

Appendix A – Summary of arrangements (continued)

Governance (Continued)

Reporting Sub-Criteria	Findings
<p>How the body ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information where appropriate); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed</p>	<p>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.</p> <p>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.</p>
<p>How the body ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance/audit committee</p>	<p>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.</p> <p><u>Full Council</u> 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.</p> <p><u>The Cabinet</u> 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.</p> <p><u>Overview and Scrutiny Committee</u> The main functions of this Committee include:</p> <ul style="list-style-type: none"> • developing and reviewing policy • holding the Cabinet to account in public for the discharge of the functions for which it is responsible <p>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.</p>

Appendix A – Summary of arrangements (continued)

Governance (Continued)

Reporting Sub-Criteria	Findings
<p>How the body ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance/audit committee (continued)</p>	<p><u>Audit Committee</u> 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 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.</p>
<p>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)</p>	<p>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.</p> <p>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 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.</p> <p>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.</p>

Appendix A – Summary of arrangements (continued)

Improving economy, efficiency and effectiveness

Reporting Sub-Criteria	Findings
<p>How financial and performance information has been used to assess performance to identify areas for improvement</p>	<p>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.</p> <p>The Council has developed 4 priorities that they are committed to for the life of the plan:</p>
<p>How the body evaluates the services it provides to assess performance and identify areas for improvement</p>	<ul style="list-style-type: none"> • 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 <p>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.</p> <p>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.</p>
<p>How the body ensures it delivers its role within significant partnerships, engages with stakeholders it has identified, monitors performance against expectations, and ensures action is taken where necessary to improve</p>	<p>The Council 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.</p>

Appendix A – Summary of arrangements (continued)

Improving economy, efficiency and effectiveness (Continued)

Reporting Sub-Criteria

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

Findings

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".

Appendix B – Summary of all recommendations

Recommendations

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

Issue	Recommendation	Management Response
Financial statements: None noted		
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

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 been 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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