

Please ask for:

Chris Wrein

Direct dial:

(023) 9254 5228

Fax:

(023) 9254 5587

E-mail:

chris. wrein@gosport.gov.uk

3 April 2013

S U M M O N S

MEETING: Standards and Governance Committee
DATE: 11 April 2013
TIME: 6.00 p.m.
PLACE: Committee Room 1, Town Hall, Gosport
Democratic Services contact: Chris Wrein

LINDA EDWARDS
BOROUGH SOLICITOR

MEMBERS OF THE COMMITTEE

Councillor Allen (Chairman)
Councillor Scard (Vice-Chairman)

Councillor Beavis	Councillor Hazel
Councillor Chegwyn	Councillor Philpott
Councillor Forder	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 record the Minutes of the Committee meeting held on 16 January 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, 9 April 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, 9 April 2013).

6. ANNUAL AUDIT FEE 2013/14

Part II

To consider the Annual Audit Fee 2013/14 letter.

Contact Officer:
Julian Bowcher/
Rose Coates
Ext 5551

7. EXTERNAL AUDIT PROGRESS REPORT 2012/13

Part II

To consider the report of the Council's External Auditors.

Contact Officer:
Julian Bowcher/
Rose Coates
Ext 5551

Standards and Governance Committee
11 April 2013

8. INTERNAL AUDIT PLAN 2013/14

Part II

To provide the Standards and Governance Committee with the planned annual coverage of Internal Audit resources for 2013/14.

Contact Officer:
Chris Davis
Ext 5306

9. INTERNAL AUDIT MONITORING STATEMENT FROM 01.12.12 TO 28.02.13

Part II

(i) *to table the performance of the Internal Audit Section in the three months of 2012/13 (1st December 2012 – 28th February 2013) actual coverage against the agreed audit plan to the Members with responsibility for governance.*

Contact Officer:
Chris Davis
Ext 5305

(ii) *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 with Eastleigh Borough Council within the three month period.*

10. ANY OTHER ITEMS

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

Ian Lycett
Chief Executive
Gosport Borough Council
Town Hall, High Street
Gosport, Hampshire
PO12 1EB

26 March 2013

Ref: 27582822/HT/Fee Letter

Direct line: 023 8038 2099

Email: HThompson2@uk.ey.com

Dear Ian

Annual Audit Fee 2013/14

We are writing to confirm the audit work that we propose to undertake for the 2013/14 financial year at Gosport Borough Council. The fee reflects the risk-based approach to audit planning set out in the Code of Audit Practice and the work mandated by the Audit Commission for 2013/14. The audit fee covers the:

- ▶ Audit of the financial statements;
- ▶ Value for money conclusion; and
- ▶ Whole of Government accounts.

Our fee was set by the Audit Commission as part of the 5 year procurement exercise and consequently is not liable to increase in that period without a change in scope.

Indicative audit fee

For 2013/14 the Audit Commission has set the scale fee for each audited body. The scale fee is based on certain assumptions, including:

- ▶ The overall level of risk in relation to the audit of the financial statements is not significantly different from that of the prior year;
- ▶ We are able to place reliance on the work of internal audit to the maximum extent possible under auditing standards;
- ▶ The financial statements will be available to us in line with the agreed timetable;
- ▶ Working papers and records provided to us in support of the financial statements are of a good quality and are provided in line with our agreed timetable; and
- ▶ Prompt responses are provided to our draft reports.

Meeting these assumptions will help ensure the delivery of our audit at the indicative audit fee.

The indicative audit fee set out in the table below has initially been set at the scale fee level as the overall level of risk in relation to the audit of the financial statements is not significantly different from that of the prior year .

	Indicative fee 2013/14 £	Planned Fee 2012/13 £	Actual fee 2011/12 £
Total Code audit fee	69,825	69,825	121,375
Certification of claims and returns*	19,209	20,650	40,109
Total fees	89,034	90,475	161,484

*The fee for 2012/13 and for 2011/12 relates to the certification of grant claims and returns for the years ended 31 March 2013 and 31 March 2012 respectively. The certification fees for 2011/12 are the actual fees for the year ended 31 March 2012.

Any additional work that we may agree to undertake (outside of the Audit Code of Practice) will be separately negotiated and agreed with you in advance.

Our audit plan for the audit of the financial statements will be issued in April 2014. This will detail the significant financial statement risks identified, planned audit procedures to respond to those risks, and any changes in fee. It will also set out the risks identified in relation to the value for money conclusion. Should we need to make any significant amendments to the audit fee during the course of the audit, we will discuss this in the first instance with the Borough Treasurer and, if necessary, prepare a report outlining the reasons for the fee change for discussion with the Standards and Governance Committee.

Billing

The indicative audit fee will be billed quarterly in advance.

Audit team

The key members of the audit team for 2013/14 are:

Helen Thompson
Director

HThompson2@uk.ey.com

Office: 023 8038 2099
Mobile: 07974 007332

Rose Coates
Manager

RCoates@uk.ey.com

Mobile: 07810 152333

Alan Gregory
Executive

AGregory@uk.ey.com

Mobile: 07867 152490

We are committed to providing you with a high quality service. 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, please contact me. If you prefer an alternative route, please contact Steve Varley, our Managing Partner, 1 More London Place, London, SE1 2AF.

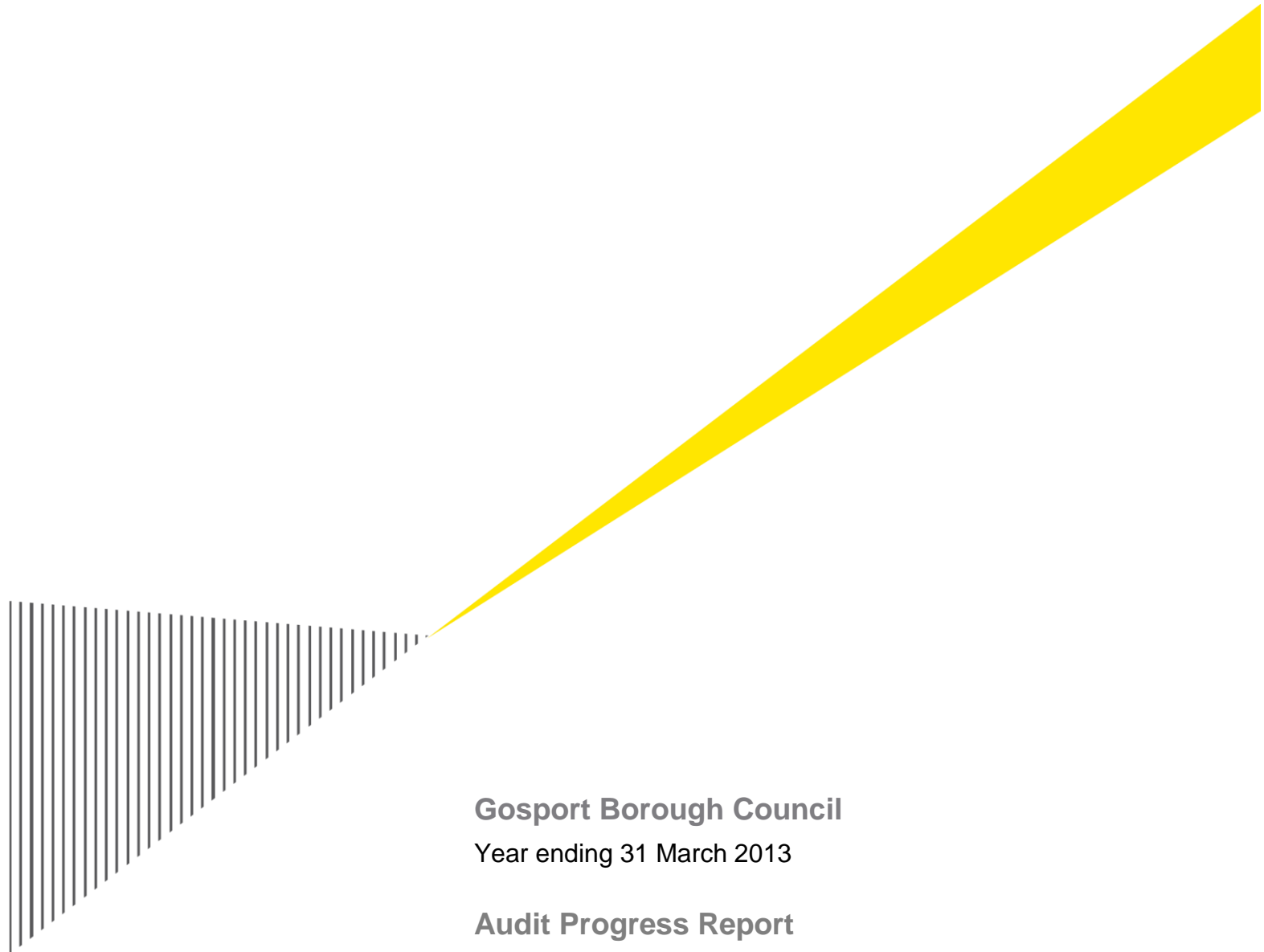
We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Helen Thompson'.

Helen Thompson
Director

cc. Julian Bowcher, Borough Treasurer
Councillor Allen, Chair of the Standards and Governance Committee



Gosport Borough Council

Year ending 31 March 2013

Audit Progress Report

April 2013

Standards and Governance Committee
Gosport Borough Council
Town Hall,
High Street
Gosport
PO12 1EB

29 March 2013

Dear Members

Audit Progress Report - March 2012/13

We are pleased to attach our Audit Progress Report.

Our report sets out the work we have undertaken to date since our appointment as your auditor on 1 September 2012. The purpose of this report is to provide the Standards and Governance Committee with an overview of the stage we have reached in delivering your 2012/13 audit. This Progress Report is the first step in ensuring that our audit is aligned with the Committee's service expectations.

Our audit will be undertaken in accordance with the requirements of the Audit Commission Act 1998, the Code of Audit Practice, the Audit Commission Standing Guidance, auditing standards and other professional requirements.

We welcome the opportunity to discuss this report with you as well as understand whether there are other matters which you consider may influence our audit.

Yours faithfully



Helen Thompson
Director
For and behalf of Ernst & Young LLP

Contents

1. Work completed2

2. Timetable.....4

Appendix 1: Audit Progress on Deliverables5

1. Work completed

Meetings

We have held a number of planning meetings with officers and other stakeholders as part of our audit planning process:

- ▶ 10 December 2012 – meeting with key finance staff to discuss significant risks around the account preparation process.
- ▶ 16 January 2012 – meeting with Chief Executive, Treasurer and Chair of Standards and Governance Committee and attendance at Committee.
- ▶ 17 January 2012 – introductory meeting for the Director with the Chief Executive and Director of Finance to discuss the engagement team and outline our audit approach.
- ▶ March 2013:
 - ▶ Various meetings with finance staff to document and walk through key financial systems.
 - ▶ Various meetings with IT staff and Internal audit to document, walk through and evaluate your IT general controls.
 - ▶ Discussion with Internal Audit relating to the reliance we hope to place on their work.
 - ▶ Discussions with finance staff related to the financial close down process and our working paper requirements to support the financial statements.
- ▶ Letters requesting certain assurances from management and those charged with governance were issued in February 2013. Responses have been received in March 2013.

Discussion of significant risks

Our audit planning processes are in progress. We have held a number of meetings with key finance officers and Internal Audit and will use historic knowledge in the team to identify the significant risks being faced by the Council. Audit risks identified will be summarised in our Audit Plan which will be presented to the June 2013 Standards and Governance Committee

Our year end audit will start in July 2013 and complete in September when we will report to the Standards and Governance Committee on 12 September 2013.

Value for money assessment

In April 2013 we will carry out our initial risk assessment for our value for money work against the Audit Commission's specified criteria and areas of focus. Once we have completed our risk assessment, we will communicate to you in our Audit Plan any specific risks we have identified and any additional local risk based work we may need to undertake as a result.

Grant claim certification

Our work on the certification of your 2012/13 claims has not started. We plan to audit your NNDR claim in September 2013 and your housing benefit claim in October 2013.

Independence

Independence is a fundamental concept underlying the performance of an audit. The Ernst and Young Global (EYG) Independence Policy is designed to comply with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants. The Company takes all threats to independence very seriously. Any threats identified will be summarised in our Audit Plan. No threats have been identified to date.

2. Timetable

Standards and Governance Committee Timeline

We have set out below a timetable showing the key stages of the audit, including the value for money work and the whole of government accounts, and the deliverables we have agreed to provide to you through the 2012/13 Standards and Governance Committee cycle.

We will provide formal reports to the Standards and Governance Committee throughout our audit process as outlined below. Where required, we will issue an Interim Report, summarising the findings from our audit at that stage. From time to time matters may arise that require immediate communication with the Committee and we will discuss them with the Committee Chair as appropriate.

Following the conclusion of our audit we will prepare an Annual Audit Letter in order to communicate to the Council and external stakeholders, including members of the public, the key issues arising from our work.

Audit phase	Timetable	Deliverables
High level planning:	December 2012	Fee Letter
Risk assessment and setting of scopes	March /April	
Testing of routine processes and controls	April 2013	Audit Plan
Value for money conclusion	June- August 2013	
Year-end audit	July – September	Report to those charged with governance (12 September 2013 Standards and Governance Committee).
		By 30 September 2013 audit report (including our opinion on the financial statements and a conclusion as to whether the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources).
		Audit completion certificate.
		Whole of Government Accounts Certification (by 7 October 2013).
Reporting	October 2013	Annual Audit Letter
Grant claims	December 2013	Report on the audit of grant claims

In addition to the above formal reporting and deliverables we will seek to provide practical business insights and updates on regulatory matters through our Sector Briefings.

Appendix 1: Audit Progress on Deliverables

Progress against key deliverables

Key deliverable	Timetable in plan	Status	Comments
Fee Letter	December 2012	Completed	Reported to 16 January 2013 Standards and Governance Committee.
Audit Plan	April 2013		To be reported to 20 June Standards and Governance Committee.
Report to Those Charged with Governance	September 2013		To be reported to 12 September 2013 Standards and Governance Committee.
Audit Report (including opinion and value for money conclusion)	September 2013		Draft to be reported to 12 September 2013 Standards and Governance Committee. Final Audit Report to be issued by 30 September 2013.
Audit Certificate	September 2013		To be issued by 30 September 2013.
WGA Certificate	September 2013		To be issued by 7 October 2013.
Annual Audit Letter	October 2013		To be issued by 31 October 2013.

Ernst & Young LLP

Assurance | Tax | Transaction | Advisory

www.ey.com/uk

The UK firm Ernst & Young LLP is a limited liability partnership registered in England and Wales with registered number OC300001 and is a member firm of Ernst & Young Global Limited

Ernst & Young LLP, 1 More London Place, London, SE1 2AF.

© Ernst & Young LLP 2012. Published in the UK.
All rights reserved.

AGENDA ITEM NO. 8

Committee:	Standards & Governance Committee
Date of Meeting:	11 April 2013
Title:	Internal Audit Plan 2013/14
Author:	Head of Internal Audit & Risk Assurance
Status:	For Decision

Purpose

This report provides the Standards and Governance Committee with the planned annual coverage of Internal Audit resources for 2013/14.

Recommendation

That the Standards and Governance Committee agree the 2013/14 Internal Audit Plan as attached in Appendix One.

1 Background

- 1.1 The plan has been developed after consultation with Service Unit Managers and a number of Section Heads as well as reviewing the three year strategic audit plan and assessing the Council's strategic and operational risk registers. Further consultation with our new External Auditors is planned later this month to ensure there is no duplication of audit resource (both internal and external) in the forthcoming year. Developing this year audit plan has again been challenging with significant structural changes within the Council over the last 12 months. It is pleasing to report that there will be stability in resources over the coming year with no turnover in the team. The team did run with a vacancy up to September 2012 which has been temporarily filled with a secondment from Housing Benefit Fraud This secondment has been taken into account within the planned internal audit coverage for 2013/14. A number of risk profiles have been affected due to the current economic climate, recent staff turnover and merging of services into new Units.

2 Report

- 2.1 The annual audit plan is based on 4.12 WTE internal staff and highlights the key components of the planned output from Internal Audit for 2013/14. Future quarterly monitoring reports will be scheduled (included in the Committee's work plan) for Members throughout the year to compare actual versus planned coverage for the forthcoming year.

2.2 The Internal Audit Plan also includes for a maximum of 20 days IT Audit specialist (covered within the annual internal audit budget) resource that continues to be shared with Portsmouth City Council.

2.3 The 2013/14 internal audit plan allows for a maximum of 130 (same as previous year) audit days to be shared, under the current arrangement, to support Eastleigh Borough Council in delivering their audit plan. The shared resource will generate approximately £40K in the year. It's planned that audit resources will be allocated to Eastleigh Borough Council in the following way:-

Quarter	Head of Internal Audit (days)
Q1 (Apr–Jun)	32.50
Q2 (Jul - Sep)	32.50
Q3 (Oct – Dec)	32.50
Q4 (Jan – Mar)	32.50

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.

4 Conclusion

4.1 This report outlines the planned internal audit coverage for 2013/14.

Financial Services comments:	None
Legal Services comments:	None
Service Improvement Plan implications:	The annual plan is part of the Sections improvement plan and regular monitoring features as the operational plan for which the section is scrutinised both externally (Audit Commission) and internally (by the Standards & Governance Committee).
Corporate Plan:	The Internal Audit coverage supports all Council Services in pursuit of their overall corporate objectives.
Risk Assessment:	See Section 3
Background papers:	None
Appendices/Enclosures:	Appendix One – Internal Audit Plan 2013/14
Report author/ Lead Officer:	Chris Davis 023 9254 5306

Appendix One

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

AGENDA ITEM NO. 9

Board/Committee:	Standards and Governance Committee
Date of Meeting:	11 th April 2013
Title:	Internal Audit Monitoring Statement from 1.12.12 to 28.02.13
Author:	Head of Internal Audit & Risk Assurance
Status:	FOR DECISION

Purpose

To table the performance of the Internal Audit Section in the three months of 2012/13 (1st December 2012 – 28th February 2013) actual coverage 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 with Eastleigh Borough Council within the three month period.

Recommendation

That the Standards and Governance Committee review the performance of Internal Audit from 1st December 2012 to 28th February 2013.

1 Background

- 1.1 Members of this Committee approved the Annual Audit Plan for the period 2012/13 on 5th April 2012. The Plan was produced in consultation with all Service Unit Managers. Performance against the Annual Audit Plan for 2012/13, contained within the above, is reported to Members periodically. This report outlines the audit activity for the period 1 December 2012 to 28 February 2013, as summarised in Appendix One.

2 Report

- 2.1 In the penultimate period for this financial year (2012/13) excellent progress has been made in delivering the annual audit plan. It is anticipated that the over 95% of the plan will be delivered by the 31st March 2013.

- 2.2 The actual internal audit days against the planned days at this stage of the financial year is currently in line with expectations. Significant progress can be reported on fundamental assignments with a level of continuous auditing also being applied in areas such as Accounts Payable. All reports will be completed for inspection by our External Auditors by the week ending 5th April 2013.
- 2.3 The Head of Internal Audit continues his joint role managing the two Internal Audit Sections and had spent 35 days engaged off site at Eastleigh Borough Council in the third quarter. It is expected that this arrangement will generate £42k for 2012/13. This joint arrangement has generated income of over £245k since early 2008 to December 2012 and this continues to provide an excellent service.
- 2.4 Audit assignments completed in the period December 2012 to February 2013 include the following:-

Report Title	Service Unit	No. of Recommendations ¹			
		Cr	Es	Im	Ad
Previously reported to 30.11.12		-	2	29	60
Service Charges	Housing	-	-	3	6
Payroll & Expenses	Finance	-	-	-	3
Council Tax	Finance	-	-	2	4
NNDR	Finance	-	-	5	6
Debtors	Finance	-	-	-	4
Housing Rents	Housing	-	-	1	2
Council Garages	Housing	-	-	-	1
Creditors	Finance	-	-	-	5
Accounting & Bank Reconciliation	Finance	-	-	-	3
Accounting System	Finance	-	-	-	-

- 2.5 In addition, other work included continued support on the major contracts, on-going work with Legal Services around data sharing and data protection, audit advice to all Units, reviewing a number of complaints, supporting the strategic risk management group and also responding to the newly appointed External Auditors (Ernst & Young) questions relating to governance, risk management and internal audit matters.

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

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.

4 Conclusion

- 4.1 That the Committee note the update on the planned coverage for 2012/13 as at 28 February 2013, other internal audit developments and the current status of the internal audit partnership with Eastleigh Borough Council.

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 and Borough Treasurer.
Corporate Plan:	It supports the Council in pursuit of excellence through delivering a quality joint internal audit service.
Risk Assessment:	Paragraph 3
Background papers:	None
Appendices/Enclosures:	None
Report author/ Lead Officer:	Chris Davis 02392 545306