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04 September 2013

S U M M O N S

MEETING: Standards and Governance Committee
DATE: 12 September 2013
TIME: 6.00 p.m.
PLACE: Committee Room 1, Town Hall, Gosport
Democratic Services contact: Sharon Dalrymple-Bray

Linda Edwards

LINDA EDWARDS
BOROUGH SOLICITOR

MEMBERS OF THE COMMITTEE

Councillor Scard (Chairman)
Councillor Burgess (Vice-Chairman)

Councillor Chegwyn
Councillor Dickson
Councillor Forder

Councillor Henshaw
Councillor Jacobs
Councillor Wright

FIRE PRECAUTIONS

(To be read from the Chair if members of the public are present)

In the event of the fire alarm being activated, please leave the room immediately. Proceed downstairs by way of the main stairs or as directed by GBC staff, follow any of the emergency exit signs. People with disability or mobility issues please identify yourself to GBC staff who will assist in your evacuation of the building.

IMPORTANT NOTICE:

- If you are in a wheelchair or have difficulty in walking and require access to the Committee Room on the First Floor of the Town Hall for this meeting, assistance can be provided by Town Hall staff on request

If you require any of the services detailed above please ring the Direct Line for the Democratic Services Officer listed on the Summons (first page).

NOTE:

- i. Councillors are requested to note that, if any Councillor who is not a Member of the Committee wishes to speak at the meeting, then the Borough Solicitor is required to receive not less than 24 hours prior notice in writing or electronically and such notice shall indicate the agenda item or items on which the member wishes to speak.
- ii. Please note that mobile phones should be switched off for the duration of the meeting.

AGENDA

RECOMMENDED
MINUTE
FORMAT

PART A ITEMS

1. APOLOGIES FOR NON-ATTENDANCE

2. DECLARATIONS OF INTEREST

All Members present are reminded to declare, at this point in the meeting or as soon as possible thereafter, any disclosable personal interest in any item(s) being considered at this meeting.

3. MINUTES

To approve as a correct records the Minutes of the Committee meeting held on 20 June 2013 (copy attached)

4. DEPUTATIONS – STANDING ORDER 3.5

(NOTE: The Committee is required to receive a deputation(s) on a matter which is before the meeting of the Committee provided that notice of the intended deputation and its object shall have been received by the Borough Solicitor by 12 noon on Tuesday, 10 September 2013. The total time for deputations in favour and against a proposal shall not exceed 10 minutes).

5. PUBLIC QUESTIONS – STANDING ORDER 3.6

(NOTE: The Committee is required to allow a total of 15 minutes for questions from Members of the public on matters within the terms of reference of the Committee provided that notice of such Question(s) shall have been submitted to the Borough Solicitor by 12 noon on Tuesday, 10 September 2013).

6. INDEPENDENT PERSON

To advise members of the need to start the recruitment process for an Independent Person under The Localism Act 2011. (Report to follow.)

Contact Officer:
Ian Lycett
Ext: 5201

7. ANNUAL GOVERNANCE REPORT FROM THE COUNCIL'S EXTERNAL AUDITORS (ERNST & YOUNG)

Report to follow.

Contact Officer:
Rose Coates

8. LETTER OF REPRESENTATION

To agree the Letter of Representation for the Final Accounts 2012/13.

Contact Officer:
Julian Bowcher
Ext:5551

Standards and Governance Committee
12 September 2013

9. INTERNAL AUDIT MONITORING STATEMENT TO 30.6.2013

Contact Officer:
Chris Davis
Ext: 5306

To table the performance of the Internal Audit Section in the first three months of 2013/14 (1st April 2013 – 30th June 2013) against the agreed audit plan to the Members with responsibility for governance.

Secondly to provide Members with an update on other key internal audit business as well as the current status of the of the internal audit partnership.

10. ANY OTHER ITEMS

which the Chairman determines should be considered, by reason of special circumstances, as a matter of urgency.

AGENDA ITEM NO. 6

Board/Committee:	STANDARDS AND GOVERNANCE COMMITTEE
Date of Meeting:	12 SEPTEMBER 2013
Title:	APPOINTMENT OF INDEPENDENT PERSONS UNDER THE LOCALISM ACT 2011
Author:	MONITORING OFFICER
Status:	FOR DECISION

Purpose

To advise members of the need to start the recruitment process for an Independent Person under The Localism Act 2011

Recommendation

The Monitoring Officer commences the recruitment process for an Independent Person, with interviews of candidates to be undertaken by the Council's statutory officers who will make a recommendation to Council who will then make the appointment.

1.0 Background

- 1.1 Under the provisions of Section 28 (7) of the Localism Act 2011, the Council is required to appoint an Independent Person to assist the Council in promoting and maintaining high standards of conduct amongst its elected and co-opted members.
- 1.2 The Independent Person is required to be consulted before the Standards and Governance Committee of the Council makes a decision on a complaint that a member has breached the code of conduct that is being investigated. The Independent Person may be consulted by the Monitoring Team or Assessment Sub Committee before a decision is taken to investigate such a complaint and also by a Member who is subject to an allegation.
- 1.3 On 23 January 2013, the Council approved the appointment of Mr Richard Perry as an Independent Person for a period ending in 2017.
- 1.4 Unfortunately, late amendments made to Regulations under The Localism Act required that persons who had previously been an Independent Member could only be appointed until 1 July 2013 unless they were appointed before 24 July 2012.

2.0 Report

- 2.1 Mr Perry's appointment has now ended as a matter of law, and the

Council needs to commence the recruitment process for an independent Person. This involves advertising the vacancy in a local newspaper and on the council's website with the person(s) applying going through an interview process.

- 2.2 It is proposed that the arrangements for the recruitment and selection of the Independent Person are the same as previously with the Monitoring Officer to oversee the recruitment process, and the Council's three Statutory Officers undertaking the interviews and making a recommendation to Council as to appointment(s).
- 2.3 Mr Perry is not permitted by the legislation to apply for the position until 2018.

3.0 Risk Assessment

3.1 The Council must comply with the provisions of the Localism Act and the proposals in this Report will ensure such compliance.

4.0 Conclusion

4.1 The Report sets out the necessity for the Council to comply with the provisions of the Localism Act 2011 and arrangements to ensure such compliance.

Financial Services comments:	None
Legal Services comments:	Contained in the report
Service Improvement Plan implications:	None
Corporate Plan:	None
Risk Assessment:	N/A
Background papers:	None
Appendices/Enclosures:	None
Report author/ Lead Officer:	Ian Lycett

AGENDA ITEM NO.

Board/Committee:	Standards and Governance Committee Meeting
Date of Meeting:	12 September 2013
Title:	EY – Audit Results Report 2012/13
Author:	Helen Thompson
Status:	FOR RECOMMENDATION TO the Policy and Organisation Board

Purpose

This report summarises the findings from the 2012/13 audit which is substantially complete. It includes the messages arising from our audit of your financial statements and the results of the work we have undertaken to assess your arrangements to secure value for money in your use of resources.

Our report includes only matters of governance interest that have come to our attention in performing the audit under the requirements of the Audit Commission's Code of Audit Practice and international standards of auditing (ISAs).

This is an important report, it is a requirement of ISA 260 and must be presented to you in your role as those charged with governance before you and the Policy and Organisation Board consider and approve the financial statements.

Recommendation

- Review and note the conclusions set out in the Audit Results Report
- Approve the letter of management representation (separate agenda item) before final approval by the Policy and Organisation Board to allow us to issue our audit report.

1 Background

- 1.1 The Audit Commission's Code of Audit Practice require us to report to those charged with governance on the work we have carried out to discharge our statutory audit responsibilities, together with any governance issues identified.

2 Report

2.1 Financial statements

We expect to issue an unqualified audit opinion by the statutory deadline of 30 September 2013.

Work on the whole of government accounts return is ongoing. We will provide a verbal update at the Committee.

2.2 Value for money conclusion

We intend to issue an unqualified value for money conclusion stating that the Council has proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

2.3 Audit certificate

As at the date of this report, We expect to issue the audit certificate alongside the audit opinion and value for money conclusion.

2.4 Audit fees

We anticipate the audit will be completed within the agreed audit fee of £69,825.

3 Risk Assessment

- 3.1 The Audit Results Report – ISA260 should be reviewed and noted as part of the Council's governance arrangements.

4 Conclusion

- 4.1 The Audit Results Report – ISA260 is attached for consideration and approval

Financial Services comments:	N/A
Legal Services comments:	N/A
Crime and Disorder:	N/A
Equality and Diversity:	N/A
Service Improvement Plan implications:	N/A
Corporate Plan:	N/A
Risk Assessment:	N/A
Background papers:	The Draft Statement of Accounts 2012/13 is included in the agenda papers for members to refer
Enclosures:	The Audit Results Report – ISA260 (Ernst & Young)
Report author/ Lead Officer:	Helen Thompson, Audit Director, Ernst & Young

Gosport Borough Council

Standards and Governance Committee Summary

For the year ended 31 March 2013

Audit results report – ISA 260

12 September 2013



Building a better
working world

■ Helen Thompson, Director
■ H.Thompson2@uk.ey.com

■ Rose Coates, Manager
■ RCoates@uk.ey.com

Contents

- ▶ Executive Summary
- ▶ Extent and progress of our work
- ▶ Addressing audit risk
- ▶ Financial statements audit – issues & findings
- ▶ Independence and Audit Fees
- ▶ Appendix 1 Adjusted audit errors

Executive Summary

Key findings

Audit results and other key matters

The Audit Commission's Code of Audit Practice (the Code) requires us to report to 'those charged with governance' on the work we have carried out to discharge our statutory audit responsibilities, together with any governance issues identified.

This report summarises the findings from the 2012/13 audit which is substantially complete. It includes the messages arising from our audit of your financial statements and the results of the work we have undertaken to assess your arrangements to secure value for money in your use of resources.

Financial Statements

- ▶ As of 12 September 2013, we expect to issue an unqualified opinion. Our audit demonstrates that the Council has prepared its financial statements well and this is reflected in the low number of issues to bring to your attention.

Value for Money

- ▶ We expect to conclude that you have made appropriate arrangements to secure economy, efficiency and effectiveness in your use of resources .

Whole of Government Accounts

- ▶ We expect to issue an unqualified confirmation to the National Audit Office (NAO) regarding the Whole of Government Accounts submission. However, our work here is in progress. Should matters of concern arise we will communicate these to management and the Chair of the Standards and Governance Committee.

Audit Certificate

- ▶ The audit certificate is issued to demonstrate that the full requirements of the Audit Commission's Code of Audit have been discharged for the relevant audit year. We expect to issue the audit certificate at the same time as the Audit Opinion.

Extent and purpose of our work

The Council's responsibilities

- The Council is responsible for preparing and publishing its Statement of Accounts, accompanied by the Annual Governance Statement. In the Annual Governance Statement, the Council reports publicly on the extent to which it complies with its own code of governance, including how it has monitored and evaluated the effectiveness of the governance arrangements in the year, and on any planned changes in the coming period.
- The Council is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Purpose of our work

- Our audit was designed to:
 - ▶ Express an opinion on the 2012/13 financial statements.
 - ▶ Report on any exception on the governance statement or other information included in the foreword.
 - ▶ As a component auditor, follow the group instructions and send to the National Audit Office our group assurance certificate, audit results report and auditor's report on the consolidation schedule.
 - ▶ Consider and report any matters that prevent us being satisfied that the Council had put in place proper arrangements for securing economy, efficiency and effectiveness in the use of resources (the value for money conclusion).
- This report contains our findings related to the areas of audit emphasis, our views on the Council's accounting policies and judgments and material internal control findings.
- This report is intended solely for the information and use of the Council. It is not intended to be and should not be used by anyone other than this specified parties.

Addressing audit risks

Significant Audit risks

We identified the following audit risks during the planning phase of our audit, and reported these to you in our Audit Plan. Here, we set out how we have gained audit assurance over those issues.

Audit Risk identified within our Audit Plan	Audit Procedures performed	Assurance gained and issues arising
Significant audit risks- we did not identify any significant risks.		
Other audit risks		
<p>Risk of misstatement due to fraud and error .</p> <p>Management has the primary responsibility to prevent and detect fraud. As auditors, we approach each engagement with a questioning mind that accepts the possibility that a material misstatement due to fraud could occur, and design the appropriate procedures to consider such a risk.</p>	<p>Based on the requirements of auditing standards we have :</p> <ul style="list-style-type: none"> ▶ obtained assurances from management, those charged with governance and internal audit about the arrangements in place to identify the risks of fraud and the controls put in place to address those risks. ▶ attended the Standards and Governance Committee meetings and observed the oversight given by those charged with governance of management's processes over fraud. ▶ Considered and tested the effectiveness of management and system controls designed to address the risk of fraud. ▶ Performed mandatory audit procedures . <p>We have also considered the progress made by the Council in investigating the results of the National Fraud Initiative and reviewed the Council's responses to the Audit Commission's national fraud survey.</p> <p>As part of our financial statements audit we have :</p> <ul style="list-style-type: none"> ▶ reviewed the year-end position against in-year financial forecasts; ▶ reviewed the reasonableness and completeness of prepayments, accruals and provisions; ▶ tested material adjustments made by journals; and ▶ reviewed transactions both before and after year-end to ensure they are correctly disclosed in the correct financial period 	<ul style="list-style-type: none"> • Our planned audit work is complete and there are no significant issues that we need to report to you.

Financial Statements audit

Issues and errors arising from the audit

Progress of our audit

- ▶ The following areas of our work programme are to be completed. We will provide an update of progress at the Standards and Governance Committee meeting:
 - ▶ Receipt of a Letter of Representation.
 - ▶ Receipt of IAS 19 assurance from the auditor of Hampshire County Council Pension Fund
 - ▶ Completion of the whole of government accounts work.
 - ▶ Final review of the Financial Statements.
- ▶ Subject to the satisfactory resolution of the above items, we propose to issue an unqualified audit report on the financial statements.
- ▶ The Council's overall arrangements for producing its financial statements have improved this year. The Council has increased the skills and capacity of the finance team in year. The draft financial statements were submitted in line with the agreed timetable and we have noted an improvement in the quality of the financial statements and working papers submitted for audit. Few audit issues have been identified. Officers have responded promptly and efficiently to our audit queries.

Corrected Errors

Our audit identified very few errors which were highlighted to management for amendment. All these have been adjusted during the course of our work.

The most significant of these related to the cash balance within the balance sheet. This was shown as two separate elements: cash and cash equivalents of £4,660,000 and overdraft of -£1,005,000. The overdraft amount should be included within the main cash and cash equivalent balance as it relates to the same cash holding account. Therefore current assets were overstated by £1,005,000 and current liabilities also overstated by the same amount. The cash balance has been amended to £3,655,000. The overall effect on net assets is zero.

Other Matters

As required by ISA (UK&I) 260 and other ISAs specifying communication requirements, we are required to communicate to you significant findings from the audit and other matters that are significant to your oversight of the Council's financial reporting process including the following:

- ▶ Qualitative aspects of your accounting practices;
- ▶ Matters specifically required by other auditing standards to be communicated to those charged with governance. For example, issues about fraud, compliance with laws and regulations, external confirmations and related party transactions.
- ▶ Other audit matters of governance interest

We have no matters we wish to report.

Findings and issues

Internal Control, Written Representations & Whole of Government Accounts

Internal Control

- It is the responsibility of the Council 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 Council has put adequate arrangements in place to satisfy itself that the systems of internal financial control are both adequate and effective in practice.
- We have tested the controls of the Council only to the extent necessary for us to complete our audit. We are not expressing an opinion on the overall effectiveness of internal control.
- We have reviewed the Annual Governance Statement and can confirm that:
 - ▶ it complies with the requirements of CIPFA/SOLACE Delivering Good Governance in Local Government Framework; and
 - ▶ it is consistent with other information that we are aware of from our audit of the financial statements.
- We have not identified any significant weakness in the design or operation of an internal control that might result in a material error in your financial statements of which you are not aware.

IT general controls

- We reviewed the manage change and logical access controls on the Oracle E- Financials (general ledger, accounts payable and accounts receivable) and Resource Link (Payroll) systems. Our planned audit work is complete and there are no significant issues that we need to report to you.

- The key issues reported to management related to the lack of documentation or formalised processes for logical access and managing change. Officers have agreed to implement our audit recommendations to formalise these processes to provide an audit trail.

Request for written representations

- We have requested a management representation letter to gain management's confirmation in relation to a number of matters, for which we do not currently have sufficient audit evidence.
- We have not requested any specific representations in addition to the standard representations we require.

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 are specified by the National Audit Office.
- We are currently concluding our work in this area and will report any matters that arise to the Chair of the Standards and Governance Committee.

Arrangements to secure economy, efficiency and effectiveness

The Code of Audit Practice (2010) sets out our responsibility to satisfy ourselves that Gosport Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. In examining the Council's corporate performance management and financial management arrangements, we have regard to the following criteria and focus specified by the Audit Commission.

Criterion 1 - Arrangements for securing financial resilience

- ▶ *"Whether the Council has robust systems and processes to manage financial risks and opportunities effectively, and to secure a stable financial position that enables it to continue to operate for the foreseeable future"*
- ▶ We did not identify any significant risks in relation to this criteria.
- ▶ We have no issues to report in relation to this criteria
- You have sound financial plans which properly reflect both your priorities and the significant financial challenges you face. In year you underspent against budget despite increasing demand for Council services and strengthened your financial resilience by increasing your reserves in excess of the amounts planned at start of the year.

Criterion 2 – Arrangements for securing economy, efficiency and effectiveness

- ▶ *"Whether the Council is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity."*
- ▶ We did not identify any significant risks in relation to this criteria.
- ▶ We have no issues to report in relation to this criteria
- ▶ Overall, you are a low spending Council when compared to your statistical nearest neighbours. You reacted promptly to the Comprehensive Spending Review forecasts in 2010 and have implemented a comprehensive programme to reduce costs and maximise income. You have adopted prudent assumptions in your financial plans and are taking action to reduce your cost base further while looking for new ways of service provision by working in partnership with others.

Independence & Audit Fees

Independence

- ▶ We confirm there are no changes in our assessment of independence since our confirmation in our Audit Plan dated 7 June 2013.
- ▶ We complied with the Ethical Standards for Auditors and the requirements of the Audit Commission's Code and Standing Guidance and 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 confirm that we are not aware of any relationships that may affect the independence and objectivity of the firm that we are required by auditing and ethical standards to report to you.
- ▶ We consider that our independence in this context is a matter that should be reviewed by both you and ourselves. It is therefore important that you consider the facts of which you are aware and come to a view. If you wish to discuss any matters concerning our independence, we will be pleased to do so at the forthcoming meeting of the Standards and Governance Committee on 12 September 2013.

- ▶ We confirm that we have met the reporting requirements to the Audit Committee, as 'those charged with governance' under International Standards on Auditing (ISA) 260. Our communication plan to meet these requirements were set out in our Audit Plan of 7 June 2013.

Audit fees

The table below sets out the scale fee and our final proposed audit fees.

	Proposed final fee 2012/13	Scale fee 2012/13	Variation comments
	£s	£s	
Total Audit Fee – Code work	69,825	69,825	Nil
Certification of claims and returns	20,650	20,650	Nil
Non-Audit work	£nil	£nil	Nil

subject to the satisfactory clearance of the outstanding audit work.

- ▶ We confirm that we have not undertaken any non-audit work outside of the Audit Commission's Audit Code requirements.

Appendix 1 - Adjusted Audit errors

The following text adjustments have been made by management to disclosures within the revised financial statements

- Inclusion of a previously undisclosed related party relationship in respect of Gosport and Fareham Building Control Partnership
- Members Allowances were increased by the omission of a special responsibility allowance.

Ernst & Young LLP

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In March 2010 the Audit Commission issued a revised version of the 'Statement of responsibilities of auditors and audited bodies' (Statement of responsibilities). It is available from the Chief Executive of each audited body and via the [Audit Commission's website](#).

The Statement of responsibilities serves as the formal terms of engagement between the Audit Commission's 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 Standing Guidance serves as our terms of appointment as auditors appointed by the Audit Commission. The Standing Guidance sets out additional requirements that auditors must comply with, over and above those set out in the Code of Audit Practice 2010 (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.



AGENDA ITEM NO. 8

Board/Committee:	STANDARDS & GOVERNANCE COMMITTEE
Date of Meeting:	12 SEPTEMBER 2013
Title:	LETTER OF REPRESENTATION 2012/13
Author:	BOROUGH TREASURER
Status:	FOR DECISION

Purpose

To agree the Letter of Representation for the Final Accounts 2012/13

Recommendation

To agree the Letter of Representation and recommend its formal approval by Policy and Organisation Board.

1 Background

- 1.1 The Letter of Representation is a formal letter from the Council to the Council's external auditors (Ernst and Young) that provides assurances on key matters that are contained in the audited Statement of Accounts for 2012/13. It is a requirement of the external audit to assist in determining whether the financial statements give a true and fair view of the financial position of the Council at 31 March 2013.

2 Report

- 2.1 The letter is attached to this report.

3 Risk Assessment

- 3.1 The financial statements will not receive an unqualified audit opinion if the letter is not agreed and approved.

4 Conclusion

- 4.1 The Council's external auditors (Ernst and Young) require a formally approved Letter of Representation to provide assurances on key matters that are contained in the audited Statement of Accounts for 2012/13.

Financial Services comments:	Nil
Legal Services comments:	The Council is required to approve and publish the Statement of Accounts for 2012/13 by 30 September 2013
Crime and Disorder:	
Equality and Diversity:	
Service Improvement Plan implications:	
Corporate Plan:	
Risk Assessment:	Section 3
Background papers:	The draft Statement of Accounts for 2012/13 is included separately in the agenda papers.
Appendices/Enclosures:	
Appendix 'A'	Letter of Representation
Appendix 'B'	
Report author/ Lead Officer:	John Norman

APPENDIX A

Ernst & Young LLP
Wessex House
19 Threefield Lane
Southampton
SO14 3QB

Please ask for:

Julian Bowcher

Direct dial:

(023) 9254 5301

E-mail:

Julian.bowcher@gosport.gov.uk

My Ref:JB/KS

12 September 2013

Dear Sirs,

This representation letter is provided in connection with your audit of the financial statements of Gosport Borough Council ("the Council") for the year ended 31 March 2013. 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 Gosport Borough Council as of 31 March 2013 and of its expenditure and income for the year then ended in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

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 (England) 2011 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.
2. We acknowledge, 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, and of its expenditure and income of the Council in accordance with the CIPFA LASAAC Code of Practice on Local

Authority Accounting in the United Kingdom 2012/13 and are free of material misstatements, including omissions. 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. 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 2012/13 that are free from material misstatement, whether due to fraud or error.
5. There are no unadjusted audit differences identified during the current audit and pertaining to the latest period presented.

B. Fraud

1. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud
2. 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.
3. We have disclosed to you all significant facts relating to any frauds, suspected frauds or allegations of fraud known to us that may have affected the Council (regardless of the source or form and including, without limitation, allegations by "whistle-blowers"), whether involving management or employees who have significant roles in internal control. Similarly, we have disclosed to you our knowledge of frauds or suspected frauds affecting the entity involving others where the fraud could have a material effect on the financial statements. We have also disclosed to you all information in relation to any allegations of fraud or suspected fraud communicated by employees, former employees, analysts, regulators or others, that could affect the financial statements.

C. Compliance with Laws and Regulations

1. We have disclosed to you all known actual or suspected noncompliance with laws and regulations whose effects should be considered when preparing the financial statements.

D. 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 as agreed in terms of the audit engagement.
 - 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 committees (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the year to the most recent meeting on the following date: Standards and Governance Committee held on 12 September 2013 Policy and Organisation Committee on 26 September 2013.
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 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.

E. 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 Notes 33 and 34 to the financial statements all guarantees that we have given to third parties.
4. No other claims in connection with litigation have been or are expected to be received.

F. Subsequent Events

1. Other than the events described in Note 35 to 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.

G. Accounting Estimates

1. We believe that the significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
2. Accounting estimates recognised or disclosed in the financial statements:
 - We believe the measurement processes, including related assumptions and models, we used in determining accounting estimates is appropriate and the application of these processes is consistent.
 - The disclosures relating to accounting estimates are complete and appropriate in accordance with the applicable financial reporting framework.

- The assumptions we used in making accounting estimates appropriately reflects our intent and ability to carry out specific courses of action on behalf of the entity, where relevant to the accounting estimates and disclosures.
- No subsequent event requires an adjustment to the accounting estimates and disclosures included in the financial statements.

H 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.

I Use of the Work of an Expert

1. We agree with the findings of the experts engaged to provide Property, Plant and Equipment valuations and the pensions actuarial entries and have adequately considered the qualifications of the experts 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 experts 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 experts.

Yours faithfully,

Borough Treasurer

I confirm that this letter has been discussed and agreed at the Standards and Governance Committee on 12 September 2013 and formally approved at Policy and Organisation Board on 25 September 2013

Chairman of Policy and Organisation Board

AGENDA ITEM NO. 9

Board/Committee:	Standards and Governance Committee
Date of Meeting:	12 th September 2013
Title:	Internal Audit Monitoring Statement to 30.06.13
Author:	Head of Internal Audit & Risk Assurance
Status:	FOR DECISION

Purpose

To table the performance of the Internal Audit Section in the first three months of 2013/14 (1st April 2013 – 30th June 2013) against the agreed audit plan to the Members with responsibility for governance.

To provide Members with an update on other key internal audit business as well as the current proposals regarding changes to the internal audit partnership.

Recommendations

1. That the Standards and Governance Committee review the performance of Internal Audit from 1st April 2013 to 30th June 2013.
2. That the Standards and Governance Committee support the proposed arrangement for the sharing of the Head of Internal Audit to be extended to include Test Valley Borough Council (in addition to Eastleigh Borough Council) from the 1st October 2013.

1 Background

- 1.1 Members of this Committee approved the Annual Audit Plan for the period 2013/14 on 11th April 2013. The Plan was produced in consultation with all Service Unit Managers. Performance against the Annual Audit Plan for 2013/14, contained within the above, is reported to Members periodically. This first monitoring report outlines the audit activity for the period 1 April to 30 June 2013.

2 Report

- 2.1 In the three month period to the end of June 2013 good progress has been made in delivering the initial planned audit coverage within this period.
- 2.2 The actual internal audit days against the planned days at this stage of the financial year is currently in line with expectations.
- 2.3 Audit assignments completed in the period April to June 2013 include the following:-

Report Title	Service Unit	No. of Recommendations ¹			
		Cr	Es	Im	Ad
Access to DVLA database	Community & Customer	-	-	-	3
Corporate Asset Management	Housing	-	-	3	2
Personnel (My view)	Chief Executive	-	-	-	4
Housing Debtors	Housing	-	-	10	1
Purchasing	Financial	-	-	10	8
Disabled facility Grants	Housing	-	-	2	-
Open Market	Community & Customer	-	-	3	5
Business Continuity Plans	Community & Customer	-	-	4	1
Total		-	-	32	24

2.4 In addition, other work included support on the major contracts, assisting in work on the annual governance statement, audit advice to all Units, supporting the strategic risk management group and also responding to the External Auditors questions relating to internal audit matters.

2.5 The Head of Internal Audit continues his joint role managing the two Internal Audit Sections and had spent 36¼ days engaged off site at Eastleigh Borough Council in the first quarter of 2013/14. The arrangement continues to provide a quality service and generates income to the Council in excess of £11,000 a quarter.

2.6 Shared Head of Internal Audit – Test Valley

The Head of Internal Audit, as reported to the previous meeting, will begin managing the Internal Audit function at Test Valley from October 2013. The evaluation of this wider arrangement concludes that it will have a minor impact on the overall 2013/14 audit plan as agreed by this Committee on the 11th April 2013. This is illustrated in the following table:

¹ Cr is critical, Es is essential, Im is important and Ad is advisory.

Service Unit/ Audit Area	Planned Audit Days 2012/13	Planned Audit Days 2013/14	Revised Audit Days 2013/14
Based on audit resource:-	4.39 WTE	4.12 WTE	3.97 WTE
Financial Services	241.75	195.75	190
Legal, Democratic & Planning Services	23.75	18	18
Chief Executives	94.25	66.50	65
Community & Customer Services	139.50	98	95
Housing Services	114.50	76	75
Management/VFM Reviews	86.50	96	80
Eastleigh Borough Council	130	130	107.25
Test Valley District Council	-	-	45.50
Contingency	45	70	65
Total	875.25	750.25	740.75

(First three columns are an extract from S&G Committee report of 11 April 2013)

- 2.7 The arrangement will initially be governed by an agreed Letter of Intent with the respective Chief Financial Officers from each of the Councils. This governance arrangement has operated very well over the past 5 years with Eastleigh Borough Council. It is intended to review the operation of these new arrangements after 12 months and if all parties agree to continue the arrangements a shared service agreement will be entered into. .

3 Risk Assessment

- 3.1 The work performed by Internal Audit assists in reducing the overall risk exposure in the Council's operations and provides a degree of support to management in placing reliance on the adequacy of controls within their Services.
- 3.2 The risk that the extension of the current audit partnership arrangements has a detrimental impact on this Council's internal audit service is partly mitigated by the efficiencies arising from the amalgamation of the benefit fraud team into the internal audit section.

It has also been possible to incorporate a significant contingency provision of 65 Days in the revised plan which is available to support any audit area where additional resource is required. One of the main advantages of the partnership is the opportunity for each authority to learn from each other to achieve best practice and greater efficiency and effectiveness. Should the agreement not be successful and it be considered not to be in the best interest of the Council it can be terminated with 6 month's notice.

4 Conclusion

- 4.1 That the Committee note the update on the planned coverage for 2013/14 as at 30 June 2013, other internal audit developments and the current status and support the proposed extension of the internal audit partnership to include both Eastleigh and Test Valley Borough Councils.

Financial Services comments:	None
Legal Services comments:	None
Crime and Disorder:	Nil
Equality and Diversity:	Nil
Service Improvement Plan implications:	The delivery of the annual audit plan is a key function of the service and is measured quarterly and progress reviewed by the Chief Executive.
Corporate Plan:	It supports the Council in pursuit of excellence through delivering a quality joint service.
Risk Assessment:	Paragraph 3
Background papers:	None
Appendices/Enclosures:	None
Report author/ Lead Officer:	Chris Davis 02392 545306