

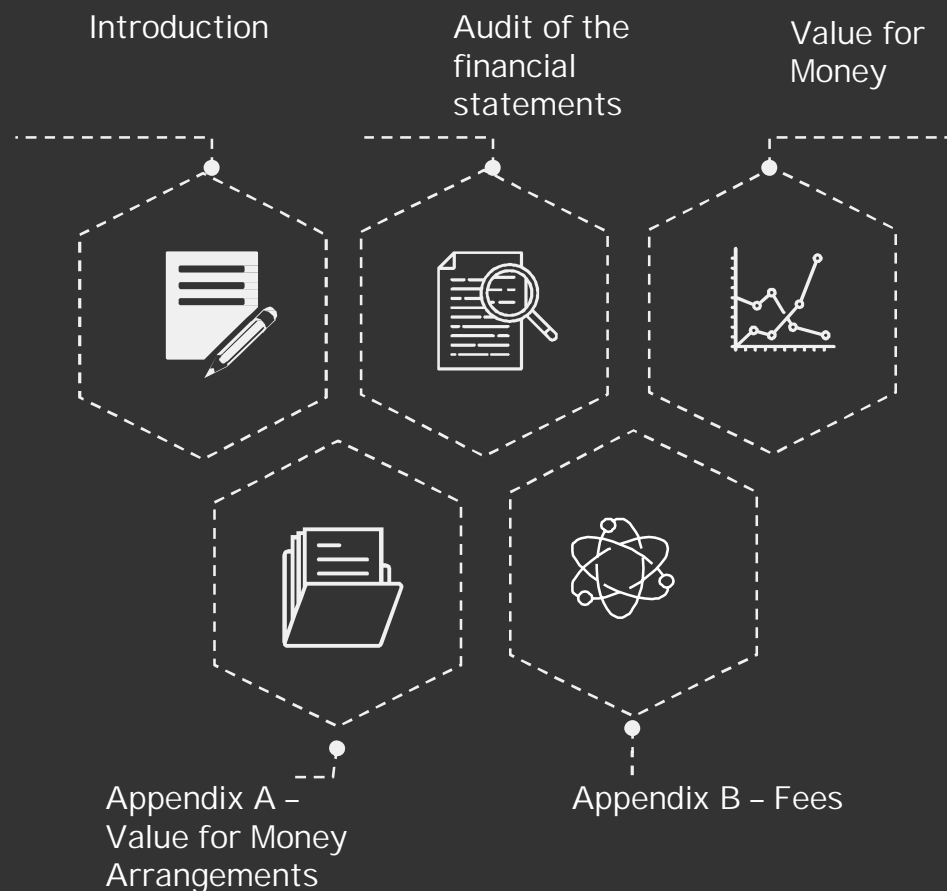


Hart District Council

Auditor's Annual
Report

Year ended 31 March 2022

Contents



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

The “Terms of Appointment and further guidance (updated July 2021)” issued by the PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature.

This report is made solely to the Audit Committee and management of Hart District Council in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to Audit Committee and management of Hart District Council those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than Audit Committee and management of Hart District Council for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.



Introduction

Purpose

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

Responsibilities of the appointed auditor

We have undertaken our 2021/22 audit work in accordance with the Audit Plan that we issued on 10 May 2022. We have complied with the National Audit Office's (NAO) 2020 Code of Audit Practice, other guidance issued by the NAO and International Standards on Auditing (UK).

As auditors we are responsible for:

Expressing an opinion on:

- The 2021/22 financial statements;
- Conclusions relating to going concern; and
- The consistency of other information published with the financial statements, including the narrative statement.

Reporting by exception:

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

Responsibilities of the Council

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



Introduction (continued)

2012/22 Conclusions

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 08 August 2023.
Going concern	We have concluded that the Executive Director of Corporate Service's 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. We had no issues to report.
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 08 August 2023, we issued an unqualified opinion on the financial statements. We reported our detailed findings to the 28 March 2023 Audit Committee meeting, updating the committee in July 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.

Significant risk

Conclusion

Risk of fraud in revenue and expenditure recognition – inappropriate capitalisation of revenue expenditure.

We tested a sample of Property, Plant & Equipment additions and confirmed they met the capitalisation requirements under IAS16.

We also tested a sample of Revenue Expenditure financed from capital under statute (REFCUS), confirming the appropriateness classification

We have not identified any instances of inappropriate judgements being applied.

Misstatements due to fraud or error

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 journals, judgements or other transactions which appeared unusual or outside the Council's normal course of business.

Valuation of Investment Properties

We sample tested the Council's two main investment properties that make up £16.5m of the Council's investment property balance.

We involved our internal valuation specialists, and our work concluded that the valuation of both properties was supportable and fell within a reasonable range.

Audit of the financial statements

Other areas of audit focus	Conclusion
Valuation of property, plant & equipment – Other land and buildings.	<p>We sampled 11 assets from the Council's land and buildings. For 4 assets we involved our internal valuation specialists.</p> <p>We identified a net amendment required of -£1.879m across 7 assets, made up of:</p> <ul style="list-style-type: none">• £3.468m overstatement• £1.589m understatement <p>Variances arose mainly due to issues around the use of income and rents, which included:</p> <ul style="list-style-type: none">• Use of incorrect income;• Including deferred contract income, which in our view should have been disregarded;• Valuation using an EUV method when the rental was not market based, and so a DRC method was more appropriate;• Using open market rents, and disregarding the current lease income; <p>We discussed each of the issues with the Council's valuers, and amended valuations were agreed.</p> <p>We reviewed the Council's cycle of asset valuations, confirming assets had been valued within the required 5 years. For assets not valued during 2021/22, we applied indices to ensure that the values had not materially moved. For the Council's car parks we applied the movement from those that had been valued, which indicated a £212k increase in valuation.</p>
Pension liability valuation	The Council needed to take account of the pension fund triennial valuation published on 31 March 2023, as the audit had not been completed by that date. Obtaining an updated Pension report from its actuary, the Council amended the values due to material differences arising from the updated assumptions and experience items (the difference between assumptions and actuals)
Accounting for Covid-19 grants	<p>We agreed the Council's classification of the grants as either principal or agent.</p> <p>We identified an overstatement of Central Government Creditor-Agent Balance by £83k</p>

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

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

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

Scope

We are required to report on whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. We have complied with the guidance issued to auditors in respect of their work on value for money arrangements (VFM) in the 2020 Code of Audit Practice (2020 Code) and Auditor Guidance Note 3 (AGN 03). We presented our VFM risk assessment to the March 2023 Audit Committee meeting which was based on a combination of our cumulative audit knowledge and experience, our review of Council committee reports, meetings with officers 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 9. The commentary on these pages summarises our conclusions over the arrangements at the Council in relation to our reporting criteria (see below) throughout 2021/22. Appendix A includes the detailed arrangements and processes underpinning the reporting criteria. These were reported in our 2020/21 Annual Auditors Report and have been updated for 2021/22.

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

Reporting criteria	Risks of significant weaknesses in arrangements identified?	Actual significant weaknesses in arrangements identified?
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
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



Value for Money (continued)

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

The Medium-Term Finance Strategy (MTFS) is reviewed annually and involves discussions with the Chief Executive (CE), Head of Finance and presented in committee meetings to make those charged with governance aware of most significant pressures arising. The Finance Manager is in regular discussion with the Business Partners (BPs) in the monthly catch ups. All services are assigned a BP and their role is to be in regular discussion within their services to identify financial pressures arising.

Pressures are reported to the committee meetings and taken into account in the MTFS. The MTFS contains a 5-year projection of net expenditure and funding sources and highlights any funding gaps arising. As a result of the gaps identified the Council carried out an exercise to identify opportunities to save money or generate income and benefit local community. The ideas arising were moderated by the Chief Executive, Head of Corporate Services and relevant committees to set a 5-year Corporate Plan/Commercial Strategy of projects to be delivered. This plan is updated and extended as further funding gaps are identified. This focuses on generating income through acquiring investment properties, efficiently using the existing properties (renting out civic offices), car park income, developer contributions.

Within the September 2021 MTFS and 22/23 budget update, savings suggestions were set out classified into Level One (can be delivered at pace), and Level Two – needing more examination as potential opportunities.

Progress on delivery of the plan is reported to the Cabinet through the MTFS.

The Revenue and Outturn presented to Cabinet on 3rd August 2023 for the year ended 31 March 2023 showed:

- The projected outturn from Q3 had been a £17k underspend, had subsequently turned into a £1.3M underspend at the end of the financial year
- This increase was due to additional income from recycling, car parking and interest as well as some accountancy savings and investments

Conclusion: Based on the work performed, the Council had proper arrangements in place in 2021/22 to enable it to plan and manage its resources to ensure that it can continue to deliver its services.



Value for Money (continued)

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

The Council has a risk management policy based on which it should provide regular updates to the Overview and Scrutiny Committee through a Corporate Risk Register. The Council's policy is based on the principles of Identifying, Evaluating, Mitigating and Review & Reporting. This stresses that risk management is an integral part of everyday management through Heads of Service and is appropriately considered as part of decision making.

The Council maintains an Internal Audit (IA) service which undertakes the IA plan for the financial year. The internal audit service provides independent assurance on the effective operation of controls in accordance with the internal audit strategy and charter. Following the end of the year, the Council has engaged with Southern Internal Audit Partnership to provide Internal Audit services.

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.

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 uses a range of mechanisms, both formal and informal, to evaluate its performance in delivering services, and for identifying and delivering service improvement opportunities. It starts from the top, with a clear expectation that the services provided should be delivered in a way that puts the customer at the heart of the process. This is further evaluated through feedback options on various services that Hart DC provide through an online customer form. This can be done through several ways including by phone, email, going to the Council offices, via the website or social media.

The Council has amended its budget during the year based on its forecasting and wider changes that may impact the Council. The September 2021 MTFS update shows examples of updates and amendments, including the identified Level One savings that were identified to respond to emerging pressures.

Finally, the quarterly performance report assesses the Council's performance against KPIs identified in each service area. This is taken to the Overview and Scrutiny Committee as well as Cabinet.

Looking forward, the Council has some significant contract re-procurements that it is starting to make plans for. The Council needs to ensure that it carefully monitors the progress of these, and ensures they are adequately resourced to ensure the procurements do achieve the best value for money.

Conclusion: Based on the work performed, the Council had proper arrangements in place in 2021/22 to enable it to use information about its costs and performance to improve the way it manages and delivers services.

Appendices



Building a better
working world

Appendix A – Summary of arrangements

Financial Sustainability

Reporting Sub-Criteria

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

Findings

The Medium-Term Finance Strategy (MTFS) is reviewed annually and involves discussions with the Chief Executive, Head of Finance and presented in committee meetings to make those charged with governance aware of most significant pressures arising. The Finance Manager is in regular discussion with the Business Partners (BPs) in the monthly catch ups. All services are assigned a BP and their role is to be in regular discussion within their services to identify financial pressures arising. The MTFS contains a 5-year projection of net expenditure and funding sources and highlights any funding gaps arising. As per the cabinet meeting held on 2nd September 2021, it was communicated that MTFS will be extended to a period of ten years into the future as recommended by the CIPFA Code of Financial management.

Where there are significant changes occurring in the year which affect the MTFS assumptions, these will be built into the MTFS workings to see the effect during the year, not just an annual review. The original MTFS was taken to the Cabinet on 9th December 2019 and we note that this has since been updated to take into account events and updates since that point, including for example the impact of the pandemic.

In 2021/22 this resulted in an MTFS being taken to the Cabinet in September 2021 including a 2022/23 budget update, after the information was considered by Overview & Scrutiny committee on 17 August 2021. During 21/22, updates on the budget were taken to the Cabinet in September and February 2022. This is taken to the relevant committee meetings by the Head of Corporate Service/S151 Officer and collated through internal meetings to monitor the financial impact of services.

Pressures are reported to the committee meetings and taken into account in the MTFS. Further financial monitoring had been introduced in the previous year due to the impact of Covid-19 However, on 1st April 2021, the Monitoring officer formally noted that the council has stepped down from the major incident and would continue on recovery but that emergency provisions within the constitution were no longer used by the council Any additional expenditure as a result of Covid that required approval was approved by the Chief Executive and then reported to Cabinet. This was generally where additional expenditure was needed at short notice for items specifically as a result of Covid-19

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

The MTFS contains a 5-year projection of net expenditure and funding sources and highlights any funding gaps arising.

As a result of the gaps identified the Council carried out an exercise to identify opportunities to save money or generate income and benefit local community. The ideas arising were moderated by the Chief Executive, Head of Corporate Services and relevant committees to set a 5-year Corporate Plan/Commercial Strategy of projects to be delivered. This plan is updated and extended as further funding gaps are identified. This focuses on generating income through acquiring investment properties, efficiently using the existing properties (renting out civic offices), car park income, developer contributions.

Appendix A – Summary of arrangements

Financial Sustainability

Reporting Sub-Criteria	Findings
How the body plans to bridge its funding gaps and identifies achievable savings (continued)	<p>Within the September 2021 MTFS and 22/23 budget update, savings suggestions were set out classified into Level One (can be delivered at pace), and Level Two – needing more examination as potential opportunities.</p> <p>Progress on delivery of the plan is reported to the Cabinet through the MTFS. While the Council has a plan in place, it is recognised that Covid-19's legacy impact on the economy is likely to reduce the number of Commercial Opportunities with short term gain and the need to review investment strategy. The Council notes that there is risk involved in this approach however reserves are also maintained to solve short-term issues. The Council is also aware of CIPFA's review of related guidance, which may impact its commercial strategy.</p>
How the body plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities	<p>Formal budget setting is carried out in advance of the relevant financial year with updates during the year as appropriate. This involves discussions between service manager and their Business Partners to ensure that funding is built in to deliver the statutory priorities on a monthly basis.</p> <p>The Council maintains a Corporate Plan and Local Strategy which sets out its strategic priorities. Service managers and Business Partners are made aware of the content of the document and take this into account when setting the budgets each year.</p> <p>The delivery of the plan is monitored through the monthly budgetary control process and quarterly performance is reported for challenge at Overview and Scrutiny and noting at Cabinet.</p>
How the body ensures that its financial plan is consistent with other plans such as workforce, capital, investment, and other operational planning which may include working with other local public bodies as part of a wider system	<p>Operational changes are identified by Business Partners during the year through discussion with their service managers; they are also involved in checking any reports going to overview and scrutiny committee which have financial implications. This will include specific plans for the organisation. Any significant changes are highlighted in the budget monitoring/MTFS.</p> <p>The Council has a number of well-established partnerships which are built into the normal budgetary control processes. This initially included the 5 Councils' contract to achieve economy and efficiency by pooling resources however it was noted that the KPIs were not favourable due to which the Council has gradually withdrawn from the arrangement. This was reviewed in detail in our prior year VFM work during 2019-20.</p> <p>For 2021/22 the Council still had arrangements with Mendip DC to provide accountancy services, joint waste service with Basingstoke & Deane BC, arrangements to operate its leisure centres and other smaller partnerships. The Corporate Plan segregates the strategy into different sections to ensure there are action points for each area. This is then brought together in the MTFS/Budget monitoring reports to capture the financial implications and monitor progress.</p>

Appendix A – Summary of arrangements

Financial Sustainability

Reporting Sub-Criteria

Findings

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 (continued)

The council has already recognised the future funding risk and has successfully adopted a commercial strategy. This aimed to deliver £1.2 million additional income. There is, however, risk involved in this approach and whilst the council has purchased two investment properties and developed affordable homes there are no guarantees that future profitable opportunities will be found. In addition, the council will be taking additional risks such as voids and the timing of acquisitions and construction. We also note that the Cabinet in Sept 2021 agreed an additional business case be explored to bring forward the next revision of the Local Plan as well as identify business cases for savings to feed into the MTFS. This shows that the Council responds to the current economic condition to ensure plans are consistent across its various strategies/budgeting.

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 monthly budget monitoring process examines all income and expenditure against budgets. It highlights at an early stage where expenditure is being incurred but where insufficient or no budgetary provision exists. Regular meetings are held with Head of Corporate Services to review the current financial position as reported by business partners. This is backed up by the budget monitoring updates to the Cabinet on a quarterly basis, where any unplanned changes in demand from their budget meetings with service managers are picked up and any appropriate revision to the budget is added in. Where there are significant changes occurring in the year which affect the MTFS assumptions, these will be built into the MTFS workings to see the effect. This action generally occurs in the second half of the year, as recorded above with the September MTFS update and forward view to the 2022/23 budget.

The Council recognises pressure on its funding and the requirement of generating income from commercial sources. We note that that the Council then produced a balanced budget in February 2022 for the 2022/23 financial year, updating the members on the savings programme with Level Two savings of £202k identified and included across 7 areas. The MTFS projections showed deficits for the forthcoming years as at that time, based on the documented assumptions in particular for future funding which has a number of uncertainties. We viewed those assumptions to be reasonable.

A Corporate risk register is in place and are reviewed on a regular basis by management – The risk register is reported to Overview and Scrutiny every 6 months. The Corporate Risk Register has identified risks around financial resilience and changes in demand due to Covid-19 and other legal changes.

Service risk registers are in place. The risks identified in the service risk registers feed through from the service plans. Risks are reported via the service panels. Service panels are reported to Overview and Scrutiny.

An assessment of compliance with the CIPFA Financial Management code was completed by the S151 officer for 2020/21 and was reported to audit committee in July 2021. The update on implementation of the CIPFA Financial management code was reported to audit committee on 7TH December 2021.

Appendix A – Summary of arrangements (continued)

Governance

Reporting Sub-Criteria

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

Findings

The Council has a risk management policy based on which it should provide regular updates to the Overview and Scrutiny Committee through a Corporate Risk Register. The Council's policy is based on the principles of Identifying, Evaluating, Mitigating and Review & Reporting. This stresses that risk management is an integral part of everyday management through Heads of Service and is appropriately considered as part of decision making. The policy sets out the roles and responsibilities of each function i.e. internal audit, elected members, relevant committees, leadership team and Heads of Service to identify the risks to their services every year. The report is collated by the Internal Audit Manager and presented to Overview and Scrutiny Committee and Audit Committee. In particular, the report highlights those risks where further actions are needed.

6 monthly risk reports were taken to Overview and Scrutiny Committee in September 21 and March 2022.

As noted above, service risk registers are in place. The risks identified in the service risk registers feed through from the service plans. Risks are reported via the service panels. Service panels are reported to Overview and Scrutiny.

The Council maintains an Internal Audit (IA) service which undertakes the IA plan for the financial year. The internal audit service provides independent assurance on the effective operation of controls in accordance with the internal audit strategy and charter. A plan of work is set for the team each year and the progress on delivering the plan and the latest findings arising are reported to each meeting of the Audit Committee. The result of this work is used in the Annual Head of Internal Audit's Opinion report along with other sources of assurances on internal control available that year, to provide the Audit Committee an annual assurance opinion.

The Council's internal audit manager was supported during 2021/22 by auditors from Wokingham Borough Council and Basingstoke & Deane Borough Council.

As well as the Internal Audit service, the Councils also has an anti-fraud and corruption policy that makes it the responsibility of each employee to be aware of the possibility that fraud, corruption and theft may exist in the workplace and be able to share their concerns with management, including how to report potential fraud or corruption.

The scope of the work carried out by internal audit includes testing the adequacy of controls to prevent or detect fraud or error. The reports include overall assurance opinions for each audit and highlight any weaknesses in controls designed to prevent and detect fraud and error. The Annual Head of Internal Audit's report also highlights any income or expenditure errors (including the value) which have been identified from audit testing. During the pandemic, the IA function was also requested to include the Covid-19 payments under their review to gain assurance over such payments and the process. The review concluded in reasonable assurance. This demonstrates that the Council responds to the risks identified.

Appendix A – Summary of arrangements (continued)

Governance

Reporting Sub-Criteria

Findings

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

The Council has a risk management policy based on which it should provide regular updates to the Overview and The Section 151 Officer is also kept aware of any significant fraud investigations, particularly where internal fraud is suspected and is often the steering officer for these cases so is aware of what is being found in these cases. We also noted this through our regular meetings with the S151 officer.

We note that the overall Head of Internal Audit's opinion as at 31 March 2022 was 'Satisfactory'.

After the year-end, it has been confirmed that the internal audit provision will be consolidated, and Southern Internal Audit Partnership (SIAP) will provide that service to the Council.

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

This is a continuous process normally commencing in June before Full Council approval in the following February. Forms are distributed around August each year to individual Budget Holders, which contains

- Revenue
- Capital
- Fees and Charges

Budget holders are requested to make their Budget requests for the forthcoming year. Each form that is distributed specifically contains their respective Cost Centres and associated Account Codes.

Forms are distributed via email, along with associated instructions for completion including a deadline for return.

Within the forms there are headings with regards for "Growth" and "Savings" along with an explanation requirement as to why this is necessary compared to the current year's budget

All revenue budgets are consolidated within their services and will then be part of a provisional Net Cost of Service, which will be subject to scrutiny and amendment. The Head of Corporate Service is responsible for overseeing the whole process and will regularly monitor the budget position from an overall perspective including the financing of the budget from central government grants, retained business rates and council tax funding.

Budget monitoring is completed monthly on Integra. The Finance Manager is responsible for coordinating the process and formulating the latest revenue and capital projected outturn.

Once all the information has been collated the business partner with delegated responsibility from the Head of Corporate Services pulls together the overall budget proposed and updates the 5-year projections. The budget set and the council tax implications are presented to the Cabinet and then for final approval by Full Council for the annual council tax setting decision.

Appendix A – Summary of arrangements (continued)

Governance

Reporting Sub-Criteria

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

Findings

We note that within the [Financial Regulation report](#) of the Council there are processes and procedures to ensure that the Council has effective systems to exercise 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.

Initially an overspend is identified between the Budget Holder and their Business Partner. Where an overspend occurs it may be possible to manage this by use of a Budget Virement following appropriate approvals.

The Scheme of Delegation mitigates against overspending to date, in such that increasing levels of expenditure (Purchase Orders and Contracts) require approval from officers with higher levels of seniority. Overspends are also highlighted to members in reports that go to Overview and Scrutiny and Cabinet during the year. Where Budgets are expected to vary and Forecast adjustments are subsequently made these are detailed in appendices for members to review.

The Head of Corporate Services reports to the Cabinet and Council quarterly as part of an overall performance management reporting process. The monitoring report includes the actual expenditure against the budget and explanations for any large deviations. This includes financial and performance reporting with areas identified that needs corrective action based on the overspending incurred during the year and how the Council can implement corrective action/savings to reduce the overspending.

Budget holders are also provided with on-going training to equip them with the necessary knowledge and skills to undertake this role. During 21/22, Budget holders were provided with bespoke Budget Monitoring Training. The training was specifically written for Hart DC, using Hart's Chart of Accounts and processes. The materials are available to all users and act as reference guides.

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

The Constitution, including the Scheme of Delegation to Officers, sets out how different types of decisions are made, including who has the responsibility for making them and what procedures should be followed. Procedures include publishing committee report on the Council's website in advance of meetings.

The Cabinet is the part of the Council that is responsible for most day-to-day decisions. The Cabinet comprises the Leader and between two and nine other councillors who are appointed by the Leader. In the current year, there were 8 members including the leader. When major decisions are to be discussed or made, these are published in the Cabinet's forward plan in so far as they can be anticipated. If these major decisions are to be discussed with council officers at a meeting of the Cabinet, this will generally be open for the public to attend except when personal or confidential matters are being discussed. The Cabinet has to make decisions that are in line with the Council's overall policies and budget. If it wishes to make a decision that is outside the budget or policy framework, this must be referred to the Council as a whole to decide.

Appendix A – Summary of arrangements (continued)

Governance

Reporting Sub-Criteria

Findings

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)

The Constitution contains a detailed explanation of roles and responsibilities of each committee which in turn lead to effective working of the Council.

The Monitoring Officer and Chief Finance Officer (s151 Officer) maintain their legal responsibilities to ensure that the Council acts legally and within its financial means and are present at all the executive Committee meetings.

Any key decisions due to be made should be published 28 days prior, to enable wider transparency and opportunities for representation to the decision makers.

The Audit Committee's role is not to challenge the decisions of the Council/Cabinet, that is the role of the Overview and Scrutiny Committee. Their role is to review and receive relevant reports related to risk management, fraud, internal and external audit.

This includes consideration of all matters relating to the Council's audit function, including receiving the annual audit letter, auditor's reports, and settling the internal audit work programme. The committee meets a minimum of three times a year except in 2020 due to the pandemic where only two meetings were held. We note that the frequency also depends on requirements and importance of discussing areas under the Audit Committee's remit. In 21/22, the Audit committee met 4 times.

Through our attendance at the audit committee, we have noted that further training should be provided to committee members to ensure constructive discussions underpinned by the roles and functions defined per the constitution are undertaken to achieve objectives of the committee. Issues have been raised, on more than one occasion, that are clearly outside the Terms of Reference of the Committee.

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)

In accordance with the Localism Act 2011 Hart DC has a Code of Conduct which sets out the behaviours expected from our members, and arrangements in place to deal with any matters identifies of ethics, honesty and member conduct. This includes a formal member complaint procedure which is overseen by the Monitoring Officer. New members receive an induction session on the Code including how to declare interests in advance of committee meetings.

The complaints received and actioned are included on the Council's 'Help & advice' page.

A standards sub-committee is set up when a significant breach by a member requires investigation and the conclusion is reported at the next meeting of the Audit Committee and Full Council.

Appendix A – Summary of arrangements (continued)

Governance

Reporting Sub-Criteria

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.

Findings

The Council's Code of Conduct and Disciplinary Rules and Procedure aim to maintain appropriate standards of conduct at work by employees. All new employees complete induction on the content of the Code. The revised policy includes section on gifts, hospitality and interests to meet the needs of the Bribery Act. The Council's Anti-Fraud and Corruption policy also deals with the policy on gifts, hospitality and bribery.

The Council has a Personal Data Breach Response Plan. This guide is for staff to refer to in the event of a Personal Data Breach. It is referenced in staff training. Personal Data Breaches are assessed against risk, using Data Breach and Risk Assessment Checklist. Whenever a Personal Data Breach occurs, the Incident Register is completed. Staff are reminded about the Personal Data Breach reporting steps in the staff bulletin

Appendix A – Summary of arrangements (continued)

Improving economy, efficiency and effectiveness

Reporting Sub-Criteria

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

Findings

The monthly budget monitoring process examines all income and expenditure against budgets. It highlights at an early stage where expenditure is being incurred but where insufficient or no budgetary provision exists. This is reported to the Head of Corporate service to take corrective action in the form of identifying savings or redistribute resources depending on the size of the overspend. This is further reported to the Council and Cabinet through quarterly budget monitoring reports as discussed above.

The Council has amended its budget during the year based on its forecasting and wider changes that may impact the Council. The September 2021 MTFS update shows examples of updates and amendments, including the identified Level One savings that were identified to respond to emerging pressures.

At the end of the year any areas which were overspent are discussed in the Business Partners meeting and an action plan devised to work with the service to bring the spend under control, or to assess if changes are need that will update the MTFS and next budget – which then rolls forward into the next budget cycle.

Contract monitoring and performance monitoring are built in as a section in the template quotation form used at Hart to ensure buyers are thinking about how they will monitor the contract right from the specification design. The guidance provided to staff also starts by making sure Data Protection considerations have been made (step 1) before designing the specification.

In terms of what are the appropriate processes in place for specific contracts, this will depend on the size of it and level of risk present. For example, the Capita and Leisure contracts have monthly reviewed KPIs, regular Service Improvement Groups, open book approach financial reviews and governance in place for escalations. Others, such as small improvement works in the Countryside service will have some of these or lighter touch reviews (eg weekly/daily onsite meetings during the works phase), the key is for the monitoring to be proportionate to the risk.

Service Plans, service priorities and performance indicators and targets are set each year. These plans are considered by Overview and Scrutiny which then makes recommendations to Cabinet as appropriate. Key risks from these service plans are recorded on the service risk registers and any corporate risks recorded on the corporate risk register. Results of performance Indicators and targets are reported by Heads of Service at service panels – these are then reported to Overview and Scrutiny.

The Council has a Personal Data Breach Response Plan. This guide is for staff to refer to in the event of a Personal Data Breach. It is referenced in staff training. Personal Data Breaches are assessed against risk, using Data Breach and Risk Assessment Checklist. Whenever a Personal Data Breach occurs, the Incident Register is completed. Staff are reminded about the Personal Data Breach reporting steps in the staff bulletin

Appendix A – Summary of arrangements (continued)

Improving economy, efficiency and effectiveness

Reporting Sub-Criteria

Findings

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

The Council uses a range of mechanisms, both formal and informal, to evaluate its performance in delivering services, and for identifying and delivering service improvement opportunities.

It starts from the top, with a clear expectation that the services provided should be delivered in a way that puts the customer at the heart of the process. This is further evaluated through feedback options on various services that Hart DC provide through an online customer form. This can be done through several ways including by phone, email, going to the Council offices, via the website or social media.

The Council also assesses its performance through various sources discussed above including the review of the Corporate and Service Risk Registers, Budget monitoring reports etc.

Finally, the quarterly performance report assesses the Council's performance against KPIs identified in each service area. This is taken to the Overview and Scrutiny Committee as well as Cabinet.

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 maintains a Corporate List of its significant partnerships. These are assessed for their significance in terms of the results they seek to deliver, their profile/reputation and resources involved.

The Council has a joint waste contract with Basingstoke and Deane Borough Council (BDBC). Previously Hart DC was the lead i.e. all invoices from Serco were paid by Hart and then charged to BDBC for their share of the costs. However, during 2021/22 the lead role transferred to BDBC.

The other main area is the 5 Councils contract. The scope of services under the contract were reduced at the beginning of FY 20/21. This was due to timely monitoring and assessment of KPIs and a further cost v benefit analysis. In conclusion, it was agreed that the HR and payroll function would be brought back in-house and finance function was delivered during 21/22 by Mendip DC. The exchequer service was brought back to HDC from 1/04/2021. This was because the Council did not see planned savings through this partnership and also the KPI monitoring did not show the level expected by Hart DC.

The two examples above show that the Council take action where necessary and monitor the performance of the Council, and amends partnership arrangements with it's partners.

The information is also taken to the relevant Council meetings to engage stakeholders at the appropriate time

Appendix A – Summary of arrangements (continued)

Improving economy, efficiency and effectiveness

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

Contract Standing orders are in place to achieve efficiencies which were revised and approved by Cabinet in November 2020. They are located within the Constitution, which we note was updated after the year we are assessing in August 2022. The Contract Register is also in place and published on the Council's website to support transparency.

Procurement procedures are in place and are available to officers via SharePoint. These procedures include a step-by-step guide to 'Buying Something'. There has also been a recent 'toolkit' training for management team. This toolkit covered procurement – rules and regulations- quotes, who to ask and when to tender and the exemption process to ensure compliance with laws and regulations.

In 20/21, a joint decision was made across the 5 Councils to insource procurement, and so during 21/22 the former Capita procurement function under the 5 councils contract has been brought in house.

Appendix B – 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 Misstatements due to fraud or error, Inappropriate capitalisation of revenue expenditure due to fraud or error, the valuation of Investment properties. As a result, we have discussed an associated additional fee with the Executive Director of Corporate Services which remains subject to approval by PSAA Ltd.

Our fee for 2021/22 is in line with the audit fee agreed and reported in our 2021/22 Annual Results Report.

Description	Final Fee 2021/22 £	Planned Fee 2021/22 £	Final Fee 2020/21 £
Scale Fee	41,469	41,469	41,469
Scale Fee Rebasing (1)	30,668	30,625	7,485
Revised Proposed Scale Fee	72,137	72,094	48,954
Scale Fee Variation (2)	26,695	9,948	36,634
Objection	n/a	n/a	5,325
Total Audit Fee – Code work	98,832	82,042	90,913
Non-audit work (3)	16,938	11,758	16,938
Total fees	105,032	93,800	107,851

(1) As detailed in our 2020/21 Auditor’s Annual Report we have submitted a proposed rebasing of the scale fee. PSAA have approved the 20/21 Scale Fee Variation (including rebasing element) as shown. We continue to record the same rebasing figure for 21/22 as we submitted for 20/21 (Difference of £43 due to rounding).

(2) For 2021/22, the scale fee is impacted by a range of factors which has resulted in additional work. We have determined the impact, which will be finalised and discussed with management before submission to PSAA

(3) Final non-audit fee for as reporting accountant for your Housing Benefit Assurance Process (HBAP) to the DWP to be agreed at the completion of the work. In 2020/21 there were 4 lots of additional testing that will need to be followed-up in 2021/22, which will increase the fee above the initial plan. Therefore, we estimate this will be in region of the prior year fee.

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