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**15 April 2009**

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

**MEETING:** Standards and Governance Committee  
**DATE:** 23 April 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 19 March 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, 21 April 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, 21 April 2009).*

6. HEAD OF INTERNAL AUDIT ANNUAL REPORT 2008/09

Part II

*Report to follow.*

Contact Officer:  
Chris Davis  
Ext 5306

7. DRAFT ANNUAL GOVERNANCE STATEMENT 2008/09

Part II

*Report to follow.*

Contact Officer:  
Chris Davis  
Ext 5306

8. PRESENTATION BY MAZARS ON ANNUAL AUDIT AND INSPECTION LETTER

Part II

*This report provides an overall summary of the Audit Commission's assessment of the Council. It draws on the most recent Comprehensive Performance Assessment (CPA) and the findings and conclusions from*

Contact Officer:  
Peter Wilson  
Ext 5301

Standards and Governance Committee  
23 April 2009

*the audit of the Council for 2007/08.*

9. STANDARDS AND GOVERNANCE COMMITTEE WORKPLAN

Part II

*Workplan attached.*

Contact Officer:  
Linda Edwards  
Ext 5400

10. ANY OTHER ITEMS

*-which by reason of special circumstances the Chairman considers should be considered as a matter of urgency*

11. EXCLUSION OF PUBLIC

To consider the following motion:

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	
12.	STANDARDS BOARD FOR ENGLAND REPORTS	Paragraph 1 <b>Reason:</b> THE INFORMATION IN THE STANDARDS BOARD REPORTS 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.	PART II  Contact Officer: Linda Edwards Ext 5400

## AGENDA ITEM NO. 6

<b>Committee:</b>	<b>Standards &amp; Governance Committee</b>
<b>Date of Meeting:</b>	<b>23 April 2009</b>
<b>Title:</b>	<b>Internal Audit Annual Report 2008/09</b>
<b>Author:</b>	<b>Head of Internal Audit &amp; Risk Assurance</b>
<b>Status:</b>	<b>FOR DECISION</b>

### **Purpose**

In accordance with the national Code of Practice on Internal Audit, the Head of Internal Audit is required to present an annual report to the appropriate body that has responsibility for the Internal Audit function

### **Recommendation**

That the Committee notes the contents of this report and makes any observations and/or recommendations to the Council on any issue that the Committee feels should be drawn to their attention.

#### **1 Background**

- 1.1 As part of signing off the Annual Governance Statement (part of the Council's Annual Statement of Accounts) the Leader of the Council and the Chief Executive will place reliance upon this annual assurance report from the Head of Internal Audit & Risk Assurance. Any comments that the Committee may wish to add along side the report will also be considered.

#### **2 Report**

- 2.1 See attached report within Appendix 1.

#### **3 Risk Assessment**

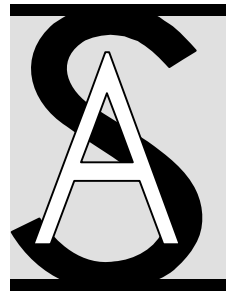
- 3.1 The report has a minimal direct impact on the overall risk of the Council. The work performed and the professional advice given by Internal Audit provides management with a high degree of assurance as stated within the attached report.

#### **4 Conclusion**

- 4.1 The overall opinion provided by internal audit, from the work undertaken in 2008/09 is laid out in the annual report attached as Appendix 1.

<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:</b>	1. Internal Audit Annual Report 2008/09
<b>Report author/ Lead Officer:</b>	Chris Davis 023 9254 5306

**Audit  
Services**



# **Gosport Borough Council**

Standards & Governance Committee

## **Internal Audit Annual Report Year ending 31 March 2009**

Head of Internal Audit: Chris Davis

Presented at the Standards & Governance Committee of: 23 April 2009

## **Contents:**

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## **Appendices:-**

A. Summary of recommendations made 2008/09.



## **1 Introduction**

### **1.1 The Role of Internal Audit**

The role of internal audit is to provide management with an objective assessment of the adequacy and effectiveness of internal control, risk management and governance arrangements. Internal Audit is therefore a key part of Gosport Borough Council's internal control system and integral to the framework of assurance that The Committee can place reliance on to assess its internal control system.

### **1.2 Definition of Internal Audit**

The definition of internal audit, as described in CIPFA's Code of Practice for Internal Audit in Local Government in the United Kingdom, is set out below:

- Internal Audit is an assurance function that primarily provides an independent and objective opinion to the organisation on the control environment comprising risk management, control and governance by evaluating its effectiveness in achieving the organisation's objectives.
- Whilst Internal Audit "primarily" provides an independent and objective opinion to the organisation on the control environment, it may also undertake other, non-assurance work at the request of the organisation subject to the availability of skills and resources. This can include consultancy work; indeed, Internal Audit intrinsically delivers consultancy services when making recommendations for improvement arising from assurance work, and fraud related matters.

### **1.3 Annual Governance Statement**

Authorities are required to publish an annual governance statement in line with the CIPFA/SOLACE Good Governance Framework to meet the statutory requirement. The statement brings a number of benefits to local authorities, including:

- increased awareness of internal controls and control weaknesses, and risk management among Section 151 Officers, Councillors and senior management;
- greater awareness of the importance of risk identification and monitoring amongst staff at all levels;
- better appreciation of the benefits of a strong internal audit function;
- greater awareness of the wider assurance sources that operate within the organisation and the importance of the role that they fulfil; and
- increased and encouraged audit committee activity.

The assignment opinions that internal audit provides the organisation during the year are part of the framework of assurances that assist the P&O Board and authority to prepare their statement of corporate governance.

Our work for 2008/09 is summarised in this report, and highlighted at paragraph 2.6 any specific issues that we are aware of and should be reflected in the 2008/09 Annual Governance Statement.

## 2.0 The Statement of Assurance

### 2.1 Context

As the Head of Internal Audit I am required to provide the Committee with assurance on the system of internal control. In giving the opinion it should be noted that assurance cannot be absolute. The most that the internal audit service can provide to the Committee is a reasonable assurance, based on their work for the year, that there are no major weaknesses in risk management, governance and control processes.

The matters raised in this report are only those that came to our attention during our internal audit work, for the 2008/09 year, and are not necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required.

### 2.2 Limitations in our scope

No significant limitations of scope were encountered during 2008/09.

### 2.3 Internal Audit Opinion

***We are satisfied that sufficient internal audit work has been undertaken to allow us to draw a reasonable conclusion as to the adequacy and effectiveness of Gosport Borough Council's risk management, control and governance processes. In our opinion, based upon the work undertaken, for the 12 months ended 31 March 2009 Gosport Borough Council has adequate and effective risk management control and governance processes to manage the achievement of the organisation's objectives.***

### 2.4 Scope of the Internal Audit Opinion

In arriving at our opinion, we have taken into account:

- The results of all internal audits undertaken during the year ended 31 March 2009 (see Appendix A for details of the opinions given during the year);
- Whether or not any critical or essential recommendations have not been accepted by management and the consequent risks;
- The results of follow-up action taken in respect of audits from previous years;
- The affects of any material changes in the organisation's objectives or activities;
- Matters arising from previous reports to the Committee and/or Authority

## 2.5 The Basis of the Opinion

In reaching this opinion the following factors were taken into particular consideration:

### **Risk Management**

Gosport Borough Council is in the process of updating their risk management arrangements. The Financial Services Manager is currently completing an updated Risk Management Strategy (this will be brought to this Committee - July 2009) and the corporate Risk Management Group is being reformed to drive the implementation of Risk Management within the Council as a whole. The organisation needs to define its risk appetite, identify its training needs and begin to roll out the new risk software package to all senior managers and line managers to ensure consistency across the organisation. We have provided a limited assurance rating in this area in 2008/09.

### **Governance**

The Council is committed to the principles of good governance, which is already demonstrated through many aspects of good practice in relevant areas.

### **Internal Control**

Our work has shown that internal controls across the organisation are generally satisfactory. We have made no critical recommendations this year and the trend of the recommendations, spread across the four categories, is moving downwards.

### **Acceptance of Recommendations**

All of the essential recommendations made during the year were accepted by management. Through the process of consultation as well as quality assurance all other lower category recommendations (important and advisory) were also accepted.

## **2.6 The Statement on Internal Control**

The overall opinion may be used in the preparation of the Annual Governance Statement. The organisation may wish to include comment about the lack of progress made around risk management in this statement.

## **3.0 Performance of Internal Audit**

### **3.1 Meeting Internal Audit Needs**

I am satisfied that by delivering our agreed plan the internal audit needs of the organisation have been met.

### **3.2 Conflict of Interest**

We have not undertaken any work or activity during 2008/09 that would lead us to declare any conflicts of interest. This area is taken extremely serious and rotation of work is undertaken annually.

### **3.3 Compliance with the CIPFA Code of Practice for Internal Audit**

We employ a risk based approach to determining the audit needs of the organisation at the start of the year and use a risk based methodology in planning and conducting our audit reviews. Our work has been performed in compliance with the CIPFA Code of practice for internal Audit in Local Government in the United Kingdom.

### **3.4 Internal Quality Assurance Programmes**

In order to ensure the quality of the work the section performs, we have a programme of quality measures which includes:

- Supervision, where necessary, of staff conducting audit work;
- Review of all files, working papers and reports by the Head of Internal Audit or his deputy;
- Appraisal of all audit staff and the development of personal development and training plans (part of the Chief Executive's learning & Development Plan);
- Regular team meetings, an annual away day (to discuss process, delivery, efficiency, client needs and outcomes) and fortnightly progress updates with the audit team against the agreed audit plan;
- Performance management (annual service improvement plan and key local performance indicators)
- The maintenance of the Internal Audit Manual.

Auditable areas	Number of recommendations made					
	Critical	Essential	Important	Advisory	Total	Agreed
Right to Buy	0	5	0	0	5	5
Cash Collection	0	1	1	1	3	5
Corporate Business Continuity	0	16	14	0	30	30
Data Protection	0	0	3	0	3	1
IT maintenance	0	0	1	1	2	2
IT support	0	0	5	5	10	10
Telephone Logger	0	0	8	0	8	7
Community Safety	0	0	0	0	0	0
Plantime	0	0	6	4	10	10
Mobile Home Park	0	0	5	1	6	5
Health & Safety	0	0	7	0	7	7
Booking System (Leisure)	0	1	1	0	2	1
Car Parking	0	2	6	1	9	9
Disabled Facilities Grants	0	0	1	0	1	1
Service Charges	0	0	1	0	1	1
Loans/Grants to Voluntary Organisations	0	2	3	0	5	5
VAT	0	0	0	0	0	0
HB Fraud	0	0	0	0	0	0
IT Disaster Recovery	0	0	2	0	2	2
Freedom of Information	0	0	2	1	3	3
IT Control Environment	0	1	0	0	1	Not finalised
Economic Prosperity	0	0	1	0	1	1

Auditable areas	Number of recommendations made					
	Critical	Essential	Important	Advisory	Total	Agreed
Pollution	0	0	10	0	10	10
Sheltered Accommodation (Disturbance Allowances)	0	0	0	1	1	1
Temporary Accommodation	0	3	11	1	15	Not finalised
Budgetary Control & Capital Expenditure	0	0	6	0	6	6
Accounting & Bank Reconciliation	0	0	5	0	5	5
Accounts Payable	0	0	3	0	3	3
Debtors	0	0	16	0	16	16
Financial Management System	0	0	0	0	0	0
Treasury Management	0	2	3	4	9	Not finalised
Council Tax	0	0	3	0	3	3
Housing Benefits Overpayment Recovery	0	0	2	0	2	2
Housing Benefits	0	0	0	0	0	0
NNDR	0	0	11	0	11	11
Public Conveniences & OCS	0	1	2	0	3	Not finalised
Refuse Services & Waste Recycling	0	0	0	0	0	0
HRA Business Plan	0	0	1	0	1	1
Fixed Assets	0	3	8	4	15	Not finalised
Payroll	0	3	2	0	5	5
Emergency Planning	0	1	0	0	1	1

Auditable areas	Number of recommendations made					
	Critical	Essential	Important	Advisory	Total	Agreed
Utilities & Mobile Phones	0	0	6	0	6	6
Rent Collection & Recovery	0	0	4	0	4	4
Void Arrangements	0	0	2	0	2	Not finalised

## Definition of Recommendations

Degree of risk	Explanation	Examples
<b>Critical</b>	Business or Service failure, a weakness which presents immediate critical risk to the organisation and requires <b>urgent attention</b> by management.	A breach of the law or internal regulatory framework which could lead to legal proceedings being brought against the organisation with consequent financial loss and/or adverse publicity. The lack of a key system control or adherence to a key system control which makes the organisation vulnerable on a large scale (eg fraud, computer viruses).
<b>Essential</b>	There is a risk of material* inaccuracy/loss and management attention is required to remedy the situation <b>within a month</b> .	A key control is missing, not working or not being adhered to.
<b>Important</b>	There is inaccuracy/loss and management attention is required to remedy the situation <b>within three months</b> .	A key control is missing, not working or not being adhered to.
<b>Advisory</b>	There is a weakness or an opportunity for improvement which does not expose the establishment/system to any essential risk but management should consider taking action to improve system.	Enhancing the control framework, providing evidence if existing controls, providing opportunities to improve the efficiency of the system.

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\* 1% of Gross budget



## AGENDA ITEM NO. 7

<b>Committee:</b>	<b>Standards &amp; Governance Committee</b>
<b>Date of Meeting:</b>	<b>23 April 2009</b>
<b>Title:</b>	<b>Draft Annual Governance Statement 2008/09</b>
<b>Author:</b>	<b>Head of Internal Audit &amp; Risk Assurance</b>
<b>Status:</b>	<b>FOR INFORMATION</b>

### **Purpose**

To bring to the attention of the Committee the current draft Annual Governance Statement (AGS) that will be presented to June Policy & Organisation Board in conjunction with the Council's Annual Accounts for 2008/09.

### **Recommendation**

To agree the current draft AGS and for any amendments to be incorporated into the final version that Members of this Committee will be sent for information prior to the Board meeting in June 2009.

#### **1 Background**

- 1.1 Information to support the statement is still being collated. Senior Managers are providing evidence to support this statement. The deadline for this information is the 24<sup>th</sup> April and the final amendments to the statement will then be made.

#### **2 Report**

- 2.1 See attached Appendix A: Draft Annual Governance Statement 2008/09

#### **3 Risk Assessment**

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

#### **4 Conclusion**

- 4.1 The latest version of the AGS will be circulated to all Members of this Committee for final comment on or before the 15<sup>th</sup> May 2009.

<b>Financial Services comments:</b>	Nil
<b>Legal Services comments:</b>	Nil.
<b>Service Improvement Plan implications:</b>	The statement supports the statutory accounts of the Council and is the means to communicate to all stakeholders its overall governance arrangements fro 2008/09.
<b>Corporate Plan:</b>	Supports the pursuit of excellence and the overall priorities of the Council.
<b>Risk Assessment:</b>	See Section 3
<b>Background papers:</b>	Nil
<b>Appendices:</b>	1. Draft Annual Governance Statement 2008/09
<b>Report author/ Lead Officer:</b>	Chris Davis 023 9254 5306

**GOSPORT BOROUGH COUNCIL**

**DRAFT ANNUAL GOVERNANCE STATEMENT 2008/09**

**Scope of responsibility**

Gosport Borough Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and is used economically, efficiently and effectively. Gosport Borough Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, Gosport Borough council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk.

Gosport Borough Council has completed the Corporate Governance Compliance Checklist which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government.

This statement explains how Gosport Borough Council has complied with the code and also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 in relation to the publication of a statement on internal control.

**The purpose of the governance framework**

The governance framework comprises the systems and processes, and culture and values, by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Gosport Borough Council's policies, aims and objectives to evaluate the likelihood of those risks being realised

and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at Gosport Borough Council for the date of approval of the 2008/09 Statement of Accounts.

### **The governance framework**

Our governance framework derives from six core principles identified in a 2004 publication entitled The Good Governance Standard for Public Services. This was produced by the Independent Commission on Good Governance in Public Services - a commission set up by the Chartered Institute of Public Finance and Accountancy (CIPFA), and the Office of Public Management. The Commission utilised work done by, amongst others, Cadbury (1992), Nolan (1995) and CIPFA/SOLACE (2001). These principles were adapted for application to local authorities and published by CIPFA in 2007. The six core principles are:

1. Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area;
2. Members and officers working together to achieve a common purpose with clearly defined functions and roles;
3. Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour;
4. Taking informed and transparent decisions which are subject to effective scrutiny and managing risk;
5. Developing the capacity and capability of members and officers to be effective; and
6. Engaging with local people and other stakeholders to ensure robust public accountability.

The key elements of each of these core principles are as follows:

#### **Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area.**

The Sustainable Community Strategy sets out Gosport's 2026 Vision which has been developed in parallel with the Local Development Framework (which sets out future land use in the Borough).

The first stage in developing the Vision involved extensive data collection on a range of quality of life issues which provided a statistical picture of the Borough. This is the data baseline. The second stage involved a large-scale community consultation, 'Make your Mark', which allowed residents,

businesses and visitors to comment and prioritise the key issues. Over 1200 people took part in this highly successful participation event and the results were used to inform the Vision.

In addition to this key service providers were consulted and other consultation findings and local and regional plans and strategies were assessed. Drawing on the information obtained from the research and consultations Gosport's 2026 Vision was produced.

The Sustainable Community Strategy will be refreshed annually and fully reviewed every three to five years.

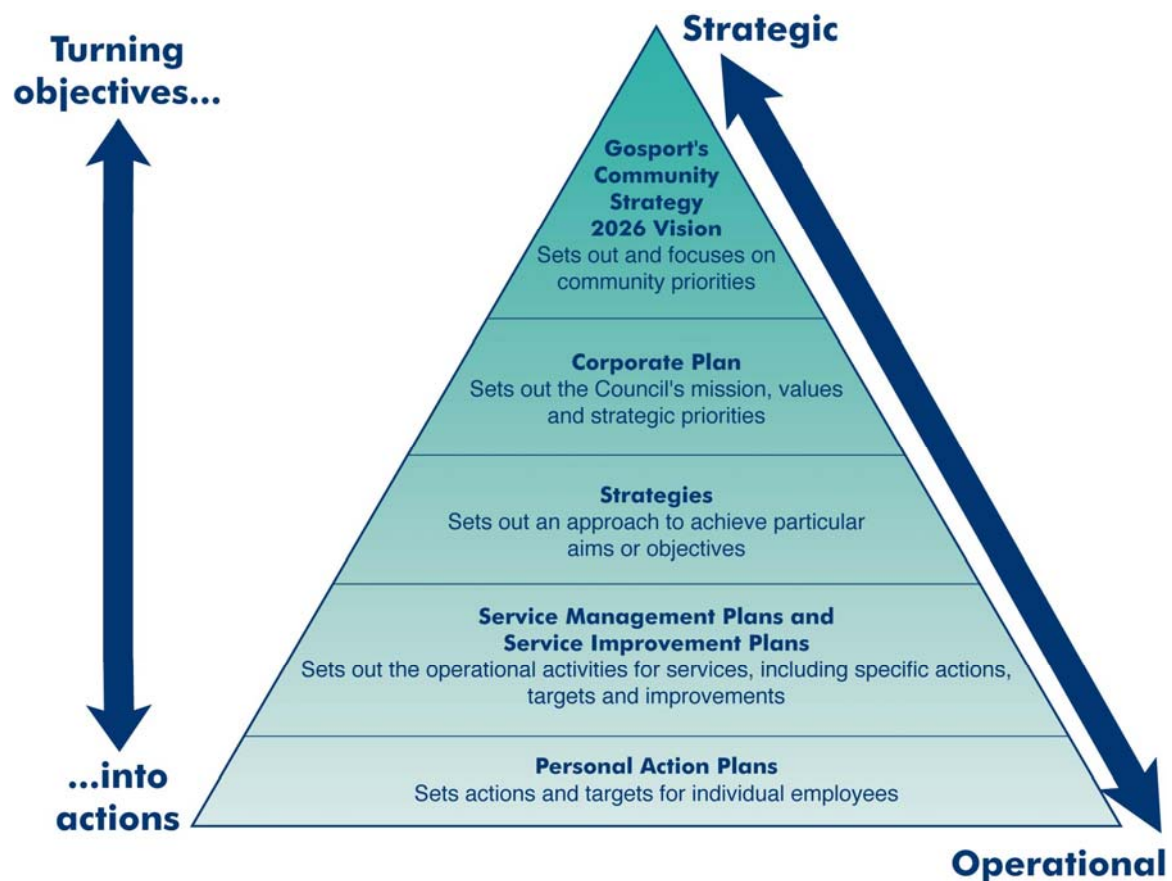
The Council's Corporate Plan sets out Gosport Borough Council's Mission and Values which will help us provide quality service delivery. The Corporate Plan also identifies the Council's strategic priorities (People, Places, Prosperity and Pursuit of Excellence), which are based on a combination of factors including what matters most to local people, national priorities set by the Government and the challenges from Gosport's changing social, economic and environmental context.

Much work has been completed around Climate Change and carbon reduction throughout the business and the signing of the Nottingham Declaration. This has culminated in a Climate Change Strategy being introduced.

The Council's mission is:

***“To work with our community to improve everyone’s quality of life and deliver a sustainable future for the Borough.”***

The diagram below sets out the various links in the process of establishing and monitoring the achievements of the Council's ambitions, and shows the links between the Community and Corporate Plan which then feed into, and are informed by, strategies, service management and service improvement plans and individual personal action plans:



The Council has a well established Performance Management Framework and will be further enhanced with the imminent roll out of new software to maintain this key information.

The Overview & Scrutiny Committee and Performance Sub Group monitor and scrutinise progress against targets and performance in priority areas effecting relevant service areas, and consider corrective action where necessary, on a quarterly basis.

The Council maintains an objective and professional relationship with external auditors and statutory inspectors, as evidenced by the Annual Audit Letter.

Through reviews by external auditors, external agencies, Internal Audit, and internal review teams (service efficiency reviews), the Council constantly seeks ways of ensuring the economical, effective and efficient use of resources, and for securing continuous improvement in the way in which it functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

The Council's Corporate Procurement Strategy, approved in August 2005, provides a consistent strategic framework within which to undertake and continuously develop procurement to deliver the Council's corporate objectives, to improve performance and deliver efficiencies. The Strategy encompasses the policy objectives of the National Procurement Strategy and

adapts and prioritises them to meet the Council's local context. The Strategy recognises that the Council cannot achieve its objectives alone and emphasises the need to work in collaboration with public, private, social enterprise and voluntary sector partners. A core theme throughout the Strategy is the Council's commitment to social, economic and environmental sustainability. This strategy is planned to be updated in 2008/09.

The Council reviewed its Financial Regulations in 2006. These Regulations are planned to be updated in 2009/10.

Risk Management is monitored by the Corporate Risk Management Group, which meets approximately every six weeks. The Group reviews risk arrangements and advises Management Team on risk issues within the Council and on existing and planned risk controls.

Risks are reported by use of risk registers. Each section is required to update its own register. These registers will be further enhanced with the roll out of the "risk module" as part of the new performance management software.

A Risk Management Guide will be published shortly. Also, an updated risk management policy will be published as soon as it has been approved by the Standards & Governance Committee.

**Members and Officers working together to achieve a common purpose with clearly defined functions and roles**

The Constitution sets out how the Borough Council operates, how decisions are made and the procedures that are followed to ensure that these are efficient, transparent and accountable to local people. The introduction of the Local Government Act 2000 made it the duty of every Council to review their political management structures. As part of the review Councils were required to consider the type of structure to be adopted and were given a choice of four models from which to choose. Councils with a population of less than 85,000 were offered the opportunity to adopt 'alternative arrangements' or what is sometimes referred to as the 'fourth option', and this is the option that was approved by Gosport Borough Council in 2000.

The option to employ 'alternative arrangements' allows the Council to retain a Committee structure for making decisions but together with a system that allows other Councillors to scrutinise decisions that have been made. Members of the Policy and Organisation Board are disqualified from membership of the twelve strong Overview and Scrutiny Committee. There are six meetings of the Overview and Scrutiny Committee each year.

Executive decisions are made by Boards and Sub-Boards of the Council with the following having the responsibility for the majority of decision making:

- Council
- Policy and Organisation Board
- Community and Environment Board
- Housing Board
- Regulatory Board
- Licensing Board

As the Regulatory Board deals only with planning applications and the Licensing Board with Licensing matters the law does not allow their work to be scrutinised by other Councillors. This is because the decisions made by these Boards are already subject to an appeal process, either through an independent inspector or the courts.

In addition to the Boards, there is also a Standards and Governance Committee in place to promote and maintain the highest standards of conduct by members and officers of the Council. The Committee comprises six Councillors and two Independent Members. Additionally, from May 2008 the Standards and Governance Committee is required to deal with complaints made about the conduct of Councillors as the majority of these cases will, from that point, be determined locally.

Officers give advice, implement decisions and manage the day-to-day delivery of its services. Some officers have specific duties to ensure that the Council acts within the law and uses its resources wisely. A code of practice governs the relationship between officers and members of the Council. In certain circumstances, senior and other officers of the Council can make decisions under delegated authority, as detailed in the Borough's constitution.



The Council Management Team (CMT) meet weekly to develop policy and strategic issues commensurate with the Council's aims, objectives and priorities. CMT also considers other internal control issues, including risk management, performance management, compliances, efficiency and financial management. Three CMT sub-groups, Performance, Organisation and Resources, are in place to consider specific areas of work. The Leader and Deputy Leader of the Council hold twice-weekly meetings with the Chief Executive Officer to review progress in achieving the Council's objectives, priorities for action, performance management and forward planning for major issues.

Pre-Agenda meetings are held for the three operational Boards, Policy and Organisation, Housing and Community and Environment two weeks before the meeting of the Board. The Chairman of the Board will be present at Pre-Agenda meetings along with relevant officers of the Council. At the Pre-Agenda meeting the Chairman will consider a list of items that it has been proposed to take forward to the Board meeting and will make a decision on whether each item in his opinion should be placed on the final Agenda, decided under the delegated powers approved by Council or referred to the Overview and Scrutiny Committee. Following such Pre-Agenda meetings all Members of the Council are furnished with a Key Decision List of items allowing four working days from publication to call in an item for scrutiny. Informal briefings are also held for the Chairmen of the Regulatory Board and Licensing Board shortly before the Board meeting.

Information that would be of benefit to other members of the Council staff is disseminated through regular meetings between Line Managers and the relevant Unit manager, and then through to the rest of the unit via monthly section meetings.

The Council has also adopted a number of codes and protocols that will govern both member and officer activities. These include:

- Code of Conduct for Members of Gosport Borough Council
- Code of Conduct for the Guidance of Employees
- Code of Conduct for Councillors in the Regulatory Process
- Protocol for Councillor/Officer Relationships
- Anti-Fraud and Corruption Policy
- Whistle Blowing Policy
- Protocol on Principles of Scrutiny

**Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour**

It is the shared responsibility of the Chief Officers, primarily the Monitoring Officer (the Borough Solicitor) and Chief Executive Officer, and the Personnel section to ensure compliance with established policies, procedures, laws and regulations. Issues of conduct and governance must often be considered by the Standards and Governance Committee, in which case a report and recommendations are prepared by the Monitoring Officer. All posts within the authority have a detailed job specification and training needs are identified on

an on-going basis and also through the six-monthly Appraisal and Personal Development Scheme.

The Council has achieved re-accreditation under the Investors in People Standard, which is a quality framework to ensure that the Council's employees have the right knowledge, skills and motivation to work effectively.

The Environmental Health Unit has achieved accreditation under the Charter Mark standards, which is the Government's national standard for excellence in customer service.

The financial management of the Authority is conducted in accordance with the financial rules set out in the Constitution and underpinned with Financial Regulations. The Council has designated the Deputy Chief Executive and Borough Treasurer as Chief Finance Officer in accordance with Section 151 of the Local Government Act 1972.

The Council operates an Internal Audit section, which operates to the standards set out in the 'Code of Practice for Internal Audit in Local Government in the UK'. However, this section now operates under a partnership arrangement with Eastleigh Borough Council.

Service Improvement Plans and Service Management Plans are regularly updated by Unit and Line Managers and are a standing item on monthly team meetings. These plans incorporate Corporate Plan requirements into service activities, so that services know what they are required to do to achieve the Council's priorities and ambitions.

**Taking informed and transparent decisions which are subject to effective scrutiny and managing risk**

As the Council chose to adopt 'alternative arrangements' following publication of the Local Government Act 2000, a Board/Committee structure is in place and each party is represented proportionally on each Board and Committee according to the number of seats held. Consequently the Council enjoys a high level of transparency when it comes to decision making and any Member of the Council is afforded the right to sit on the main Boards if they are nominated for such a position at the commencement of the Municipal Year.

The Overview and Scrutiny Committee will accept and investigate formal requests for scrutiny and receive selected policies and strategies for review throughout the year.

The Standards and Governance Committee promotes, monitors and enforces probity and high ethical standards amongst the Members, as well as providing a vessel for Audit and Risk issues to be considered.

### **Developing the capacity and capability of members and officers to be effective**

A designated Members' Portal covering a wide range of useful materials and guidance information is available for Members and staff to view on the intranet system. This resource enables the Council to better provide for Members the opportunity to locate important stored information and data. Within the Portal is the Members' Information Pack which provides Members with detailed corporate, strategic and financial information as well as relevant policies and other useful information such as floor plans and complaints guidance.

New Members are provided with an induction training programme to prepare them for their new role, commencing with an induction evening hosted by the Chief Executive, Borough Solicitor and Borough Treasurer that covers topics such as the role of the councillor, finance, standards, code of conduct and major projects. A rolling programme of topical briefings such as those on economic prosperity, crime reduction, local government finance and making decisions on planning and licensing issues are held throughout the year to correlate with the Board cycle.

There is a wide range of further training opportunities available to Members to increase their knowledge base from skills development (e.g. chairing skills, dealing with challenging people and media and image) to need-to-know subjects (e.g. Code of Conduct, planning issues and scrutiny) detailed in the ' Training Opportunities for Members' booklet within the Members Information Pack.

### **Review of effectiveness**

Gosport Borough Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the senior managers within the authority who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

The process that has been applied in maintaining and reviewing the effectiveness of the governance framework includes:

1. The Borough Solicitor (the "Monitoring Officer") has a duty to monitor and review the operation of the Constitution to ensure its aims and principles are given full effect. The Council reviews the Constitution regularly to incorporate any necessary changes.
2. The Council has an Overview and Scrutiny Committee. They can establish sub-groups, which can look at particular issues in depth, taking evidence from internal and external sources, before making recommendations to the Board/Council.

3. Internal Audit is responsible for monitoring the quality and effectiveness of systems of internal control. A risk model is used to formulate a three-year plan, and from which the annual workload is identified. The reporting process for Internal Audit requires a report of each audit to be submitted to the relevant service manager. The report includes recommendations for improvements that are included within an action plan (and regarded as critical, essential, important & advisory) and requires agreement or rejection by service managers. The process includes follow-up reviews of recommendations to ensure that they are acted upon, usually within six months.
4. Submission of Annual Assurance Statements from all Service Unit Managers in support of this Statement.

The Standards & Governance Committee also received Internal Audit monitoring reports on a quarterly basis throughout 2008/09.

Internal Audit reviews and computer-based assignments had been undertaken in accordance with the risk index previously agreed with Members and the Council's external auditors.

### **Significant governance issues**

The following governance issues were identified during 2008/09 as a result of the review of arrangements and by the work of external and internal audit.

NO	ISSUE	ACTION/PROGRESS TO DATE
1	Closely monitor the repairs contract budget	Increased information and systems in place to ensure contract is financially controlled.
2	Homelessness debt management	Working group established to streamline the process and reduce the level of arrears.
3	Accounting reconciliations require evidence of review	Evidence to be retained on file (COMPLETED)
4	Review the current procurement strategy and contract standing orders	Will be updated in 2009/10
5	Improve the risk management arrangements throughout the council	Ensure adequate resource is provided to support this key business process.

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed .....

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**Leader of the Council**

**Chief Executive**

# Annual Audit and Inspection Letter

Gosport Borough Council

Audit 2007/08

March 2009

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## Status of our reports

The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission explains the respective responsibilities of auditors and of the audited body. Reports prepared by appointed auditors are addressed to non-executive directors/members or officers. They are prepared for the sole use of the audited body. Auditors accept no responsibility to:

- any director/member or officer in their individual capacity; or
  - any third party.
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# Key messages

- 1 Gosport Borough Council continues to make good progress in meeting its priorities, although setbacks in major projects and corporate governance issues have still to be resolved.
- 2 The Council has improved delivery of its priority themes of people, places and prosperity in the past year. Performance indicators show the Council as improving well in many areas and at a faster rate than many other councils. It can demonstrate good progress in community safety, housing and environmental services, with outcomes such as reduced anti-social behaviour, improved energy efficiency in homes and cleaner streets.
- 3 Progress has been made with key longer term projects such as regenerating the deprived Rowner estate, but some partnership plans have experienced delays due to factors outside of the Council's control. Planning performance continued to decline during 2007/08 although this has shown recent improvement, but recycling rates and satisfaction with several services remain poor.
- 4 The Council manages its finances adequately but identifying budget savings are a major challenge for the Council, and councillors have yet to work together effectively to secure longer term financial capacity.
- 5 The Council works effectively as part of the Partnership for Urban South Hampshire (PUSH) and the Gosport Partnership in planning and starting to deliver longer term outcomes for the community in transport, health, education and employment.
- 6 The external auditors have issued an unqualified opinion on the accounts for the year ended 31 March 2008 and concluded that there are adequate arrangements in place for ensuring value for money.
- 7 The Council has achieved a score of 2 in the annual Use of Resources assessment.

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## Action needed by the Council

- 8 The main actions needed by the Council highlighted in this letter are:
  - ensure better cross-party working for major issues such as addressing budget deficits; and
  - identify and implement solutions for poor satisfaction and recycling rates.



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# Purpose, responsibilities and scope

- 9 This report provides an overall summary of the Audit Commission's assessment of the Council. It draws on the most recent Comprehensive Performance Assessment (CPA) and the findings and conclusions from the audit of the Council for 2007/08.
- 10 We have addressed this letter to Members as it is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business and that it safeguards and properly accounts for public money. We have made recommendations to assist the Council in meeting its responsibilities.
- 11 This letter also communicates the significant issues to key external stakeholders, including members of the public. We will publish this letter on the Audit Commission website at [www.audit-commission.gov.uk](http://www.audit-commission.gov.uk). (In addition the Council is planning to publish it on its website).
- 12 Your appointed auditor is responsible for planning and carrying out an audit that meets the requirements of the Audit Commission's Code of Audit Practice (the Code). Under the Code, the auditor reviews and reports on:
  - the Council's accounts;
  - whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources (value for money conclusion); and
  - whether the Council's best value performance plan has been prepared and published in line with legislation and statutory guidance.
- 13 This letter includes the latest assessment on the Council's performance under the CPA framework, including our Direction of Travel report. It summarises the key issues arising from the CPA and any such inspections. Inspection reports are issued in accordance with the Audit Commission's duty under section 13 of the 1999 Act.
- 14 We have listed the reports issued to the Council relating to 2007/08 audit and inspection work at the end of this letter.

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# How is Gosport Borough Council performing?

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## The improvement since last year - our Direction of Travel report

- 15 The Council has agreed four strategic aims for the borough: People, Places, Prosperity and Pursuit of Excellence. Progress against each of these is assessed in the following commentary.

### People

- 16 The outcomes the Council aims to deliver in this theme are: fewer instances of anti-social behaviour; less crime against people and property; and improved health and leisure facilities with increased usage.
- 17 The Council has performed well in meeting its community safety objectives, and is working effectively in partnership to reduce crime. For example, in 2007/08 there were reductions in criminal damage by 17 per cent, robberies by 7.9 per cent, theft of vehicles by 31 per cent and burglaries by 37 per cent. 'Secure by Design' principles have been incorporated into new housing developments. The community safety team has been working well in providing diversionary activities such as football for young people in deprived areas like Rowner. For example, the Summer Passport Scheme provided activities for over 500 young people, 13 per cent of whom were 'hard to reach'. However, violent crimes remained high during 2007/08 although they are now declining, with a 12 per cent decrease in assaults in December 2008 compared with December 2007. Overall this work is helping improve the quality of life for local communities.
- 18 Progress in improving health and leisure facilities is continuing, although plans are longer term and health inequalities remain. The Council has worked as part of the Local Improvement Finance Trust (LIFT) project to improve access to health facilities by delivering a new surgery and rest home at Rowner, as well as providing leadership for issues to progress the future of Haslar hospital. It has also started to work with the primary care trust on an initiative to reduce the high number of teenage pregnancies in the area. Within the leisure service, plans to develop the Explosion! museum have halted due to the current economic climate. However, a replacement leisure centre has now been agreed with cross-party political support, and building is expected to start later this year. In the meantime, numbers using the existing centre remain low.

### Places

- 19 The outcomes the Council aims to deliver in this theme are: improved access and reduced congestion; a high quality waterfront; a regenerated Rowner Village; improved recycling with less waste; and quality public areas and green spaces.

- 20** Improving access and reducing congestion remain key challenges for the area. For example, plans with the County Council for a western relief road have not materialised, and there are disagreements over the route of the proposed bus rapid transit system. However, work with the Partnership for Urban South Hampshire (PUSH) has led to investment in the transport infrastructure. Transport is also one of the two main priorities of the Gosport local strategic partnership (LSP), which is focussing on developing cycle lanes. The Council has also requested travel plans from developers, which has led to free bus passes for residents at Priddy's Hard. Plans to repair the ferry landing stage have developed over the past year, with funding now identified, ensuring that transport links between Gosport and Portsmouth continue. This should help ensure a high quality waterfront.
- 21** The Council has continued to provide leadership in the Rowner regeneration scheme. A formal application has just been made to the Council for planning permission for this £140 million scheme, although this had been delayed. However, building is expected to start in mid-2009. In the meantime, the Council has continued to support community initiatives in the area such as the local carnival which 4,000 people attended, as well as community safety and educational projects.
- 22** Recycling rates remain poor at 25 per cent, but the amount of waste collected is in the best 25 per cent of councils and costs remain low at £40 per household. The Council only collected 341kg of waste per household, compared with the national average of 403kg, showing that local people are generating less waste. The Council has recently improved its recycling collection service by adding over 1,000 properties to its collection rounds in 2008, continued its publicity and increased recycling in council offices.
- 23** The Council has continued to provide cleaner public areas and green spaces. The percentage of land littered reduced from nine to six per cent over the past year and the amount of graffiti has also fallen. Fly posting remains low, and coupled with the low amount of waste generated, the Council overall maintains a good environment. It has also won silver awards for South and South East in Bloom, and received a Green Flag award for one of its parks.
- 24** The speed of processing planning applications declined in 2007/08 and audited performance is now comparable with the worst 25 per cent of councils. For example, major applications processed in time fell from 80 per cent in 2006/07 to 45 per cent in 2007/08, and other applications fell from 94 to 82 per cent. However, by December 2008, performance had improved and major and minor applications are now on target. A shortage of staff has been the main issue for this decline, although fewer applications have helped the Council recover recently.

### Prosperity

- 25** Outcomes for this theme are: improved social inclusion; better access to decent housing; improved promotion of tourism opportunities; a knowledge and skills base that matches the need of local businesses; and increased investment in Gosport's economy.

## How is Gosport Borough Council performing?

- 26** The Council has helped to improve social inclusion in the borough. Harder to reach groups, such as those in Rowner, have been focussed on with initiatives such as the carnival and an 'Alive and Kicking' project which 4,500 young people attended. Elsewhere, the Council-supported UK online training system is helping 250 people gain qualifications and jobs. The Council recognises the need to continue to focus on achieving outcomes for these longer term goals.
- 27** Performance indicators for the housing service are good. The Council continues to perform in the best 25 per cent of councils with the amount of vacant private-sector homes and dwellings returned to occupation, tenant satisfaction, the number of households in temporary accommodation, energy efficiency, and repairs completed on time. However, only 64 affordable homes were completed in 2007/08 compared with 217 last year, and the length of stay in hostel accommodation remains below average at 11 weeks. Overall the Council is helping people access decent housing.
- 28** Performance with processing benefits is mixed but has continued to improve over the past year. For example, the time taken to process new claims fell from 26 to 23.7 days, which is quicker than average, and the time taken to process changes fell from 20 to 12 days, although this is still comparable with the worst 25 per cent of authorities.
- 29** The Council has progressed well in increasing the skill levels of the community and promoting tourism and the economy. It has worked in partnership to deliver the Impact Project, which has helped raise children's ambitions and promote local businesses. For example, children have produced and sold calendars of the area, and over 100 businesses such as a local gym have been supported with business advice and networking to help make their companies more successful. The project has also developed a Go Gosport brand and website, which is helping to develop Gosport's potential. Through the local strategic partnership the Council hosted a Big Day Out in July 2008, attended by 10,000 people. This included free entrance to local attractions, in order to promote the area and to change people's perception of Gosport. It was so successful that it is being repeated this year.

### Pursuit of Excellence

- 30** The Council aims to improve performance management and customer service, ensure trained, motivated staff and promote more effective decision making. These are explored within the following sections.

### Overall performance

- 31** Performance indicators (PIs) for 2007/08 show that the Council is continuing to improve well from an already good base. 67 per cent of PIs improved from the previous year, which compares well with the district average of 58 per cent. It has increased the number of PIs in the best 25 per cent of all councils from 37 to 39 per cent. Once again, the Council has improved more than many other councils. Areas of particularly high performance include: housing PIs such as the amount of affordable new homes provided, amount of private homes vacant, and homelessness applications; and environmental PIs such as the low cost and amount of waste collected, and the small proportion of land littered or with graffiti and fly posting.

- 32 However, there are areas of weaker performance. Those PIs comparable with the worst 25 per cent of councils include: slow processing times for planning applications; low recycling rates; and poor satisfaction with many services such as leisure and street cleanliness.
- 33 The Council's own performance analysis for the first six months of 2008/09 show that most indicators are still on track and improving, such as those for the environment and community safety. However, performance has deteriorated for sickness rates and planning speed times.
- 34 The Council remains at level one of the equalities standard but is continuing to pursue its equality and diversity work with vigour. However, much of this work involves training and policy development which has yet to have a major impact on its equality indicators or outcomes for local people. Work to improve access and quality of services has led to: a review of reception areas with funding for improvements; training on the race and gender equality schemes for all staff; completion of equality impact assessments; child protection training and hosting a black and minority ethnic community development worker. Staff from black and minority ethnic communities and those with a disability are now more reflective of the population. Councillor involvement in pursuing equalities is variable, and although effective training is provided, attendance by some is poor. Overall the Council's focus in this area will help to ensure fairer access to council services as well as helping it reach its priority of enhanced customer service. In the meantime however, without an embedded mainstreamed approach to equality, the Council cannot guarantee that services are delivered in a fair and equitable manner. This is important in ensuring that the needs of its most vulnerable residents are being met.
- 35 Value for money is adequate and has improved in some areas. For example, the Council has developed its electronic services and now uses an online recruitment portal, accepts on-line planning applications and direct debit which has helped create efficiency gains. It has made staff efficiency savings of 3 to 4 per cent. Waste collection continues to offer good value for money. The Council has reached its three-year savings target within the first two years, and as a result has set a further stretch target. Our Use of Resources work scored the Council as 2 out of 4, with 4 being the highest score. However, satisfaction in many areas - such as with the Council overall and within waste and leisure services - is low. The Council is focussing on this in a variety of ways such as promoting the area, commissioning research, and increasing councillor involvement in identifying savings.



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### How much progress is being made to implement improvement plans to sustain future improvement?

- 36** The Council has made mixed progress with its improvement plans. The local strategic partnership (LSP) agreed its community strategy action plan in March 2008, with clear priorities of transport and employment. Links between the Council, the LSP and the Local Area Agreement have become clearer, with for example, a stronger focus on health in the new corporate plan. However, the Council has still to set its new National Indicator targets, although this is expected to be completed by April 2009. In the meantime this means it is difficult to measure progress against priorities. Software issues with the Council's new performance management system has led to delays in rolling this out across the Council and the LSP. In the meantime, a new performance management calendar and partnership data report have been developed which monitors and flags issue for the LSP. This will help the Council to meet its priority of effective performance management.
- 37** Improvement plans are being implemented, although there have been delays to many larger partnership projects. Initiatives such as the Big Day Out and funding to investigate travel behaviour have been carried out through the LSP. An application has been submitted for planning permission for the redevelopment of Rowner, one of the most major development plans in the whole of the South East. However, some plans such as those to increase cycle lanes are only developing slowly and it is unclear when the lanes will be in place. Other partnership plans, such as the pontoon replacement and Priddy's Hard have been delayed or put on hold.
- 38** Partnerships have been developing well and adding capacity to the Council. For example, work with the Partnership for Urban South Hampshire (PUSH) has enabled £3.4 million regeneration work to take place at Rowner, and the LSP has secured £3 million funding from the county council for its transport plans. Relations with the county council have improved and the Council has received support for tourism and countryside plans, as well as better recognition of the education and health inequalities that Gosport faces. The Council is also appointing a new director with a remit to develop partnerships.
- 39** Staff capacity continues to be poor in some areas. Sickness rates are getting worse and are now above average, which is impacting on services such as planning, where pre-application negotiations have stopped. Absences have also hindered the Council in progressing some policies. Plans being implemented by human resources, such as a new sickness procedure, have not yet improved the situation, although a restructure is also underway and a comprehensive training plan is in place.
- 40** Financial capacity remains adequate overall. The Council performs well in financial reporting and standing, and adequately in financial management, internal control and value for money. However, the Council faces significant budget deficits and political direction on key issues is awaited.

- 41 The Council continues to face weaknesses in corporate governance due to political instability. One of the Council's outcomes is to enable more efficient and effective decision making processes, and this has yet to be fully realised. Poor media relations, political infighting and key disagreements, for example over the licensing of local events, remain. However, the political parties have demonstrated they are able to work together over some issues such as agreeing capital investment plans, commitment to balancing budgets and the future of the leisure centre. Overall though the political instability is still causing uncertainty for partners, staff and the community.

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# The audit of the accounts and value for money

**42** Mazars LLP, as your appointed auditors, have reported separately to the Standards and Governance Committee on 11 September 2008 on matters arising from the 2007/08 audit and have issued:

- an audit report, providing an unqualified opinion on your accounts and a conclusion on your value for money arrangements to say that these arrangements are adequate on 19 September 2008;
- an audit report, providing an unqualified opinion on the Whole of Government Accounts consolidation pack; and
- a report on the Best Value Performance Plan, confirming the Plan has been audited.

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## Use of Resources

**43** The findings of the auditor are an important component of the CPA framework described above. In particular the Use of Resources score is derived from the assessments made by the auditor in the following areas.

- Financial reporting (including the preparation of the accounts of the Council and the way these are presented to the public).
- Financial management (including how financial management is integrated with strategy to support council priorities).
- Financial standing (including the strength of the Council's financial position).
- Internal control (including how effectively the Council maintains proper stewardship and control of its finances).
- Value for money (including an assessment of how well the Council balances the costs and quality of its services).



- 44 For the purposes of the CPA your auditor has assessed the Council's arrangements for use of resources in these five areas as follows.

**Table 1**

Element	Assessment
Financial reporting	3 out of 4
Financial management	2 out of 4
Financial standing	3 out of 4
Internal control	2 out of 4
Value for money	2 out of 4
<b>Overall assessment of the Audit Commission</b>	<b>2 out of 4</b>

Note: 1 = lowest, 4 = highest

- 45 The key conclusions from our work for each theme were as follows:-

### Financial Reporting

- 46 The Statement of Accounts for 2007/08 was prepared and approved in accordance with statutory and regulatory requirements. The Council received an unqualified opinion on its accounts, value for money conclusion and Whole of Government Accounts Consolidation pack.
- 47 The draft accounts presented for audit contained several non-trivial errors although these were deemed not to be indicative of significant control weaknesses. The Council should ensure that the accounts submitted for audit are thoroughly reviewed to eliminate all non-trivial errors.
- 48 Comprehensive working papers were provided in electronic format at the start of the audit and were of a good standard although additional working papers had to be requested during the course of the audit. Experienced and knowledgeable staff were available to answer queries and all additional information requested was provided in a timely manner.
- 49 An Annual Report is not produced by the Council. The views of stakeholders should be sought to determine whether such a report would be useful.

### Financial Management

- 50 The Medium Term Financial Strategy (MTFS) has been updated in 2007/08 and models income and expenditure over the five year period to 2011/2012. The MTFS is driven by the corporate business plan and takes account of both local and national improvement priorities although the corporate plan is in need of an update as it covered the 2005-2008 years.
- 51 The budget setting process is appropriate, with budgets set based on business plans. Effective budget monitoring is undertaken with involvement from budget holders, senior management and Members.

## The audit of the accounts and value for money

- 52 The Council produces quarterly budget monitoring reports that are presented to the Policy and Organisation Board.
- 53 The use of whole life costing should be considered for future investment decisions.

### Financial Standing

- 54 The Council has strong budget setting and monitoring arrangements in place, which take into account cost pressures and council tax implications.
- 55 The Council has a formal reserves policy in place and maintains levels of reserves within this limit. The appropriate level of reserves is reviewed on a quarterly basis. The quarterly budget reports comment on the appropriateness of the reserves balances and will make adjustment if required.
- 56 The Council should consider monitoring key financial health indicators with challenging targets set in areas such as income collection.

### Internal Control

- 57 The Council has updated its Risk Management Policy produced as part of the assurance framework. There is a risk management working group in place, with twice yearly reports issued to the Chief Executive and CMT, who have overall responsibility for risk management.
- 58 A risk register is maintained online and has been recently transferred to the new Covalent system.
- 59 No Member training on risk management had been carried out at the time of our work.
- 60 The Council produces an Annual Governance Statement which complies with the relevant governance framework. The Standards and Governance Committee are responsible for the review and approval of this document. Significant control issues have been highlighted in the document with detailed action plans drawn up for each issue.
- 61 The Council should consider undertaking an assessment of compliance with the standards of conduct to ensure that all Members are complying with the code and that appropriate action is taken for any complaints received.

### Value for Money

- 62 The Council are aware of, and are working to address, the areas that are consistently producing low satisfaction levels (particularly sport and recreation caused by the leisure centre). Customer questionnaires are being undertaken to identify key reasons for low satisfaction.
- 63 The Council regularly benchmarks performance against other authorities, particularly the nearest neighbouring authorities. Performance management arrangements are robust and Members are kept updated on a regular basis.
- 64 Despite the limited resources available to the Council, they have achieved improved value for money in certain areas, particularly e-government. Direct debit and BACS payments have been introduced creating administration efficiency gains and reducing the risk of bad debts.

- 65 The Council have achieved their three year efficiency savings target within two years. As a result a further stretching target has been set for the third year.
- 66 The new internal audit partnership with Eastleigh Borough Council commenced in 2007/08. It is hoped that this will create efficiencies and generate long term value for money improvements.
- 67 The Council should continue to regularly monitor procurement exercises and ensure that value for money is achieved. Procurement successes and failures should be recorded to assist value for money decisions in the future.

### Other audit work in 2007/08

- 68 We have also completed work during the year on the Council's grant claims. There were no matters arising from this work that we need to bring to the attention of Members.

### Advice and Assistance work

- 69 We have not provided any advice and/or provided assistance work for the Council under section 35 of the Audit Commission Act during 2007/08.

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# Looking ahead

- 70** The public service inspectorates have developed a new performance assessment framework, the Comprehensive Area Assessment (CAA), which was published in February 2009. CAA will provide an independent assessment of how well people are being served by their local public services. At its heart is a new area assessment in which the inspectorates will provide a joint view of the prospects for local areas and the quality of life for people living there.
- 71** CAA will have two main elements, which will inform each other:
- an area assessment that looks at how well local public services are delivering better results for local people in agreed priorities, such as health, economic prospects and community safety, and how likely they are to improve in the future; and
  - organisational assessments for councils, combining the external auditor's assessment of value for money with a joint inspectorate assessment of council service performance. The auditors' use of resources judgements will therefore continue, but their scope will be widened to cover issues such as commissioning and the sustainable use of resources.
- 72** The area assessment will draw on the detailed work of the inspectorates in their core areas of activity, the views of local people, people who use local services and other stakeholders, the new national indicator set and the information being used to manage public services locally. It will address local priorities and will always include a specific focus on people, including children and young people, who may experience disadvantage in accessing public services and whose personal circumstances make them most vulnerable.
- 73** CAA will result in reduced levels of inspection and better coordination of inspection activity. It is also intended to act as a catalyst for better partnership working at the local level and to support local accountability by providing clear information to local people.
- 74** The first area and organisational assessment reports will be published in November 2009.

# Closing remarks

- 75** This letter has been discussed and agreed with the Chief Executive and senior officers. A copy of the letter will be presented at the Standards and Governance Committee meeting on 23 April 2009. Copies of the final letter need to be provided to all Council Members.
- 76** Further detailed findings, conclusions and recommendations on the areas covered by audit and inspection work are included in the reports issued to the Council during the year.

**Table 2      Reports issued**

Report	Date of issue
Audit and inspection plan	May 2008
Annual Governance Report	September 2008
Opinion on financial statements	September 2008
Value for money conclusion	September 2008
Final accounts memorandum	October 2008
Use of resources feedback	December 2008
Annual audit and inspection letter	March 2009

- 77** The Council has taken a positive and constructive approach to audit and inspection work, and I wish to thank the Council's staff for their support and cooperation during the audit.

## Availability of this letter

- 78** This letter will be published on the Audit Commission's website at [www.audit-commission.gov.uk](http://www.audit-commission.gov.uk), and also on the Council's website.

**Linda Krywald**  
**Corporate Area Assessment Lead**

March 2009

**AGENDA ITEM NO. 9****STANDARDS AND GOVERNANCE COMMITTEE WORKPLAN**

<b>Work Area</b>	<b>Report To Committee</b>	<b>Lead Officer</b>
Head of Internal Audit Annual Report 2008/09	23 Apr 09	CD
Draft Annual Governance Statement 2008/09	23 Apr 09	CD
Internal Audit Monitoring Statement Apr – June 09	21 Jul 09	CD
Contract Standing Orders	21 Jul 09	PW/CD
Risk Management Update	21 Jul 09	CD/JB
Member/Officer Protocol	21 Jul 09	LE
Local Assessment Monitoring Report	10 Sept 09	LE
Update on Internal Audit Charter	10 Sept 09	CD
Fraud & Corruption Strategy update	10 Sept 09	LE/CD
Feedback on GBC & EBC partnership	10 Sept 09	CD
New Member Induction	29 Oct 09	LE
Monitoring Statement Jul – Oct 09	29 Oct 09	CD
Strategic Audit plan 2010/13	21 Jan 10	CD
Monitoring Statement Oct – Dec 2009	21 Jan 10	CD
Annual Internal Audit Plan 10/11 (CD)	18 Mar 10	CD
Risk Management (CD/JB)	18 Mar 10	CD/JB
Draft AGS 2009/10 (CD)	22 Apr 10	CD
Annual Audit Report 2009/10	22 Apr 10	CD

Date of Next Meeting  
21 July 2009

**AGENDA ITEM NO. 12**

<b>Board/Committee:</b>	STANDARDS AND GOVERNANCE COMMITTEE
<b>Date of Meeting:</b>	23 April 2009
<b>Title:</b>	STANDARDS BOARD FOR ENGLAND REPORTS
<b>Author:</b>	MONITORING OFFICER
<b>Exempt Info – Public Interest Test</b>	THE INFORMATION IN THE STANDARDS BOARD REPORTS RELATE 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.
<b>Status:</b>	For Decision

**Purpose:** To advise the Committee of the Standards Board for England's Reports in accordance with the Local Government Act 2000

**Recommendation**

To consider the 3 reports of the Standards Board for England

**1.0 Background**

- 1.1 Complaints regarding the behaviour of 2 Councillors were referred by the Assessment Sub-Committee to the Standards Board for England for investigation in August and September 2008.

- 1.2 The third report relates to an investigation into an allegation which came to the attention of the Ethical Standards officer during another investigation.

## **2.0 Report**

- 2.1 The Standards Board for England have now concluded their investigations into the 3 complaints and have issued their findings. They have asked that their reports are brought to the attention of the Standards and Governance Committee as they believe it will help the Committee in discharging their functions of monitoring, advising, training or arranging to train members on matters relating to the authority's code of conduct. As the investigations are now complete the Standards and Governance Committee has no power to investigate or make its own findings on the complaints. A copy of each of the reports is appended to this report.

## **3.0 Risk Assessment**

- 3.1 Compliance with the code of conduct is an important way in which members help to maintain the reputation of their office and of the Council. The provision of training sessions and access to information on conduct issues is a key mechanism in helping to ensure high standards are maintained.
- 3.2 After each election training on the code of conduct is offered to all members and particularly new members. Further training is also provided when, for example, there are changes to the code of conduct or the way in which complaints are dealt with. Attendance at training sessions is not compulsory. Information and access to articles on conduct issues are also placed in the Members Information Bulletin. In addition members are aware that at any time the Monitoring Officer is happy to discuss such matters.

## **4.0 Conclusion**

- 4.1 The issues raised in these reports provide an opportunity for the Committee to consider the ways in which the promotion and maintenance of high standards of conduct are undertaken by the Council.

<b>Financial Services comments:</b>	There is a budget for member training
<b>Legal Services comments:</b>	Included in the report
<b>Service Improvement Plan implications:</b>	
<b>Corporate Plan:</b>	Pursuit of Excellence
<b>Risk Assessment:</b>	See section 3
<b>Background papers:</b>	
<b>Appendices/Enclosures:</b>	



Appendix A	Standards Board Report Ref SBE-01774-H3LN3,01781-2Z83X,01783-LTNG3
Appendix B	Standards Board Report Ref SBE-02623-2TMFK
Appendix C	Standards Board Report Ref-02850-V7K9F
<b>Report author/Lead author:</b>	Linda Edwards