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12 December 2017

S U M M O N S

MEETING: Standards and Governance Committee
DATE: 20 December 2017
TIME: 6.00 pm
PLACE: Committee Room 1, Town Hall, Gosport
Democratic Services contact: Lisa Young

MICHAEL LAWTHER
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 5 July 2017.

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 Monday 18th December 2017. 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 Monday, 18th December 2017)

6. **EY – ANNUAL AUDIT LETTER 2016/17**

The Annual Audit Letter summarises the findings from our 2016/17 audit which is now complete. It summarises the key messages that were reported in our Audit Results Report presented to the Policy and Organisation Board on 27 September 2017. 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.

PART II
Helen Thompson
Ernst & Young

7. **CERTIFICATION OF CLAIMS AND RETURNS ANNUAL REPORT 2016- 17**

Report to Follow

PART II
Ernst & Young

8. **LOCAL GOVERNMENT OMBUDSMAN: ANNUAL REVIEW 2017**

To advise the Committee of the Annual Review Letter 2017 received from the Local Government Ombudsman.

PART II
David Williams

9. **INTERNAL AUDIT MONITORING STATEMENT FROM 1ST APRIL 2017 – 31ST OCTOBER 2017**

Report to follow

PART II
Chris Davis

10. **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 5 JULY 2017**

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

It was reported that in accordance with Standing Order 2.3.6, Councillors Hook, and Mrs Hook had been nominated to replace Councillors Mrs Forder and Carter for this meeting.

In the absence of the Chairman and the Vice-Chairman Councillor Hook was nominated to Chair the meeting.

7. APOLOGIES

Apologies for inability to attend the meeting were submitted on behalf of Councillors Carter, Scard and Mrs Forder.

8. DECLARATIONS OF INTEREST

Councillor Hook and Mrs Hook declared a pecuniary interest in Gosport Borough Football Club at the point at which it was discussed.

9. MINUTES

RESOLVED: That the minutes of the meetings of the Standards and Governance Committee held on 23 March 2017 and the 18 May 2017 be approved and signed by the Chairman as true and correct records.

10. DEPUTATIONS

There were no deputations.

11. PUBLIC QUESTIONS

There were no public questions.

PART II

12. EY – 2016/17 AUDIT PROGRESS REPORT, AND 2017/18 ANNUAL FEE LETTER

Consideration was given to the audit progress report that provided the committee with an update on the progress made on the 2016/17 audit, and reconfirmed the key upcoming changes which the Council need to consider.

Helen Thompson was invited to address the Committee.

The Committee was advised that an interim visit had been undertaken in March and had looked at the key financial systems, controls and early substantive testing, this early testing had allowed for good progress and work had already been undertaken on payroll, Housing Benefit, grant income and collection fund precepts which would help to alleviate pressure at the end of year.

The Committee was advised that the year-end visit was now underway and good progress had been made. The aim is for the audit to be substantially complete by

the end of July. The audit results report will be presented to the September meeting and to the Policy and Organisation Board in September.

The Committee was advised that looking forward the EY had tendered for and been awarded the second lot relating to the Local Government contract for five years from 2018/19 and had maintained their market share in doing so. They had not yet been advised which authorities that they be responsible for but were expecting to receive an initial indication from PSAA by the end of July, which would then be subject to consultation with the authorities.

The Committee was also advised that the Council would need to be considering the procurement of an auditor for Housing Benefit as this will need to be appointed separately to the Council's financial statements auditors, the Committee was advised that this could be undertaken as an individual Council or as part of a larger group of Councils and an auditor would need to be appointed by Feb 2018.

A Member questioned whether the external auditors had robust systems in place to assess the value for money and the effectiveness of the Council's process and efforts to collect sums owing from businesses to the Council.

The Committee was advised that the auditors examined the overall level of systems in place for the collectability of debts and lease payments and had a general overview of the process for debts collections and accounts recoverable.

The External Auditors were asked whether the outstanding debt of Gosport Borough Football Club, which was currently in arrears with the Council, was a cause for concern to the auditors.

At this point Councillors Hook and Mrs Hook declared a pecuniary interest in the discussion, left the room and took no further part in the discussion relating to Gosport Borough Football Club.

Councillor Beavis was elected to Chair the meeting at this point.

The Member expressed concern that the football club had outstanding debt with the Council and sought clarity on the position of the auditors in relation to the matter and the wider recovery of debt from businesses.

Mrs Thompson advised the Committee that the auditors had an understanding of how the accounts receivable and bad debtors process was managed and monitored, and the processes for leases, Council Tax, and invoices.

The Committee was advised that impairments of aged debts as a whole were above a testing threshold and were therefore examined, but that the football club debt did not exceed the threshold and had therefore not flagged as a specific issue.

The Committee was advised that in specific cases it would be recommended that Members speak to officers.

The Member welcomed the External Auditors response and advised that they were in conversation with Officers regarding the case and that they were seeking parity

for all users of Council facilities and confirmation that all debts were chased equally.

The Committee were advised that individual cases would be for the consideration of the Borough Solicitor and the Chief Financial Officer.

Councillor Hook and Mrs Hook returned to the meeting, Councillor Hook resumed the role of Chairman.

Mrs Thompson advised that the 2017/18 letter set out the financial statements audit fees for 2017/2018. The Committee was given an overview of the contents of the letter.

The Committee was advised that the Housing Benefit subsidy fees had not yet been set and that broadly it was expected that they would be in line with the fees from 2015/16, but that this was yet to be confirmed by PSAA.

Members sought clarification as to how the fees compared with other neighbouring authorities of similar sizes. The Committee were advised that there was a broad spectrum to the fees, but that a ballpark figure for a District Council was around £50-60,000. Members acknowledged that there had been a decrease in fees since the abolition of the Audit Commission.

RESOLVED: The audit progress report for 2016/17 and the annual fee letter for 2017/18 be noted.

13. ANNUAL INTERNAL AUDIT OPINION 2016/17

Consideration was given to the Annual Report of the Head of Internal Audit on the activities of Audit during the year and the overall conclusion on the level of assurance that placed on the adequacy and effectiveness of the Council's internal control environment.

The Committee was advised that Internal Audit had covered 94.2% of the Audit Plan.

The Committee was advised that there were 183 recommendations advised and that this was a decrease from previous years. There had been a slight increase in essential and important recommendations but that the overall opinion rating was good.

The Committee was also advised that there were no critical recommendations.

In answer to a Members question, the Committee was advised that the 5 essential recommendations covered the cemetery because the older recording systems there was old fashioned and outdated, plans were in place to modernise and re-record hand written data and add value to the service provided.

The Committee was advised that the recommendation regarding IT asset management was reinforcing the security on any portable IT devices.

The Committee was also advised that the recommendations regarding data

protection were the reinforcement of a clear desk policy following out of hour's checks. This included locking away documents and the relocation of screens to ensure that content was not visible through passing windows.

The Committee was also advised that the recommendations regarding the Alver Valley were the updating of recording systems.

It was hoped that ledger records at the cemetery site could be recorded electronically for easier use.

RESOLVED: That the contents of this report be noted.

14. ANY OTHER BUSINESS

There was no other business

The meeting concluded at 18:35.

CHAIRMAN

AGENDA ITEM NO 06

Board/Committee:	Standards and Governance Committee Meeting
Date of Meeting:	20 December 2017
Title:	EY – Annual Audit Letter 2016/17
Author:	Helen Thompson
Status:	Standards and Governance Committee to receive, consider and approve the 2016/17 Annual Audit Letter

Purpose

The Annual Audit Letter summarises the findings from our 2016/17 audit which is now complete. It summarises the key messages that were reported in our Audit Results Report presented to the Policy and Organisation Board on 27 September 2017. 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.

Recommendation

- Receive the Annual Audit Letter and consider the conclusions reached by the auditor.

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.

2 Annual Audit Letter

- 2.1 **Financial statements**
We issued an unqualified audit opinion on 29 September 2017.
- 2.2 **Value for money conclusion**
We issued an unqualified value for money conclusion on 29 September 2017.

- 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 was consistent with our understanding of the Council.
- 2.5 **Use of audit powers**
There were no matters that we needed to report in the public interest or take formal audit action on.
- 2.6 **Whole of government accounts**
We reported our findings on the Whole of Government Accounts return to the NAO on 29 September 2017. There were no issues to highlight to the NAO.
- 2.7 **Report to those charged with governance**
We presented our Audit Results Report to the Policy and Organisation Board on 27 September 2017.
- 2.8 **Audit certificate**
On 29 September 2017 we certified the closure of the 2016/17 audit.

3 Risk Assessment

- 3.1 The Annual Audit Letter forms part of the auditor's statutory role and should be reviewed as part of the Council's governance arrangements.

4 Conclusion

The Annual Audit Letter for 2016/17 is attached for consideration and approval.

Financial Services comments:	N/A
Legal Services comments:	N/A
Crime and Disorder:	N/A
Equality and Diversity:	N/A
Service Improvement Plan implications:	N/A
Corporate Plan:	N/A
Risk Assessment:	N/A
Background papers:	N/A

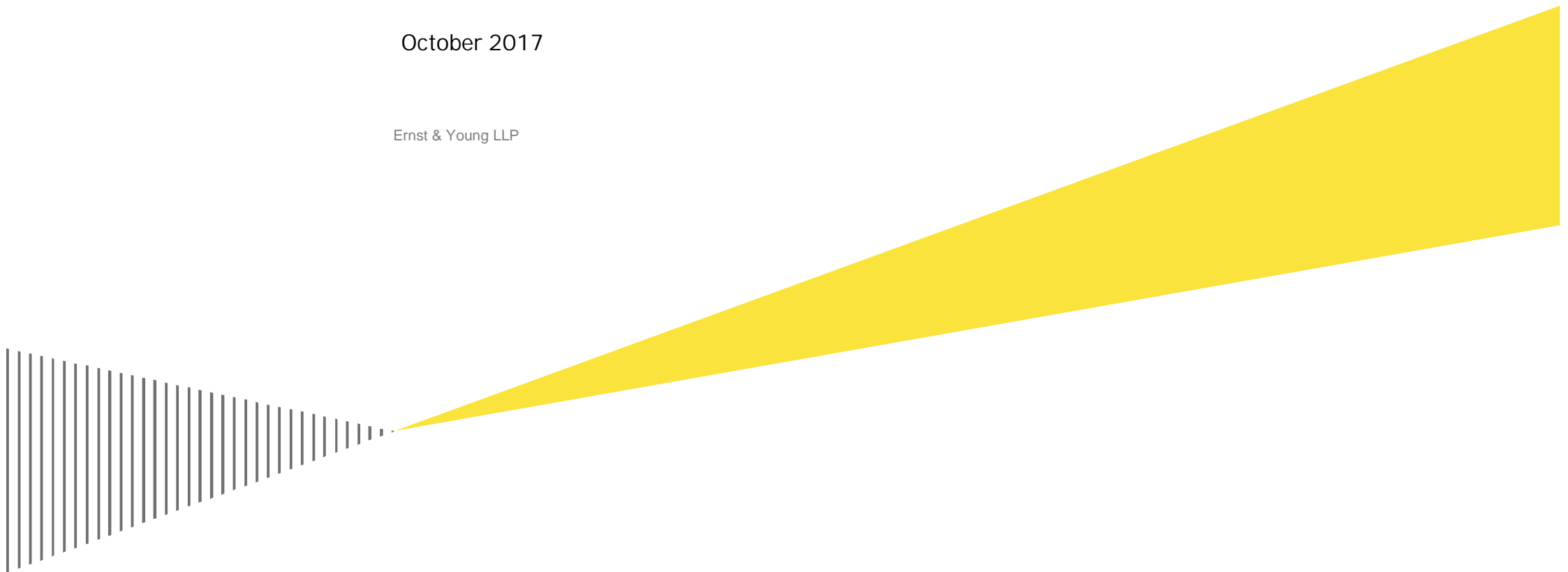
Enclosures:	Annual Audit Letter 2016/17
Report author/ Lead Officer:	Helen Thompson, Associate Partner, Ernst & Young

Gosport Borough Council

Annual Audit Letter for the year ended 31 March 2017

October 2017

Ernst & Young LLP



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Public Sector Audit Appointments Ltd (PSAA) have issued a “Statement of responsibilities of auditors and audited bodies”. 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 (updated 23 February 2017)” 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 laptop, and a white mug. 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 2017.

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

Area of Work	
Opinion on the Council's: ▶ Financial statements	Unqualified – the financial statements give a true and fair view of the financial position of the Council as at 31 March 2017 and of its expenditure and income for the year then ended.
▶ 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).	The Council is below the specified audit threshold of £350 million. Therefore, the NAO did not require us to perform any audit procedures on the consolidation pack.

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 14 September 2017.
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 29 September 2017.

We anticipate issuing a report to those charged with governance of the Council summarising the certification work we have undertaken on the 2016/17 housing benefits claim in December 2017.

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

Helen Thompson

Associate Partner
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 2016/17 Audit Results Report to the Policy and Organisation Board on 27 September 2017, 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 2016/17 audit work has been undertaken in accordance with the Audit Plan that we issued on 2 March 2017 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 2016/17 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 Council is below the specified audit threshold of £350 million. Therefore, the NAO did not require us to perform any audit procedures on the return.

Responsibilities of the Council

The Council is responsible for preparing and publishing its statement of accounts accompanied by an Annual Governance Statement. In the Annual Governance Statement, 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 nearby.

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 and issued an unqualified audit report on 29 September 2017.

Our detailed findings were reported to the Policy and Organisation Board on 27 September 2017.

In our report, which we issued on 14 September 2017, we noted 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 did not identify any evidence of management override. We did not identify any errors in the financial statements or indications of fraud. We did not identify any inappropriate journal entries (or other adjustments) that impacted on the financial statements.</p> <p>We did not identify any instances of inappropriate judgements being applied in making estimates. We gave specific consideration to the calculation of Minimum Revenue Provision (see also below) and bad debt provisions.</p> <p>We did not identify any transactions during our audit which appeared unusual or outside the Council's normal course of business.</p> <p>We did not identify any inappropriate changes to accounting policies or deviations from Code guidance.</p> <p>We did not identify any indications of management override through our testing of the Movement in Reserves Statement.</p>

Other Key Findings	Conclusion
<p>Minimum Revenue Provision (MRP)</p> <p>Local authorities are normally required each year to set aside some of their revenues as provision for capital expenditure financed by borrowing or credit arrangements.</p> <p>This provision is known as MRP. MRP is a real charge that impacts on the general fund and therefore the council tax financing requirement.</p> <p>The Council proposed changes to both the historic basis on which it has charged MRP and its future approach to calculating the provision.</p>	<p>We commissioned an EY expert to review the changes proposed by the Council in this area.</p> <p>Our overall findings were that the Council's changes both to the historic basis on which it has charged MRP and its future approach to calculating the provision are compliant with regulations and accurate based on underlying records. No issues were identified with the 2016/17 MRP charge or calculated historic overprovision. The overprovision is yet to be released; the way in which the Council plans to treat the overprovision will be reviewed as part of our future audits once confirmed.</p>
<p>Expenditure and Funding Analysis and Comprehensive income and expenditure statement</p> <p>Amendments were made to the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 (the Code) this year changing the way the financial statements are presented.</p> <p>The new reporting requirements impact the Comprehensive Income and Expenditure Statement (CIES) and the Movement in Reserves Statement (MiRS), and include the introduction of the new 'Expenditure and Funding Analysis' note (EFA).</p> <p>The Code now requires that the analysis presented in the CIES and EFA to be based on the organisational structure under which the authority operates. This change required new disclosure notes and a full retrospective restatement of impacted primary statements.</p>	<p>We reviewed the EFA, CIES, MiRS and notes to ensure compliance with the Code. We reviewed the working papers supporting the statements and notes, for both the current and prior year.</p> <p>The disclosures made were generally in line with the Code. We identified a number of presentational changes and additional disclosures that management agreed to make in the final statement of accounts. The main points identified were the need to add a narrative note explaining the prior period adjustments resulting from the Telling the Story changes, to further disaggregate one disclosure and to show prior period comparators as "restated".</p> <p>We reviewed the working papers supporting the derivation of these figures, how the ledger system has been re-mapped to reflect the Council's organisational structure, and how overheads are apportioned across the service headings. We had no matters to report, other than that the remapping of the ledger is an ongoing process currently being undertaken by the finance team. Good quality working papers were provided which allowed us to understand the manual process undertaken to format data from the ledger in line with the new presentation of the financial statements for 2016/17.</p> <p>We agreed the restated comparative figures back to the Council's supporting working papers and ledger.</p>

Our application of materiality

When establishing our overall audit strategy, we determined a magnitude of uncorrected misstatements that we judged would be material for the financial statements as a whole.

Item	Thresholds applied
Planning materiality	We determined planning materiality to be £1.29 million (2015/16: £1.33 million), which is 2% of gross expenditure reported in the accounts of £64.54 million. We consider gross expenditure to be one of the principal considerations for stakeholders in assessing the financial performance of the Council.
Reporting threshold	We agreed with the Standards and Governance Committee and Policy and Organisation Board that we would report all audit differences in excess of £64,500 (2015/16: £66,500)

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations. There were no uncorrected misstatements identified during the course of our audit.

We identified a small number of audit differences which were adjusted by management. These were principally as follows:

- ▶ A timing issue in the posting of property, plant and equipment (PPE) transactions, resulting in a netting difference between PPE and the revaluation reserve of £219,000;
- ▶ Errors in the external valuer's report for General Fund PPE, resulting in an understatement of the PPE balance of £351,000; and
- ▶ A small number of disclosure errors, none of which is judged individually of sufficient significance to be reported separately here.



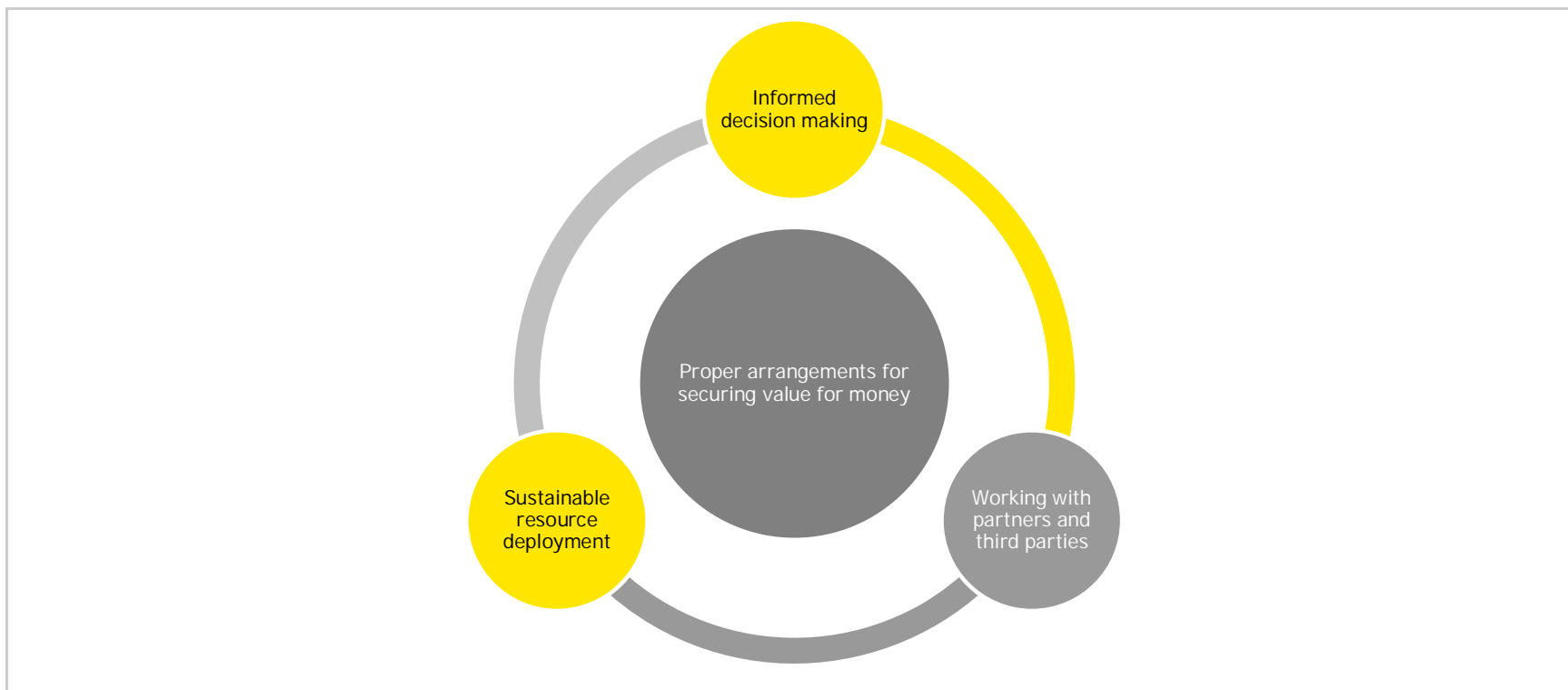
Value for Money

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 identified one significant risk in relation to these arrangements. We performed the procedures outlined in our audit plan and the table below presents the findings of our work.

We did not identify any significant weaknesses in the Council's arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

We therefore issued an unqualified value for money conclusion on 29 September 2017.

Significant Risk	Conclusion
<p>The change in senior management arrangements and its potential impact on governance and decision making.</p> <p>The Council took the decision to move to a shared senior management arrangement with Portsmouth City Council during 2016/17.</p> <p>These new arrangements are intended to provide significant ongoing revenue savings to Gosport Borough Council as well as to create efficiencies and improve services.</p> <p>This represents a significant change for the Council, presenting an opportunity for significant savings and improved ways of working, but which also brings potential risks around maintenance of governance arrangements and informed decision making, especially during the transition period.</p>	<p>Our approach focused on:</p> <ul style="list-style-type: none">• reviewing how the new arrangements have worked in practice since their inception;• reviewing the quality of information provided to committees, boards and full council to enable them to make informed decisions since the new arrangements came into place; and• assessing the financial impact of the arrangements both in terms of direct revenue savings and the Council's most recent medium term financial planning. <p>No significant weakening of arrangements was identified from the work undertaken.</p> <p>Significant savings have been achieved to date, with the ongoing programme of service reviews expected to add further to these. A focus has been maintained on providing good quality services to the public, with changes in Housing, a key front line service, expected to improve the overall experience of users of the service. More broadly the Council has benefitted from being able to draw on a wider pool of staff expertise through its partnership with Portsmouth City Council. Board papers have been of good quality, with clear and detailed information provided to members for decision making.</p>



Other Reporting Issues

Other Reporting Issues

Whole of Government Accounts

The Council is below the specified audit threshold of £350 million. Therefore, the NAO did not require us to 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 2016/17 financial statements from member 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 on 27 September 2017. 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 regulatory and professional requirements.

Control Themes and Observations

It is the responsibility of the Council to develop and implement systems of internal financial control and to put in place proper arrangements to monitor their adequacy and effectiveness in practice. Our responsibility as your auditor is to consider whether the Authority has put adequate arrangements in place to satisfy itself that the systems of internal financial control are both adequate and effective in practice.

As part of our audit of the financial statements, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. We adopted a fully substantive approach other than for housing benefits, and have therefore not tested the operation of controls of other financial systems.

Our audit did not identify any controls issues to bring to the attention of the Policy and Organisation Board.

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 hands. A bright yellow rectangular box is overlaid 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
Earlier statutory deadline for production and audit of the financial statements from 2017/18	<p>The Accounts and Audit Regulations 2015 introduced a significant change in statutory deadlines from the 2017/18 financial year. From that year the timetable for the preparation and approval of accounts will be brought forward with draft accounts needing to be prepared by 31 May and the publication of the audited accounts by 31 July.</p>	<p>These changes provide challenges for both the preparers and the auditors of the financial statements.</p> <p>As auditors, nationally we have:</p> <ul style="list-style-type: none"> • Issued a thought piece on early closedown; • As part of the strategic Alliance with CIPFA jointly presented accounts closedown workshops across England, Scotland and Wales; and • Presented at CIPFA early closedown events and on the subject at the Local Government Accounting Conferences in July 2017. <p>To prepare for this change both we and the Council targeted achievement of the earlier completion of work in 2016/17. This clearly represents significant progress.</p> <p>Moving forward, we will need to continue to work together collaboratively to ensure the necessary changes are made to working practices both at the Council and among the audit team, to ensure the new statutory deadlines are met in 2017/18.</p>
IFRS 16 Leases	<p>IFRS 16 will be applicable for local authority accounts from the 2019/20 financial year.</p> <p>Whilst the definition of a lease remains similar to the current leasing standard; IAS 17, for local authorities who lease in a large number of assets the new standard will have a significant impact, with nearly all current leases being included on the balance sheet.</p> <p>There are transitional arrangements within the standard, although as the 2019/20 Accounting Code of Practice for Local Authorities has yet to be issued it is unclear what the impact on local authority accounting will be or whether any statutory overrides will be introduced.</p>	<p>Until the 2019/20 Accounting Code is issued and any statutory overrides are confirmed there remains some uncertainty in this area.</p> <p>However, what is clear is that the Council will need to undertake a detailed exercise to classify all of its leases and therefore must ensure that all lease arrangements are fully documented.</p>

Appendix A

Audit Fees



Appendix A Audit Fees

Our fee for 2016/17 is in line with the scale fee set by the PSAA and reported in our 14 September 2017 Annual Results Report.

Description	Final Fee 2016/17 £	Planned Fee 2016/17 £	Scale Fee 2016/17 £	Final Fee 2015/16 £
Total Audit Fee – Code work	54,255 ^a	54,255 ^a	53,044	53,044
Total Audit Fee – Certification of claims and returns	To be confirmed ^c	10,962 ^b	13,703	16,701

^aThe additional fee relates to additional work in reviewing the change in the Council's approach to calculating its Minimum Revenue Provision. This has been agreed with management and with PSAA (Public Sector Audit Appointments) as required.

^bIn our June 2017 progress report, we noted that we have agreed that the Council will perform some of the initial Housing Benefit certification testing itself in 2016/17. This is in return for an approximate 20% reduction in our fee. We will do sufficient checking to satisfy ourselves that this testing has been performed appropriately.

^cThe final fee for the certification of claims and returns for 2016/17 remains subject to completion of our work, the deadline for which is 30 November 2017.

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

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ED None

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AGENDA ITEM NO 07

Board/Committee:	Standards and Governance Committee Meeting
Date of Meeting:	20 December 2017
Title:	EY – Certification of claims and returns annual report 2016- 17
Author:	Helen Thompson
Status:	Standards and Governance Committee to consider and approve the 2016/17 certification of claims and returns annual report

Purpose

The certification of claims and returns annual report summarises the findings from the work completed to enable us to certify the Council's 2016/17 housing benefit subsidy claim. It reports the key messages from the work that has been undertaken, including any changes that were agreed with your officers and, where relevant, details of matters reported to the grant paying department. Our annual report has been prepared in line with the requirements of Public Sector Audit Appointments Limited (PSAA), which oversees the certification of claims and returns.

Recommendation

- Review and approve the conclusions set out in the certification of claims and returns annual report 2016/17.

1 Background

- 1.1 The PSAA requires us to issue a certification of claims and returns annual report to those charged with governance. This report summarises the work we have carried out to enable us to certify the Council's 2016/17 housing benefit subsidy claim.

2 Certification of claims and returns annual report

- 2.1 **Scope**
Local authorities claim large sums of public money in grants and subsidies from central government and other grant-paying bodies and must complete returns providing financial information to government departments. In some cases these grant-paying bodies and government

departments require appropriately qualified auditors to certify the claims and returns submitted to them.

- 2.2 We checked and certified the housing benefits subsidy claim with a total value of £28,049,404. We met the submission deadline for this work.
- 2.3 **Results of work undertaken**
We issued a qualification letter in respect of the claim. The qualification related to a small number of relatively minor issues that are required to be reported to the DWP under PSAA's methodology for the certification of housing benefit subsidy claims.
- 2.4 We also agreed a small number of low value amendments to the Council's 2016/17 claim with your officers. There was no net impact on the amount of subsidy due to the Council as a result of these amendments

Risk Assessment

- 3 The PSAA requires auditors to report the findings from their work on the certification of claims and returns. This report should be reviewed and noted as part of the Council's governance arrangements.
- 3.1

Conclusion

- 4 The certification of claims and returns annual report 2016/17 is attached for consideration and approval.
- 4.1

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:	Certification of claims and returns annual report 2016- 17
Report author/ Lead Officer:	Helen Thompson, Associate Partner, Ernst & Young

Certification of claims and returns annual report 2016-17

Gosport Borough Council

December 2017

Ernst & Young LLP



Building a better
working world

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

15 December 2017
Ref: GBC/16-17/HB

Direct line: 023 8038 2099
Email: HThompson2@uk.ey.com

Dear Members

Certification of claims and returns annual report 2016-17 Gosport Borough Council

We are pleased to report on our certification work. This report summarises the results of our work on Gosport Borough Council's 2016-17 claims and returns.

Scope of work

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

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

For 2016-17, these arrangements required only the certification of the housing benefits subsidy claim. In certifying this claim we followed a methodology determined by the Department for Work and Pensions and did not undertake an audit of the claim.

Summary

Section 1 of this report outlines the results of our 2016-17 certification work and highlights the issues we identified.

We checked and certified the housing benefits subsidy claim with a total value of £28,049,404. We met the submission deadline for this work. We issued a qualification letter – details of the qualification matters are included in section 1. In addition, our certification work found errors which the Council corrected in the final version of the subsidy claim. These amendments had no net impact on the amount of subsidy due.

Fees for certification and other returns work are summarised in section 2. The housing benefits subsidy claim fees for 2016-17 were published by the PSAA in March 2016 and are now available on the PSAA's website (www.psaa.co.uk).



We welcome the opportunity to discuss the contents of this report with you at the Standards and Governance Committee meeting on 20 December 2017.

Yours faithfully

Helen Thompson
Associate Partner
Ernst & Young LLP
Enc

Contents

1. Housing benefits subsidy claim.....1

2. 2016-17 certification fees.....3

3. Looking forward.....4

1. Housing benefits subsidy claim

Scope of work	Results
Value of claim presented for certification	£28,049,404
Amended/Not amended	Amended – no net impact on subsidy claimed
Qualification letter	Yes
Fee – 2016-17	£10,801
Fee – 2015-16	£16,701

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

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

Extended and other testing identified errors which the Council amended in the final subsidy claim. They had no overall net impact on the total amount of subsidy claimed. We have reported underpayments and the extrapolated value of other errors in a qualification letter. The DWP then decides whether to ask the Council to carry out further work to quantify the errors or to claw back the benefit subsidy paid.

Our work identified the following issues:

HRA Rent Rebates – spare room subsidy

Our initial sample of HRA Rent Rebate cases identified one error as a result of incorrect application of the housing benefit size criteria (spare room subsidy). This resulted in an underpayment of benefit with a total value of £317.28.

As an error of this nature would always result in underpayment of benefit, no extended testing was required by the DWP. However, officers voluntarily reviewed all other HRA Rent Rebate claims where the size criteria had been applied, and no further errors were identified (no re-performance of this testing was undertaken by the audit team). Our certification guidance required us to report the error from our initial sample to the DWP in our qualification letter.

HRA Rent Rebates – private pensions

Extended testing was performed on a sample of HRA Rent Rebate claims with private pensions as a result of errors identified in the prior year. Three cases with errors were identified from this testing. Two cases resulted in overpayments of benefit with a total value of £273.78 and two cases resulted in underpayments of benefit with a total value of £90.27 (one case had both over and underpayments as a result of multiple changes in private pension income).

Our certification guidance required us to report the errors from our extended sample to the DWP in our qualification letter, along with the extrapolated value of the overpayments. Amendments have been made to the individual claims in 2017-18 to ensure that the benefit paid to claimants is corrected.

Non-HRA Rent Rebates – employed earnings

Extended testing was performed on the full population of Non-HRA Rent Rebate claims with employed earnings as a result of errors identified in the prior year. Eight cases with errors were identified from this testing. Six cases resulted in overpayments of benefit with a total value of £246.08 and four cases resulted in underpayments of benefit with a total value of £44.10 (two cases had both over and underpayments as a result of multiple changes in earnings).

As the full sub-population had been tested, an agreed amendment was made to the subsidy claim for the overpayments identified from our extended sample. Our certification guidance required us to report the underpayment errors from our extended sample to the DWP in our qualification letter. Amendments have been made to the individual claims in 2017-18 to ensure that the benefit paid to claimants is corrected.

Due to the complex nature of the claim a certain number of errors are almost inevitable. The issues above have been reported in the qualification letter where applicable and have been discussed with officers. The Council is aware of the need to keep error rates as low as possible and as such formal recommendations on the above issues are not judged necessary in this report.

Amendments were made to the claim as noted above. There was no net impact on subsidy received as a result of these amendments. As per DWP instructions, an extrapolation was included in the qualification letter based on the value of overpayment errors identified in HRA Rent Rebate private pension claims. The total value of the error extrapolation was £2,578, which represents a very small percentage of total subsidy claimed (£28,049,404).

2. 2016-17 certification fees

The PSAA determine a scale fee each year for the audit of claims and returns. For 2016-17, these scale fees were published by the PSAA in March 2016 and are now available on the PSAA's website (www.psaa.co.uk).

Claim or return	2016-17 Proposed final fee £	2016-17 Indicative fee £	2015-16 Actual fee £
Housing benefits subsidy claim	10,801	13,703	16,701

The scale fees set by PSAA are based on the fee charged to the Council two years prior to the year in question.

The actual fee shown above for 2015-16 includes an agreed scale fee variation of £2,035 for additional work performed compared with the base year of 2013/14.

The proposed final fee shown for 2016-17 includes a refund to the Council in recognition that officers performed the initial case testing this year. The amount of other work performed by the audit team in 2016-17 remained consistent with the base year of 2014-15. The actual fee is subject to final agreement with the Borough Treasurer and PSAA.

3. Looking forward

2017-18

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

The Council's indicative certification fee for 2017-18 is £16,701. This was set by PSAA and is based on final 2015-16 certification fees.

Details of individual indicative fees are available at the following web address:

<https://www.psaa.co.uk/audit-fees/201718-work-programme-and-scales-of-fees/individual-indicative-certification-fees/>

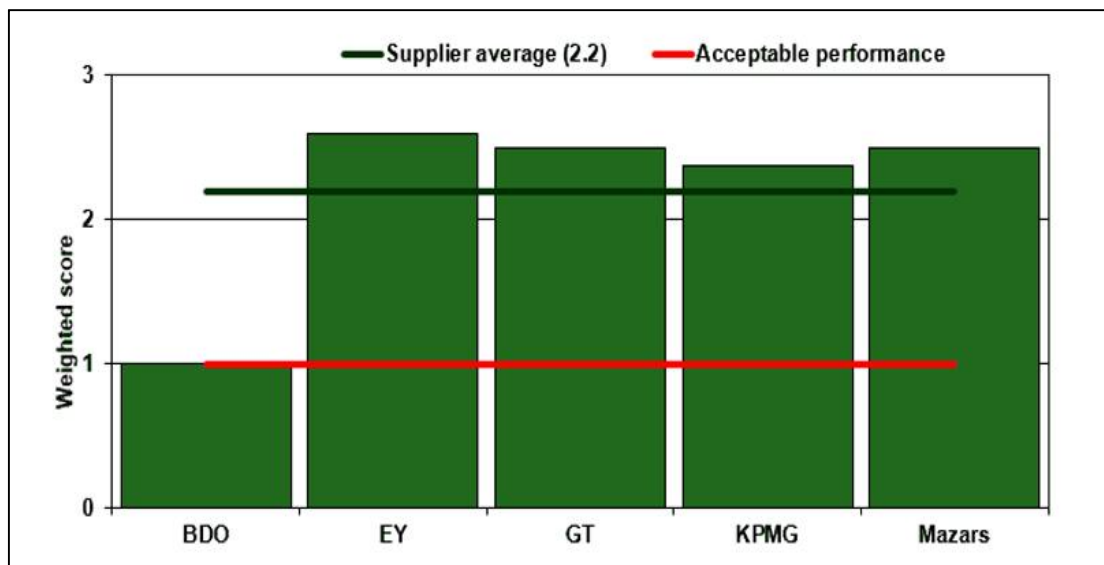
We must seek the agreement of PSAA to any proposed variations to these indicative certification fees. We will inform the Borough Treasurer before seeking any such variation.

2018-19

From 2018-19, the Council will be responsible for appointing their own reporting accountant to undertake the certification of the housing benefit subsidy claim in accordance with the Housing Benefit Assurance Process (HBAP) requirements that are being established by the DWP. DWP's HBAP guidance is under consultation and is expected to be published around January 2018.

We would be pleased to undertake this work for you, and can provide a competitive quotation for this work.

We currently provide HB subsidy certification to 106 clients, through our specialist Government & Public Sector team. We provide a quality service, and are proud that in the PSAA's latest Annual Regulatory and Compliance Report (July 2017) we score the highest of all providers, with an average score of 2.6 (out of 3).



As we also expect to be appointed by PSAA in December 2017 as your statutory auditor we can provide a comprehensive assurance service, making efficiencies for you and building on the knowledge and relationship we have established with your Housing Benefits service.

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AGENDA ITEM NO. 08

Board/Committee:	STANDARDS AND GOVERNANCE COMMITTEE
Date of meeting:	20 DECEMBER 2017
Title:	LOCAL GOVERNMENT OMBUDSMAN: ANNUAL REVIEW 2017
Author:	CHIEF EXECUTIVE
Status:	FOR NOTING

Purpose

To advise the Committee of the Annual Review Letter 2017 received from the Local Government Ombudsman.

Recommendation

That the Committee note the report.

1.0 Background

- 1.1 The Local Government Ombudsman writes to all local authorities on an annual basis summarising the complaints about the authority which have been dealt with by the Ombudsman during the previous year ending 31 March.
- 1.2 The Ombudsman's Annual Review Letter for the year ended 31 March 2017 is attached to this report as Appendix 1.

2.0 Report

- 2.1 The Ombudsman's Team received twelve complaints and enquiries during 2016/17, 2 less than 2015/16 (figures for 2014/15 are shown in brackets). Of these, five were concerned with Corporate Services (one), two with Housing Services (three), four with Benefits and Tax (seven), and one with Planning and Development (one).
- 2.2 During this period two of the complaints received by the Ombudsman were closed after initial enquiries (six), seven were referred back to the Council for local resolution (five), and a Decision was made on three cases (a), with one complaint not being upheld (1). In 2016/17 three complaints were upheld by the Ombudsman, in 2015/16 no complaints were upheld.
- 2.3 Overall the number of complaints has reduced.

3.0 Risk assessment

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

4.0 Conclusion

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

Financial implications:	None
Legal implications:	None
Service Improvement Plan implications:	None
Corporate Plan:	None
Risk Assessment:	See above
Background papers:	Local Government Ombudsman Complaint Statistics
Appendix A:	Local Government Ombudsman's Annual Review 2016/17
Report Author/Lead Officer:	David Williams

20 July 2017

By email

David Williams
Chief Executive
Gosport Borough Council

Dear David Williams,

Annual Review letter 2017

I write to you with our annual summary of statistics on the complaints made to the Local Government and Social Care Ombudsman (LGO) about your authority for the year ended 31 March 2017. The enclosed tables present the number of complaints and enquiries received about your authority and the decisions we made during the period. I hope this information will prove helpful in assessing your authority's performance in handling complaints.

The reporting year saw the retirement of Dr Jane Martin after completing her seven year tenure as Local Government Ombudsman. I was delighted to be appointed to the role of Ombudsman in January and look forward to working with you and colleagues across the local government sector in my new role.

You may notice the inclusion of the '*Social Care Ombudsman*' in our name and logo. You will be aware that since 2010 we have operated with jurisdiction over all registered adult social care providers, able to investigate complaints about care funded and arranged privately. The change is in response to frequent feedback from care providers who tell us that our current name is a real barrier to recognition within the social care sector. We hope this change will help to give this part of our jurisdiction the profile it deserves.

Complaint statistics

Last year, we provided for the first time statistics on how the complaints we upheld against your authority were remedied. This year's letter, again, includes a breakdown of upheld complaints to show how they were remedied. This includes the number of cases where our recommendations remedied the fault and the number of cases where we decided your authority had offered a satisfactory remedy during the local complaints process. In these latter cases we provide reassurance that your authority had satisfactorily attempted to resolve the complaint before the person came to us.

We have chosen not to include a 'compliance rate' this year; this indicated a council's compliance with our recommendations to remedy a fault. From April 2016, we established a new mechanism for ensuring the recommendations we make to councils are implemented, where they are agreed to. This has meant the recommendations we make are more specific, and will often include a time-frame for completion. We will then follow up with a council and seek evidence that recommendations have been implemented. As a result of this new process, we plan to report a more sophisticated suite of information about compliance and service improvement in the future.

This is likely to be just one of several changes we will make to our annual letters and the way we present our data to you in the future. We surveyed councils earlier in the year to find out, amongst other things, how they use the data in annual letters and what data is the most useful; thank you to those officers who responded. The feedback will inform new work to

provide you, your officers and elected members, and members of the public, with more meaningful data that allows for more effective scrutiny and easier comparison with other councils. We will keep in touch with you as this work progresses.

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

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

The statutory duty to report Ombudsman findings and recommendations

As you will no doubt be aware, there is duty under section 5(2) of the Local Government and Housing Act 1989 for your Monitoring Officer to prepare a formal report to the council where it appears that the authority, or any part of it, has acted or is likely to act in such a manner as to constitute maladministration or service failure, and where the LGO has conducted an investigation in relation to the matter.

This requirement applies to all Ombudsman complaint decisions, not just those that result in a public report. It is therefore a significant statutory duty that is triggered in most authorities every year following findings of fault by my office. I have received several enquiries from authorities to ask how I expect this duty to be discharged. I thought it would therefore be useful for me to take this opportunity to comment on this responsibility.

I am conscious that authorities have adopted different approaches to respond proportionately to the issues raised in different Ombudsman investigations in a way that best reflects their own local circumstances. I am comfortable with, and supportive of, a flexible approach to how this duty is discharged. I do not seek to impose a proscriptive approach, as long as the Parliamentary intent is fulfilled in some meaningful way and the authority's performance in relation to Ombudsman investigations is properly communicated to elected members.

As a general guide I would suggest:

- Where my office has made findings of maladministration/fault in regard to routine mistakes and service failures, and the authority has agreed to remedy the complaint by implementing the recommendations made following an investigation, I feel that the duty is satisfactorily discharged if the Monitoring Officer makes a periodic report to the council summarising the findings on all upheld complaints over a specific period. In a small authority this may be adequately addressed through an annual report on complaints to members, for example.
- Where an investigation has wider implications for council policy or exposes a more significant finding of maladministration, perhaps because of the scale of the fault or injustice, or the number of people affected, I would expect the Monitoring Officer to consider whether the implications of that investigation should be individually reported to members.
- In the unlikely event that an authority is minded not to comply with my recommendations following a finding of maladministration, I would always expect the Monitoring Officer to report this to members under section five of the Act. This is an exceptional and unusual course of action for any authority to take and should be considered at the highest tier of the authority.

The duties set out above in relation to the Local Government and Housing Act 1989 are in addition to, not instead of, the pre-existing duties placed on all authorities in relation to Ombudsman reports under The Local Government Act 1974. Under those provisions, whenever my office issues a formal, public report to your authority you are obliged to lay that report before the council for consideration and respond within three months setting out the action that you have taken, or propose to take, in response to the report.

I know that most local authorities are familiar with these arrangements, but I happy to discuss this further with you or your Monitoring Officer if there is any doubt about how to discharge these duties in future.

Manual for Councils

We greatly value our relationships with council Complaints Officers, our single contact points at each authority. To support them in their roles, we have published a Manual for Councils, setting out in detail what we do and how we investigate the complaints we receive. When we surveyed Complaints Officers, we were pleased to hear that 73% reported they have found the manual useful.

The manual is a practical resource and reference point for all council staff, not just those working directly with us, and I encourage you to share it widely within your organisation. The manual can be found on our website www.lgo.org.uk/link-officers

Complaint handling training

Our training programme is one of the ways we use the outcomes of complaints to promote wider service improvements and learning. We delivered an ambitious programme of 75 courses during the year, training over 800 council staff and more 400 care provider staff. Post-course surveys showed a 92% increase in delegates' confidence in dealing with complaints. To find out more visit www.lgo.org.uk/training

Yours sincerely

A handwritten signature in black ink, appearing to be 'M King', with a stylized flourish at the end.

Michael King
Local Government and Social Care Ombudsman for England
Chair, Commission for Local Administration in England

Local Authority Report: Gosport Borough Council
For the Period Ending: 31/03/2017

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

Complaints and enquiries received

Adult Care Services	Benefits and Tax	Corporate and Other Services	Education and Children's Services	Environment Services	Highways and Transport	Housing	Planning and Development	Other	Total
0	4	5	0	0	0	2	1	0	12

Decisions made

				Detailed Investigations			
Incomplete or Invalid	Advice Given	Referred back for Local Resolution	Closed After Initial Enquiries	Not Upheld	Upheld	Uphold Rate	Total
0	0	7	2	1	2	67%	12

Notes

Our uphold rate is calculated in relation to the total number of detailed investigations.
 The number of remedied complaints may not equal the number of upheld complaints. This is because, while we may uphold a complaint because we find fault, we may not always find grounds to say that fault caused injustice that ought to be remedied.

Complaints Remedied

by LGO

2

Satisfactorily by
 Authority before LGO
 Involvement

0

Board/Committee:	Standards and Governance Committee
Date of Meeting:	20 th December 2017
Title:	Internal Audit Monitoring Statement from 1 st April 2017 – 31 st October 2017
Author:	Head of Internal Audit & Risk Assurance
Status:	FOR DECISION

Purpose

To table the performance of the Internal Audit Section for 2017/18 (1st April 2017 – 31st October 2017) against the agreed audit plan (March 2017) to the Members with responsibility for governance.

Inform Members of the fraud prevention work being carried out.

Provide Members with an update on the team and their development and provision of audits services to Test Valley Borough Council:-

Recommendations

- a. That the Standards and Governance Committee note the performance of Internal Audit from 1st April 2017 to 31st October 2017.
- b. That the Members note the fraud prevention work, developments in the team and provision of services to Test Valley Borough Council

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 2017/18 Annual Audit on the 23rd March 2017.
- 1.2 There are 41 planned audit assignments for 2017/18.
- 1.3 For 2017/18 Internal Audit will provide Test Valley Borough Council with 170 audit days under the established three year arrangement.

2. Report**2.1 Internal Audit Coverage for 2017/18**

- 2.1.1 In the seven month period from April 2017 to October 2017 good progress has again been made in delivering the agreed internal audit plan. With additional support to all clients in a fast moving and changing structure (around governance, risk, control and compliance), the developing counter fraud procedures and processes the support on high profile projects (i.e. Voter ID pilot) the team has responded to higher demand and its planned work.

- 2.1.2 The team, at full capacity, has delivered quality assignments in the 1st, 2nd and 3rd quarters of 2017/18. One trainee has recently received a merit achievement (above 80%) in his professional examination (AAT Level 3) and both continue to provide excellent support and output from their reviews. One of our trainees (with specialist skills in the Council's existing revenue and benefit systems) continues to support and perform assignments at our Audit Partner, Test Valley Borough Council and we have received excellent feedback on the quality of the work performed. The Principal Auditor post holder is also updating her skills, following the redundancy last year of the Council's counter-fraud specialist, by undertaking an accredited counter fraud course which concludes later this year. Her feedback from the tutor has been excellent.
- 2.1.3 Three planned audit assignments have been completed for Test Valley Borough Council and a further three (unplanned) is work in progress by Internal Audit staff working in partnership in this period resulting in additional income to the Authority. Support from Portsmouth City Council internal audit resource will ensure the Council's audit plan remains deliverable.

3.0 Internal Audit Plan Status - 2017/18

Percentage of the approved plan completed

- 3.1 51% of the annual plan has been completed. Appendix A shows the completed audits for 2017/18. A full follow up of all actions was completed earlier in the year and the summary of results is shown on all essential and important recommendations are shown in Appendix B. A further complete follow up of all recommendations is planned in the final quarter of this financial year.

The overall percentage figure is made up as follows:

- 14 (34%) audit reviews have been finalised, 4 (10%) where the report is in draft and 3 (7%) audits currently in progress.

Reactive Work

- 3.2 Reactive work undertaken by Internal Audit in 2017/18 includes
- 9 investigations
 - 4 items of advice, (where the advice exceeds an hours work)

Recommendations

- 3.3 Of the 2017/18 audits either completed or at the draft stage the number of recommendations within each category have been:
- 0 critical recommendations
 - 5 essential recommendations
 - 40 important recommendations
 - 53 advisory recommendations

Ongoing Areas

3.4 The following nine areas are on-going areas of work carried out by Internal Audit

- Investigations
- Anti-money laundering monitoring and reporting
- Regulation of Investigatory Powers Act (RIPA) – authorisations & policy updates
- National Fraud Initiative (NFI) to facilitate national data matching carried out by the Cabinet Office
- National Anti-Fraud Network (NAFN) bulletins and intelligence follow ups
- Standards and Governance Committee reporting and attendance
- Audit planning and consultation
- Financial and Contract Procedure Rules waivers
- Risk management

4 Risk Assessment

4.1 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. The current position places the section in a very good position to complete the agreed audit plan with only minor slippage (work in progress) by the end of March 2018.

5 Conclusion

5.1 That the Committee note the update on the planned and unplanned internal audit coverage for 2017/18 as at 30 October 2017, the continued professional development of the trainees and the continued excellent service provided to Test Valley Borough Council in the established shared arrangement. .

Financial Services comments:	
Legal Services comments:	
Crime and Disorder:	Nil
Equality and Diversity:	Nil
Service Improvement Plan implications:	The delivery of the annual audit plan is a key function of the service.
Corporate Plan:	It supports the Council in pursuit of excellence through delivering an effective and high quality joint internal audit service.
Risk Assessment:	Section 4
Background papers:	None
Appendices/Enclosures:	Appendix A - Audits completed in 2017/18 Appendix B – Follow up of high level recommendations
Report author/ Lead Officer:	Chris Davis 02392 545306

Appendix A - Audits Completed since the last meeting (5th July 2017)

Audit Title	Critical Rec.	Essential Rec.	Important Rec.	Advisory Rec.	Total Recs.	Audit Assurance	Summary
Controlled Stationery	0	0	3	4	7	Good	Main controls were found to be appropriate and operating sufficiently. As a result of the audit 3 important and 4 advisory recommendations have been made improve existing controls to further improve the control environment and address errors
Imprest & Floats	0	0	0	0	0	Good	All controls were found to be appropriate and operating sufficiently. As a result of the audit there were no recommendations to be made to update or improve existing controls to further improve the control environment.
Payroll Expenses (P) (P) - Probity	0	0	0	8	8	Good	All controls were found to be appropriate and operating sufficiently. As a result of the audit 8 advisory recommendations have been made to correct errors and update or improve existing governance controls to further improve the control environment.
Cash Collection	0	0	2	4	6	Good	Controls were found to be appropriate and operating as expected. As a result of the audit 2 important recommendations and 4 advisory recommendations have been made to update or improve existing controls and address errors.

Audit Title	Critical Rec.	Essential Rec.	Important Rec.	Advisory Rec.	Total Recs.	Audit Assurance	Summary
Development Control Fees	0	0	2	5	7	Good	Controls were found to be appropriate and operating as expected. As a result of the audit 2 important and 5 advisory recommendations have been made to update or improve existing controls and address errors.
Leisure Booking System	0	0	4	1	5	Good	All controls were found to be appropriate and operating sufficiently. As a result of the audit there were 4 important recommendations and 1 advisory recommendation made to update or improve existing controls to further improve the control environment, standardise or stream line processes.
Dog Control (FBC)	0	0	7	1	8	Poor	A control framework was found to be in place however it is not operating effectively. As a result of the audit there are recommendations to update or improve existing controls to further improve the control environment, standardise or stream line processes.

Audit Title	Critical Rec.	Essential Rec.	Important Rec.	Advisory Rec.	Total Recs.	Audit Assurance	Summary
Alver Valley	0	0	1	9	10	Good	Testing found that assurance can be given in the majority of the areas tested. However, there was a fundamental control weakness in the way income is collected and reconciled resulting in an important recommendation being made. The audit established some areas which improvements could be made to systems resulting in 1 important recommendation and 9 advisory recommendations, of which 5 of are advisory recommendations outstanding from last year's Audit. The Countryside Officer is aware of these and has advised the recommendations will be completed once the new post is filled.
Data Protection	0	0	6	3	9	Good	Overall the Audit concluded that the internal control system is good as in the main, controls were found to be appropriate and operating sufficiently however there were significant deficiencies in some areas. As a result of the audit 6 important and 3 advisory recommendations have been made to address the issues arising and ensure compliance with existing controls.
Grants to Voluntary Organisations	0	4	1	0	5	Poor	Overall the Audit concluded that the financial controls for payment are in place, the internal control system is poor with opportunities for improvement.

Audit Title	Critical Rec.	Essential Rec.	Important Rec.	Advisory Rec.	Total Recs.	Audit Assurance	Summary
Ground Maintenance Contract (Sodexo)	0	0	7	7	14	Good	In the main controls were found to be appropriate and operating sufficiently. Streetscene contract monitoring staff are aware of operational issues and are working with the Contractor to catch up with scheduled work following strong plant growth and uncertainty around the HCC grass cutting schedule. Some minor financial modelling around the contract requires agreed amendment to standardise the variable fee calculation.
Business Continuity & Emergency Planning	0	1	7	8	16	Poor	In the main controls were found to be appropriate and operating sufficiently. BCPs follow a corporate format and are tested regularly. There are some issues that need to be resolved around emergency accommodation and IT equipment and connectivity.
Income Collection – card payments	0	0	0	3	3	Strong	Existing controls were found to be appropriate and operating sufficiently. As a result of the audit three advisory recommendations have been made to remove the risk of card details being overheard, standardise the card payment taking process and ensure regulated standards are followed.

Appendix B – Review of all high profile recommendation

2016/17 - Followed up audit of all – critical, & essential recommendations outstanding*	Critical Recs. outstanding	Essential Recs. outstanding	Total recs. outstanding	Comments
Audit Title 2016/17				
None	Nil	Nil	Nil	-
A complete review of all recommendations (186) was performed and all but one was complete prior to the assigned target date. This was the accounting system that requires a full system restore (test) to ensure its resilience in case of system failure. This has been rescheduled for 31.03.18.				

*Note a full follow up was performed in May and June 2017 on all recommendations. Another full review is planned for quarter four of 2017/18.