

# **Annual**

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# **Governance**

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# **Report -**

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# **Appendices**

Partnership for Urban South Hampshire

Audit 2009/10

**September 2010**

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## Status of our reports

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# Appendix 1 – Independent auditor’s report to Members of the Partnership for Urban South Hampshire

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## Independent auditor’s report to the Members of the Partnership for Urban South Hampshire

### Opinion on the financial statements

I have audited the accounting statements and related notes of the Partnership for Urban South Hampshire (the Committee) for the year ended 31 March 2010 under the Audit Commission Act 1998. The accounting statements comprise the Income and Expenditure Account, the Statement of Movement on the General Fund Balance, the Balance Sheet, the Statement of Total Recognised Gains and Losses, the Cash Flow Statement and the related notes. These accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the members of the Partnership for Urban South Hampshire in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 49 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission.

### Respective responsibilities of the Responsible Financial Officer and auditor

The Responsible Financial Officer’s responsibilities for preparing the financial statements in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008 are set out in the Statement of Responsibilities for the Statement of Accounts.

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## Appendix 1 – Independent auditor’s report to Members of the Partnership for Urban South Hampshire

My responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the accounting statements present fairly, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008 the financial position of the Partnership for Urban South Hampshire and its income and expenditure for the year.

I review whether the governance statement reflects compliance with ‘Delivering Good Governance in Local Government: A Framework’ published by CIPFA/SOLACE in June 2007. I report if it does not comply with proper practices specified by CIPFA/SOLACE or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered, whether the governance statement covers all risks and controls. Neither am I required to form an opinion on the effectiveness of the Committee's corporate governance procedures or its risk and control procedures

I read other information published with the accounting statements, and consider whether it is consistent with the audited accounting statements. This other information comprises the Explanatory Foreword. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the accounting statements. My responsibilities do not extend to any other information.

### Basis of audit opinion

I conducted my audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounting statements and related notes. It also includes an assessment of the significant estimates and judgements made by the Committee in the preparation of the accounting statements and related notes, and of whether the accounting policies are appropriate to the Committee's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the accounting statements and related notes are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the accounting statements and related notes.

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## **Appendix 1 – Independent auditor’s report to Members of the Partnership for Urban South Hampshire**

### **Opinion**

In my opinion the Partnership for Urban South Hampshire's financial statements present fairly, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008, the financial position of the joint committee as at 31 March 2010 and its income and expenditure for the year then ended.

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### **Conclusion on arrangements for securing economy, efficiency and effectiveness in the use of resources**

#### **Partnership for Urban South Hampshire's Responsibilities**

The Committee 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 regularly to review the adequacy and effectiveness of these arrangements.

#### **Auditor’s Responsibilities**

I am required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the Committee for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion in relation to proper arrangements, having regard to relevant criteria specified by the Audit Commission for other local government bodies. I report if significant matters have come to my attention which prevent me from concluding that the Committee has made such proper arrangements. I am not required to consider, nor have I considered, whether all aspects of the Committee’s arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

#### **Conclusion**

I have undertaken my audit in accordance with the Code of Audit Practice and having regard to the criteria for other local government bodies specified by the Audit Commission and published in May 2008 and updated in February 2009, and the supporting guidance, I am satisfied that, in all significant respects, the Partnership for Urban South Hampshire made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2010.

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**Certificate**

I certify that I have completed the audit of the accounts in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Kate Handy

District Auditor

The Audit Commission

Collins House  
Bishopstoke Road,  
Eastleigh  
Hampshire  
SO50 6AD

14 September 2010

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# Appendix 2 – Amendments to the draft accounts

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I identified the following misstatements during my audit and managers have made the necessary adjustments. I bring them to your attention to aid you in fulfilling your governance responsibilities.

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**Table 1 Amendments to the draft accounts**

		Income and Expenditure Account		Balance sheet	
Adjusted misstatements	Nature of adjustment	Dr £000s	Cr £000s	Dr £000s	Cr £000s
Income & Expenditure account - net cost of services	The balance has been miscast as £8,853k when it should be £8,353k. This error is material but is not carried through to the rest of the accounts	500			

Throughout the course of the audit several disclosure errors and omissions were identified relating to the disclosure of accounting policies, note content, the annual governance statement and the financial statements. Management has amended the accounts to correct or include these errors and omissions.

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# Appendix 3 – Unadjusted errors to the draft accounts

I identified the following misstatements during my audit and managers have declined to make the necessary adjustments. I bring them to your attention to aid you in fulfilling your governance responsibilities.

**Table 2 Amendments to the draft accounts**

		Income and Expenditure Account		Balance sheet	
Unadjusted misstatements	Nature of adjustment	Dr £000s	Cr £000s	Dr £000s	Cr £000s
Cash and Debtors balances	The year-end debtors balance was not updated for actual receipts			Debtors 5k	Cash 5k
Cash and Creditors balances	The year-end creditors balance was not updated for actual payments			Cash 28k	Creditors 28k

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# Appendix 4 - Letter of representation

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To: Kate Handy

Audit Commission  
Collins House  
Bishopstoke Road,  
Eastleigh  
Hampshire  
SO50 6AD

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## Partnership for Urban South Hampshire - audit for the year ended 31 March 2010

I confirm to the best of my knowledge and belief, having made appropriate enquiries of members, executives and other officers of the Partnership for Urban South Hampshire, the following representations given to you in connection with your audit of the joint committee's financial statements for the year ended 31 March 2010.

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## Compliance with the statutory authorities

I acknowledge my responsibility under the relevant statutory authorities for preparing the financial statements in accordance with the Code of Practice for Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice, which give a true and fair view of the financial position and financial performance of the joint committee and for making accurate representations to you.

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## Status of our reports

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### Supporting records

All the accounting records have been made available to you for the purpose of your audit and all the transactions undertaken by the Partnership for Urban South Hampshire have been properly reflected and recorded in the accounting records. All other records and related information, including minutes of all Partnership for Urban South Hampshire (PUSH) Joint Committee meetings, have been made available to you.

### Going Concern

I am satisfied that it is appropriate to adopt the going concern basis in the preparation of the financial statements and that the financial statements include such disclosures, if any, relating to going concern.

### Uncorrected misstatements

I confirm that I believe the effects of the uncorrected financial statements misstatements listed in the attached schedule are not material to the financial statements, either individually or in aggregate.

		Income and Expenditure Account		Balance sheet	
Unadjusted misstatements	Nature of adjustment	Dr £000s	Cr £000s	Dr £000s	Cr £000s
Cash and Debtors balances	The year-end debtors balance was not updated for actual receipts received			Debtors 5k	Cash 5k
Cash and Creditors balances	The year-end creditors balance was not updated for actual payments paid			Cash 28k	Creditors 28k

### Status of our reports

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## Appendix 4 - Letter of representation

These misstatements have been discussed with those charged with governance within the Joint Committee and the reasons for not correcting these items are as follows;

- They are not material to the accounts.

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### Irregularities

I acknowledge my responsibility for the design and implementation of internal control systems to prevent and detect fraud or error.

There have been no:

- irregularities involving management or employees who have significant roles in the system of internal accounting control;
- irregularities involving other employees that could have a material effect on the financial statements; or
- communications from regulatory agencies concerning non-compliance with, or deficiencies on, financial reporting practices which could have a material effect on the financial statements.

I also confirm that I have disclosed:

- my knowledge of fraud, or suspected fraud, involving either management, employees who have significant roles in internal control or others where fraud could have a material effect on the financial statements; and
- my knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others.

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### Law, regulations, contractual arrangements and codes of practice

There are no instances of non-compliance with laws, regulations and codes of practice, likely to have a significant effect on the finances or operations of the joint committee.

The joint committee has complied with all aspects of contractual arrangements that could have a material effect on the financial statements in the event of non-compliance. There

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### Status of our reports

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has been no non-compliance with requirements of regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.

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### Compensating arrangements

There are no formal or informal compensating balancing arrangements with any of our cash and investment accounts.

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### Related party transactions

I confirm the completeness of the information disclosed regarding the identification of related parties.

The identity of, and balances and transactions with, related parties have been properly recorded and where appropriate, adequately disclosed in the financial statements.

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### Post balance sheet events

Since the date of approval of the financial statements by the PUSH Joint Committee, no additional significant post balance sheet events have occurred which would require additional adjustment or disclosure in the financial statements.

The joint committee has no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

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I confirm that this letter has been discussed and agreed by the Joint Committee on 14 September 2010.

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## Appendix 4 - Letter of representation

Signed

Anne-Marie Mountifield  
PUSH Executive Director

Signed

Cllr Sean Woodward  
Joint Committee Chairman

14 September 2010

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# Appendix 5 – Value for money criteria

<b>KLOE</b>	<b>Met</b>
<b>Managing finances</b>	
1.2 Understanding costs and achieving efficiencies	<b>Yes</b>
1.3 Financial reporting	<b>Yes</b>
<b>Governing the business</b>	
2.3 Good governance	<b>Yes</b>
2.4 Risk management and internal control	<b>Yes</b>

See Table 3 below for detailed analysis of value for money themes.

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## Appendix 5 – Value for money criteria

**Table 3 Detailed summary of value for money work**

<b>KLOE 1.2 (understanding costs and achieving efficiencies)</b>	
<b>VFM criterion met</b>	<b>Yes</b>
Key findings and conclusions:	
<p>The Committee demonstrated minimum requirements in its arrangements for understanding its costs and achieving efficiencies.</p> <p>Decision-making on allocating funding to capital projects involves consideration of costs in relation to outputs, and there are formal arrangements for evaluating the VFM of capital programme projects both during and on completion as the capital programme. Projects are required to provide regular progress reports and a project completion report, in which key outputs and outcomes are detailed as well as a statement of completion which links key outputs to the overarching PUSH objectives. The project completion evaluation reviews variances against costs and outputs in the original project appraisal and officers report any serious VFM issues to the Delivery Panel and if required, the Joint Committee. Capital investments continue to be assessed through a project appraisal process which requires completion of a project appraisal and decisions by the appraisal panel are based on an evaluation of costs, links to PUSH objectives, deliverability and VFM. This process was strengthened for the 2009/10 capital allocations as decisions took account of project performance in year 1, 2008/09 and conditions relating to performance were attached to some Year 2 grants as a result. The Joint Committee decided in January 2010 to add delivery milestones to the grant conditions for projects funded in 2010/11. Capital project decisions on 2009/10 funding allocations in were taken in good time, in March 2009, and for 2010/11 projects in January 2010. Decision making on capital allocations does take account of some benchmarked information, for example relating to</p>	

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housing delivery performance in the sub-region and across Hampshire. It is recognised that the growth point funding for 2010/11 has yet to be confirmed because of the ongoing public expenditure review. There was a 17 per cent underspend, £1.7 million, on the 2009/10 capital programme of £9.5 million. The Joint Committee decided to carry forward this underspend to help fund its 2010/11 capital programme priorities.

Performance reporting is more effective in 2009/10 to help PUSH with assessing VFM. PUSH reviewed the performance framework established in its business plan and has reduced the number of indicators. It has commissioned a refresh of the evidence base and strategy to inform a more comprehensive overhaul of the business plan in 2011, including developing an outcome-led approach. The end of year 2009/10 performance report to the Joint Committee contains good information on progress against targets and PUSH has rescheduled its performance reporting to fit with the availability of partners' data. In addition the partnership has now integrated its business plan and MAA performance reporting and adopted a more systematic approach to benchmarking its performance using national and regional comparisons as a result of the 'stock take' of the Multi-Area Agreement (MAA). These improvements are a step forward towards integrating performance and financial reporting to assess VFM to ensure PUSH is using its resources to best effect. The Joint Committee does not yet make use of combined performance and budget reporting.

The costs of the PUSH team are not benchmarked with similar sub-regional programmes.

PUSH has limited scope for the adoption of efficiency targets given the small size of its operation. However, it is achieving some efficiencies by absorbing inflationary increases in its costs as there are no inflation increases in some of the grants it receives, for example, from SEEDA. PUSH also seeks efficiencies through its strategic work on agreeing common policies across the sub-region and securing grant income for the sub-region.

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## Appendix 5 – Value for money criteria

<b>KLOE 1.3 (financial reporting)</b> <b>VFM criterion met</b>	<b>Yes</b>
<b>Key findings and conclusions</b>	
<p>Budget monitoring reports are regularly produced and accurately report actual expenditure and commitments against budget, identifying any variances. Finance Staff meet monthly with PUSH Executive Director and Programme and Information Manager to review progress against the budget, and a budget monitoring report is presented to every Joint Committee meeting.</p> <p>High-level financial monitoring reports are produced on a timely basis and are an accurate reflection of the financial information reported externally to stakeholders at the end of the year.</p> <p>An unqualified opinion is planned on the financial statements for 2009/10.</p> <p>When the accounts are ready to be publicised PUSH will be able to do this reasonably well as it has a comprehensive web site which is easily accessible to the public, although the partnership needs to ensure that people whose first language is not English are able to access information about PUSH. Over the last year, work has focused on a total redesign of the PUSH website, to make it more accessible and easier to use. The specific issue regarding accessibility for those where English is not the first language will be considered as part of the review of the redesign.</p>	

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**Table 4 Governing the business**

<p><b>KLOE 2.3 (good governance)</b> <b>VFM criterion met</b></p>	<p><b>Yes</b></p>
<p>Key findings and conclusions</p>	
<p>The Committee meets minimum requirements on good governance.</p> <p>PUSH's governance arrangements are publicly accessible on its website. These clearly describe the roles and responsibilities of key individuals and bodies, the legal status of PUSH, accountabilities and decision-making processes.</p> <p>There are constructive working relationships between elected members, chief executives and the PUSH officer team. Key meetings are well attended and there is good engagement from other relevant partners such as Job Centre Plus and Business Link. This has been extended and there are now wider partnerships with a range of agencies including the Environment Agency and Natural England, and a memorandum has been signed to secure a commitment to strengthening working relationships. In 2009/10 staff vacancies were filled and four new posts were established including an Economic Development Director and a Programme and Information Manager. There is no induction for new members of the Joint or Scrutiny Committees, but all members are experienced councillors from the partner councils. There are briefing sessions on particular topics for Joint Committee members.</p> <p>PUSH has a clear strategic vision and priorities for improving the economic performance of the South Hampshire subregion, set out in its business plan and the MAA refresh, and it is working well with most of its key strategic partners. The partnership's priorities are based on a good</p>	

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## Appendix 5 – Value for money criteria

understanding of community needs, reflecting for example, the low skills levels in South Hampshire compared to rest of the South East. PUSH is responding to changing needs arising from the recession by reviewing its economic development strategy. There is good engagement with most other strategic partners to enable PUSH to achieve its objectives, and there has been further progress in this area, with new engagement with the Homes and Communities Agency (HCA), including the development and submission of a Local Investment Plan in June 2010.

PUSH's communications strategy, agreed in January 2009, gives responsibility for consulting with local communities, including vulnerable groups, to individual council partners. There is now regular reporting to the Joint Committee on consultations connected to PUSH projects, as was evident with the preparation and adoption of the Green Infrastructure Strategy.

Councillors and officers acting on behalf of PUSH are required to follow their individual authority's 'Members' Code of Conduct' or 'Officer Code of Conduct' as appropriate. These cover standards of conduct relating to issues such as misusing council resources, disclosure of private interests and withdrawal from meetings where they have an interest. Councillors are also required to record their financial and other interests on the public register.

Proper use of IT, including IT security is the responsibility of the individual council partners.

PUSH primarily follows the procurement policy and procedures of Hampshire County Council, and lead councils follow their own procedures when this is appropriate. PUSH's Interim Managing Director reviewed procurement practice by other subregional partnership and confirmed that PUSH procedures are similar to other subregional partnerships and follow best practice for this type of organisation.

PUSH follows Southampton City Council's governance arrangements relating to dealing with complaints and whistle-blowing but these policies are not accessible through PUSH's website. These policies are part of Southampton's code of corporate governance and are updated periodically by Southampton's Standards and Governance Committee. However, local residents wishing to make a complaint and staff who may want to use the

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whistle-blowing procedure cannot access PUSH's policy directly on the PUSH website. As noted above, the PUSH website has been redesigned over the last year and PUSH intends to add a link to this policy as part of the review of the new site.

**KLOE 2.4 (risk management and internal control)**

**VFM criterion met**

**Yes**

**Key findings and conclusions**

The Committee meets minimum requirements on risk management and internal control.

The business plan identifies the main strategic risks and these are monitored by officers and routinely, twice a year by the Joint Committee. Responsibility for identifying, mitigating and managing the risks associated with particular projects and programmes, is allocated to the relevant lead body and risk assessment is part of the project appraisal process. Key risks are managed by officers through business plan reviews of the strategic register, capital programme management and by the delivery panels and there is a systematic approach to risk management with individual high-risk projects reported to the Joint Committee, as well as the regular reporting of the strategic risk register.

The PUSH Finance Protocols were formally revised by the Joint Committee in November 2009 to set out the arrangements for preventing and dealing with fraud and corruption.

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The Audit Commission is an independent watchdog, driving economy, efficiency and effectiveness in local public services to deliver better outcomes for everyone.

Our work across local government, health, housing, community safety and fire and rescue services means that we have a unique perspective. We promote value for money for taxpayers, auditing the £200 billion spent by 11,000 local public bodies.

As a force for improvement, we work in partnership to assess local public services and make practical recommendations for promoting a better quality of life for local people.

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