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24 January 2007

### **S U M M O N S**

**MEETING:** Standards and Governance Committee  
**DATE:** 1 February 2007  
**TIME:** 6.00pm  
**PLACE:** Committee Room 1, Town Hall, Gosport  
**Democratic Services contact:** Eileen Povey

*hinda Edwards*

**BOROUGH SOLICITOR**

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### **MEMBERS OF THE COMMITTEE**

Councillor Gill  
Councillor Kimber  
Councillor Langdon

Councillor Smith  
Councillor Mrs Wright  
Councillor Wright

#### **Independent Members:**

Mr M J Heritage-Owen (Chairman)

Mr R V Perry (Vice Chairman)

### **FIRE PRECAUTIONS**

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

**In the event of the fire alarm (continuous ringing) or bomb alert (intermittent ringing) 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:**

- **The Summons, Agenda and accompanying Reports can be provided in large print, on tape, in Braille or in other languages on request**
- 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).**

AGENDA

RECOMMENDED  
MINUTE  
FORMAT

**PART A ITEMS**

1. APOLOGIES FOR NON-ATTENDANCE
2. DECLARATIONS OF INTEREST

*All Members present are required to declare, at this point in the meeting or as soon as possible thereafter, any personal or personal and prejudicial 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 14 December 2006 (pages 14-18)(copy attached)*

4. DEPUTATIONS – STANDING ORDER 3.5

*(NOTE: The Board is required to receive a deputation(s) on a matter which is before the meeting of the Board provided that notice of the intended deputation and its object shall have been received by the Borough Solicitor by 12 noon on Tuesday 30 January 2007. The total time for deputations in favour and against a proposal shall not exceed 10 minutes).*

5. PUBLIC QUESTIONS – STANDING ORDER 3.6

*(NOTE: The Board is required to allow a total of 15 minutes for questions from Members of the public on matters within the terms of reference of the Board provided that notice of such Question(s) shall have been submitted to the Borough Solicitor by 12 noon on Tuesday 30 January 2007).*

6. INTERNAL AUDIT – PROGRESS REPORT

*(1) To table the performance of the Internal Audit Section in the period to week 30 (1<sup>st</sup> April – 31<sup>st</sup> December 2006) against the agreed audit plan;*

*(2) To provide an independent internal audit opinion on the overall control environment of those areas reviewed within a brief executive summary; and*

*(3) To provide a table of critical and essential internal audit recommendations, Service Managers comments, responsible officers and target implementation dates from the reviews this year. In addition, provide members with the important and advisory internal audit recommendations agreed with management for noting. (Report attached)*

Part II  
Chris Davis  
Ext 5306

Standards and Governance Committee  
1 FEBRUARY 2007

7. USE OF RESOURCES - UPDATE  
*To inform the Committee of the progress being made with the action plan for improvement of the Council's Use of Resources score. (Report attached)*  
Part II  
Peter Wilson  
Ext 5301
8. WORK AREAS FOR THE COMMITTEE – 2006/2007  
*To note and confirm the programme of work for the Committee for the remainder of the 2006-2007 Municipal Year (attached)*  
Part II  
Linda Edwards  
Ext 5401
9. ANY OTHER ITEMS  
*-which by reason of special circumstances the Chairman considers should be considered as a matter of urgency*

## **A MEETING OF THE STANDARDS AND GOVERNANCE COMMITTEE**

**WAS HELD ON 5 OCTOBER 2006**

### Membership:

Councillors Gill ,Kimber (P), Langdon (P), Redrup (P), Smith (P) and Wright

Independent Members: Mr M J Heritage-Owen (P)  
Mr R V Perry (P)

### **20. APOLOGIES**

Apologies for inability to attend the meeting were received on behalf of Councillors Gill and Wright.

### **21. DECLARATIONS OF INTEREST**

There were no declarations of interest.

### **22. MINUTES**

RESOLVED: That the Minutes of the meeting of the Standards and Governance Committee held on 14 September 2006 be approved and signed by the Chairman as a true and correct record.

### **23. DEPUTATIONS**

There were no deputations.

### **24. PUBLIC QUESTIONS**

There were no public questions.

### **25. USE OF RESOURCES**

The Committee received a Powerpoint presentation given by the Borough Treasurer to inform Members about the Comprehensive Performance Assessment (CPA) external inspection and the new test for the use of resources.

The new test, stricter than previously, measured the financial management and governance competency of the organisation. There were five themes, divided into eleven key lines of enquiry (KLOEs), each assessed with scores between 1 to 4, with an overall score being given to determine whether the Council was rated as 'poor', 'fair', 'good' or 'excellent'.

The KLOEs were as follows:

- Financial reporting – Annual Accounts/ external accountability;
- Financial Management – Financial Strategy/budget performance/asset base management;
- Financial Standing – managing spending within resources;
- Internal Control – Management of Business risk/internal control arrangements/ arrangements for proper conduct of business; and
- Value for Money – achieving value for money/ pro-active approach to improving and obtaining value for money.

The Council's score for use of resources, at the previous CPA, was 2 (adequate); the aim was to improve to gain a score of 3 by 2008. There was a need to improve in order to underpin the Council's other management initiatives and it was important to eliminate any scores of 1, which would preclude an overall score of 3, a requisite for eventually becoming an 'excellent' council.

The Borough Treasurer reported that six-monthly reviews were being carried out using the CIPFA Financial Management Model and the Use of Resources self-assessment checklist to match and analyse results in order to assess progress.

The Council's Performance Management Framework would assist in recording evidence of improvements; Service Improvement Plans (SIPs) included actions leading to improvements and the Council's Management Team and the Resources Sub Group monitored progress. Reports would be presented to the Committee periodically for Members to also monitor progress.

During the presentation, Members sought clarification of some aspects of the process and expressed particular interest in the present position and progress of the Council's Asset management Plan and Capital Strategy. The Borough Treasurer explained that whilst information and records were available, these needed to be collated and be accessible from one source. External support had been engaged to assist Officers in this regard.

Members reiterated their decision, agreed at the meeting held on 14 September 2006 that progress on asset management should be monitored by them at each meeting.

The Borough Treasurer was thanked for his presentation and for clarification of this complex area of CPA.

**RESOLVED:** That the information on the Use of Resources, presented by the Borough Treasurer, be noted.

## **26. WORK AREAS FOR THE COMMITTEE – 2006/2007**

Consideration was given to a report advising the Committee on the direction of governance work for the Municipal Year 2006-2007.

The recent local government white paper had called on councils to review their Constitutions at least every five years to ensure that their democratic arrangements delivered an efficient, transparent and accountable council. This review was being carried out in a number of stages and a projected timetable for the completion of projects was detailed in the report.

There were also a number of other governance issues which it was proposed to consider during the year that would be in accordance with targets of good practice set by The Standards Board for England.

The Committee recognised the importance of having appropriate systems in place to deliver high standards of governance which minimised the risk of loss of tangible resources and reputation to the Council.

In answer to a Member's question, the Borough Solicitor and Monitoring Officer explained the breadth of the Committee's responsibilities; some areas would require more involvement than others. There were some elements that were as a result of the agreed Corporate Action Statement (CAS) and others that were statutory requirements.

With regard to the proposed work programme, the Chairman requested that the Committee had sight of the draft 'Statement of Internal Control' and also that Members should be made aware of any outside organisations involved in assessing the performance of the Council. The Head of Internal Audit and Risk Assurance confirmed that any key recommendations from reports would be brought to the Committee's attention. Members agreed that there was also a need to be satisfied that Council grants awarded to outside organisations achieved value for money.

Members recognised that the Committee's responsibilities were to give assurances to the Council that policies and best practice were in place and being implemented.

Consideration was given to the proposed work areas and, in order to facilitate the work programme, the Committee agreed to an additional meeting being held on 14 December 2006.

**RESOLVED:** That (a) the work programme for the Committee be as set out in Sections 2.2,2.3 and 2.5 of the report; and

(b) an additional meeting be held on Thursday 14 December at 6.00pm in Committee Room 2 at the Town Hall.

**27. ANY OTHER ITEMS**

There were no other items, which by reason of special circumstances, were for consideration as a matter of urgency at this meeting.

The meeting commenced at 6.00pm and concluded at 7.28pm

CHAIRMAN

## AGENDA ITEM NO. 6

<b>Board/Committee:</b>	<b>Standards &amp; Governance Committee</b>
<b>Date of Meeting:</b>	<b>1<sup>st</sup> February 2007</b>
<b>Title:</b>	<b>Internal Audit – Progress Report from 29<sup>th</sup> October 2006 to 31<sup>st</sup> December 2006</b>
<b>Author:</b>	<b>Head of Internal Audit &amp; Risk Assurance</b>
<b>Status:</b>	<b>For Decision</b>

### **Purpose**

To table the performance of the Internal Audit Section in the period to week 30 (1<sup>st</sup> April – 31<sup>st</sup> December 2006) against the agreed audit plan to the Members with responsibility for governance.

Secondly, to provide an independent internal audit opinion on the overall control environment of those areas reviewed within a brief executive summary.

Finally, to provide the Members with a table of critical and essential internal audit recommendations, Service Managers comments, responsible officers and target implementation dates from the reviews this year. In addition, provide members with the important and advisory internal audit recommendations agreed with management for noting.

### **Recommendation**

That the Committee reviews the performance of Internal Audit from April to October 2006 (Appendix A).

That the Committee note the Head of Internal Audit's independent audit opinion on the level of assurance relating to the control environment.

To note the attached schedule of the internal audit recommendations reported in both the critical and essential recommendations (Appendix B).

#### **1 Background**

- 1.1 To enhance the Council's corporate governance arrangements, in line with the Use of Resources CPA test, the report outlines the performance of the Internal Audit Section against its overall annual plan from week 32 (29<sup>th</sup> October 2006) to week 39 (31 December 2006).
- 1.2 In addition, the work performed by the Internal Audit section allows a judgement on the overall internal control environment as at the same point of time (31<sup>st</sup> December 2006). Details of agreed high level recommendations tabled by Internal Audit and responses of the Service Unit Managers are attached in Appendix B.

## **2 Report**

- 2.1 The position statement (Appendix A) highlights the workload since the last report to Committee (14 December 2006). A further five reports have been completed since that period and fourteen assignments are in progress. In total twenty-seven reviews have been completed to week 39. As reported to the Committee previously the target for 2006/07 is to complete forty-two reports by the 31st March 2007. From the results to date, this target is achievable.
- 2.2 Appendix B lists the agreed internal audit recommendations at both critical and essential (the two higher factors of recommendations) levels. The columns to the right outline the Service Managers comments, responsible Officer and target implementation date. Based on audit work to 31 December 2006 no critical recommendations have been reported and only a further five additional essential recommendations have been agreed with Managers since the last report (a total of twelve in 9 months). Of the remaining agreed audit recommendations (important and advisory to 31 December) Management have accepted sixty-seven important and forty-five advisory. A total of a hundred and twenty-four recommendations.
- 2.3 Based on the work performed to 31 December 2006 the Head of Audit & Risk Assurance is of the opinion that the Council's internal control systems for those areas audited are generally satisfactory. Recommendations made to the above date have been accepted by management and programmed for implementation.

### **3 Risk Assessment**

3.1 The report has a minimal direct impact on the overall risk of the Council.

### **4 Conclusion**

- That the Committee notes the performance of the Internal Audit Section to 31 December 2006.
- That the Committee note the opinion of the Head of Internal Audit and Risk Assurance on the level of assurance from the work performed by the Internal Audit Section to 31 December 2006.
- That the Committee note the high level audit recommendations attached within Appendix B that support the overall Statement on Internal Control.

<b>Financial Services comments:</b>	Nil
<b>Legal Services comments:</b>	Nil
<b>Service Improvement Plan implications:</b>	The information provided within the report has a direct link to improving the overall governance arrangements within the Council. The performance of the Internal Audit section is a key operational indicator monitored closely against the agreed Annual Audit Plan.
<b>Corporate Plan:</b>	Internal Audit's work supports all Council Services in pursuit of their overall corporate priorities.
<b>Risk Assessment:</b>	See Section 3
<b>Background papers:</b>	Standards & Governance Committee Report (14 <sup>th</sup> December 2006 "Seven Month Position Statement")
<b>Appendices/Enclosures:</b>	<ul style="list-style-type: none"><li>• Appendix A – Nine Month Position Statement</li><li>• Appendix B – High level Internal Audit Recommendations</li></ul>
<b>Report author/ Lead Officer:</b>	Chris Davis 023 9254 5306

**Appendix A****Nine Month Position Statement**

<b>Subject Area</b>	<b>Risk Factor</b>	<b>Status</b>	<b>Comments</b>
22 completed reviews	Various	Completed	(see previous report 14 <sup>th</sup> Dec 2006)
Car Loans	2	Completed	
Food Safety & Hygiene	2	Completed	
Taxi Licensing	1	Completed	
Treasury Management	2	Work in progress	75% complete
Budgetary Control & Capital Expenditure	F1	Completed	
Financelink	F1	Completed	
Licencing Act (Alcohol)	2	Work in progress	75% complete
Emergency Planning	1	Work in progress	95% complete
Debtors	F1	Work in progress	50% complete
National Non Domestic Rates (NNDR)	F1	Work in progress	25% complete
Housing Rents	F1	Work in progress	75% complete
Accounting Reconciliation	F1	Work in progress	35% complete
Payroll	F1	Work in progress	40% complete
Bank Reconciliation	F1	Work in progress	10% complete
Temporary Accommodation	1	Work in progress	75% complete
Fixed Assets	1	Work in progress	50% complete
Emergency Planning	1	Work in progress	80% complete
Choice Based Letting	1	Work in progress	20% complete
Benefits	F1	Work in progress	15% complete

## Appendix B

AUDIT SUBJECT	RECOMMENDATION CATEGORY	RECOMMENDATION	CLIENT COMMENT	LEAD OFFICER	TARGET DATE
Budgetary Control and Capital Expenditure	Essential	Accountancy needs to ensure that key formulas are not overwritten on budget spreadsheets. This reduces the risk of errors occurring and not being noticed (Process 4).	Agreed	JN / AR / RW	Immediate
Budgetary Control and Capital Expenditure	Essential	All budget holders should be given training on budget setting and monitoring (Process 6).	Not convinced that budget setting 'per se' can be trained for – but as a general point financial awareness training (FAT) is to be progressed early in the 2007 calendar year (Financial Management Team[FMT] discussions refer)	JN / AR / RW	2007
Budgetary Control and Capital Expenditure	Essential	The Head of Accountancy should ensure that all schemes included in the Capital Programme are supported by a Capital Scheme Proposal Form. A copy of all Proposal forms should be held by Accountancy (Process 8).	Agreed	JB / JN	Apr-07
Budgetary Control and Capital Expenditure	Essential	Accountancy should ensure that Capital budget holders have nominated deputies to complete application forms in the event of the key officers absence (Process 11).	Head of Accountancy to send email to Service Unit Managers drawing attention to audit recommendation	JN	Dec-06
Budgetary Control and Capital Expenditure	Essential	Accountancy should ensure that Capital budget holders have nominated deputies to complete external funding claim forms in the event of the key officers absence (Process 12).	Head of Accountancy to send email to Service Unit Managers drawing attention to audit recommendation	JN	Dec-06

**Key to Lead Officers:-**

**JB – Julian Bowcher (Head of Financial Services)**

**JN - John Norman (Head of Accountancy)**

**AR – Alex Ritchie (Group Accountant)**

**RW – Richard Wheeler (Group Accountant)**

## AGENDA ITEM NO. 7

<b>Board/Committee:</b>	STANDARDS & GOVERNANCE COMMITTEE
<b>Date of Meeting:</b>	1 FEBRUARY 2007
<b>Title:</b>	USE OF RESOURCES - UPDATE
<b>Author:</b>	DEPUTY CHIEF EXECUTIVE & BOROUGH TREASURER
<b>Status:</b>	FOR INFORMATION

### **Purpose**

To inform the Committee of the progress being made with the action plan for improvement of the Council's Use of Resources score.

### **Recommendation**

It is recommended that the report be noted.

#### **1 Background**

- 1.1 The Council achieved an overall score of 2 in the 2005 assessment.
- 1.2 It is our intention to achieve 3 in the medium term.
- 1.3 The Committee received a presentation on this and expressed a wish to be kept informed of progress.

#### **2 Report**

- 2.1 There is currently no further information available from the Council's auditors regarding the assessment for 2006.
- 2.2 At the time of producing this report, all actions required to be completed by the end of January 2007 are proceeding satisfactorily and some of the tasks due by March have been commenced.

#### **3 Risk Assessment**

- 3.1 The principal direct risk resulting from failure would be to reputation (CPA status etc). However, there could be financial risks associated with failure to improve financial awareness, financial management and financial systems documentation. These cannot be specifically quantified but will be considered in April when the Committee consider the Council's Statement of Internal Control.

#### 4 Conclusion

4.1 Use of Resources improvement actions due for completion by January 2007 are currently on course.

<b>Financial Services comments:</b>	No direct financial implications.
<b>Legal Services comments:</b>	None.
<b>Service Improvement Plan implications:</b>	SIP actions all on course.
<b>Corporate Plan:</b>	Pursuit of Excellence priority.
<b>Risk Assessment:</b>	See para. 3.
<b>Background papers:</b>	None
<b>Appendices/Enclosures:</b>	None
<b>Report author/ Lead Officer:</b>	Peter Wilson x5301

## AGENDA NO.8 STANDARDS AND GOVERNANCE COMMITTEE WORK PROGRAMME

A projected timescale for the completion of each of these projects is detailed below.

<b>Revise Member/Officer protocol</b>	<b>Key Dates</b>	<b>Lead Officer</b>
Start (Preliminary Report to Committee) Meet Head of Personnel and Unison Rep Revise Protocol Report to Standards and Governance Report to Council <b>Complete</b>	Dec 2006 Dec 2006 Jan 2007 Feb 2007 Mar 2007 <b>March 2007</b>	<b>LE</b>

<b>Review Contract Standing Orders</b>		
Start (Preliminary Report to Committee) Obtain examples of best practice Meet with Head of Internal Audit Revise CSO and report to S&G Committee Report to P & O and Council <b>Complete</b>	Sept 2006 Sept 2006 Sept 2006 Feb 2007 March 2007 <b>March 2007</b>	<b>LE</b>

There are also a number of other governance issues which it is proposed to consider this year and these are set out below.

<b>Work Area</b>	<b>Report to Meeting</b>	
Workshop on the Council's Strategic Business Risks & overview of the Council's Risk Management Strategy	Dec 2006	<i>CD and LL</i>
Executive summaries of Audit reviews	Feb 2007 & Apr 2007	<i>CD</i>
Overview of Anti Fraud and Corruption policies and practices	Feb 2007	<i>LE and CD</i>
Whistle Blowing Policies	Feb 2007	<i>LE</i>
Conduct of hearings	March 2007	<i>LE</i>
Development of the Annual Audit Plan 07/08	March 2007	<i>CD</i>
Workshop session Hearings	April 2007	<i>LE</i>
Strategic Audit Plan 2007/2012	April 2007	<i>CD</i>
Statement on Internal Control 06/07	April 2007	<i>CD</i>
Council Complaints – monitoring 6 mthly	June/ December 2007	<i>KL</i>