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16 March 2016

S U M M O N S

MEETING: Standards and Governance Committee
DATE: 24th March 2016
TIME: 6.00 pm
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 Bateman	Councillor Dickson
Councillor Chegwyn	Councillor Forder
Councillor Mrs Cully	Councillor Gill

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

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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 10 September 2015.

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 22nd March 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 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 22nd March 2016)

6. **ERNST & YOUNG- CERTIFICATION OF CLAIMS AND RETURNS
ANNUAL REPORT 2014-15**

This report summarises the results of our work on the Council's 2014-15 claims and returns.

PART II
Helen Thompson
Ernst & Young

7. **ERNST & YOUNG – AUDIT PLAN 2015/16**

The Audit Plan covers the work Ernst & Young plan to perform to provide an audit opinion on whether the financial statements of Gosport Borough Council give a true and fair view of the financial position as at 31 March 2016 and of the income and expenditure for the year then ended; and conclusion on the Council's arrangements to secure economy, efficiency and effectiveness;

PART II
Helen Thompson
Ernst & Young

8. **INTERNAL AUDIT MONITORING STATEMENT FROM 1 JULY 2015 TO
29 FEBRUARY 2016**

To table the performance of the Internal Audit Section in the period 1 July 2015 to 29 February 2016 against the agreed internal audit plan to the Members with responsibility for governance.

PART II
Head of Internal
Audit & Risk
Assurance

9. **INTERNAL AUDIT PLAN 2016/17**

This report provides the Standards and Governance Committee with the planned annual coverage of the Internal Audit resource for 2016/17.

PART II
Head of Internal
Audit & Risk
Assurance

10. **ANY OTHER ITEMS**

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

AGENDA ITEM NO. 03

**A MEETING OF THE STANDARDS AND GOVERNANCE COMMITTEE
WAS HELD ON 10 SEPTEMBER 2015**

Councillors; Bateman (P), Burgess (P), Carter (P), Chegwyn, Mrs Cully (P), Dickson, Forder (P), Gill (P) Hicks (P) and Scard (P)

It was reported that in accordance with Standing Order 2.3.6, Councillors Burgess and Hicks had been nominated to replace Councillor Dickson and Chegwyn for this meeting.

15. APOLOGIES

Apologies for inability to attend the meeting were submitted on behalf of Councillors Dickson and Chegwyn.

16. DECLARATIONS OF INTEREST

There were no declarations of interest.

17. MINUTES

RESOLVED: That the minutes of the meeting of the Standards and Governance Committee held on 25th June 2015 be approved and signed by the Chairman as a true and correct record.

18. DEPUTATIONS

There were no deputations

19. PUBLIC QUESTIONS

There were no public questions.

PART II

20. ERNST & YOUNG – AUDIT RESULTS REPORT

Consideration was given to the report of the Council's external auditors Ernst & Young, which summarised the findings from the 2014/15 audit.

Members were advised that the audit was substantially complete and included the messages arising from the audit of the Council's financial statements and the results of the work Ernst & Young had undertaken to assess the Council's arrangements to secure value for money in its use of resources.

Members were informed that since the publication of the report additional issues had been further identified which needed to be corrected in the financial statements therefore, it was advised that an updated version of the report would be presented to the Policy & Organisation Board. It was clarified that the issues raised would have no material impact on the Balance Sheet or Comprehensive Income & Expenditure Account as previously reported.

Helen Thompson of Ernst & Young summarised the Audit Results report by sharing the 'Key Findings' advising Members that it was anticipated that an unqualified audit opinion would be issued by the statutory deadline of 30th September 2015.

It was further reported that Ernst & Young had yet to complete work on the value for money conclusion, but they expected to conclude that Gosport Borough Council had made appropriate arrangements to secure economy, efficiencies and effectiveness in the use of resources.

In conclusion Members were advised that Ernst & Young had not identified any significant issues of concern during the audit.

RESOLVED: That the conclusions set out in the Audit Results Report 2014/15 be noted.

21. LETTER OF REPRESENTATION 2014/15

Consideration was given to the report of the Borough Treasurer which enabled Members of the Standards & Governance Committee to consider the draft Letter of Representation 2014/15 before its submission to the Policy and Organisation Board for consideration and approval.

RESOLVED: That the draft Letter of Representation 2014/15 be noted prior to final approval by the Policy and Organisation Board.

22. INTERNAL AUDIT MONITORING STATEMENT TO 30.06.15

Consideration was given to the report of the Head of Internal Audit & Risk Assurance which advised Members of the performance of the Internal Audit Section in the first three months of 2015/16 (1st April 2015 – 30th June 2015) against the agreed audit plan.

The report also provided Members with an update on the new team and their development.

Members were advised that the team were now at full capacity with both trainees enrolled in training towards gaining their professional qualifications.

RESOLVED: That

- a) The Standards and Governance Committee confirm the review of the performance of Internal Audit from 1st April 2015 to 30th June 2015 and;
- b) the developments in the team since the last meeting be noted.

23. LOCAL GOVERNMENT OMBUDSMAN ANNUAL REVIEW LETTER 2014/15

Consideration was given to the report of the Borough Solicitor and Deputy Chief Executive on the Local Government Ombudsman's annual review for 2014/2015

The Ombudsman's Advice Team received sixteen complaints and enquiries during 2014/15. Of these, six were concerned with Corporate Services, four with Housing Services, two with Benefits and Tax, and one each with Adult Care Services, Environmental Services and Public Protection, Highways and Transport and Planning and Development.

Members of the Committee were advised that during this period nine of the complaints received by the Ombudsman were closed after initial enquiries, four were referred back to the Council for local resolution, and a decision was made on three cases, with two of these complaints being upheld.

Following a Member's question, it was clarified that members of the public could make a complaint direct to the Ombudsman with the general principle being that the Ombudsman would refer them back to the Local Authority if they had not been through the Council's own complaints process.

Members were further advised that complaints were monitored and investigated by the Chief Executive, Borough Solicitor and Deputy Chief Executive and Service Managers.

RESOLVED: That the report be noted.

24. ANY OTHER BUSINESS

There was no other business.

The meeting concluded at 18:55.

CHAIRMAN

Certification of claims and returns annual report 2014-15

Gosport Borough Council

25 January 2016

Ernst & Young LLP



Building a better
working world

Members
Gosport Borough Council
Town Hall
High Street
Gosport
PO12 1EB

Date 25 January 2016
Ref: GBC/Claims/2014-15

Direct line: 02380 382099
Email: HThompson2@uk.ey.com

Dear Members

Certification of claims and returns annual report 2014-15 Gosport Borough Council

We are pleased to report on our certification work. This report summarises the results of our work on the Council's 2014-15 claims and returns.

Scope of work

Local authorities claim large sums of public money in grants and subsidies from central government and other grant-paying bodies and must complete returns providing financial information to government departments. In some cases these grant-paying bodies and government departments require appropriately qualified auditors to certify the claims and returns submitted to them.

Under section 28 of the Audit Commission Act 1998, as transitionally saved, the Audit Commission made arrangements for certifying claims and returns in respect of the 2014-15 financial year. These arrangements required only the certification of the housing benefits subsidy claim. In certifying this we followed a methodology determined by the Department for Work and Pensions and did not undertake an audit of the claim.

Statement of responsibilities

The Audit Commission's 'Statement of responsibilities of grant-paying bodies, authorities, the Audit Commission and appointed auditors in relation to claims and returns' (statement of responsibilities) applied to this work. It serves as the formal terms of engagement between ourselves as your appointed auditor and the Council as audited body.

This report is prepared in the context of the statement of responsibilities. It is addressed to those charged with governance and is prepared for the sole use of the Council. As appointed auditor we take no responsibility to any third party.

Summary

Section one of this report outlines the results of our 2014-15 certification work and highlights the significant issues.

We checked and certified the housing benefits subsidy claim with a total value of £29,923,811. We met the submission deadline and we issued a qualification letter in respect of the 2014-15 claim. Our certification work found some minor errors, which were either corrected by the Council or reported in our

qualification letter to the Department for Work and Pensions. The amendments resulted in a £10,134 increase in the amount of grant due from the Department.

Fees for certification work are summarised in section two. The fees for 2014-15 were published by the Audit Commission on 27 March 2014 and are now available on the Public Sector Audit Appointments Ltd (PSAA's) website (www.psaa.co.uk).

We welcome the opportunity to discuss the contents of this report with you at the Standards and Governance Committee on 24 March 2016.

Yours faithfully

Helen Thompson
Executive Director
Ernst & Young LLP

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1. Housing benefits subsidy claim

Scope of work	Results
Value of claim presented for certification	£29,923,811
Amended/Not amended	Amended – subsidy increased by £10,134
Qualification letter	Yes
Fee – 2014-15	£18,270
Fee – 2013-14	£19,834
Recommendations from 2013-14	Findings in 2014-15
None	N/A

Local government administers the Government's housing benefits scheme for tenants and can claim subsidies from the Department for Work and Pensions (DWP) towards the cost of benefits paid.

The certification guidance requires auditors to complete more extensive '40+' or extended testing if initial testing identifies errors in the calculation of benefit or compilation of the claim. 40+ testing may also be carried out as a result of errors that have been identified in the audit of previous years' claims.

Rent rebate for tenants of Non-HRA properties

In our initial sample testing of rent rebate for tenants of Non-HRA properties we found one case where the claimant had a monthly salary but the assessor had not input the correct dates for the income period that was entered on the system. Officers carried out extended testing of 40 cases which identified no further similar errors. We have reported these findings to the DWP in a qualification letter, showing an extrapolation of the error. The extrapolation leads to a reported adjustment that reduced 'eligible overpayments' by £1,184 and increased 'LA errors' by the same amount.

Rent allowances

In our initial testing of a sample of rent allowances cases we identified two errors. One case for which there had been a minor underpayment and one case where an assessor had incorrectly overridden a claimant's entitlement, awarding the claimant a single bed LHA accommodation rate of benefit.

The underpayment of benefit arose because the 'applicable date' for a claimant changing from rent rebates to rent allowances had been incorrectly entered on the rent allowances system. The underpayment identified had no impact on subsidy because there is no subsidy payable on benefit that has not been paid. We were however required to report this underpayment to the DWP in our qualification letter.

Officers tested all the remaining LHA rent allowance cases where the LHA rate had been manually amended. This extended testing confirmed that there were no further errors. The Council has therefore amended the claim by reducing its level of LHA benefit expenditure and increasing the level of LA error by the £246 overpayment. We were not required to report this error to the DWP because the housing benefit claim had been amended.

HRA rent rebates

In our initial testing of HRA rent rebates we identified one case where an error in the Northgate system caused the Pension Credit Assessed Income Figure (PCAIF) and Pension Savings Credit (PSC) to revert to a prior benefit period figure. Officers therefore undertook extended 40+ testing and then further extended this testing to cover all remaining 145 cases in 2014/15. This additional testing found five further overpayments (totalling £205) and two underpayments (totalling £117), in the remaining 145 cases. We were required to report that these six overpayments had been corrected in the claim and that two underpayments had been identified by the Council. These underpayments had no impact on the claim because subsidy is not payable on benefit that had not been paid to claimants.

Officers had previously identified this error started in December 2014 in the interface between the Northgate and DWP ATLAS system. The error had generated a number of overpayments that were classified by the Northgate system as 'Claimant error'. Officers had carried out a manual procedure to correct all of these cases on the system. However, this exercise did not correct the misclassification of the overpayments as 'Claimant error' in the claim. An adjustment has therefore been made to the claim which reduced the value of cases classified as 'Claimant error' and increased those classified as 'LA error' by £16,856.

This happened because the Council delayed applying a software patch that would have corrected the system error promptly, completed three weeks later than required. We were not required to report these errors to the DWP because the Council amended its claim.

Modified schemes subsidy

Our initial testing of modified local schemes identified two cases where an underpayment of benefit had occurred. The underpayment in both cases arose because the Northgate system applied the uprating of 'war widows pensions' from 14 April 2014 rather than 7 April 2014. We were required to report these underpayments to the DWP in the qualification letter, although they had no impact on the subsidy claim, because modified schemes are local benefit payments.

2. 2014-15 certification fees

The Audit Commission determined a scale fee each year for the audit of claims and returns. For 2014-15, these scale fees were published by the Audit Commission on 27 March 2014 and are now available on the PSAA's website (www.psaa.co.uk).

Claim or return	2013-14	2014-15	2014-15
	Actual fee £	Indicative fee £	Actual fee £
Housing benefits subsidy claim	19,934	18,270	18,270
Total	19,934	18,270	18,270

Note: Fees for annual reporting and for planning, supervision and review have been allocated directly to the claim.

The indicative fee for 2013-14 was based on actual certification fees for 2011-12, reflecting the amount of work required by the auditor to certify the claim in that year.

For 2014/15, the indicative certification fee was based on actual certification fees for 2012-13, reflecting the amount of work required by the auditor to certify the claim in that year.

3. Looking forward

From 1 April 2015, the duty to make arrangements for the certification of relevant claims and returns and to prescribe scales of fees for this work was delegated to (PSAA) by the Secretary of State for Communities and Local Government.

The Council's indicative certification fee for 2015-16 is £14,666. This was prescribed by PSAA in April 2015, based on no changes to the work programme for 2015-16. PSAA reduced scale audit fees and indicative certification fees for most audited bodies by 25 per cent based on the fees applicable for 2013-14.

Details of individual indicative fees are available at the following web address:
<http://www.psaa.co.uk/audit-and-certification-fees/201516-work-programme-and-scales-of-fees/individual-fees-for-local-government-bodies>

We must seek the agreement of PSAA to any proposed variations to these indicative certification fees. We will inform the Borough Treasurer before seeking any such variation.

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Gosport Borough Council

Year ending 31 March 2016

Audit Plan

March 2016

Standards and Governance Committee/
Policy and Organisation Board
Gosport Borough Council
Town Hall
High Street
Gosport
Hampshire PO12 1EB

4 March 2016

Dear Committee Members

Audit Plan

We are pleased to attach our Audit Plan which sets out how we intend to carry out our responsibilities as auditor. Its purpose is to provide the Standards and Governance Committee and the Policy and Organisation Board with a basis to review our proposed audit approach and scope for the 2015/16 audit in accordance with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2015 Code of Audit Practice, the Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd, auditing standards and other professional requirements. It is also to ensure that our audit is aligned with the Council's service expectations.

This plan summarises our initial assessment of the key risks driving the development of an effective audit for the Council, and outlines our planned audit strategy in response to those risks.

We welcome the opportunity to discuss this Audit Plan with you at the Standards and Governance Committee on 24 March 2016 and to understand whether there are other matters which you consider may influence our audit.

Yours faithfully

Helen Thompson

*Executive Director
For and behalf of 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](http://www.psaa.co.uk) (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 Plan is prepared in the context of the Statement of responsibilities. It is addressed to the Audit Committee, and is prepared for the sole use 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. Overview

This Audit Plan covers the work that we plan to perform to provide you with:

- ▶ our audit opinion on whether the financial statements of Gosport Borough Council give a true and fair view of the financial position as at 31 March 2016 and of the income and expenditure for the year then ended; and
- ▶ our conclusion on the Council's arrangements to secure economy, efficiency and effectiveness;

We will also review and report to the National Audit Office (NAO), to the extent and in the form required by them, on the Council's Whole of Government Accounts return.

Our audit will also include the mandatory procedures that we are required to perform in accordance with applicable laws and auditing standards.

When planning the audit we take into account several key inputs:

- ▶ strategic, operational and financial risks relevant to the financial statements;
- ▶ developments in financial reporting and auditing standards;
- ▶ the quality of systems and processes;
- ▶ changes in the business and regulatory environment; and
- ▶ management's views on all of the above.

By considering these inputs, our audit is focused on the areas that matter and our feedback is more likely to be relevant to the Council.

In sections two and three of this plan we provide more detail on the identified risks and we outline our plans to address them. Our proposed audit process is set out in more detail in section four.

We will provide an update to the Standards and Governance Committee and the Policy and Organisation Board on the results of our work in these areas in our report to those charged with governance scheduled for delivery in September 2016.

2. Financial statement risks

We outline below our current assessment of the financial statement risks facing the Council, identified through our knowledge of the Council's operations and discussion with those charged with governance and officers.

At our meeting, we will seek to validate these with you.

Significant risks (including fraud risks)	Our audit approach
Risk of management override	
<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>Our approach will focus on:</p> <ul style="list-style-type: none"> ▶ testing the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements; ▶ reviewing accounting estimates for evidence of management bias; ▶ evaluating the business rationale for significant unusual transactions; and ▶ evaluating the appropriateness of accounting policies against Code guidance and for changes from the prior period

2.1 Responsibilities in respect of fraud and error

We would like to take this opportunity to remind you that management has the primary responsibility to prevent and detect fraud. It is important that management, with the oversight of those charged with governance, has a culture of ethical behaviour and a strong control environment that both deters and prevents fraud.

Our responsibility is to plan and perform audits to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatements whether caused by error or 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 risk.

Based on the requirements of auditing standards our approach will focus on:

- ▶ identifying fraud risks during the planning stages;
- ▶ enquiry of management about risks of fraud and the controls to address those risks;
- ▶ understanding the oversight given by those charged with governance of management's processes over fraud;
- ▶ consideration of the effectiveness of management's controls designed to address the risk of fraud;
- ▶ determining an appropriate strategy to address any identified risks of fraud, and
- ▶ performing mandatory procedures regardless of specifically identified risks.

3. Value for money risks

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.

For 2015-16 this is based on the overall evaluation criterion:

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

Proper arrangements are defined by statutory guidance issued by the National Audit Office. To help auditors to consider this overall evaluation criterion, the following sub-criteria are intended to guide auditors in reaching their overall judgements. However, these are not separate and auditors are not required to reach a distinct judgement against each one:

Sub-Criteria	Proper Arrangements
Informed decision making	Acting in the public interest, through demonstrating and applying the principles and values of sound governance
	Understanding and using appropriate and reliable financial and performance information (including, where relevant, information from regulatory/monitoring bodies) to support informed decision making and performance management
	Reliable and timely financial reporting that supports the delivery of strategic priorities
	Managing risks effectively and maintaining a sound system of internal control
Sustainable resource deployment	Planning finances effectively to support the sustainable delivery of strategic priorities and maintain statutory functions
	Managing and utilising assets effectively to support the delivery of strategic priorities
	Planning, organising and developing the workforce effectively to deliver strategic priorities
Working with partners and other third parties	Working with third parties effectively to deliver strategic priorities
	Commissioning services effectively to support the delivery of strategic priorities
	Procuring supplies and services effectively to support the delivery of strategic priorities

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

We are only required to determine whether there are any risks that we consider significant, which the Code of Audit Practice defines as:

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

Our risk assessment supports the planning of sufficient work to enable us to deliver a safe conclusion on arrangements to secure value for money and enables us to determine the

nature and extent of further work that may be required. If we do not identify any significant risks there is no requirement to carry out further work.

Our risk assessment has therefore considered both the potential financial impact of the issues we have identified, and also the likelihood that the issue will be of interest to local taxpayers, the Government and other stakeholders. This has resulted in the following significant VFM risk which we view as relevant to our value for money conclusion for the Council:

Significant value for money risks	Our audit approach
Sustainable resource deployment	
<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>Our approach will focus on:</p> <ul style="list-style-type: none"> ▶ reviewing outturn against the 2015/16 budget. A strong history of managing service delivery to budget, provides comfort over the Council's ability to set realistic and achievable budgets in the future; ▶ reviewing the reasonableness of the 2016/17 budget and assumptions underlying the Medium Term Financial Strategy; and ▶ understanding the achievability of efficiency plans intended to address budget shortfalls in future years.

We will keep our risk assessment under review during the course of our audit.

4. Our audit process and strategy

4.1 Objective and scope of our audit

Under the Code of Audit Practice our principal objectives are to review and report on the Council's:

- ▶ financial statements; and
- ▶ arrangements for securing economy, efficiency and effectiveness in its use of resources to the extent required by the relevant legislation and the requirements of the Code.

We issue an audit report that covers:

1. Financial statement audit

Our objective is to form an opinion on the financial statements under International Standards on Auditing (UK and Ireland).

We also report to you by exception in respect of your governance statement and other accompanying material as required, in accordance with relevant guidance prepared by the NAO on behalf of the Comptroller and Auditor General.

Alongside our audit report, we also review and report to the NAO on the Whole of Government Accounts return to the extent and in the form they require.

2. Arrangements for securing economy, efficiency and effectiveness (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.

4.2 Audit process overview

As part of our audit planning procedures we have assessed the design of your internal controls and determined where it will be most efficient to adopt a controls reliance approach. In those areas we will test the controls we determine as key to preventing and detecting material misstatement.

In implementing this strategy, we intend to rely on the work of internal audit as far as possible, while complying with the requirements of auditing standards. We will review their files and reperform a sample of their work to assess if we can do this.

Processes

Our initial assessment of the key processes across the Council has identified the following key processes where we will seek to test key controls:

- ▶ accounts payable;
- ▶ accounts receivable; and
- ▶ housing benefits.

We have also identified the following key processes which we will seek to test substantively:

- ▶ cash and Bank;
- ▶ payroll;

- ▶ council tax income;
- ▶ business rates income;
- ▶ treasury management;
- ▶ housing Rents;
- ▶ property, plant and equipment; and
- ▶ financial statements close process

Analytics

We will use our computer-based analytics tools to enable us to capture whole populations of your financial data, in particular in respect of journal entries. These tools:

- ▶ help identify specific exceptions and anomalies which can then be subject to more traditional substantive audit tests; and
- ▶ give greater likelihood of identifying errors than random sampling techniques.

We will report the findings from our process and analytics work, including any significant weaknesses or inefficiencies identified and recommendations for improvement, to management, the Standards and Governance Committee and the Policy and Organisation Board.

Internal audit

We will review internal audit plans and the results of their work. We will reflect the findings from these reports, together with reports from any other work completed in the year, in our audit reporting, where we identify issues that could have an impact on the year-end financial statements.

Use of specialists

When auditing key judgements, we are often required to rely on the input and advice provided by specialists who have qualifications and expertise not possessed by the core audit team. The areas where either EY or other specialists provide input for the current year audit are:

Area	Specialists
Pensions	Pension scheme actuary EY pensions team
Property valuations	Council's property valuers

In accordance with auditing standards, we will evaluate each specialist's professional competence and objectivity, considering their qualifications, experience and available resources, together with the independence of the individuals performing the work.

We also consider the work performed by the specialist in light of our knowledge of the Council's environment and processes and our assessment of audit risk in the particular area. For example, we would typically perform the following procedures:

- ▶ analyse source data and make inquiries as to the procedures used by the expert to establish whether the source data is relevant and reliable;

- ▶ assess the reasonableness of the assumptions and methods used;
- ▶ consider the appropriateness of the timing of when the specialist carried out the work; and
- ▶ assess whether the substance of the specialist's findings are properly reflected in the financial statements.

4.3 Mandatory audit procedures required by auditing standards and the Code

As well as the financial statement risks (section two) and value for money risks (section three), we must perform other procedures as required by auditing, ethical and independence standards, the Code and other regulations. We outline below the procedures we will undertake during the course of our audit.

Procedures required by standards

- ▶ addressing the risk of fraud and error;
- ▶ significant disclosures included in the financial statements;
- ▶ entity-wide controls;
- ▶ reading other information contained in the financial statements and reporting whether it is inconsistent with our understanding and the financial statements; and
- ▶ auditor independence.

Procedures required by the Code

- ▶ reviewing, and reporting on as appropriate, other information published with the financial statements, including the Annual Governance Statement; and
- ▶ reviewing and reporting on the Whole of Government Accounts return, in line with the instructions issued by the NAO.

Finally, we are also required to discharge our statutory duties and responsibilities as established by the Local Audit and Accountability Act 2014.

4.4 Materiality

For the purposes of determining whether the financial statements are free from material error, we define materiality as the magnitude of an omission or misstatement that, individually or in aggregate, could reasonably be expected to influence the users of the financial statements. Our evaluation requires professional judgement and so takes into account qualitative as well as quantitative considerations implied in the definition.

We have determined at the planning stage that overall materiality for the financial statements of the Council is £1.22 million based on 2% of gross revenue expenditure. We will communicate uncorrected audit misstatements greater than £61,000 to you.

The amount we consider material at the end of the audit may differ from our initial determination. At this stage, however, it is not feasible to anticipate all the circumstances that might ultimately influence our judgement. At the end of the audit we will form our final opinion by reference to all matters that could be significant to users of the financial statements, including the total effect of any audit misstatements, and our evaluation of materiality at that date.

4.5 Fees

The duty to prescribe fees is a statutory function delegated to Public Sector Audit Appointments Ltd (PSAA) by the Secretary of State for Communities and Local Government. PSAA has published a scale fee for all relevant bodies. This is defined as the fee required by auditors to meet statutory responsibilities under the Local Audit and Accountability Act 2014 in accordance with the NAO Code. The indicative fee scale for the audit of the Council is £53,044.

4.6 Your audit team

The engagement team is led by Helen Thompson. Helen is supported by David White and Chris Wingrove who are responsible for the day-to-day direction of audit work, and are the key contacts for the Borough Treasurer. Helen has significant external audit experience in the local government sector and with the Council.

4.7 Timetable of communication, deliverables and insights

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. The timetable includes the deliverables we have agreed to provide to the Council through the committee cycle in 2015/16. These dates are determined to ensure our alignment with PSAA's rolling calendar of deadlines.

From time to time matters may arise that require immediate communication with the Policy and Organisation Board and we will discuss them with the Chair as appropriate.

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

Audit phase	Timetable	Policy and organisation Board / Standards and Governance Committee timetable	Deliverables
High level planning	December 2015 – January 2016	March 2016	Audit Fee Letter (June 2015)
Risk assessment and setting of scopes	January – February 2016	March 2016	Audit Plan
Understanding and testing routine processes and controls	January – February 2016	March 2016	Audit Plan
Year-end audit	July – August 2016		
Completion of audit	September 2016	September 2016	Report to those charged with governance via the Audit Results Report Audit report (including our opinion on the financial statements, and an overall value for money conclusion). Audit completion certificate Reporting to the NAO on the Whole of Government Accounts return.
Conclusion of reporting	October 2016	December 2016	Annual Audit Letter

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

5. Independence

5.1 Introduction

The APB Ethical Standards and ISA (UK and Ireland) 260 ‘Communication of audit matters with those charged with governance’, requires us to communicate with you on a timely basis on all significant facts and matters that bear on our independence and objectivity. The Ethical Standards, as revised in December 2010, require that we do this formally both at the planning stage and at the conclusion of the audit, as well as during the audit if appropriate. The aim of these communications is to ensure full and fair disclosure by us to those charged with your governance on matters in which you have an interest.

Required communications	
Planning stage	Final stage
<ul style="list-style-type: none"> ▶ The principal threats, if any, to objectivity and independence identified by EY including consideration of all relationships between you, your affiliates and directors and us. ▶ The safeguards adopted and the reasons why they are considered to be effective, including any Engagement Quality Review. ▶ The overall assessment of threats and safeguards. ▶ Information about the general policies and process within EY to maintain objectivity and independence. 	<ul style="list-style-type: none"> ▶ A written disclosure of relationships (including the provision of non-audit services) that bear on our objectivity and independence, the threats to our independence that these create, any safeguards that we have put in place and why they address such threats, together with any other information necessary to enable our objectivity and independence to be assessed. ▶ Details of non-audit services provided and the fees charged in relation thereto. ▶ Written confirmation that we are independent. ▶ Details of any inconsistencies between APB Ethical Standards, the PSAA Terms of Appointment and your policy for the supply of non-audit services by EY and any apparent breach of that policy. ▶ An opportunity to discuss auditor independence issues.

During the course of the audit we must also communicate with you whenever any significant judgements are made about threats to objectivity and independence and the appropriateness of our safeguards, for example when accepting an engagement to provide non-audit services.

We also provide information on any contingent fee arrangements, the amounts of any future contracted services, and details of any written proposal to provide non-audit services.

We ensure that the total amount of fees that EY and our network firms have charged to you and your affiliates for the provision of services during the reporting period are disclosed, analysed in appropriate categories.

5.2 Relationships, services and related threats and safeguards

We highlight the following significant facts and matters that may be reasonably considered to bear upon our objectivity and independence, including any principal threats. However we have adopted the safeguards below to mitigate these threats along with the reasons why they are considered to be effective.

Self-interest threats

A self-interest threat arises when EY has financial or other interests in your entity. Examples include where we have an investment in your entity; where we receive significant fees in respect of non-audit services; where we need to recover long outstanding fees; or where we enter into a business relationship with the Council.

At the time of writing, there are no long outstanding fees.

We believe that it is appropriate for us to undertake permissible non-audit services, and we will comply with the policies that the Council has approved and that are in compliance with

PSAA Terms of Appointment. At the present time, the Council has not commissioned any non-audit services from EY for 2015/16.

A self-interest threat may also arise if members of our audit engagement team have objectives or are rewarded in relation to sales of non-audit services to the Council. We confirm that no member of our audit engagement team, including those from other service lines, is in this position, in compliance with Ethical Standard 4.

There are no other self-interest threats at the date of this report.

Self-review threats

Self-review threats arise when the results of a non-audit service performed by EY or others within the EY network are reflected in the amounts included or disclosed in the financial statements.

There are no other self-review threats at the date of this report.

Management threats

Partners and employees of EY are prohibited from taking decisions on behalf of management of your entity. Management threats may also arise during the provision of a non-audit service where management is required to make judgements or decisions based on that work.

There are no management threats at the date of this report.

Other threats

Other threats, such as advocacy, familiarity or intimidation, may arise.

There are no other threats at the date of this report.

Overall Assessment

Overall we consider that the adopted safeguards appropriately mitigate the principal threats identified, and we therefore confirm that EY is independent and the objectivity and independence of Helen Thompson, the audit engagement Executive Director and the audit engagement team have not been compromised.

5.3 Other required communications

EY has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained.

Details of the key policies and processes within EY for maintaining objectivity and independence can be found in our annual Transparency Report, which the firm is required to publish by law. The most recent version of this report is for the year ended June 2015 and can be found here:

<http://www.ey.com/UK/en/About-us/EY-UK-Transparency-Report-2015>

Appendix A Fees

A breakdown of our agreed fee is shown below.

	Planned Fee 2015/16 £	Scale fee 2015/16 £	Outturn fee 2014/15 £	Explanation
Opinion Audit and VFM Conclusion	53,044	53,044	70,725	The reduction of 25% in audit fees between 2014/15 and 2015/16 represents the outcome of the Audit Commission's tendering exercise in March 2014.
Total Audit Fee – Code work	53,044	53,044	70,725	
Certification of claims and returns	14,666	14,666	18,270	Our fee for the certification of grant claims is based on the indicative scale fee set by the PSAA.
Non-audit work	0	0	0	

All fees exclude VAT.

The agreed fee presented above is based on the following assumptions:

- ▶ officers meet the agreed timetable of deliverables;
- ▶ the internal controls for the key processes outlined in section 4.2 above operate effectively;
- ▶ we can rely on the work of internal audit as planned;
- ▶ our accounts opinion and value for money conclusion are unqualified;
- ▶ appropriate quality of documentation is provided by the Council; and
- ▶ the Council has an effective control environment.

If any of the above assumptions prove to be unfounded, we will seek a variation to the agreed fee. This will be discussed with the Council in advance.

Fees for the auditor's consideration of correspondence from the public and formal objections will be charged in addition to the scale fee.

Appendix B UK required communications with those charged with governance

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 	► Report to those charged with governance
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 	► Report to those charged with governance
Fraud <ul style="list-style-type: none"> ► Enquiries of the Board 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 	► Report to those charged with governance
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 	► Report to those charged with governance
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 	► Report to those charged with governance
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 Board into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Board may be aware of 	► Report to those charged with governance

Required communication	Reference
Independence Communication of all significant facts and matters that bear on EY's objectivity and independence Communication of key elements of the audit engagement director'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 	<ul style="list-style-type: none"> ▶ Audit Plan ▶ Report to those charged with governance
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 	<ul style="list-style-type: none"> ▶ Report to those charged with governance
Significant deficiencies in internal controls identified during the audit	<ul style="list-style-type: none"> ▶ Report to those charged with governance
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 	<ul style="list-style-type: none"> ▶ Audit Plan ▶ Report to those charged with governance ▶ Annual Audit Letter if considered necessary
Certification work <ul style="list-style-type: none"> ▶ Summary of certification work undertaken 	<ul style="list-style-type: none"> ▶ Annual Report to those charged with governance summarising grant certification, and Annual Audit Letter if considered necessary

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AGENDA ITEM NO. 08

Board/Committee:	Standards and Governance Committee
Date of Meeting:	24 March 2016
Title:	Internal Audit Monitoring Statement from 1 July 2015 to 29 February 2016
Author:	Head of Internal Audit & Risk Assurance
Status:	FOR DECISION

Purpose

To table the performance of the Internal Audit Section in the period 1 July 2015 to 29 February 2016 against the agreed internal audit plan to the Members with responsibility for governance.

Recommendations

- a) That the Standards and Governance Committee review the performance of Internal Audit from 1 July 2015 to 29 February 2016.

1 Background

- 1.1 The purpose of this report is to provide the Standards and Governance Committee with an overview of internal audit activity and assurance work completed in accordance with the approved internal audit plan. Members of this Committee approved the 2015/16 Annual Internal Audit Plan on the 26 March 2015. This is the second monitoring statement for the current financial year.

2 Report

Internal Audit Coverage for 2015/16

- 2.1 In the eight month period to the end of February 2016 very good progress has been made in delivering the agreed internal audit plan.
- 2.2 The team, now at full capacity, has delivered quality assignments in 2015/16 and is in a strong position to complete the agreed internal audit plan after the eleven months of the year. The two new recruits have continued to develop and now have a better understanding of the business processes, people and culture of the Council and both are now professionally studying as part of their personal development. Internal audit management support and supervision is still dedicated to their development though this is now more individually targeted to their assignments and their professional study syllabus. The team has had turnover (Principal Auditor post) but this post has been filled with only a 5 week resource gap.

2.3 **Internal Audit Activity**

- 2.3.1 During the period 1 July 2015 to 29 February 2016 the following fundamental audits were finalised.

A summary from these fundamental audits now follows:

- 2.3.2 **Treasury Management** – Overall there was one recommendation for this review (advisory) and this has been accepted by management and remedial action agreed.

Audit opinion

The overall opinion has concluded that the internal controls are strong in respect of the Councils treasury management function.

- 2.3.3 **Accounts Receivable** – Overall there was one recommendation for this review (advisory) and this has been accepted by management and remedial action agreed.

Audit opinion

The overall opinion has concluded that the internal controls are strong in respect of the Councils accounts receivable processes and procedures function.

- 2.3.4 **Accounts Payable** – Overall there was four recommendations for this review (all advisory) and these have been accepted by management and remedial action agreed.

Audit opinion

The overall opinion has concluded that the internal controls are strong in respect of the Councils accounts payable procedures and processes function.

- 2.3.5 **Payroll & Expenses** – Overall there were two important and three advisory recommendations for this review and these have been accepted by management and remedial action agreed.

The important recommendations were in respect of improving efficiency with making use of automatic data upload and controlling and monitoring staffing budgets.

Audit opinion

The overall opinion has concluded that the internal controls are good in respect of the Payroll function.

- 2.3.6 **Accounting & Bank Reconciliations** – Overall there was two recommendations for this review (advisory) and these have been accepted by management and remedial action agreed.

Audit opinion

The overall opinion has concluded that the internal controls are good in respect of the Councils accounting and bank reconciliation processes and procedures.

- 2.3.7 **Rent Collection** – Overall there was one important and six advisory recommendations and these have been accepted by management and remedial action agreed.

The important recommendation was in respect of improving the control regarding reconciliation of the stock master file.

Audit opinion

The overall opinion has concluded that the internal controls are good in respect of the Councils rent collection function.

- 2.4 Other fundamental work is ongoing in Quarter 4 including Budgetary Control and Council Tax Reduction Scheme. The outcome from these reviews and other system work for 2015/16 will be included in the next monitoring statement due in June 2016.

2.5 **System Reviews**

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

- 2.5.1 **Local Assistance Fund (an element of Float and Imprests review)**
Overall there were four recommendations for this review (all 4 advisory). Remedial action has been agreed with management and target dates have been set and will be followed up in April 2016.

Audit opinion

Internal controls are operating adequately but improvements in record keeping and reconciliations have been agreed to improve control.

- 2.5.2 **Gas Servicing** – Overall there were nine recommendations for this review (5 important and 4 advisory). Remedial action has been agreed with management, a target set and these will be followed up in April 2016.

The five important recommendations were in areas of improving client communication, connectivity in respect of void work,

reconciliation to the housing IT system of works carried out and ensuring sign off by the tenant.

Audit opinion

Internal controls are good within the procedure and process. Some areas of improvements have been recommended to ensure accurate data, sent by the contractor, is recorded accurately within the housing system.

- 2.5.3 **Sheltered Housing** – Overall there were thirteen recommendations for this review (3 important and 10 advisory). Actions have been agreed with management, targets set and these will be followed up in April 2016.

The three important recommendations were regarding cash control and a transfer IT folder to another area of the housing network.

Audit opinion

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

- 2.5.4 **Car Parking** – Overall there were thirteen recommendations for this review (4 important and 9 advisory). Actions have been agreed with management, targets have been set and these will be followed up in April 2016.

The important recommendations were in respect of improving the governance arrangements of the appeals panel and setting up an SLA with Housing Services to enforce and inspect their car parks.

Audit Opinion

Internal controls are good and operating effectively. Recommendations have been accepted to improve further the internal control environment.

- 2.5.5 **Cash Receipting** – Overall there were one important and three advisory recommendations. All actions have been agreed with management, targets have been set and these will be followed up in April 2016.

The important recommendation was in respect of recording the negative transactions within the cash receipting system.

Audit Opinion

Internal controls are good and operating effectively.

Recommendations have been accepted to improve further the internal control environment.

- 2.6 The Head of Internal Audit has continued his joint role managing the two Internal Audit Sections and had spent 50.40 days engaged off site at Test Valley Borough Council in the period July 2015 through to the end of January 2016.
- 2.7 Other areas of work in this period included work on the major contracts, supporting in the re-drafting the housing tenancy agreement, redrafting all the anti-fraud and corruption policies and procedures, and both the Councils Contract Procedure Rules and Financial Procedure Rules. In addition, the Insurance Officer has supported internal audit with the updating of all the operational risk registers. Finally the team continues to provide advice to all areas of the business as required.

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 actual internal audit coverage for 2015/16 as at 29 February 2016.

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

AGENDA ITEM NO. 09

Committee:	Standards & Governance Committee
Date of Meeting:	24 March 2016
Title:	Internal Audit Plan 2016/17
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 the Internal Audit resource for 2016/17.

Recommendation

That the Standards and Governance Committee comment on and approve the Internal Audit plan for 2016/17 Internal Audit Plan as attached in Appendix One.

1 Background

- 1.1 The annual internal audit plan has been developed in recognition of the responsibilities of the Borough Treasurer under S.151 of the Local Government Act 1972 and the Accounts and Audit Regulations 2015 and in accordance with the Public Sector Internal Audit Standards (PSIAS) 2013.

2 Report

- 2.1 The annual audit plan is based on 4.4 WTE internal staff and highlights the key components of the planned output from Internal Audit for 2016/17. Future 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 2016/17 internal audit plan allows for a maximum of 104 audit days to be shared to support Test Valley Borough Council (TVBC) in delivering and managing their internal audit plan. It's planned that the Head of Internal Audit & Risk Assurance resources will be allocated to Test Valley Borough Council (generating income of £32k) in the following way:-

Quarter	Head of Internal Audit TVBC (days) [Mon & Tue]
Q1 (Apr–Jun)	26
Q2 (Jul - Sep)	26
Q3 (Oct – Dec)	26
Q4 (Jan – Mar)	26

- 2.4 Whilst the PSIAS is specific in identifying the requirements of the planning process, there is also a need for flexibility within the plan in recognition of new initiatives, the continuing impact of changes in legislation and the development of strategies both nationally and locally. The plan will be kept under review for 2016/17 with a developing professional audit team being trained and established following staff turnover in late 2014/15.
- 2.5 Significant professional training and mentoring will be invested in the new staff throughout 2016/17 with a number of joint audits being planned with senior members of the team. In addition a number of professional training days have been included in the plan.
- 2.5 Discussion and agreement of the Plan is currently being undertaken with the Council's External Auditors, in order to optimise the use of both internal and external resources and avoid duplication. Every effort will be made to ensure that External Audit will continue to be able to place reliance on the work of Internal Audit when preparing and undertaking their External Audit.
- 2.6 In developing the Plan it is recognised that Internal Audit are integral to the review of systems and procedures that may be developed over 2016/17 and that "sign off" by Internal Audit is a requirement of any material changes.
- 2.7 The Plan is endorsed by the Borough Treasurer and the Head of Internal Audit & Risk Assurance as being sound, robust and sufficient to safeguard the Council's internal control framework.

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 assurance to management in placing reliance on the adequacy of their controls within their Services.
- 3.2 It is important that External Audit are able to continue to place reliance on the work of the Internal Audit Section otherwise additional costs may be incurred in relation to the cost of external audit. It is believed that the resources allocated to the section will be sufficient to meet this objective.

4 **Conclusion**

4.1 This report outlines the planned internal audit coverage for 2016/17.

Financial Services comments:	None
Legal Services comments:	None
Crime and Disorder:	None
Equality and Diversity:	None
Service Improvement Plan implications:	The annual internal plan is part of the Sections improvement plan and regular monitoring features as the operational plan for which the section is scrutinised both externally (External Audit) 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 2016/17
Report author/ Lead Officer:	Chris Davis 023 9254 5306

Appendix One

Service Unit/ Audit Area	Planned Audit Days 2015/16	Planned Audit Days 2016/17
Based on audit resource:-	4.8 WTE	4.4 WTE
Financial Services	272.50	259
• Accounting Reconciliations		
• Local Taxation & CTRS		
• Accounts Payable & Receivable		
• Payroll & Expenses		
• Central Purchasing		
• Budgetary Control		
• Cash Receipting		
Legal, Democratic & Planning Services	18.00	24
• Community Infrastructure Levy		
• Building Control (joint with PCC & FBC)		
Chief Executives	132.75	104
• Contract Management (Streetscene)		
• ICT		
• Enforcement		
• Alver Valley		
Housing Services	99.25	107.25
• Contract Management		
• Allocations		
• Rent Collection		
Management/VFM Reviews	117.75	93.25
• Corporate Governance		
• Risk Management		
• Follow up reviews		
• Corporate Fraud initiatives		
Test Valley Borough Council	104	104
Contingency	30	30
Total	774.25	721.50