An evaluation of the risks indicate that the existing controls in place mean that no significant risks have been identified at this time.

#### 5 Resource Implications

5.1 The Audit Plan for 2022/23 has been based on the expected resources of the Internal Audit team. There are no additional resource requirements arising from this item.

## 6 Legal Implications

6.1 There are no legal implications arising from the recommendations in this report.

#### 7 Conclusion and reasons for recommendation

- 7.1 The work programme for the Audit Committee sets out the reports that the Audit Committee is expected to receive over the coming year. It is based on experience gained over the last year, since the Committee began.
- 7.2 It is therefore considered to provide a sound basis for the work required to be carried out by the Committee over the coming year. There will be opportunities to add or amend items on this programme throughout the year.

Ir.						
Background Papers (Local Government Act 1972 Section 100D)						
None						
Confidentiality						
It is considered that this report does not contain exempt information within the meaning of Schedule 12A of the Local Government Act 1972, as amended, and can be made public.						
No of Annexes:	1	File Ref:	N/A			
Officer:	Carl Whatley	Ext:	8540			
Report to:	Audit Committee	Date:	25 September 2023			

## **Audit Committee Work Programme**

Meeting Date	Item	Lead			
12 December 2023					
	2022/23 Audit of Accounts Update	Head of Finance and Revenues / Ernst &Young			
	Internal Audit 2 <sup>nd</sup> Quarter Update 2023/24	Internal Audit Manager			
	Complaints Annual Report	Policy Manager			
	Annual RIPA Update	Head of Legal and Democratic			
18 March 2024					
	Internal Audit Progress Update 2023/24	Internal Audit Manager			
	Internal Audit Plan 2024/25	Internal Audit Manager			
	Approval of the 2022/23 Statement of Accounts and External Audit Annual Results Report (subject to change)	Head of Finance and Revenues / Ernst & Young			
	Accounting Policies for 2023/24 Statement of Accounts	Accountancy Manager			
	Draft Annual Governance Statement 2023/24	Head of Finance and Revenues			
	Corporate Risk Register – 6 monthly update	Internal Audit Manager			
	Consideration of Appointment of Independent External Member	Head of Legal and Democratic			
	Anti-fraud, whistleblowing and anti-corruption policies – annual update	Internal Audit Manager			

## **ANNEX**

	Audit Committee Work Programme Update	Head of Finance and Revenues			
17 June 2024					
	Internal Audit – Annual Report for 2023/24 and Progress update 2024/25	Internal Audit Manager			
	External Audit update – Audit Plan for 2024/25 Statement of Accounts	Ernst and Young			
23 September 2024					
	Internal Audit Progress Update 2024/25	Internal Audit Manager			
	2023/24 External Audit Progress Update	Head of Finance and Revenues / Ernst & Young			
	Corporate Risk Register – 6 monthly update	Internal Audit Manager			
	Audit Committee Work Programme Update	Head of Finance and Revenues			