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11 March 2009

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

**MEETING:** Standards and Governance Committee  
**DATE:** 19 March 2009  
**TIME:** 6.00 p.m.  
**PLACE:** Committee Room 1, Town Hall, Gosport  
**Democratic Services contact:** Chris Wrein

LINDA EDWARDS  
BOROUGH SOLICITOR

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### **MEMBERS OF THE COMMITTEE**

Mr R V Perry  
(Independent Member)  
(Chairman)

Mr G A Lidgley  
(Independent Member)  
(Vice-Chairman)

Councillor Ms Ballard  
Councillor Burgess  
Councillor Cully

Councillor Hicks  
Councillor Langdon  
Councillor Wright

### **FIRE PRECAUTIONS**

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

**In the event of the fire alarm (single continuous sound) being activated, please leave the room immediately.**

**Proceed downstairs by way of the main stairs or as directed by GBC staff, follow any of the emergency exit signs. People with disability or mobility issues please identify yourself to GBC staff who will assist in your evacuation of the building.**

**IMPORTANT NOTICE:**

- If you are in a wheelchair or have difficulty in walking and require access to the Committee Room on the First Floor of the Town Hall for this meeting, assistance can be provided by Town Hall staff on request

If you require any of the services detailed above please ring the Direct Line for the Democratic Services Officer listed on the Summons (first page).

**NOTE:**

- i. Members are requested to note that if any member wishes to speak at the meeting then the Borough Solicitor is required to receive not less than 24 hours prior notice in writing or electronically and such notice shall indicate the agenda item or items on which the member wishes to speak.
- ii. Please note that mobile phones should be switched off for the duration of the meeting.

## **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 22 January 2009 (copy attached)*

4. DEPUTATIONS – STANDING ORDER 3.5

*(NOTE: The Committee is required to receive a deputation(s) on a matter which is before the meeting of the Committee provided that notice of the intended deputation and its object shall have been received by the Borough Solicitor by 12 noon on Tuesday, 17 March 2009. The total time for deputations in favour and against a proposal shall not exceed 10 minutes).*

5. PUBLIC QUESTIONS – STANDING ORDER 3.6

*(NOTE: The Committee is required to allow a total of 15 minutes for questions from Members of the public on matters within the terms of reference of the Committee provided that notice of such Question(s) shall have been submitted to the Borough Solicitor by 12 noon on Tuesday, 17 March 2009).*

6. INTERNAL AUDIT – PROGRESS REPORT FROM 1<sup>ST</sup> APRIL 2008 TO 31<sup>ST</sup> DECEMBER 2008

Part II

*To table the performance of the Internal Audit Section in the first 9 months of 2008/09 (1<sup>st</sup> April 2008 – 31<sup>st</sup> December 2008) against the agreed audit plan to the Members with responsibility for governance.*

Contact Officer:  
Chris Davis  
Ext 5306

7. INTERNAL AUDIT PLAN 2009-2010.

Part II

*To provide the Committee with the planned annual coverage of Internal Audit resources for 2009-2010.*

Contact Officer:  
Chris Davis  
Ext 5306

Standards and Governance Committee  
19 March 2009

- |     |   |   |
|-----|---|---|
| 8.  | INTERNAL AUDIT – PROPOSED FORMAL PARTNERSHIP WITH EASTLEIGH BOROUGH COUNCIL FROM APRIL 2009 TILL MARCH 2012   | Part II                                       |
|     | <i>To advise the Committee on the formalised partnership (including the memorandum of understanding) and the enhanced governance arrangements around the sharing of Internal Audit resource with Eastleigh Borough Council from April 2009 till March 2012.</i>   | Contact Officer:<br>Chris Davis<br>Ext 5306   |
| 9.  | LOCAL ASSESSMENT MONITORING REPORT  | Part II                                       |
|     | <i>To advise the Committee on the operation of the arrangements for Local Assessment.</i>   | Contact Officer:<br>Linda Edwards<br>Ext 5400 |
| 10. | STANDARDS AND GOVERNANCE COMMITTEE WORKPLAN   | Part II                                       |
|     | <i>Workplan attached.</i>   | Contact Officer:<br>Linda Edwards<br>Ext 5400 |
| 11. | ANY OTHER ITEMS<br><i>-which by reason of special circumstances the Chairman considers should be considered as a matter of urgency</i>  |   |
| 12. | EXCLUSION OF PUBLIC<br>To consider the following motion:<br><br>That in relation to the following item the public be excluded from the meeting, as it is likely, in view of the nature of the business to be transacted or the nature of the proceedings, that if members of the public were present during this item there would be disclosure to them of exempt information within Paragraph 1 of Part 1 of Schedule 12A to the Local Government Act 1972, and further that in all circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information, for the reason set out. |   |

**PART B ITEMS**  
**FOLLOWING THE EXCLUSION OF PRESS AND PUBLIC**

Item No.	Item	Paragraph no. of Part I of Schedule 12A of the Act	
13.	STANDARDS BOARD FOR ENGLAND REPORT	<p>Paragraph 1</p> <p><b>Reason:</b> THE INFORMATION IN THE STANDARDS BOARD REPORT RELATES TO A NUMBER OF INDIVIDUALS' PERSONAL EXPERIENCES AND CIRCUMSTANCES. THE PUBLIC WILL BE ABLE TO FIND OUT THE OUTCOME OF THE INVESTIGATION AS A SUMMARY IS AVAILABLE FROM THE STANDARDS BOARD. IN ORDER TO ENSURE THAT MEMBERS OF THE PUBLIC RAISE CONCERNS REGARDING STANDARDS OF CONDUCT IN PUBLIC OFFICE, THE CONFIDENTIALITY OF THE COMPLAINTS SYSTEM IS AN IMPORTANT TOOL. THEREFORE THE PUBLIC INTEREST IN MAINTAINING THE EXEMPTION IN RELATION TO THE INDIVIDUALS' EXPERIENCES AND CIRCUMSTANCES OUTWEIGHS THE PUBLIC INTEREST IN NOT MAINTAINING THE EXEMPTION.</p>	<p>PART II</p> <p>Contact Officer: Linda Edwards Ext 5400</p>

## AGENDA ITEM NO. 6

<b>Board/Committee:</b>	<b>Standards &amp; Governance Committee</b>
<b>Date of Meeting:</b>	<b>19<sup>th</sup> March 2009</b>
<b>Title:</b>	<b>Internal Audit – Progress Report from 1<sup>st</sup> April 2008 to 31<sup>st</sup> December 2008</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 first 9 months of 2008/09 (1<sup>st</sup> April 2008 – 31<sup>st</sup> December 2008) against the agreed audit plan to the Members with responsibility for governance.

### **Recommendation**

That the Committee reviews the performance of Internal Audit from April 2008 to December 2008.

#### **1 Background**

- 1.1 To enhance the Council's corporate governance arrangements, in line with the Audit Commission's Key Lines of Enquiry - Use of Resources test, the report outlines the performance of the Internal Audit Section against its overall agreed annual plan for 2008/09.

#### **2 Report**

##### **2.1 Position after nine months**

- 2.1.1 The current position of internal audit workload is on target against its projected plan as at the 31<sup>st</sup> December 2008. Fundamental work had begun and all tasks have now been planned and assigned to auditors through to the year end (March 2009). Up to the nine month period the section has delivered 597 productive days for Gosport and 116 days to Eastleigh Borough Council. Over £38k of income has been generated in the first nine months of the partnership. External providers are being used to support the in-house audit team in quarters three and four, as anticipated, to deliver the agreed annual internal audit plan (approximately 35 days). This work has begun and will be delivered within the existing internal audit budget provision for 2008/09. The section's current status against the annual plan (as at 31<sup>st</sup> December 2008) places it in a strong position to deliver 100% (+/- 3%) of the 2008/09 proposed internal audit coverage. Members will be pleased to note that the auditor vacancy has now been filled, with the new staff member commencing work on the 19<sup>th</sup> January 2009.

## 2.2 **Workload to date**

2.2.1 Attached is a table of completed tasks and those partially complete.

<b>Task</b>	<b>Status</b>	<b>Comments</b>
Right to Buy	Complete	
Cash Collection	Complete	
Business Continuity (BC) (8)	Complete	
Data Protection	wip	95%
IT Maintenance	Complete	
IT Support	Complete	
Telephone Logger	wip	95%
Community Safety	Complete	
Time Recording System	Complete	
Mobile Home Park	Complete	
Health & Safety	wip	95%
Leisure booking System	Complete	
Car parking	Complete	
Disabled Facilities Grant	Complete	
Service Charges	Complete	
VAT	Complete	
IT Disaster Recovery & BC	Complete	
IT Control Environment	wip	75%
Pollution	wip	95%
Loans/Grants to Voluntary Organisations	wip	95%
Economic Prosperity	wip	95%
Sheltered Accommodation – disturbance payments	Complete	
Temporary Accommodation	wip	75%
Freedom of Information	wip	95%
Council Tax	wip	95%
NNDR	wip	95%
Housing Benefits	wip	75%
Budgetary Control	wip	90%
Accounts Payable	wip	75%
Housing Benefits Overpayment Recovery	wip	75%

2.2.2 Below is the planned worked for the remaining three months:-

### **Full reviews**

- Accounting & Bank Reconciliation
- Payroll
- Fixed Assets

- 2.2.2  
(cont)
- Debtors
  - Financial Management system
  - Treasury Management
  - Open Market
  - Choice based Lettings
  - Asset Management strategy
  - Rent Collection & Recovery
  - Corporate Governance
  - Emergency Planning
  - Citizen Portal

#### **Follow up reviews**

- Benefit Fraud Prevention & Detection
- HRA Business Plan
- Utilities & Mobile phones
- Grounds Maintenance

#### **Contract Audit support & advice**

- Pontoon replacement

#### **Consultancy**

- Eastleigh Borough Council audit management support
- Procurement
- Risk Management
- Service Reviews
- Advice to all Services

### **3 Risk Assessment**

- 3.1 The report has a minimal direct impact on the overall risk of the Council. The work performed and the professional advice given by Internal Audit provides management with a high degree of assurance in their responsibility for control in their Service environments.

### **4 Conclusion**

- That the Committee notes the strong performance of the Internal Audit Section in the nine months of 2008/09 to the 31<sup>st</sup> December 2008.



<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 and strategic priorities.
<b>Risk Assessment:</b>	See Section 3
<b>Background papers:</b>	Nil
<b>Appendices/Enclosures:</b>	Nil
<b>Report author/ Lead Officer:</b>	Chris Davis 023 9254 5306

## AGENDA ITEM NO. 7

<b>Committee:</b>	<b>Standards &amp; Governance Committee</b>
<b>Date of Meeting:</b>	<b>19 March 2009</b>
<b>Title:</b>	<b>Internal Audit Plan 2009-2010.</b>
<b>Author:</b>	<b>Head of Internal Audit &amp; Risk Assurance</b>
<b>Status:</b>	<b>For Decision</b>

### **Purpose**

This report provides the Standards and Governance Committee with the planned annual coverage of Internal Audit resources for 2009-2010.

### **Recommendation**

That the Standards and Governance Committee agree without amendment the 2009-2010 Internal Audit Plan as attached in Appendix One.

## **1 Background**

- 1.1 The plan has been developed after consultation with all Service Unit Managers in January/February 2009 as well as rolling the 3 year strategic audit plan forward. Additional consultation with our External Auditors has occurred to ensure no duplication of effort in the forthcoming year. Developing the plan this year has again been a challenge with the new three year partnership with Eastleigh Borough Council being another factor. A number of risk profiles have become higher due to the national recession and the effect this may have on us as a small Council.

## **2 Report**

- 2.1 The annual audit plan, based on 4.81WTE internal staff highlights the key components of the planned output from Internal Audit for 2009/10. A further two columns have been added to compare the last two years (2007/08 & 2008/09) planned coverage in the same auditable areas. Future quarterly monitoring reports will be scheduled (included in the Committee's work plan) for Members throughout the year to compare actual versus planned coverage for the forthcoming year.
- 2.2 In addition, the Internal Audit Plan includes for an additional 20 days from an outsourced IT Audit specialist.

- 2.3 The 2009/10 internal audit plan also allows for 165 audit days to be transferred to support Eastleigh Borough Council managing their in-house internal team and add a small element of support in audit deliverables. The main element of resource for 2009/10 is the Head of Internal Audit who will be split evenly over the two sites in 2009/10. For the forthcoming three year partnership (see separate report) EBC, have agreed, to be charged the full daily rate for the Head of Internal Audit. The budget forecast for this support provision for 2009/10 is approximately £45K. It's planned that audit resources will be allocated in the following way:-

Quarter	Auditor Resource (days)	Head of Audit (days)
Q1 (Apr–Jun)	35.50	32.50
Q2 (Jul - Sep)	-	32.50
Q3 (Oct – Dec)	-	32.50
Q4 (Jan – Mar)	-	32.50

### **3 Risk Assessment**

- 3.1 The work performed by Internal Audit assists in reducing the overall risk exposure in the Council's operations and provides a degree of assurance to support management placing reliance on the adequacy of controls within their Services.

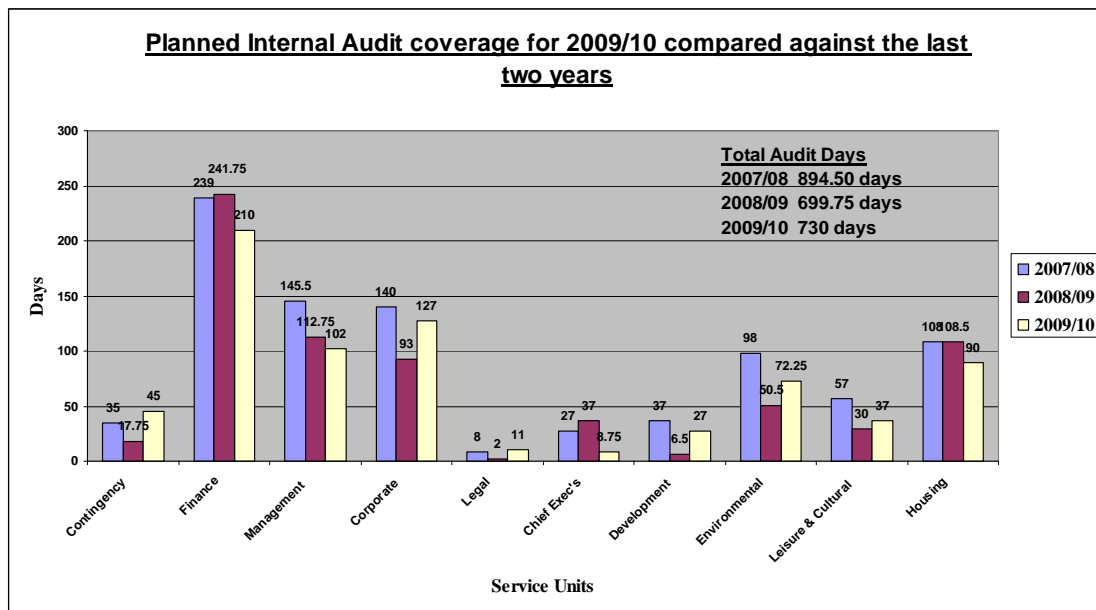
### **4 Conclusion**

- 4.1 This report outlines the planned internal audit coverage for 2009/10.

<b>Financial Services comments:</b>	Nil
<b>Legal Services comments:</b>	Nil
<b>Service Improvement Plan implications:</b>	The annual plan is part of the Sections improvement plan and regular monitoring features as the operational plan for which the section is scrutinised both externally (Mazars) and internally (by the S&G Committee).
<b>Corporate Plan:</b>	The Internal Audit coverage supports all Council Services in pursuit of their overall corporate objectives.
<b>Risk Assessment:</b>	See Section 3
<b>Background papers:</b>	Nil
<b>Appendices/Enclosures:</b>	Appendix One – Internal Audit Plan 2009/10
<b>Report author/ Lead Officer:</b>	Chris Davis 023 9254 5306

## Appendix One

Comparative data (2007/08 & 2008/09 planned audit coverage) has been included in the attached chart.



## AGENDA ITEM NO. 8

<b>Committee:</b>	<b>Standards &amp; Governance Committee</b>
<b>Date of Meeting:</b>	<b>19 March 2009</b>
<b>Title:</b>	<b>Internal Audit – proposed formal partnership with Eastleigh Borough Council from April 2009 till March 2012</b>
<b>Author:</b>	<b>Head of Internal Audit &amp; Risk Assurance</b>
<b>Status:</b>	<b>FOR DECISION</b>

### **Purpose**

To advise the Committee on the formalised partnership (including the memorandum of understanding) and the enhanced governance arrangements around the sharing of Internal Audit resource with Eastleigh Borough Council from April 2009 till March 2012.

### **Recommendation**

That the Standards and Governance Committee agree, without amendment, the legal agreement (attached as Appendix One) and sign up to the memorandum of understanding (attached as Appendix Two) for the joint internal audit arrangements from 1<sup>st</sup> April 2009 till 31<sup>st</sup> March 2012 with Eastleigh Borough Council.

## **1 Background**

- 1.1 Foundations over the last eighteen months have been established to forge a longer term arrangement with Eastleigh Borough Council (EBC) for the joint management of both internal audit services. As Members are aware from updates throughout the year the internal audit service provision for Gosport has not suffered from jointly working with EBC and with a more a formal process in place service delivery will further improve for both Councils. Over this year the Head of Internal Audit has shared his time over the two sites and it is intended to continue this arrangement from April 2009 till March 2012.
- 1.2 The annual audit plan for next year (2009/10) reflects the increased management time for the Head of Audit to be shared equally across both sites. There is also a significant reduction in auditor time to be transferred to Eastleigh (over 60 days) as their resource returns from maternity leave.

## **2 Report**

- 2.1 In the last year the Gosport team have provided both operational as well as management support to Eastleigh Borough Council. Over £38k in income to date (up to December 08) has been generated through this innovative partnership arrangement for the Council. The opportunity is now with both Council's to formalise a longer term partnership arrangement. Both a partnership agreement and memorandum of understanding are attached for both Councils to agree and sign up to for the three year term commencing April 2009.

- 2.2 Stronger governance arrangements are to be in place from next year similar to the Building Control arrangement with Fareham Borough Council. A Member/Officer group comprising Chair and Vice Chair of the respective "Audit Committees", Chief Financial Officers and the Head of Internal Audit is proposed to meet twice a year to take a strategic overview of the arrangement. Measures will be in place for them to monitor the progress of the partnership. These monitoring mechanisms (local indicators) will be set out in the memorandum of understanding which will be brought before future meetings of this Committee on a six monthly cycle.
- 2.3 Our current External Auditors are aware of the arrangement and are in support of the proposal.
- 2.4 All staff at both sites and Unison have been consulted in this longer term arrangement. Both are fully supportive of the longer term proposal.
- 2.5 **Other benefits will include:**
- Increased and improved sharing of information sources;
  - more cost effective training – could be procured jointly; cascaded to the Group;
  - sharing of best practice in key areas such as value for money, benchmarking, risk management, governance etc..
  - avoiding duplication of effort, especially when interpreting new initiatives/changing standards.

### **3 Risk Assessment**

- 3.1 A full partnership risk assessment has been established at both sites. These are fully documented and detailed on each respective risk registers. In addition, there are positive risks (opportunities) from this arrangement that have been lodged on the strategic risk register to monitor progress against intended outcomes.

### **4 Conclusion**

- 4.1 This opportunity is exciting and will be viewed by many different audiences over the next 12 months. The concept of joint internal audit arrangements is not a new initiative. Furthermore, it will provide an income stream to support future pressures on the Council finances over the next three years.

<b>Financial Services comments:</b>	Nil
<b>Legal Services comments:</b>	Nil.
<b>Service Improvement Plan implications:</b>	The formal partnership will improve the in-house internal audit service in the long term and ensure that the Council achieves greater value for money from its existing internal resources.
<b>Corporate Plan:</b>	It will support the Council's strategic priority "pursuit of excellence".
<b>Risk Assessment:</b>	Covered in Section 3
<b>Background papers:</b>	Nil
<b>Appendices:</b>	Appendix One - Partnership Agreement Appendix Two - Memorandum of Understanding
<b>Report author/ Lead Officer:</b>	Chris Davis 023 9254 5306

**Appendix One**

Dated .....2009

**GOSPORT BOROUGH COUNCIL**

**AND**

**EASTLEIGH BOROUGH COUNCIL**

**AGREEMENT**

Section 101 of the Local Government Act 1972

And

Section 1 of the Local Authorities

(Goods and Services) Act 1970

**JOINT PROVISION OF INTERNAL AUDIT 2009/2012**





THIS AGREEMENT is made the ..... 2009  
 BETWEEN GOSPORT BOROUGH COUNCIL of Town Hall, Gosport,  
 Hampshire PO12 1EB and EASTLEIGH BOROUGH COUNCIL of Leigh Road,  
 Civic Offices, Eastleigh, Hampshire SO50 9YN (collectively referred to as “the  
 Councils”)

## **WHEREAS**

- (1) The Councils are local authorities within the meaning of the Local Government Act 1972 (the 1972 Act).
- (2) The Councils enter into this agreement to establish a framework for the joint provision of internal audit services across their respective boroughs for a period of three years.
- (3) The Councils wish to provide internal audit services jointly under the terms of this agreement.
- (4) Under section 101 of the 1972 Act one local authority may arrange for its functions to be discharged by another authority.
- (5) Under section 1 of the Local Authorities (Goods and Services) Act 1970 (the 1970 Act) a local authority and any other public body may enter into an agreement for the provision of certain services by the local authority to the other.

## **IT IS HEREBY AGREED AS FOLLOWS**

### **1. Definitions in this deed**

- (a) The Gosport Director means the Chief Officer for the time being of Gosport Borough Council having managerial responsibility for the Internal Audit service.
- (b) The Eastleigh Director means the Chief Officer for the time being of Eastleigh Borough Council having managerial responsibility for the Internal Audit service.
- (c) The Head of Internal Audit means the Head of Internal Audit (during the Term) designated by the Councils from time to time during the Term for the purposes of this agreement.
- (d) “The Agreed Performance Standards” means those standards set out in the Memorandum of Understanding.

- (e) “The Memorandum of Understanding” means the document titled Gosport Borough Council & Eastleigh Borough Council Internal Audit Partnership April 2009 to March 2012 — Memorandum of Understanding signed by the Councils on or before the date of this agreement setting out the objectives of the Partnership and the governance and joint working arrangements and as may be amended from time to time as provided therein a copy which is annexed hereto
- (f) “The Partnership” means those officers employed by the Councils to discharge the Internal Audit Functions within the terms set out in the Memorandum of Understanding.
- (g) “The Internal Audit Functions” means those functions listed in Schedule 1 hereto
- (h) The Officer Group means a group comprising a senior officer and a finance officer representing each Council set up under paragraph 5.3 hereof
- (i) The Panel means the group comprising one elected member and one senior officer representing each Council set up under paragraph 5.2 hereof
- (j) “The Gosport and Eastleigh Internal Audit Service” is the performance by the partnership of the Internal Audit Functions.
- (k) The Term means a period from and including the 1 April 2009 to the 31 March 2012.
- (l) “Working Day” means when both of the Councils are open for business and the term “Working Days” shall be construed accordingly.

## **2. Memorandum of Understanding**

- 2.1 The Councils have entered into the Memorandum of Understanding and agree that this agreement shall be construed to give effect thereto.

## **3. Term**

- 3.1 This agreement shall continue for the Term unless brought to an end by either party under the provisions of Clause 10 hereof

#### **4. Functions**

- 4.1 Under the powers in section 101 of the 1972 Act and section 1 of the 1970 Act the Councils agree that each of them shall discharge within their own administrative areas and each within the administrative boundaries of the other The Internal Audit Functions to The Agreed Performance Standards.
- 4.2 Each of the Councils hereby delegate to the other under section 101 of the 1972 Act power to exercise The Internal Audit Functions on its behalf and for the avoidance of doubt this includes the management of resources used in the exercise of such functions.
- 4.3 The Councils agree that for the duration of this agreement the Partnership will undertake on their behalf The Internal Audit Functions together with any additional functions which shall be agreed in writing between the Councils.

#### **5. Management**

- 5.1 The Head of Internal Audit will manage the Internal Audit Function and will report to and be accountable to the Gosport Borough Treasurer & Deputy Chief Executive in respect of the performance of the Internal Audit Functions in the Borough of Gosport and to the Eastleigh Corporate Director (CFO) in respect of the said functions in the Borough of Eastleigh.
- 5.2 The operation of The Internal Audit Functions will be overseen by the Panel which will meet half-yearly with the Head of Internal Audit to review progress, policy, budgets, service performance and similar matters.
- 5.3 The Gosport Borough Treasurer & Deputy Chief Executive and the Eastleigh Corporate Director (CFO) shall set up the Officer Group and shall ensure that it meets at least half yearly to monitor the performance and development of The Internal Audit Functions and resolve any issues arising.

## **6. Staff**

- 6.1 The Head of Internal Audit and other officers of the Partnership exercising managerial responsibilities will apply the employment policies of Gosport Borough Council to employees of Gosport Borough Council and the employment policies of Eastleigh Borough Council to employees of Eastleigh Borough Council irrespective of whether he is or such other officers exercising managerial responsibilities are employed by Gosport Borough Council or Eastleigh Borough Council.

## **7. Accommodation and equipment**

- 7.1 Suitable office accommodation sufficient for the provision of The Internal Audit Functions will be provided by the Councils at Gosport Town Hall Offices for the majority of the staff and at Eastleigh Town Hall for such staff as the Head of Internal Audit considers appropriate.
- 7.2 All assets will remain in the ownership of each of the Councils who purchased the same unless and until transferred under the provisions of clause 10.4 and the Head of Internal Audit shall compile and maintain a record of all assets acquired for use by the Partnership.

## **8. Information & Communication Technology (“ICT”) Services**

- 8.1 Each of the Councils will provide adequate and secure information & communication technology provisions to ensure an efficient and effective internal audit delivery is maintained. This will include mobile technology in line with each Councils current policy. Access to both sites will be available remotely by an agreed connection with the ICT Manager (or equivalent). Both Councils will maintain adequate back up and disaster recovery arrangements in case of ICT failure.

## **9. Financial provisions**

- 9.1 Financial arrangements arising from the exercising of The Internal Audit Functions will be as set out in Schedule 2.

## **10. Termination**

- 10.1 Either of the Councils may bring this agreement to an end by giving one to the other at least 12 months notice in writing expiring on 31 March in any year.
- 10.2 Within four weeks of such notice being given, the Gosport Borough Treasurer & Deputy Chief Executive, the Eastleigh Corporate Director (CFO) and the Head of Internal Audit shall meet to agree the steps necessary to place each of the Councils in a position to continue the performance of The Internal Audit Functions to The Agreed Performance Standards after the termination of this agreement. The Chief Executive (or designated officer) of one of the Councils giving notice shall make a written report setting out the steps agreed at the meeting between the Gosport Borough Treasurer & Deputy Chief Executive, the Eastleigh Corporate Director (CFO) and the Head of Internal Audit referred to above to the next scheduled meeting of the Panel, or if that would not be within 4 weeks of the meeting referred to above, shall convene a special meeting of the Panel within that time for that purpose.
- 10.3 During the period between the giving of notice under this paragraph and the termination of the agreement the Gosport Borough Treasurer & Deputy Chief Executive and the Eastleigh Corporate Director (CFO) shall ensure that any information reasonably requested of their respective Councils between each other is supplied promptly and in any event within 10 Working Days. Each of the Councils shall provide all reasonable assistance one to the other to enable each of the Councils to be in a position to continue the performance of The Internal Audit Functions to The Agreed Performance Standards.
- 10.4 On termination of this agreement the assets used in the provision of The Internal Audit Functions will be apportioned between each of the Councils in the same proportion as the income and costs of the provision of The Internal Audit Functions have been apportioned under the provisions of Schedule 2 to this agreement in the last financial year of the agreement.

## **11. Insurance**

- 11.1 Adequate insurance shall be effected and maintained by each of the Councils in respect of their individual liability arising from the discharge of the functions referred to in this agreement and for a period of fifteen years after it ends PROVIDED that:

- (a) Each of the Councils will maintain an employers liability policy throughout the term of this agreement sufficient to cover all its own posts forming part of the Partnership.
- (b) (i) Sufficient public liability insurance shall be maintained by each of the Councils relating to the Internal Audit Functions and  
 (ii) Each of the Councils shall maintain such insurance as it considers necessary in respect of financial loss arising from the performance of The Internal Audit Functions.

## **12. Claims for negligence etc**

- 12.1 Any claim against one of the Councils arising in connection with the exercise of The Internal Audit Functions within its own administrative area (irrespective of whether or not the member of staff exercising the function is employed by one of the Councils) shall be dealt with by one of the Councils for that administrative area.
- 12.2 All claims or potential claims received by either of the Councils will be notified to the other within two Working Days.
- 12.3 Each of the Councils will afford all reasonable assistance to each other and its insurers in defending any claim.

## **13. Arbitration**

- 13.1 Subject to the provisions of section 103 of the Local Government Act 1912 any question, dispute or difference in relation to any matter in connection with this agreement which may occur between the Councils shall be referred to a single arbitrator to be appointed by agreement between the Councils or in default of such agreement to be appointed by the Deputy Prime Minister for the time being or by such Minister as shall for the time being be responsible for local government and the decision of such arbitrator shall be final and binding and the Arbitration Act 1996 shall apply to such a reference.

**14. Miscellaneous provisions**

- 14.1 Any notice to be served under this agreement on either of the Councils shall be in writing and sent by special delivery post or delivered by hand. In the case of service on Gosport Borough Council it shall be addressed to the Chief Executive (or to the officer who is the Council's Head of the Paid Service ) at the Town Hall above and in the case of service on Eastleigh Borough Council it shall be addressed to the Chief Executive (or to the officer who is the Councils Head of the Paid Service) at the Town Hall above.
- 14.2 Reference in this deed to any statutory provisions shall include reference to any statutory modifications or re enactment.

**15. Third Party**

- 15.1 A person who is not party to this agreement shall not be entitled to enforce any of its terms under The Contracts (Right of Third Parties) Act 1999.

**16. Delivery**

- 16.1 Any provisions of this agreement (other than those contained in this Clause 16) shall have no effect until this agreement has been dated.

IN WITNESS WHEREOF the parties hereto have unconditionally executed this agreement as a deed by affixing on the respective Common Seals on the day and year first above written

Executed as a deed by affixing the Common Seal of GOSPORT BOROUGH COUNCIL in the presence of

Borough Solicitor

Executed as a deed by affixing the Common Seal of EASTLEIGH BOROUGH COUNCIL in the presence of:

Borough Solicitor



## Schedule 1

**SCOPE OF GOSPORT AND EASTLEIGH INTERNAL AUDIT  
FUNCTIONS & SERVICE PROVISION (INCLUDING CONSULTANCY)**

	<b>Gosport</b>	<b>Eastleigh</b>
Responsibility for the maintenance of an efficient, effective and competitive internal audit function within budget and to set, monitor and review performance standards, targets and measures.	✓	✓
To formulate a 3-year audit strategy and annual audit plan in consultation with the chief financial officer, external audit and senior managers, taking account of risk.	✓	✓
To regularly report on progress against the plan, at least quarterly to the chief financial officers and periodically, as agreed, to the Financial Services Manager (Eastleigh), Management Teams and elected members.	✓	✓
To review and report on the Council's systems to ensure the : <ul style="list-style-type: none"> <li>• accomplishment of established objectives and goals for operations and programmes,</li> <li>• effective, economic and efficient use of resources,</li> <li>• safeguarding of assets,</li> <li>• reliability and integrity of information,</li> <li>• compliance with policies, plans, procedures, standing orders, financial and other regulations, codes of practice and legislation.</li> </ul>	✓	✓

**Schedule 1 (continued)**

	Gosport	Eastleigh
To develop internal audit practice and methodology taking account of all appropriate standards, codes of practice and guidance, and to keep pace with changes in approaches to audit recognised as good professional practice.	✓	✓
To contribute to the overall sound financial management of the authorities as a member of the Council's Finance Management Team.	✓	✓
To liaise with audit clients to ensure that actual working practices are understood, all potential risks are considered, and any internal or external constraints of the business/service are taken into account. To be aware of the impact of recommendations made on other systems and management throughout the organisations.	✓	✓
<p>To conduct fraud investigations, ensuring: -</p> <ul style="list-style-type: none"> <li>• evidence is properly gathered and presented to: <ul style="list-style-type: none"> <li>a) disciplinary hearings,</li> <li>b) review boards,</li> <li>c) the police and</li> <li>d) as evidence in court</li> </ul> </li> <li>• interviews of suspects and witnesses are carried out properly and under caution if appropriate and any necessary documentation and evidence is secured.</li> <li>• that the Section 151 officer and/or the Chief Executive are consulted before the involvement of the Police.</li> </ul>	✓	✓

**Schedule 1 (continued)**

	<b>Gosport</b>	<b>Eastleigh</b>
Review audit assignments undertaken by internal audit staff.	✓	✓
Regular liaison with the Council's external auditors, including undertaking joint projects, where appropriate.	✓	✓
To keep Council staff and Members up-to-date on developments in systems, fraud and other audit related issues through the publication on the Intranet and presentations.	✓	✓
To undertake special investigations for the Chief Executives, Directors and management, taking account of priorities within the audit plan.	✓	✓
To participate in the periodic reviews of financial regulations and standing orders and to seek to secure the development of codes of practice and procedure manuals.	✓	✓
To maintain good quality up-to-date audit assignment records and files.	✓	
Support and advise the Strategic Risk Management Group.		✓
Support and advise the Procurement Executive Group.		✓
Support and advise the Efficiency Group.		✓
Financial Services Management Team.		✓
Support and advise the Resources Sub Group.	✓	
Support and advise the Risk Management Group.	✓	
Support and advise the Management Teams.	✓	✓
Report to the Audit & Risk Management Committee.		✓
Report to the Standards & Governance Committee.	✓	
Attend the Hampshire Audit Alliance.	✓	✓
Attend the Hampshire ICT Audit Alliance.	✓	✓
Attend Hampshire Fraud Audit Alliance.	✓	✓
Attend Professional Seminars.	✓	✓
Support and advise the Performance Sub Group.	✓	
To report to other Boards & Committee's as required.	✓	✓

**Schedule 2****FINANCIAL PROVISIONS****1. Financial Records**

- 1.1 Full audit trail and detailed analysis of all financial transactions will be maintained by each relevant authority and available to either authority upon request. The full financial status of The Internal Audit Functions will be subject to audit as set out in the Memorandum of Understanding.
- 1.2. On a quarterly basis a detailed schedule of expenditure and invoice will be sent to Eastleigh Borough Council payment.

**2. Shared Expenditure**

- 2.1 Some elements of expenditure (training and specialist services) can be shared to assist in future efficiency savings from the partnership. These areas of joint expenditure will be reported to the Internal Audit Partnership Panel (IAPP).

**3. Estimates**

- 3.1. Draft estimates for The Internal Audit Functions compiled by the Head of Internal Audit and finance officers of both Councils are to be presented to the IAPP prior to approval by each Council.
- 3.2 It is the responsibility of the Head of Internal Audit to ensure that actual expenditure, including support service costs, keeps within the approved estimates, and that budgets are monitored. Any significant variations in either income or expenditure are reported to the IAPP. Changes to the Partnership scheme of Internal Audit charges will be presented to the IAPP for review prior to implementation.
- 3.3. The level of recharge for the next financial year will be compiled by the Head of Internal Audit and finance officers of both Councils and presented to the Panel for approval as part of the budget setting process.

## **EXPENDITURE**

### **4. Employees**

- 4.1 Employees will continue to be paid by their employer. This may be reviewed subject to any future change to the legal status of the Partnership.
- 4.2 The analysis of staff time will be maintained within the appropriate Authority's time recording system.
- 4.3 The distribution of costs in relation to material costs that have not been anticipated eg - severance payments will be agreed between the Councils if they arise.
- 4.4 All other employee related costs, including those under the subjective heading of Transport Costs, will be recharged to either Gosport Borough Council or Eastleigh Borough Council dependant on the staff member.

### **5. Supplies & Services**

- 5.1. All purchase orders relating to the Internal Audit Function should be raised through either of the Councils and separate inventories maintained.

### **6. Internal Recharges made to the Partnership**

- 6.1 Internal recharges to The Internal Audit Functions from both Councils are based on their respective recharge processes. The detailed analysis will be maintained by both Councils and the actual charges will be monitored. Any significant variations will need to be justified and approved by the Head of Internal Audit and the IAPP.



**Gosport Borough Council & Eastleigh Borough Council**

**Internal Audit Partnership April 2009 to March 2012**

# **Memorandum of Understanding**

## **March 2009**

Dated .....2009

## **1. MEMORANDUM OF UNDERSTANDING (MoU)**

- 1.1 This Memorandum of Understanding is made between Gosport Borough Council (GBC) and Eastleigh Borough Council (EBC) (together referred to as the "the Councils").
- 1.2 This MoU will not be governed by any specific legislation nor be legally binding, but will simply define what each party will contribute in terms of resources and expertise and operate on the basis that the arrangement provides benefit to both parties in terms of capability and improved efficiency and economy.

## **2. INTRODUCTION**

- 2.1 All Councils are actively engaged in a number of innovative methods of procurement to achieve a sustained service delivery as part of the efficiency agenda and ensure best value procurement. This aims to ensure that the Councils deliver efficient, effective and economic services in response to the Government's efficiency agenda and, wherever possible, this also involves collaborative arrangements with other public sector organisations.
- 2.2 These seek to develop longer-term strategic partnering arrangements which provide overall best value for money and continuous improvement to support high standards of service delivery.
- 2.3 This Internal Audit collaborative working ('partnership') initiative is the outcome of running a successful pilot throughout 2008/09. Previous to this discussions had been held between the Councils investigating opportunities to work on a more collaborative basis to support and sustain future in-house internal audit provision.
- 2.4 This Memorandum of Understanding sets the overall framework within which this three year partnership arrangement will operate.

## **3. EXECUTIVE SUMMARY**

- 3.1 This partnership arrangement will combine resources and expertise to assist in the achievement of the aims and objectives of the partners by providing an enhanced service provision for Internal Audit across the Councils.
- 3.2 The enhanced service provision will be achieved by an objective process of integrating the resources, technical expertise and working practices of each of the partners.
- 3.3 The arrangement will be subject to monitoring and scrutiny through a performance management and governance process.

- 3.4 This initiative is a demonstration of the partners' commitment to deliver high quality, affordable internal audit utilising existing internal resources.
- 3.5 It directly contributes to the Council's stated strategic priorities of:

**GBC**

People, Places, Prosperity and Pursuit of Excellence

**EBC**

A Green Borough, a Prosperous Place and a Healthy Community

**4. COMMENCEMENT AND TERM**

- 4.1 This arrangement will come into force on 1 April 2009 and shall continue to operate at the agreement of the two partners till the 31 March 2012.
- 4.2 A process of regular review (every six months) will inform the Councils as to the continued benefits, or otherwise of the arrangement. This group will be known as the Internal Audit Partnership Panel (IAPP). This will be made up of the chair and vice chair of the respective Audit Committees (Standards & Governance at GBC and the Audit and Risk Management Committee at EBC) as well as the respective Chief Financial Officers and the deputies. The matters arising from these reviews will be reported to the respective Audit Committees.

**5. STATEMENT OF OBJECTIVES**

- 5.1 This partnership will strive for improved services delivered across the Councils, in support of their stated aims and objectives. In particular, the partners will seek to:-
- Assist in delivering GBC's commitment to being an open and responsive organisation, regarded as excellent and at the centre of the community.
  - Assist in delivering EBC's commitment to improving the quality of life for all local people by community involvement, development and leadership.
  - Protect the reputation of the partners
  - Earn understanding and support for the organisations while, at the same time, influencing opinion and behaviour
  - Maintain a strong two-way flow of information across the authorities that supports and encourages team work, trust and loyalty
  - Continually seek out and exploit the opportunities presented internally and externally to benefit the Councils and the communities they serve.



- 5.2 In delivering the internal audit service, the Partnership will work on a collaborative basis to achieve the following key objectives:
- achieve greater stability in respect of service delivery;
  - provide additional capacity to assist in achieving the requirements of the approved annual Audit Plan; including coverage on corporate governance, fundamental systems, IT audit & contract audit work;
  - improve levels of expertise and flexibility to respond to ad hoc requests;
  - provide access to specialist skills and knowledge, including IT Audit skills
  - improve career development opportunities for staff;
  - offer greater training opportunities for staff;
  - provide access to the latest market developments.
- 5.3 The Partnership will strive to achieve its stated objectives by committing to the overarching principles outlined below:-
- Develop openness and trust
  - Encourage innovation and continuous improvement
  - Share openly successes and learn from initiatives that are less successful
  - Discourage adversarial behaviour
  - Develop a service that delivers a value for money solution
  - Implement the principles of sustainable development and equality in relation to the services delivered
  - Identify opportunities for reciprocal working that will add value to each of the key stakeholders
- 5.4 The partners welcome the opportunity that Best Value provides to develop public partnering initiatives and the partners aspire to achieve and maintain a leading position in the provision of efficient and effective public services through this arrangement.
- 5.5 The partners will seek to achieve continuous improvement in the cost and quality of service provision and thereby demonstrate Value for Money.

- 5.6 This arrangement provides for two-way delivery of services and for each of the partners to seek to add value to the others' operations and in pursuit of these objectives. An Officer and Member Panel (IAPP) will meet on a six monthly basis to monitor performance and seek continuous improvement.
- 5.7 This document provides the framework under which the parties will operate although it is recognised as the arrangement looks to evolve it may be subject to revision.

## **6. LINKS WITH NATIONAL AND LOCAL INITIATIVES**

- 6.1 The partners are committed to a process of regular assessment and implementation of emerging best practices to underpin the objectives of innovation and continuous improvements.
- 6.2 Where appropriate, we will seek and share best practice with other interested parties such as the Hampshire Audit Alliance (a group of all Hampshire Local Authorities), the sub groups of the Hampshire Alliance (ICT & Fraud) and other professional bodies such as the Chartered Institute of Public Finance (CIPFA) or the Institute of Internal Auditors (IIA). Additional support will also be available through other external inspectorates such as the Audit Commission and other professional bodies (public or private).

## **7. THE SERVICES TO BE DELIVERED**

- 7.1 The internal audit service quality will be monitored and measured in accordance with the agreed performance management systems and scrutiny at each Council. It will be subject to updating each respective business plan (EBC) and management plan (GBC).
- 7.2 Under this agreement, the partners will seek further opportunities to extend the scope and coverage of the services delivered where this is considered to be in the best interest of the partnership.

## **8. PERFORMANCE INDICATORS**

The partners will seek to demonstrate Best Value and continuous improvement by monitoring their performance against Key Performance Indicators (KPI's) as agreed. Other benchmarking data will be developed to measure costs as well as quality of service over the three year term with similar internal audit partnerships throughout the UK.

## **9. MONITORING**

- 9.1 The partnership will be accountable for demonstrating the achievement of service delivery and continuous improvement through a monitoring process. This will be achieved through:

- A performance management processes (e.g. KPI's & LPI's)
- Regular performance reports to key stakeholders
- The Council's respective Audit Committees
- Independent inspection by the External Auditor

## **10. CHARGING**

- 10.1 In general terms staffing resources that are available to the partnership will be assigned to undertake work that best match their attained knowledge and experience levels.
- 10.2 The partners will agree charging rates for work to be carried out. The partners will seek to continuously improve on these rates through innovation, new technologies and new ways of working.

## **11. CONFIDENTIAL INFORMATION**

- 11.1 Whilst the partners are committed to sharing the outcomes of these initiatives through public sector and industry networks, it is recognised that, to be effective, some of the information will be of a commercially sensitive nature. Such information will not be released to third parties without the agreement of the partners.
- 11.2 The Partnership recognises the requirement for the partners to provide relevant documentation in accordance with legislative requirements (i.e. Freedom of Information Act).

## **12. TERMS**

- 12.1 There is a commitment from all parties to work within the spirit of a long-term collaborative arrangement, subject to satisfactory levels of performance and/or any relevant changes in legislation.
- 12.2 Extension or cancellation of the agreement will be discussed and formally communicated in writing.

### **GBC**

Signed ..... for and behalf of GBC

### **EBC**

Signed ..... for and behalf of EBC

## Agenda item no. 9

<b>Board/Committee:</b>	Standards and Governance Committee
<b>Date of meeting:</b>	19 March 2009
<b>Title:</b>	Local Assessment Monitoring Report
<b>Author:</b>	Borough Solicitor and Monitoring Officer
<b>Status:</b>	FOR INFORMATION

### **Purpose**

To advise the Committee on the operation of the arrangements for Local Assessment.

### **Recommendation**

That the Standards and Governance Committee notes the report.

#### **1. Background**

- 1.1 The Standards and Governance Committee became responsible for local assessment of complaints regarding allegations of breaches of the code of conduct in May 2008.
- 1.2 At its meeting in October 2008 the Committee agreed that it would like six monthly monitoring reports on how the arrangements were operating.

#### **2. Report**

- 2.1 Since May 2008 I have received 21 complaints alleging breaches of the Code of Conduct. Eight of these complaints have been made by members of the public with the remainder being made by Councillors. In addition the Standards Board for England are investigating another allegation which arose during the course of their investigation into another complaint.
- 2.2 With regard to these 21 complaints the Assessment Sub- Committee decided that no further action should be taken in relation to 8 complaints, 11 were referred to the Standards Board for England and 2 are awaiting a Sub- committee hearing.
- 2.3 Of the 11 complaints referred to the Standards Board for England in 1 case they decided not to take any further action, in another case they have declined to accept jurisdiction and returned the complaint to the Committee and a further Assessment Sub- Committee meeting will now need to consider the complaint. In the remaining 9 cases they have concluded their investigation in 1 case and found that the code of conduct had been breached but no action was required. However in that case they did ask that their report be referred to the Standards and Governance Committee. A separate report is included on the agenda for this meeting. They are still concluding their investigation in the remaining cases.

- 2.4 The 21 complaints received refer to the alleged conduct of 8 Councillors. The alleged breaches range from not declaring interests, not treating others with respect and using their position for personal gain.
- 2.5 Details of complaints and investigations are kept confidential but copies of the decisions of the Assessment Sub-Committee are open to public inspection. In addition, the Members sitting on the relevant Sub-Committee are now being separately informed of the decision of the Standards Board following a referral to them.
- 2.6 The Committee has adopted criteria for assessing complaints and training on local assessment, investigations and hearing is being provided to the Committee on 31 March 2009. Training on the Code of Conduct and an overview of the local assessment regime is being provided to the Committee and all members of the Council on 25 March 2009.

### **3. Risk assessment**

- 3.1 It is important that the Council has in place appropriate systems to deliver high standards of governance which minimises the risk of loss of tangible resources and reputation to the Council. Regular monitoring reports is part of this system

### **4. Conclusion**

- 4.1 This is the first monitoring report and at present I have not identified any particular areas of concern with members understanding of the code of conduct or local assessment. Further training on the code of conduct has been offered to all members and the Committee is to receive specific training on investigations and hearings later this month. Feedback from these sessions will be extremely useful in helping to identify what additional work/resources need to be made available to members and the Committee.

<b>Financial Services comments:</b>	
<b>Legal Services comments:</b>	Included in report
<b>Service Improvement Plan implications:</b>	
<b>Corporate Plan:</b>	
<b>Risk Assessment:</b>	<i>Refer to paragraph no. 3</i>
<b>Background papers:</b>	Decisions of Assessment Sub-Committee
<b>Appendices/Enclosures</b>	None
<b>Report Author</b>	Linda Edwards

**AGENDA ITEM NO. 10****STANDARDS AND GOVERNANCE COMMITTEE WORKPLAN**

<b>Work Area</b>	<b>Report To Committee</b>	<b>Lead Officer</b>
Training- Investigations of Complaints	Training sessions on 25 and 31 March 2009	LE
Local Assessment Monitoring Report	19 Mar 09	LE
Internal Audit - 9 month position statement	19 Mar 09	CD
Draft Annual Audit Plan 2009/10	19 Mar 09	CD
2009/12 Partnership Arrangement with Eastleigh Borough Council	19 Mar 09	CD
Head of Internal Audit Annual Report 2008/09	23 Apr 09	CD
Draft Annual Governance Statement 2008/09	23 Apr 09	CD
Fraud & Corruption update & whistleblowing policy	23 Apr 09	LE & CD
Risk Management strategy update	23 Apr 09	JB & CD
Member/Officer Protocol	July 2009	LE
Contract Standing Orders	July 2009	PW/CD
Local Assessment Monitoring Report	Sept. 2009	LE
New Member Induction	Oct. 2009	LE

Date of Next Meeting  
23 April