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31 August 2016

S U M M O N S

MEETING: Standards and Governance Committee
DATE: 8 September 2016
TIME: 6pm
PLACE: Committee Room 1, Town Hall, Gosport
Democratic Services contact: Vicki Stone

LINDA EDWARDS
BOROUGH SOLICITOR

MEMBERS OF THE BOARD

Councillor Carter (Chairman)
Councillor Scard (Vice-Chairman)

Councillor Allen	Councillor Mrs Forder
Councillor Ms Ballard	Councillor Mrs Furlong
Councillor Beavis	Councillor Mrs Jones
Councillor Chegwyn	Councillor Mrs Morgan
Councillor Mrs Cully	Councillor Mrs Prickett

FIRE PRECAUTIONS

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

In the event of the fire alarm sounding, 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 Board wishes to speak at the Board 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 or to silent for the duration of the meeting.
- iii. This meeting may be filmed or otherwise recorded. By attending this meeting, you are consenting to any broadcast of your image and being recorded.

AGENDA

1. APOLOGIES FOR NON-ATTENDANCE
2. DECLARATIONS OF INTEREST
All Members are required to disclose, at this point in the meeting or as soon as possible thereafter, any disclosable pecuniary interest or 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 7 July 2016
4. DEPUTATIONS – STANDING ORDER 3.5
(NOTE: The Board is required to receive a deputation(s) on a matter which is before the meeting of the Board provided that notice of the intended deputation and its object shall have been received by the Borough Solicitor by 12 noon on Tuesday, 6 September 2016. 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 Board 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 Board provided that notice of such Question(s) shall have been submitted to the Borough Solicitor by 12 noon on Tuesday, 6 September 2016).
6. LOCAL GOVERNMENT OMBUDSMAN: ANNUAL REVIEW 2016
To advise the Committee of the Annual Review Letter 2016 received from the Local Government Ombudsman.

PART II
Chief Executive
7. INTERNAL AUDIT MONITORING STATEMENT TO 30.06.16
*To table the performance of the Internal Audit Section in the first three months of 2016/17 (1st April 2016 – 30th June 2016) against the agreed audit plan to the Members with responsibility for governance.
Provide Members with an update on the new team and their development.*

PART II
Chris Davies
Head of Internal
Audit & Risk
Assurance
8. AUDIT RESULTS REPORT FOR 2015/16
This report summarises the findings from the 2015/16 audit which is substantially complete. It includes messages arising from our audit of your financial statements and the results of the work we have undertaken to assess your arrangements to secure economy, efficiency and effectiveness in your use of resources.

PART II
Helen Thompson
Ernst & Young
9. ANY OTHER ITEMS
-which the Chairman determines should be considered, by reason of special circumstances, as a matter of urgency.

AGENDA ITEM NO. 06

Board/Committee:	STANDARDS AND GOVERNANCE COMMITTEE
Date of meeting:	8 SEPTEMBER 2016
Title:	LOCAL GOVERNMENT OMBUDSMAN: ANNUAL REVIEW 2016
Author:	CHIEF EXECUTIVE
Status:	FOR NOTING

Purpose

To advise the Committee of the Annual Review Letter 2016 received from the Local Government Ombudsman.

Recommendation

That the Committee note the report.

1.0 Background

- 1.1 The Local Government Ombudsman writes to all local authorities on an annual basis summarising the complaints about the authority which have been dealt with by the Ombudsman during the previous year ending 31 March.
- 1.2 The Ombudsman's Annual Review Letter for the year ended 31 March 2016 is attached to this report as Appendix 1.

2.0 Report

- 2.1 The Ombudsman's Team received fourteen complaints and enquiries during 2015/16, 2 less than 2014/15 (figures for 2014/15 are shown in brackets.. Of these, one were concerned with Corporate Services (six), three with Housing Services (four), seven with Benefits and Tax (two), and one each with Environmental Services, Highways and Transport and Planning and Development (one).
- 2.2 During this period six of the complaints received by the Ombudsman were closed after initial enquiries (nine), five were referred back to the Council for local resolution (four), advice was given in one case and a Decision was made on one case (3), with the complaint not being upheld (1). In 2015/16 no complaints were upheld by the Ombudsman, in 2014/15 two complaints were upheld.
- 2.3 Overall the number of complaints has reduced and the number of complaints upheld by the Ombudsman also reduced.

3.0 Risk assessment

- 3.1 It is important that the Council has an effective and robust Customer Complaints Procedure in place in order to minimise the instances of compensation being paid.

4.0 Conclusion

- 4.1 It is intended that this review be included on the Council's website.

Financial implications:	None
Legal implications:	None
Service Improvement Plan implications:	None
Corporate Plan:	None
Risk Assessment:	See above
Background papers:	Local Government Ombudsman Complaint Statistics
Appendix A:	Local Government Ombudsman's Annual Review 2014/15 and 2016
Report Author/Lead Officer:	Ian Lycett

21 July 2016

By email

Ian Lycett
Chief Executive
Gosport Borough Council

Dear Ian Lycett,

Annual Review Letter 2016

I write to you with our annual summary of statistics on the complaints made to the Local Government Ombudsman (LGO) about your authority for the year ended 31 March 2016.

The enclosed tables present the number of complaints and enquiries received and the decisions we made about your authority during the period. I hope that this information will prove helpful in assessing your authority's performance in handling complaints.

Last year we provided information on the number of complaints upheld and not upheld for the first time. In response to council feedback, this year we are providing additional information to focus the statistics more on the outcome from complaints rather than just the amounts received.

We provide a breakdown of the upheld investigations to show how they were remedied. This includes the number of cases where our recommendations remedied the fault and the number of cases where we decided your authority had offered a satisfactory remedy during the local complaints process. In these latter cases we provide reassurance that your authority had satisfactorily attempted to resolve the complaint before the person came to us. In addition, we provide a compliance rate for implementing our recommendations to remedy a fault.

I want to emphasise that these statistics comprise the data we hold, and may not necessarily align with the data your authority holds. For example, our numbers include enquiries from people we signpost back to the authority, but who may never contact you.

In line with usual practice, we are publishing our annual data for all authorities on our website, alongside an annual review of local government complaints. The aim of this is to be transparent and provide information that aids the scrutiny of local services.

Effective accountability for devolved authorities

Local government is going through perhaps some of the biggest changes since the LGO was set up more than 40 years ago. The creation of combined authorities and an increase in the number of elected mayors will hugely affect the way local services are held to account. We have already started working with the early combined authorities to help develop principles for effective and accessible complaints systems.

We have also reviewed how we structure our casework teams to provide insight across the emerging combined authority structures. Responding to council feedback, this included reconfirming the Assistant Ombudsman responsible for relationship management with each authority, which we recently communicated to Link Officers through distribution of our manual for working with the LGO.

Supporting local scrutiny

Our corporate strategy is based upon the twin pillars of remedying injustice and improving local public services. The numbers in our annual report demonstrate that we continue to improve the quality of our service in achieving swift redress.

To measure our progress against the objective to improve local services, in March we issued a survey to all councils. I was encouraged to find that 98% of respondents believed that our investigations have had an impact on improving local public services. I am confident that the continued publication of our decisions (alongside an improved facility to browse for them on our website), focus reports on key themes and the data in these annual review letters is helping the sector to learn from its mistakes and support better services for citizens.

The survey also demonstrated a significant proportion of councils are sharing the information we provide with elected members and scrutiny committees. I welcome this approach, and want to take this opportunity to encourage others to do so.

Complaint handling training

We recently refreshed our Effective Complaint Handling courses for local authorities and introduced a new course for independent care providers. We trained over 700 people last year and feedback shows a 96% increase in the number of participants who felt confident in dealing with complaints following the course. To find out more, visit www.lgo.org.uk/training.

Ombudsman reform

You will no doubt be aware that the government has announced the intention to produce draft legislation for the creation of a single ombudsman for public services in England. This is something we support, as it will provide the public with a clearer route to redress in an increasingly complex environment of public service delivery.

We will continue to support government in the realisation of the public service ombudsman, and are advising on the importance of maintaining our 40 years plus experience of working with local government and our understanding its unique accountability structures.

This will also be the last time I write with your annual review. My seven-year term of office as Local Government Ombudsman comes to an end in January 2017. The LGO has gone through extensive change since I took up post in 2010, becoming a much leaner and more focused organisation, and I am confident that it is well prepared for the challenges ahead.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Jane Martin', with a horizontal line underneath.

Dr Jane Martin
Local Government Ombudsman
Chair, Commission for Local Administration in England

Local Authority Report: Gosport Borough Council
For the Period Ending: 31/03/2016

For further information on how to interpret our statistics, please visit our website:
<http://www.lgo.org.uk/information-centre/reports/annual-review-reports/interpreting-local-authority-statistics>

Complaints and enquiries received

Adult Care Services	Benefits and Tax	Corporate and Other Services	Education and Children's Services	Environment Services	Highways and Transport	Housing	Planning and Development	Other	Total
0	7	1	0	1	1	3	1	0	14

Decisions made

				Detailed Investigations			
Incomplete or Invalid	Advice Given	Referred back for Local Resolution	Closed After Initial Enquiries	Not Upheld	Upheld	Uphold Rate	Total
0	1	5	6	1	0	0%	13

Notes

Our uphold rate is calculated in relation to the total number of detailed investigations.

The number of remedied complaints may not equal the number of upheld complaints. This is because, while we may uphold a complaint because we find fault, we may not always find grounds to say that fault caused injustice that ought to be remedied.

The compliance rate is the proportion of remedied complaints where our recommendations are believed to have been implemented.

Complaints Remedied

by LGO	Satisfactorily by Authority before LGO Involvement	Compliance Rate
0	0	100%

AGENDA ITEM NO.07

Board/Committee:	Standards and Governance Committee
Date of Meeting:	8 ^h September 2016
Title:	Internal Audit Monitoring Statement to 30.06.16
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 2016/17 (1st April 2016 – 30th June 2016) against the agreed audit plan to the Members with responsibility for governance.

Provide Members with an update on the new team and their development.

Recommendations

- a) That the Standards and Governance Committee review the performance of Internal Audit from 1st April 2016 to 30th June 2016.
- b) That the Members note the developments in the team since the last meeting.

1 Background

- 1.1 The purpose of this report is to provide the Standards and Governance Committee with an overview of internal audit activity against assurance work completed in accordance with the approved internal audit plan. Members of this Committee approved the 2016/17 Annual Audit on the 24th March 2016. This is the first monitoring statement for the current financial year.

2 Report

Internal Audit Coverage for 2015/16

- 2.1 In the three month period to the end of June 2016 very good progress has been made in delivering the agreed internal audit plan.
- 2.2 The team, at full capacity, has delivered quality assignments in the 1st quarter of 2016/17. The team also completed all the outstanding assignments in good time for External Audit inspection as well as progressing well in the planned 2016/17 audit coverage. The two trainees continue to develop to the audit environment and are delivering very good output. Internal audit management support is dedicated to their development through the audit year and they are now capable and competent in completing more technical audits with minimal supervision. Both have passed their individual first year

professional qualifications and they continue into their next stages of studies.

2.3 **Internal Audit Activity**

During the last five months up to the 30th June 2016 a number of fundamental audits were finalised.

A summary from each of our assurance statements for the fundamental audits now follow:

- 2.3.1 **Council Tax** – Overall there were six recommendations for this review (3 important and 3 advisory) and these have been accepted by management and remedial action agreed. Some improvements have been identified in special payment arrangements, write offs and credit balances.

Audit opinion

The overall opinion has concluded that the processes and systems in place in respect of Council Tax are operating effectively and managed by experienced senior officers who are knowledgeable about their duties.

- 2.3.2 **Housing Benefits** – Overall there were five recommendations for this review (2 important and 3 advisory) with remedial action agreed where appropriate. The matters raised within the review were around system parameter setting and the management trail around valuables and cash coming through the drop box facility.

Audit opinion

Internal controls are good and ensure the activities and procedures are operating to achieve the system objectives.

System Reviews

- 2.4 The following non –fundamental audits were also completed in this period.

- 2.4.1 **Float and Imprests** – Overall there were three recommendations for this review (all advisory). Remedial action has been agreed with management and target dates have been set and will be followed up.

Audit opinion

Internal controls are good and operating effectively. There are no significant risks affecting this process and their procedures.

- 2.4.2 **Community Safety** - Overall there were three recommendations for this review (1 important and 2 advisory). Action has been agreed with

management, a target set and will be followed up later in 2015/16.

Audit opinion

Internal controls are strong and operating effectively. There are no significant risks affecting their processes and procedures.

- 2.4.3 **Controlled Stationery** – Overall there were five recommendations for this review (1 important and 4 advisory). Actions have been agreed with management, targets set and will be followed up in quarter three.

Audit opinion

Internal controls are good and operating effectively. There are no significant risks affecting this process and their procedures.

- 2.5 The Head of Internal Audit has continued his joint role managing the two Internal Audit Sections and had spent 26.82 days engaged off site at Test Valley Borough Council in the first quarter of 2016/17.
- 2.6 Other areas of work in the first three months of 2015/16 included work on the major contracts, supporting management in the composition of the annual governance statement, corporate risk management support, advice to all areas of the business and developing the trainees and forward planning further developments for continuous improvement in our own process and delivery.

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 high degree of assurance to management in placing reliance on the adequacy of internal controls within their Services.

4 Conclusion

- 4.1 That the Committee note the update on the planned coverage for 2016/17 as at 30 June 2016 and the development of the internal audit team.

Financial Services comments:	None
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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 an effective and high quality joint internal audit service.
Risk Assessment:	Section 3
Background papers:	None
Appendices/Enclosures:	Nil
Report author/ Lead Officer:	Chris Davis 02392 545306

Gosport Borough Council

Audit Results Report - ISA (UK and Ireland) 260
for the year ended 31 March 2016

September 2016

Ernst & Young LLP



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In April 2015 Public Sector Audit Appointments Ltd (PSAA) issued “Statement of responsibilities of auditors and audited bodies 2015-16”. It is available from the Chief Executive of each audited body and via the PSAA website (www.psaa.co.uk)

The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The ‘Terms of Appointment from 1 April 2015’ issued by PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and statute, and covers matters of practice and procedure which are of a recurring nature.

This Audit Results Report is prepared in the context of the Statement of responsibilities. This report is intended solely for the use of the Members of the audited body. 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.

1. Executive summary

The National Audit Office's Code of Audit Practice (the Code) requires us to report to those charged with governance – the Standards and Governance Committee and Policy and Organisation Board – 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 2015/16 audit which is substantially complete. It includes messages arising from our audit of your financial statements and the results of the work we have undertaken to assess your arrangements to secure economy, efficiency and effectiveness in your use of resources.

Below are the results and conclusions on the significant areas of the audit process.

Status of the audit	<p>We have substantially completed our audit of the financial statements of Gosport Borough Council for the year ended 2015/16. Subject to satisfactory completion of the following outstanding items we will issue an audit opinion in the form which appears in Appendix D:</p> <ul style="list-style-type: none"> • Completion of work on reserves. • Completion of work on disclosures. • Completion of subsequent events review. • Receipt of the signed management representation letter. <p>We have performed the procedures outlined in our Audit Plan and anticipate issuing an unqualified opinion on the Council's financial statements.</p> <p>We expect to conclude that you have put in place proper arrangements to secure value for money in your use of resources.</p> <p>We have performed the procedures required by the National Audit Office (NAO) regarding the Whole of Government Accounts submission. We had no issues to report.</p> <p>We expect to issue the audit certificate at the same time as the audit opinion.</p>
Audit differences	<p>Our audit identified a small number of audit differences which our team have highlighted to management for amendment. These have been corrected during the course of our work and further details are provided at Appendix A. In addition to the items reported in Appendix A, we identified a small number of disclosure errors, which have been corrected by management. These adjustments have not had an impact on useable reserves.</p>
Scope and materiality	<p>In our audit plan presented at the 24 March 2016 Standards and Governance Committee meeting, we communicated that our audit procedures would be performed using a materiality of £1.22 million. We have reassessed this based on the actual results for the financial year and have increased this amount to £1.33 million. This is due to an increase in gross expenditure from 2014/15 (on which our planning materiality was based) to 2015/16.</p> <p>The threshold for reporting audit differences which impact the financial statements has increased from £61,000 to £66,500. The basis of our materiality assessment is 2% of gross operating expenditure, which has remained consistent with prior years.</p> <p>We carried out our work in accordance with our Audit Plan.</p>
Significant audit risks	<p>We identified the following audit risk during the planning phase of our audit, and reported this to you in our audit plan:</p> <ul style="list-style-type: none"> • Risk of management override. <p>The 'addressing audit risks' section of this report sets out how we have gained audit assurance over this issue.</p>

Other reporting
issues

We have no other matters we wish to report.

Control
observations

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

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

Helen Thompson

Executive Director
For and on behalf of Ernst & Young LLP

2. Responsibilities 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 (AGS). In the AGS, 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 its 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 2015/16 financial statements and the consistency of other information published with them;
- report on an exception basis on the Annual Governance Statement;
- 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); and
- discharge our statutory duties and responsibilities as established by the Local Audit and Accountability Act 2014 and Code of Audit Practice.

In addition, this report contains our findings related to the areas of audit emphasis and any views on significant deficiencies in internal control or the Council's accounting policies and key judgments.

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.

3. Financial statements audit

Addressing 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.

A significant audit risk in the context of the audit of the financial statements is an inherent risk with both a higher likelihood of occurrence and a higher magnitude of effect should it occur and which requires special audit consideration. For significant risks, we obtain an understanding of the entity's controls relevant to each risk and assess the design and implementation of the relevant controls.

Significant Risks (including fraud risks)	Audit procedures performed	Assurance gained and issues arising
<p>Risk of management override</p> <p>As identified in ISA (UK and Ireland) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.</p> <p>We identify and respond to this fraud risk on every audit engagement.</p>	<p>We:</p> <ul style="list-style-type: none"> Tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements. Reviewed accounting estimates for evidence of management bias, focussing on those impacting the general fund. Evaluated the appropriateness of accounting policies against Code guidance and for changes from the prior period. Evaluated the business rationale for any significant unusual transactions 	<p>No indications of management override of controls were detected through our testing of journal entries</p> <p>Our review of accounting estimates did not identify any indications of management bias.</p> <p>We evaluated accounting policies as being appropriate for the Council and in compliance with the CIPFA Code of Practice. All changes in policy from the prior period were appropriate and had been properly applied.</p> <p>We did not identify any significant unusual transactions outside the normal course of the Council's business.</p>

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 you oversight of the Council's financial reporting process, including the following:

- qualitative aspects of your accounting practices; estimates and disclosures;
- 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;
- any significant difficulties encountered during the audit; and
- other audit matters of governance interest

We have no matters we wish to report.

Control themes and observations

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

We have reviewed the Annual Governance Statement and can confirm that it not misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Council.

Request for written representations

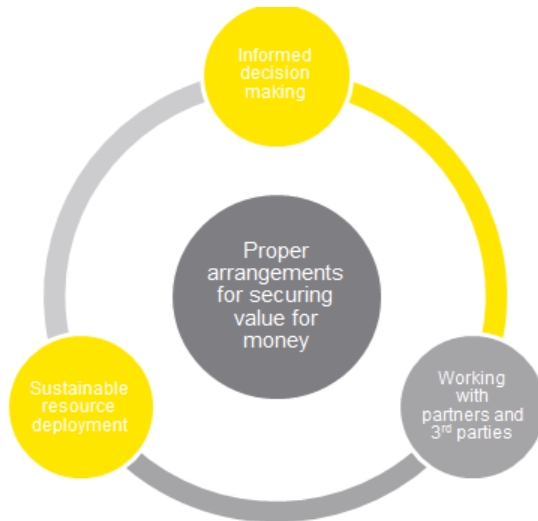
We have requested a management representation letter to gain management's confirmation in relation to a number of matters, as outlined in Appendix E.

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 have no matters to report in respect of the Whole of Government Accounts return.

4. Value for money



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

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

- ▶ take informed decisions;
- ▶ deploy resources in a sustainable manner; and
- ▶ work with partners and other third parties.

Overall conclusion

We identified one significant risk in relation to these arrangements. Details of this risk, and our response, are given in the table below.

We have performed the procedures outlined in our audit plan. We did not identify any significant weaknesses in the Council's arrangements. We note that the Council has undertaken significant steps to improve its future financial position, and the efficiency of services provided, by committing to a shared management arrangement with Portsmouth City Council, both in respect of senior posts and shared leadership of key departments such as housing, and economic prosperity, tourism and culture.

We therefore expect to conclude that you have put in place proper arrangements to secure value for money in your use of resources.

Significant risks

The table below presents the findings of our work in response to the risk areas in our audit plan. No additional risks have been identified since the planning stage of our audit.

VFM risk identified within our audit plan	Impacts arrangements for:	Key findings
<p>Medium term financial outlook</p> <p>Financial pressures in the public sector continue to mount following the announcement of the Spending Review in November 2015. As a result of these pressures there is increased focus and wider public interest in the ability of local government to plan finances effectively to deliver strategic priorities and maintain statutory functions.</p> <p>Public sector financial pressures were identified as a particular risk at the Council due to ongoing reductions in funding from central government and challenging savings requirements in the short and medium term.</p>	<p>Deploying resources in a sustainable manner</p>	<p>We reviewed outturn against the 2015/16 budget. The Council achieved a surplus against its 2015/16 budget which provides comfort over its ability to set and meet achievable budgets in future</p> <p>We reviewed the reasonableness of the 2016/17 budget and assumptions underlying the most recent Medium Term Financial Strategy. Through this work we also gained an understanding of the achievability of efficiency plans intended to address budget shortfalls in future years. We are satisfied that the Council has set a balanced budget for 2016/17 taking into account the confirmed 2016/17 finance settlement, and that its most recent Medium Term Financial Strategy (June 2015) is robust, based on reasonable assumptions, and made allowances for uncertainty over future funding from central government.</p> <p>The updated Medium Term Financial Strategy currently being prepared will need to take account of the most recent projections of revenue support grant income to ensure the Council remains able to meet its financial challenges over the next five years.</p>

Appendix A – Corrected audit differences

The following corrected differences, which are greater than £66,500, have been identified during the course of our audit and warrant communicating to you.

These items have been corrected by management within the revised financial statements.

Balance sheet and Statement of comprehensive income and expenditure

Item of account	Balance sheet (Decrease) / Increase £000	Comprehensive income and expenditure statement (Decrease) / Increase £000
Long term debtors	(300)	0
Short term debtors	300	0
Priddy's Hard debtor classified in full as long term. Audit testing identified that £300,000 of this balance should have been classified as short term.		
	0	0
Cumulative effect of unadjusted differences	0	0

Disclosures

Disclosure	Description of difference
Prior period adjustment	A prior period adjustment, impacting several statements and disclosures, was made in the draft accounts. The value of this adjustment was £121,000. As such, it was not material and did not therefore meet the criteria for making a prior period adjustment. It has therefore been reversed.

Appendix B – Independence

We confirm there are no changes in our assessment of independence since our confirmation in our Audit Plan dated 4 March 2016.

We complied with the Auditing Practices Board's Ethical Standards for Auditors and the requirements of the Public Sector Audit Appointments Ltd (PSAA)'s Terms of Appointment. In our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning of regulatory and professional requirements.

We 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 8 September 2016 and Policy and Organisation Board on 21 September 2016.

We confirm that we have met the reporting requirements to the Audit Committee, as 'those charged with governance' under International Standards on Auditing (UK and Ireland) 260 – Communication with those charged with governance. Our communication plan to meet these requirements was set out in our Audit Plan of 4 March 2016.

Appendix C – Auditor fees

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

Description	Proposed final Fee 2015/16 £	Scale Fee 2015/16 £	Variation comments
Total Audit Fee – Code work	53,044	53,044	N/A
Certification of claims and returns	14,666	14,666	N/A
Non-audit work	0	0	N/A

Our actual fee is in line with the scale fee set by the PSAA at this point in time, subject to satisfactory clearance of the outstanding work.

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

Appendix D – Draft audit report

Independent auditor's report to the members of Gosport Borough Council

Our draft audit report will be included in the final version of our audit results report taken to the Policy and Organisation Board on 21 September.

Appendix E – Management representation letter

Our management representation letter will be included in the final version of our audit results report taken to the Policy and Organisation Board on 21 September.

Appendix F – Required communications with the audit committee

There are certain communications that we must provide to the Standards and Governance Committee and Policy and Organisation Board. These are detailed here:

Required communication	Reference
Planning and audit approach Communication of the planned scope and timing of the audit, including any limitations.	Audit Plan
Significant findings from the audit <ul style="list-style-type: none"> ▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures ▶ Significant difficulties, if any, encountered during the audit ▶ Significant matters, if any, arising from the audit that were discussed with management ▶ Written representations that we are seeking ▶ Expected modifications to the audit report ▶ Other matters if any, significant to the oversight of the financial reporting process ▶ 	Audit Results Report
Going concern Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including: <ul style="list-style-type: none"> ▶ Whether the events or conditions constitute a material uncertainty ▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▶ The adequacy of related disclosures in the financial statements 	No conditions or events were identified, either individually or in aggregate, that indicated there could be doubt about Gosport Borough Council's ability to continue as a going concern for the 12 months from the date of our report.
Misstatements <ul style="list-style-type: none"> ▶ Uncorrected misstatements and their effect on our audit opinion ▶ The effect of uncorrected misstatements related to prior periods ▶ A request that any uncorrected misstatement be corrected ▶ In writing, corrected misstatements that are significant 	Audit Results Report
Fraud <ul style="list-style-type: none"> ▶ Enquiries of the Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity ▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist ▶ A discussion of any other matters related to fraud 	We have made enquiries of management. We have not become aware of any fraud or illegal acts during our audit.
Related parties Significant matters arising during the audit in connection with the entity's related parties including, when applicable: <ul style="list-style-type: none"> ▶ Non-disclosure by management ▶ Inappropriate authorisation and approval of transactions ▶ Disagreement over disclosures ▶ Non-compliance with laws and regulations ▶ Difficulty in identifying the party that ultimately controls the entity 	We have not matters we wish to report.

Required communication	Reference
External confirmations <ul style="list-style-type: none"> ▶ Management's refusal for us to request confirmations ▶ Inability to obtain relevant and reliable audit evidence from other procedures 	We have received all requested confirmations.
Consideration of laws and regulations <ul style="list-style-type: none"> ▶ Audit findings regarding non-compliance where the non-compliance is material and believed to be intentional. This communication is subject to compliance with legislation on tipping off ▶ Enquiry of the Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the audit committee may be aware of 	We have not identified any material instances of non-compliance with laws and regulations.
Independence Communication of all significant facts and matters that bear on EY's objectivity and independence Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as: <ul style="list-style-type: none"> ▶ The principal threats ▶ Safeguards adopted and their effectiveness ▶ An overall assessment of threats and safeguards ▶ Information about the general policies and process within the firm to maintain objectivity and independence 	Audit Plan and Audit Results Report
Significant deficiencies in internal controls identified during the audit	Audit Results Report
Fee Information <ul style="list-style-type: none"> ▶ Breakdown of fee information at the agreement of the initial audit plan ▶ Breakdown of fee information at the completion of the audit 	Audit Plan Audit Results Report
Certification work <ul style="list-style-type: none"> ▶ Summary of certification work undertaken 	Certification Report

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