



**Basingstoke and Deane Borough
Council**

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

8 March 2022



EY

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

The “Terms of Appointment and further guidance (updated April 2018)” issued by the PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature.

This report is made solely to the Audit and Accounts Committee and management of Basingstoke and Deane Borough Council in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Audit and Accounts Committee and management of Basingstoke and Deane Borough Council those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Audit and Accounts Committee and management of Basingstoke and Deane 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.

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

Section 1

Executive Summary



Executive Summary: Key conclusions from our 2020/21 audit

Area of work	Conclusion
Opinion on the Council's:	
Financial statements	Unqualified – the financial statements give a true and fair view of the financial position of the Council as at 31 March 2021 and of its expenditure and income for the year then ended. The financial statements have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21. We issued our auditor's report on 16 December 2021.
Going concern	We have concluded that the Executive Director of Corporate Services' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.
Consistency of the Narrative Statement and other information published with the financial statements	Financial information in the Narrative Statement published with the financial statements was consistent with the audited accounts.

Area of work	Conclusion
Reports by exception:	
Value for money (VFM)	We had no matters to report by exception on the Council's VFM arrangements. We have included our VFM commentary in Section 04.
Consistency of the annual governance statement	We were satisfied that the annual governance statement was consistent with our understanding of the Council.
Public interest report and other auditor powers	We had no reason to use our auditor powers.

Executive Summary: Key conclusions from our 2020/21 audit

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

Outcomes	Conclusion
Issued a report to those charged with governance of the Council, communicating significant findings resulting from our audit.	We issued an Audit Results Report dated 16 December 2021 to the Audit and Accounts Committee.
Issued a certificate that we have completed the audit in accordance with the requirements of the Local Audit and Accountability Act 2014 and the National Audit Office's 2020 Code of Audit Practice.	We have not yet issued our certificate for 2020/21 as we have not yet performed the procedures required by the National Audit Office on the Whole of Government Accounts submission. The guidance for 2020/21 is delayed and has not yet been issued.

Fees

We carried out our audit of the Council's financial statements in line with PSAA Ltd's "Statement of Responsibilities of auditors and audited bodies" and "Terms of Appointment and further guidance (updated April 2018)". As outlined in the Audit Results Report, we were required to carry out additional audit procedures to address audit risks in relation to the valuation of investment property ('IP') and property, plant and equipment ('PPE'), additional requirements in relation to ISA 540 on pensions and the new value for money commentary and NAO Code. We were also required to undertake audit procedures on the two new significant accounts (1) Covid-19 grants and (2) external borrowings and related disclosures, as well as additional work with regards to a prior period adjustment on PPE, the extrapolation of an error identified in a representative sample and the impact assessment of a letter from the public. We will calculate the associated additional fee and discuss this with the Executive Director of Corporate Services before sending it to PSAA Ltd for their review. We include details of the audit fees in Appendix 1.

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

Maria Grindley

Associate Partner

For and on behalf of Ernst & Young LLP

Section 2

Purpose and responsibilities



Purpose and responsibilities

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

Purpose

The purpose of the auditor's annual report is to bring together all of the auditor's work over the year. A core element of the report is the commentary on VFM arrangements, which aims to draw to the attention of the Council or the wider public relevant issues, recommendations arising from the audit and follow-up of recommendations issued previously, along with the auditor's view as to whether they have been implemented satisfactorily.

Responsibilities of the appointed auditor

We have undertaken our 2020/21 audit work in accordance with the Audit Plan that we issued on 16 March 2021. We have complied with the NAO's 2020 Code of Audit Practice, International Standards on Auditing (UK), and other guidance issued by the NAO.

As auditors we are responsible for:

Expressing an opinion on:

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

Reporting by exception:

- If the governance statement does not comply with relevant guidance or is not consistent with our understanding of the Council;
- If we identify a significant weakness in the Council's arrangements in place to secure economy, efficiency and effectiveness in its use of resources; and
- Any significant matters that are in the public interest.

Responsibilities of the Council

The Council is responsible for preparing and publishing its financial statements, narrative statement and governance statement. It is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Section 3

Financial Statement Audit



Financial Statement Audit

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

Key issues

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

On 16 December 2021, we issued an unqualified opinion on the financial statements. We reported our detailed findings through our Audit Results Report dated 16 December 2021 and addressed to those charged with governance. We outline below the key issues identified as part of our audit, reported against the significant risks and other areas of audit focus we included in our Audit Plan.

Significant risk	Conclusion
<p>Misstatements due to fraud or error - management override of controls</p> <p>An ever present risk that management is in a unique position to commit fraud because of its ability to manipulate accounting records directly or indirectly, and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.</p>	<p>We did not identify any material weaknesses in controls or evidence of material management override, instances of inappropriate judgements being applied; or any other transactions during our audit which appear unusual or outside the Council's normal course of business.</p>
<p>Inappropriate capitalisation of revenue expenditure</p> <p>Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition. We have identified an opportunity and incentive to capitalise expenditure under the accounting framework, to remove it from the general fund.</p>	<p>We undertook the audit work as laid out in the audit planning report and did not find any indications of inappropriate posting of capitalisation of revenue expenditure journals.</p>

Continued over.

Financial Statement Audit (continued)

Significant Risk	Conclusion
<p>Risk of incorrect valuation of Investment Property (“IP”) and Property, Plant and Equipment (“PPE”)</p> <p>IP and PPE are the most significant balances in the Council’s balance sheet. The valuation of land and buildings is complex and is subject to a number of assumptions and judgements. A small movement in these assumptions can have a material impact on the financial statements.</p>	<p>We completed the work on this significant risk as outlined in our audit planning report and we reported to TCWG a corrected understatement of PPE valuation (car parks) of £1.5 million as at 31 March 2021, and an uncorrected overstatement of PPE valuation (car parks) of £232k as at 31 March 2020. Both misstatements were identified by management and we did not identify any other valuation differences. We also raised a recommendation with regards to internal controls to prevent similar instances of valuation differences. We engaged EY specialists to assist with the completion of the work in this area of significant judgment.</p>

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

Other area of audit focus	Conclusion
<p>Going concern disclosures</p> <p>The Council is required to carry out an assessment of its ability to continue as a going concern for the foreseeable future, being at least 12 months after the date of the approval of the financial statements. There is a risk that the Council’s financial statements do not adequately disclose the assessment made, the assumptions used and the relevant risks and challenges that have impacted the going concern period.</p>	<p>We obtained the going concern assessment from management and challenged the inputs and assumptions used in the financial resilience analysis. We also assessed the appropriateness and sufficiency of the going concern disclosure in the financial statements. After corrected audit adjustments, we concluded that the disclosure is reasonable.</p>
<p>Accounting for Covid-19 related grant funding</p> <p>The Council received government funding in relation to Covid-19. Whilst there is no change in the CIPFA Code or accounting standard (IFRS 15) in respect of accounting for grant funding, the emergency nature of some of the grants received and in some cases the lack of clarity on any associated restrictions and conditions, means that the Council will need to apply a greater degree of assessment and judgement to determine the appropriate accounting treatment in 2020/21.</p>	<p>Based on our completed planned work, we concluded that the accounting treatment adopted for Covid-19 related government grants accorded with the Council’s assessment of whether it was acting as agent or principal.</p>

Continued over.

Financial Statement Audit (continued)

Other area of audit focus	Conclusion
<p>Pension Liability valuation</p> <p>The Pension Fund liability is a material balance in the Balance Sheet. Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.</p>	<p>We completed our usual IAS19 protocol procedures by obtaining a letter from the auditor of the pension fund, describing the procedures they performed on certain inputs that are used in the actuarial estimation of the defined benefit pension liability. In addition, we engaged EY pensions experts to develop our own estimated liability amount based on the same actuarial inputs. This enabled us to respond to the enhanced ISA540 standard for auditing estimates. We did not identify any material misstatements as a result of procedures performed, except for a judgmental audit difference with regards to the 'Goodwin' event, consistent with prior year.</p>

Continued over.

Financial Statement Audit (continued)

Audit differences

As a result of our audit, we reported the following audit misstatements greater than our reporting threshold of £1.5m, which were amended by management in the final statement of accounts:

- disclosure of fair value hierarchy of CCLA property fund investment of £9 million as level 2 instead of level 1 as per the draft accounts;
- understatement of property, plant and equipment ('PPE') valuation (car parks) of £1.5 million as at 31 March 2021.

We have also reported the following uncorrected audit differences:

- judgmental understatement of the defined benefit pension liability balance arising from Goodwin of £602k in 20/21 (cumulatively) and £497k in 19/20.
- overstatement of PPE valuation (car parks) of £232k as at 31 March 2020.
- incorrect grossing up of investment property income and cost of services in the amount of £131k. This has a Nil impact on Deficit/(Surplus) on provision of services.

Our application of materiality

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

Item	Thresholds applied
Planning materiality	We determined planning materiality to be £2.0m as 2% of gross expenditure on provision of services reported in the accounts. We consider gross expenditure on provision of services to be one of the principal considerations for stakeholders in assessing the financial performance of the Council.
Reporting threshold	Our reporting threshold was set at £0.1m and we reported to the Audit and Accounts Committee all uncorrected audit differences in excess of £0.1m. The Committee asked us to also notify them of any differences we found during our work in excess of £50k but we do not test to this lower level so we have only reported smaller amounts where we are aware of them, this does not provide any additional assurance at this lower level.

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

- ▶ Cash/bank balance: We audited all disclosures and undertook procedures to confirm material completeness.
- ▶ Related party transactions. We audited all disclosures and undertook procedures to confirm material completeness.

Section 4

Value for Money



Value for Money (VFM)

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

Scope and risks

We have complied with the NAO's 2020 Code and the NAO's Auditor Guidance Note in respect of VFM. We presented our progress on the VFM risk assessment to the 27 September 2021 Audit and Accounts Committee meeting which was based on a combination of our cumulative audit knowledge and experience, our review of Council and committee reports, meetings with management and evaluation of associated documentation through our regular engagement with management and the finance team. We reported that we had not identified any risks of significant weaknesses in the Council's VFM arrangements for 2020/21 at that stage and this was confirmed in our Audit Results Report dated 16 December 2021.

Reporting

We completed our planned VFM arrangements work on 16 December 2021 and did not identify any significant weaknesses in the Council's VFM arrangements. As a result, we had no matters to report by exception in the audit report on the financial statements.

VFM Commentary

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

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

- Financial sustainability
How the Council plans and manages its resources to ensure it can continue to deliver its services;
- Governance
How the Council ensures that it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness:
How the Council uses information about its costs and performance to improve the way it manages and delivers its services.

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

Introduction and context

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

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

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

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

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

Financial sustainability

How the body ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them

The Council has a robust process that continually reviews local and national financial pressures and responds to these accordingly. Regular meetings are held with heads of services, the Senior Leadership Team and with Cabinet members. In 2020/21, each service area produced an annual service plan which set out priorities and challenges and links to the Council Plan – a document which sets out the council's vision for future years, including how it will deliver key priorities. Any significant financial pressures to deliver the Council Plan are raised and mitigated with identified savings (e.g. the Council introduced a recruitment freeze and moratorium on non-essential spend in response to Covid-19 financial pressures), or, if an earmarked or risk reserve exists, then a draw from reserves may be considered in accordance with financial regulations, which is then reported in the quarterly monitoring reports to Cabinet. Future year pressures are considered as part of the Medium Term Financial Strategy ('MTFS') and reported to Cabinet and Council meetings as part of the budget setting process. This may lead to budget adjustments in some service areas or a risk reserve review.

Financial sustainability (continued)

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

Considerations for closing budget gaps in the longer term are focused on a multi strand approach of:

- Identifying growth and development opportunities within the Borough;
- Exploring opportunities for income generation from commercialisation;
- Reviewing all services to identify efficiencies with possible links to major transformation projects, such as Digital and Smarter Ways of Working;
- Improving the asset/treasury management function;
- Reviewing policies around tax collection and the use of reserves; and
- Understanding capital spend needs and how best to meet these costs.

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

Portfolio Holders, supported by Executive Directors and Heads of Service, identify options for efficiency savings, additional income, unavoidable service cost pressures and executive commitments for new strategic initiatives and a series of workshops are held with Cabinet to review and challenge options. Cabinet review options and agree a set of proposals to deliver a balanced budget, which is then reported in the updated MTFS to Cabinet before public consultation takes place, leading up to a balanced budget for the next financial year.

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

Priority Based Planning and Budgeting workshops are held with officers and Cabinet members to align all services and budgets set by each service area to the Council Plan priorities. This encourages and allows discussions on how services could be provided more efficiently and effectively. A full set of detailed priority plans are produced to support the forward looking Council Plan.

The MTFS recognises the key role that financial resources play in the future delivery of outcomes and in enabling the effective planning, management and delivery of services that contribute to the priorities in the Council Plan. The MTFS sets out a stable and sustainable financial plan over the medium term to allow the council to shape the way the borough grows whilst continuing to provide high-quality services.

By agreeing a four-year MTFS, the Council is identifying the financial pressures and opportunities that lie ahead at an early stage and is able to make better decisions as there is time to fully consider different options, engage with stakeholders, carry out risk assessments and develop contingency plans to manage future uncertainties.

Financial sustainability (continued)

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

The MTFS is central to the delivery of priority outcomes in the Council Plan in an affordable and sustainable way over a four year period. It aids robust and methodical planning as it forecasts the Council's financial position, taking into account known pressures, major issues affecting the Council's finances, including international, national, sub regional and the Borough's economic influences as well as local priorities and factors.

Other financial strategies (e.g. Treasury Management and Capital Investment Strategies) are produced at the same time as the MTFS review and budget work and are cross-checked for consistency in planning and reporting. Financial planning takes into account the strategic and operational aspects of the Council Plan and Priority Plans as well as Service Plans. Partnership working and funding, including shared projects with other local authorities (e.g. Hart District Council, Hampshire County Council) are reviewed in line with agreements in place and counterparties' finances, as this may impact future funding streams and service delivery (e.g. waste recycling credits and housing or bus routes service provision).

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

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

The Council identified and manages financial resilience risks by undertaking a regular detailed review of risk reserves, including the General Fund balance. This supports Section 151 Officer's reserve review, which includes making provisions in the risk reserves for potential unplanned future events. For example, the Council took the decision to rebase the 2020/21 revenue budget due to the forecast impact of Covid-19 on increased expenditure and lost service income, whilst the government was still setting up grant compensation schemes. The Council also put in place a recruitment freeze and a moratorium on non-essential spend to help mitigate the likely financial impact of Covid-19 on the Council's finances.

The November MTFS report, which includes Cabinet's proposals on council tax increases and new savings and income, is subject to scrutiny and challenge through the Scrutiny Committee and a public consultation period before the final MTFS and Budget Report are approved by the Council in February of the following year. Comments from the Scrutiny Committee and the public are incorporated in the financial planning reports issued in February.

In addition, the Council adopted the Chartered Institute of Public Finance and Accountancy's ('CIPFA') financial resilience index tool, which was first published in December 2019 with a further update in February 2021.

Governance

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

The council recognises the need to identify and understand its key business risks and is committed to ensuring that appropriate arrangements are in place to enable informed risk decision taking, recognising that effective risk management seeks to optimise the balance between risk and reward. An important part of the Council's decision making process is to ensure that risks are identified. A risk assessment is required of all decision making reports.

Management use the Council's Risk Management Policy to identify, assess and monitor risks. Factors considered in identifying risks are: political, social, regulatory, financial, technological, people, reputation, information, environmental. Risks are assessed and monitored in the Corporate Risk Register (summarises the generic risks), the Directorate Service Risks (directorate specific risks) and the Project Risks (detailed risk assessment at project level).

Assurance over the effectiveness of internal controls and arrangements to prevent and detect fraud is gained through the Internal Audit function of the Council. The Chief Internal Auditor is required to provide the Chief Executive, Section 151 Officer and the Audit & Accounts Committee with an opinion on the effectiveness of the Council's risk management, control and governance processes. This is done on an annual basis through an annual internal audit report and, in addition, quarterly internal audit progress reports are presented and discussed at the Audit & Accounts Committees taking place during the year.

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

The annual revenue budget is developed within the framework of the Council's MTFS agreed by Cabinet. The assumptions made in the MTFS are used in the detailed budget preparation.

In setting the annual budget and the MTFS, the Council ensures potential risks are assessed and managed so that their impact is minimised or accounted for either via Contingencies, Balances or Earmarked Reserves as is necessary.

In year, the Council monitors its revenue and capital budgets on a monthly basis and reports to Cabinet on a quarterly basis. All budget holders are responsible for ensuring external income is maximised for their service and for seeking out new opportunities to generate income.

If the budget holder cannot resolve issues within their own service area budgets, these are dealt with by Executive Directors. Where pressures are identified, action plans are required to be agreed and implemented in year, which look to address in year pressures and identify ongoing pressures that may need to be addressed as part of setting the budgets over the medium term.

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

Governance (continued)

How the body ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information where appropriate); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed.

Capital, financial and other monitoring reports are used by officers and members to make informed decisions. There is a planned approach to running monthly reports from the financial ledger, holding meetings with budget holders to discuss financial and non financial issues in respect of their service area, calculating forecasts of income/expenditure and producing monitoring reports which are timetabled and resourced by skilled and qualified staff in place in the accountancy team.

The process is underpinned by financial regulations and procedures. Any corrective action (e.g. unplanned demand leading to reduced income) is highlighted and mitigating actions discussed (e.g. identify savings, use reserves if earmarked or risk reserve exists or report financial pressure). This is raised and actioned in a timely fashion.

Quarterly financial budget monitoring reports for revenue and capital spend are presented to Cabinet (and Council if required). The accountancy team provide and support budget holders through financial training, advice and knowledge sharing on financial procedures.

Last but not least, Internal Audit provide assurance on budgetary control and financial regulations and the outcomes are reported to management and the Audit & Accounts Committee.

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.

There is a well established hierarchy of decision making process that goes through the senior leadership team, the Strategic Management Board, Cabinet and Council where necessary. Reports and briefing papers are prepared in advance based on appropriate evidence, reviewed by appropriate officers and members and published on the Council's website in advance of the decision being taken.

All reports follow a standard template which identifies why the decision is recommended and alternative options considered together with details of the consultation carried out. The template also includes separate sections for financial and legal risk management, fairness, climate change and human resources implications. The decision making process is followed as per the Council's Constitution, which includes the powers and functions that are delegated to named Officers through the Officer Scheme of Delegation.

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

Governance (continued)

How the body ensures 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)

A Forward Plan of "Key decisions" or major decisions (updated monthly) to be taken by Cabinet is published 28 days before the scheduled Cabinet meetings on a rolling basis; see <https://www.basingstoke.gov.uk/forwardplan> for transparency.

The Scrutiny Committee, usually held in public, is responsible for reviewing and scrutinising decisions made and can request a "call-in" of decisions as per section 18 of the Constitution. The Overview Committees are responsible for holding decision makers to account for improving outcomes and services. The Council rules allow public participation at Council meetings except where personal or confidential matters are disclosed (exempt information).

The Audit & Accounts Committee are responsible for providing independent assurance on the adequacy of the risk management and internal control frameworks and oversees financial reporting and annual governance processes as well as overseeing internal and external audit, helping to ensure efficient and effective assurance arrangements are in place. They do not "challenge" decisions as this is the role of the Scrutiny and Overview Committees.

The Council produces an Annual Governance Statement ('AGS') each year which sets out the governance roles and responsibilities and follows the adopted Local Code of Corporate Governance, which is reviewed and published annually. The Council is committed to openness and transparency and publishes as much Council data as it can to increase accountability and it complies with the Transparency Code. See also section A, D and E of the AGS.

As part of our work we identified the need for improved record keeping to support decision making. More specifically, in relation to wider audit procedures, we became aware of issues around retention of information for decision making on the disposal of certain assets compared to Section 123 valuations. We have made a recommendation to managers in this regard but this was not significant enough to impact our overall conclusion in this area.

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)

Members and officers are required to adhere to Codes of Conduct covered by the Council's Constitution. There are numerous internal policies that officers are required to understand and adhere to in carrying out their duties which are available on the Council's intranet and reviewed on a regular basis: e.g. Gifts and Hospitality Rules, Anti-Fraud, Bribery and Corruption, Capability and Staff Appraisal Processes, Whistleblowing and Disciplinary policies.

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

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) (continued)

The Council appoints a Monitoring Officer who has responsibility for ensuring compliance with established policies, procedures, laws and regulations and for reporting to Council and/or Cabinet potential breaches of the law or maladministration.

There is a Standards Committee that deals with matters relating to Members' complaints. Complaints or concerns around staff conduct are raised through various routes, e.g. through the internal audit team or the whistleblowing path.

The Council's Constitution and The Local Code of Corporate Governance comprise an overarching guidance for compliance. For example, Members are required to declare interests (published on the Council's website) and complete the annual related parties declaration. All documents and policies on Members' conduct and interest can be found on the council's website:

<https://www.basingstoke.gov.uk/councillor-code-of-conduct>.

Officers and other staff are required to record in the HR system personal financial and non-financial interests that could conflict with the Council's business - any declared interests require head of service approval. Internal Audit regularly report their assessment of internal controls and risk management to management and the Audit & Accounts Committee, who would in turn take corrective actions.

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

Improving economy, efficiency and effectiveness

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

Performance monitoring is undertaken to understand if and how priorities identified in the Council Plan are being achieved with the desired outcomes. Performance is measured through service planning and identification of key performance indicators ('KPIs'). The Council has robust processes that continually review, collect data and report financial and non-financial performance to various committees. The Council's Performance Framework lays out what information is reported, the recipients/audience and the purpose of reporting/outcomes to be achieved.

A line by line budget review is conducted as part of the MTFs review and annual budgeting setting which looks at in-year spend and identifies areas for future pressures or savings. A Key Indicator and Performance Management Report is reported to the Senior Leadership Team, Cabinet, Performance Panel (quarterly) and Scrutiny Committee (half yearly). This encourages continuous improvement, recognises achievements and identifies any areas requiring further review or action and it informs the Narrative Statement in the Statement of Accounts. See <https://www.basingstoke.gov.uk/performance>.

Improving economy, efficiency and effectiveness (continued)

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

The Council Plan is monitored by the Council's Performance Panel, appointed by the Scrutiny Committee, which reviews performance and financial monitoring information to support the delivery of the Council Plan and budget strategy. The Annual Statement of Accounts contains a review of key achievements and performance made against the local plan.

The Council has a dedicated Change and Performance Manager, who is in charge of the Key Indicator Performance Management Report, and a Performance and Service Planning Officer. The Customer Service Charter on the Council's website encourages the public to make a complaint or compliment on Council services and it provides access to the customer complaint form.

The performance measures and indicators are continually reviewed by service managers, senior officers, Performance Panel and Scrutiny Committee. Each service area being evaluated will have its own measures against Council Plan priorities as set out in the Statement of Accounts and performance reporting to the Senior Leadership Team, Cabinet, Performance Panel and Scrutiny Committee and various Boards: e.g. the Joint Services Partnership Board or the monthly Corporate Programme Board receives an update on major projects which is then reported in summary to Cabinet Members and the Performance Panel (from 2021/22).

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

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 a Partnership Governance Framework and each partnership is risk assessed to enhance partnership delivery on objectives, help secure value for money and improve stakeholder confidence and trust, whilst ensuring there are no conflicts of interest aspects to entering into the partnership. The Partnership Governance Framework is regularly reviewed to account for changes in regulations and environment.

The Council's most significant partnership relates to the property development joint venture with Hampshire County Council, Manydown, which has a full governance structure inherent in it. Regular governance and performance reports are presented to partner entities and Overview Committees.

The Council has entered into shared service arrangements with Hart District Council and Winchester City Council, with the most significant one being the waste shared services contract. Monthly KPI measurement and reporting are managed via a Joint Governance Group and a Partnership Board. Direct discussions with the partners involved are held to find optimal solutions.

Improving economy, efficiency and effectiveness (continued)

How the body ensures it delivers its role within significant partnerships, engages with stakeholders it has identified, monitors performance against expectations, and ensures action is taken where necessary to improve (continued)

Other engagements with partners are less formally governed but performance monitoring against expectations is still undertaken on a regular basis through established networks. This includes local partnerships that come under the Basingstoke Area Strategic Partnership (BASP), such as the Housing Priority Action Group and Basingstoke Health and Wellbeing Partnership. Regular meetings take place with Council members and officer representations and minutes/actions are published on the BASP website.

How the body ensures that commissioning and procuring services is done in accordance with relevant legislation, professional standards and internal policies, and how the body assesses whether it is realising the expected benefits.

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

The Council's Constitution sets out the legal and internal policies for procuring services under contracts and an internal contracts management handbook. The Council also has a dedicated procurement team who oversee all procurement and contracts working with spending departments. Financial regulations and procedures also set out the procedures to be followed once the contract has been awarded and are complied with alongside contract standing orders.

The Council is committed to effective and timely and compliant procurements and contract management to achieve best value. Regular review meetings are held with suppliers. A fundamental review of the procurement process started is undertaken with regularity to ensure that procedures remain effective and compliant.

The contracts' register is subject to monthly review by the Procurement Team and officers with proactive monitoring of contracts that are due to expire to allow timely re-procurement to ensure best value. Monitoring of key corporate projects is reported monthly to the Corporate Programme Board.

The Authority has agreed this recommendation which we will follow up as part of our 2021/22 VFM arrangements work.

Recommendation

As a result of the VFM procedures we have carried out in response to a letter from the public, we have reviewed some aspects of reporting and governance and identified an area where improvements are needed. As a result of this, we have agreed the following recommendation with the Authority, which is also relevant to our VFM considerations:

“As part of our wider audit procedures, we became aware of issues around retention of information for decision making on the disposal of certain assets compared to Section 123 valuations. Our recommendation is to strengthen the internal protocols for retaining minutes and other evidence of the decision making process with respect to material transactions entered by the Council.”

This recommendation was also included in our Audit Results Report, which we addressed to those charged with governance.



Section 5

Other Reporting Issues

Other Reporting Issues

Governance Statement

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

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

Whole of Government Accounts

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

Report in the Public Interest

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

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

Other powers and duties

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

Other Reporting Issues (cont'd)

Control Themes and Observations

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

We have adopted a fully substantive approach and have therefore not tested the operation of controls.

The matters reported are shown below and are limited to those deficiencies that we identified during the audit and that we concluded are of sufficient importance to merit being reported.

Description	Impact
As part of our wider audit procedures, we became aware of issues around retention of information for decision making on the disposal of certain assets compared to Section 123 valuations.	Appropriate decision making evidence retained by the Council supports the value for money attributes of a transaction. Our recommendation is to strengthen the internal protocols for retaining minutes and other evidence of the decision making process with respect to material transactions entered by the Council.
As part of our valuation work on property, plant and equipment, we concluded that controls could be improved around collecting, summarising and presenting the income and expenditure data generated by car parks.	The accuracy of the data provided to the external valuers every time a valuation is undertaken directly impacts the accuracy of the valuation of assets in the Council's statement of accounts. We were informed that appropriate actions were taken by management that will help ensure provided data is accurate.
During our testing of cost of services, we identified an instance of a recurring expenditure recorded in the incorrect period. Our enquiries with management revealed certain weaknesses in internal controls around recording expenses in the period in which they were incurred.	Recording expenses in the incorrect period can have a direct impact on the general fund balance. We were informed that appropriate actions were taken by management that will help ensure that expenses are recorded in the period in which they were incurred.

Appendix A

Audit Fees



Audit Fees

Description	Final Fee 2020/21 £	Planned Fee 2020/21 £	Final Fee 2019/20 £
Total Audit Fee – Code work	TBC**	42,865**	62,680*

*The 2019/20 Code work includes an additional fee of £19,815, which relates to additional procedures to address the increased regulatory audit requirements, additional specific one-off work required for Covid-19 considerations in relation to Going Concern and professional consultation and additional procedures to address the significant risk around properties valuation and VFM conclusion. This additional fee variation was approved by PSAA and covers only a proportion of the total scale fee variation determined by us and submitted to PSAA for approval.

**The scale fee for 2020/21 is set by PSAA as indicative and does not reflect the actual costs of undertaking the audit, to address all risks identified and to meet current regulatory standards. We set out the key areas of focus of our work in Section 02. In our outline audit planning report, we included an estimate of the scale fee increase by £45,140 to reflect those underlying costs, however this was just an indication. We will finalise and discuss the total fee with management and PSAA, and communicate progress to the Audit Committee.

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

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