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16 November 2016

S U M M O N S

MEETING: Standards and Governance Committee
DATE: 24th November 2016
TIME: 6.00 pm
PLACE: Committee Room 1, Town Hall, Gosport
Democratic Services contact: Vicki Stone

MICHAEL LAWOTHER
BOROUGH SOLICITOR

MEMBERS OF THE BOARD

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

Councillor Allen	Councillor Mrs Forder
Councillor Mrs 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).

Please note that mobile phones should be switched off or on silent for the duration of the meeting.

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 8 September 2016.

4. **DEPUTATIONS – STANDING ORDER 3.4**

(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 November 2016. The total time for deputations in favour and against a proposal shall not exceed 10 minutes).

5. **PUBLIC QUESTIONS – STANDING ORDER 3.5**

(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 November 2016)

6. **ANNUAL AUDIT LETTER 2015/16 AND 2016/17 AUDIT PROGRESS REPORT**

The Annual Audit Letter summarises the findings from our 2015/16 audit which is now complete. It summarises the key messages that were reported in our Audit Results Report presented to the Standards and Governance Committee on 8 September 2016 and the Policy and Organisation Board on 21 September 2016. Our Annual Audit Letter is an important report that has been prepared in line with the requirements of the National Audit Office's Code of Audit Practice.

The audit progress report provides the Committee with an update on the progress made on the 2016/17 audit and re-confirms key upcoming changes which the Council will need to consider.

PART II
Helen Thompson
Ernst & Young

7. **QUARTERLY INTERNAL AUDIT MONITORING STATEMENT TO
30.09.16**

PART II
Head of Internal
Audit & Risk
Assurance

To table the performance of the Internal Audit Section in the second quarter of 2016/17 (1st July 2016 – 30th September 2016) against the agreed audit plan to the Members with responsibility for governance.

Inform Members of the opportunity to extend the Test Valley Borough Council shared internal audit management arrangement from the 1st April 2017 for a further three years.

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

8. **INTERNAL AUDIT CHARTER & STRATEGY 2016/20**

PART II
Head of Internal
Audit & Risk
Assurance

This report sets out the future Internal Audit Charter and Strategy (agreed initially November 2014 by the Committee) as required by the Public Sector Internal Audit Standards (the Standards) which came into effect on the 1 April 2013.

9. **ANY OTHER ITEMS**

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

**A MEETING OF THE STANDARDS AND GOVERNANCE COMMITTEE
WAS HELD ON 8 SEPTEMBER 2016**

Councillors; Allen (P), Ms Ballard (P), Beavis (P), Carter (P), Chegwyn (P), Mrs Cully (P), Mrs Forder (P), Mrs Furlong (P), Mrs Jones, Mrs Morgan (P), Mrs Prickett (P), Scard (P)

It was reported that in accordance with Standing Order 2.3.6, Councillor Burgess been nominated to replace Councillor Mrs Jones for this meeting.

16. APOLOGIES

An apology for inability to attend the meeting was submitted on behalf of Councillor Mrs Jones

17. DECLARATIONS OF INTEREST

There were no declarations of interest.

18. MINUTES

RESOLVED: That the minutes of the meeting of the Standards and Governance Committee held on 7 July 2016 be approved and signed by the Chairman as a true and correct record.

19. DEPUTATIONS

There were no deputations

20. PUBLIC QUESTIONS

There were no public questions.

PART II

21. LOCAL GOVERNMENT OMBUDSMAN: ANNUAL REVIEW 2016

Consideration was given to the report of the Chief Executive advising Members of the Annual Review Letter 2016 received from the Local Government Ombudsman which summarised the complaints about the authority which had been dealt with by the Ombudsman during the previous year ending 31 March.

Members were referred to Appendix 1 attached to the report.

A Member sought clarification with regards to 14 complaints being received by the Ombudsman during 2015/16 and asked if a breakdown could be provided to Members showing the nature of the complaints.

RESOLVED: That the Standards and Governance Committee note the report.

22. INTERNAL AUDIT MONITORING STATEMENT TO 30.06.16

Consideration was given to the report of the Head of Internal Audit & Risk Assurance which tabled 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.

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

Members were advised that very good progress had been made in delivering the agreed internal audit plan. The team were now at full capacity, had delivered quality assignments in the first quarter of 2016/17 and had completed all the outstanding assignments in time for the External Audit inspection.

RESOLVED: That the Standards and Governance Committee:

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

23. AUDIT RESULTS REPORT FOR 2015/16

Consideration was given to a report from the Council's external auditors Ernst & Young which provided Members with a summary of the results and conclusions on the significant areas of the audit process.

Members were advised that the audit of the financial statements of Gosport Borough Council for the year ended 2015/16 was substantially complete.

Members were advised that Ernst & Young had performed the procedures outlined in the Audit Plan and anticipate issuing an unqualified opinion on the Council's financial statements with the conclusion that Gosport Borough Council had put in place, proper arrangements to secure value for money in the use of resources.

RESOLVED: That the Audit Results Report for 2015/16 be noted and that the audit report be presented to the Policy and Organisation Board for final approval.

24. ANY OTHER BUSINESS

There was no other business

The meeting concluded at 18:20.

CHAIRMAN

AGENDA ITEM NO. 06

Board/Committee:	Standards and Governance Committee Meeting
Date of Meeting:	24 November 2016
Title:	EY – Annual Audit Letter 2015/16 and 2016/17 Audit Progress Report
Author:	Helen Thompson
Status:	Standards and Governance Committee to receive, consider and approve the 2015/16 Annual Audit Letter, and to receive and consider the 2016/17 Audit Progress Report.

Purpose

The Annual Audit Letter summarises the findings from our 2015/16 audit which is now complete. It summarises the key messages that were reported in our Audit Results Report presented to the Standards and Governance Committee on 8 September 2016 and the Policy and Organisation Board on 21 September 2016. Our Annual Audit Letter is an important report that has been prepared in line with the requirements of the National Audit Office's Code of Audit Practice.

The audit progress report provides the Committee with an update on the progress made on the 2016/17 audit and re-confirms key upcoming changes which the Council will need to consider.

Recommendation

- Receive the Annual Audit Letter and consider the conclusions reached by the auditor.
- Note the 2016/17 progress report

1 Background

- 1.1 The National Audit Office's Code of Audit Practice requires us to issue an Annual Audit Letter to all members on the work we have carried out to discharge our statutory audit responsibilities.
- 1.2 The audit progress report provides the Committee with details of progress made on, and the planned outputs from, the 2016/17 audit, and an update on key forthcoming changes in local government audit arrangements.

2 Annual Audit Letter

2.1 Financial statements

We issued an unqualified audit opinion on 22 September 2016.

2.2 Value for money conclusion

We issued an unqualified value for money conclusion on 22 September 2016.

2.3 Consistency of other information

Other information published with the financial statements was consistent with the Annual Accounts.

2.4 Annual Governance Statement

The Annual Governance Statement complied was consistent with our understanding of the Council.

Use of audit powers

2.5 There were no matters that we needed to report in the public interest or take formal audit action on.

Whole of government accounts

2.6 We reported our findings on the Whole of Government Accounts return to the NAO on 22 September 2016. There were no issues to highlight to the NAO.

Report to those charged with governance

2.7 We presented our Audit Results Report to the Standards and Governance Committee on 08 September 2016, and Policy and Organisation Board on 21 September 2016.

Audit certificate

2.8 On 22 September 2016 we certified the closure of the 2015/16 audit.

3 2016/17 Audit Progress report

3.1 The progress report provides a high level summary of our progress to date and the planned outputs from the 2016/17 audit. A timetable for this work is appended to the report. It also provides an update on key changes in local audit arrangements which are due to take effect in 2018/19, and for which the Council will need to plan in the forthcoming period.

4 Risk Assessment

- 4.1 The Annual Audit Letter forms part of the auditor's statutory role and should be reviewed and noted as part of the Council's governance arrangements. There are no risks associated with the progress report.

Conclusion

The Annual Audit Letter for 2015/16 is attached for consideration and approval. The 2016/17 progress report is attached for consideration.

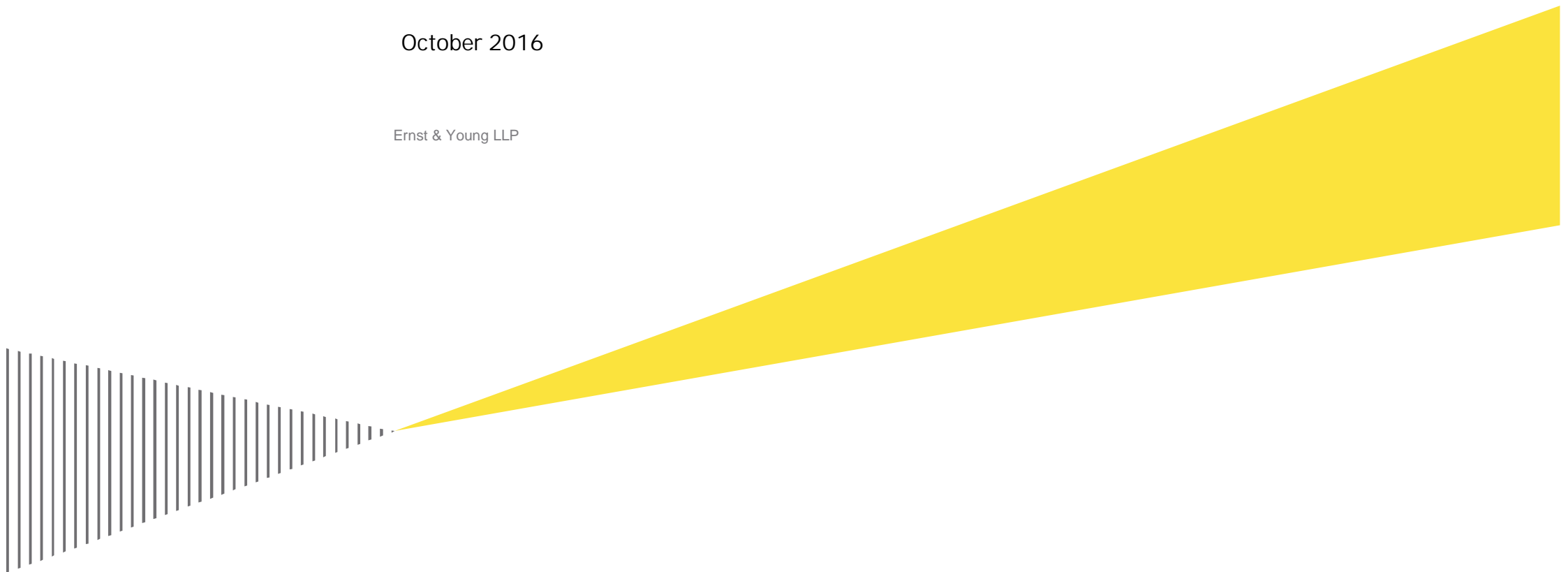
Financial Services comments:	N/A
Legal Services comments:	N/A
Crime and Disorder:	N/A
Equality and Diversity:	N/A
Service Improvement Plan implications:	N/A
Corporate Plan:	N/A
Risk Assessment:	N/A
Background papers:	N/A
Enclosures:	Annual Audit Letter 2015/16 Audit Progress Report 2016/17
Report author/ Lead Officer:	Helen Thompson, Executive Director, Ernst & Young

Gosport Borough Council

Annual Audit Letter for the year ended 31 March 2016

October 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 Annual Audit Letter is prepared in the context of the Statement of responsibilities. It is addressed to the Members of the audited body, and is prepared for their sole use. We, as appointed auditor, take no responsibility to any third party.

Our Complaints Procedure – If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with your usual partner or director contact. If you prefer an alternative route, please contact Steve Varley, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.

A hand with white nail polish is writing on a document with a blue pen. In the background, there is a calculator, a white cup, and a laptop. A yellow rectangular box is overlaid on the left side of the image.

Executive Summary

Executive Summary

We are required to issue an annual audit letter to Gosport Borough Council (the Council) following completion of our audit procedures for the year ended 31 March 2016.

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

Area of Work	
Opinion on the Council's:	Unqualified – the financial statements give a true and fair view of the financial position of the Council as at 31 March 2016 and of its expenditure and income for the year then ended.
▶ Financial statements	
▶ Consistency of other information published with the financial statements	Other information published with the financial statements was consistent with the Annual Accounts.
Concluding on the Council's arrangements for securing economy, efficiency and effectiveness	We concluded that you have put in place proper arrangements to secure value for money in your use of resources.

Area of Work	
Conclusion	
Reports by exception:	
▶ Consistency of Governance Statement	The Governance Statement was consistent with our understanding of the Council.
▶ Public interest report	We had no matters to report in the public interest.
▶ Written recommendations to the Council, which should be copied to the Secretary of State	We had no matters to report.
▶ Other actions taken in relation to our responsibilities under the Local Audit and Accountability Act 2014	We had no matters to report.

Area of Work	Conclusion
Reporting to the National Audit Office (NAO) on our review of the Council's Whole of Government Accounts return (WGA).	We had no matters to report.

As a result of the above we have also:

Area of Work	Conclusion
Issued a report to those charged with governance of the Council communicating significant findings resulting from our audit.	Our Audit Results Report was issued on 15 September 2016 and presented to the 21 September 2016 meeting of the Policy and Organisation Board.
Issued a certificate that we have completed the audit in accordance with the requirements of the Local Audit and Accountability Act 2014 and the National Audit Office's 2015 Code of Audit Practice.	Our certificate was issued on 22 September 2016.

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

Purpose



Purpose

The Purpose of this Letter

The purpose of this annual audit letter is to communicate to Members and external stakeholders, including members of the public, the key issues arising from our work, which we consider should be brought to the attention of the Council.

We have already reported the detailed findings from our audit work in our 2015/16 Audit Results Report to the 08 September meeting of the Standards and Governance Committee and the 21 September meeting of the Policy and Organisation Board, representing those charged with governance. We do not repeat those detailed findings in this letter. The matters reported here are the most significant for the Council.



Responsibilities

Responsibilities

Responsibilities of the Appointed Auditor

Our 2015/16 audit work has been undertaken in accordance with the Audit Plan that we issued on 4 March 2016 and is conducted in accordance with the National Audit Office's 2015 Code of Audit Practice, International Standards on Auditing (UK and Ireland), and other guidance issued by the National Audit Office.

As auditors we are responsible for:

- ▶ Expressing an opinion:
 - ▶ on the 2015/16 financial statements; and
 - ▶ on the consistency of other information published with the financial statements.
- ▶ Forming a conclusion on the arrangements the Council has to secure economy, efficiency and effectiveness in its use of resources.
- ▶ Reporting by exception:
 - ▶ if the annual governance statement is misleading or not consistent with our understanding of the Council;
 - ▶ any significant matters that are in the public interest;
 - ▶ any written recommendations to the Council, which should be copied to the Secretary of State; and
 - ▶ if we have discharged our duties and responsibilities as established by the Local Audit and Accountability Act 2014 and Code of Audit Practice.

Alongside our work on the financial statements, we also review and report to the National Audit Office (NAO) on your Whole of Government Accounts return. The extent of our review and the nature of our report are specified by the NAO.

Responsibilities of the Council

The Council is responsible for preparing and publishing its statement of accounts accompanied by an Annual Governance Statement (AGS). In the AGS, the Council reports publicly each year on how far it complies with its own code of governance, including how it has monitored and evaluated the effectiveness of its governance arrangements in year, and any changes planned 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.

The background is a blurred office scene. In the foreground, there are several clear glass tumblers filled with water on a wooden desk. Behind them, a laptop screen displays a financial chart. To the left, a pen and some papers are visible. The overall lighting is bright and natural, suggesting a window in the background.

Financial Statement Audit

Financial Statement Audit

Key Issues

The Council's Statement of Accounts is an important tool for the Council to show how it has used public money and how it can demonstrate its financial management and financial health.

We audited the Council's Statement of Accounts in line with the National Audit Office's 2015 Code of Audit Practice, International Standards on Auditing (UK and Ireland), and other guidance issued by the National Audit Office. We issued an unqualified audit report on 22 September 2016.

Our detailed findings were included in our Audit Results Reports presented to the 21 September meeting of the Policy and Organisation Board. In our report, which we issued on 15 September 2016, we noted that there were some areas where our work was outstanding and was to be completed. We completed work in those areas and this enabled us to issue an unqualified audit report on the Council's financial statements. There were no matters arising from the completion of our work that needed to be reported to the Policy and Organisation Board.

The key issues identified as part of our audit were as follows:

Significant Risk	Conclusion
<p>Management override of controls</p> <p>A risk present on all audits is that 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>Auditing standards require us to respond to this risk by testing the appropriateness of journals, testing accounting estimates for possible management bias and obtaining an understanding of the business rationale for any significant unusual transactions.</p>	<p>We completed our testing in respect of the procedures set out in our Audit Plan and found no evidence of management override or bias as a result of our work.</p>



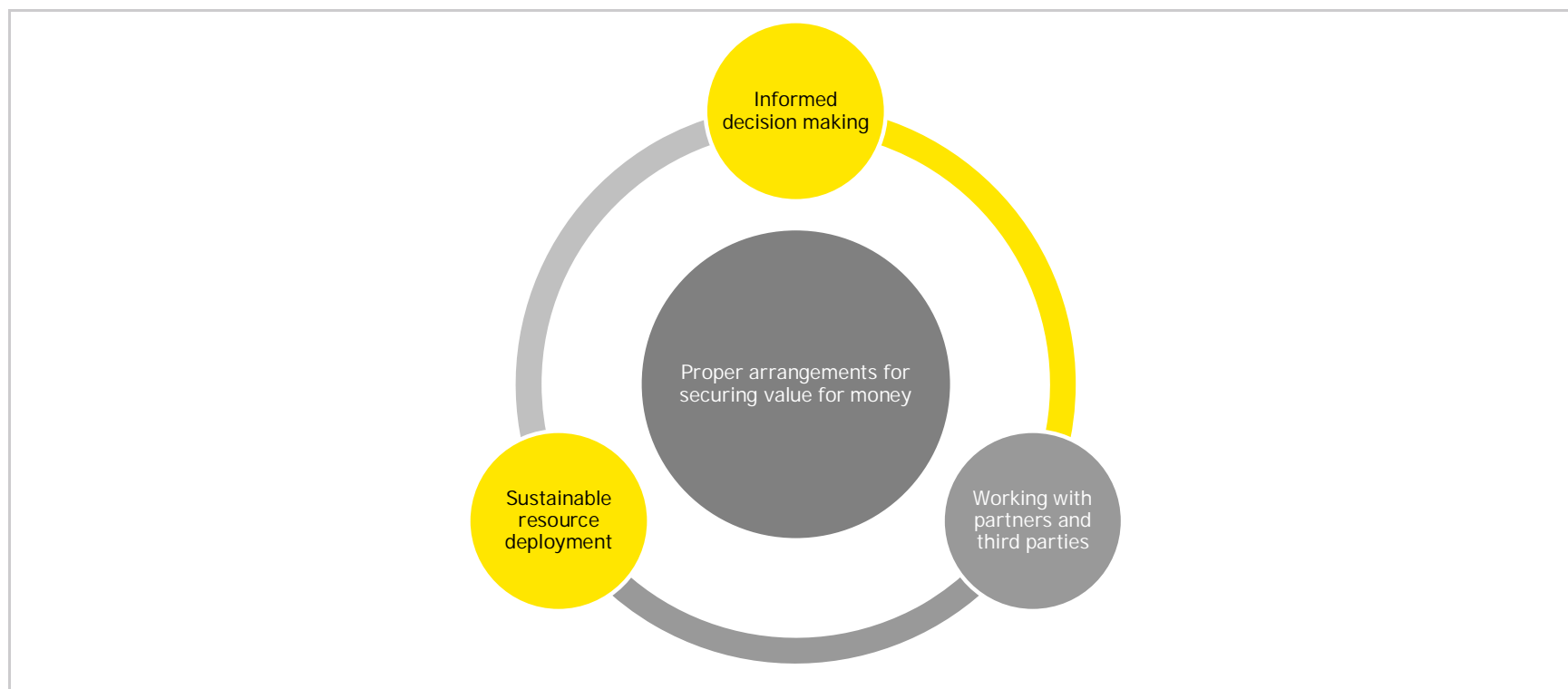
Value for Money

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.



We issued an unqualified value for money conclusion on 22 September 2016.

We identified a significant risk that ongoing financial pressures could mean that the Council would not be able to deploy resources in a sustainable manner.

We reviewed the Council's 2015/16 outturn position, the budget it had set for 2016/17, and the robustness of its most recent Medium Term Financial Strategy (June 2015). The Council achieved a surplus against its 2015/16 budget, providing comfort over its ability to set and meet achievable budgets in future. We were satisfied that the Council had 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) was robust, based on reasonable assumptions, and made allowances for uncertainty over future funding from central government.



Other Reporting Issues

Other Reporting Issues

Whole of Government Accounts

The Council is below the specified audit threshold of £350 million. Therefore we did not perform any audit procedures on the consolidation pack.

Annual Governance Statement

We are required to consider the completeness of disclosures in the Council's Annual Governance Statement, identify any inconsistencies with the other information of which we are aware from our work, and consider whether it is misleading.

We completed this work and did not identify any areas of concern.

Report in the Public Interest

We have a duty under the Local Audit and Accountability Act 2014 to consider whether, in the public interest, to report on any matter that comes to our attention in the course of the audit in order for it to be considered by the Council or brought to the attention of the public.

We did not identify any issues which required us to issue a report in the public interest.

Written Recommendations

We have a duty under the Local Audit and Accountability Act 2014 to designate any audit recommendation as one that requires the Council to consider it at a public meeting and to decide what action to take in response.

We did not identify any issues which required us to issue a written recommendation.

Objections Received

We did not receive any objections to the 2015/16 financial statements from members of the public.

Other Powers and Duties

We identified no issues during our audit that required us to use our additional powers under the Local Audit and Accountability Act 2014.

Independence

We communicated our assessment of independence in our Audit Results Report to the Policy and Organisation Board meeting on 21 September 2016. 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.

Control Themes and Observations

As part of our work, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. Although our audit was not designed to express an opinion on the effectiveness of internal control, we are required to communicate to you significant deficiencies in internal control identified during our audit. We did not identify 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.

A close-up, shallow depth-of-field photograph of a person's hands holding binoculars. The person's face is blurred in the background, focusing attention on the binoculars and the text overlay. A bright yellow rectangular box is positioned on the left side of the image, containing the text "Focused on your future".

Focused on your
future

Focused on your future

Area	Issue	Impact
EU referendum	Following the majority vote to end the UK's membership of the European Union (EU) in the EU Referendum held on 23 June 2016 there is a heightened level of volatility in the financial markets and increased macroeconomic uncertainty in the UK. All three major rating agencies (S&P, Fitch and Moody's) took action on the UK Sovereign credit rating and, following the rating action on the UK Government. For entities in the public sector, there is likely to be an impact on investment property valuations if confidence in the wider UK property market falls; and the valuation of defined benefit pension obligations may also be affected. It is too early to estimate the quantum of any impact of these issues, but there is likely to be significant ongoing uncertainty for a number of months while the UK renegotiates its relationships with the EU and other nations.	<p>Many of the issues and challenges that face the UK public sector will continue to exist, not least because continued pressure on public finances will need responding to. Additionally it may well be that the challenges are increased if the expected economic impacts of the referendum and loss of EU grants outweigh the benefits of not having to contribute to the EU and require even more innovative solutions.</p> <p>We are committed to supporting our clients through this period, and help identify the opportunities that will also arise. We will engage with you on the concerns and questions you may have, provide our insight at key points along the path, and provide any papers and analysis of the impact of the referendum on the Government and Public Sector market.</p>
Faster Close	From the 2017/18 financial year, the deadline for preparing the Council's financial statements will move to 31 May from 30 June. In addition, the deadline for completing the statutory audit will move to 31 July from 30 September.	<p>The faster closedown timetable requires the Council to adjust its timetable for preparing the accounts, as well as the budget setting process and the timing of committee meetings.</p> <p>It requires upfront planning to identify areas of the accounts that can be prepared earlier, before the 31 March, and there will be a need to establish robust basis for estimations across a wider number of entries in the financial statements.</p> <p>For the 2016/17 audit, we are working with officers to bring our work forward to support the transition ahead of the new deadlines in 2017/18.</p>

Appendix A

Audit Fees



Appendix A Audit Fees

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

Description	Final Fee 2015/16 £	Planned Fee 2015/16 £	Scale Fee 2015/16 £
Total Audit Fee – Code work	53,044	53,044	53,044
Total Audit Fee – Certification of claims and returns	14,666*	14,666	14,666

* Our work to certify claims and returns remains ongoing as at 17 October 2016. The final fee is therefore subject to change dependent on any issues arising in completion of our work in this area.

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

EY | Assurance | Tax | Transactions | Advisory

Ernst & Young LLP

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ED None

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Gosport Borough Council

Standards and Governance Committee Progress Report

November 2016



Building a better
working world

Standards and Governance Committee
Gosport Borough Council
Town Hall
High Street
Gosport
Hampshire
PO121EB

14 November 2016

Audit Progress Report

We are pleased to attach our Audit Progress Report.

This progress report summarises the work we have undertaken since the last meeting of the Standards and Governance Committee in September 2016. The purpose of this report is to provide the Committee with an overview of our plans for the 2016/17 audit, to ensure they are aligned with your service expectations.

Our audit is undertaken 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.

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

Yours faithfully

Helen Thompson
Executive Director
For and on behalf of Ernst & Young LLP
Enc.

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2016/17 audit.....	Error! Bookmark not defined.
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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 \(www.psaa.co.uk\)](http://www.psaa.co.uk)

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This Annual 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.

2016/17 audit

Financial statements audit

We issued our audit fee letter in April 2016 after discussion with officers and this was presented to the Committee in July 2016.

We will start our audit planning and risk assessment in the latter part of 2016 with the aim of issuing our Audit Plan to the meeting of the Committee scheduled for March 2017.

We adopt a risk based approach to the audit and, as part of our ongoing planning, we will be holding a de-brief meeting with key officers to discuss how we can work together to improve the accounts production and audit process for 2016/17. We will continue to liaise with officers to ensure the 2016/17 audit runs as smoothly as possible and identify any risks at the earliest opportunity. Where possible we seek to rely on the controls within the Council's financial systems.

We will liaise with Internal Audit with a view to placing reliance on the testing of controls which they perform in the normal course of their annual plan.

We have set out an outline timetable for the audit in Appendix 1.

Planning visit

Our work to identify the Council's material income and expenditure systems and to walk through these systems and controls is planned to commence in December 2016 and continue in March 2017.

Post Statements audit

Anticipating the move to faster closing, whereby the Council will have to publish its audited statement of accounts by 31 July 2018 for the 2017/18 financial year, we are looking to start our post statements work on the 2016/17 statement of accounts at the beginning of July 2017.

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

We will also review and report to the National Audit Office, to the extent and in the form required by them, on your whole of government accounts return.

Our audit results report, setting out the findings of our work and overall conclusions, will be presented to the Standards and Governance Committee and Policy and Organisation Board at their September meetings.

Value for money assessment

We will plan our 2016/17 value for money risk assessment in spring 2017.

We expect to carry out our detailed work during our post statements audit visit.

2015/16 Grant Certification Work

Work on the initial testing of your 2015/16 housing benefit subsidy claim is ongoing at 14 November 2016. The audit team is also currently reviewing the additional testing performed by Council staff as a result of the issues identified during our initial testing, and we expect to certify the claim by the deadline of 30 November 2016.

We will present our grant claims certification report to the March 2017 meeting of the Standards and Governance Committee.

Local appointment of auditors

As previously reported to the Committee, the Department of Communities and Local Government (DCLG) has announced that it has decided not to extend the existing arrangements for external audit contracts beyond the end of 2017/18. From 2018/19 onwards, larger local government bodies, including fire and rescue authorities, police bodies and other local government bodies will be responsible for appointing their own auditors, and directly managing the resulting contract. DCLG has designated PSAA Ltd as the sector-led body under the Regulations to carry out procurements and appointments of auditors on behalf of local government bodies, and councils are likely to be invited to opt into the PSAA arrangements (if they decide to exercise this option) in the coming months.

Existing external audit arrangements will remain unchanged for the 2016/17 and 2017/18 financial years.

Appendix 1 – Timetable for the 2016/17 audit

We set out below a timetable showing the key stages of the audit, including the value for money work, and the deliverables we will provide to you through the 2016/17 Committee cycle. We will provide formal reports to the Standards and Governance Committee throughout our audit process as outlined below.

Audit phase	EY Timetable	Deliverable	S&G Committee	Status
High level planning	Ongoing	Audit Fee Letter	July 2016	Completed
Risk assessment and setting of scope of audit	December 2016	Audit Plan	March 2017	Not yet started
Testing of routine processes and controls	December 2016 – March 2017	Audit Plan	March 2017	Not yet started
Year-end audit	July – August 2017	Audit results report to those charged with governance Audit report (including our opinion on the financial statements and a conclusion as to whether the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources) Whole of Government Accounts Submission to NAO based on their group audit instructions Audit Completion certificate	September 2017	Not yet started
Annual Reporting	October 2017	Annual Audit Letter	November 2017	Not yet started

Audit phase	EY Timetable	Deliverable	S&G Committee	Status
Grant Claims 2016/17	September – November 2017	Annual certification report	March 2018	Not yet started

EY | Assurance | Tax | Transactions | Advisory

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AGENDA ITEM NO. 07

Board/Committee:	Standards and Governance Committee
Date of Meeting:	26 th November 2016
Title:	Quarterly Internal Audit Monitoring Statement to 30.09.16
Author:	Head of Internal Audit & Risk Assurance
Status:	FOR DECISION

Purpose

To table the performance of the Internal Audit Section in the second quarter of 2016/17 (1st July 2016 – 30th September 2016) against the agreed audit plan to the Members with responsibility for governance.

Inform Members of the opportunity to extend the Test Valley Borough Council shared internal audit management arrangement from the 1st April 2017 for a further three years.

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 July 2016 to 30th September 2016.
- b) That Members consider extending the existing the arrangement with Test Valley Borough Council from 1st April 2017 for three years.
- c) 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 second monitoring statement for the current financial year.

2 Report

Internal Audit Coverage for 2016/17

- 2.1 In the three month period from July to September 2016 very good progress has again been made in delivering the internal audit plan.
- 2.2 The team, at full capacity, has again delivered quality assignments in the 2nd quarter of 2016/17. The two trainees continue to develop. Their allocated work for later in the year is more advanced with minimal supervision required. Internal audit management continues to support their development through the audit year and they are now capable and competent in completing the technical audits (assigned for later in the year) with minimal supervision. Both trainees continue in their professional development.

2.3 Internal Audit Activity

During the last three months up to the 30th September 2016 one fundamental audit was finalised.

A summary from the assurance statement for the fundamental audit is below:

- 2.3.1 **Treasury Management** – There were no recommendations in this review.

Audit opinion

The audit found good practice and in particular commends the continued revision of the Treasury Management Strategy with the changing nature of risk in the recent uncertain economic environment. Overall the audit rated Treasury Management as strong.

2.4 System Reviews

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

- 2.4.1 **Cemeteries** – Overall there were nine recommendations for this review (2 essential, 3 important and 4 advisory). Remedial action has been agreed with management and target dates have been set and will be followed up in quarter four.

Audit opinion

Internal controls are operating effectively though the system is manual intensive. There are opportunities to be considered to modernise the process and system to improve efficiency,

effectiveness and transparency.

- 2.4.2 **Sheltered Housing (follow up)** - Overall there were fourteen recommendations for this follow up review (9 important and 5 advisory). An improvement plan has been agreed with housing management, a target set and these will be followed up early in quarter four.

Audit opinion

Internal controls are weak around cash accounting and new procedures have been put in place. Therefore the overall opinion was poor.

- 2.4.3 **Choice Based Letting** – Overall there were two recommendations for this review (1 important and 1 advisory). Actions have been agreed with housing management, targets set and will be followed up in quarter four.

Audit opinion

Internal controls are generally strong, however there are some areas where record keeping would assist with evidence of housing eligibility. There are no significant risks to the performance of the system, however there are some opportunities for improvement.

- 2.4.4 **Alver Valley** – Overall there were sixteen recommendations for this review (1 important and 15 advisory). Actions have been agreed with management, targets set and will be followed up in quarter four.

Audit opinion

Overall the audit rated the Alver Valley as good.

- 2.4.5 **Time recording system** – Overall there were eleven recommendations for this review (all advisory). Actions have been agreed with management, targets set and will be followed up in quarter four.

Audit opinion

Internal controls were found to be operating well. Overall the Audit concluded that the internal control system is good with opportunities for improvement.

- 2.4.6 **Gosport Leisure Centre** – Overall there were four recommendations for this review (3 important and 1 advisory). Actions have yet to be finalised with management but progress on improvements will be

reviewed late in quarter four.

Audit opinion

The audit testing found that the Gosport Leisure Centre is meeting its obligations under the contract requirements and management fees and profit share were correctly calculated. There are no significant risks affecting this operation.

- 2.4.7 **Cashier & Cash Collection** – Overall there were four recommendations for this review (2 important and 2 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. Testing found that assurance can be given in all areas tested. However, the audit found some areas in which improvements could be made. There are no significant risks affecting this process and their procedures.

Other Audit Activities

- 2.5 The Head of Internal Audit has continued his joint role managing the two Internal Audit teams and had spent 26.82 days engaged off site at Test Valley Borough Council in the second quarter of 2016/17.
- 2.6 Other areas of work in this period included work on the major contracts, continued 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.
- 2.7 The current shared management arrangement with Test Valley Borough Council comes to an end at 31 March 2017. Test Valley Borough Council have indicated an interest in extending the arrangement for a further three years from the 1 April 2017. All the Council's auditor costs (daily rate) are recharged in this arrangement to ensure a full financial recovery. This could, if agreed, generate the Council in excess of £100,000 (over the three year period) from this well-developed shared arrangement.

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. At the half year stage over 49% of the audit plan has been completed placing the team in a good position to complete the 95% target.

4 Conclusion

- 4.1 That the Committee note the update on the planned coverage for 2016/17 as at 30 September 2016, the opportunity to extend the existing arrangement for a further three years and the development of the internal audit team.

Financial Services comments:	None
Legal Services comments:	None for the purposes of this Report
Crime and Disorder:	None
Equality and Diversity:	None
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:	Appendix 1 : Table of essential & important recommendations
Report author/ Lead Officer:	Chris Davis 02392 545306

Table of Essential and Important Recommendations**Cemeteries**

ESSENTIAL RECOMMENDATIONS ADDRESSING SERIOUS CONTROL WEAKNESSES					
REF	FINDING	RECOMMENDATION	CLIENT COMMENT	OFFICER RESPONSIBLE	TARGET DATE
6.2.3	A strong control over loss or fraud is to ensure that income is banked at the time received and there is segregation of duties so that staff that handle accounting records do not handle money	Money received in post and over the counter is held securely in the Admin Office and receipted and banked to cashier as soon as practical and not passed on to staff dealing with the records of the day to day work.	Agreed.	Admin. Team Leaders	30/09/16
6.4.4	There was no reconciliation of income shown on the Financial Accounting system (FIMS) on the cemeteries income code to the Statement of Fees book.	Income shown on the spreadsheet recommended in 6.3.4 above be reconciled to a report from Finance system to ensure that all income is accounted for correctly and properly coded.	Agreed to put in place once the system changes in recommendation at 6.3.4 below has been put into place. Currently shortage of staff due to sickness so Internal Audit Consultancy to put system into place to make the changes.	Principal Auditor	30/9/16

IMPORTANT RECOMMENDATIONS ADDRESSING LESS SERIOUS CONTROL WEAKNESSES					
REF	FINDING	RECOMMENDATION	CLIENT COMMENT	OFFICER RESPONSIBLE	TARGET DATE
6.1.3	There is not a risk on the Service risk register regarding the future number of grave spaces running out.	The risk register for the Service includes the risk of 'cemeteries spaces running out' so that the Service can collect the information it needs and plan in good time to find new land for burial space.	Agreed.	Head of Streetscene	30/09/16

IMPORTANT RECOMMENDATIONS ADDRESSING LESS SERIOUS CONTROL WEAKNESSES					
REF	FINDING	RECOMMENDATION	CLIENT COMMENT	OFFICER RESPONSIBLE	TARGET DATE
6.3.4	At the end of the month the Admin Team put together a spreadsheet of all of the fees due (including those paid) and amalgamate the Statement of Fees for each customer. (For example one funeral director may have a total bill made up of a few interments and memorial applications.) The spreadsheet is a duplicate record of the Register of Fees ledger (except the Register of Fees does not amalgamate the amounts to each customer and is not backed up on the computer network).	A spreadsheet is used to record each interment and memorial application as they are processed (rather than the current system of using at the end of the month). The memorial and interment forms will be passed to Admin Team once the fee amount is agreed by Cemeteries Team. If the amount has already been paid the till receipt number and date are entered onto the spreadsheet. At the end of the month the Admin Team will bill all of the accounts that have not been already paid as a sundry debtor. This would result in the Statement of Fees and the Register of Fees ledger no longer being used. (The spreadsheet should include all of the columns of information required by the legislation for the Register of Fees as it would effectively become the electronic register of fees.)	As Recommendation 6.4.4 above. Currently shortage of staff due to sickness so Internal Audit Consultancy to put system into place to make the changes.	Principal Auditor	1/10/16

IMPORTANT RECOMMENDATIONS ADDRESSING LESS SERIOUS CONTROL WEAKNESSES					
REF	FINDING	RECOMMENDATION	CLIENT COMMENT	OFFICER RESPONSIBLE	TARGET DATE
6.4.6	The Finance Service confirmed they do not reconcile the sundry debtors raised to the spreadsheet provided by the Cemeteries Admin Team to ensure that they have not missed one of the invoices.	Finance run a report from Finance system showing all sundry debtors raised total for the input that month to reconcile with the total on the Admin spreadsheet to ensure all have been correctly raised and no input errors. The number of the sundry debtor account is written against the account on the spreadsheet recommended in 6.3.4 above.	Accountancy to initial the spreadsheet summary to evidence reconciliation of batch.	Accounts Assistant	1/10/16

Sheltered Housing (Follow up)

IMPORTANT RECOMMENDATIONS ADDRESSING LESS SERIOUS CONTROL WEAKNESSES					
REF	FINDING	RECOMMENDATION	CLIENT COMMENT	Follow Up Findings June 2016	Further Actions agreed.
6.1.2	The Alec Rose House OPSO was using money collected for mobility scooter tokens that had yet to be paid in as a float for future token purchases.	In order to prevent the informal use of money yet to be paid in or OPSOs using their own money to give change a float of £10 should be issued to each scheme that provides communal mobility scooter charging.	Accepted in progress. Senior OPSO. Target date 31/10/15	Not completed. Floats evidenced as follows: Alec Rose House - £10.00 Gloucester House - £10.00 Fortune House - £4.00 Behrent House - £no float? Woodlands - £no float? The floats had not been set up as official floats through Accounts but had been taken out of income. As a result Accounts will not have a record of the floats as required by the end of year accounting process. The floats will require official set up in order to comply with proper accounting practices.	All floats to be made official up to £10.00.

IMPORTANT RECOMMENDATIONS ADDRESSING LESS SERIOUS CONTROL WEAKNESSES					
REF	FINDING	RECOMMENDATION	CLIENT COMMENT	Follow Up Findings June 2016	Further Actions agreed.
6.1.7	When visiting a scheme the auditor noticed that an OPSO collected money from residents to purchase fish and chips on their behalf. The Senior OPSO commented after that guidelines are that this should not happen and that residents are encouraged to make their own arrangements. However it is recognised that the benefits associated with collecting small amounts of money for group purchases such as a take away outweigh the risks associated with the collection of money.	OPSOs handling small value purchases on behalf of residents should be formally recognised. Any money/orders received from residents should be recorded and wherever possible the receipts be retained.	Accepted in progress. Senior OPSO target date 31/10/15	The follow up review showed evidence that receipts had been issued in some cases for Christmas meal and 's.club funds'. Receipts had been officially issued. Scheme Managers confirmed they no longer handle unofficial monies without making a record.	Completed.
6.3.1	St Vincent Road was listed and treated as sheltered housing in the 'Service Charges Review Working Paper Draft' but the units are no longer sheltered and are elderly designated properties instead.	St Vincent Road be moved from the sheltered housing section of the 'Service Charges Review Working Paper Draft'.	Completed at time of the audit 30/09/15 Finance (Accounts Officer) has changed the wording on this document to show that these properties are to be redeveloped.]	Completed at time of the audit.	N/A

IMPORTANT RECOMMENDATIONS ADDRESSING LESS SERIOUS CONTROL WEAKNESSES					
REF	FINDING	RECOMMENDATION	CLIENT COMMENT	Follow Up Findings June 2016	Further Actions agreed.
2.3	There is an accounting procedure whereby floats are checked annually and a return is required by Accountancy so that they are able to properly account for the floats in the Council's end of year accounts. In effect the floats set up are 'unofficial'	The sheltered housing floats are notified to Accountancy in order that they can be officially recognised in the Council's accounts.	August 2016 Official floats have been set up with Finance.		
2.6	The audit trail is difficult to follow as details of bankings do not always reflect what is written on the housing banking paying in slips (blue slip). Internal Audit have discussed with the cashiers and they have confirmed that they are already tightening up their processes to ensure that full details of bankings are included in their 'narrative' field, which was checked and found to be able to accommodate 45 characters of numbers/text.	Blue paying in slips show details of the Sheltered Housing Accommodation and the receipt numbers of the receipts used and this information is included in the narrative field by cashiers.	August 2016 New procedures have been created and include detailing scheme names on receipts.		

IMPORTANT RECOMMENDATIONS ADDRESSING LESS SERIOUS CONTROL WEAKNESSES					
REF	FINDING	RECOMMENDATION	CLIENT COMMENT	Follow Up Findings June 2016	Further Actions agreed.
2.7	<p>There is no reconciliation of sales to records held. i.e</p> <p>2.7.1 Room hire as per bookings to income receipted.</p> <p>2.7.2 TV licence income due to income receipted.</p> <p>2.7.3 Buggy tokens used to income receipted.</p>	<p>The receipt number and date are cross referenced with payments made as follows:</p> <p>2.7.1 Receipt number and date are cross referenced onto the Room Hire Booking Form.</p> <p>2.7.2 For TV licences the receipt number is cross-referenced against the flat number where income is due.</p> <p>2.7.4 A simple stock record is set up for buggy tokens and all issues show the receipt number and date against the issue entry in the stock record. (See Appendix 2 for an example stock sheet)</p>	<p>August 2016</p> <p>New procedures have been written to ensure receipts are cross referenced. New stock record books have been created and given to OPSOs.</p> <p><i>Please see links shown in the follow up table</i></p>	<p>TV Licence procedures</p> <p>Guest Room Procedures</p> <p>Mobility Scooter Tokens</p> <p>Generic Income Collection Procedures</p>	

IMPORTANT RECOMMENDATIONS ADDRESSING LESS SERIOUS CONTROL WEAKNESSES					
REF	FINDING	RECOMMENDATION	CLIENT COMMENT	Follow Up Findings June 2016	Further Actions agreed.
2.12	There is a risk that room hire, TV licence contribution and buggy tokens are not charged, either deliberately or in error and this could lead to residents being unfairly treated and loss of income.	Regular checks are carried out by the Senior OPSO at the schemes to cash up the float and reconcile it to income taken. Further checks that all TV licence income has been received, all room hire agreements are cross referenced to an official receipt and a stock check of buggy tokens is undertaken alongside this to ensure all sales have been properly recorded and receipted.	August 2016 Quarterly checks have been booked in by Senior OPSO for reconciliation of income.		
2.17	A receipt should always be requested by the person paying in as evidence of banking. Internal Audit has discussed this with OPSO's and the Senior OPSO. These receipted copies can then be handed to the Principal OPSO in order to carry out reconciliation.	The cashiers give a receipt to the person paying in and the paying in paperwork is handed to the Principal in order to reconcile expected income to FIMS.	August 2016 As per new procedures.		

IMPORTANT RECOMMENDATIONS ADDRESSING LESS SERIOUS CONTROL WEAKNESSES					
REF	FINDING	RECOMMENDATION	CLIENT COMMENT	Follow Up Findings June 2016	Further Actions agreed.
2.18	There is a risk that room hire, TV licence contribution and buggy tokens are not charged, either deliberately or in error and this could lead to residents being unfairly treated and loss of income.	Quarterly reconciliation of the expected income as receipted to FIMS report is carried out independently by the Principal OPSO. The reconciliation includes ensuring that all officially issued receipts are accounted for, follow on from previous numbering and that there are no gaps or duplicates.	August 2016 Quarterly reconciliation checks have been booked in by Principal OPSO.		

Choice Based Lettings

IMPORTANT RECOMMENDATIONS ADDRESSING LESS SERIOUS CONTROL WEAKNESSES					
REF	FINDING	RECOMMENDATION	CLIENT COMMENT	OFFICER RESPONSIBLE	TARGET DATE
6.2	Testing of the File Verification forms on the CAPITA system showed that the quality of the evidence of eligibility of applicants to be housed was not clearly shown.	The File Verification form should clearly indicate how the information has been verified for example stating whether a Housing Association was contacted to verify outstanding debts, or the Council Tax service had verified a local connection etc.	Agreed	Housing Specialist Team Leader – Housing Options	30/09/16

Alver Valley

IMPORTANT RECOMMENDATIONS ADDRESSING LESS SERIOUS CONTROL WEAKNESSES					
REF	FINDING	RECOMMENDATION	CLIENT COMMENT	OFFICER RESPONSIBLE	TARGET DATE
7.7.1	<p>Expected income from the sale of Daily Wildgrounds Permits at the Alver Valley and Monthly Wildgrounds Permits from the Cashiers and Tourist Information Centre (TIC) is not being reconciled to the amount banked and recorded in eFinancials. This is a strong control over theft, error and miscoding and would detect the errors listed in 7.7.2. It would normally be carried out by someone independent of handling stock of permits or cash.</p> <p>Factors that need to be taken into account before reconciliation are that permits can be sold as either adult or concession permits having two different prices, that permits sold by TIC have 10% commission and that permits are subject to VAT that needs separating.</p>	<p>Introduce a new spreadsheet to assist with Wildgrounds Permit sales recording and reconciliation. The spreadsheet used for audit's reconciliation is suitable and included in Appendix 3.</p>	<p>Agreed.</p>	<p>Admin Asst.</p>	<p>01/12/16</p>

Gosport Leisure Centre

IMPORTANT RECOMMENDATIONS ADDRESSING LESS SERIOUS CONTROL WEAKNESSES					
REF	FINDING	RECOMMENDATION	CLIENT COMMENT	OFFICER RESPONSIBLE	TARGET DATE
7.3	The testing showed that the performance, profit share and management fees are not checked back to the contract agreement and therefore there is a risk that an error in calculation or underperformance that may not be raised with the contractor.	Financial calculations of profit share and management fees are checked by Finance back to the conditions of the contract.			
7.4	The testing showed that the performance, profit share and management fees are not checked back to the contract agreement and therefore there is a risk that an error in calculation or underperformance that may not be raised with the contractor.	Performance and reporting frequencies and performance targets are checked against the contract requirements by operational officers.			
7.6	Although the Contractor regularly reports back on their inspections and housekeeping routines in relation to Health and Safety, there were no checks being carried out to ensure that insurances are in place and relevant certificates are held for statutory areas such as electrical testing.	Operational officers review high risk contract requirements and verify independently that insurances and other statutory requirements are renewed and or met.			

Cashiers & Cash Collection

IMPORTANT RECOMMENDATIONS ADDRESSING LESS SERIOUS CONTROL WEAKNESSES					
REF	FINDING	RECOMMENDATION	CLIENT COMMENT	OFFICER RESPONSIBLE	TARGET DATE
7.1.1	Testing highlighted that staff covering cashiers lunch do not always complete the till log sheet therefore there is no record a second member of staff has been on the till.	Staff be reminded of the importance in recording lunchtime cover on the till log sheet.	I have reminded staff in team meeting to complete the handover log. I have also adopted a new procedure to leave Till log sheet on top of keyboard whenever the Till is vacated.	Senor Customers Services Adviser	Complete
7.1.2	Testing of reprographics found reconciliation takes place for expected income to actual income from the known sales to the income banked to cashiers. However there is no reconciliation from the income banked to what is on E-Financials by reprographics	Regular reconciliation by the Head of Reprographics be completed (frequency of which would depend on the risk involved).	I am happy with both recommendations and have spoken to Accounts Assistant about how I can reconcile the banked income.	Reprographics Team Leader	30/11/16

AGENDA ITEM NO.08

Committee:	Standards & Governance Committee
Date of Meeting:	24 November 2016
Title:	Internal Audit Charter & Strategy 2016/20
Author:	Head of Internal Audit & Risk Assurance
Status:	For Decision

Purpose

This report sets out the future Internal Audit Charter and Strategy (agreed initially November 2014 by the Committee) as required by the Public Sector Internal Audit Standards (the Standards) which came into effect on the 1 April 2013.

Recommendation

That the Standards and Governance Committee approve the Internal Audit Charter and Strategy 2016/20.

1 Background

- 1.1 The UK-wide Public Sector Internal Audit Standards (the Standards) came into effect from 1 April 2013. To ensure the Council's compliance with these standards, a new Internal Audit Strategy and Charter has been prepared for approval.

2 Report

- 2.1 The Public Sector Standards replace the CIPFA Standards. CIPFA and the Chartered Institute of Internal Auditors (CIIA) have jointly issued these common internal audit standards for all UK public sector organisations.

- 2.2 The objectives of the Standards are to:

- Define the nature of internal auditing in the UK public sector.
- Set basic principles for providing internal audit services that add value to the organisation, leading to improved organisational processes and operations.
- Establish the basis for the evaluation of internal audit performance and to promote continuous improvement.
- Establish a framework for providing internal audit services that add value to the organisation, leading to improved organisational processes and operations.

- 2.3 The Standards incorporates a code of ethics governing the integrity and conduct of internal auditors and the requirement for objectivity, confidentiality and competency, including regard to the seven principles of public life.
- 2.4 There are also detailed performance standards on the actual conduct of internal audit work including planning, performance of individual audits, progress monitoring and the communication of results.
- 2.5 Included within the Standards is a requirement for regular review and assessment of Internal Audit's conformability with the Standards. This will be done as part of Internal Audit's annual report progress, which will be reported to the Committee.
- 2.6 To assist with the Council's compliance with these standards a new Internal Audit Charter (Appendix 1) and Strategy (Appendix 2) have been prepared for approval. These will be reviewed annually by the Head of Internal Audit & Risk Assurance to ensure that they remain up to date and relevant.

3 Risk Assessment

- 3.1 The risk of non-compliance to the Standards could place the Council in a position to incur additional external audit fees in addition to reviewing the future of the current internal audit in-house service provision.

4 Conclusion

- 4.1 This report outlines the Council's future Internal Audit Charter and Strategy in compliance with the Standards.

Financial Services comments:	None
Legal Services comments:	Contained within the Report
Crime and Disorder:	None
Equality and Diversity:	None
Service Improvement Plan implications:	Compliance with the PSIAS's.
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 1 - Internal Audit Charter 2016/20 Appendix 2 – Internal Audit Strategy 2016/20
Report author/ Lead Officer:	Chris Davis 023 9254 5306



GOSPORT
Borough Council



Appendix 1

GOSPORT BOROUGH COUNCIL **INTERNAL AUDIT CHARTER**

Introduction

The Internal Audit Charter describes the purpose, authority and responsibility of the internal audit activity. The Head of Internal Audit & Risk Assurance is responsible for reviewing the Charter and presenting it to the Borough Treasurer (CFO), Management Team and Standards & Governance Committee for review and approval.

The charter is split into the following sections;

- Regulatory basis for Internal Audit
- Purpose (Definition of Internal Auditing)
- Scope and Objectives of Internal Audit
- Reporting Lines and Authority within the Council
- Independence and Objectivity including Code of Ethics
- Resourcing and Quality Standards
- Standards in Audit Delivery and Management

Regulatory basis for Internal Audit

The requirement for an Internal Audit function is contained in Regulation 6 of the Accounts and Audit Regulations, which requires the Council to:

“undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control”.

The Regulations also adds that the Council is required to:

“make available such documents and records as appear to that body to be necessary for the purposes of the audit and supply the body with such information and explanation as that body considers necessary for that purpose”.

Ensuring that at least annually, a review is carried out on the effectiveness of its internal audit function.

Internal Audit also assists the Section 151 Officer (Borough Treasurer) in discharging their delegated responsibilities under Section 151 of the Local Government Act 1972 which requires the Council to;

“make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has responsibility for the administration of those affairs”.

The internal audit activity will govern itself by adherence to Public Sector Internal Audit Standards (PSIAS). The PSIAS includes mandatory guidance including the Definition of Internal Auditing, the Code of Ethics, and the International Standards for the Professional Practice of Internal Auditing (Standards). The PSIAS applies to all internal audit service providers, whether in house, shared services or outsourced.

Council’s Constitution

Test Valley Borough Council’s Constitution, Part 4, contains the Council’s Financial Procedure Rules. Internal Audits responsibilities are separately recorded in section D 3.4.

Purpose, Authority and Responsibility (Standards 1000 and 1010)

Purpose (Definition of Internal Auditing)

Internal Auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance issues.

Scope and Objectives

1. To review, appraise and report on the adequacy of internal controls across the whole organisation’s Control Environment¹ as a contribution to the proper, economic, efficient and effective use of resources. This includes;

- a. the completeness, reliability and integrity of information, both financial and operational;
- b. the systems established to ensure compliance with policies, plans, procedures, laws and regulations;
- c. the extent to which the assets and interests are accounted for and safeguarded from loss;
- d. the economy, efficiency and effectiveness with which resources are employed; and
- e. whether operations are being carried out as planned and objectives and goals are being met.

¹ The PSIAS defines the Control Environment as; “the attitude and actions of the panel and management regarding the importance of control within the organisation. The control environment provides the discipline and structure for the achievement of the primary objectives of the system of internal control”.

2. To promote good governance arrangements and monitor progress made against governance actions.
3. To support the risk management process within the Council.
4. To advise on internal control implications on new systems.
5. To support in relevant corporate or service projects.
6. To add value through advice, facilitation and training (subject to there being no impact on the core assurance work, maintaining independence and availability of skills and resources).
7. Provide a quality fraud investigation service (not to include Benefit Investigations work) and
8. Support the work of the Standards & Governance Committee.

These objectives will be delivered through maintaining a high quality internal audit function that meets the needs of the Council, supporting the Borough Treasurer the Standards & Governance Committee in discharging their responsibilities and meeting the requirements of the PSIAS.

Reporting Lines and Relationships

The Internal Head of Internal Audit & Risk Assurance reports to the Borough Treasurer, however Internal Audit is independent in its planning and operation and as such has unrestricted access to the;

- Chief Executive;
- Management Team;
- Monitoring Officer;
- Councillors including specifically the Lead Member of the Standards & Governance Committee;
- All levels of management; and
- other council employees as necessary.

CIPFA has published “The Role of the Head of Internal Audit in Public Service Organisations”. The Head of Internal Audit & Risk Assurance must comply with these requirements in addition to those set out in the PSIAS.

Authority

Internal Auditors also have access to;

- enter any Council premises or land at any time, subject to any statutory requirements;
- have access to all records and documents concerning any past or prospective financial transaction of the Council;

- require, and receive, any necessary explanations concerning any matter under examination;
- require any employee of the Council to produce any Council property or asset under their control.

For clarity this may extend to partner or service delivery organisations if required.

Independence and Objectivity (Standards 1100, 1110, 1111, 1120 and 1130) Code of Ethics

All Internal Auditors will conform to the Chartered Institute of Internal Auditors' (CIIA) Code of Ethics. Where members of the Internal Audit team have attained membership with other professional bodies such as ACCA, CIPFA and AAT, those officers must also comply with their relevant bodies' ethical requirements. In addition to this, all Internal Auditors will have regard to the Standards of Public Life's "Seven Principles of Public Life" (www.public-standards.gov.uk).

Each member of the team will receive a copy of a Code Ethics and Due Professional Care Declaration and sign up to an annual declaration to confirm that they will work in compliance with the Code of Ethics as well as Council's standards and policies such as the Employee Code of Conduct. Where potential areas of conflict may arise during the year, the auditor will also be required to disclose this. It is critical that all Auditors maintain high standards of integrity, independence, objectivity, confidentiality and competence. Where an Internal Auditors' conduct does not comply with these standards or codes, disciplinary action may be taken, either by the Council or by the individual's professional body.

Further Standards and Independence

Internal Auditors must remain independent; therefore Auditors will be independent of the activities audited to enable staff to perform their duties in a way that allows them to make impartial, objective and effective professional judgements and recommendations. As such, Audit staff will not have any operational responsibilities. Further to this, audit staff will not assess specific operations for which they have had any responsibility within the previous year. The Head of Internal Audit & Risk Assurance will report annually to the Borough Treasurer and Standards & Governance Committee that independence and objectivity has been maintained. If this is not the case, a disclosure will be made, this for example may be as a result of resource limitations, conflicts of interest or restricted access to records.

Internal Audit Resource Management, Proficiency and Due Professional Care (Standards 1200, 1210, 1220 1230 and 2030) Resource Management (Standard 2030)

For the audit team to fulfil their responsibilities, the team must be appropriately staffed in terms of numbers, professional qualifications, skills and experience.

Resources must be effectively deployed to achieve the approved risk based plan. The mix of available knowledge, skills and other competencies will be considered once the risk based plan is drafted to ensure they are sufficient to deliver the plan.

It is the responsibility of the Borough Treasurer to report concerns over a lack of resources to the Corporate Director and to the Standards & Governance Committee.

If necessary the Borough Treasurer will agree with other members of management team additional and or specialist resources.

Employment of staff will be in compliance with the Council's HR policies.

External resources will be procured in line with the Council's Financial Procedure Rules and Contract Standing Orders. There is a further specific requirement under the PSIAS that approval be sought from the Standards & Governance Committee to engage in any significant additional consultancy services not already included within the audit plan.

Proficiency (Standard 1210)

The Head of Internal Audit & Risk Assurance must hold a professional qualification (CMIIA, CIPFA or equivalent) and be suitably experienced. Each job role within the internal audit structure will detail skills and competencies within the approved job description and person specification. In line with Council policy and the PSAS, each member of the team will be assessed against these predetermined competencies and annual objectives. Any development and training plans will be regularly reviewed, monitored and agreed with officers. This assessment will also take into account competency changes as needed i.e. to reflect changing technology and legislation. Qualified auditors are also required to maintain a record of their continual professional development in line with their professional body. (Standard 1230)

Due Professional Care (Standard 1220)

Internal auditors must exercise due professional care by considering the:

- Extent of work needed to achieve the engagement's objectives;
- Relative complexity, materiality or significance of matters to which assurance procedures are applied;
- Adequacy and effectiveness of governance, risk management and control processes;
- Probability of significant errors, fraud, or non-compliance; and
- Cost of assurance in relation to potential benefits.

Considering various data analysis techniques and being alert to significant risks that may affect the objectives.

Quality Assurance and Improvement Programme (Standards 1300, 1310, 1311, 1312, 1320, 1321 and 1322)

To enable the Borough Treasurer to assess the Internal Audit's activity's conformance to the PSIAS and to aid in the annual assessment of Internal Audit's efficiency and effectiveness and identify opportunities for improvement a Quality Assurance and Improvement Programme (QAIP) has been developed.

The QAIP includes both internal and external assessments (Standard 1310). Assessment against the QAIP will form part of the annual assessment of the effectiveness of internal audit (contained within the Annual Auditors Report) which is published to the Borough Treasurer and Standards & Governance Committee (Standard 1320). Where there are instances of non-conformances to the PSIAS this is reported to the Borough Treasurer and Standards & Governance Committee. Any significant deviations will be detailed within the Annual Governance Statement (Standard 1322).

Internal Assessment (Standard 1311)

All Auditors have access to an up to date electronic audit manual, the Internal Audit Charter, Council policies, the PSIAS and application note as well as other references. In addition an Audit Library is maintained. Where staff are members of bodies such as the CMIIA further guidance is available. To maintain quality, work is allocated to staff with appropriate skills, competence and experience. All levels of staff are supervised. Work is monitored for progress, assessed for quality and to allow for coaching. (Linked to standard 2340)

Performance & Development Discussions (P&DD) are undertaken for individual auditors and service targets agreed. Audit targets and performance indicators are agreed with the Borough Treasurer and reported to the Standards & Governance Committee. In addition to the Quality Assurance and Improvement Programme (QAIP), progress made against the audit plan and any emerging issues (i.e. fraud risks or governance issues) are reported regularly to the Borough Treasurer, Management Team and the Standards & Governance Committee (linked to standard 2060). On-going assessment of individuals is carried out through regular meetings, stakeholder feedback from post audit questionnaires and formally in the Performance & Development Discussions (appraisal process).

External Assessment (Standard 1312)

In compliance with the PSIAS, external assessment will be carried out at least once every five years by a qualified, independent assessor or assessment team from outside the organisation. The preferred method would be through self-assessment, with independent validation from a peer review (organised possibly through the Hampshire & IoW Head of Internal Audit & Risk Assurance Group) providing there is no conflict of interest and impairment to objectivity in this arrangement. This arrangement and scope must be agreed with the Borough Treasurer, Standards & Governance Committee and the Independent Assessor.

Performance Standards (Standards 2000, 2010, 2020, 2030, 2040, 2050, 2060 and 2070)

The internal audits prime responsibility is to the Council. Key are the risks and controls within the Council activities that are undertaken by “partners” where there is also a need for assurance over their activities on the Council’s behalf. In order to give an evidenced based opinion there is a minimum level of coverage required. When planning the work of internal audit, assurances provided by third parties can be considered.

Planning (Standard 2010)

The Head of Internal Audit & Risk Assurance develops a risk based audit plan, which can be updated to reflect changing risks and priorities of the organisation, to enable the production of the annual internal audit opinion. In order to prepare this risk based audit plan, the Borough Treasurer considers both the National (i.e. economic climate, fraud trends) and Local issues (corporate plan, service action plans, Medium Term Financial Plan, risk registers and discussions with management).

A risk assessment of the “Audit Universe” is undertaken by scoring a number of factors(financial value (expenditure/income), volume of transactions, manual or computer based, staff turnover, previous inspection/audit, links to strategic or business objectives, risk exposure/management and emerging risks) which are weighted to give an overall score which dictates how often the area should be reviewed.

The plan will consider;

- the need for specialist auditor skills, where they are not available already;
- the balance of the range of reviews and sufficient coverage to ensure that External Audit can place reliance on the work of Internal Audit;
- the need to update and review for emergent risks;
- contingency time for ad hoc reviews or fraud investigations;
- sufficient time for audit management including audit planning, development of the annual opinion and attendance at meetings and maintenance of audit policies and procedures (Standard 2040);
- Staff training and development needs;
- Liaison time with other assurance providers to share information (standard 2050), such as the External Auditor or partnering internal audit bodies(WCC);
- Assurances provided by other bodies

The Head of Internal Audit & Risk Assurance reports the risk based audit plan and resource requirements to the Borough Treasurer and the Standards & Governance Committee for review and approval. For clarity the Standards & Governance Committee can approve but cannot direct the audit plan.

Nature of Work (Standards 2100, 2110, 2120 and 2130)

Governance (Standard 2110)

Internal audit will assess and make appropriate recommendations for improving the governance process in its accomplishment of the following objectives:

- Promoting appropriate ethics and values within the organisation;
- Ensuring effective organisational performance management and accountability;
- Communicating risk and control information to appropriate areas of the organisation; and
- Coordinating the activities of and communicating information throughout the Council, external and internal auditors and management.

Specifically internal audit;

- evaluates the design, implementation and effectiveness of the organisation's ethics-related objectives, programmes and activities;
- assesses whether the information technology governance of the organisation supports the organisation's strategies and objectives.

Risk Management (Standard 2120)

Internal audit evaluates the effectiveness and contributes to the improvement of risk management processes.

The PSIAS requires Internal Audit to;

1. Evaluate risk exposures relating to the organisation's governance, operations and information systems regarding the:
 - Achievement of the organisation's strategic objectives;
 - Reliability and integrity of financial and operational information;
 - Effectiveness and efficiency of operations and programmes;
 - Safeguarding of assets; and
 - Compliance with laws, regulations, policies, procedures and contracts.
2. Address risk consistent with the engagement's objectives and be alert to the existence of other significant risks.
3. Incorporate knowledge of risks gained from consulting engagements into their evaluation of the organisation's risk management processes.

4. Assist management in establishing or improving risk management processes, but refrain from assuming any management responsibility by actually managing risks.

Control (Standard 2130)

Internal audit assists the organisation in maintaining effective controls by evaluating their effectiveness and efficiency and by promoting continuous improvement. Internal audit evaluates the adequacy and effectiveness of controls in responding to risks within the organisation's governance, operations and information systems regarding the:

- Achievement of the organisation's strategic objectives;
- Reliability and integrity of financial and operational information;
- Effectiveness and efficiency of operations and programmes;
- Safeguarding of assets; and
- Compliance with laws, regulations, policies, procedures and contracts.

Internal auditors must incorporate knowledge of controls gained from consulting engagements into evaluation of the organisation's control processes.

Fraud (Consultancy Work)

Whilst it is not a primary role of Internal Audit to detect fraud, it does have a role in providing an independent assurance on the effectiveness of the processes put in place by management to manage the risk of fraud. Internal Audit can do additional work, although it cannot be prejudicial to this primary role. Typical activities may include;

- Investigating the cause of fraud;
- Responding to whistleblowers;
- Considering fraud in every audit;
- Making recommendations to improve processes;
- Review fraud prevention controls and detection processes put in place by management.

Audit Delivery

Engagement Planning (Standards 2200, 2201, 2210, 2220, 2230 and 2240)

For each engagement, a brief should be prepared, discussed and agreed with relevant managers. The brief should establish the objectives, scope and timing for the audit assignment and its resources and reporting requirements. Audit work is undertaken using a risk based audit approach, which will consider the probability of significant errors, fraud and non-compliance. Adequate criteria will be needed to evaluate the nature of internal audit's work. Criteria can be extended to consider value for money assessments.

Performing the Engagement (Standard 2300, 2310, 2320, 2330 and 2340)

Auditors are required to identify, analyse, evaluate and document sufficient information to achieve the engagement's objectives. This evidence supports their conclusions, professional judgments and recommendations and therefore must be factual and accurate. This data is held in compliance with the Councils' retention policies.

Communicating Results (Standards 2400, 2410, 2420, 2421, 2430, 2431, 2440 and 2450)

The results of all engagements are reported, including the objective, scope, all material facts, conclusions, recommendations, action plans, any limitations and where appropriate contain the internal auditors' opinion. Contents of draft reports are discussed with managers for factual accuracies. It is important to bring significant issues to the attention of management during the course of engagement to allow for immediate action. Managers are required to give responses to each recommendation, detailing the responsible officer for each action and the target date for completion. Where there is disagreement over the actions to be taken, this is recorded in the action plan with the residual risks highlighted. Where these risks are deemed to be high, they are reported to the Borough Treasurer and relevant Corporate Director, and the Standards & Governance Committee and that risk registers are updated where relevant.

Overall Opinions (Standard 2450)

The Annual Internal Auditors report is prepared by the Head of Internal Audit & Risk Assurance. This opinion is used to inform the Annual Governance Statement. This report must conclude on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control giving an overall opinion, summary of the work undertaken to support this opinion (including any reliance placed on work by other assurance providers), a statement on the conformance with the PSIAS, the results of the QAIP and any external assessors improvement recommendations, disclosure of any impairments or limitations. If an unfavourable opinion is given, the reasons for this must be specified.

Monitoring Progress (Standard 2500) and Communicating Unacceptable Levels of Risk (Standard 2600)

Internal Audit tracks progress made on agreed actions. It is the responsibility of the manager to implement and provide relevant evidence of the agreed actions to Internal Audit. All high priority agreed action areas are reported to the Standards & Governance Committee. Where Managers have not actioned high priority agreed actions, or where the level of risk may be unacceptable to the Council, the Head of Internal Audit & Risk Assurance will report this to both the Borough Treasurer and relevant Corporate Director. If the matter is still unresolved the Standards & Governance Committee will be informed. The findings and follow up reviews inform future audit planning.

Appendix 2

Internal Audit Strategy for 2016/2020

Introduction

The Public Sector Internal Audit Standards (2013) requires that the Audit Manager produces an Audit Strategy. The Strategy is a high level statement of how the internal audit service will be delivered and developed in accordance with the terms of reference and how it links to the organisational objectives and priorities.

Internal Audit Objectives and Outcomes

To deliver an assurance function that provides an independent and objective opinion to the organisation on the control environment which comprises the systems of governance, risk management and internal control. This is achieved by evaluating its effectiveness in achieving the organisation's objectives. Internal Audit will objectively examine, evaluate and report on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources.

The objective is to complete at least 95% of the annual plan for each year and to ensure that the outputs from the audits are reported to the appropriate level of management, that management agree to address areas of concern and that the results are reported to the Standards & Governance Committee. The outcomes from these reports and on-going advice and assurance should result in maintaining and where necessary improving the internal control framework of the Council.

A clear objective is to provide an audit service that provides assurance on the key financial systems of the Council, is actively involved in major projects / system developments (to provide timely opinions i.e. not after the event but in advance of), is a service that customers feel they can come to when necessary in confidence and will receive a professional and responsive level of advice and assurance. Contingencies are also built into the plan to help address any issues arising of concern be it through officer error or potentially acts of a fraudulent nature.

There are also budgets that seek to provide a pro-active role from Internal Audit in providing advice and assurance to management and working with others (including External Audit) to deliver where appropriate a 'joined up' approach to making the most of the special skills and knowledge Internal Audit have within the Council. The Audit Plan to deliver this is split into the following five categories:

Fundamental Audits (Compulsory) - There is a requirement that these audits are undertaken annually and they form a key part of the opinion that

the External Auditors make on the adequacy of the Council's Internal Audit arrangements.

Management Audits - These audits involve the review of internal control risk, governance and performance areas that potentially have an effect on the whole organisation. Most of these will be directly linked/ identified in the Corporate and Service Risk Registers.

Service Audits - These are about reviewing specific services, activities and the systems and processes in use. Obviously there are a large number of these types of audit within the Council. The priority in the audit planning process is to ensure adequate audit coverage for the Core audits and then the Service audits. Resources dictate that IA have to prioritise service audits and this is where the IA evaluation of the risks helps to determine which services or activities should be put forward in the draft audit plans.

On-going Activities & Advice - These are the items that support the framework in which Internal Audit undertakes its activities and in providing a pro-active and responsive service to management and other key stakeholders.

Contingencies - These are in place to resource special investigations and Statutory Officer requests to undertake unplanned audit work.

Links to Gosport Borough Council's Objectives and Priorities

The Internal Audit plan is linked to the Corporate and Service Risk Registers as appropriate, to ensure that Internal Audit review those areas considered to be of the most significant risk.

The audit universe will be reviewed annually and amended as necessary to address any change in organisational structure, objectives or priorities. The plan will be approved by the Standards and Governance Committee and the plan will continue to be reviewed and be fluid to ensure they are in line with the risk profile/register and as a consequence have an audit programme closely linked to the Corporate Plan.

Internal Audit's contribution to Corporate Governance

The Internal Audit Plan makes a direct contribution to the Governance of the Council and the outcomes from the plan contribute to providing independent assurance on the Council's governance arrangements and in identifying areas where management action is needed to improve the control environment of the Council's operations.

Internal Audit also undertakes an annual review of the Council's governance framework and produces a report to senior management on the findings of the review.

The Head of Internal Audit produces an annual audit report within which an opinion is provided on the Council's internal control framework based on the results of the completion of the annual audit plan. This in-turn can have a direct impact on the Annual Governance Statement that the Corporate Governance Group produces on behalf of the Council.

Local and National Issues and the Role of Internal Audit

A key part in producing the audit plans for future years is the consideration of local and national issues and how Internal Audit can through its role within the Council contribute to addressing these.

For Internal Audit to best make a contribution that 'adds value' and provides an adequate level of assurance this needs to formally evaluate these when planning future audit activities. This is achieved through a number of initiatives:

- Reviewing risk registers for the Council and making a judgement on whether they are up to date and the process behind them is robust enough to place reliance on them. If the answer is yes, cross referencing the audit plan to the corporate / strategic risks the Council has identified.
- If the Head of Internal Audit considers that a further risk analysis is undertaken by Internal Audit to help in the creation of the audit plan then this will take place. Internal Audit have a risk evaluation model that has a number of attributes that are appropriately weighted to the changes that have occurred in the service / subject area, materiality, profile, etc. and this risk analysis can directly contribute to providing audit assurance on the internal control environment that in turn provides assurance at a Corporate Governance level.

Provision of the Internal Audit Service and the Resources / Skills required to deliver the Strategy

Internal Audit Services are provided in partnership with Test Valley Borough Council, through a shared service (predominantly management support).

The shared Head of Internal Audit is allocated 2 days (Wed & Thu) at Test Valley and three days at Gosport (Mon -Tue & Fri). The shared Head of Internal Audit, however, ensures that he is available to each Council whether working on or off-site and this is a key element in the partnership approach and flexible work force planning.

The Principal Auditor role has a proportion of time allocated to monitoring, reviewing and performance managing the audit teams and as a direct report to the shared Head of Internal Audit.

The Audit Partnership has in place one manager, two principal auditors,

one senior, one auditor and two trainee auditors (and recently an apprentice at Test Valley). The partnership has developed shared performance measures, systems and working practices based on best practice and in compliance with the Public Sector Internal Audit Standards.

The two audit teams are made up of significant experience. The shared Head of Internal Audit is a fully qualified Member of the Chartered Institute of Internal Auditors/ and Certified Internal Auditor (CIA – IIA Global qualification) and has thirty plus years' experience in public sector internal auditing (of which nine years has been managing two or more sites), one other auditor within the partnership is also qualified to a similar level. A senior auditor possesses a current computer audit background (ISACAⁱ) and the remaining auditors are qualified by experience or professional studying. The partnership also has the use and services of a specialist fraud team (through the new links with Portsmouth City Council).

There are robust and in-depth specialist skills within the partnership. The partnership has specialists in contracts and procurement, financial management, fraud/forensic work, process mapping, facilitating management workshops on risks and controls, governance and risk management.

Within the partnership the Head of Internal Audit seeks to ensure the most effective, efficient and economic use of resources to the benefit of each Council. This is achieved by the continued assessment of priorities and utilising the skills, knowledge and experience of the auditors for the benefit of all and where appropriate undertaking audits in partnership.

The final objective is the delivery of an Internal Audit Service that provides each Council with an adequate level of Internal Audit assurance to contribute to the governance requirements and compliance with legislative and the Council's own Constitution requirements.

Chris Davis CMIIA & CIA
Shared Head of Internal Audit
14 November 2016

ⁱ **ISACA - Information Systems Audit and Control Association**