

HAVANT BOROUGH COUNCIL
PUBLIC SERVICE PLAZA
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Havant
BOROUGH COUNCIL

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GOVERNANCE, AUDIT AND FINANCE BOARD AGENDA

Membership: Councillor Kennett (Chairman)

Councillors P Bains, Briggs, Crellin, Hart, Rees, Robinson, Smith K and Wade

Meeting: Governance, Audit and Finance Board

Date: Wednesday 19 September 2018

Time: 5.00 pm

Venue: Hollybank Room, Public Service Plaza, Civic Centre Road,
Havant, Hants PO9 2AX

The business to be transacted is set out below:

Nick Leach
Monitoring Officer

11 September 2018

Contact Officer: Mark Gregory 023 92446232
Email: mark.gregory@havant.gov.uk

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1 Apologies	
To receive apologies for absence.	
2 Minutes	1 - 4
To confirm the minutes of the Governance, Audit and Finance Board held on 25 July 2018.	
3 Matters Arising	
4 Declarations of Interest	
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6	Progress Against Outstanding NFI matches	To Follow
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	To receive verbal updates from the Monitoring Officer.	
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GENERAL INFORMATION

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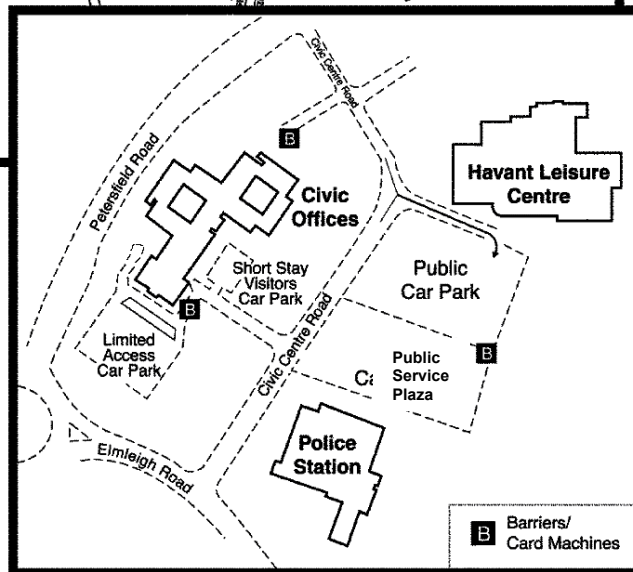
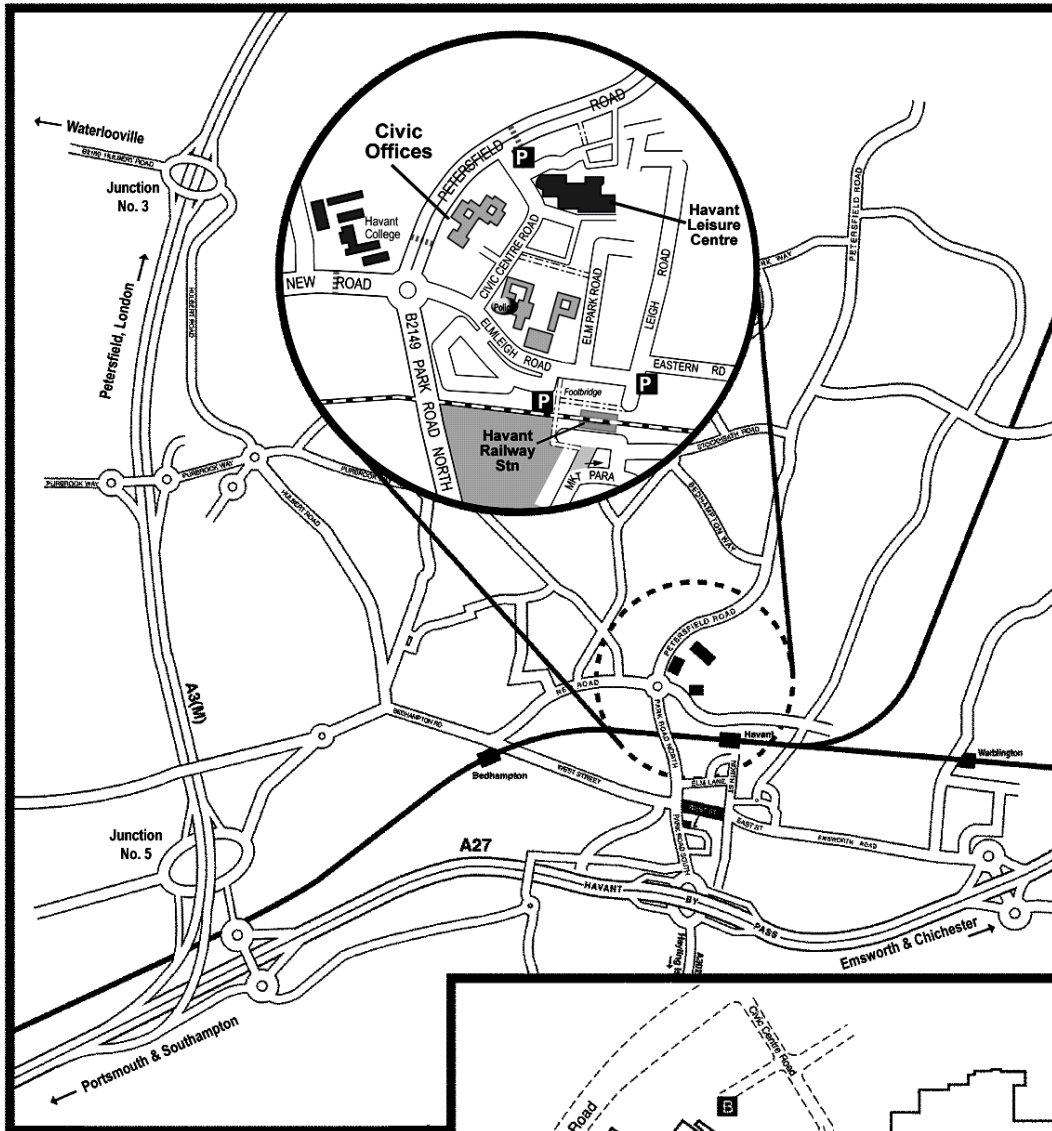
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 Telephone (023) 9247 4174

HAVANT BOROUGH COUNCIL

At a meeting of the Governance, Audit and Finance Board held on 25 July 2018

Present

Kennett (Chairman), P Bains, Briggs, Crellin, Hart and Robinson

12 Apologies

Apologies for absence were received from Councillors Rees, Shimbart, Smith and Wade.

13 Minutes

The Minutes of the meeting of the Governance, Audit and Finance Board held on 20 June 2018 were agreed as a correct record and signed by the Chairman.

14 Matters Arising

There were no matters arising.

15 Declarations of Interest

There were no declarations of interests.

16 Chairman's Report

The Chairman thanked the officers for the workshop held on Monday 23 July 2018.

17 Annual Internal Audit Report and Opinion 2017/18

The Board considered a report presented by Antony Harvey and Amanda Chalmers of the Southern Internal Audit Partnership, who joined the meeting for the debate on this item and answered members' questions relating to the report.

The report provided the Board with the Chief Internal Auditor's opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control for the year ending 31 March 2018. The Board was assured that the Council's framework was adequate and where weaknesses had been identified, work had been undertaken with Council management to agree appropriate corrective actions.

RESOLVED that the Annual Internal Audit Report and Opinion for 2017/18 from the Southern Internal Audit Partnership be approved.

18 Annual Fraud Report 2017/18

The Board considered the Annual Fraud Plan for 2017-18, as presented by Antony Harvey and Amanda Chalmers of the Southern Internal Audit Partnership.

The Fraud and Corruption Risk Plan highlighted the framework of reactive and proactive initiatives to detect fraud and provide assurance that fraud has not taken place.

RESOLVED that the Annual Fraud Report for 2017/18 be approved and progress made with dealing with NFI matches be submitted to a future meeting of this Board.

19 Annual Governance Statement

Further to Minute 7/06/2018, the Board considered the final version of the Annual Governance Statement 2017-18.

RESOLVED that the Annual Governance Statement for 2017/18 as submitted be approved.

20 External Audit Results Report 2017/18 and Audit Committee Briefing

The Board considered the External Audit Results Report for the year ended 31 March 2018. Andrew Brittain and Jason Jones of Ernst and Young LLP joined the meeting for the debate on this item and answered members' questions in connection with the report.

The Audit Results Report summarised the findings from the 2017/18 audit. The Board were informed that a majority of outstanding items detailed in the report had been completed and had not impacted upon the opinions contained within the report. The Board were also informed of errors and changes to the report which had been identified since the report was published.

The Board that there were three unadjusted audit differences which would be explained in the Council's letter of Representation.

The Board noted the problems caused by the Government bringing forward the date for the submission of the Statement of Accounts and thanked the External Auditors and Council Officers for their work

RESOLVED that the External Audit Results Report 2017/18 and Audit Board Briefing be noted.

21 Statement of Accounts and Letter of Representation 2017/18

The Board received the Statement of Accounts and Letter of Representation for 2017/18. The Board noted details of amendments made to the Accounts since the report was published.

The Statement of Accounts detailed the Council's financial position against budgets in 2017/18, including core financial statements and supporting information, while also outlining **Page 2** elements for 2018/19 onwards. The Letter

Governance, Audit and Finance Board (25.7.18)

of Representation set out the Council's response to the external auditors and explanation of the unadjusted audit difference.

The Board was advised that a finance workshop would be held at a later date. RESOLVED that;

- (a) The Statement of Accounts for 2016/17 be agreed, the Chairman be authorised to certify the approval of the Accounts by signing page 30 and the S151 Officer be authorised to certify the approval of the accounts by signing pages 18 and 29; and
- (b) The draft Letter of Representation for 2016/17 be agreed, and the Chairman and S151 Officer be authorised to sign the letter.

22 Monitoring Officer's Report

The Monitoring Officer informed the Board that there had been no new Code of Conduct complaints received since the last meeting.

23 Appointment of Panels

The Scrutiny Board considered the appointment of scrutiny panels.

RESOLVED that:

- (a) Scrutiny Panels be appointed as set out in Appendix A to these minutes;
- (b) Members of the Panels be appointed as set out in Appendix A to these minutes

24 Work Programme 2018/19

The Board considered the Scrutiny Work Programme and proposed success criteria for 2018/19.

The Board also considered a request from the Council to undertake a review into Councillors' Allowances.

RESOLVED that;

- (a) the Work Programme for 2018/19 be as set out in Appendix B to these minutes; and
- (b) the review into the Councillors' Allowances Scheme be referred to the Governance, Audit and Finance Scrutiny Panel

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NON EXEMPT

HAVANT BOROUGH COUNCIL

GOVERNANCE, AUDIT AND FINANCE BOARD 19 September 2018

INTERNAL AUDIT PROGRESS REPORT 2018-19 (September 2018)

Head of Southern Internal Audit Partnership

ITEM NO

FOR DECISION

Key Decision: No

1.0 Purpose of Report

1.1 The purpose of this paper is to provide the Governance, Audit and Finance Board with an overview of internal audit activity against assurance work completed in accordance with the approved audit plan and to provide an overview of the status of 'live' reports.

2.0 Recommendation

2.1 That the Governance, Audit and Finance Board note the Internal Audit Progress Report (September 2018) as attached.

3.0 Summary

3.1 Under the Accounts and Audit (England) Regulations 2015, the Council is responsible for:

- ensuring that its financial management is adequate and effective and that it has a sound system of internal control which facilitates the effective exercise of functions and includes arrangements for the management of risk; and
- undertaking an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control.

3.2 In accordance with the Public Sector Internal Audit Standards and the Council's Internal Audit Charter, the Chief Internal Auditor is required to provide a written status report to the Governance and Audit Committee, summarising:

'communications on the internal audit activity's performance relative to its plan.'

3.3 Appendix 1 summarises the performance of Internal Audit for 2018-19.

4.0 Implications

4.1 Resources:

Internal Audit is provided through the Southern Internal Audit Partnership. The audit plan consists of 380 audit days and remains fluid throughout the year to meet the changing needs of the Council.

4.2 Legal:

Compliance with the Accounts and Audit (England) Regulations 2015.

4.3 Strategy:

Internal audit plays a vital role in helping the organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

4.4 Risks:

The audit needs assessment follows a risk based audit approach taking cognisance of the Council's risk register.

4.5 Communications:

None directly from this report.

4.6 Customers & Community:

None directly from this report although improvements to controls and governance arrangements will ensure more efficient and effective service delivery.

4.7 Integrated Impact Assessment (IIA):

n/a

5.0 Consultation

5.1 The report has been discussed and noted by the Management Team who met at the Executive Board on 30 August 2018.

Appendices:

Appendix 1 – Internal Audit Progress Report 2018-19

Agreed and signed off by:

Legal Services: Lydia Morrison

Finance: Lydia Morrison

Contact Officer: Neil Pitman
Job Title: Head of Southern Internal Audit Partnership
Telephone: 01962 845139
E-Mail: neil.pitman@hants.gov.uk

Internal Audit Progress Report

September 2018

Havant Borough Council

Havant
BOROUGH COUNCIL

**Southern Internal
Audit Partnership**

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1. Role of Internal Audit

The requirement for an internal audit function in local government is detailed within the Accounts and Audit (England) Regulations 2015, which states that a relevant body must:

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

The standards for ‘proper practices’ are laid down in the Public Sector Internal Audit Standards [the Standards - updated 2017].

The role of internal audit is best summarised through its definition within the Standards, as an:

‘Independent, objective assurance and consulting activity designed to add value and improve an organisations operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes’.

The Council is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements. Internal audit plays a vital role in advising the Council that these arrangements are in place and operating effectively.

The Council’s response to internal audit activity should lead to the strengthening of the control environment and, therefore, contribute to the achievement of the organisations objectives.

2. Purpose of report

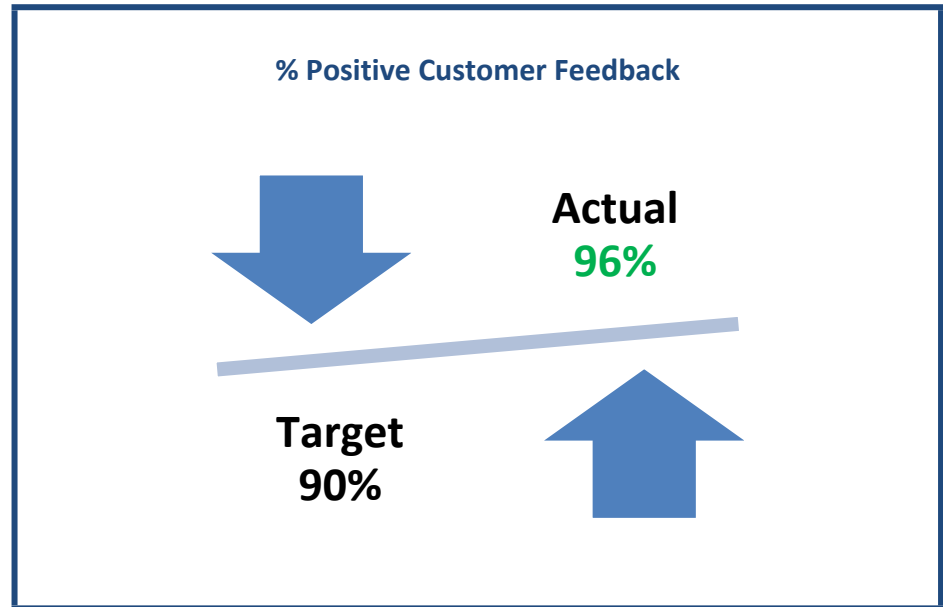
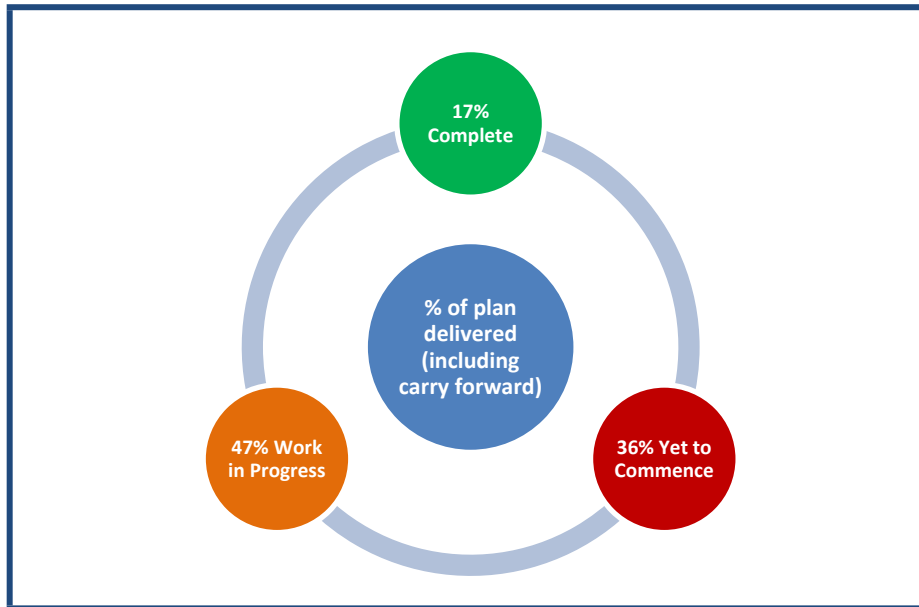
In accordance with proper internal audit practices (Public Sector Internal Audit Standards), and the Internal Audit Charter the Chief Internal Auditor is required to provide a written status report to ‘Senior Management’ and ‘the Board’, summarising:

- The status of ‘live’ internal audit reports;
- an update on progress against the annual audit plan;
- a summary of internal audit performance, planning and resourcing issues; and
- a summary of significant issues that impact on the Chief Internal Auditor’s annual opinion.

Internal audit reviews culminate in an opinion on the assurance that can be placed on the effectiveness of the framework of risk management, control and governance designed to support the achievement of management objectives of the service area under review. Assurance opinions are categorised as follows:

Substantial	A sound framework of internal control is in place and operating effectively. No risks to the achievement of system objectives have been identified
Adequate	Basically a sound framework of internal control with opportunities to improve controls and / or compliance with the control framework. No significant risks to the achievement of system objectives have been identified
Limited	Significant weakness identified in the framework of internal control and / or compliance with the control framework which could place the achievement of system objectives at risk
No	Fundamental weaknesses identified in the framework of internal control or the framework is ineffective or absent with significant risk to the achievement of system objectives

3. Performance dashboard



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Compliance with Public Sector Internal Audit Standards / Local Government Application Note



An 'External Quality Assessment' of the Southern Internal Audit Partnership was undertaken by the Institute of Internal Auditors (IIA) in September 2015. The report concluded:

*'It is our view that the Southern Internal Audit Partnership 'generally conforms' (top grading) to **all** of the principles contained within the International Professional Practice Framework (IPPF); Public Sector Internal Audit Standards (PSIAS); and the Local Government Application Note (LAGN).*

In accordance with PSIAS, a further self assessment was completed in April 2018 concluding that the Southern Internal Audit Partnership continues to comply with all aspects of the IPPF, PSIAS and LGAN.

4. Status of 'Live' Reports

Audit Review	Report Date	Audit Sponsor	Assurance Opinion	Management Actions ('High Priority')				
				Reported	Not Accepted	Pending	Cleared	Overdue
*Insurance	01/04/16	CFO	Adequate	2 (0)	0 (0)	0 (0)	2 (0)	0 (0)
Local Government Transparency Code 2015	06/05/16	CFO	Adequate	7 (3)	0 (0)	1 (0)	6 (3)	0 (0)
*Procurement	13/10/16	HoSC	Adequate	5 (3)	0 (0)	0 (0)	5 (3)	0 (0)
*Accounts Payable	11/01/17	CFO	Adequate	3 (0)	0 (0)	0 (0)	3 (0)	0 (0)
Business Continuity Planning / Disaster Recovery	30/01/17	HoOD	Adequate	9 (1)	0 (0)	6 (1)	3 (0)	0 (0)
*Health and Safety	06/03/17	HoOD	Adequate	4 (0)	0 (0)	0 (0)	4 (0)	0 (0)
Information Governance	26/04/17	HoPRQ	Limited	19 (7)	0 (0)	4 (0)	15 (7)	0 (0)
*Main Accounting	27/04/17	CFO	Substantial	1 (0)	0 (0)	0 (0)	1 (0)	0 (0)
Developers Obligations and Contributions / Community Infrastructure Levy (CIL)	15/06/17	HoP	Adequate	9 (5)	0 (0)	2 (0)	7 (5)	0 (0)
*Norse South East – Governance Arrangements	19/06/17	HoSC	Adequate	3 (0)	0 (0)	0 (0)	3 (0)	0 (0)
Risk Management	26/06/17	HoPRQ	Adequate	3 (0)	0 (0)	1 (0)	2 (0)	0 (0)
Proactive Fraud Initiatives (Mobile Devices)	12/12/17	HoPRQ	Adequate	6 (0)	0 (0)	5 (0)	1 (0)	0 (0)

Audit Review	Report Date	Audit Sponsor	Assurance Opinion	Management Actions ('High Priority')				
				Reported	Not Accepted	Pending	Cleared	Overdue
NNDR	08/01/18	HoCS	Adequate	2 (0)	0 (0)	2 (0)	0 (0)	0 (0)
*Governance Arrangements (6 Council Transition)	24/01/18	HoSC	Limited	16 (15)	0 (0)	0 (0)	16 (15)	0 (0)
Strategic Planning (Fit for Future)	28/02/18	HoOD	Adequate	3 (0)	0 (0)	3 (0)	0 (0)	0 (0)
Treasury Management	18/06/18	CFO	Limited	6 (0)	0 (0)	2 (0)	4 (0)	0 (0)
Accounts Payable	06/07/18	CFO	Adequate	13 (2)	0 (0)	1 (0)	13 (2)	0 (0)
Norse South East – Governance Arrangements	24/07/18	HoSC	Adequate	9 (0)	0 (0)	8 (0)	1 (0)	0 (0)
Norse South East – Emergency Planning Arrangements	24/07/18	HoSC	Adequate	3 (0)	0 (0)	3 (0)	0 (0)	0 (0)
HR / Payroll	21/08/18	HoOD / CFO	Adequate	4 (0)	0 (0)	1 (0)	3 (0)	0 (0)

*denotes audits where all actions have been completed since the last progress report

Audit Sponsor	
Head of Organisational Development	HoOD
Head of Customer Services	HoCS
Chief Finance Officer	CFO
Head of Programmes, Redesign and Quality	HoPRQ
Head of Development	HoD
Head of Strategic Commissioning	HoSC
Head of Property Services	HoPS
Executive Director (Commercial)	ED (C)
Head of Planning	HoP
Executive Director (Operations and Place Shaping)	ED (OPS)
Head of Neighbourhood Support	HoNS

5. Executive Summaries of new reports published concluding a ‘Limited’ or ‘No’ assurance opinion

There are no new reports published concluding a ‘Limited’ or ‘No’ assurance opinion.

6. Fraud and Irregularities

In accordance with the Local Government Transparency Code 2015 there is a requirement on local authorities to publish the following information with regard counter fraud work:

Local Government Transparency Code 2015	01.04.18 – 31.08.18
Part 2 Requirements - Fraud	
Number of occasions powers under the Prevention of Social Housing Fraud (Power to Require Information) (England) Regulations 2014, or similar powers have been used	Nil
Total number (absolute and full time equivalent) of employees undertaking investigations and prosecutions of fraud	3 fte*
Total number (absolute and full time equivalent) of professionally accredited counter fraud specialists	5 fte*
Total amount of time spent by the authority on the investigation and prosecution of fraud	6 days***
Total number of fraud cases investigated	0**

*relates to internal audit staff across the wider SIAP only (does not include other areas of the Council that may affect reported figures i.e. legal, HR, Trading Standards, departmental investigating officers etc.)

**the definition of fraud is as set out by the Audit Commission in *Protecting the Public Purse - ‘the intentional false representation, including failure to declare information or abuse of position that is carried out to make gain, cause loss or expose another to the risk of loss.’*

***relates to SIAP staff only and includes time spent on proactive fraud initiatives to identify or prevent potential fraud that may not result in a formal investigation or prosecution.

7. Planning & Resourcing

The internal audit plan for 2018-19 was discussed by the Executive Board on 22 February 2018 and approved by the Governance and Audit Committee on 14 March 2018.

The audit plan remains fluid to provide a responsive service that reacts to the changing needs of the Council. Progress against the plan is detailed within section 8.

8. Rolling Work Programme

Audit Review	Audit Sponsor	Scoping	Audit Outline Issued	Fieldwork	Draft Report Issued	Final Report Issued	Assurance Opinion	Tracker (✓ on schedule ✗ Delay)	Comment
Carry Forward Reviews									
Human Resources	HoOD	✓	✓	✓	✓	✓	Adequate	✓	17/18 Opinion
Payroll	CFO	✓	✓	✓	✓	✓	Adequate	✓	17/18 Opinion
Council Tax	HoCS	✓	✓	✓	✓		Adequate	✓	17/18 Opinion (currently finalising management actions)
Norse South East – Governance Arrangements	HoSC	✓	✓	✓	✓	✓	Adequate	✓	17/18 Opinion
Norse South East – Emergency Planning Arrangements	HoSC	✓	✓	✓	✓	✓	Adequate	✓	17/18 Opinion

Audit Review	Audit Sponsor	Scoping	Audit Outline Issued	Fieldwork	Draft Report Issued	Final Report Issued	Assurance Opinion	Tracker (✓ on schedule ✗ Delay)	Comment
Norse South East – Assurance Mapping	HoSC	✓	✓	✓				✓	Assurance mapping exercise now being undertaken following recent receipt of reports from Norse Group
2018-19 Reviews									
Corporate / Cross Cutting									
Partnership Management (Client Relationship Team)	CRD	✓						✓	
Strategic Planning (Fit for Future)	HoOD / HoCS							✓	Q3
Human Resources	HoOD							✓	Q3
Risk management	HoPRQ	✓						✓	
Commercial Activities	HoCD							✓	Q4
Partnership Management (Horizon Leisure Trust)	HoSC	✓						✓	

Audit Review	Audit Sponsor	Scoping	Audit Outline Issued	Fieldwork	Draft Report Issued	Final Report Issued	Assurance Opinion	Tracker (✓ on schedule ✗ Delay)	Comment
Contract Management Arrangements	HoSC	✓	✓					✓	
Procurement	HoSC	✓	✓	✓				✓	
Insurance	CFO	✓	✓	✓				✓	
Corporate Governance									
Proactive Fraud Initiatives (Blue Badges)	CFO	✓						✓	
CIPFA Fraud Survey	CFO	✓	n/a	✓	n/a	✓	n/a	✓	
National Fraud Initiative (NFI)	CFO	n/a	n/a	✓				✓	
Information Governance	HoPRQ							✓	Q3
6 Council's Governance Framework	HoSC	✓	✓	✓	✓	✓	n/a	✓	All actions agreed in 17/18 audit are now complete.
Financial Management									
Accounts Payable	CFO							✓	Q3/Q4

Audit Review	Audit Sponsor	Scoping	Audit Outline Issued	Fieldwork	Draft Report Issued	Final Report Issued	Assurance Opinion	Tracker (✓ on schedule ✗ Delay)	Comment
Accounts Receivable / Debt Management	CFO							✓	Q3/Q4
Main Accounting	CFO							✓	Q3/Q4
Financial Planning / Budgetary Control	CFO							✓	Q3/Q4
Payroll	CFO							✓	Q3/Q4
Payroll / HR Data Migration	CFO / HoSC	✓	✓	✓				✓	
Benefits	HoCS	✓	✓	✓				✓	
Overtime and Expenses	CFO / HoOD							✓	Q3/Q4
De-Commissioning of Civica Financials	CFO	✓	✓	✓				✓	
Accounts Payable (Non-PO's)	CFO	✓	✓	✓				✓	
Information Technology									
ICT provision	HoPRQ	✓	-	✓				✓	Advisory role
Corporate Objectives									
Land Charges	HoCS							✓	Q3

Audit Review	Audit Sponsor	Scoping	Audit Outline Issued	Fieldwork	Draft Report Issued	Final Report Issued	Assurance Opinion	Tracker (✓ on schedule ✗ Delay)	Comment
Private Sector Housing	HoHCE							✓	Q4
Traffic Management	HoNS	✓	✓	✓				✓	
Regeneration / Economic development	HoD							✓	Q4
Other									
VAWGF Grant Certification	HoNS	✓	n/a	✓				✓	n/a review of grant conditions

HAVANT BOROUGH COUNCIL

GOVERNANCE, AUDIT AND FINANCE BOARD

Meeting Date: 19
September 2018

ANNUAL AUDIT LETTER 2017/18

Ernst & Young

FOR INFORMATION

Cabinet Lead): Councillor Pike

Key Decision: N/A

1.0 Purpose of Report

1.1 To present the Annual Audit Letter for 2017/18.

2.0 Recommendation

2.1 That the Committee note the contents of the report

2.2 Summary

2.3 The purpose of this letter is to communicate to the Members of Havant Borough Council and external stakeholders, including members of the public, the key messages of the 2017/18 audit.

4.0 Reports

4.1 **The Annual Audit Letter is attached to this report.**

5.0 Implications

5.1 Resources: No direct implications

5.2 Legal: No direct implications

5.3 Strategy: No direct implications

5.4 Risks: No direct implications

5.5 Communications: No direct implications

5.6 For the Community: No direct implications

5.7 The Integrated Impact Assessment (IIA) has been completed and concluded the following: N/A

5.8 Consultation: N/A

Agreed and signed off for publication by:

Head of Service:	10/9/2018
Head of Finance:	10/9/2018
Head of Legal:	10/9/2018

Contact Officer:	Lydia Morrison
Job Title:	Chief Finance Officer
Telephone:	02392 446624
E-Mail:	Lydia.Morrison@easthants.gov.uk

Havant Borough Council

Annual Audit Letter for the year
ended 31 March 2018

August 2018

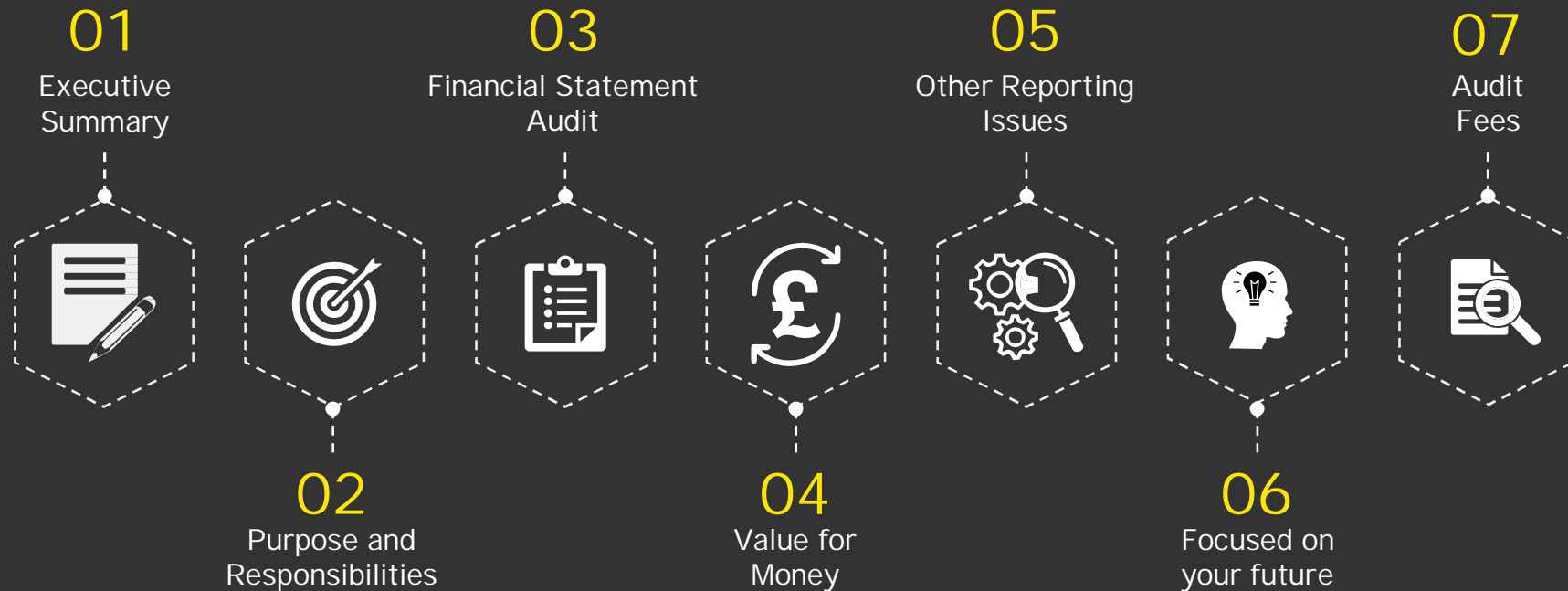
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Building a better
working world

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Public Sector Audit Appointments Ltd (PSAA) have issued a 'Statement of responsibilities of auditors and audited bodies'. It is available from the Chief Executive of each audited body and via the PSAA website (www.psaa.co.uk)

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 (updated 23 February 2017)' issued by 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 statute, and covers matters of practice and procedure which are of a recurring nature.

This Annual Audit Letter is prepared in the context of the Statement of responsibilities. It is addressed to the Members of the audited body, and is prepared for their sole use. We, as appointed auditor, take no responsibility to any third party.

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 Steve Varley, 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.



01

Executive Summary

Executive Summary

We are required to issue an annual audit letter to Havant Borough Council (the Council) following completion of our audit procedures for the year ended 31 March 2018. Below are the results and conclusions on the significant areas of the audit process.

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 2018 and of its expenditure and income for the year then ended
▶ Consistency of other information published with the financial statements	Other information published with the financial statements was consistent with the Annual Accounts
Concluding on the Council's arrangements for securing economy, efficiency and effectiveness	We concluded that you have put in place proper arrangements to secure value for money in your use of resources

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Area of Work	Conclusion
Reports by exception: Consistency of Annual Governance Statement	The Annual Governance Statement was consistent with our understanding of the Council
Public interest report	We had no matters to report in the public interest.
▶ Written recommendations to the Council, which should be copied to the Secretary of State	We had no matters to report.
▶ Other actions taken in relation to our responsibilities under the Local Audit and Accountability Act 2014	We had no matters to report.

Area of Work	Conclusion
Reporting to the National Audit Office (NAO) on our review of the Council's Whole of Government Accounts return (WGA).	The Council is below the specified audit threshold of £500mn. Therefore, we did not perform any audit procedures on the consolidation pack.



Executive Summary (cont'd)

As a result of the above we have also:

Area of Work	Conclusion
Issued a report to those charged with governance of the Council communicating significant findings resulting from our audit.	Our Audit Results Report was issued on 20 July 2018
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 2015 Code of Audit Practice.	Our certificate was issued on 31 July 2018

In November 2018 we will also issue a report to those charged with governance of the Council summarising the certification work we have undertaken.

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

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Andrew Brittain
Associate Partner

For and on behalf of Ernst & Young LLP



02 Purpose and Responsibilities



Purpose and Responsibilities

The Purpose of this Letter

The purpose of this annual audit letter is to communicate to Members and external stakeholders, including members of the public, the key issues arising from our work, which we consider should be brought to the attention of the Council.

We have already reported the detailed findings from our audit work in our 2017/18 Audit Results Report to the 25 July 2018 Governance, Audit and Finance Board, representing those charged with governance. We do not repeat those detailed findings in this letter. The matters reported here are the most significant for the Council.

Responsibilities of the Appointed Auditor

Our 2017/18 audit work has been undertaken in accordance with the Audit Plan that we issued on 2 March 2018 and is conducted in accordance with the National Audit Office's 2015 Code of Audit Practice, International Standards on Auditing (UK and Ireland), and other guidance issued by the National Audit Office.

As auditors we are responsible for:

▶ Expressing an opinion:

- ▶ On the 2017/18 financial statements; and
- ▶ On the consistency of other information published with the financial statements.

Forming a conclusion on the arrangements the Council has to secure economy, efficiency and effectiveness in its use of resources.

Reporting by exception:

- ▶ If the annual governance statement is misleading or not consistent with our understanding of the Council;
- ▶ Any significant matters that are in the public interest;
- ▶ Any written recommendations to the Council, which should be copied to the Secretary of State; and
- ▶ If we have discharged our duties and responsibilities as established by thy Local Audit and Accountability Act 2014 and Code of Audit Practice.

Alongside our work on the financial statements, we also review and report to the National Audit Office (NAO) on you Whole of Government Accounts return. The Council is below the specified audit threshold of £500mn. Therefore, we did not perform any audit procedures on the return.

Responsibilities of the Council

The Council is responsible for preparing and publishing its statement of accounts accompanied by an Annual Governance Statement (AGS). In the AGS, the Council reports publicly each year on how far it complies with its own code of governance, including how it has monitored and evaluated the effectiveness of its governance arrangements in year, and any changes planned in the coming period.

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



03

Financial Statement Audit

Key Issues

The Council's 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. We audited the Council's Statement of Accounts in line with the National Audit Office's 2015 Code of Audit Practice, International Standards on Auditing (UK and Ireland), and other guidance issued by the National Audit Office and issued an unqualified audit report on 31 July 2018. Our detailed findings were reported to the 25 July 2018 Governance, Audit and Finance Board.

The key issues identified as part of our audit were as follows:

Significant Risk	Conclusion
<p>Misstatements due to fraud or error</p> <p>The financial statements as a whole are not free of material misstatements whether caused by fraud or error.</p> <p>As identified in ISA (UK and Ireland) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement.</p>	<p>Wrote to the s151 officer, Chair of the Governance, Audit and Finance Board, Head of Internal Audit and Monitoring Officer in this regard and reviewed their responses;</p> <p>Documented our understanding of the controls relevant to this significant risk and considered they have been appropriately designed;</p> <p>Tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in preparing the financial statements;</p> <p>Reviewed accounting estimates for evidence of management bias; and</p> <p>Evaluated the business rationale for any significant unusual transactions.</p> <p>We have not identified any material weaknesses in controls or evidence of material management override.</p> <p>We have not identified any instances of inappropriate judgements being applied.</p> <p>We did not identify any other transactions during our audit which appeared unusual or outside the Council's normal course of business.</p>



Financial Statement Audit (cont'd)

The key issues identified as part of our audit were as follows: (cont'd)

Significant Risk	Conclusion
<p>Risk of fraud in revenue and expenditure recognition</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. With the wider pressure on finances within the sector, we are no longer able to rebut this presumption.</p> <p>The risks we have identified are most focused around those items of income and expenditure which are non-routine and involve more management estimation and judgment such as year-end income and expenditure accruals, provisions and asset valuations.</p>	<p>We reviewed and tested revenue and expenditure recognition policies;</p> <p>Reviewed and discussed with management any accounting estimates on revenue and expenditure recognition for evidence of bias;</p> <p>Developed a testing strategy to test the completeness and valuation of expenditure accruals for material expenditure streams;</p> <p>Developed a testing strategy to test the existence and valuation of income accruals for material revenue streams;</p> <p>Reviewed in-year financial projections and compare to year-end position; and</p> <p>Reviewed capital expenditure on property, plant and equipment to ensure it meets the relevant accounting requirements to be capitalised.</p> <p>Our testing has identified material misstatements in revenue and expenditure recognition. However, the errors identified were not indicative of fraud, and have been corrected in the final statement of accounts.</p> <p>Overall our audit work did not identify any material issues or unusual transactions to indicate any misreporting of the Council's financial position.</p>

Financial Statement Audit (cont'd)

The key issues identified as part of our audit were as follows: (cont'd)

Other financial statement risk	Conclusion
<p>Valuation of land and buildings</p> <p>The fair value of Property, Plant and Equipment (PPE) represent significant balances in the Council's accounts and are subject to valuation changes, impairment reviews and depreciation charges. Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet.</p>	<p>We have reviewed the instructions and data provided to the valuer by the Council. We identified no issues.</p> <p>We have reviewed the classification and valuation methods used. We identified assumptions used by the valuer which were not supported by appropriate evidence. Our own research concluded that PPE was understated by £290k, and this judgemental difference, whilst not material, is above our threshold to report to you.</p> <p>Our review of accounting entries at period end and those journals made in processing valuation adjustments did not reveal any instances of management intention to misreport the financial position.</p>
<p>Pension Asset valuation</p> <p>The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme administered by Hampshire County Council.</p> <p>The Council's pension fund deficit is a material estimated balance and the Code requires that this liability be disclosed on the Council's balance sheet. At 31 March 2018 per the draft accounts this totalled £50.262m. The information disclosed is based on the IAS 19 report issued to the Council by the actuary to the County Council.</p> <p>Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.</p>	<p>We obtained assurance from the auditors of Hampshire Pension Fund that the information supplied to the actuary in relation to Havant Borough Council was accurate and complete.</p> <p>We have assessed and are satisfied with the competency and objectivity of the Council's actuaries: AON Hewitt.</p> <p>EY pensions team and PwC (Consulting Actuary to the NAO) have reviewed the work of the actuaries. We challenged the actuarial valuation and found no indication of management bias in this estimate.</p> <p>Our review of accounting entries at period end and those journals made in processing valuation adjustments did not reveal any instances of management intention to misreport the financial position.</p> <p>We have one finding from our review of available outturn information. For timing reasons, the actuary estimates before year end the value of the pension fund assets at 31 March. This varied by approximately £31m from the actual fund value as at 31 March. Havant's estimated share of this variance is £500k, which is not material, but above our threshold to report to you.</p>

Financial Statement Audit (cont'd)

The key issues identified as part of our audit were as follows: (cont'd)

Other financial statement risk	Conclusion
<p>Capacity of the Finance Team and faster close</p> <p>As part of the Council's implementation of the new corporate services contract the finance team has now transferred over to Capita. Furthermore, key staff members of the finance team have left the Council and there has been a high turnover of interim S151 officers. This presents a risk in the Council's ability to deliver the financial statements in line with the accelerated timetable due to delays in responding to audit queries and the potential impact on the quality of financial information presented for audit.</p> <p>The Accounts and Audit Regulations 2015 introduced a significant change in statutory deadlines from the 2017/18 financial year. The timetable for the preparation and approval of accounts will be brought forward with draft accounts needing to be prepared by 31 May and the publication of the accounts by 31 July.</p> <p>These changes provide risks for both the preparers and the auditors of the financial statements.</p> <p>The Council now has less time to prepare the financial statements and supporting working papers. Risks to the Council include slippage in delivering data for analytics work in the format and time required, late working papers, internal quality assurance arrangements and changes to finance team.</p>	<p>The Council submitted draft statements on 31 May 2018 in line with the accelerated deadline.</p> <p>This is an achievement since it was the first time Capita was producing the accounts for the Council. However, the accuracy of the financial statements and the supporting working papers was not as consistent as in prior years and there were many casting and cross casting errors and internal inconsistencies. There were also a number of misstatements identified in the primary statements, and the notes to the financial statements.</p> <p>Finance staff were also not able to respond as promptly as in the past. There were some turnover of key staff within both the Council and the Capita Finance Team which impacted the ability of the team to respond to some queries.</p>

Financial Statement Audit (cont'd)

The key issues identified as part of our audit were as follows: (cont'd)

Other Key Findings	Conclusion
<p>Audit differences</p>	<p>In the normal course of any audit, we identify material misstatements between amounts we believe should be recorded in the financial statements and the disclosures and the amounts actually recorded. These differences are classified as 'known' or 'judgemental'. Known differences represent items that can be accurately quantified and relate to a definite set of facts or circumstances. Judgemental differences generally involve estimation and relate to facts or circumstances that are uncertain or open to interpretation.</p> <p>We have included all known and judgemental amounts greater than £0.063 million relating to Havant Borough Council in our summary of misstatements.</p> <p>£2,334k misclassification between income credited to Cost of Services and Taxation and Non Specific Grant Income. Community Infrastructure Levy (CIL) income was credited to services but CIL charges are capital contributions and although restricted to infrastructure it is not a revenue service cost.</p> <p>£199k overstatement of Debtors. An income accrual was unwound from income but the balance sheet was not adjusted and still shows a balance of £199k.</p> <p>£125k misclassification between Investment Properties and PPE. One property did not meet the definition Investment Property and had to be reclassified as PPE.</p> <p>£1,401k misclassification between Long Term Debtors and Short Term Debtors in relation to CIL income. This related to 18/19, therefore should be classified as short term.</p> <p>£385k understatement in note 21 - Business Rates Appeals Provision. The provision did not take into account potential appeals and threats in relation to the 2017 ratings list.</p> <p>£185k overstatement of Investment Properties. We identified a duplication of an investment property within the fixed assets register.</p> <p>£75k overstatement of Investment Properties. Investment properties were revalued downwards but the valuer but the amounts were not updated in the 17/18 accounts.</p> <p>Numerous misstatements, both material and immaterial, identified within the disclosure notes as a result of figures and narratives transferred incorrectly from the supporting working papers to the accounts.</p> <p>Numerous casting and cross casting errors and internal inconsistencies. We also identified inappropriate changes made to comparator figures.</p> <p>An accounting policy on council tax and non-domestic rates was omitted from the draft accounts.</p> <p>The above errors also had an impact on the cash flow statement.</p> <p>Management chose not to correct the following misstatement as it was not material and had no impact on the overall financial statements:</p> <p>£500k known overstatement of the Net Pension Liability. The net asset value of Hampshire Pension Fund was estimated at the time the actuaries prepared their report. The final outturn for the Pension Fund's net assets at year-end differed to the actuary's estimate which had the effect of overstating the Net Pension Liability.</p> <p>Grossing up of Debtors and Creditors in relation to client team costs. Debtors (£411k) and Creditors (£439k) were not netted off against each other.</p> <p>£290k judgemental understatement of PPE. Assumptions applied by the valuer when revaluing the leisure centres were not supported by appropriate comparable evidence.</p>

Financial Statement Audit (cont'd)

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	<p>We determined planning materiality to be £1.252mn (2017: £1.443mn), which is 2% of group gross revenue expenditure reported in the draft accounts of £62.619 million.</p> <p>We consider group gross revenue expenditure to be one of the principal considerations for stakeholders in assessing the financial performance of the Council.</p>
Reporting threshold	We agreed with the Governance, Audit and Finance Board that we would report to the Committee all audit differences in excess of £0.063mn (2017: £0.072mn)

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

- ▶ Remuneration disclosures including any severance payments, exit packages and termination benefits
- ▶ Related party transactions.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations.



04 Value for Money

We are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. This is known as our value for money conclusion.

Proper arrangements are defined by statutory guidance issued by the National Audit Office. They comprise your arrangements to:

- ▶ Take informed decisions;
- ▶ Deploy resources in a sustainable manner; and
- ▶ Work with partners and other third parties.



We identified two significant risk in relation to these arrangements. The tables below present the findings of our work in response to the risk identified and any other significant weaknesses or issues to bring to your attention.

We have performed the procedures outlined in our audit plan. We did not identify any significant weaknesses in the Council's arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.



Value for Money (cont'd)

We therefore issued an unqualified value for money conclusion on 31 July 2018.

Significant Risk	Conclusion
<p>Financial sustainability</p> <p>Like other local government bodies the Council continues to face financial challenges over the medium term. The 2017/18 has seen some unforeseen financial pressures and it is likely a deficit will be reported. The Council has set its 2018/19 budget in the context of a 2.99% increase in council tax. The Council expects to break even in 2018/19, the first year of the Medium Term Financial Strategy (MTFS) with a surplus in 2019/20 and 2020/21 of £219k and £170k respectively but then moves to a deficit position in 2021/22 and 2022/23 of £42k and £248k respectively. Income from commercial enterprises (£988k in 2018/19 rising to £1.26 million in 2022/23) and income from investments (£1.4 million each year over the five year period) are key to achieving the surplus position assumed in the MTFS period and if these targets are not met annually it could result in the Council reporting a deficit in-year or over the MTFS period. If assumptions and investment decisions are not appropriate, the Council may be exposed to increased financial risks, where a small decline in budgeted income from commercial enterprises or income from investments could result in the Council having to draw on its General Fund reserves, which is estimated to hold £2.559 million at the end of the MTFS.</p> <p>Effective finance leadership is key to manage the medium term outlook and financial sustainability as the reliance on new income streams from commercial ventures increases over the life of the MTFS.</p>	<p>We have reviewed the PSAA's value for money profile tool and did not identify any areas of concern.</p> <p>We have reviewed the Council's outturn for 17/18 to assess the reasonableness of the assumptions, and reviewed the assumptions in the 18/19 budget and MTFS.</p> <p>The Council reported a deficit of £7.6k in the 17/18 draft accounts. Our review of the Council's 2018/19 budget and MTFS identified that the assumptions used appear reasonable. The deficit included a number of one off costs as a consequence of the changes to the Capita contract. However, the reported deficit was an improvement on the forecast outturn.</p> <p>We note that there are some expected updates to the MTFS following the resolution of the 5 Councils' contract negotiations, however these have not yet been taken into account as renegotiations were still ongoing at the time of preparation. However, renegotiations have ensured that the Council still achieves its minimum target of 10% savings from the contract.</p>

Value for Money (cont'd)

Significant Risk	Conclusion
<p>Partnership working - Implementation of the Corporate Services Contracts</p> <p>In 2016 the Council entered into agreements for Corporate Services Contracts with Capita (Lot 1) and Vinci (Lot 2), as part of the Five Councils Partnership arrangements.</p> <p>These contracts started in 2017/18 at Havant Borough Council. These contracts were designed to generate savings of over £50m for the five Councils across their lifetime of nine years, however, the Councils are now in the process of renegotiating both Lot 1 and Lot 2 due to issues with the way the contracts were constructed and the implications for the practical implementation of them.</p> <p>Given the likely significant changes to the two contracts there is a risk that both the services and financial performance of the Councils would be negatively impacted if renegotiation results in contracts that are difficult to implement or do not deliver the intended benefits.</p>	<p>The corporate services contracts remain an ongoing concern for the Council and commercial renegotiations around the lot 1 Capita contract have been underway throughout 17/18. We have reviewed the governance arrangements and implementation relating to the provision of all the services delivered by Capita. We have seen evidence that the Council has internal governance arrangements for the Contracts in place throughout the year through a series of joint arrangements with Havant Borough Council including regular Heads of Service meetings and a dedicated 5 Councils programme board.</p> <p>The Inter Authority Agreement (IAA) between the five councils and the contracts with Capita and Vinci set out a number of key boards and committees to provide oversight. These arrangements have continued whilst renegotiations were taking place and to date although finalised, the new IAA has not been signed as the sharing of costs and savings are yet to be agreed. In terms of the new IAA the Joint Overview and Scrutiny Committee has been removed, with the Scrutiny function for the new Contract reverting to the individual Councils. The role, remit and responsibilities of the Client Relationship Director and Client Relationship Team have been set out more clearly. Changes in the staffing levels will be subject to Strategic Board approval. The financial mechanism has been reviewed and now includes principles for the allocation of costs which have been agreed by the Section 151 Officers of the Councils and the Strategic Board. The general principle is to ensure a fair and equitable sharing of costs, benefits and risks. There are mechanisms for (1) general dispute resolution and (2) where there is irreconcilable difference on cost apportionment. The process and consequences of exit from the new contract between the Councils will be set out in an exit plan to be prepared by the Client Relationship Director and will cover any residual claims, treatment of assets and liabilities and dealing with the staff in the client team.</p> <p>We have seen evidence overall that there were regular meetings at an individual council level which addressed the key issues, especially with the renegotiations. Renegotiations as a result of issues identified with the contracts were actively discussed and resolved with the suppliers. While the original savings figure of £50 million across the 5 Councils was aspirational rather than fully quantified, it is apparent that the level of savings will not be as high as initially planned. From review of the latest renegotiations, the contract still meets the minimum percentage savings of 10% as set out in the negotiating strategy and delivers the intended level of provision. Implementation was still in the early stages and in some cases target operating models were not planned to be achieved as at this year-end. This will need to be closely monitored going forward.</p> <p>A decision was taken by the 5 Councils to terminate the lot 2 Vinci contract and the 5 Councils are currently negotiating the termination cost. There was no impact on Havant Borough Council services as they had not yet reached implementation stage.</p>



05 Other Reporting Issues



Other Reporting Issues

Whole of Government Accounts

We performed the procedures required by the National Audit Office on the accuracy of the consolidation pack prepared by the Council for Whole of Government Accounts purposes..The Council is below the specified audit threshold of £500mn. Therefore, we did not perform any audit procedures on the consolidation pack.

Annual Governance Statement

We are required to consider the completeness of disclosures in the Council's Annual Governance Statement, identify any inconsistencies with the other information of which we are aware from our work, and consider whether it is misleading.

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

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.

Written Recommendations

We have a duty under the Local Audit and Accountability Act 2014 to designate any audit recommendation as one that requires the Council to consider it at a public meeting and to decide what action to take in response.

We did not identify any issues which required us to issue a written recommendation.

Objections Received

We did not receive any objections to the 2017/18 financial statements from members of the public.

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.

Independence

We communicated our assessment of independence in our Audit Results Report to the Governance, Audit and Finance Board on 25 July 2018. In our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning regulatory and professional requirements.

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

Our audit did not identify any controls issues to bring to the attention of the Governance, Audit and Finance Board.



06 Focused on your future



Focused on your future

The Code of Practice on Local Authority Accounting in the United Kingdom introduces the application of new accounting standards in future years. The impact on the Council is summarised in the table below.

Standard	Issue	Impact
IFRS 9 Financial Instruments	<p>Applicable for local authority accounts from the 2018/19 financial year and will change:</p> <ul style="list-style-type: none"> • How financial assets are classified and measured; • How the impairment of financial assets are calculated; and • The disclosure requirements for financial assets. <p>There are transitional arrangements within the standard and the 2018/19 Accounting Code of Practice for Local Authorities has now been issued, providing guidance on the application of IFRS 9. In advance of the Guidance Notes being issued, CIPFA have issued some provisional information providing detail on the impact on local authority accounting of IFRS 9, however the key outstanding issue is whether any accounting statutory overrides will be introduced to mitigate any impact.</p>	<p>Although the Code has now been issued, providing guidance on the application of the standard, along with other provisional information issued by CIPFA on the approach to adopting IFRS 9, until the Guidance Notes are issued and any statutory overrides are confirmed there remains some uncertainty. However, what is clear is that the Council will have to:</p> <ul style="list-style-type: none"> • Reclassify existing financial instrument assets • Re-measure and recalculate potential impairments of those assets; and • Prepare additional disclosure notes for material items.
IFRS 15 Revenue from Contracts with Customers	<p>Applicable for local authority accounts from the 2018/19 financial year. This new standard deals with accounting for all contracts with customers except:</p> <ul style="list-style-type: none"> • Leases; • Financial instruments; • Insurance contracts; and • For local authorities; Council Tax and NDR income. <p>The key requirements of the standard cover the identification of performance obligations under customer contracts and the linking of income to the meeting of those performance obligations.</p> <p>Now that the 2018/19 Accounting Code of Practice for Local Authorities has been issued it is becoming clear what the impact on local authority accounting will be. As the vast majority of revenue streams of Local Authorities fall outside the scope of IFRS 15, the impact of this standard is likely to be limited.</p>	<p>As with IFRS 9, some provisional information on the approach to adopting IFRS 15 has been issued by CIPFA in advance of the Guidance Notes. Now that the Code has been issued, initial views have been confirmed; that due to the revenue streams of Local Authorities the impact of this standard is likely to be limited.</p> <p>The standard is far more likely to impact on Local Authority Trading Companies who will have material revenue streams arising from contracts with customers. The Council will need to consider the impact of this on their own group accounts when that trading company is consolidated.</p>



Focused on your future (cont'd)

Standard	Issue	Impact
IFRS 16 Leases	<p>It is currently proposed that IFRS 16 will be applicable for local authority accounts from the 2019/20 financial year.</p> <p>Whilst the definition of a lease remains similar to the current leasing standard; IAS 17, for local authorities who lease a large number of assets the new standard will have a significant impact, with nearly all current leases being included on the balance sheet.</p> <p>There are transitional arrangements within the standard and although the 2019/20 Accounting Code of Practice for Local Authorities has yet to be issued, CIPFA have issued some limited provisional information which begins to clarify what the impact on local authority accounting will be. Whether any accounting statutory overrides will be introduced to mitigate any impact remains an outstanding issue.</p>	<p>Until the 2019/20 Accounting Code is issued and any statutory overrides are confirmed there remains some uncertainty in this area.</p> <p>However, what is clear is that the Council will need to undertake a detailed exercise to identify all of its leases and capture the relevant information for them. The Council must therefore ensure that all lease arrangements are fully documented.</p>



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07 Audit Fees

Audit Fees

The table below sets out the scale fee for 2017/18 and our final proposed audit fee.

Description	Final Fee 2017/18 £	Planned Fee 2017/18 £	Scale Fee 2017/18 £	Final Fee 2016/17 £
Total Audit Fee – Code work	59,686*	50,763**	46,800	56,171
Total Audit Fee – Certification of claims and returns	TBC***	9,240	9,240	17,872
Total Audit Fee	TBC	60,003	56,040	74,043

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We confirm we have not undertaken any non-audit work outside of the PSAA's requirements.

*The proposed final fee includes:

- £2,510 in respect of additional work required to gain assurance over the significant risks in respect of the value for money conclusion. This fee also occurred in the prior year.
- £2,508 in respect of delays experienced during planning and interim visits.
- £3,905 in respect of the additional work performed at the final visit specifically on PPE valuations and more generally as a result of the level of misstatements, and resulting corrections required, in the draft accounts.
- These additional fees have been discussed with the Chief Finance Officer and are subject to approval by the PSAA.

**The planned fee included includes £3,963 for the group accounts work in respect of the joint venture with Norse SE. This was communicated in our Audit planning report to the March Governance and Audit Committee.

***Our fees for the work on the Housing Benefit Subsidy claim will be finalised after the completion of the work, due by 30 November 2018.

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ED None

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Governance, Audit & Finance Board Business Plan 2018/19

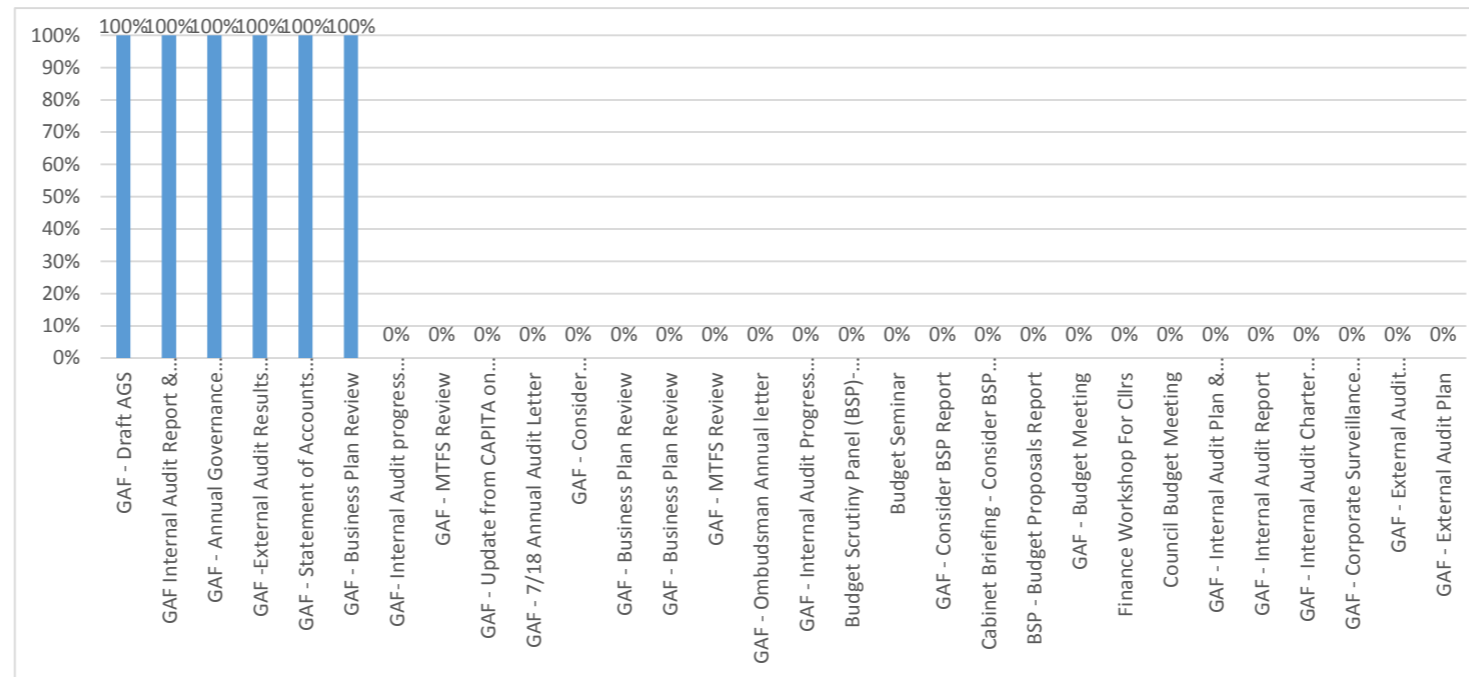
LATE TASKS

Name	Start	Duration	% Complete
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% COMPLETE

Status for all top-level tasks. To see the status for subtasks, click on the chart and update the outline level in the Field List.



MILESTONES DUE

Milestones that are coming soon.

Name	Cabinet Lead	Officers	Meeting Date
GAF - Internal Audit progress Report	Councillor Pike	Internal Auditors	Wed 19/09/18
GAF - MTFS Review	Councillor Pike	Lydia Morrison	Wed 19/09/18
GAF - Update from CAPITA on NFI matches	Councillor Pike	CAPITA	Wed 19/09/18
GAF - 7/18 Annual Audit Letter	Councillor Pike	Lydia Morrison	Wed 19/09/18
GAF - Business Plan Review			Wed 19/09/18
GAF - Business Plan Review			Wed 12/12/18
GAF - MTFS Review	Councillors Wilson & Pike	Lydia Morrison & Sandy Hopkins	Wed 12/12/18
GAF - Ombudsman Annual letter	Councillor Pike	Nick Leach	Wed 12/12/18
GAF - Internal Audit Progress Report	Councillor Pike	Lydia Morrison & Internal Auditors	Wed 12/12/18
Budget Scrutiny Panel (BSP)- Final Report	Councillors Wilson and Pike	Lydia Morrison & Sandy Hopkins	Mon 14/01/19
Budget Seminar	Councillors Wilson & Pike	Lydia Morrison	Mon 21/01/19
GAF - Consider BSP Report	Councillors Wilson & Pike	Lydia Morrison & Sandy Hopkins	Tue 22/01/19
Cabinet Briefing - Consider BSP Report	Councillors Wilson & Pike	Lydia Morrison & Sandy Hopkins	Mon 28/01/19
BSP - Budget Proposals Report	Councillors Wilson & Pike	Lydia Morrison & Sandy Hopkins	Mon 04/02/19
GAF - Budget Meeting	Councillors Wilson & Pike	Lydia Morrison & Sandy Hopkins	Wed 06/02/19
Finance Workshop For Cllrs	Councillors Wilson & Pike	Lydia Morrison & Sandy Hopkins	Mon 18/02/19
Council Budget Meeting	Councillor Wilson		Wed 27/02/19
GAF - Internal Audit Plan & Fraud and Corruption Risk Plan	Councillor Pike	Lydia Morrison & Internal Auditors	Wed 06/03/19
GAF - Internal Audit Report	Councillor Pike	Lydia Morrison & Internal Auditors	Wed 06/03/19
GAF - Internal Audit Charter 2019-20	Councillor Pike	Lydia Morrison & Internal Auditors	Wed 06/03/19
GAF - Corporate Surveillance Policy & Procedure	Councillor Pike	Nick Leach	Wed 06/03/19
GAF - External Audit Certification of Claims & Returns Report	Councillor Pike	Lydia Morrison & External Auditors	Wed 06/03/19
GAF - External Audit Plan	Councillor Pike	Lydia Morrison & External Auditors	Wed 06/03/19

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