

# Governance Committee

Monday, 30th September,  
2019

at 5.00 pm

## PLEASE NOTE TIME OF MEETING

Committee Room 1 - Civic Centre

This meeting is open to the public

### Members of the Committee

Councillor Keogh (Chair)  
Councillor Kataria  
Councillor Harwood  
Councillor White  
Councillor G Galton  
Councillor Professor Margetts  
Councillor Spicer

### Contacts

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## **PUBLIC INFORMATION**

### **Role of the Governance Committee**

Information regarding the role of the Committee's is contained in Part 2 (Articles) of the Council's Constitution.

#### [02 Part 2 - Articles](#)

It includes at least one Councillor from each of the political groups represented on the Council, and at least one independent person, without voting rights, who is not a Councillor or an Officer of the Council.

**Access** – Access is available for disabled people. Please contact the Democratic Support Officer who will help to make any necessary arrangements.

**Public Representations** At the discretion of the Chair, members of the public may address the meeting on any report included on the agenda in which they have a relevant interest. Any member of the public wishing to address the meeting should advise the Democratic Support Officer (DSO) whose contact details are on the front sheet of the agenda

The Southampton City Council Strategy (2016-2020) is a key document and sets out the four key outcomes that make up our vision.

- Southampton has strong and sustainable economic growth
- Children and young people get a good start in life
- People in Southampton live safe, healthy, independent lives
- Southampton is an attractive modern City, where people are proud to live and work

**Smoking policy** – The Council operates a no-smoking policy in all civic buildings.

**Mobile Telephones:-** Please switch your mobile telephones to silent whilst in the meeting

**Use of Social Media:-** The Council supports the video or audio recording of meetings open to the public, for either live or subsequent broadcast. However, if, in the Chair's opinion, a person filming or recording a meeting or taking photographs is interrupting proceedings or causing a disturbance, under the Council's Standing Orders the person can be ordered to stop their activity, or to leave the meeting.

By entering the meeting room you are consenting to being recorded and to the use of those images and recordings for broadcasting and or/training purposes. The meeting may be recorded by the press or members of the public.

Any person or organisation filming, recording or broadcasting any meeting of the Council is responsible for any claims or other liability resulting from them doing so.

Details of the Council's Guidance on the recording of meetings is available on the Council's website.

### **Dates of Meetings: Municipal Year 2019/20**

<b>2019</b>	<b>2020</b>
10 June	10 February
29 July	20 April
9 September	
11 November	
9 December	

## CONDUCT OF MEETING

### **Terms of Reference**

The terms of reference of the Governance Committee are contained in Part 3 of the Council's Constitution.

[03 - Part 3 - Responsibility for Functions](#)

### **Rules of Procedure**

The meeting is governed by the Council Procedure Rules as set out in Part 4 of the Constitution.

### **Business to be discussed**

Only those items listed on the attached agenda may be considered at this meeting.

### **Quorum**

The minimum number of appointed Members required to be in attendance to hold the meeting is 3.

## **DISCLOSURE OF INTERESTS**

Members are required to disclose, in accordance with the Members' Code of Conduct, **both** the existence **and** nature of any "Disclosable Pecuniary Interest" or "Other Interest" they may have in relation to matters for consideration on this Agenda.

### **DISCLOSABLE PECUNIARY INTERESTS**

A Member must regard himself or herself as having a Disclosable Pecuniary Interest in any matter that they or their spouse, partner, a person they are living with as husband or wife, or a person with whom they are living as if they were a civil partner in relation to:

(i) Any employment, office, trade, profession or vocation carried on for profit or gain.

(ii) Sponsorship:

Any payment or provision of any other financial benefit (other than from Southampton City Council) made or provided within the relevant period in respect of any expense incurred by you in carrying out duties as a member, or towards your election expenses. This includes any payment or financial benefit from a trade union within the meaning of the Trade Union and Labour Relations (Consolidation) Act 1992.

(iii) Any contract which is made between you / your spouse etc (or a body in which the you / your spouse etc has a beneficial interest) and Southampton City Council under which goods or services are to be provided or works are to be executed, and which has not been fully discharged.

(iv) Any beneficial interest in land which is within the area of Southampton.

(v) Any license (held alone or jointly with others) to occupy land in the area of Southampton for a month or longer.

(vi) Any tenancy where (to your knowledge) the landlord is Southampton City Council and the tenant is a body in which you / your spouse etc has a beneficial interests.

(vii) Any beneficial interest in securities of a body where that body (to your knowledge) has a place of business or land in the area of Southampton, and either:

a) the total nominal value of the securities exceeds £25,000 or one hundredth of the total issued share capital of that body, or

b) if the share capital of that body is of more than one class, the total nominal value of the shares of any one class in which you / your spouse etc has a beneficial interest that exceeds one hundredth of the total issued share capital of that class.

## **Other Interests**

A Member must regard himself or herself as having an, 'Other Interest' in any membership of, or occupation of a position of general control or management in:

Any body to which they have been appointed or nominated by Southampton City Council

Any public authority or body exercising functions of a public nature

Any body directed to charitable purposes

Any body whose principal purpose includes the influence of public opinion or policy

## **Principles of Decision Making**

All decisions of the Council will be made in accordance with the following principles:-

- proportionality (i.e. the action must be proportionate to the desired outcome);
- due consultation and the taking of professional advice from officers;
- respect for human rights;
- a presumption in favour of openness, accountability and transparency;
- setting out what options have been considered;
- setting out reasons for the decision; and
- clarity of aims and desired outcomes.

In exercising discretion, the decision maker must:

- understand the law that regulates the decision making power and gives effect to it. The decision-maker must direct itself properly in law;
- take into account all relevant matters (those matters which the law requires the authority as a matter of legal obligation to take into account);
- leave out of account irrelevant considerations;
- act for a proper purpose, exercising its powers for the public good;
- not reach a decision which no authority acting reasonably could reach, (also known as the "rationality" or "taking leave of your senses" principle);
- comply with the rule that local government finance is to be conducted on an annual basis. Save to the extent authorised by Parliament, 'live now, pay later' and forward funding are unlawful; and
- act with procedural propriety in accordance with the rules of fairness.



## AGENDA

### 1 **APOLOGIES**

To receive any apologies.

### 2 **DISCLOSURE OF PERSONAL AND PECUNIARY INTERESTS**

In accordance with the Localism Act 2011, and the Council's Code of Conduct, Members to disclose any personal or pecuniary interests in any matter included on the agenda for this meeting.

NOTE: Members are reminded that, where applicable, they must complete the appropriate form recording details of any such interests and hand it to the Democratic Support Officer.

### 3 **STATEMENT FROM THE CHAIR**

### 4 **MINUTES OF PREVIOUS MEETING (INCLUDING MATTERS ARISING)** (Pages 1 - 2)

To approve and sign as a correct record the Minutes of the meeting held on 29<sup>th</sup> July 2019 and to deal with any matters arising, attached.

### 5 **FINANCIAL STATEMENTS FOR 2018/19** (Pages 3 - 10)

Report of the Section 151 Officer detailing the findings of any major changes to the Financial Statements 2018/19 arising from the Annual Audit.

### 6 **EXTERNAL AUDIT 2018/19 AUDIT RESULTS** (Pages 11 - 68)

Report of the External Auditors detailing the 2018/19 Audit Results.

### 7 **ANNUAL REPORT ON MEMBERS CODE OF CONDUCT** (Pages 69 - 74)

Report of the Director Legal and Governance detailing the Annual Report on Members Code of Conduct.

### 8 **INTERNAL AUDIT PROGRESS REPORT 2019-20** (Pages 75 - 94)

Report of Chief Internal Auditor providing an Internal Audit Progress Report.

### 9 **ANNUAL REVIEW OF HEALTH AND SOCIAL CARE CONTRACTS MANAGED BY THE ICU** (Pages 95 - 118)

Report of Director of Quality and Integration and Interim DASS detailing contracts managed by the Integrated Commissioning Unit, and providing assurance of appropriate management processes.

**10 TRANSACTIONS AND UNIVERSAL SERVICES - SICKNESS STATISTICS**

Service Director for Transactions and Universal Services to provide a verbal update on progress regarding sickness statistics.

Friday, 20 September 2019

Director of Legal and Governance

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## GOVERNANCE COMMITTEE

### MINUTES OF THE MEETING HELD ON 29 JULY 2019

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Present: Councillors Keogh (Chair), Kataria, Harwood, White and Professor Margetts

Apologies: Councillors G Galton and Spicer

10. **MINUTES OF PREVIOUS MEETING (INCLUDING MATTERS ARISING)**

**RESOLVED:** that the minutes for the Committee meeting on 10<sup>th</sup> June 2019 be approved and signed as a correct record.

11. **ANNUAL GOVERNANCE STATEMENT 2018-19**

The Committee received and noted the report of the Chief Financial Officer detailing the Annual Governance Statement for 2018-19. The Committee noted that the Accounts and Audit Regulations required that the Council developed and published an Annual Governance Statement and the extent to which the Council had complied with its Code of Corporate Governance.

The Committee particularly noted that the Annual Performance Appraisal Process was still not fully embedded across the Council with some inconsistencies across service areas in terms of compliance. The Committee requested that a more detailed report be presented to a future meeting detailing the process, impact on career progression and an appraisal breakdown of stats across the Council service areas.

12. **FINANCIAL STATEMENTS FOR 2018/19**

The Committee received a presentation from the Section 151 Officer and Helen Thompson, Ernest Young External Auditors detailing why it had not been possible to sign off the final Financial Statements for 2018/19 by 31<sup>st</sup> July 2019 deadline.

It was noted that the 31<sup>st</sup> July deadline was not a statutory completion deadline but one that accounts must be published by, with either an audited opinion or a statement as to why they had not yet been audited, therefore the accounts would be published by 31<sup>st</sup> July 2019 with a statement that had been agreed by both the Council and Ernest Young as to why there was not an audited opinion. The Committee also noted that there were no legal or financial consequences of the accounts not being audited by this date.

The Committee noted that Ernest Young had been unable to complete the audit on time due to significant staffing issues at senior levels and not being able to successfully recruit had impacted on the work of the organisation. Aside it was noted that a number of authorities were in a similar position this year as there appeared to be a national issue in terms of recruitment of external auditors.

The Committee noted the reasons that had been provided by Ernest Young and the commitment to have finalised the audit by the end of September 2019. It was agreed that in order to facilitate the full signing off of the accounts the scheduled Governance Committee for 9<sup>th</sup> September would be moved to 30<sup>th</sup> September 2019.

13. **ANNUAL INTERNAL AUDIT OPINION 2018-19**

The Committee considered the report of the Chief Internal Auditor detailing the Annual Internal Audit Opinion for 2018-19. The Committee noted that the opinion remained as Limited Assurance and particularly noted the key areas of concern that remained as detailed in section 5 of the appendix. The Committee also noted that some of the audits in progress with an implementation action plan would be impacted upon by other projects such as Business World as an example.

The Committee recognised improvements that were taking place but concluded that the Limited Assurance Opinion was correct and tied in with the Annual Governance Statement. The Committee were concerned at the numbers of repeated Limited Assurance which was not acceptable and indicated that Service Directors needed to attend future meetings of the Committee to address the issues.

**RESOLVED:**

- (i) That the Annual Audit Opinion for 2018/19 be noted; and
- (ii) That the Chair of the Committee work with officers to develop a timetable for attendance of Service Directors where Limited Assurance remained.

14. **PROJECTS & PROGRAMMES QUARTERLY REVIEW**

The Committee received and noted the report of the Interim Director Finance and Commercialisation detailing the Project and Programme Quarterly Report which were in formal stages of project governance as reported to the Council Management Team Programme Board.

15. **HR QUARTERLY STATISTICS**

The Committee considered the report of the Service Director Human Resources and Organisational Development detailing the Human Resources Statistics for Quarter 1 of 2019/20.

The Committee particularly noted the sickness data and the two case studies examples that had been provided following a request from the Committee. The Committee remained concerned at the high levels of sickness in some service areas despite action plans in place and the comparison to the public sector average which was also significantly higher.

**RESOLVED:**

- (i) That the report be noted; and
- (ii) That the Service Directors be invited to attend future meetings of this Committee where their service area has a high sickness level above the public sector average starting with the Service Director of Transactions and Universal Services.

# Agenda Item 5

<b>DECISION-MAKER:</b>		<b>GOVERNANCE COMMITTEE</b>	
<b>SUBJECT:</b>		<b>FINANCIAL STATEMENTS 2018/19</b>	
<b>DATE OF DECISION:</b>		<b>30 SEPTEMBER 2019</b>	
<b>REPORT OF:</b>		<b>SECTION 151 OFFICER</b>	
<b><u>CONTACT DETAILS</u></b>			
<b>AUTHOR:</b>	<b>Name:</b>	<b>Stephanie Skivington</b>	<b>Tel:</b> 023 80832692
	<b>E-mail:</b>	<a href="mailto:Stephanie.Skivington@southampton.gov.uk">Stephanie.Skivington@southampton.gov.uk</a>	
<b>Director</b>	<b>Name:</b>	<b>John Harrison</b>	<b>Tel:</b> 023 80834897
	<b>E-mail:</b>	<a href="mailto:John.Harrison@southampton.gov.uk">John.Harrison@southampton.gov.uk</a>	
<b>STATEMENT OF CONFIDENTIALITY</b>			
NOT APPLICABLE			
<b>BRIEF SUMMARY</b>			
<p>In accordance with the Accounts and Audit Regulations 2015 the Draft Financial Statements 2018/19 were signed by the Section 151 (S151) Officer on 15 May 2019 ahead of the 31 May deadline. A copy of the updated Financial Statements is available in the Members' Room.</p> <p>The year-end audit, carried out by our auditors Ernst &amp; Young LLP, commenced on 20 May 2019, however its completion was delayed beyond 31 July 2019 (the date by which local authority accounts are expected to be published) due to EY's resourcing issues. This report details the changes made to the Financial Statements arising from the findings of the audit. Any further changes, identified on submission of the final audit report, will be presented at this meeting.</p>			
<b>RECOMMENDATIONS:</b>			
	(i)	Notes the changes to the Financial Statements 2018/19 as a result of the annual audit as detailed in paragraphs 5 to 7 and appendix 1.	
	(ii)	Approves the audited Financial Statements 2018/19.	
<b>REASONS FOR REPORT RECOMMENDATIONS</b>			
1.	It is a legal requirement that the Statement of Accounts 2018/19 is considered and approved by this committee, following the completion of the audit, and signed by the person presiding at this meeting. The Financial Statements must be published as soon as reasonably practicable after the receipt of the auditor's final findings.		
<b>ALTERNATIVE OPTIONS CONSIDERED AND REJECTED</b>			
2.	The Financial Statements have been prepared in accordance with statutory requirements. No other options have been considered as it is a legal requirement that the Financial Statements are prepared, and signed by the person presiding at this meeting following completion of the audit.		
<b>DETAIL (Including consultation carried out)</b>			
<b>CONSULTATION</b>			
3.	Not applicable.		

	<b>FINANCIAL STATEMENTS</b>
4.	<p>The Financial Statements are a complex document and the layout and information provided are defined by statutory requirements. The key issues that should be drawn to the attention of Committee were presented at its meeting on 10 June 2019. A copy of this is available in the Members' Room or by following the link below.</p> <p><a href="#">Draft Financial Statements for 2018/19</a></p>
	<b>FINANCIAL STATEMENTS AMENDMENTS</b>
5.	<p>There are a number of adjustments to the Financial Statements arising from the findings of the audit, none of which change the overall bottom line position for the Council for 2018/19.</p>
6.	<p>The updated Financial Statements are available in the Members' Room. The main adjustments to the statements are outlined below, with further details in Appendix 1:</p> <ul style="list-style-type: none"> <li>• Update of the Pension Fund Liability and Pension Reserve for the McCloud/Sargeant judgement following the Supreme Court's rejection of the Government's request to appeal. This is an event that has taken place after the 31 March 2019 that materially changes estimates previously included in the accounts and therefore requires the Financial Statements to be updated;</li> <li>• Adjustment to Property, Plant and Equipment (PPE) to uprate valuations for Other Land &amp; Buildings for material differences between valuations at 31 March 2019 and previous valuations at an earlier date;</li> <li>• Amendment to the PPE note to provide separate analysis of the write out of depreciation to the Revaluation Reserve and correction of the overstatement of brought forward gross cost/valuation and accumulated depreciation/impairment balances (equal and opposite entries with no impact on the net book value);</li> <li>• Additional information provided for the prior period adjustment of the service analysis in the Expenditure &amp; Funding Analysis and Comprehensive Income and Expenditure Statement (change in Portfolio structure) and the Creditors note;</li> <li>• Removal from disclosure of amounts due to or from other public sector bodies in the Related Parties note as this is not required by the Code referred to in paragraph 13.</li> </ul>
7.	<p>The full details of adjustments to the statements and notes are detailed in Appendix 1.</p>

<b>RESOURCE IMPLICATIONS</b>	
<b><u>Capital/Revenue</u></b>	
8.	The capital and revenue implications were considered as part of the General Fund Capital Outturn report and the General Fund Revenue outturn report that were presented to Council on 17 July 2019.
<b><u>Property/Other</u></b>	
9.	Valuations for Property, Plant and Equipment have been updated. This has no effect on the resources available to the Council.
<b>LEGAL IMPLICATIONS</b>	
<b><u>Statutory power to undertake proposals in the report:</u></b>	
10.	Accounts and Audit Regulations 2015.
<b><u>Other Legal Implications:</u></b>	
11.	None.
<b>RISK MANAGEMENT IMPLICATIONS</b>	
12.	Not applicable
<b>POLICY FRAMEWORK IMPLICATIONS</b>	
13.	Not applicable. It should be note that the Financial Statements have been prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting in the UK 2018/19.
<b>KEY DECISION?</b>	<b>Yes/No</b>
<b>WARDS/COMMUNITIES AFFECTED:</b>	
<b><u>SUPPORTING DOCUMENTATION</u></b>	
<b>Appendices</b>	
1.	Schedule of changes to Draft 18-19 Accounts
<b>Documents In Members' Rooms</b>	
1.	Updated Financial Statements 2018/19
2.	Governance Committee Report 10 June 2019 – Draft Financial Statements for 2018/19.
<b>Equality Impact Assessment</b>	
Do the implications/subject of the report require an Equality and Safety Impact Assessment (ESIA) to be carried out.	Yes/No
<b>Privacy Impact Assessment</b>	
Do the implications/subject of the report require a Privacy Impact Assessment (PIA) to be carried out.	Yes/No
<b>Other Background Documents</b>	
<b>Other Background documents available for inspection at:</b>	
Title of Background Paper(s)	Relevant Paragraph of the Access to Information Procedure Rules / Schedule

		12A allowing document to be Exempt/Confidential (if applicable)
1.	None	



Revisions made to Statement of Accounts

Ref No	Description	Page	Statement/ Note	Detail		
1	Update of the Pension Fund Liability for the McCloud/Sargeant judgement following the Supreme Court's rejection of the Government's request to appeal. The Pension Fund Liability and corresponding Pension Reserve have increased by £14.800M. The additional liability has been recognised as a Past Service Cost in the Comprehensive Income and Expenditure Statement.	23	EFA	<b>Expenditure and Funding Analysis</b>		
				Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement	
				£000	£000	
				Original:		
				Finance & Customer Experience	(1,385)	32,804
				Housing Revenue Account (HRA)	254	(16,321)
				<b>Revised:</b>		
				<b>Finance &amp; Customer Experience</b>	<b>11,812</b>	<b>46,001</b>
		<b>Housing Revenue Account (HRA)</b>	<b>1,857</b>	<b>(14,718)</b>		
		24	CIES	<b>Comprehensive Income and Expenditure Statement</b>		
				Expenditure	Income	Net
				£000	£000	£000
				Original:		
				Finance & Customer Experience	(4,536)	32,804
				Housing Revenue Account (HRA)	(78,830)	(16,321)
				<b>Revised:</b>		
				<b>Finance &amp; Customer Experience</b>	<b>(4,536)</b>	<b>46,001</b>
				<b>Housing Revenue Account (HRA)</b>	<b>(78,830)</b>	<b>(14,718)</b>
		25	MIRS	<b>Movement in Reserves Statement</b>		
				General Fund Balance	Housing Revenue Account	Total Authority Reserves
				£000	£000	£000
				Original:		
				Total Comprehensive Income and Expenditure	(12,856)	(47,590)
				Adjustments between accounting basis and funding basis under regulations	12,856	0
				<b>Revised:</b>		
				<b>Total Comprehensive Income and Expenditure</b>	<b>(11,253)</b>	<b>(32,790)</b>
				<b>Adjustments between accounting basis and funding basis under regulations</b>	<b>11,253</b>	<b>0</b>
		26	BS	<b>Balance Sheet</b>		
				Original:	<b>Revised:</b>	
				31-Mar-19	<b>31-Mar-19</b>	
				£000	<b>£000</b>	
				Pension Fund Liability	<b>(459,640)</b>	
				Pension Reserve	<b>459,640</b>	
		27	CFS	<b>Cash Flow Statement</b>		
				Original:	<b>Revised:</b>	
				£000	<b>£000</b>	
				Net surplus or (deficit) on the provision of services	<b>(14,575)</b>	
				Adjustment to surplus or deficit on the provision of services for non cash movements	<b>108,043</b>	
		45	Note 4	<b>Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty</b>		
				Update of the impact of changing key assumptions on the present value of the funded defined benefit obligation.		
		47	Note 8 a)	<b>Notes to the Expenditure and Funding Analysis</b>		
				Adjustments between Funding and Accounting Basis 2018/19		
				Net change for the Pension Adjustments	Total Adjustments	
				£'000	£'000	
				Original:		
				Finance & Customer Experience	(1,385)	
				Housing Revenue Account (HRA)	254	
				<b>Revised:</b>		
				<b>Finance &amp; Customer Experience</b>	<b>11,812</b>	
				<b>Housing Revenue Account (HRA)</b>	<b>1,857</b>	
		51	Note 8 b)	<b>Notes to the Expenditure and Funding Analysis</b>		
				Analysis of income and expenditure by nature		
				Original:	<b>Revised:</b>	
				£000	<b>£000</b>	
				Employee benefits expenses	<b>240,562</b>	

Revisions made to Statement of Accounts

Ref No	Description	Page	Statement/ Note	Detail		
		54	Note 10	<b>Adjustments Between Accounting Basis and Funding Basis Under Regulations</b>		
				General Fund Balance £000	Housing Revenue Account £000	Unusable Reserves £000
				Original: Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(43,444)	(5,276)
				<b>Revised: Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement</b>	<b>(56,641)</b>	<b>(6,879)</b>
		78	Note 22 c)	<b>Pension Reserve</b>		
				Original: £000	<b>Revised: £000</b>	
				Reversal of items relating to retirement benefits debited or credited to the surplus or deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	48,720	<b>63,520</b>
		80	Note 23 a)	<b>Notes to Cash Flow Statement</b>		
				Reconciliation of Net Surplus or (Deficit) on the Provision of Services to Net Cash Flows from Operating Activities		
				Original: £000	<b>Revised: £000</b>	
				Net Surplus or (Deficit) on the Provision of Services	(225)	<b>(14,575)</b>
				Pension Liability	18,820	<b>33,620</b>
		93	Note 34 b)	<b>Defined Benefit Pension Schemes</b>		
				Transactions Relating to Post-employment Benefits		
				Original: £000	<b>Revised: £000</b>	
				Local Government Pension Scheme: Past Service Cost	600	<b>15,400</b>
				Movement in Reserves Statement	(47,790)	<b>(62,590)</b>
		94	Note 34 c)	<b>Defined Benefit Pension Schemes</b>		
				Pension Liabilities and Assets		
				Original: £000	<b>Revised: £000</b>	
				Local Government Pension Scheme: Present value of the defined benefit obligation	1,284,830	<b>1,299,630</b>
		95	Note 34 d)	<b>Defined Benefit Pension Schemes</b>		
				Assets and Liabilities in Relation to Retirement Benefits		
				Original: £000	<b>Revised: £000</b>	
				Local Government Pension Scheme: Past service cost	600	<b>15,400</b>
		96	Note 34 g)	<b>Defined Benefit Pension Schemes</b>		
				Sensitivity analysis		
					Original: £000	<b>Revised: £000</b>
				Increase in Assumption:		
				Longevity (increase or decrease in 1 year)	40,780	<b>41,250</b>
				Rate of increase in salaries (increase or decrease by 1%)	4,730	<b>4,580</b>
				Rate of increase in pensions (increase or decrease by 1%)	20,120	<b>20,560</b>
				Rates for discounting scheme liabilities (increase or decrease by 1%)	(24,420)	<b>(24,700)</b>
				Decrease in Assumption:		
				Longevity (increase or decrease in 1 year)	(40,490)	<b>(40,950)</b>
				Rate of increase in salaries (increase or decrease by 1%)	(4,690)	<b>(4,540)</b>
				Rate of increase in pensions (increase or decrease by 1%)	(19,780)	<b>(20,200)</b>
				Rates for discounting scheme liabilities (increase or decrease by 1%)	24,890	<b>25,180</b>
		97	Note 35 c)	<b>Contingent Liabilities/Assets</b>		
				Pension contingent liabilities		
				Removed note on McCloud/Sargeant case as now reflected in the accounts.		
		103	HRA	<b>HRA Income and Expenditure Statement</b>		
					Original: £000	<b>Revised: £000</b>
				Expenditure:		
				Repairs and maintenance	13,769	<b>14,569</b>
				Supervision and management	24,796	<b>25,599</b>
				(Surplus) or Deficit for the Year on HRA Services	(12,856)	<b>(11,253)</b>
		104	HRA	<b>Statement of Movement on the HRA</b>		
					Original: £000	<b>Revised: £000</b>
				Adjustments between accounting basis and funding basis under statute	12,856	<b>11,253</b>
		104	HRA	<b>Note to the Statement of Movement on the HRA</b>		
					Original: £000	<b>Revised: £000</b>
				HRA share of contribution to or from the pension reserve	(2,038)	<b>(3,641)</b>

Ref No	Description	Page	Statement/ Note	Detail		
2	Adjustment to Property, Plant and Equipment (PPE) to uprate valuations for Other Land & Buildings for material differences between valuations at 31 March 2019 and previous valuations at an earlier date. The value of Other Land & Buildings has increased by £46.390M.	24	CIES	<b>Comprehensive Income and Expenditure Statement</b>		
				Other Comprehensive Income and Expenditure - update of amount charged to the Revaluation Reserve.	Original: £000	<b>Revised: £000</b>
				Deficit/(Surplus) on revaluation of non current assets	(11,339)	<b>(55,945)</b>
				Impairment losses/ (gains) on non-current assets charged to the revaluation reserve	1,784	<b>0</b>
			(including amendment noted at 6 below)			
		25	MIRS	<b>Movement in Reserves Statement</b>		
				Unusable Reserves	Total Authority Reserves	
				£000	£000	
			Original:			
			Total Comprehensive Income and Expenditure	(47,365)	47,590	
			<b>Revised:</b>			
			<b>Total Comprehensive Income and Expenditure</b>	<b>(93,755)</b>	<b>(79,180)</b>	
			(including amendment noted at 1 above)			
		26	BS	<b>Balance Sheet</b>		
				Original: 31-Mar-19 £000	<b>Revised: 31-Mar-19 £000</b>	
			Property, Plant & Equipment	1,376,504	<b>1,422,894</b>	
			Revaluation Reserve	(336,271)	<b>(382,661)</b>	
		58	Note 12 d)	<b>Property, Plant and Equipment (PPE)</b>		
			Fair Value		Other Land & Buildings	<b>Other Land &amp; Buildings</b>
					Original: £000	<b>Revised: £000</b>
			<b>Cost or Valuation</b>			
			Revaluation increases/(decreases) recognised in the Revaluation Reserve		9,555	<b>37,388</b>
			<b>Accumulated Depreciation and Impairment</b>			
			Written out to the Revaluation Reserve		0	<b>18,557</b>
			(including amendment noted at 3 below)			
			<b>Valued at Fair Value in:</b>		Other Land & Buildings	<b>Other Land &amp; Buildings</b>
			2018/19		Original: £000	<b>Revised: £000</b>
			2017/18			
			2016/17			
			2015/16			
			2014/15			
					447,915	<b>494,305</b>
		77	Note 22 a)	<b>Revaluation Reserve</b>		
				Original: £000	<b>Revised: £000</b>	
			Upward revaluation of assets	(11,339)	<b>(57,729)</b>	
3	Amendment to PPE note to provide separate analysis of the write out of depreciation to the Revaluation Reserve and correction of overstatement of brought forward gross cost/valuation and accumulated depreciation/impairment balances. There is no change to the Net Book Value of Other Land & Buildings arising from this amendment.	58	Note 12 d)	<b>Property, Plant and Equipment (PPE)</b>		
					Other Land & Buildings	<b>Other Land &amp; Buildings</b>
					Original: £000	<b>Revised: £000</b>
			<b>Cost or Valuation</b>			
			At 1 April 2018		650,009	<b>650,009</b>
			Adjustment to Previous Year Charges		0	<b>(136,741)</b>
			Revised opening balance		650,009	<b>513,268</b>
			Revaluation increases/(decreases) recognised in the Revaluation Reserve		9,555	<b>37,388</b>
			Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services		(3,518)	<b>(14,860)</b>
			<b>Accumulated Depreciation and Impairment</b>			
			At 1 April 2018		(189,330)	<b>(189,330)</b>
			Adjustment to Previous Year Charges		0	<b>136,741</b>
			Revised opening balance		(189,330)	<b>(52,589)</b>
			Impairment in Year		0	<b>(2,968)</b>
			Written out to the Revaluation Reserve		0	<b>18,557</b>
			Written out to the (Surplus)/Deficit on the Provision of Services		3,221	<b>17,531</b>
			(including amendment noted at 2 above)			

Revisions made to Statement of Accounts

Ref No	Description	Page	Statement/ Note	Detail																		
4	Additional information provided for the prior period adjustment of the service analysis in the Expenditure & Funding Analysis (EFA) and Comprehensive Income and Expenditure Statement (CIES) and the Creditors note	46	Note 5	<p><b>Prior Period Adjustments</b></p> <p>Additional wording for restatement of the service analysis in the EFA and CIES: In the EFA the £162.205M Net Expenditure Chargeable to the General Fund and HRA Balances, £22.989M Adjustments between the Funding and Accounting Basis and £185.194M Net Expenditure in the CIES for Cost of Services have not changed as a result of the 2017/18 restatement. In the CIES the £599.978M Expenditure, -£414.784M Income and £185.194M Net Expenditure for Cost of Services have not changed as a result of the 2017/18 restatement.</p> <p>Additional table for the Creditors restatement:</p> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 60%;"></th> <th style="text-align: right; width: 20%;">31 March 2018 Published £000</th> <th style="text-align: right; width: 20%;">31 March 2018 Restated £000</th> </tr> </thead> <tbody> <tr> <td>Central Government</td> <td style="text-align: right;">26,156</td> <td style="text-align: right;">26,156</td> </tr> <tr> <td>Other Local Authorities</td> <td style="text-align: right;">1,227</td> <td style="text-align: right;">2,865</td> </tr> <tr> <td>NHS Bodies</td> <td style="text-align: right;">694</td> <td style="text-align: right;">1,162</td> </tr> <tr> <td>Other Entities and Individuals</td> <td style="text-align: right;">63,466</td> <td style="text-align: right;">61,360</td> </tr> <tr> <td><b>Total Creditors</b></td> <td style="text-align: right;"><b><u>91,543</u></b></td> <td style="text-align: right;"><b><u>91,543</u></b></td> </tr> </tbody> </table>		31 March 2018 Published £000	31 March 2018 Restated £000	Central Government	26,156	26,156	Other Local Authorities	1,227	2,865	NHS Bodies	694	1,162	Other Entities and Individuals	63,466	61,360	<b>Total Creditors</b>	<b><u>91,543</u></b>	<b><u>91,543</u></b>
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<b>Total Creditors</b>	<b><u>91,543</u></b>	<b><u>91,543</u></b>																				
5	Removal from disclosure of amounts due to or from other public sector bodies in the Related Parties note as this is not required by the Code	87	Note 20	<p><b>Related Parties</b></p> <p>Tables showing significant monies outstanding from related parties (£5.440M in 2018/19) and significant amounts owed by the Council to related parties (£20.038M in 2018/19) have been removed from the note.</p>																		
6	Move £1.784M from the Impairment losses/(gains) on non-current assets charged to the revaluation reserve to Deficit/(Surplus) on revaluation of non-current assets as it relates to a downward revaluation	24	CIES	<p><b>Comprehensive Income and Expenditure Statement</b></p> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 70%;"></th> <th style="text-align: right; width: 15%;">Original: £000</th> <th style="text-align: right; width: 15%;">Revised: £000</th> </tr> </thead> <tbody> <tr> <td>Deficit/(Surplus) on revaluation of non current assets</td> <td style="text-align: right;">(11,339)</td> <td style="text-align: right;"><b>(55,945)</b></td> </tr> <tr> <td>Impairment losses/ (gains) on non-current assets charged to the revaluation reserve</td> <td style="text-align: right;">1,784</td> <td style="text-align: right;"><b>0</b></td> </tr> </tbody> </table> <p>(including amendment noted at 2 above)</p>		Original: £000	Revised: £000	Deficit/(Surplus) on revaluation of non current assets	(11,339)	<b>(55,945)</b>	Impairment losses/ (gains) on non-current assets charged to the revaluation reserve	1,784	<b>0</b>									
	Original: £000	Revised: £000																				
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Impairment losses/ (gains) on non-current assets charged to the revaluation reserve	1,784	<b>0</b>																				
7	£2.600M Impairment Losses should have been reported as Financial Assets, not Financial Liabilities	66	Note 17 d)	<p><b>Financial Instruments - Gains and Losses</b></p> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 60%;"></th> <th style="text-align: right; width: 20%;">Financial Liabilities - Amortised Cost £000</th> <th style="text-align: right; width: 20%;">Financial Assets - Amoritsed Cost £000</th> </tr> </thead> <tbody> <tr> <td>Original: Impairment Losses</td> <td style="text-align: right;">2,600</td> <td style="text-align: right;">0</td> </tr> <tr> <td><b>Revised: Impairment Losses</b></td> <td style="text-align: right;"><b>0</b></td> <td style="text-align: right;"><b>2,600</b></td> </tr> </tbody> </table>		Financial Liabilities - Amortised Cost £000	Financial Assets - Amoritsed Cost £000	Original: Impairment Losses	2,600	0	<b>Revised: Impairment Losses</b>	<b>0</b>	<b>2,600</b>									
	Financial Liabilities - Amortised Cost £000	Financial Assets - Amoritsed Cost £000																				
Original: Impairment Losses	2,600	0																				
<b>Revised: Impairment Losses</b>	<b>0</b>	<b>2,600</b>																				
8	Change wording to clarify that the final line relates to the HRA as well as the General Fund	47	Note 8 a)	<p><b>Notes to the Expenditure and Funding Analysis</b></p> <p>Adjustments between Funding and Accounting Basis 2018/19</p> <p>"And HRA" added to: Difference between General Fund and HRA surplus or deficit and Comprehensive Income and Expenditure Statement Surplus of Deficit on the Provision of Services</p>																		
9	Clarify wording in respect of fees payable for grant claims and returns for the year	86	Note 27	<p><b>External Audit Costs</b></p> <p>Wording amended to clarify auditors for the respective years: Fees payable in respect of grant claims and returns for the year - KPMG for 2018/19 and Ernst &amp; Young for 2017/18</p>																		
10	Clarification of restatement of prior year comparatives	23 24 51	EFA CIES Note 8 b)	<p><b>Expenditure and Funding Analysis</b></p> <p><b>Comprehensive Income and Expenditure Statement</b></p> <p><b>Notes to the Expenditure and Funding Analysis</b></p> <p>"Restated" added to the heading for the 2017/18 comparative figures.</p>																		
11	Removal of line with zeros	25	MIRS	<p><b>Movement in Reserves Statement</b></p> <p>Prior Year Restatement line removed.</p>																		

# Agenda Item 6

<b>DECISION-MAKER:</b>	<b>GOVERNANCE COMMITTEE</b>		
<b>SUBJECT:</b>	<b>EXTERNAL AUDIT – 2018/19 AUDIT RESULTS REPORT</b>		
<b>DATE OF DECISION:</b>	<b>30 SEPTEMBER 2019</b>		
<b>REPORT OF:</b>	<b>EY LLP</b>		
<b><u>CONTACT DETAILS</u></b>			
<b>AUTHOR:</b>	<b>Name:</b>	<b>David White</b>	<b>Tel:</b> <b>02380 382042</b>
	<b>E-mail:</b>	<a href="mailto:dwhite@uk.ey.com">dwhite@uk.ey.com</a>	
<b>Director</b>	<b>Name:</b>	<b>Helen Thompson</b>	<b>Tel:</b> <b>02380 382099</b>
	<b>E-mail:</b>	<a href="mailto:Hthompson2@uk.ey.com">Hthompson2@uk.ey.com</a>	
<b>STATEMENT OF CONFIDENTIALITY</b>			
Not Applicable			
<b>BRIEF SUMMARY</b>			
The Audit Results Report summarises the findings from the 2018/19 audit. It includes the messages arising from the audit of the Council's financial statements and the results of the work undertaken to assess the Council's arrangements to secure value for money in its use of resources.			
<b>RECOMMENDATIONS:</b>			
	<b>(i)</b>	To note the external auditor's Audit Results Report as attached in the Appendix.	
	<b>(ii)</b>	To approve the letter of representation.	
<b>REASONS FOR REPORT RECOMMENDATIONS</b>			
1.	The Governance Committee's terms of reference require it to be satisfied that appropriate action is taken on risk and internal control related issues identified by the external auditors. Specifically, the Committee has responsibility for oversight of the reports of external audit.		
<b>ALTERNATIVE OPTIONS CONSIDERED AND REJECTED</b>			
2.	None		
<b>DETAIL (Including consultation carried out)</b>			
3.	<p>The report has been shared with officers (the Interim Service Director: Finance and Commercialisation, the Interim Service Lead – Corporate Planning &amp; Commercialisation, and the MTFs &amp; Revenue Manager) for comment prior to submission into papers, and the comments received have been reflected in the report.</p> <p>The letter of representation has been prepared by officers and is a statement to the auditor that all matters relevant to their responsibilities have been declared to the auditor and, where appropriate, presented in the financial statements.</p>		

4.	The external auditor will be in attendance at the Governance Committee meeting to answer questions and to provide an update of any further findings identified in completing the audit.	
<b>RESOURCE IMPLICATIONS</b>		
<b><u>Capital/Revenue</u></b>		
5.	None	
<b><u>Property/Other</u></b>		
6.	None	
<b>LEGAL IMPLICATIONS</b>		
<b><u>Statutory power to undertake proposals in the report:</u></b>		
7.	<ul style="list-style-type: none"> <li>Local Audit and Accountability Act 2014</li> <li>Accounts and Audit Regulations 2015</li> </ul>	
<b><u>Other Legal Implications:</u></b>		
8.	None	
<b>RISK MANAGEMENT IMPLICATIONS</b>		
9.	None	
<b>POLICY FRAMEWORK IMPLICATIONS</b>		
10.	None	
<b>KEY DECISION?</b>		<b>No</b>
<b>WARDS/COMMUNITIES AFFECTED:</b>		N/A
<b><u>SUPPORTING DOCUMENTATION</u></b>		
<b>Appendices</b>		
1.	Audit Results Report 2018/19	
2.	Letter of management representation 2018/19 (Final version to be presented to the meeting, draft wording of the letter is detailed in Appendix D of the Audit Results Report as attached in Appendix 1 of the report)	
<b>Documents In Members' Rooms</b>		
1.	None	
<b>Equality Impact Assessment</b>		
<b>Do the implications/subject of the report require an Equality and Safety Impact Assessment (ESIA) to be carried out.</b>		<b>No</b>
<b>Data Protection Impact Assessment</b>		
<b>Do the implications/subject of the report require a Data Protection Impact Assessment (DPIA) to be carried out.</b>		<b>No</b>
<b>Other Background Documents</b>		
<b>Other Background documents available for inspection at:</b>		

<b>Title of Background Paper(s)</b>	<b>Relevant Paragraph of the Access to Information Procedure Rules / Schedule 12A allowing document to be Exempt/Confidential (if applicable)</b>
<b>1.</b>	<b>None</b>

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Southampton City  
Council  
Audit results report  
Year ended 31 March 2019

September 2019

Page 15

**EY**

Building a better  
working world

Appendix 1

Agenda Item 6

19 September 2019



Dear Governance Committee Members

We are pleased to attach our audit results report for the forthcoming meeting of the Governance Committee. This report summarises our preliminary audit conclusion in relation to the audit of Southampton City Council for 2018/19. We will issue our final report following the Governance Committee meeting scheduled for 30 September 2019.

We have substantially completed our audit of Southampton City Council for the year ended 31 March 2019.

Subject to concluding the outstanding matters listed in our report, we confirm that we expect to issue an unqualified audit opinion on the financial statements in the form at section 3. We also have no matters to report on your arrangements to secure economy, efficiency and effectiveness in your use of resources

This report is intended solely for the use of the Governance Committee, other members of the Authority, and senior management. It should not be used for any other purpose or given to any other party without obtaining our written consent.

We would like to thank your staff for their help during the engagement.

We welcome the opportunity to discuss the contents of this report with you at the Governance Committee meeting on 30 September 2019.

Yours faithfully

A handwritten signature in black ink that reads "Helen Rowan". The signature is fluid and cursive.

Associate Partner

For and on behalf of Ernst & Young LLP

Encl

# Contents

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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.psa.co.uk](http://www.psa.co.uk)). This 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 April 2018)' 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 Audit Results Report 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

## Scope update

In our audit planning report tabled at the 11 February 2019 Governance Committee meeting, we provided you with an overview of our audit scope and approach for the audit of the financial statements. We carried out our audit in accordance with this plan, with the following exceptions:

- Changes in materiality: We updated our planning materiality assessment using the draft financial statements and have also reconsidered our risk assessment. Based on our materiality measure of 1.8% of gross expenditure on provision of services, we have updated our overall materiality assessment to £11.78m (audit planning report – £11.55m). This results in updated performance materiality, at 75% of overall materiality, of £8.84m, and an updated threshold for reporting misstatements of £0.589m.

A summary of our approach to the audit of the balance sheet including any changes to that approach from the prior year audit is included in Appendix A.

## Report status of the audit

We have substantially completed our audit of Southampton City Council's financial statements for the year ended 31 March 2019 and have performed the procedures outlined in our audit planning report. Subject to satisfactory completion of the following outstanding items we expect to issue an unqualified opinion on the Authority's financial statements in the form which appears at Section 3. However until work is complete, further amendments may arise:

- Property, Plant and Equipment, including additions – see section 2 for status update
- Income and Expenditure – samples selected, bulk of evidence has been provided with remainder being collated, and testing is in progress
- Payroll – work is well progressed, residual documentation is in progress
- Capital grants receipts in advance – work is ongoing
- Disclosures – work is substantially complete, residual documentation is in progress
- Journal Entry testing – work is ongoing
- General audit procedures – work is ongoing

# Executive Summary

## Status of the audit (continued)

The following are also outstanding or are to be completed as part of the conclusion of the audit:

- completion of our audit conclusion procedures
- review of the final version of the financial statements
- completion of subsequent events review
- receipt of the signed management representation letter
- completion of procedures required by the National Audit Office (NAO) regarding the Whole of Government Accounts submission

We do not expect to issue the audit certificate at the same time as the audit opinion as we will not complete work on the Authority's WGA submission prior to 30 September 2019. We have notified the NAO of the delay to our WGA work. The audit certificate will be issued once this work is complete.

## Audit differences

We identified one unadjusted audit difference in the draft financial statements which management has chosen not to adjust. This is in relation to the assumptions used by the actuary of Hampshire Pension Fund to determine their estimate of the Council's defined benefit pension liability. We ask that a rationale as to why it is not corrected be approved by the Governance Committee and included in the Letter of Representation. The aggregated impact of unadjusted audit differences is £2.6m. We agree with management's assessment that the impact is not material.

One adjusted audit difference exceeding our performance materiality is noted in section 4, in relation to property, plant and equipment not subject to revaluation in 2018/19. The value of this adjustment is £46.4m. A small number of other disclosure errors have been identified as a result of our work to date, and have been corrected.

As our audit work is ongoing at the time of writing this report, further adjusted and unadjusted misstatements may be identified. We will update the Governance Committee at the meeting on 30 September 2019 if we identify any issues from the work that remains outstanding at the time of writing this report.



# Executive Summary

## Areas of audit focus

Our audit planning report identified key areas of focus for our audit of Southampton City Council's financial statements. This report sets out our observations and conclusions, including our views on areas which might be conservative, and where there is potential risk and exposure. We summarise our consideration of these matters, and any others identified, in the "Areas of Audit Focus" section of this report. The areas of focus were as follows:

- Risk of fraud in revenue and expenditure recognition: inappropriate capitalisation of revenue expenditure - no issues have been identified from our work to address this risk at the time of writing this report.
- Misstatements due to fraud or error - no issues have been identified from our work to address this risk at the time of writing this report.
- Valuation of Land and Buildings and Investment Property - our work to date has identified one audit difference above our reporting threshold, with a value of £46.4m. This has been adjusted by management.
- PFI accounting - no issues have been identified from our work to address this risk at the time of writing this report.
- Pension Liability Valuation - our work identified one audit difference, with a value of £2.6m, which is judgmental in nature and has not been adjusted by management.
- New Accounting Standards - no issues have been identified from our work to address this risk.

We ask you to review these and any other matters in this report to ensure:

- There are no other considerations or matters that could have an impact on these issues
- You agree with the resolution of the issue
- There are no other significant issues to be considered.

There are no matters, apart from those reported by management or disclosed in this report, which we believe should be brought to the attention of the Governance Committee.

## Control observations

We have adopted a fully substantive approach, so have not tested the operation of controls.

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

There are no matters we wish to report.



# Executive Summary

## Value for money

We have considered your arrangements to take informed decisions; deploy resources in a sustainable manner; and work with partners and other third parties. We identified one significant risk to our value for money conclusion, in relation to arrangements around contracting and procurement, following on from the issues which gave rise to the qualification of our value for money conclusion in 2017/18.

We have reviewed the improvements in arrangements in this area in 2018/19, relying principally on work undertaken by internal audit, and have concluded that sufficient improvements have been made to mean that our conclusion for 2018/19 will be unmodified. We therefore have no matters to report about your arrangements to secure economy efficiency and effectiveness in your use of resources.

## Other reporting issues

We review the information presented in the Annual Governance Statement for consistency with our knowledge of the Authority. We have no matters to report as a result of this work.

We will perform the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts submission following the completion of the financial Statements audit and provide an update to the Committee on the outcome of this work. This does not affect our ability to sign the audit opinion on your financial statements following the Committee on 30 September 2019.

We have no other matters to report.

## Independence

Please refer to Section 9 for our update on Independence. We have no independence issues to report.





## 02 Areas of Audit Focus



## Areas of Audit Focus

# Significant risk

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

### What is the risk?

Under ISA (UK) 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition.

We assessed that the risk is most likely to occur through the inappropriate capitalisation of revenue expenditure, leading to overstatement of Property, Plant and Equipment (PPE) and/or Investment Property (IP) in the Balance Sheet, and understatement of expenditure in the Comprehensive Income and Expenditure Statement.

The value of PPE additions in 2018/19 was £77m, and the value of IP additions was £7.1m.

Page 24

### What judgements are we focused on?

Our work has focussed on any judgements exercised in determining whether expenditure is capital in nature, and therefore appropriate to be capitalised rather than charged to the Comprehensive Income and Expenditure Statement.

### What did we do?

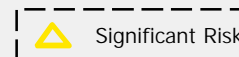
Our approach focused on:

- We selected a sample of additions, using lowered testing thresholds, to test and confirm the item was appropriate to capitalise through agreement to evidence such as invoices and capital expenditure authorisations.
- When performing journals testing, we challenged entries that could be indicative of inappropriate capitalisation, such any significant journals transferring expenditure from non-capital codes to PPE/IP additions or from revenue to capital codes on the general ledger at the end of the year.

### What are our conclusions?

Our sample testing of additions did not identify any issues with the appropriateness of capitalisation of expenditure.

Our documentation of our work on journals is ongoing at the time of writing this report. We will provide an update to the Governance Committee on 30 September 2019.





# Areas of Audit Focus

## Significant risk

### Misstatements due to fraud or error

#### What is the risk?

The financial statements as a whole are not free of material misstatements whether caused by fraud or error.

As identified in ISA (UK) 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.

#### What judgements are we focused on?

Our assessment of risk led us to create a series of criteria for the testing of journals, focusing specifically on areas that could be open to management manipulation. We have also focused specifically on capitalisation of expenditure as a potential area of manipulation, which is recorded as a separately identified significant risk on the previous page of this report.

Our work on estimates focussed on PPE and Investment Property valuation, IAS19 pension estimates, and PFI valuation, which we have identified as areas of higher inherent risk. Our findings on these areas are set out on the subsequent pages in this section of our report.

#### What did we do?

Our approach focused on:

- Testing the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements.
- Assessing accounting estimates for evidence of management bias.
- Evaluating the business rationale for significant unusual transactions.

Further to this, we have:

- Inquired of management about risks of fraud and the controls put in place to address those risks, as well as gaining an understanding of the oversight given by those charged with governance of management's processes over fraud.
- Considered the effectiveness of management's controls designed to address the risk of fraud.

#### What are our conclusions?

Our work in relation to this risk is ongoing at the time of writing this report. To date:

- We have not identified any evidence of material management override.
- We have not identified any instances of inappropriate judgements being applied or other management bias both in relation to accounting estimates and other balances and transactions.
- We have not identified any other transactions which appeared unusual or outside the Authority's normal course of business

We will provide an update at the meeting of the Governance Committee on 30 September 2019.





## Areas of Audit Focus

### Other areas of audit focus

#### Valuation of Land and Buildings and Investment Property

##### What is the risk?

The fair value of Property, Plant and Equipment (PPE) and Investment Property (IP) represent significant balances in the Authority'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.

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.

The net book value of PPE in the draft accounts at 31/03/2019 was £1.37bn, and the value of IP was £135m.

##### What did we do?

Page 25

We:

- Considered the work performed by the Authority's valuer, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work.
- Tested on a sample basis the accuracy of information used by the valuer in performing their valuations (for example floor plans to support valuations based on price per square metre) and challenged the valuer's key assumptions.
- Considered the annual cycle of valuations to ensure that assets have been valued within a suitable rolling programme as required by the Code for PPE, and annually for Investment Property.
- Reviewed assets not subject to valuation in 2018/19 to confirm that the remaining asset base is not materially misstated.
- Confirmed that accounting entries have been correctly processed in the financial statements.

##### What are our conclusions?

We have substantially completed our programme of work on PPE and IP valuations. No issues have been identified from our consideration of the work of the valuer, review of the annual cycle of valuations, or review of accounting entries.

We are awaiting an assessment from our internal valuations specialists with regard to the valuation of the Authority's investment property asset at West Quay, in relation to the subjective evaluation of tenants and leases factored into the valuation. We will provide a further update on this at the meeting of the Governance Committee on 30 September 2019. No other issues have been identified from our sample test of valuations.

Our work to review assets not revalued in 2018/19 has identified a £53.1m understatement of the value of PPE. The main categories of assets impacted are schools and car parks, which were understated by £46.4m. These have been adjusted in the final version of the financial statements. We are satisfied that the PPE balance is materially correct following this adjustment. This is also reported in section 4.



# Areas of Audit Focus

## Other areas of audit focus

### PFI accounting

#### What is the risk?

The Authority has two PFI arrangements which are material to our audit. PFI accounting is a complex area, and a detailed review of these arrangements was undertaken by our internal specialist in 2017/18. We will review the accounting entries and disclosures in relation to PFI in detail in 2018/19, with a focus on the correction of the non-material audit differences identified in 2017/18, any significant changes since the specialist's review.

The total finance lease liability for PFIs was £54m at 31/03/2019, and the value of PFI assets was £66m.

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#### What did we do?

We:

- Reviewed assurances brought forward from prior years regarding the appropriateness of the PFI financial models.
- Reviewed the PFI financial models for any significant changes.
- Ensured the PFI accounting models had been updated for any service or other agreed variations and confirmed consistency of current year models with prior year brought forward assurances.
- Agreed outputs of the models to the accounts, and reviewed the completeness and accuracy of disclosures; and
- Reviewed the correction of non-material audit differences identified in 2017/18 which were expected to be corrected this year.

#### What are our conclusions?

We have reviewed brought forward assurances, reviewed the PFI models for significant changes, and ensured appropriateness of any updates and consistency of current year models with the prior year. We have also agreed the outputs of the models to the accounts and reviewed the correction of non-material audit differences identified in 2017/18,

No issues with PFI accounting have been identified from this work.





# Areas of Audit Focus

## Other areas of audit focus

### Pension Liability Valuation

#### What is the risk?

The Local Authority Accounting Code of Practice and IAS19 require the Authority to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme administered by Hampshire County Council. The Authority's pension fund deficit is a material estimated balance and the Code requires that this liability be disclosed on the Authority's balance sheet. The information disclosed is based on the IAS 19 report issued to the Authority by the actuary to the County Council.

Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

The net pension liability in the draft accounts at 31 March 2019 was £445m.

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#### What did we do?

We:

- Liaised with the auditors of Hampshire County Council Pension Fund, to obtain assurances over the information supplied to the actuary in relation to Southampton City Council.
- Assessed the work of the Pension Fund actuary (Aon Hewitt) including the assumptions they used by relying on the work of PWC - Consulting Actuaries commissioned by the National Audit Office for all local government sector auditors, and considering any relevant reviews by the EY actuarial team.
- Reviewed and tested the accounting entries and disclosures made within the Authority's financial statements in relation to IAS19.

#### What are our conclusions?

We have substantially completed our programme of work on the pension liability valuation.

As a result of this work, we have identified one unadjusted audit difference, arising from a review of the assumptions used by the pension fund actuary. Specifically, the actuary did not make an allowance for Guaranteed Minimum Pension in their assumptions, on the basis that this would not be material. We agree with this assessment with regard to materiality, but as the potential impact is assessed through our work as being £2.6m, and this is above our reporting threshold, we are required to bring it to your attention. This is also reported in section 4 and has been included in the Letter of Representation.

In addition, we have reviewed the revised IAS19 report and related updates to the financial statements arising from the McCloud/Sargeant case, which has been treated as an adjusting post balance sheet event in the final version of the accounts. No issues have been identified from this work.



## Other areas of audit focus

### New Accounting Standards

#### What is the risk?

IFRS 9 (Financial Instruments) and IFRS 15 (Revenue from contracts) apply from 1 April 2018.

IFRS 9 will change:

- How financial assets are classified and measured;
- How the impairment of financial assets are calculated; and
- The disclosure requirements for financial instruments.

There are transitional arrangements within the standard; and the 2018/19 CIPFA Code of Practice on Local Authority Accounting provides guidance on the application of IFRS 9.

The key requirements of IFRS 15 cover the identification of performance obligations under customer contracts and the linking of income to the meeting of those performance obligations. The 2018/19 CIPFA Code of practice on local authority accounting provides guidance on the application of IFRS 15. The impact on local authority accounting is likely to be limited as large revenue streams like council tax, non domestic rates and government grants will be outside the scope of IFRS 15. However where that standard is relevant, the recognition of revenue will change and new disclosure requirements introduced.

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#### What did we do?

We assessed the Authority's implementation arrangements and accounting for both standards in 2018/19.

Specifically, for IFRS 9, we:

- Considered the classification and valuation of financial instruments.
- Reviewed the implementation of the new expected credit loss (ECL) model impairment calculations for assets.
- Checked additional disclosure requirements for compliance with the CIPFA Code.

#### What are our conclusions?

The Authority was able to demonstrate that implementation of IFRS 15 had no material impact on its financial reporting arrangements.

For IFRS 9 we are satisfied that:

- Required changes to the classification and accounting for financial instruments were made correctly.
- An ECL model has been used to determine potential impairments or provisions necessary for financial assets.
- CIPFA Code disclosure requirements have been met.



# Areas of Audit Focus



## Other matters

The Code requires the Authority to make preparations for the implementation of another new accounting standard for 2020/21, namely IFRS 16 – Leases. There is an inherent risk in relation to implementing new accounting standards and carrying out a sufficient assessment and evaluation.

IFRS 16 replaces IAS 17 Leases and its related interpretations. It will apply to the 2020/21 financial statements. The changes introduced by the standard will have substantial practical implications for local authorities that currently have material operating leases, and are also likely to have an effect on the capital financing arrangements of the authority.

We will consider the Authority's implementation plan and preparedness for IFRS 16 as part of next year's audit and report to the Governance Committee if we have any concerns in this regard.

In addition, changes have been made to the CIPFA/LAASAC Code for 2019/20, as noted below:

- The revised IASB Conceptual Framework for Financial Reporting (Conceptual Framework), the main elements being (2019/20 Code Cpt 2.1 refers);
  - new definitions of assets, liabilities, income and expenses
  - updates for the inclusion of the recognition process and criteria and new provisions on de-recognition
  - enhanced guidance on measurement bases
- Guidance in the treatment of the Apprenticeship Levy (2019/20 Code Cpt 2.11 refers)
- Updated guidance on IFRS 9 Financial Instruments: Prepayment Features with Negative Compensation & LOBOs (2019/20 Code Cpt 2.11 refers)
- Clarifications for the disclosure requirements with respect to interests in entities within the scope of IFRS 5 Non-current Assets Held for Sale and Discontinued Operations (2019/20 Code Cpt 9 refers).





# 03 Audit Report



# Audit Report

## Draft audit report

### Our draft opinion on the financial statements

#### INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SOUTHAMPTON CITY COUNCIL

##### Opinion

We have audited the financial statements of Southampton City Council for the year ended 31 March 2019 under the Local Audit and Accountability Act 2014. The financial statements comprise the Comprehensive Income and Expenditure Statement, Movement in Reserves Statement, Balance Sheet, Cash Flow Statement, the related notes 1 to 40 and Expenditure and Funding Analysis, the Collection Fund and the related notes 1 to 4, the Housing Revenue Account, Movement on the HRA Statement and the related notes 1 to 5.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

In our opinion the financial statements:

- give a true and fair view of the financial position of Southampton City Council as at 31 March 2019 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

##### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Comptroller and Auditor General's AGN01, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

##### Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Section 151 Officer's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Section 151 Officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.



# Audit Report

## Draft audit report

### Our draft opinion on the financial statements

#### Other information

The other information comprises the information included in the 2018/19 Financial Statements set out on pages 3 to 21 and 110 to 124, other than the financial statements and our auditor's report thereon. The Section 151 Officer is responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

#### Opinion on other matters prescribed by the Local Audit and Accountability Act 2014

Arrangements to secure economy, efficiency and effectiveness in the use of resources

In our opinion, based on the work undertaken in the course of the audit, having regard to the guidance issued by the Comptroller and Auditor General in November 2017, we are satisfied that, in all significant respects, Southampton City Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

#### Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Authority;
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.



# Audit Report

## Draft audit report

### Our draft opinion on the financial statements

#### Responsibility of the Section 151 Officer

As explained more fully in the Statement of Responsibilities set out on page 22, the Section 151 Officer is responsible for the preparation of the Financial Statements, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19, and for being satisfied that they give a true and fair view.

In preparing the financial statements, the Section 151 Officer is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Authority either intends to cease operations, or have no realistic alternative but to do so.

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

#### Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, as to whether Southampton City Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether Southampton City Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.



# Audit Report

## Draft audit report

### Our draft opinion on the financial statements

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, Southampton City Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office requires us to report to you our conclusion relating to proper arrangements.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

### Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate until we have completed the work necessary to issue our assurance statement in respect of the Authority's Whole of Government Accounts consolidation pack. We are satisfied that this work does not have a material effect on the financial statements or on our value for money conclusion. Until we have completed these procedures we are unable to certify that we have completed the audit of the accounts in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.

### Use of our report

This report is made solely to the members of Southampton City Council, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Helen Thompson (Key Audit Partner)  
Ernst & Young LLP (Local Auditor)  
Southampton





# 04 Audit Differences





# Audit Differences

In the normal course of any audit, we identify misstatements between amounts we believe should be recorded in the financial statements and the disclosures and 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.

## Summary of adjusted differences

We highlight the following misstatements greater than £8.84m identified during the course of our audit to date which have been amended in the final version of the financial statements:

- Our work to review assets not revalued in 2018/19 has identified a £53.1m understatement of the value of Property, Plant and Equipment. The main categories of assets impacted are schools and car parks, which were understated by £46.4m. These two categories of asset have been adjusted in the final version of the financial statements. We are satisfied that the PPE balance is materially correct following this adjustment.

Page

## Summary of unadjusted differences

We report to you any uncorrected misstatements greater than our nominal value of £0.589m.

There is one uncorrected misstatement to bring to your attention relating to the IAS 19 defined benefit pension liability. Guaranteed Minimum Pension (GMP) is a portion of pension that was accrued by individuals who were contracted out of the State Second Pension prior to 6 April 1997. All public service schemes, including the Local Government Pension Scheme were contracted out. The Authority's actuary, Aon Hewitt, has not estimated the potential IAS 19 accounting liability of full GMP indexation (and equalisation) for members in its valuation of the defined benefit pension liability for the Authority. We have estimated the impact of this, on a judgemental basis, to be an understatement of the pension liability of approximately £2.6m.

As noted above, £6.7m of the total £53.1m understatement of Property, Plant and Equipment has not been adjusted, but we are satisfied that the balances in the audited financial statements are materially correct following the adjustment made.

As our audit work is ongoing at the time of writing this report, further adjusted and unadjusted misstatements may be identified. We will provide an update at the Governance Committee meeting on 30 September 2019.





05

## Value for Money Risks





## Background

We are required to consider whether the Authority 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.

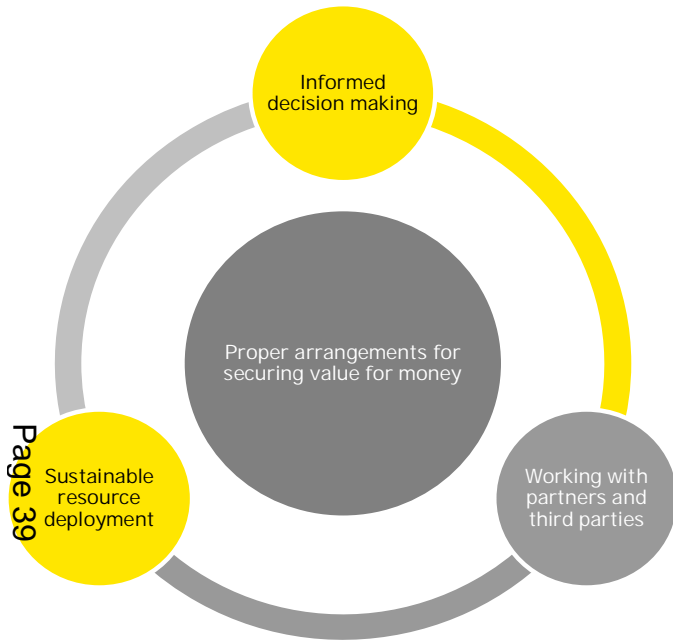
For 2018/19 this is based on the overall evaluation criterion:

"In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people"

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.

In considering your proper arrangements, we will draw on the requirements of the CIPFA/SOLACE framework for local government to ensure that our assessment is made against a framework that you are already required to have in place and to report on through documents such as your annual governance statement.



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## Overall conclusion

We identified one significant risk around these arrangements, in relation to contracting and procurement processes and compliance, following on from the issues which gave rise to the qualification of our 2017/18 value for money conclusion. The table below presents our findings in response to the risk in our audit planning report and any other significant weaknesses or issues we want to bring to your attention.

We expect having no matters to report about your arrangements to secure economy, efficiency and effectiveness in your use of resources.



## Value for Money Risks

We are only required to determine whether there are any risks that we consider significant within the Code of Audit Practice, where risk is defined as:

“A matter is significant if, in the auditor’s professional view, it is reasonable to conclude that the matter would be of interest to the audited body or the wider public”

Our risk assessment supports the planning of enough work to deliver a safe conclusion on your arrangements to secure value for money, and enables us to determine the nature and extent of any further work needed. If we do not identify a significant risk we do not need to carry out further work.

The section below presents the findings of our work in response to the risks area in our audit planning report. No further risks were identified during the course of our audit.

### What is the significant value for money risk?

Compliance with both procurement and contracting policies as part of a sound system of internal control.

Our value for money conclusion in 2017/18 was qualified “except for” as a result of the identification of significant levels of non-compliance with the Authority’s procurement rules. As the process of addressing the underlying issues has been ongoing through 2018/19, we consider that this remains an area of risk for our value for money conclusion this year. We will therefore seek to evaluate the strength and effectiveness of the measures the Authority has put in place through our value for money work in 2018/19.

### What arrangements did the risk affect?

Informed decision making

### What did we do?

Our work focussed on seeking assurance that the measures which have been introduced and reinforced in response to the adverse findings reported in 2017/18 are robust, and that effective controls are now in place to prevent, detect and correct non compliance. We have liaised with Internal Audit to ensure we have taken into account the findings of their follow up work in this area.



## Value for Money Risks

### What are our findings?

Progress has been made in strengthening the Authority's arrangements with regard to procurement and contracting in 2018/19.

New controls have been created within the Authority's Agresso financial system to help ensure that all spend under £100k is notified to the sub-£100k procurement team, is linked to an approved contract where relevant, and that all related contracts are included within the Authority's contracts register.

A number of key forms and templates required for the procurement process have been significantly simplified, to help ensure timely completion of procurement processes.

The issues with regard to three specific contracts identified through the work of Internal Audit in 2017/18 have been addressed and the related spend is now compliant with the Authority's procurement rules. There has been a further general improvement in compliance levels as reported to the Governance Committee during 2018/19.

We acknowledge that there is further work to be done to improve compliance levels further, and processes are yet to be designed and implemented to ensure compliance for spend which comes through the Authority's feeder systems rather than directly through Agresso. However, this spend comprises a relatively small percentage of the Authority's overall expenditure.

We will continue to review reporting to the Governance Committee on this issue in future, and the findings of a further follow-up review by Internal Audit planned for 2019/20. However, we are satisfied that sufficient improvements to arrangements have been made in 2018/19 for our value for money conclusion to be unmodified.



## 06 Other reporting issues

## Other reporting issues

### Consistency of other information published with the financial statements, including the Annual Governance Statement

We must give an opinion on the consistency of the financial and non-financial information in the 2018/19 Financial Statements with the audited financial statements.

We must also review the Annual Governance Statement for completeness of disclosures, consistency with other information from our work, and whether it complies with relevant guidance.

Financial information in the 2018/19 Financial Statements and published with the financial statements was consistent with the audited financial statements.

We have reviewed the Annual Governance Statement and can confirm it is consistent with other information from our audit of the financial statements and we have no other matters to report.

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### Whole of Government Accounts

Alongside our work on the financial statements, we also review and report to the National Audit Office on your Whole of Government Accounts return. The extent of our review, and the nature of our report, is specified by the National Audit Office.

We do not plan to complete the procedures required by the National Audit Office (NAO) on the WGA submission until after issuing our audit opinion, We have notified the NAO of the delay to our WGA work. The audit certificate will be issued once this work is complete. We will provide a further update to the Governance Committee when this work is completed.



## Other reporting issues

### Other powers and duties

We have a duty under the Local Audit and Accountability Act 2014 to consider whether to report on any matter that comes to our attention in the course of the audit, either for the Authority to consider it or to bring it to the attention of the public (i.e. “a report in the public interest”). We did not identify any issues which required us to issue a report in the public interest.

We also have a duty to make written recommendations to the Authority, copied to the Secretary of State, and take action in accordance with our responsibilities under the Local Audit and Accountability Act 2014. We did not identify any issues.

### Other matters

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As required by ISA (UK&I) 260 and other ISAs specifying communication requirements, we must tell you significant findings from the audit and other matters if they are significant to your oversight of the Authority’s financial reporting process. They include the following

- Significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures;
- Any significant difficulties encountered during the audit;
- Any significant matters arising from the audit that were discussed with management;
- Written representations we have requested;
- Expected modifications to the audit report;
- Any other matters significant to overseeing the financial reporting process;
- Findings and issues around the opening balance on initial audits (if applicable);
- Related parties;
- External confirmations;
- Going concern;
- Consideration of laws and regulations; and
- Group audits

We have no other matters to report at the time of writing this report. We will provide a further update if required at the meeting of the Governance Committee on 30 September 2019.



07

# Assessment of Control Environment



# Assessment of Control Environment

## Financial controls

It is the responsibility of the Authority to develop and implement systems of internal financial control and to put in place proper arrangements to monitor their adequacy and effectiveness in practice. Our responsibility as your auditor is to consider whether the Authority has put adequate arrangements in place to satisfy itself that the systems of internal financial control are both adequate and effective in practice.

As part of our audit of the financial statements, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. As we have adopted a fully substantive approach, we have 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.

We have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statements of which you are not aware.





# 08 Data Analytics





# Use of Data Analytics in the Audit

## Data analytics – Income & expenditure testing, payroll testing and journals

### Analytics Driven Audit

Page 48

### Data analytics

We used our data analysers to enable us to capture entire populations of your financial data. These analysers:

- Help identify specific exceptions and anomalies which can then be the focus of our substantive audit tests; and
- Give greater likelihood of identifying errors than traditional, random sampling techniques.

In 2018/19, our use of these analysers in the Authority's audit included selecting samples for general income and expenditure testing, testing payroll costs, and identifying and focusing our journals testing on those entries we deemed to have the highest inherent risk to the audit.

We captured the data through our formal data requests and the data transfer took place on a secured EY website. The transfer methodology is in line with our EY data protection policies, which are designed to protect the confidentiality, integrity and availability of business and personal information.

#### Journal Entry Analysis

We obtained downloads of all of the Authority's financial ledger transactions posted in the year. We performed completeness analysis over the data, reconciling the sum of transactions to the movement in the trial balances and financial statements to ensure we have captured all data. Our analysers then reviewed and sorted transactions, allowing us to more effectively identify and test journals that we considered to be higher risk, as identified in our audit planning report.

#### Payroll Analysis

We also used our analysers in our payroll testing. We obtained all payroll transactions posted in the year from the General Ledger and performed procedures to understand the data and identify unusual items. We also reconciled the GL amount to the payroll subledger. We then analysed the data against a number of specifically designed procedures.



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# 09 Independence

## Confirmation

We confirm that there are no changes in our assessment of independence since our confirmation in our audit planning board report dated 31 January 2019.

We complied with the FRC Ethical Standards and the requirements of the PSAA's Terms of Appointment. 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 of regulatory and professional requirements.

We consider that our independence in this context is a matter which you should review, as well as us. It is important that you and your Governance Committee consider the facts known to you and come to a view. If you would like to discuss any matters concerning our independence, we will be pleased to do this at the meeting of the Governance Committee on 30 September 2019.

# Independence



## Relationships, services and related threats and safeguards



The FRC Ethical Standard requires that we provide details of all relationships between Ernst & Young (EY) and your Authority, and its directors and senior management and its affiliates, including all services provided by us and our network to your Authority, its directors and senior management and its affiliates, and other services provided to other known connected parties that we consider may reasonably be thought to bear on the our integrity or objectivity, including those that could compromise independence and the related safeguards that are in place and why they address the threats.

There are no relationships from 01 April 2018 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

### Services provided by Ernst & Young

Below includes a summary of the fees that you have paid to us in the year ended 31 March 2019 in line with the disclosures set out in FRC Ethical Standard and in statute.

We confirm that none of the services recorded has been provided on a contingent fee basis.

As at the date of this report, there are no future services which have been contracted and no written proposal to provide non-audit services has been submitted.

# Independence

## Fee analysis

As part of our reporting on our independence, we set out below a summary of the fees paid for the year ended 31 March 2019.

We confirm that we have not undertaken non-audit work outside the NAO Code requirements in 2018/19.

	Final Fee 2018/19	Planned Fee 2018/19	Scale Fee 2018/19	Final Fee 2017/18
	£	£	£	£
Total Audit Fee – Code work (note 1)	TBC	109,891	109,891	154,362
Non-audit work: Housing Benefit subsidy claim certification (note 2)	N/A	N/A	N/A	19,524

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All fees exclude VAT

Note 1: As our audit is ongoing at the time of writing this report, issues may arise which could lead to additional fee being sought. The only such matter identified to date is as follows:

As we are no longer the reporting accountant for the Council's housing benefit subsidy claim, we needed to undertake work as part of the financial statements audit which we would previously have performed as part of certifying the housing benefit claim and used for both engagements. This work would previously have been covered by the fee for the housing benefit certification. As such, we are proposing an additional fee of £382 for this work. The proposed additional fee remains subject to agreement with management and PSAA.

Note 2: The Authority has appointed a new reporting accountant for the 2018/19 housing benefit subsidy claim.





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# 10 Appendices



## Audit approach update

We summarise below our approach to the audit of the balance sheet and any changes to this approach from the prior year audit. The audit approach to all material balance sheet items is shown.

Our audit procedures are designed to be responsive to our assessed risk of material misstatement at the relevant assertion level. Assertions relevant to the balance sheet include:

- Existence: An asset, liability and equity interest exists at a given date
- Rights and Obligations: An asset, liability and equity interest pertains to the entity at a given date
- Completeness: There are no unrecorded assets, liabilities, and equity interests, transactions or events, or undisclosed items
- Valuation: An asset, liability and equity interest is recorded at an appropriate amount and any resulting valuation or allocation adjustments are appropriately recorded

Presentation and Disclosure: Assets, liabilities and equity interests are appropriately aggregated or disaggregated, and classified, described and disclosed in accordance with the applicable financial reporting framework. Disclosures are relevant and understandable in the context of the applicable financial reporting framework

# Appendix A

Balance sheet category	Audit Approach in current year	Audit Approach in prior year	Explanation for change
Property, Plant and Equipment	Substantively test all relevant assertions	Substantively tested all relevant assertions	No change in audit approach from prior year
Heritage Assets			
Investment Property			
Intangible Assets			
Long Term Investments			
Short Term Investments			
Short Term Debtors			
Cash & Cash Equivalents			
Short Term Borrowing			
Short Term Creditors			
Provisions (short and long term)			
Long Term Creditors			
Deferred Liabilities			
Capital Grants and Contributions Receipts in Advance			
Long Term Borrowing			
Pension Fund Liability			
Usable Reserves			
Unusable reserves			

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## Summary of communications




Date	Nature	Summary
06/11/2018	Meeting	The partner in charge of the engagement, along with the audit manager, met with the Section 151 Officer to discuss current issues at the Authority to inform our continuous audit planning.
24/01/2019	Meeting	The partner in charge of the engagement, along with the audit manager, met with the Section 151 Officer and Chief Executive to review our draft audit planning report and to discuss current issues at the Authority to inform our continuous audit planning.
11/02/2019	Report	The audit planning report, including confirmation of independence, was presented to the Governance Committee.
21/03/2019	Meeting	The partner in charge of the engagement, along with the audit manager, met with the Section 151 Officer to discuss current issues at the Authority to inform our continuous audit planning, and progress on the audit to the interim stage.
15/04/2019	Report	A progress report, confirming work performed to the interim stage of the audit, was presented to the Governance Committee.
06/06/2019	Meeting	The partner in charge of the engagement, along with the audit manager, met with the Section 151 Officer to discuss current issues at the Authority to inform our continuous audit planning, and progress on the audit to the year-end stage.
09/07/2019	Meeting	The partner in charge of the engagement, along with the audit manager, met with the Section 151 Officer to discuss progress on the audit to the year-end stage, and the need to reschedule completion of the audit.
29/07/2019	Report	A verbal report, explaining the rescheduling of the completion of the audit, was presented to the Governance Committee.
30/09/2019	Report	The audit results report, including confirmation of independence, was presented to the Governance Committee.

In addition to the above specific meetings, the audit team met with the management team multiple times throughout the audit to discuss audit progress and findings. This included regular catch-up calls in August and September to update on the rescheduled audit.

## Appendix C

# Required communications with the Governance Committee

There are certain communications that we must provide to the audit committees of UK clients. We have detailed these here together with a reference of when and where they were covered:

			 Our Reporting to you
Required communications	 What is reported?	 When and where	
Terms of engagement	Confirmation by the Governance Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies	
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter.	Audit planning report - February 2019	
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified.	Audit planning report - February 2019	
Significant findings from the audit	<ul style="list-style-type: none"> <li>• Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures</li> <li>• Significant difficulties, if any, encountered during the audit</li> <li>• Significant matters, if any, arising from the audit that were discussed with management</li> <li>• Written representations that we are seeking</li> <li>• Expected modifications to the audit report</li> <li>• Other matters if any, significant to the oversight of the financial reporting process</li> </ul>	Audit results report - September 2019	

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# Appendix C

		Our Reporting to you
Required communications	What is reported?	When and where
Major Local Audits	<p>For the audits of financial statements of public interest entities/major local audits our written communications to the Governance Committee include:</p> <ul style="list-style-type: none"> <li>• A declaration of independence</li> <li>• The identity of each key audit partner</li> <li>• The use of non-member firms or external specialists and confirmation of their independence</li> <li>• The nature and frequency of communications</li> <li>• A description of the scope and timing of the audit</li> <li>• Which categories of the balance sheet have been tested substantively or controls based and explanations for significant changes to the prior year, including first year audits</li> <li>• Materiality</li> <li>• Any going concern issues identified</li> <li>• Any significant deficiencies in internal control identified and whether they have been resolved by management</li> <li>• Subject to compliance with regulations, any actual or suspected non-compliance with laws and regulations identified relevant to the Governance Committee</li> <li>• Subject to compliance with regulations, any suspicions that irregularities, including fraud with regard to the financial statements, may occur or have occurred, and the implications thereof</li> <li>• The valuation methods used and any changes to these including first year audits</li> <li>• The scope of consolidation and exclusion criteria if any and whether in accordance with the reporting framework</li> <li>• The completeness of documentation and explanations received</li> <li>• Any significant difficulties encountered in the course of the audit</li> <li>• Any significant matters discussed with management</li> <li>• Any other matters considered significant</li> </ul>	<p>Audit Planning Report – February 2019</p> <p>Audit Results Report – September 2019</p>

# Appendix C

		Our Reporting to you
Required communications	What is reported?	When and where
Going concern	<p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> <li>• Whether the events or conditions constitute a material uncertainty</li> <li>• Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements</li> <li>• The adequacy of related disclosures in the financial statements</li> </ul>	No conditions or events were identified, either individually or together to raise any doubt about Southampton City Council's ability to continue for the 12 months from the date of our report
Misstatements	<ul style="list-style-type: none"> <li>• Uncorrected misstatements and their effect on our audit opinion</li> <li>• The effect of uncorrected misstatements related to prior periods</li> <li>• A request that any uncorrected misstatement be corrected</li> <li>• Material misstatements corrected by management</li> </ul>	Audit Results Report – September 2019
Subsequent events	<ul style="list-style-type: none"> <li>• Enquiry of the Governance Committee where appropriate regarding whether any subsequent events have occurred that might affect the financial statements.</li> </ul>	Audit Results Report – September 2019
Fraud	<ul style="list-style-type: none"> <li>• Enquiries of the Governance Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the Authority</li> <li>• Any fraud that we have identified or information we have obtained that indicates that a fraud may exist</li> <li>• Unless all of those charged with governance are involved in managing the Authority, any identified or suspected fraud involving:               <ol style="list-style-type: none"> <li>a. Management;</li> <li>b. Employees who have significant roles in internal control; or</li> <li>c. Others where the fraud results in a material misstatement in the financial statements.</li> </ol> </li> <li>• The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected</li> <li>• Any other matters related to fraud, relevant to Governance Committee responsibility.</li> </ul>	Audit Results Report – September 2019

# Appendix C

		Our Reporting to you
Required communications	What is reported?	When and where
Related parties	<p>Significant matters arising during the audit in connection with the Authority's related parties including, when applicable:</p> <ul style="list-style-type: none"> <li>• Non-disclosure by management</li> <li>• Inappropriate authorisation and approval of transactions</li> <li>• Disagreement over disclosures</li> <li>• Non-compliance with laws and regulations</li> <li>• Difficulty in identifying the party that ultimately controls the Authority</li> </ul>	Audit Results Report – September 2019
Independence	<p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence.</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> <li>• The principal threats</li> <li>• Safeguards adopted and their effectiveness</li> <li>• An overall assessment of threats and safeguards</li> <li>• Information about the general policies and process within the firm to maintain objectivity and independence</li> </ul> <p>Communications whenever significant judgments are made about threats to objectivity and independence and the appropriateness of safeguards put in place.</p> <p>For public interest entities and listed companies, communication of minimum requirements as detailed in the FRC Revised Ethical Standard 2016:</p> <ul style="list-style-type: none"> <li>• Relationships between EY, the company and senior management, its affiliates and its connected parties</li> <li>• Services provided by EY that may reasonably bear on the auditors' objectivity and independence</li> <li>• Related safeguards</li> <li>• Fees charged by EY analysed into appropriate categories such as statutory audit fees, tax advisory fees, other non-audit service fees</li> <li>• A statement of compliance with the Ethical Standard, including any non-EY firms or external experts used in the audit</li> </ul>	<p>Audit Planning Report – September 2019</p> <p>Audit Results Report – September 2019</p>



# Appendix C

		Our Reporting to you
Required communications	What is reported?	When and where
	<ul style="list-style-type: none"> <li>• Details of any inconsistencies between the Ethical Standard and Group's policy for the provision of non-audit services, and any apparent breach of that policy</li> <li>• Details of any contingent fee arrangements for non-audit services</li> <li>• Where EY has determined it is appropriate to apply more restrictive rules than permitted under the Ethical Standard</li> <li>• The Governance Committee should also be provided an opportunity to discuss matters affecting auditor independence</li> </ul>	
External confirmations	<ul style="list-style-type: none"> <li>• Management's refusal for us to request confirmations</li> <li>• Inability to obtain relevant and reliable audit evidence from other procedures.</li> </ul>	We have received all requested confirmations
Consideration of laws and regulations	<ul style="list-style-type: none"> <li>• Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur</li> <li>• Enquiry of the Governance Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Governance Committee may be aware of.</li> </ul>	We have asked management and those charged with governance. We have not identified any material instances or non-compliance with laws and regulations
Significant deficiencies in internal controls identified during the audit	<ul style="list-style-type: none"> <li>• Significant deficiencies in internal controls identified during the audit.</li> </ul>	Audit Results Report – September 2019

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# Appendix C

## Our Reporting to you

Required communications	What is reported?	When and where
Written representations we are requesting from management and/or those charged with governance	<ul style="list-style-type: none"> <li>Written representations we are requesting from management and/or those charged with governance</li> </ul>	Audit Results Report – September 2019
Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	<ul style="list-style-type: none"> <li>Material inconsistencies or misstatements of fact identified in other information which management has refused to revise</li> </ul>	Audit Results Report – September 2019
Auditors report	<ul style="list-style-type: none"> <li>Any circumstances identified that affect the form and content of our auditor’s report</li> </ul>	Audit Results Report – September 2019
Fee Reporting	<ul style="list-style-type: none"> <li>Breakdown of fee information when the audit planning report is agreed</li> <li>Breakdown of fee information at the completion of the audit</li> <li>Any non-audit work</li> </ul>	Audit Planning Report – February 2019 Audit Results Report – September 2019

# Management representation letter

## Management Representation Letter

Ernst & Young LLP

Wessex House  
19 Threefield Lane  
Southampton  
Hampshire  
SO14 3QB

This letter of representations is provided in connection with your audit of the financial statements of Southampton City Council (“the Council”) for the year ended 31 March 2019. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the financial statements give a true and fair view of the financial position of Southampton City Council as of 31 March 2019 and of its income and expenditure for the year then ended in accordance with CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

We understand that the purpose of your audit of our financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing (UK and Ireland), which involves an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, and is not designed to identify - nor necessarily be expected to disclose - all fraud, shortages, errors and other irregularities, should any exist.

Accordingly, we make the following representations, which are true to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

### A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

2. We acknowledge, as members of management of the Council, our responsibility for the fair presentation of the financial statements. We believe the financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of the Council in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19. We have approved the financial statements.
3. The significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.
4. As members of management of the Council, we believe that the Council has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19, that are free from material misstatement, whether due to fraud or error.
5. We believe that the effects of any unadjusted audit differences, summarised in the accompanying schedule, accumulated by you during the current audit and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. We have not corrected these differences identified by and brought to the attention from the auditor because [\[specify reasons for not correcting misstatement\]](#).

### B. Non-compliance with law and regulations, including fraud

1. We acknowledge that we are responsible to determine that the Council’s activities are conducted in accordance with laws and regulations and that we are responsible to identify and address any non-compliance with applicable laws and regulations, including fraud.
2. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.
3. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

# Management representation letter

4. We have no knowledge of any identified or suspected non-compliance with laws or regulations, including fraud that may have affected the Council (regardless of the source or form and including, without limitation, allegations by “whistleblowers”) including non-compliance matters:
  - involving financial statements;
  - related to laws and regulations that have a direct effect on the determination of material amounts and disclosures in the Council’s financial statements;
  - related to laws and regulations that have an indirect effect on amounts and disclosures in the financial statements, but compliance with which may be fundamental to the operations of the Council’s activities, its ability to continue to operate, or to avoid material penalties;
  - involving management, or employees who have significant roles in internal controls, or others; or
  - in relation to any allegations of fraud, suspected fraud or other non-compliance with laws and regulations communicated by employees, former employees, analysts, regulators or others.

## C. Information Provided and Completeness of Information and Transactions

1. We have provided you with:
  - Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
  - Additional information that you have requested from us for the purpose of the audit; and
  - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
2. All material transactions have been recorded in the accounting records and are reflected in the financial statements.
3. We have made available to you all minutes of the meetings of the Council and the Cabinet held through the year to the most recent meeting on the following date: 18 September 2019.
4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Council’s related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the year end. These transactions have been appropriately accounted for and disclosed in the financial statements.
5. We believe that the significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
6. We have disclosed to you, and the Council has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

# Management representation letter

## D. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the financial statements.
2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.
3. We have recorded and/or disclosed, as appropriate, all liabilities related litigation and claims, both actual and contingent, and have disclosed in the financial statements all guarantees that we have given to third parties.

## E. Subsequent Events

1. Other than described in the financial statements, there have been no events subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.

## F. Other information

1. We acknowledge our responsibility for the preparation of the other information. The other information comprises the Preface, Narrative Report and Annual Governance Statement.
2. We confirm that the content contained within the other information is consistent with the financial statements.

## G. Use of the Work of a Specialist

1. We agree with the findings of the specialists that we engaged to evaluate the valuation of property, plant and equipment and the IAS19 pension fund liability, and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the financial statements and the underlying accounting records. We did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.

## H. Estimates

1. We believe that the measurement processes, including related assumptions and models, used to determine the accounting estimates have been consistently applied and are appropriate in the context of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.
2. We confirm that the significant assumptions used in making the valuation of property, plant and equipment, IAS19 pension liability, and PFI valuation estimates appropriately reflect our intent and ability to carry out specific courses of action on behalf of the entity.
3. We confirm that the disclosures made in the financial statements with respect to the accounting estimates are complete and made in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.
4. We confirm that no adjustments are required to the accounting estimates and disclosures in the financial statements due to subsequent events.

## I. Retirement benefits

1. On the basis of the process established by us and having made appropriate enquiries, we are satisfied that the actuarial assumptions underlying the scheme liabilities are consistent with our knowledge of the business. All significant retirement benefits and all settlements and curtailments have been identified and properly accounted for.

## Management representation letter

I confirm that this letter has been discussed and agreed by the Authority on 30 September 2019

Name: John Harrison

Position: Section 151 Officer

Name: Councillor Eamonn Keogh

Position: Chairman of the Governance Committee

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# Agenda Item 7

<b>DECISION-MAKER:</b>		GOVERNANCE COMMITTEE	
<b>SUBJECT:</b>		ANNUAL REPORT ON THE MEMBERS' CODE OF CONDUCT	
<b>DATE OF DECISION:</b>		30 <sup>th</sup> SEPTEMBER 2019	
<b>REPORT OF:</b>		DIRECTOR OF LEGAL & GOVERNANCE AND MONITORING OFFICER	
<b><u>CONTACT DETAILS</u></b>			
<b>AUTHOR:</b>	<b>Name:</b>	Richard Ivory	Tel: 023 8083 2794
	<b>E-mail:</b>	Richard.ivory@southampton.gov.uk	
<b>Director</b>	<b>Name:</b>	Richard Ivory, Monitoring Officer	Tel: 023 8083 2794
	<b>E-mail:</b>	Richard.ivory@southampton.gov.uk	
<b>STATEMENT OF CONFIDENTIALITY</b>			
None			
<b>BRIEF SUMMARY</b>			
At the time of the adoption of current code of conduct for members in 2012 the Council requested the Monitoring Officer (Director of Legal and Governance) to produce an annual report outlining the impact of the code, a summary of the complaints received, and any action taken.			
<b>RECOMMENDATIONS:</b>			
	(i)	The Committee is asked to note this annual report for the year 2018/19.	
<b>REASONS FOR REPORT RECOMMENDATIONS</b>			
1.	Unless there are any changes required to be made to either the Code or the procedures for investigation, this report is only for noting.		
<b>ALTERNATIVE OPTIONS CONSIDERED AND REJECTED</b>			
2.	None.		
<b>DETAIL (Including consultation carried out)</b>			
3.	The Governance Committee has the following terms of reference in relation to corporate governance and Code of Conduct issues:		
	•	To lead on the Council's duties under Chapter 7 of the Localism Act 2011 and to design, implement, monitor, approve and review the standards of ethics and probity of the Council, both for Councillors and employees. The Committee's powers shall include responding to consultation documents and the promulgation of Codes of Conduct but the adoption and revisions to the local Members Code of Conduct shall be reserved to the Council.	
	•	To promote a culture of openness, ready accountability and probity in order to ensure the highest standards of conduct of Councillors and employees.	

	<ul style="list-style-type: none"> <li>To lead on all aspects of Corporate Governance by promoting the values of putting people first, valuing public service and creating a norm of the highest standards of personal conduct.</li> </ul>
	<ul style="list-style-type: none"> <li>To lead on all aspects of Corporate Governance by promoting the values of putting people first, valuing public service and creating a norm of the highest standards of personal conduct.</li> </ul>
	<ul style="list-style-type: none"> <li>To oversee and manage programmes of guidance, advice and training on ethics, standards and probity for Councillors and employees and on the Members Code of Conduct.</li> </ul>
	<ul style="list-style-type: none"> <li>To be responsible for the Council's register of Members' interests and to receive reports from the Monitoring Officer and Service Director: Legal and Governance on the operation of the register from time to time.</li> </ul>
	<ul style="list-style-type: none"> <li>To be responsible for written guidance and advice on the operation of the system of declarations of Members' Interests and to receive reports from the Monitoring Officer on the operation of the system of declarations from time to time.</li> </ul>
	<ul style="list-style-type: none"> <li>To establish, monitor, approve and issue advice and guidance to Councillors on a system of dispensations to speak on, or participate in, matters in which they have interests and give dispensation in appropriate cases.</li> </ul>
	<ul style="list-style-type: none"> <li>To exercise the functions of the Council in relation to the ethical framework, corporate governance and standards of conduct of Joint Committees and other bodies</li> </ul>
	<ul style="list-style-type: none"> <li>To establish a Standards Sub-Committee to investigate and determine appropriate action in respect of alleged breaches of the Members Code of Conduct.</li> </ul>
	<ul style="list-style-type: none"> <li>To support the Monitoring Officer and Chief Financial Officer in their statutory roles and the issuing of guidance on them from time to time.</li> </ul>
	<ul style="list-style-type: none"> <li>To receive regular reports on the performance of the Corporate Complaints process, Local Government Ombudsman referrals, Annual Governance Statement and Code of Corporate Governance and to recommend revisions to related policies and procedures as appropriate.</li> </ul>
4.	The Council has a responsibility for making arrangements to receive and consider complaints against Councillors in Southampton. Stage 1 is receipt and initial consideration and where appropriate informal resolution by the Monitoring Officer. Where warranted, at Stage 2, the Governance Committee will determine the complaint following a detailed investigation by the Monitoring Officer or someone on his behalf.
5.	Since the adoption of the current Members Code of Conduct the Standards Sub Committee has not had cause to meet to consider any allegations of breach of the Members Code of Conduct.
<b>COMPLAINTS RECEIVED</b>	
6.	The Council adopted a revised Members' Code of Conduct consistent with the requirements of the Localism Act 2011 on 11th July 2012.

7.	In summary, the regime remains fairly low key. All members have completed their Register of Interests, are reminded annually of the need to keep it updated (the Register is publicly accessible and viewable online) and a few complaints have been received. All issues/complaints have been resolved by the Monitoring Officer, investigated as appropriate and/ or rejected and advice given to the complainant at Stage 1 of the complaints' procedure meaning that there have been no determinations or findings of a failure to comply with the relevant Code of Conduct by the committee.		
8.	The Monitoring Officer received 2 complaints about Councillors in 2018/9 which required preliminary investigation. There are no trends in terms of the subjects specified in complaints.		
9.	All complaints are taken seriously and investigated as appropriate. In order to be considered under the formal complaints process complaints must be submitted in writing, must provide substantiated information, and should outline what form of resolution the complainant is seeking. When a complaint does not meet these criteria and does not reveal a potential breach of the Members' Code of Conduct it is treated as a 'general enquiry'. This means that the Monitoring Officer responds to the complainant in writing explaining why the matters complained of do not constitute a potential breach of the Members' Code of Conduct. Occasionally due to capacity or other reasons that the Monitoring Officer deems appropriate independent, external assistance may be sought to assist in determining complaints. This did not arise last year.		
10.	When a written complaint is submitted which provides the relevant information, the Monitoring Officer will consider and decide as to whether it will be treated as a valid complaint or not. Where it is considered valid the Monitoring Officer may deal with the matter under delegated powers unless, after consultation with the Designated Independent Person, it is considered that the breach is potentially serious enough to merit putting before the Standards Sub Committee for determination. None met that threshold.		
11.	The complaints submitted about Southampton City Councillors in 2018/9 related to the following matters:		
	<b>Behaviour alleged</b>	<b>Outcomes &amp; reasons</b>	<b>Source of complaint</b>
	Data breach	No evidence of breach submitted	Public
	Conflict of interest	No evidence of breach	Public
<b>DESIGNATED INDEPENDENT PERSON</b>			
12.	The former Designated Independent Person appointed under the Act (David Basson) was consulted on emerging issues and complaints as appropriate and met regularly with the Monitoring Officer to talk through issues arising. Training was been provided to him as necessary. Mr Basson resigned from the role at the last AGM and Mr Andrew Day was appointed as the new DIP. Mr Day has a standing invitation to attend Council and Governance Committee.		

<b>APPLICATIONS FOR DISPENSATION</b>	
13.	If a Member wishes to apply for a dispensation to allow them to take part in a meeting with a disclosable pecuniary interest they must submit a written application to the Monitoring Officer. Applications are then decided by him or by the Governance Committee.
14.	The Localism Act 2011 substantially changed the rules on interests. Regretfully it was incomplete in order to permit members to carry out their full duties in relation to being able to vote on the budget. Annually before Full Council all Members are granted a blanket dispensation by the Monitoring Officer to allow them to take part in the decision to approve the Council's budget. No other dispensations have been applied for.
15.	<p><b>REVISIONS TO THE MEMBERS CODE OF CONDUCT REGIME</b></p> <p>Members will be aware that in January 2019 the Committee on Standards in Public Life published its report on the current national arrangements. A link to the report is below:-</p> <p><a href="https://www.gov.uk/government/collections/local-government-ethical-standards">https://www.gov.uk/government/collections/local-government-ethical-standards</a></p> <p>The main recommendations to the Government in summary were as follows:-</p> <ul style="list-style-type: none"> <li>• Suspension of elected members for up to 6 months and a consequent removal of Members Allowances</li> <li>• An appeal against sanctions to the Local Government Ombudsman</li> <li>• Clarity of which sanctions against Members are lawful</li> <li>• A model Code of Conduct</li> <li>• Strengthening the role of the Designated Independent Person</li> <li>• Reinstatement of the statutory protection for Monitoring Officers</li> </ul> <p>As you may expect numerous legal nuances have arisen as a result and clarification and revisions to legislation will need needed in respect of many of the recommendations. It is important that Governance Committee members are aware of the report.</p> <p>We now await the next steps from the Government which had 3 months to respond i.e. by April. Whilst the Government acknowledged the report nothing further has happened formally, or a timescale set for consideration of the report. It should be noted there is no obligation on the Government to change anything, the Government only resolved to review the Localism Act Code after its first 5 years of operation. Members will be kept updated as to as parliamentary progress.</p>
<b>SUPPORTING MEMBERS OF THE COUNCIL</b>	
16.	Training has previously been provided to newly elected members, and as required for new Cabinet Members and those members who sit on regulatory

	bodies such as Licensing Committee and the Planning and Rights of Way Panel.
17.	Importantly, the adopted Member Learning and Development strategy has been implemented and member training via external partners, such as the LGA and SEE, has increased. Group Leaders have committed to increasing member development at all levels of office to better support members in discharging their roles.
<b>GIFTS AND HOSPITALITY</b>	
18.	The requirement for members to register any gifts or hospitality received in their capacity as an elected member is currently set at a minimum of £50. Minimal notifications have been made which probably reflects the limited quantity and value of any received. This requirement does, however, exclude anything relevant to elected members who are the Mayor or Sherriff when acting in those capacities.
<b>RESOURCE IMPLICATIONS</b>	
<b><u>Capital/Revenue</u></b>	
19.	None.
<b><u>Property/Other</u></b>	
20.	None.
<b>LEGAL IMPLICATIONS</b>	
<b><u>Statutory power to undertake proposals in the report:</u></b>	
21.	Chapter 7 Localism Act 2011.
<b><u>Other Legal Implications:</u></b>	
22.	None.
<b>RISK MANAGEMENT IMPLICATIONS</b>	
23.	None.
<b>POLICY FRAMEWORK IMPLICATIONS</b>	
24.	None.
<b>KEY DECISION?</b>	No
<b>WARDS/COMMUNITIES AFFECTED:</b>	None
<b><u>SUPPORTING DOCUMENTATION</u></b>	
<b>Appendices</b>	
1.	None
<b>Documents In Members' Rooms</b>	
1.	None
<b>Equality Impact Assessment</b>	
<b>Do the implications/subject of the report require an Equality and Safety Impact Assessment (ESIA) to be carried out?</b>	<b>No</b>

<b>Data Protection Impact Assessment</b>		
<b>Do the implications/subject of the report require a Data Protection Impact Assessment (DPIA) to be carried out?</b>		<b>No</b>
<b>Other Background Documents</b> <b>Other Background documents available for inspection at:</b>		
<b>Title of Background Paper(s)</b>	<b>Relevant Paragraph of the Access to Information Procedure Rules / Schedule 12A allowing document to be Exempt/Confidential (if applicable)</b>	
1.	None	



# Agenda Item 8

<b>DECISION-MAKER:</b>		<b>GOVERNANCE COMMITTEE</b>	
<b>SUBJECT:</b>		<b>INTERNAL AUDIT PROGRESS REPORT 2019-20</b>	
<b>DATE OF DECISION:</b>		<b>30<sup>th</sup> SEPTEMBER 2019</b>	
<b>REPORT OF:</b>		<b>CHIEF INTERNAL AUDITOR</b>	
<b><u>CONTACT DETAILS</u></b>			
<b>AUTHOR:</b>	<b>Name:</b>	<b>Elizabeth Goodwin</b>	<b>Tel: 023 8083 4616</b>
	<b>E-mail:</b>	<b>Elizabeth.Goodwin@southampton.gov.uk</b>	
<b>Director</b>	<b>Name:</b>	<b>John Harrison</b>	<b>Tel: 023 8083 4897</b>
	<b>E-mail:</b>	<b>John.Harrison@southampton.gov.uk</b>	
<b>STATEMENT OF CONFIDENTIALITY</b>			
N/A			
<b>BRIEF SUMMARY</b>			
<p>The Public Sector Internal Audit Standards 2017 (PSIAS), requires the Chief Internal Auditor (CIA) to provide periodical updates to the Governance Committee on:</p> <ul style="list-style-type: none"> <li>• Progress made against the agreed annual audit plan.</li> <li>• Results of audit activities and</li> <li>• Management’s response to risk that in the CIA’s judgement maybe unacceptable to the Authority</li> </ul> <p>All other PSIAS requirements are communicated in either the charter or annual audit opinion, which are reported separately to this committee at various times throughout the year.</p> <p>Internal Audit Progress for the period 1<sup>st</sup> April to the 16<sup>th</sup> September 2019 is covered in the attached Appendix 1. There are no new areas of concern for this reporting period.</p>			
<b>RECOMMENDATIONS:</b>			
	(i)	That the Governance Committee notes the Internal Audit Progress report for the period 1 <sup>st</sup> April to the 16 <sup>th</sup> September 2019.	
<b>REASONS FOR REPORT RECOMMENDATIONS</b>			
1.	In accordance with the Public Sector Internal Audit Standards the Chief Internal Auditor is required to provide an update on progress against the annual audit plan to the Governance Committee for information.		
<b>ALTERNATIVE OPTIONS CONSIDERED AND REJECTED</b>			
2.	None		
<b>DETAIL (Including consultation carried out)</b>			
3.	None		
<b>RESOURCE IMPLICATIONS</b>			
<b><u>Capital/Revenue</u></b>			
4.	None		

<b><u>Property/Other</u></b>	
5.	None
<b>LEGAL IMPLICATIONS</b>	
<b><u>Statutory power to undertake proposals in the report:</u></b>	
6.	The Accounts and Audit (England) Regulations 2015 state 'a relevant body must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account the Public Sector Internal Auditing Standards.
<b><u>Other Legal Implications:</u></b>	
7.	None
<b>RISK MANAGEMENT IMPLICATIONS</b>	
8.	The report is for note only, there is no decision to be made.
<b>POLICY FRAMEWORK IMPLICATIONS</b>	
9.	None
<b>KEY DECISION?</b>	<b>No</b>
<b>WARDS/COMMUNITIES AFFECTED:</b>	None
<b><u>SUPPORTING DOCUMENTATION</u></b>	
<b>Appendices</b>	
1.	Internal Audit Progress Report for the period 1 <sup>st</sup> April to the 16 <sup>th</sup> September 2019.
<b>Documents In Members' Rooms</b>	
1.	None
<b>Equality Impact Assessment</b>	
<b>Do the implications/subject of the report require an Equality and Safety Impact Assessment (ESIA) to be carried out.</b>	<b>No</b>
<b>Data Protection Impact Assessment</b>	
<b>Do the implications/subject of the report require a Data Protection Impact Assessment (DPIA) to be carried out.</b>	<b>No</b>
<b>Other Background Documents</b>	
<b>Other Background documents available for inspection at: Internal Audit Office, Civic Centre, Municipal, 1<sup>st</sup> floor, Rm 219.</b>	
<b>Title of Background Paper(s):</b> None	<b>Relevant Paragraph of the Access to Information Procedure Rules / Schedule 12A allowing document to be Exempt/Confidential (if applicable)</b>



**SOUTHAMPTON**  
CITY COUNCIL

## Internal Audit Progress Report 30<sup>th</sup> September 2019

Elizabeth Goodwin, Chief Internal Auditor

## 1. Introduction

Internal Audit is a statutory function for all local authorities.

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

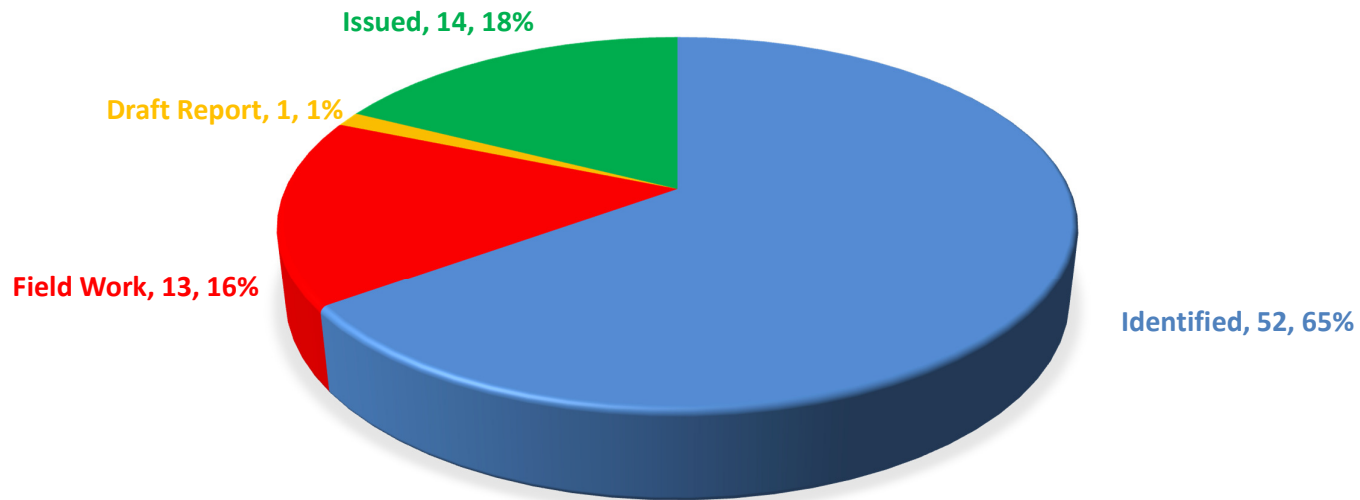
*Undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance*

The standards for 'proper practices' are laid down in the Public Sector Internal Audit Standards [the Standards – updated 2016].

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

This report includes the status against the 2019/20 internal audit plan.

## 2. Audit Plan Progress as of 16th September 2019



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There are a total of 80 reviews in the revised plan 2019/20.

To date, 28 (35%) have been completed or are in progress as at 16<sup>th</sup> September 2019. This represents 14 (18%) audits where the report has been finalised, 1 (1%) where the report is in draft and 13 (16%) audits currently in progress.

Status	Audits
Identified	52
Fieldwork	13
Draft Report	1
Final Report	14
<b>Total</b>	<b>80</b>



### 3. Ongoing Internal Audit Involvement

Internal Audit has undertaken work or provided advice in the following areas. (For reference, advice is only recorded when the time taken to provide the advice exceeds one hour):

- Anti-Money Laundering - This includes receipt of instances of large cash payments received and onward reporting if deemed appropriate.
- National Fraud Initiative (NFI) to facilitate national data matching carried out by the Cabinet Office
- Audit Planning and Consultation - This includes regular consultation with Directors and revision of the plan following subsequent research into individual assignments.
- Advice provided - Application of money laundering policy, right to buy refunds, error on commitment report and appointeeship payment procedures.

### 4. Audit Plan Status/Changes

The following changes have been made to the plan since it was agreed in March 2019.

#### **Audits removed from the Audit Plan:**

The following audits have been removed from the plan as high risk exceptions were not identified during 2018/19 audits, and therefore no follow up action is required. These reviews were completed post submission of the 2019/20 audit plan where the results of the reviews was unknown.

- Homelessness and Prevention
- IT License Management
- Business Support
- Stock Condition
- Community Infrastructure Levy
- Solicitor Fees and Court Costs
- Health and Wellbeing Board
- ICU Contract Management
- School – Bassett Green School
- School – St Monica School
- Business Plans – This audit has been deferred to the 2020/21 audit plan to allow for the resource review to be embedded.

**Audits added into the Audit Plan:**

- Appointeeships - Review added to the plan following request by the service and due to significant historic issues.
- EU Perinatal Mental Health Grant – This audit has been added to ensure the grant conditions are being complied with. This grant had not been identified prior to the submission of the 2019/20 plan.

**Amendments made to the Audit Plan:**

- Schools - The audit title of 'School' had been amended to Woolston Infant School

## **5. Areas of Concern**

There are no new areas of concerns for this reporting period.

## 6. Assurance Levels

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

Assurance Level	Description / Examples
<b>Assurance</b>	<i>No issues or minor improvements noted within the audit but based on the testing conducted, assurance can be placed that the activity is of low risk to the Authority</i>
<b>Reasonable Assurance</b>	<i>Control weaknesses or risks were identified but overall the activities do not pose significant risks to the Authority</i>
<b>Limited Assurance</b>	<i>Control weaknesses or risks were identified which pose a more significant risk to the Authority</i>
<b>No Assurance</b>	<i>Major individual issues identified or collectively a number of issues raised which could significantly impact the overall objectives of the activity that was subject to the Audit</i>
<b>NAT</b>	<i>No areas tested</i>

*Audits rated No Assurance are specifically highlighted to the Governance Committee along with any Director's comments. The Committee is able to request any director attends a meeting to discuss the issues.*

## 7. Exception Risk Ranking

The following table outline the exceptions raised in audit reports, reported in priority order and are broadly equivalent to those previously used.

Priority Level	Description
<b>Low Risk (Improvement)</b>	<i>Very low risk exceptions or recommendations that are classed as improvements that are intended to help the service fine tune its control framework or improve service effectiveness and efficiency. An example of an improvement recommendation would be making changes to a filing system to improve the quality of the management trail.</i>
<b>Medium Risk</b>	<i>These are control weaknesses that may expose the system function or process to a key risk but the likelihood of the risk occurring is low.</i>
<b>High Risk</b>	<i>Action needs to be taken to address significant control weaknesses but over a reasonable timeframe rather than immediately. These issues are not 'show stopping' but are still important to ensure that controls can be relied upon for the effective performance of the service or function. If not addressed, they can, over time, become critical. An example of an important exception would be the introduction of controls to detect and prevent fraud.</i>
<b>Critical Risk</b>	<i>Control weakness that could have a significant impact upon not only the system function or process objectives but also the achievement of the Council's objectives in relation to: The efficient and effective use of resources, The safeguarding of assets, The preparation of reliable financial and operational information, Compliance with laws and regulations and corrective action needs to be taken immediately.</i>

*Any critical exceptions found the will be reported in their entirety to the Governance Committee along with Director's comments*

## 8. 2019/20 Audits completed to date (16<sup>th</sup> September 2019)

### PUSH (Partnership for Urban South Hampshire) – Service Director, Finance & Commercialisation

**Exceptions Raised**

Critical	High	Medium	Low
0	0	0	0

**Overall Assurance Level**

<b>Assurance</b>
------------------

**Assurance Level by Scope Area**

Achievement of Strategic Objectives	NAT
Compliance with Policies, Laws & Regulations	<b>Assurance</b>
Safeguarding of Assets	NAT
Effectiveness and Efficiency of Operations	<b>Assurance</b>
Reliability and Integrity of Data	<b>Assurance</b>

Overall based on the testing conducted, Internal Audit can give assurance that adequate financial systems and controls are in place for the administration of the PUSH accounts.

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### SFVS (School Financial Value Statement) – Service Director, Finance & Commercialisation

**Exceptions Raised**

Critical	High	Medium	Low
0	0	2	0

**Overall Assurance Level**

<b>Reasonable Assurance</b>
-----------------------------

Agreed actions are scheduled to be implemented on an Ongoing basis.

**Assurance Level by Scope Area**

Achievement of Strategic Objectives	NAT
Compliance with Policies, Laws & Regulations	NAT
Safeguarding of Assets	NAT
Effectiveness and Efficiency of Operations	<b>Reasonable Assurance</b>
Reliability and Integrity of Data	<b>Reasonable Assurance</b>

Two medium risk exceptions were raised in relation to 1/44 SFVS returns not having been signed by the Chair of Governors or Management Committee and the accuracy of the returns not being verified by Finance against intelligence held internally and acquired over the course of the year.

**Port Health (Finance) – Service Director, Transactions & Universal Services**

**Exceptions Raised**

Critical	High	Medium	Low
0	1	0	2

**Overall Assurance Level**

<b>Reasonable Assurance</b>
-----------------------------

Agreed actions are scheduled to be implemented by October 2019

**Assurance Level by Scope Area**

Achievement of Strategic Objectives	NAT
Compliance with Policies, Laws & Regulations	NAT
Safeguarding of Assets	Limited Assurance
Effectiveness and Efficiency of Operations	Assurance
Reliability and Integrity of Data	Assurance

The high risk exception was raised in relation to the port health system (PHILIS) allowing one member of staff to process a payment, issue a refund and release a job, potentially allowing a consignment to be processed free of charge. The two low risk exceptions were raised in relation to physical and electronic files of business enquiries being stored since 2016 and 11/25 port health payments dropping into the suspense account which needed to be manually adjusted centrally.

**Local Authority Bus Subsidy Ring-Fenced (Revenue) Grant Determination**

Grant Verification - Testing was able to evidence sufficient capital expenditure to allow the Chief Internal Auditor to sign the declaration confirming the grant conditions had been complied with.



## 9. Follow-up Action Categorisation

The following table outlines the follow up categories used to describe the outcome of follow up testing completed.

Follow Up Categories	Description
Open	<i>No action has been taken on agreed action.</i>
Pending	<i>Actions cannot be taken at the current time but steps have been taken to prepare.</i>
In Progress	<i>Progress has been made on the agreed action however they have not been completed.</i>
Implemented but not Effective	<i>Agreed action implemented but not effective in mitigating the risk.</i>
Closed: Verified	<i>Agreed action implemented and risk mitigated, verified by follow up testing.</i>
Closed: Not Verified	<i>Client has stated action has been completed but unable to verify via testing.</i>
Closed: Management Accepts Risk	<i>Management has accepted the risk highlighted from the exception.</i>
Closed: No Longer Applicable	<i>Risk exposure no longer applicable.</i>

## 10. 2019/20 Follow-up Audits completed to 16<sup>th</sup> September 2019

### Agency & Temporary Staff – Service Director, Human Resources & Organisational Development

**Original Exceptions Raised**

Critical	High	Medium	Low
0	1	0	1

Latest implementation date scheduled during the original audit was in October 2018

**Original Assurance Level**

Limited Assurance	➔	Limited Assurance
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**Follow-up Assurance Level**
**Follow Up Action**

Open	Pending	In Progress	Implemented but Not Effective	Closed: Verified	Closed: Not Verified	Closed: Management Accepts Risks	Closed: No Longer Applicable
1 (High) 1 (Low)	0	0	0	0	0	0	0

Follow up testing has confirmed that the high risk exception remains open in relation to agency spend with recruitment agencies other than Hays who are contractually responsible for providing all temporary agency workers. The low risk exception that remains open relates to a lack of accessible guidance provided to staff on the appointment of temporary positions. The new furthest revised implementation date is September 2019.

### Ethics – Service Director, Human Resources & Organisational Development

**Original Exceptions Raised**

Critical	High	Medium	Low
0	2	1	0

Latest implementation date scheduled during the original audit was in May 2019

**Original Assurance Level**

Limited Assurance	➔	Limited Assurance
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**Follow-up Assurance Level**
**Follow Up Action**

Open	Pending	In Progress	Implemented but Not Effective	Closed: Verified	Closed: Not Verified	Closed: Management Accepts Risks	Closed: No Longer Applicable
1 (High) 1 (Medium)	0	1 (High)	0	0	0	0	0

Follow up testing has confirmed that one high exception remains open relating to the Gifts and Hospitality policy requiring updating. The high risk in progress relates to staff awareness of the Registration of Outside Interest and Gift and Hospitality policies. The open medium risk exception relates to copies of declaration of interests not being retained/stored correctly. The new furthest revised implementation date is December 2019.

**Public Health (Community) Funerals – Service Director, Transactions and Universal Services**
**Original Exceptions Raised**

Critical	High	Medium	Low
0	1	2	1

Latest implementation date scheduled during the original audit was in December 2018

**Original Assurance Level**

Limited Assurance
-------------------

**Follow-up Assurance Level**

Limited Assurance
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**Follow Up Action**

Open	Pending	In Progress	Implemented but Not Effective	Closed: Verified	Closed: Not Verified	Closed: Management Accepts Risks	Closed: No Longer Applicable
1 (Medium) 1 (Low)	0	1 (High)	0	1 (Medium)	0	0	0

Follow up testing has confirmed that one high exception remains in progress relating to checklists detailing property searches not being signed off to confirm accuracy. The open medium risk relates to the Public Health Index spreadsheet not reconciling with Agresso in 3/10 instances. The open low risk relates to there being no policy in place. The new furthest revised implementation date is September 2019.

**Regeneration Projects – Service Director, Growth**
**Original Exceptions Raised**

Critical	High	Medium	Low
0	2	1	1

Latest implementation date scheduled during the original audit was in April 2019

**Original Assurance Level**

Limited Assurance
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**Follow-up Assurance Level**

Reasonable Assurance
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**Follow Up Action**

Open	Pending	In Progress	Implemented but Not Effective	Closed: Verified	Closed: Not Verified	Closed: Management Accepts Risks	Closed: No Longer Applicable
0	0	1 (High) 1 (Medium)	0	0	1 (High) 1 (Low)	0	0

Follow up testing has confirmed that one high and one low risk has been closed and verified. A high risk remains in progress while risk registers for the Townhill Park Regeneration project are completed. A medium risk remains in progress relating to budget mapping where costs are not being broken down under different categories to better understand expenditure. The new revised implementation date is April 2020 (new budget year).

**Expenses, Travel & Subsistence – Service Director, Human Resources & Organisational Development**
**Original Exceptions Raised**

Critical	High	Medium	Low
0	2	1	0

Latest implementation date scheduled during the original audit was in January 2019

**Original Assurance Level**

Limited Assurance

**Follow-up Assurance Level**

Limited Assurance

**Follow Up Action**

Open	Pending	In Progress	Implemented but Not Effective	Closed: Verified	Closed: Not Verified	Closed: Management Accepts Risks	Closed: No Longer Applicable
2 (High) 1 (Medium)	0	0	0	0	0	0	0

Follow up testing has confirmed that two high risk and one medium risk exception remain open. The exceptions relate to a lack of claim information and receipts for expense claims, a lack of monitoring of the Contractual Car User scheme and the expense policies requiring updating and authorising. The new revised implementation date is November 2019.

**Right to Buy – Service Director, Adults, Housing & Communities**
**Original Exceptions Raised**

Critical	High	Medium	Low
0	1	1	1

Latest implementation date scheduled during the original audit was in June 2019

**Original Assurance Level**

Reasonable Assurance

**Follow-up Assurance Level**

Reasonable Assurance

**Follow Up Action**

Open	Pending	In Progress	Implemented but Not Effective	Closed: Verified	Closed: Not Verified	Closed: Management Accepts Risks	Closed: No Longer Applicable
1 (High) 1 (Medium)	0	0	0	1 (Low)	0	0	0

Follow up testing has confirmed that one low risk exception has been closed and verified. A high risk remains open relating to the lack of robust anti-fraud application checks and a medium risk remains opens due to material credits on rent accounts not being refunded back to tenants in all instances. The new revised implementation date is the end of December 2019.

**Looked After Children – Service Director, Children & Families**
**Original Exceptions Raised**

Critical	High	Medium	Low
0	1	5	0

Latest implementation date scheduled during the original audit was in December 2018

**Original Assurance Level**

Reasonable Assurance
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**Follow-up Assurance Level**

Reasonable Assurance
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**Follow Up Action**

Open	Pending	In Progress	Implemented but Not Effective	Closed: Verified	Closed: Not Verified	Closed: Management Accepts Risks	Closed: No Longer Applicable
5 (Medium)	0	0	0	1 (High)	0	0	0

Follow up testing has confirmed that the high risk exception has been closed and verified. The five medium risks remain open and relate to a lack of care plan management oversight, Paris records not including personal education plans, a lack of recorded supervision for looked after children cases, health care assessments being overdue and a lack of management reportable information. The new revised implementation date is the end of October 2019.

**Sexual Health Contract – Service Director, Public Health**
**Original Exceptions Raised**

Critical	High	Medium	Low
0	1	1	1

Latest implementation date scheduled during the original audit was in May 2019

**Original Assurance Level**

Reasonable Assurance
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**Follow-up Assurance Level**

Reasonable Assurance
----------------------

**Follow Up Action**

Open	Pending	In Progress	Implemented but Not Effective	Closed: Verified	Closed: Not Verified	Closed: Management Accepts Risks	Closed: No Longer Applicable
0	0	1 (High) 1 (Low)	0	1 (Medium)	0	0	0

Follow up testing has confirmed that the medium risk exception has been closed and verified. The high risk exception that remains in progress relates to the invoice amounts from suppliers not reflecting the costings detailed within the 2018/19 activity plan. The low risk exception that remains in progress due to a reconciliation of activity data provided by the supplier not being undertaken. The new revised implementation date is September 2019.

**Child Sexual Exploitation & Missing Persons – Service Director, Children & Families**
**Original Exceptions Raised**

Critical	High	Medium	Low
0	1	2	0

Latest implementation date scheduled during the original audit was in May 2019

**Original Assurance Level**

Limited Assurance
-------------------

**Follow-up Assurance Level**

Limited Assurance
-------------------

**Follow Up Action**

Open	Pending	In Progress	Implemented but Not Effective	Closed: Verified	Closed: Not Verified	Closed: Management Accepts Risks	Closed: No Longer Applicable
1 (Medium)	0	1 (High) 1 (Medium)	0	0	0	0	0

Follow up testing has confirmed that the high risk remains in progress due to return to home interviews for missing children not always being completed within the timeframe set out in Department for Education guidance, however action is currently being taken to address this. The medium risk that remains in progress relates to there being no internal reports produced to track and monitor persistent missing children (3 missing episodes in 90 days). The medium risk that remains open relates to the lack of specialist training provided to meet the demands of upcoming legislation and/or trends with missing exploitation and trafficking issues. The new revised implementation date is October 2019.

**Apprenticeships – Service Director, Human Resources & Organisational Development**
**Original Exceptions Raised**

Critical	High	Medium	Low
0	1	2	0

Latest implementation date scheduled during the original audit was in March 2019

**Original Assurance Level**

Reasonable Assurance
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**Follow-up Assurance Level**

Assurance
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**Follow Up Action**

Open	Pending	In Progress	Implemented but Not Effective	Closed: Verified	Closed: Not Verified	Closed: Management Accepts Risks	Closed: No Longer Applicable
0	0	0	0	1 (High) 2 (Medium)	0	0	0

Follow up testing has confirmed that all agreed actions have been completed and the exceptions have been closed and verified.



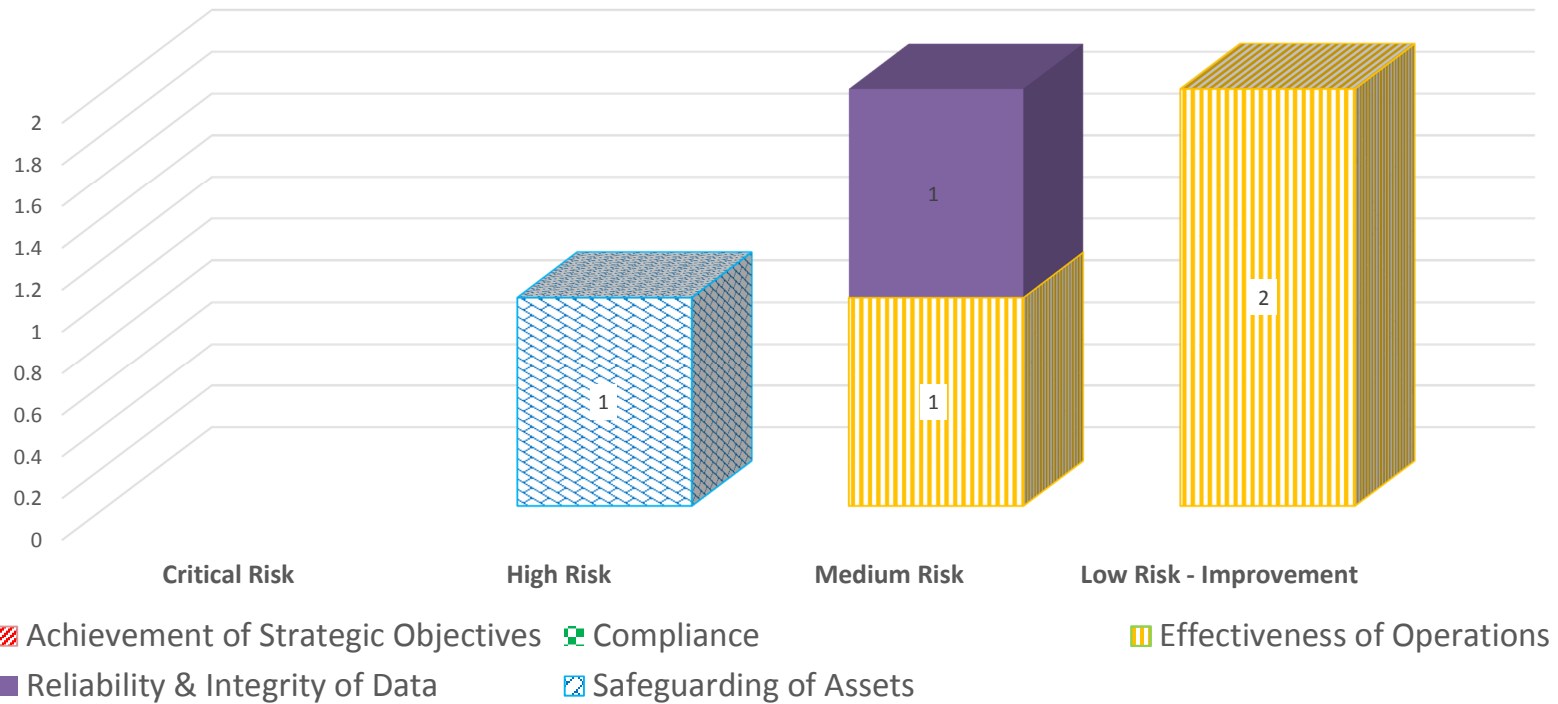
## 11. Audits in Draft

Audit	Directorate	Draft Since	Projected Issue Date	Revised	Comments
NHS Digital Submission	Digital & Business Ops	10/09/2019	November		N/A

## 12. Audits in Progress

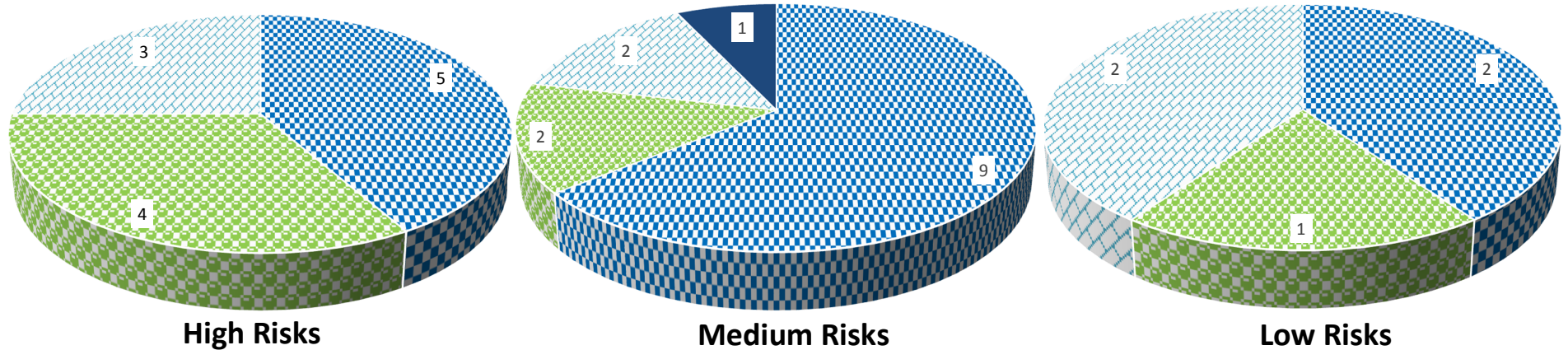
Audit	Directorate	Delayed	Projected Issued Date	Revised Issued Date	Comments
Better Care Fund	Quality & Integration	n/a	December		
Business World	Finance & Commercialisation	n/a	March		Work will be ongoing throughout the year.
Family Matters Grant	Children & Families	n/a	March		Grant is verified on a quarterly basis.
Perinatal Mental Health Grant	Growth	n/a	March		Grant is verified on a rolling six month basis.
Care Leavers	Children & Families	n/a	November		
Children in Need	Children & Families	n/a	November		
Direct Payments	Finance & Commercialisation	n/a	November		
Disabled Facilities Grant	Finance & Commercialisation	n/a	November		
Health and Safety	Human Resources & OD	n/a	November		
HMO Licensing	Transactions & US	n/a	November		
Parking (Income Collection)	Transactions & US	n/a	November		
Woolston Infant School	Children & Families	n/a	November		
Short Breaks	Children & Families	n/a	November		

### 13. Exception Analysis to Date



	Achievement of Strategic Objectives	Compliance	Effectiveness of Operations	Reliability & Integrity	Safeguarding of Assets	Total
Critical Risk						0
High Risk					1	1
Medium Risk			1	1		2
Low Risk - Improvement			2			2
<b>Grand Total</b>	<b>0</b>	<b>0</b>	<b>3</b>	<b>1</b>	<b>1</b>	<b>5</b>

## 14. Follow Up Analysis



- Open
- In Progress
- Closed – Verified
- Pending
- Implemented but not effective
- Closed – Not Verified/Accepts Risk

	Open	Pending	In Progress	Implemented but not effective	Closed – Verified	Closed – Not Verified	Closed – Management Accepts Risk	Closed – No Longer Applicable
High Risk	5		4		3			
Medium Risk	9		2		2	1		
Low Risk	2		1		2			
<b>Grand Total</b>	<b>16</b>		<b>7</b>		<b>7</b>	<b>1</b>		

The Internal Audit Service follows up all audits where at least 1 high risk exception has been raised. These audits are followed up in the next financial year to allow for agreed actions to be sufficiently implemented. Any critical risk exceptions are followed up within 3 months due to the potential severity of the risks identified. The overall position of the exceptions followed up currently through 2019/20 shows that **26%** have been closed by audit, however **74%** remain open and or are in progress.

# Agenda Item 9

<b>DECISION-MAKER:</b>		<b>Governance Committee</b>	
<b>SUBJECT:</b>		<b>Annual Review of Health and Social Care Contracts managed by the ICU</b>	
<b>DATE OF DECISION:</b>		<b>Monday, 30<sup>th</sup> September 2019</b>	
<b>REPORT OF:</b>		<b>Director of Quality and Integration</b>	
<b><u>CONTACT DETAILS</u></b>			
<b>AUTHOR:</b>	<b>Name:</b>	<b>Matthew Waters</b>	<b>Tel: 023 8083 4849</b>
	<b>E-mail:</b>	<b>matthew.waters@southampton.gov.uk</b>	
<b>Director</b>	<b>Name:</b>	<b>Stephanie Ramsey</b>	<b>Tel: 023 80</b>
	<b>E-mail:</b>	<b>stephanie.ramsey@southampton.gov.uk</b>	
<b>STATEMENT OF CONFIDENTIALITY</b>			
Not applicable			
<b>BRIEF SUMMARY</b>			
<p>This paper informs the Governance Board of the major contracts managed by the Integrated Commissioning Unit on behalf of Southampton City Council, and details current arrangements for monitoring these contracts, including mechanisms for assurance of quality, performance, and governance.</p> <p>It provides an update on these and other contracts managed by the Unit.</p> <p>It provides information on the major (£1m+ per annum) contracts managed.</p> <p>It provides information on independent internal assurance that contracts are being managed appropriately.</p>			
<b>RECOMMENDATIONS:</b>			
	(i)	To note the report's contents and the work of the Integrated Commissioning Unity in ensuring contracts with external agencies are properly managed, and provide good quality and best value for money	
<b>REASONS FOR REPORT RECOMMENDATIONS</b>			
1.	The ICU is managing a number of contracts on behalf of the council, including joint arrangements with Southampton City CCG. These contracts are managed appropriately and according to contractual terms. The ICU is subject to internal audit processes which verify the management of contracts is undertaken in an appropriate manner and to a standard that provides assurance and limits risk to the council.		
<b>ALTERNATIVE OPTIONS CONSIDERED AND REJECTED</b>			
2	The alternative to the ICU management of contracts would require specialist knowledge and skills to be dispersed within teams across the council. This would make strategic management and decision making difficult. It would result in inconsistencies in approach, and would make it more difficult for the council to achieve its strategic priorities in relation to services.		
<b>DETAIL (Including consultation carried out)</b>			
3	The Integrated Commissioning Unit (ICU) undertakes health and social care commissioning functions on behalf of Southampton City Council (SCC) and Southampton City Clinical		

	Commissioning Group (SCCCG). This includes responsibility for the management of associated contractual arrangements for care and support services on behalf of both organisations.
4	The ICU currently manages 119 separate contracts including block service contracts, frameworks and partnership agreements. These are delivered for services to Adults and Children, including Public Health requirements, and the community grants programme. Of these, 112 are SCC contracts, and these have an annual value of £37.7m. The ICU manages 21 grant arrangements to the value of £804k (including Community Chest). It also manages 22 partnership agreements between the council and health agencies, and provides 7 contracts on behalf of SCCC.
5	Overall, this represents a significant reduction in the number of contracts managed since the ICU was formed, down from 169 in 2014/15 (a 41% reduction in the number of separate contracts). This has been as a result of reviewing and combining contracts or decommissioning. It also represents a 21% reduction in the available budget over the same period - from £43 million in 2014/15.
6	Framework agreements, including Home Care, are included in the total contract numbers, but the budget is managed separately as each individual package of care is commissioned.
7	Similarly, the ICU manages the terms under which the council accesses residential and nursing homes for adults both within the city and across the country. The number of separate arrangements are not included in the figures above due to their number (over 200 at any one time) and because again, each individual package of care is commissioned separately so the budget is not included as being managed by the ICU.
8	Also not included are access to residential care services for children. In 2018/19 Southampton managed a procurement process on behalf of a consortium of councils to achieve best value in placements. Again, each individual package of care is commissioned separately so the budget is not included as being managed by the ICU.
9	<p><b>Contract compliance</b></p> <p>In order to ensure contract compliance and best value, the ICU Contracts Team supports Commissioners with the undertaking of contract-related functions to ensure that:</p> <ul style="list-style-type: none"> <li>• Contracts are appropriately and optimally designed, such that service expectations are clearly defined and the benefits of services delivered can be evidenced.</li> <li>• Suppliers are at all times compliant with contract terms, and that non-compliance with respect to performance, quality, safety, and risk is appropriately managed.</li> <li>• The contracting authority remains at all times compliant with its own obligations with respect to contracts (i.e. payments, communications, expiry).</li> <li>• Services purchased through contract represent value for money.</li> </ul>
10	<p><b>'Major' SCC Contracts</b></p> <p><b>ICU management of contracts</b></p> <p><b>Audit assurance</b></p> <p>During 2018/19 the Internal Audit team reviewed the ICU's management of contracts. The audit covered:</p> <ul style="list-style-type: none"> <li>• Achievement of the organisations objectives</li> <li>• Compliance with Policies, Laws and Regulations</li> <li>• Effectiveness and efficiency of operations</li> </ul> <p>The audit confirmed that the ICU is managing its contracts appropriately and was able to provide full assurance to this effect. No exceptions were identified, and despite the range of contracts managed, the audit confirmed that the ICU's contract management processes represent low risk to the council.</p>
11	The audit report is included as Appendix Two to this report.
12	<b>Major SCC Contracts</b>

	<p>The ICU manages 51 block service contracts on behalf of SCC with a combined total value of £18m and an average value of £370k. Within this portfolio, there are six contracts which may be considered 'major' in financial terms in that their per annum value exceeds £1m:</p> <table border="1"> <thead> <tr> <th>Contract Title</th> <th>Service Provider</th> <th>Contract Start Date</th> <th>Current Expiry Date</th> <th>Maximum Expiry Date</th> <th>Total Annual value 2018/19</th> </tr> </thead> <tbody> <tr> <td>Nursing home for older people (Northlands)</td> <td>BUPA</td> <td>24/06/05</td> <td>23/06/30</td> <td>23/06/30</td> <td>£2.3 million</td> </tr> <tr> <td>Sexual Health services</td> <td>Solent NHS Trust</td> <td>01/04/17</td> <td>31/03/22</td> <td>31/03/24</td> <td>£2.2 million</td> </tr> <tr> <td>Alcohol Drugs and Substance Misuse Service</td> <td>Change Grow Live</td> <td>01/07/19</td> <td>30/06/24</td> <td>30/06/26</td> <td>£2.2 million</td> </tr> <tr> <td>Health and Care related equipment service</td> <td>Millbrook Healthcare</td> <td>01/07/13</td> <td>30/06/18</td> <td>30/06/20</td> <td>£1.6 million</td> </tr> <tr> <td>Nursing home for people with dementia (Oak Lodge)</td> <td>BUPA</td> <td>08/02/10</td> <td>07/02/35</td> <td>07/02/35</td> <td>£1.5 million</td> </tr> <tr> <td>Housing Related Support Service for Adults – Flexible Support</td> <td>Home Group Ltd</td> <td>01/07/17</td> <td>30/06/20</td> <td>30/06/22</td> <td>£1.5 million</td> </tr> </tbody> </table>	Contract Title	Service Provider	Contract Start Date	Current Expiry Date	Maximum Expiry Date	Total Annual value 2018/19	Nursing home for older people (Northlands)	BUPA	24/06/05	23/06/30	23/06/30	£2.3 million	Sexual Health services	Solent NHS Trust	01/04/17	31/03/22	31/03/24	£2.2 million	Alcohol Drugs and Substance Misuse Service	Change Grow Live	01/07/19	30/06/24	30/06/26	£2.2 million	Health and Care related equipment service	Millbrook Healthcare	01/07/13	30/06/18	30/06/20	£1.6 million	Nursing home for people with dementia (Oak Lodge)	BUPA	08/02/10	07/02/35	07/02/35	£1.5 million	Housing Related Support Service for Adults – Flexible Support	Home Group Ltd	01/07/17	30/06/20	30/06/22	£1.5 million
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<b>13</b>	<p><b>Residential Home for Older People (Northlands House) &amp; Nursing Home for People with Dementia (Oak Lodge) - BUPA</b></p> <p>These two contracts were commissioned as part of long-term arrangements. With both, the Council provided the land, BUPA built the nursing homes at their cost, and a long-term arrangement for providing care was established. This guarantees access to a specified volume of nursing care beds each week at a set price – 62 bedspaces at Northlands; 40 bedspaces at Oak Lodge. Both contracts contain provision for respite care, and give the council and Southampton residents first call on vacancies beyond the contracted levels.</p>																																										
<b>14</b>	Both agreements last for 25 years, which secures a minimum level of supply in the local nursing care market. There is an associated Section 75 partnership agreement in place, through which SCCCCG pays SCC for the funded nursing care element of the service.																																										
<b>15</b>	<p>The total weekly rates paid for each client in the BUPA homes, including the Funded Nursing Care (FNC) element (£165.56 pppw) – payment specifically for nursing staff, are:</p> <table border="1"> <thead> <tr> <th>Home</th> <th>Per Week - 2018/19</th> </tr> </thead> <tbody> <tr> <td>Northlands (long stay)</td> <td>£723.66</td> </tr> <tr> <td>Northlands (respite 1 bed)</td> <td>£843.85</td> </tr> <tr> <td>Oak Lodge (long stay)</td> <td>£721.91</td> </tr> <tr> <td>Oak Lodge (respite 2 beds)</td> <td>£812.28</td> </tr> </tbody> </table>	Home	Per Week - 2018/19	Northlands (long stay)	£723.66	Northlands (respite 1 bed)	£843.85	Oak Lodge (long stay)	£721.91	Oak Lodge (respite 2 beds)	£812.28																																
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<b>16</b>	These rates compare favourably with those achievable in other nursing homes.																																										
<b>17</b>	<p>The performance of these contracts is managed by the ICU through the monitoring of a series of key performance indicators (KPIs) including:</p> <ul style="list-style-type: none"> <li>Occupancy and access levels</li> </ul>																																										



	<ul style="list-style-type: none"> <li>• Individual care plans in place and reviews undertaken</li> <li>• Client and quality indicators</li> <li>• Access to activities.</li> </ul>
18	These indicators focus on the key activity levels achieved within the homes. They provide key management information. In addition, the services are monitored against a range of quality indicators including hygiene inspection scores, medication errors, mortality rates, weight loss, acquired pressure ulcers, infections, accidents and incidents, as well as productivity measures (i.e. staffing numbers and turnover). The services are meeting objectives.
19	Access to both services is managed through the ICU's Placement Service. This enables access to available beds ensuring the block contracts are managed effectively, including minimising vacancies.
20	There are break clauses within both contracts, but unless the termination is the result of substantial default by BUPA there are significant financial penalties that would fall to the Council to cover BUPA's loss of operating profit. In the current financial year, the penalties are £7.6 million in respect of Northlands House and £6.1 million in respect of Oak Lodge.
21	<p><b>Sexual Health Services - Solent NHS Trust</b></p> <p>The council has a mandate to commission confidential, open access reproductive and sexual health services for its residents that provides contraception testing and treatment for a range of sexually transmitted infections, and also gives access to a range of contraceptive options.</p>
22	The service is commissioned through close working between the Public Health team and the ICU, which allows the service to deliver a fully Integrated Sexual Health service that also includes CCG commissioned reproductive health services (vasectomies and terminations of pregnancy). This integrated model helps the city ensure that local residents have timely access to the high quality services to improve and manage their sexual and reproductive health.
23	This service is currently delivered by Solent NHS Trust, to a common specification across Southampton, Portsmouth and Hampshire.
24	It provides the following Local Authority commissioned services: Advice and information on all sexual health issues, screening and treatment of sexually transmitted infections, comprehensive contraception access including Long Acting Reversible Contraception (LARC) methods, condom distribution, HIV testing and follow-up care, emergency contraception, pregnancy testing, help and advice on unplanned pregnancy, safer sex advice, psychosexual counselling, Hepatitis B screening and vaccination, and sexual health promotion, HIV prevention and outreach to vulnerable groups.
25	<p>The contract sets clear targets in a range of areas, including:</p> <ul style="list-style-type: none"> <li>• Access to services and response times</li> <li>• Access to and take up of LARC</li> <li>• Access to support and services to manage sexually transmitted diseases, including screening</li> <li>• Chlamydia screening and partner notification</li> <li>• Sexual health promotion and outreach to vulnerable groups, including young people, men who have sex with men (MSM), BAME and people living with HIV</li> <li>• Targeted behaviour change and making every contact count around smoking, substance misuse etc.</li> <li>• Network and clinical leadership</li> <li>• Access to psychosexual health counselling</li> <li>• Service user feedback on the quality of the services.</li> </ul>

26	Contract monitoring is undertaken jointly via returns and quarterly contract review meetings with all three Local Authorities and Hampshire, Southampton and Portsmouth CCGs. The service meets the service criteria and performs well both clinically and in innovation. There is an unresolved issue with the provider over 2017/18 service activity payments and pressures over activity levels to meet the needs of Southampton residents within agreed budgets. This is further complicated by a growing population and annual 2% efficiency savings in the contract.
27	The contract can be terminated by providing a minimum of 12 months written notice, provided by either party. This is in addition to the default clauses regarding non-performance. Recommissioning would take a full 12 months, with six months required to mobilise a new service.
28	<p><b>Alcohol Drugs and Substance Misuse Service – Lot 1 (Adult 25 years and over): Change Grow Live</b></p> <p>This contract provides both medical and psychosocial services for people with substance use disorders. The service also works co-operatively with the Young Peoples substance use disorder service (YP SUDS) in order to provide clinical treatment for the 11-24 year age group including pharmacological interventions, health screening and blood borne virus screening and interventions. The contract includes a sub-contracting arrangement with YP SUDS to deliver a Transition worker to facilitate safe and effective transfer from YP SUDS to Adult SUDS for people reaching their 25<sup>th</sup> birthday.</p>
29	The service is a key element of public health work, with harm reduction as the principle aim and recovery as a desirable and achievable outcome. As such, the aim of the service is to reduce the harms of drugs and alcohol experienced by people who use drugs, their families, communities and the city.
30	<p>Payment is made on a block basis for the complete service, with a reconciliation process in place on an annual basis, should performance levels fall below those specified. The Key Performance Indicators for the service reflect the National Framework for Drug and Alcohol Treatment services and Local Priorities. They include although are not limited to:</p> <ul style="list-style-type: none"> <li>• Numbers receiving brief intervention and outreach support as well as substance misuse education sessions.</li> <li>• Time limits for initial and comprehensive assessments as well as the reviewing of support plans.</li> <li>• People completing Hepatitis B vaccines and numbers who have an HCV test recorded.</li> <li>• Number of people completing treatments successfully.</li> </ul>
31	<p>In addition to the above, there is also a range of management information gathered to ensure that the service is running effectively and provide a full picture of the service and its effectiveness. This includes, but is not limited to:</p> <ul style="list-style-type: none"> <li>• Numbers who visit the needle syringe programme.</li> <li>• Numbers who enter structured as well as unstructured treatment.</li> <li>• Numbers trained in overdose recognition.</li> </ul>
32	The contract can be terminated by providing a minimum of six months written notice, provided by either party. This is in addition to the default clauses pertaining to non-performance.
33	The contract has been recently recommissioned and is in its first quarter. Change Grow Live are currently refurbishing a new premises in London Road for service users.
34	<p><b>Housing Related Support Service for Adults – Flexible Support</b></p> <p>In 2017, all housing related support services in the city were reconfigured and let following a tendering process. The largest of these new services offers short-term (up to a maximum of two years), flexible support to individuals in the city who are vulnerable due to homelessness, mental health issues, learning disability issues and other reasons. The ICU</p>

	secured substantial savings (over £500K per annum) through a tender process after combining a number of different services into this one city-wide contract.
35	The service offers person-centred support planning and links individuals with support networks in the community. These will enable them to sustain new lifestyles and positive patterns of behaviour for the future. The role includes prevention of homelessness through crisis intervention, mediation support to enable individuals to return home, and the sustainment of tenancies on a broader level. The service supports individuals being resettled from prison, hospital (including institutions), residential care and supported living. It underpins and supports the work of care agencies, drug and alcohol services, probation, police and other services in providing a comprehensive support system, and coordinates the housing related support pathway, acting as a gateway to other services.
36	Although not statutory services, this contract (and others supporting vulnerable people) underpin the statutory services the council has to provide. Without this service, accommodation support to homeless people would effectively cease, with a resulting significant rise in street homelessness.
37	Payment is made on a block basis. The service provides 2,000 hours of support in the city each week. The Performance Indicators for the service include: <ul style="list-style-type: none"> <li>• Utilisation rates</li> <li>• The rate of positive planned moves achieved</li> <li>• Rates of individuals supported into training, employment and volunteering</li> <li>• Rates of positive changed behaviours</li> </ul>
38	The service is performing well against these indicators. The contract can be terminated with three months' notice or through default clauses.
39	<b>Health and Care Related Joint Equipment Service</b> This current service has been in place since July 2013. It has operated on a five-year contract, with extension of a further two years, which has been utilised. The contract is managed jointly with Portsmouth City Council and the CCGs in both cities. This has saved all organisations procurement resources, and ensures a consistent service across both areas. The service has been reviewed in full and a new tender process has commenced to provide a new service from July 2020 when the current contract ends.
40	Equipment can range from small items to help someone be steady on their feet, to beds and chairs to keep an individual safe at home and to reduce the risk of falls or pressure sores etc. The current contract has provided for significant improvements in service delivery, including: a new equipment store; on-line ordering; set times and standards for delivery; significantly lower costs for items of equipment; re-use and recycling of equipment; and greater access for the public to enable them to meet their own needs.
41	The service is monitored on a day-to-day basis, but also through a range of indicators to show performance, including: <ul style="list-style-type: none"> <li>• Equipment delivery and collection timescales</li> <li>• Service Users and prescribers reporting their experience of the service</li> <li>• Levels requiring the recycling and reusing equipment.</li> </ul>
42	In addition, the service provides a full range of management information on use; equipment provided to different teams in the city; financial impacts. These help to provide data on the service and its impact on. This enables commissioners to assess the service and to agree areas for further development and focus.
43	Payment includes fixed costs (for the building and warehouse from which the service is managed) and separate monthly costs associated directly with the equipment provided and delivery times met. The costs therefore, fluctuate each month in response to requirements. There is a Section 75 partnership arrangement in place, with the SCCCG contributing 49% of the total cost, to cover health equipment. This arrangement will continue with the new contract.

44	The current service meets statutory requirements for the provision of equipment to help meet needs. It underpins efforts to provide cost-effective alternatives to direct, hands-on care provision and help people to remain independent. The complexity and numbers accessing the service means it requires close management, and the ICU has dedicated resources to ensure this is in place. The service overall is high-performing in terms of meeting demand, meeting timescale requirements, cost-effectiveness and recycling of equipment.
45	<b>Performance Management</b> ICU contracted services require at least quarterly performance monitoring as standard. A monitoring format is utilised by new contracts to enable greater consistency in reporting and managing outcomes.
46	<b>Governance</b> All contracts managed by the ICU feed into the ICU's Performance Dashboard and associated KPI's, which are reported to the Joint Commissioning Board on a regular basis.
<b>RESOURCE IMPLICATIONS</b>	
<b><u>Capital/Revenue</u></b>	
47	There are no specific resource implications relating to this paper.
<b><u>Property/Other</u></b>	
48	There are no property issues resulting from this paper.
<b>LEGAL IMPLICATIONS</b>	
<b><u>Statutory power to undertake proposals in the report:</u></b>	
49	Each contract is provided for and managed by its own reference to legal powers enabling the council to undertake such contracting.  All contracts identified above are monitored to ensure compliance with terms and conditions and to ensure service delivery against expectations. The contracts have defined financial values, and the contracts have all been drafted and agreed in cooperation with Legal Services.
<b><u>Other Legal Implications:</u></b>	
50	None
<b>RISK MANAGEMENT IMPLICATIONS</b>	
51	None. As described the ICU manages contracts and provides assurance to the council.
<b>POLICY FRAMEWORK IMPLICATIONS</b>	
52	The management and delivery of contracts are in accordance with the Council's Policy Framework Plans. Individual contracts are managed under different headings. All contracts comply with the council's Contract Procedure Rules.
<b>KEY DECISION?</b>	<b>Yes/No</b>
<b>WARDS/COMMUNITIES AFFECTED:</b>	
<b><u>SUPPORTING DOCUMENTATION</u></b>	
<b>Appendices</b>	
1.	List of ICU contracts managed on behalf of the council

2.	Internal Audit report on the ICU 2018/19
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**Documents In Members' Rooms**

1.	
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2.	
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**Equality Impact Assessment**

Do the implications/subject of the report require an Equality and Safety Impact Assessment (ESIA) to be carried out.	No
--	----

**Data Protection Impact Assessment**

Do the implications/subject of the report require a Data Protection Impact Assessment (DPIA) to be carried out.	No
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**Other Background Documents**

Other Background documents available for inspection at:

Title of Background Paper(s)	Relevant Paragraph of the Access to Information Procedure Rules / Schedule 12A allowing document to be Exempt/Confidential (if applicable)
1. None	

### Using the 'Public Facing' Contracts Register

1. The public facing contracts register contains a summary of key contractual information for the ICU's contracts. The public facing contracts register is a 'live' document and the links from the source document, the 'master contracts register', are updated on at least a monthly basis. Please note contracts are only entered onto the register when a contract/variation/other contract action is signed or sealed by both contractual parties.

2. Please note Framework Agreements are entered as one line. Contact the relevant Contracts

3. If you have any queries about a contract please contact the Contracts Officer assigned to the

4. Column Headers:

**Contract Reference:** Each contract that has been actioned through the ICU Contracts Team has a unique reference identifier. Please refer to this identifier when corresponding with us on a specific

**Contract Title:** This is the title of the service as detailed in the contract.

**Service Provider:** This is the contractual name of the organisation that the Council or CCG has the contract with.

**ICU Programme:** This confirms the relevant ICU Programme that the contract is associated with.

**ICU Project:** This confirms the specific ICU Project that the contract is associated with.

**Commissioning Lead:** This is the person who we think has responsibility for this contract and in the Contracts Team in relation to any contracts work required on this contract.

**Contracts Lead:** This is the name of the Contracts Officer who is responsible for carrying out contract

**Contracting Organisation (SCC or CCG):** As this register is for both the Council (SCC) and the CCG, we

**Contract Start Date:** The date the contract commenced.

**Current Contract Expiry Date:** The date the contract will currently expire.

**Maximum Expiry Date:** The date we are able to extend the contract to if we wish.

**Agreement Type:** This columns indicates whether the contract is a block contract,

**Total Annual value 2019/20:** The amount of expenditure/income associated with the contract.

**Monitoring Frequency:** This is the frequency stated in the contract which monitoring should

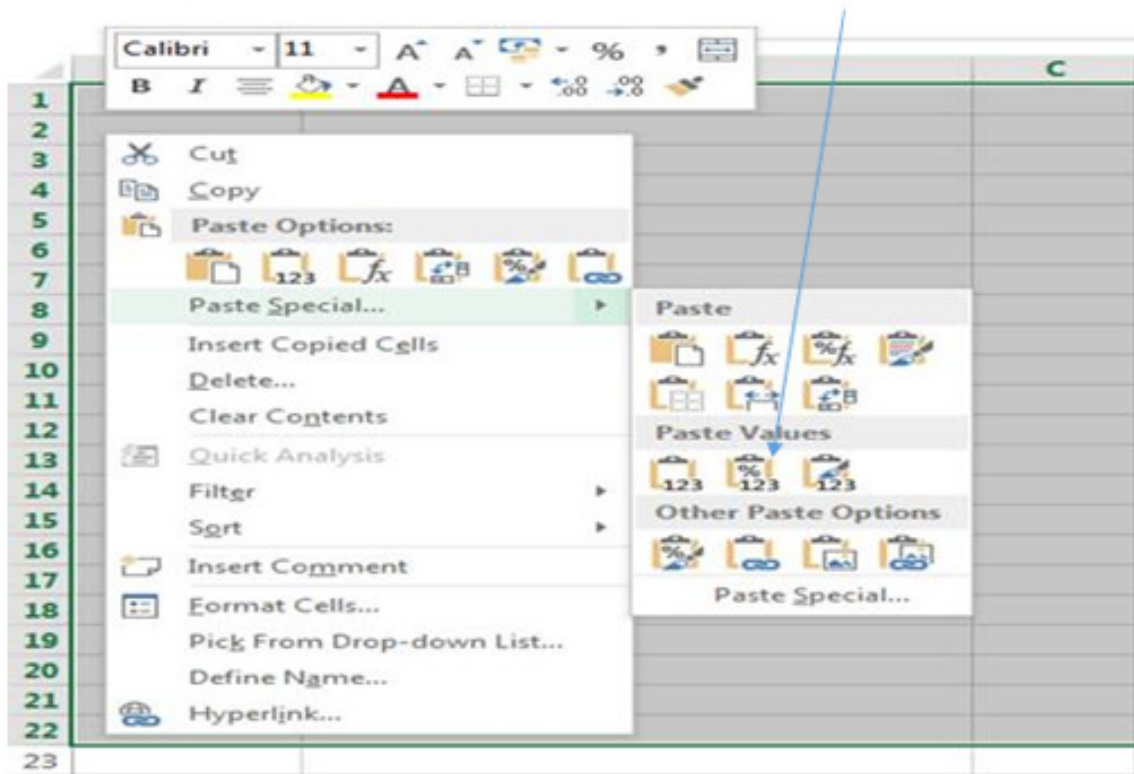


Contract Notice Period for termination: This is the minimum amount of notice we can give an

Please do not attempt to change the password or 'save as' this document.

Following feedback regarding issues with the Public Register when extracting summaries, copying and pasting etc, we are hopeful we have solved the problem. If you wish to copy sections of information from the register and paste into a new spreadsheet, please do the following:

- Select the data you wish to copy
- Right click 'copy'
- Open a new spreadsheet
- Right click 'paste' then 'paste special' then select the option arrowed below. (If you can't see the picture below it's the icon in the centre of the row under 'Paste Values' and contains '%123')



Contract Reference EC/MW	Contract Title	Service Provider	ICU Programme	ICU Project	Commissioning Lead	Contracts Lead	Contracting Organisation	Contract Start Date	Current Contract Expiry Date	Maximum Expiry Date	Agreement Type	Total Annual value 2019/20	Monitoring Frequency	Contract Notice Period for termination
N/A	NHS Health Checks LCS	34 GP Practices	Prevention & Early Intervention	Business as usual	Charlotte Matthews	Ireen Kagwa	SCC	01/04/15	31/03/20	N/A	LCS	£125,000.00	quarterly	3 months
EC09/01/09 89	Northlands House - Care Contract - Residential Home for Older People - 61 block beds + 1 respite bed	BUPA Care Homes (CFC Homes) Limited	Managing & Developing the Market	29: Home care implementation	Matthew Waters	Ireen Kagwa	SCC	24/06/05	23/06/30	23/06/30	Block Contract	£2,345,780.86	quarterly	N/A
EC909/01/1 101	Oak Lodge - Care Contract - Residential Home for People with OPMH - 38 block beds +2 respite beds	BUPA Care Homes (CFC Homes) Limited	Managing & Developing the Market	29: Home care implementation	Matthew Waters	Ireen Kagwa	SCC	08/02/10	07/02/35	07/02/35	Block Contract	£1,515,158.58	quarterly	N/A
SC4/15/488 9(f)	Oak Lodge - Lease for Care Home and Day Centre	BUPA Care Homes (CFC Homes) Limited	Managing & Developing the Market	29: Home care implementation	Matthew Waters	Ireen Kagwa	SCC	08/02/10	07/02/60	07/02/60	Block Contract	£28,297.32	quarterly	N/A
EC09/01/24 80	Mental Capacity Deputyship Service	Hampshire County Council	Business as Usual	5: Adult mental health	Not assigned	Karl Hooper	SCC	16/10/18	31/03/21	n/a	Block Contract	£53,000.00	N/A	6 months
EC09/01/19 87	Health and Social Care related Equipment Store	Millbrook Healthcare	Integration	2: Supporting appropriate timely discharge & out of hospital model	Jamie Schofield	Katerina Ploumakis	SCC	01/07/13	30/06/20	30/06/20	Block Contract	£1,589,000.00	monthly	1 month
60042856	Housing Support for Older People at Rose Brook Court	Saxon Weald Housing Association	Prevention & Early Intervention	3: Implementing the city's ageing model	Sandy Jerrim	Sadie Brackstone	SCC	01/04/17	31/03/20	31/03/20	Purchase Order	£6,288.73	quarterly	6 months
SC4/14/443 (b)	Brook Centre Lease	Saxon Weald Housing Association	Prevention & Early Intervention	3: Implementing the city's ageing model	Sandy Jerrim	Aleksandra Burlinson	SCC	01/09/08	31/08/23	31/08/23	Block Contract	£0.00	N/A	N/A
SC4/15/488 9(f)	Oak Lodge Facilities Management (day centre meals)	BUPA	Managing & Developing the Market	Business as usual	Matthew Waters	Ireen Kagwa	SCC	08/02/10	07/02/60	07/02/60	Block Contract	£20,530.92	N/A	N/A
EC09/01/25 63	School & College Health & Well-being Drop-in services and Sexual Health Support & Interventions Lot 2	No Limits (South)	Prevention & Early Intervention	20: Prevention and Early Help for Children and Families	Phil Lovegrove	Ireen Kagwa	SCC	01/09/18	30/09/22	30/09/22	Framework	£66,573.00	quarterly	3months
MW277	Older Persons Accommodation Based and Floating Support Service	Housing Support Services (SCC)	Prevention & Early Intervention	3: Implementing the city's ageing model	Sandy Jerrim	Sadie Brackstone	SCC	01/03/16	31/03/20	31/03/20	SLA	£806,000.00	quarterly	6 months
EC09/01/23 84	Family Group Conferences	Daybreak Family Group Conferences	Business as Usual	Business as usual	Tim Davis	Katerina Ploumakis	SCC	01/04/16	31/03/20	31/03/20	Block Contract	£48,560.00	quarterly	3 months
MW278	Integrated Mental Health Employment Support Service	Employment Support Team (SCC)	Integration	5: Adult mental health	Alison Boynton	Sadie Brackstone	SCC	01/04/17	31/03/20	31/03/22	SLA	£215,665.00	quarterly	4 months
EC09/01/26 18	Healthwatch Southampton	Southampton Voluntary Services	Managing & Developing the Market	Business as usual	Kirsten Killander	Karl Hooper	SCC	01/07/18	30/06/23	30/06/25	Block Contract	£178,890.96	quarterly	3 months
EC09/01/19 70(i)	Domestic Abuse & Sexual Violence (S256)	Southampton City Clinical Commissioning Group	Prevention & Early Intervention	Business as usual	Sandy Jerrim	Karl Hooper	SCC	01/11/15	31/03/21	31/03/21	Block Contract	£58,000.00	quarterly	3 months
400538446	Out of Hours Service	Hampshire County Council	Business as Usual	Business as usual	Sharon Stewart	Karl Hooper	SCC	01/04/18	31/03/19	31/03/19	Purchase Order	£101,930.00	quarterly	4 months
EC09/01/22 89	Integrated Advocacy Services	Solent MIND	Integration	5: Adult mental health	Colin McAllister	Sadie Brackstone	SCC	01/04/15	31/03/20	31/03/20	Block Contract	£296,895.00	quarterly	3 months
EC09/01/22 96A	Meals on Wheels	City Catering Southampton	Integration	3: Implementing the city's ageing model	Adrian Littlemore	Karl Hooper	SCC	01/04/15	31/07/19	00/01/00	Block Contract	£81,000.00	quarterly	3 months
EC09/01/23 64	Domestic Violence Service - Prevention & Early Intervention (Lot 1)	Yellow Door	Prevention & Early Intervention	Business as usual	Sandy Jerrim	Karl Hooper	SCC	01/11/15	31/03/21	31/03/21	Block Contract	£372,000.00	quarterly	3 months
EC09/01/23 64	Domestic Violence Service - Refuge Service (Lot 2)	Home Group Ltd	Prevention & Early Intervention	Business as usual	Sandy Jerrim	Karl Hooper	SCC	01/08/16	31/03/21	31/03/21	Block Contract	£127,000.00	quarterly	3 months

EC09/01/25 63	Comprehensive Counselling for children & Young People 5-25 Lot 1	No Limits (South)	Prevention & Early Intervention	20: Prevention and Early Help for Children and Families	Marie Woodhouse	Ireen Kagwa	SCC	01/09/18	30/09/22	30/09/22	Framework	£104,151.00	quarterly	3 months
CS06738	Domestic Abuse Perpetrator and Prevention Services	Hampshire County Council	Prevention & Early Intervention	Business as usual	Sandy Jerrim	Karl Hooper	SCC	01/04/19	31/03/24	31/03/26	Block Contract	£53,000.00	annually	6 Months
EC09/01/24 44	Level 3 Sexual Health Services	Solent NHS Trust	Prevention & Early Intervention	19: Sexual Health and Teenage Pregnancy	Tim Davis	Ireen Kagwa	SCC	01/04/17	31/03/22	31/03/22	Block Contract	£2,130,876.48	quarterly	12 months
SCC-SP-279	Family Support Services	Avenue Centre	Prevention & Early Intervention	20: Prevention and Early Help for Children and Families	Tim Davis	Merlyn Ganeshamoorthy	SCC	01/04/17	31/12/19	31/12/19	Block Contract	£17,250.00	quarterly	3 months
EC09/01/24 22	Placement of Children and Young People with Independent Fostering Agencies	Various	Prevention & Early Intervention	37: Independent foster care	Chris Pelletier	Karl Hooper	SCC	01/04/17	31/03/21	31/03/21	Framework	£16,000.00	quarterly	12 months
MW288	Independent Chair (LSAB)	Robert Templeton	Business as Usual	Business as usual	Sarah Lawrence	Merlyn Ganeshamoorthy	SCC	01/04/17	30/09/19	30/09/19	Block Contract	£16,500.00	N/A	N/A
EC09/01/24 54A	Housing Related Support Services for Adults: Lot 1 – Provision of a Combined Assessment, Intensive and Resettlement Housing Related Support Service in Southampton	Two Saints	Prevention & Early Intervention	21: Housing Related Support	Sandy Jerrim	Sadie Brackstone	SCC	01/07/17	30/06/21	30/06/22	Block Contract	£472,472.00	quarterly	3 months
EC09/01/24 54B	Housing Related Support Services for Adults: Lot 2 - Provision of an Intensive and Resettlement Housing Related Support Service in Southampton	Society of St James	Prevention & Early Intervention	21: Housing Related Support	Sandy Jerrim	Sadie Brackstone	SCC	01/07/17	30/06/21	30/06/22	Block Contract	£189,449.00	quarterly	3 months
EC09/01/24 54C	Housing Related Support Services for Adults: Lot 3 - Provision of an Intensive Lifeskills and Resettlement Housing Related Support Service in Southampton	Society of St James	Prevention & Early Intervention	21: Housing Related Support	Sandy Jerrim	Sadie Brackstone	SCC	01/07/17	30/06/21	30/06/22	Block Contract	£169,507.00	quarterly	3 months
EC09/01/24 54D	Housing Related Support Services for Adults: Lot 4 - Provision of an Intensive Lifeskills and Resettlement Housing Related Support Service in Southampton	Salvation Army	Prevention & Early Intervention	21: Housing Related Support	Sandy Jerrim	Sadie Brackstone	SCC	01/07/17	30/06/21	30/06/22	Block Contract	£288,578.16	quarterly	3 months
EC09/01/24 54/E	Housing Related Support Services for Adults: Lot 5 - Provision of Flexible Housing Related Support Service in Southampton	Home Group Ltd	Prevention & Early Intervention	21: Housing Related Support	Sandy Jerrim	Sadie Brackstone	SCC	01/07/17	30/06/21	30/06/22	Block Contract	£1,473,108.00	quarterly	3 months
EC09/01/24 54F	Housing Related Support Services for Adults: Lot 6 - Provision of an Accommodation Based Housing Support Service to People with Alcohol Related Housing and Support Needs	Society of St James	Prevention & Early Intervention	21: Housing Related Support	Sandy Jerrim	Sadie Brackstone	SCC	01/07/17	30/06/21	30/06/22	Block Contract	£126,640.80	quarterly	3 months
EC09/01/24 61A	Housing Related Support Services for Children and Young Persons: Lot 1 – Housing and Flexible Floating Support for Young People	YMCA Fairthorne Group	Prevention & Early Intervention	21: Housing Related Support	Sandy Jerrim	Sadie Brackstone	SCC	01/07/17	30/06/21	30/06/22	Block Contract	£275,301.00	quarterly	3 months
EC09/01/24 61B	Housing Related Support Services for Children and Young Persons: Lot 2 – Housing Support for Young People, Young Parents and a Flexible Floating Support Service	Two Saints	Prevention & Early Intervention	21: Housing Related Support	Sandy Jerrim	Sadie Brackstone	SCC	01/07/17	30/06/21	30/06/22	Block Contract	£337,480.00	quarterly	3 months
EC09/01/24 61C	Housing Related Support Services for Children and Young Persons Lot 3 – Hostel/Foyer Style Support for Young People	YMCA Fairthorne Group	Prevention & Early Intervention	21: Housing Related Support	Sandy Jerrim	Sadie Brackstone	SCC	01/07/17	30/06/21	30/06/22	Block Contract	£240,420.96	quarterly	3 months
EC09/01/24 61D	Housing Related Support Services for Children and Young Persons: Lot 4 – Supported Lodgings Service	Step By Step Partnership Limited	Prevention & Early Intervention	21: Housing Related Support	Sandy Jerrim	Sadie Brackstone	SCC	01/07/17	30/06/21	30/06/22	Block Contract	£88,420.80	quarterly	3 months
EC09/01/25 88	Way Ahead Leisure Pursuit Overnight Respite for Learning Difficulties	Weston Court	Business as Usual	Business as usual	Matthew Harrison	Ireen Kagwa	SCC	09/10/17	30/01/20	30/01/20	Block Contract	£222,000.00	quarterly	4 months
EC09/01/25 52	Advice, Information and Guidance	Southampton Citizens Advice Bureau	Prevention & Early Intervention	17: Community Solutions	Moraig Forrest-Charde	Karl Hooper	SCC	01/02/18	31/01/23	31/01/25	Block Contract	£612,691.00	quarterly	3 months
EC09/01/25 85	Carer's Support Services	Southampton Mencap	Prevention & Early Intervention	9: Transforming care for people with Learning Disabilities	Kirsten Killander	Karl Hooper	SCC	01/04/18	31/03/23	31/03/25	Block Contract	£353,115.00	quarterly	3 months
EC09/01/26 55	Safe Families For Children Services	Safe Families For Children	Prevention & Early Intervention	20: Prevention and Early Help for Children and Families	Phil Lovegrove	Katerina Ploumakis	SCC	01/04/18	31/03/21	31/03/23	Block Contract	£60,000.00	quarterly	3 months
EC09/01/26 08	Living Well Service	SCA Group	Commissioning Safe & High Quality Services	29: Home care implementation	Adrian Littlemore	Karl Hooper	SCC	14/02/18	31/03/23	31/03/25	Block Contract	£600,000.00	quarterly	12 months

EC09/01/26 40	Monitoring and management of the Community Equipment Service	Promoting Independence in People Ltd	Integration	2: Supporting appropriate timely discharge & out of hospital model	Jamie Schofield	Katerina Ploumakis	SCC	01/04/17	30/06/20	30/06/20	Purchase Order	£41,124.00	monthly	3 months
60043635	Rehabilitation and Reablement Beds	Northover Group	Business as Usual	31: Nursing home and complex residential care market capacity	Jamie Schofield	Karl Hooper	SCC	01/04/19	31/03/22	31/03/25	Purchase Order	£105,289.32	N/A	3 months
MW295	Well and Working Southampton	Economic Development Team (SCC)	Business as Usual	Business as usual	Ravita Taheem	Sadie Brackstone	SCC	01/04/18	31/10/20	31/10/20	SLA	£12,000.00	quarterly	2 months
MW296	Trusted Professionals	University Hospital Southampton NHS Foundation Trust	Business as Usual	Business as usual	Sharon Stewart	Sadie Brackstone	SCC	22/05/18	N/A	N/A	Block Contract	£0.00	on demand	N/A
EC09/01/24 13A	HIV Self Sampling Testing	PreventX	Prevention & Early Intervention	20: Prevention and Early Help for Children and Families	Phil Lovegrove	Ireen Kagwa	SCC	30/10/17	30/10/19	30/10/19	Framework	£8,500.00	N/A	3 months
EC09/01/24 22	Children's Residential Placements – Consortia Commissioning	Children's Residential Care Framework	Prevention & Early Intervention	32: Children's residential care	Chris Pelletier	Karl Hooper	SCC	01/10/18	31/03/22	31/03/22	Framework	£6,000.00	quarterly	12 months
SCC-CR-833	Breastfeeding Support Service	National Childbirth Trust	Prevention & Early Intervention	Business as usual	Tim Davis	Katerina Ploumakis	SCC	01/04/19	31/03/21	31/03/22	Block Contract	£49,072.00	quarterly	1 month
EC09/01/27 16	Independent visitor and Advocacy	National Youth Advocacy Service	Prevention & Early Intervention	Business as usual	Tim Davis	Katerina Ploumakis	SCC	01/04/19	31/03/22	31/03/24	Block Contract	£64,947.00	quarterly	1 month
SCC-CR-785	Direct Payment Support Service	SPECTRUM Centre for Independent Living	Business as Usual	Business as usual	Sandy Jerrim	Merlyn Ganesamoorthy	SCC	01/10/18	30/09/19	31/03/20	Purchase Order	£38,254.50	quarterly	1 month
MW302	Tier 2 Adult Weight Management	WW GBR Ltd	Prevention & Early Intervention	15: Behaviour Change	Georgina Cunningham	Sadie Brackstone	SCC	01/04/19	30/09/20	30/09/20	Block Contract	£64,800.00	Quarterly	3 months
MW304	Tier 2 Adult Weight Management in Pregnancy	Slimming World Limited	Prevention & Early Intervention	15: Behaviour Change	Georgina Cunningham	Sadie Brackstone	SCC	01/05/19	30/09/20	30/09/20	Block Contract	£9,000.00	quarterly	3 months
EC09/01/27 22B	Lot 2 Alcohol Drugs and Substance Misuse Services	No Limits (South)	Prevention & Early Intervention	16: Alcohol	Jackie Hall	Katerina Ploumakis	SCC	01/07/19	30/06/24	30/06/26	Block Contract	£482,497.00	quarterly	6 months
EC09/01/27 22A	Lot 1 Alcohol Drugs and Substance Misuse Services	change, grow, live (CGL)	Prevention & Early Intervention	16: Alcohol	Jackie Hall	Katerina Ploumakis	SCC	01/07/19	30/06/24	30/06/26	Block Contract	£2,228,770.00	quarterly	6 months
EC09/01/26 49	Post 16 Accommodation & Support – Consortia Commissioning	Fairways	Prevention & Early Intervention	32: Children's residential care	Jackie Hall	Karl Hooper	SCC	01/02/19	31/03/23	31/03/23	Framework	£0.00	quarterly	6 Months
EC09/01/08 99 B1,2	LD LTA Day Care Services (3 Units)	Dimensions (UK) Ltd	Integration	9: Transforming care for people with Learning Disabilities	Kate Dench	Karl Hooper	SCC	01/12/03	31/10/18	31/10/18	Framework	£0.00	N/A	12 months
EC09/01/08 99 A1,2	LD LTA Residential Care (3 Units)	Dimensions (UK) Ltd	Integration	9: Transforming care for people with Learning Disabilities	Kate Dench	Karl Hooper	SCC	01/12/03	31/10/18	31/10/18	Framework	£0.00	N/A	12 months
TBC	Peer Support Service	Solent Mind	Prevention & Early Intervention	Business as usual	Jackie Hall	Karl Hooper	SCC	01/04/19	31/03/20	31/03/20	Block Contract	£39,400.00	N/A	3 months
N/A	Smoking Cessation in Community Pharmacies (LCS)	Boots UK Limited	Prevention & Early Intervention	15: Behaviour Change	Charlotte Matthews	Sadie Brackstone	SCC	15/04/19	31/03/20	31/03/21	LCS	£0.00		0 3 months
EC09/01/27 09	Short Break Services	Various (see Frameworks tab)	Business as Usual	11: Improving the outcomes for children with SEND	Sandy Jerrim	Merlyn Ganesamoorthy	SCC	01/04/19	31/03/21	31/03/23	Framework	£898,594.00	Quarterly	6 months
EC09/01/24 86C	Homeless Vulnerable Adult Support team Navigation Service	Two Saints	Business as Usual	Business as usual	Sandy Jerrim	Katerina Ploumakis	SCC	01/07/19	30/06/20	30/06/21	Block Contract	£267,548.00	quarterly	3 months
EC09/01/26 35	Home Care Services	Various (see Frameworks tab)	Business as Usual	Business as usual	Moraig Forrest-Charde	Sadie Brackstone	SCC	01/04/19	31/03/23	31/03/25	Framework	£0.00	quarterly	6 months

N/A	Smoking Cessation in Community Pharmacies (LCS)	Lloyds Pharmacy	Prevention & Early Intervention	15: Behaviour Change	Charlotte Matthews	Sadie Brackstone	SCC	15/04/19	31/03/20	31/03/21	LCS	£0.00	0	3 months
EC09/01/28 46B	Supported Lettings for People Experiencing Homelessness	Society of St James	Prevention & Early Intervention	21: Housing Related Support	Sandy Jerrim	Katerina Ploumakis	SCC	22/07/19	21/07/20	21/07/22	Block Contract	£119,500.00	quarterly	3 months
EC09/01/28 46D	Somewhere Safe To Stay For People Experiencing Homelessness	The Salvation Army	Prevention & Early Intervention	Business as usual	Sandy Jerrim	Katerina Ploumakis	SCC	27/08/19	26/08/20	26/08/22	Block Contract	£191,990.00	quarterly	3 months
EC09/01/28 69	Southampton Safeguarding Children Partnership	SCC, SCCC, Hampshire Constabulary	Business as Usual	Business as usual	Sarah Lawrence	Merlyn Ganesamoorthy	SCC	29/09/19	28/09/23	28/09/25	Block Contract	£159,115.00	N/A	6 months
N/A	Brain in Hand	Brain in Hand	Managing & Developing the Market	5: Adult mental health	Sandy Jerrim	Merlyn Ganesamoorthy	SCC	01/04/19	31/03/20	31/03/20	Purchase Order	£11,650.00	0	N/A
N/A	Smoking Cessation in Community Pharmacies (LCS)	Superdrug Pharmacy Woolston	Prevention & Early Intervention	15: Behaviour Change	Charlotte Matthews	Sadie Brackstone	SCC	17/09/19	31/03/20	31/03/21	LCS	£0.00	0	3 months
N/A	Needle Syringe Program	9 Pharmacies	Prevention & Early Intervention	15: Behaviour Change	Charlotte Matthews	Katerina Ploumakis	SCC	01/07/19	30/09/20	30/09/20	LCS	£8,400.00	0	3 months
N/A	Supervised Consumption	15 Pharmacies	Prevention & Early Intervention	15: Behaviour Change	Charlotte Matthews	Katerina Ploumakis	SCC	01/07/19	30/09/20	30/09/20	LCS	£110,000.00	0	3 months
N/A	Shared Care	7 GP practices	Prevention & Early Intervention	15: Behaviour Change	Charlotte Matthews	Katerina Ploumakis	SCC	01/07/19	30/09/20	01/10/20	LCS	£50,000.00	0	3 months
EC09/01/26 79	Residential Recovery and Rehabilitation for People with Enduring MH	Home Group Ltd	Integration	5: Adult mental health	Alison Boynton	Merlyn Ganesamoorthy	SCC	01/09/19	31/08/22	31/08/23	Block Contract	£415,000.00	quarterly	6 months

Contract Reference EC/MW	Contract Title	Service Provider	ICU Programme	ICU Project	Commissioning Lead	Contracts Lead	Contracting Organisation (SCC or CCG)	Contract Start Date	Current Contract Expiry Date	Maximum Expiry Date	Agreement Type	Total Annual value 2019/20	Monitoring Frequency	Contract Notice Period for termination
EC09/01/2423B	Long Acting Reversible Contraception- Supporting Intra Uterine System in Women for Dual Gynaecology and Non-Contraception Indicators (S256)	Southampton City Council	Prevention & Early Intervention	19: Sexual Health and Teenage Pregnancy	Phil Lovegrove	Ireen Kagwa	SCCCG	01/04/19	31/03/22	31/03/22	S256	£14,000.00	monthly	3months
EC09/01/1484(f)	Looked After Children Service (s76)	Southampton City Clinical Commissioning Group	Business as Usual	Business as usual	Katherine Elsmore	Ireen Kagwa	SCC	01/04/08	31/03/20	31/03/20	S76	£41,655.00	Quarterly	3 months
EC09/01/1684	Building Resilience and Strengths (formerly Behaviour Resource Services) (s76)	Southampton City Clinical Commissioning Group	Prevention & Early Intervention	20: Prevention and Early Help for Children and Families	Phil Lovegrove	Merlyn Ganeshamoorthy	SCC	01/04/09	30/09/20	30/09/20	s76	£490,000.00	quarterly	6 months
EC09/01/1684a	Building Resilience and Strengths (formerly Behaviour Resource Services) (s256)	Southampton City Clinical Commissioning Group	Prevention & Early Intervention	20: Prevention and Early Help for Children and Families	Phil Lovegrove	Merlyn Ganeshamoorthy	SCCCG	01/04/09	30/09/20	30/09/20	s256	£490,000.00	quarterly	6 months
EC09/01/1874	Child and Adolescent Mental Health Services (CAMHS) (s76)	Southampton City Clinical Commissioning Group	Integration	6: CAMHS Transformation	Phil Lovegrove	Merlyn Ganeshamoorthy	SCC	01/04/11	31/03/20	31/03/20	s76	£165,898.00	quarterly	6 months
EC09/01/2086	Public Health Services (s75)	Southampton City Clinical Commissioning Group	Prevention & Early Intervention	Business as usual	Jason Horsley	Katerina Ploumakis	SCC	01/04/13	N/A	N/A	s75	£842,955.00	quarterly	12 months
EC09/01/1987A	Joint Equipment Service (s75)	Southampton City Clinical Commissioning Group	Integration	2: Supporting appropriate timely discharge & out of hospital model	Jamie Schofield	Katerina Ploumakis	SCC	01/07/13	30/06/20	30/06/20	s75	£1,614,000.00	annually	6 months
EC09/01/2538	Mental Health Integration (s75)	Southern Health NHS Foundation Trust	Integration	5: Adult mental health	Amanda Luker	Aleksandra Burlinson	SCC	01/04/19	31/03/22	31/03/22	s75	£301,770.00	quarterly	12 months
MW252	Mental Health Advocacy Service (s256)	Southampton City Clinical Commissioning Group	Integration	5: Adult mental health	Colin McAllister	Sadie Brackstone	SCC	01/04/15	31/03/20	31/03/20	s256	£13,982.96	N/A	9 months
EC09/01/0989	Northlands House - Residential Nursing Care (s75)	Southampton City Clinical Commissioning Group	Managing & Developing the Market	Business as usual	Matthew Waters	Ireen Kagwa	SCC	24/06/05	23/06/30	23/06/30	s75	£2,345,780.71	quarterly	N/A
EC09/01/1101	Oak Lodge - Residential Nursing Care (s75)	Southampton City Clinical Commissioning Group	Managing & Developing the Market	Business as usual	Matthew Waters	Ireen Kagwa	SCC	08/02/10	07/02/30	07/02/30	s75	£1,515,158.58	quarterly	N/A
EC09/01/2267	Better Care Fund (BCF) - Functions related to Health and Social Care Services (s75)	Southampton City Clinical Commissioning Group	Integration	Business as usual	Donna Chapman	Sadie Brackstone	SCC	01/04/15	N/A	N/A	s75	£115.693m	quarterly	3 months
MW271	Child Death Overview Panel Administrator (S76)	Southampton City Clinical Commissioning Group	Business as Usual	Business as usual	Katherine Elsmore	Ireen Kagwa	SCC	01/11/15	30/09/19	30/09/19	s76	£11,475.00	quarterly	3 months
EC09/01/2377	Locally Based Hospital Unit Reprovision (LBHU) (s75)	Southampton City Clinical Commissioning Group	Integration	8: Learning Disabilities (LD Integration)	Kate Dench	Merlyn Ganeshamoorthy	SCC	01/04/15	N/A	N/A	s75	£2,600,000.00	quarterly	N/A
EC09/01/2376b	Reablement and Rehabilitation service (S75)	Southampton City Clinical Commissioning Group	Business as Usual	Business as usual	Jamie Schofield	Ireen Kagwa	SCC	01/04/16	01/04/20	01/04/20	s75	BCF	quarterly	4 months
EC09/01/2376a	Integrated Provision of Health and Social Care Services	Solent NHS Trust	Business as Usual	Business as usual	Jamie Schofield	Ireen Kagwa	SCC	01/04/16	01/04/20	01/04/20	s75	N/A	quarterly	12 months
N/A	0-19 Integrated Provision (S75)	Solent NHS Trust	Prevention & Early Intervention	20: Prevention and Early Help for Children and Families	Donna Chapman	Sadie Brackstone	SCC	01/04/18	31/03/23	31/03/25	s75	£5,276,356.00	quarterly	12 months
MW301	Community Navigation - Adults Mental Health (S76 )	Southampton City Clinical Commissioning Group	Prevention & Early Intervention	5: Adult mental health	Amanda Luker	Ireen Kagwa	SCC	01/12/18	30/09/19	30/09/19	s76	£22,500.00	N/A	N/A
EC09/01/2624	Comprehensive Counselling for children & Young People 5-25 Years of Age (S256)	Southampton City Clinical Commissioning Group	Prevention & Early Intervention	20: Prevention and Early Help for Children and Families	Marie Woodhouse	Ireen Kagwa	SCCCG	01/09/18	30/09/22	30/09/22	s256	£65,000.00	quarterly	3 months
EC09/01/2813												£56,165.00	N/A	6 months
EC09/01/2679A	Residential Recovery and Rehabilitation for People with Enduring MH (s75)	Southampton City Clinical Commissioning Group	Integration	5: Adult mental health	Alison Boynton	Merlyn Ganeshamoorthy	SCC	01/09/19	31/08/22	31/08/23	s75	£415,000.00	annually	12 months
EC09/01/2893	S76 Homeless Healthcare	Southampton Clinical Commissioning Group	Integration	Business as usual	Sandy Jerrim	Katerina Ploumakis	SCC	01/09/19	31/08/20	31/08/20	s76	£20 000	N/A	2 months

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**SOUTHAMPTON**  
CITY COUNCIL

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**Internal Audit Report**

**SCC1819-075**

**Q&I - ICU Contract Management**

**Overall Assurance: Assurance**

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Author: Carol Dawkins

Version: Final

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Approved by Chief Internal Auditor, Elizabeth Goodwin: 

**INTERNAL AUDIT REPORT  
Q&I - ICU Contract Management**

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**Executive Summary**

An audit review of the Integrated Commissioning Unit Contract Management was undertaken as part of the 2018/19 Audit Plan. The Integrated Commissioning Unit (ICU) was established in 2013, and brings together Southampton City Council and Southampton City Clinical Commissioning Group (CCG) to review, plan, design, purchase and monitor health and social care services in Southampton.

The ICU manages a programme of work to integrate health and social care services in the city, including the Better Care agenda. It commissions prevention and early intervention services, fostering, domiciliary and residential care and community health services.

**Achievement of organisation's strategic objectives Assurance Level: Assurance**

Local procedures are in place within Southampton City Council relating to the commissioning of contracts, (Contract Procedure Rules), updated in May 2018. These were reviewed and found to be appropriate as a guide for commissioning. National legislation in the form of the Health and Social Care Act 2012 and the Care Act of 2014 also cover the commissioning of services. Procedures in place in the ICU reflect both legislation and local guidance.

**Compliance with Policies, Laws and Regulations Assurance Level: Assurance**

One contract, subsequently let to the Salvation Army was selected for detailed review of the processes in place. A step by step walk through of the process which took place around the commissioning of this contract was undertaken, reviewing documentation and approvals at appropriate levels. At all stages, evidence was available to confirm that the contract had been dealt with correctly, and the appropriate governance was in place.

On completion of the commissioning process, and due diligence having taken place, an award letter was issued, and the contract signed and sealed. Copies of all relevant documents were retained.

Monitoring of the contract is undertaken by the Commissioning Lead. A monitoring form is completed on a quarterly basis which contains factual statistical information. Performance Indicators, financial information, risk registers and issues with the provider are all recorded to show the level of monitoring in place.

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**Effectiveness & Efficiency of Operations Assurance Level: Assurance**

Contract management and monitoring is detailed under the Compliance heading above. Further monitoring comes in the form of regular reporting to the Contract Life Cycle Management Committee (CLCMC), and the reporting of updates to the dashboard. The self-verification of monitoring by the Commissioning Leads was tested through a review of the information available to support it. Requests were issued to two Commissioning Leads in respect of their SCC contracts for evidence to support their dashboard information, and to confirm monitoring. Responses have been received which show that the performance of the contract is monitored and reported appropriately.

**Completion of the audit Assurance Level: Assurance**

No exceptions have been raised as a result of this review. Testing was conducted on the processes for Integrated Commissioning Unit Contract Management, and a review of one contract. Based on this testing Internal Audit can give assurance that Integrated Commissioning Unit Contract Management is of low risk to the Authority.

***Please be aware that summaries of all exceptions are routinely reported to the Governance Committee who may call in any Audit report they wish. Where any critical exceptions are found and/or the audit receives an overall level of 'No Assurance' these will be reported in their entirety to the Governance Committee along with the Directors comments. These exceptions may also be reported to the relevant Portfolio holder.***

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**ASSURANCE LEVELS**

The overall assurance is given on the activity that has been audited.  
These levels are based on the areas tested within the audit as noted with the Objectives & Scope.

<b>Levels:</b>	<b>Description / Examples</b>
Assurance	No issues or minor improvements noted within the audit but based on the testing conducted, assurance can be placed that the activity is of low risk to the Authority
Reasonable Assurance	Control weaknesses or risks were identified but overall the activities do not pose significant risks to the Authority
Limited Assurance	Control weaknesses or risks were identified which pose a more significant risk to the Authority
No Assurance	Major individual issues identified or collectively a number of issues raised which could significantly impact the overall objectives of the activity that was subject to the Audit

## **Objectives and Scope**

The objectives of the audit were to ensure that the process for managing contracts within the ICU is robust, with appropriate governance in place to manage all aspects of the contract from start to finish.

As a result the key controls of the system were tested as detailed below:

### **Achievement of organisation's strategic objectives**

- Appropriate governance is in place around the contract management processes, including legislation and local policies and procedures to ensure the transparent management of contracts within the ICU.

### **Compliance**

- Local processes are in place which comply with the guidance for the management of contracts within an Integrated Commissioning Unit, with regard to:
  - Appropriate letting of the contract, including any tendering processes.
  - Due diligence around the prospective and selected providers.
  - The ongoing management of the contract, including the provider/commissioner relationship, the monitoring and management of finances in relation to the services provided.
  - Monitoring and management of performance during the course of the contract, and the meeting of key performance indicators.
- One contract will be selected for full testing from tender to current status.

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**Effectiveness of Operations**

- Ensure that contracts are monitored and this is recorded to confirm that it is taking place in compliance with the local procedures.
  - Further testing of key documentation from a sample of contracts let by the ICU will determine that appropriate actions have been taken.

Provide assurance that self-verification by Commissioning Leads on the ICU dashboard is accurate and valid. Undertake sample testing to confirm.

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<b>Priority Level</b>	<b>Description</b>
<b>Critical Risk</b>	<p>Control weakness that could have a significant impact upon not only the system function or process objectives but also the achievement of the organisation's objectives in relation to:</p> <ul style="list-style-type: none"><li>▪ The efficient and effective use of resources</li><li>▪ The safeguarding of assets</li><li>▪ The preparation of reliable financial and operational information</li><li>▪ Compliance with laws and regulations</li></ul> <p>And corrective action needs to be taken immediately.</p>
<b>High Risk</b>	<p>Action needs to be taken to address significant control weaknesses but over a reasonable timeframe rather than immediately. These issues are not "show stopping" but are still important to ensure that controls can be relied upon for the effective performance of the service or function. If not addressed, they can, over time, become critical. An example of an important exception would be the introduction of controls to detect and prevent fraud.</p>
<b>Medium Risk</b>	<p>These are control weaknesses that may expose the system function or process to a key risk but the likelihood of the risk occurring is low.</p>
<b>Low Risk - Improvement</b>	<p>Very low risk exceptions or recommendations that are classed as improvements that are intended to help the service fine tune its control framework or improve service effectiveness and efficiency. An example of an improvement recommendation would be making changes to a filing system to improve the quality of the management trail.</p>



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