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13 June 2012

S U M M O N S

MEETING: Standards and Governance Committee
DATE: 21 June 2012
TIME: 6.00 p.m.
PLACE: Committee Room 1, Town Hall, Gosport
Democratic Services contact: Geoff Rawling

LINDA EDWARDS
BOROUGH SOLICITOR

MEMBERS OF THE COMMITTEE

Mr R V Perry
(Independent Member)

Vacancy
(Independent Member)

Councillor Chegwyn
Councillor Forder
Councillor Jessop

Councillor Philpott
Councillor Scard
Councillor Wright

FIRE PRECAUTIONS

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

In the event of the fire alarm 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. Councillors are requested to note that, if any Councillor who is not a Member of the Committee 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. ELECTION OF CHAIRMAN FOR THE MUNICIPAL YEAR 2012/13
2. ELECTION OF VICE-CHAIRMAN FOR THE MUNICIPAL YEAR 2012/13
3. APOLOGIES FOR NON-ATTENDANCE
4. 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.

5. MINUTES

To approve as a correct record the Minutes of the Committee meeting held on 05 April 2012 (copy attached)

6. 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, 19 June 2012. The total time for deputations in favour and against a proposal shall not exceed 10 minutes).

7. 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, 19 June 2012).

8. LOCALISM ACT 2011- CHANGES TO THE STANDARDS REGIME

To advise the Standards and Governance Committee of the timetable for the changes to the current standards regime and to propose a new Code of Conduct and arrangements for dealing with complaints, for recommendation to Council.

Part I
Contact Officer:
Linda Edwards
Ext 5401

9. INTERNAL FRAUD 2010/11

The report summarises the key issues regarding the internal fraud committed against the Council by an ex employee from September 2010 through to June 2011.

Part II
Contact Officer:
Chris Davis
x5306

Standards and Governance Committee
21 June 2012

- | | | |
|--|---|---|
| 10. | CERTIFICATION OF CLAIMS AND RETURNS – ANNUAL REPORT
(GBC AUDIT 2010/11): RECOMMENDATION 1 (PAGE 8) | Part II
Contact Officer:
Rose Coates
Audit
Commission |
| Verbal report from the Audit Commission. | | |
| 11. | AUDIT COMMISSION AUDIT PLAN | Part II
Contact Officer:
Rose Coates
Audit
Commission |
| <i>The purpose of this document is to set out my planned audit work to address the opinion audit risks identified for 2011/12. The audit plan has been discussed and agreed with officers in the Finance department.</i> | | |
| 12. | INTERNAL AUDIT ANNUAL REPORT 2011/12 | Part II
Contact Officer:
Chris Davis
x5306 |
| <i>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.</i> | | |
| 13. | ANY OTHER ITEMS | |
| <i>-which by reason of special circumstances the Chairman considers should be considered as a matter of urgency</i> | | |

AGENDA ITEM NO. 08

Board/Committee:	STANDARDS AND GOVERNANCE COMMITTEE
Date of Meeting:	21 JUNE 2012
Title:	LOCALISM ACT 2011- CHANGES TO THE STANDARDS REGIME
Author:	MONITORING OFFICER
Status:	FOR RECOMMENDATION TO COUNCIL

Purpose

To advise the Standards and Governance Committee of the timetable for the changes to the current standards regime and to propose a new Code of Conduct and arrangements for dealing with complaints, for recommendation to Council

Recommendation

The Standards and Governance Committee recommend to full Council

1. That the Code of Conduct for Members (which would apply to Co-opted Members), set out in Appendix 1 to this report, be adopted.
2. That the adoption of the Code be publicised via the Council's website.
3. That the Standards and Governance Committee be replaced by a new Standards and Governance Committee, with terms of reference as set out in Appendix 2 to this report.
4. That Standing Order 7.1 be amended to require a Member who has a discloseable pecuniary interest, in an item of business being considered at a meeting of the Council Board or Committee to withdraw from the room during the discussion of and vote on that item as set out in Appendix 3 to this report.
5. That the arrangements for dealing with allegations of failure to comply with the Code set out in Appendix 4 to this report be adopted.
6. That authority be delegated to the Monitoring Officer to oversee the process of recruitment of an independent person, with the interview of candidates being undertaken by the Council's statutory officers who will make recommendations to Council.

1. Background

- 1.1 The present national standards regime came into being in 2000, as part of the Local Government Act 2000. The 2000 Act established a National Model Code of Conduct, Local Standards Committees and a

Standards Board for England (subsequently retitled “Standards for England”) as the statutory regulator. The Model Code of Conduct set out expected national standards of behaviour for elected and co-opted members. Standards Committees were established to assist local authorities in maintaining good standards whilst the Standards Board for England was established to provide an over-arching framework for standards of conduct and to monitor and investigate complaints. Amendments introduced in May 2008 led to the determination of complaints against members being delegated to Local Standard Committees in all but the most serious cases.

2. Report

The Localism Act 2011

- 2.1 The Act abolishes the current standards regime governing the conduct of members. As a result, the Standards Board for England has been abolished, and the requirement for Councils to have Standards Committees and the National Model Code of Conduct abolished from a date to be appointed. In the meantime the existing Code of Conduct and the arrangements for complaints have continued to apply. The provisions enabling the Council to prepare for the new standards regime including adopting a new code of conduct and making arrangements to deal with complaints to take effect on or after 1 July 2012 came into force on 7 June 2012. The new regime itself comes into force on 1 July 2012.
- 2.2 Code of Conduct – The Act provides that the Council has a duty to promote and maintain high standards of conduct by members and co-opted members. The Council must, in particular, adopt a code dealing with the conduct that is expected of members and co-opted members of the Council when they are acting in that capacity which must be consistent with the Seven Principles of Public Life enunciated by the Nolan Committee:- selflessness, integrity, objectivity, openness, accountability, honesty and leadership. The Code to be adopted can be a revision of the existing code or a totally new Code.
- 2.3 Register of Interests – The Register of Interests must remain and shall include the registration of discloseable pecuniary interests (to be defined further in regulations). The Code of Conduct must include the provision the Council considers appropriate in respect of the registration in its register, and disclosure, of pecuniary interests and non-pecuniary interests. The Register must be available for inspection and be published on the Council's website. The registration of discloseable pecuniary interests must be made within 28 days of taking office. Those interests to be declared are those of the member and, if they have one, their spouse/ partner.
- 2.4 The Act imposes a criminal offence for the non disclosure of a

pecuniary interest, for participating in any discussion or vote on the matter in which the member/co-opted member has a pecuniary interest or for taking any steps in relation to the matter to be considered, without reasonable excuse. The Act makes it a criminal offence to provide knowingly or recklessly false or misleading information in relation to the disclosure of a pecuniary interest. A person found guilty could be fined up to £5,000 and disqualified for up to five years from being a Councillor. A decision to prosecute would be a matter for the Director of Public Prosecutions.

- 2.5 Allegations of a failure to comply with the Council's Code of Conduct – The Council must put in place arrangements to deal with allegations that members have breached the Code, for investigating allegations and for making decisions regarding the allegations. The Act does not prescribe what those arrangements should be, but leaves it open to appoint standards committee or some other approach.
- 2.6 Independent Person – The Council must also appoint at least one “independent person” whose view must be sought before reaching a decision on an allegation it has decided to investigate. The “independent person” cannot be a member or co-opted member or officer of the Council, or have been such within the last five years, relatives or close friends of the above are also not eligible save that the Council may appoint, before 1 July 2013, a person who was a member of a standards committee at any time in the 5 years ending on 30 June 2012 provided they were not a member on 1 July 2012. There are also other provisions regarding who may qualify as an independent person and the recruitment process. The independent person may also be consulted by the Member who is the subject of an allegation that they have breached the Code of Conduct.
- 2.7 Publicity – The Council must publicise the adoption, revision or replacement of its Code of Conduct in such manner as it considers is likely to bring its decision to the attention of the people who live in its area.
- 2.8 Sanctions – If a complaint is upheld, sanctions available might include, for a minor matter, a formal letter or a requirement that the member makes a formal apology. Where there has been a more serious breach of the Code formal censure may be required

3. Next Steps

- 3.1 To accord with the requirements of the Act the Council needs to:-
 - a) review, adopt, revise or replace its Code of Conduct;
 - b) review and amend the process for dealing with and investigating allegations against members including the sanctions available when a member is found to be in breach of the Code;

- c) consider whether or not it wants to retain a Standards committee to fulfil its duty to promote high standards of conduct and to administer complaints made under the Code of Conduct;
- d) put in place the arrangements for involvement of an Independent Person; and
- e) review meeting procedures to deal with the involvement of members when they have a pecuniary interest and publish those interests.

3.2 Code of Conduct

- 3.2.1 Members have become familiar with the provisions of the National Model Code of Conduct and it is proposed that the Code which is based on it should be adopted, subject to this being modified where necessary to meet the requirements of the Act.
- 3.2.2 The draft Code in Appendix 1 meets these requirements. Further, it is based on two of the “model” codes that have been produced, one by the Local Government Association, and one by the Association of Council Secretaries and Solicitors. This means that it is more likely to be in similar form to the codes adopted by other authorities in Hampshire which would assist twin hatted Members.
- 3.2.3 The Act requires that the Council publicises the adoption of its Code (see paragraph 3.1 (e) above) in such manner as it considers is likely to bring it to the attention of persons living in its area. It is proposed that this is via publication on the Council’s website.

3.3 Standards Committee

- 3.3.1 This current Committee has a wider role than just standards of conduct and it is proposed that the Council should continue to have a Standards and Governance committee which will function and be subject to the same statutory requirements as the rest of the Council’s Boards and will need to be politically balanced. There would be no independent members. The proposed terms of reference for the new Standards and Governance Committee are in Appendix 2.

3.4 Disclosure of Interests

- 3.4.1 Draft regulations specifying pecuniary interests which must be disclosed on the Register of Interests kept by the Monitoring Officer have recently been published and the Monitoring Officer will be advising members of the new requirements in advance of 1 July 2012.
- 3.4.2 The Act provides that, where a Member has a disclosable pecuniary interest at a meeting, they cannot participate in discussion or voting on that item. However, it is at the discretion of the Council as to

whether provision is to be made in standing orders for the Member to also be required to leave the room for that item.

- 3.4.3 Standing Orders already include such a provision which helps protect the Member against any allegations that they are improperly exerting influence through observation of the discussion and vote and it is proposed that this is retained and amended as shown in Appendix 3.

3.5 Handling of Complaints

- 3.5.1 The Council is now able to decide its own arrangements for dealing with allegations that a Member has failed to comply with the Code of Conduct and proposed arrangements are set out in Appendix 4.

3.6 Involvement of Independent Person

- 3.6.1 As indicated above, the Act requires that the Authority appoint at least one independent person whose views are to be sought, and taken into account, before making a decision on an allegation being investigated. There are certain restrictions on who may be appointed, and there must be an advertised recruitment process, with the appointment approved by a majority of Members.
- 3.6.2 The proposal is to delegate authority to the Monitoring Officer to oversee the recruitment process, and for the Council's 3 Statutory Officers to interview candidates and make a recommendation to Council for appointment.

4. Risk Assessment

- 4.1 The Council must comply with the Act and the proposals in this report satisfy the requirements of the Act.

5. Conclusion

- 5.1 The report outlines the implications of the Localism Act 2011 for the Council in respect of the standards regime and proposes a set of arrangements to ensure compliance.

Financial Services comments:	None
Legal Services comments:	Contained in the report
Crime and Disorder:	None
Equality and Diversity:	The proposed code of conduct makes specific reference to the need to treat others with respect and to comply with equalities legislation
Service Improvement Plan implications:	None
Corporate Plan:	None
Risk Assessment:	See Section 4

Background papers:	Localism Act 2012
Appendices/Enclosures:	
Appendix '1'	Code of Conduct for Members
Appendix '2'	Proposed Terms of Reference for the New Standards and Governance Committee
Appendix '3'	Retained Standing Orders
Appendix '4'	Arrangements for Dealing with Allegations of Breaches of the Code of Conduct for Members
Report author/ Lead Officer:	Linda Edwards

CODE OF CONDUCT

This Code of Conduct is adopted pursuant to the Council's statutory duty to promote and maintain high standards of Conduct by Members and co-opted ¹ members of the Council.

It was formally adopted by Gosport Borough Council as the Code of Conduct for members on

By law all members and co-opted members are required to follow their Council's Code of Conduct when acting in their capacity as a Councillor.

This Code is not intended to be an exhaustive list of all the obligations placed on members of the Council. It is your responsibility to comply with the following provisions of this Code as well as other legal obligations beyond the scope of this Code.

This Code is based on and consistent with the following principles:

SELFLESSNESS

Holders of public office should act solely in terms of the public interest.
They should not do so in order to gain financial or other material benefits.

INTEGRITY

Holders of public office should not place themselves under any financial or other obligation to outside individuals or organisations that might seek to influence them in the performance of their official duties.

OBJECTIVITY

In carrying out public business, including making public appointments, awarding contracts, or recommending individuals for rewards and benefits, holders of public office should make choices on merit.

ACCOUNTABILITY

Holders of public office are accountable for their decisions and actions to the public and must submit themselves to whatever scrutiny is appropriate to their office.

OPENNESS

Holders of public office should be as open as possible about all the decisions and actions that they take. They should give reasons for their

¹ A "co-opted member" for the purpose of this code is, as defined in the Localism Act 2011 Section 27 (4) "a person who is not a member of the Council but who
a) is a member of any committee or sub-committee of the Council, or
b) is a member of, and represents the Council on, any joint committee or joint sub-committee of the Council;
and who is entitled to vote on any question that falls to be decided at any meeting of that committee or sub committee".

decisions and restrict information only when the wider public interest clearly demands.

¹ A “co-opted member” for the purpose of this code is, as defined in the Localism Act 2011 Section 27 (4) “a person who is not a member of the Council but who
a) is a member of any committee or sub-committee of the Council, or
b) is a member of, and represents the Council on, any joint committee or joint sub-committee of the Council;
and who is entitled to vote on any question that falls to be decided at any meeting of that committee or sub committee”.

HONESTY

Holders of public office have a duty to declare any private interests relating to their public duties and to take steps to resolve any conflicts arising in a way that protects the public interest.

LEADERSHIP

Holders of public office should promote and support these principles by leadership and example

PART 1: GENERAL OBLICATIONS FOR MEMBERS AND CO-OPTED MEMBERS

When acting in your role as a Member or Co-opted Member:-

- 1.1 Do treat others with respect;
- 1.2 Do ensure you are aware of and comply with the requirements which the Bribery act 2010 places on you in your role as a Councillor and on the Council as a whole;
- 1.3 Do not do anything which may cause your authority to breach equalities legislation;
- 1.4 Do not bully any person;
- 1.5 Do not do anything which compromises or is likely to compromise the impartiality of those who work for, or on behalf of, your authority;
- 1.6 Do not disclose information given to you in confidence by anyone, or information acquired by you which you believe, or ought reasonably to be aware, is of a confidential nature, except where –
 - (i) You have the consent of a person authorised to give it;
 - (ii) You are required by law to do so;
 - (iii) The disclosure is made to a third party for the purpose of obtaining professional advice provided that the third party agrees not to disclose the information to any person; or
 - (iv) The disclosure is –
 - (aa) reasonable and in the public interest; and

- (bb) made in good faith and in compliance with the reasonable requirements of the authority;
- 1.7 Do not prevent another person from gaining access to information to which that person is entitled by law.

When making decisions as a Member or Co-opted Member of the Council:-

- 2.1 Do have regard to any relevant advice provided to you by the Council's chief Finance Officer and Monitoring Officer where such advice is offered pursuant to their statutory duties;
- 2.2 Do give reasons for the decisions in accordance with any statutory requirements and any reasonable additional requirements imposed by the Council.

When using or authorising the use by others of the resources of the Council:-

- 3.1 Do act in accordance with the Council's reasonable requirements including the requirements of the Council's [set out IT policies and any others];
- 3.2 Do make sure that such resources are not used improperly for political purposes (including party political purposes);
- 3.3 Do have regard to any applicable Local Authority Code of Publicity made under the Local Government Act 1986.

PART 2: REGISTERING AND DECLARING INTERESTS

- 3.4 You must, within 28 days of taking office as a Member or Co-opted Member, notify the Council's Monitoring Officer of any disclosable pecuniary interest as defined by regulations made by the Secretary of State, where the pecuniary interest is yours, your spouse's or civil partner's, or is the pecuniary interest of somebody with whom you are living with as a husband or wife, or as if you were civil partners.
- 3.5 You must disclose the interest at any meeting of the Council at which you are present, where you have a disclosable interest in any matter being considered and where the matter is not a 'sensitive interest²'. If the interest is a sensitive interest then you must disclose merely the fact that you have a disclosable pecuniary interest on the matter concerned.
- 3.6 Following any disclosure of an interest not on the Council's register or the subject of pending notification, you must notify the Monitoring Officer of the interest within 28 days beginning with the date of disclosure.

²A "sensitive interest" is described in the Localism Act 2011 as a Member or Co-opted Member of a Council having an interest, and the nature of the interest being such that the Member or Co-opted Member, and the Council's Monitoring Officer, consider that disclosure of the details of the interest could lead to the Member or Co-opted Member, or a person connected with the Member or Co-opted Member, being subject to violence or intimidation.

- 3.7 Unless a dispensation has been granted, you may not participate in any discussion of, vote on, or discharge any function related to any matter in which you have a pecuniary interest as defined by regulations made by the Secretary of State. You must withdraw from the room or chamber when the meeting discusses and votes on the matter.

Annex to Code of Conduct

PROCEDURE FOR APPLYING FOR A DISPENSATION FROM THE PROVISIONS RELATING TO DISCLOSABLE PECUNIARY INTERESTS.

1. You must make your request in writing and send it to the Monitoring Officer at the Town Hall.
2. In your request you must include:-
 - 1) Details of the disclosable pecuniary interest.
 - 2) Whether you are seeking a dispensation in relation to a particular item of business or generally.
 - 3) Whether you are seeking a dispensation from either or both of the restrictions in Section 31(4) of the Localism Act 2011.
 - 4) The reasons for your request.
 - 5) The period of time you are seeking for your dispensation to operate (which must not exceed 4 years).

Amendment to Standing Orders

7.0 MISCELLANEOUS MATTERS

Delete existing 7.1 and replace with

7.1 Members' Interests

- 7.1.1 If any Member (which includes a co-opted member) of the Council or any Board or Committee has any disclosable pecuniary interest within the meaning of the Code of Conduct in any contract, proposed contract or other matter, that Member shall, while the contract, proposed contract or any other matter is being considered by the Council or any Board or any Committee, declare that interest and withdraw from the meeting.
- 7.1.2 Any Member shall not be required to withdraw from the meeting pursuant to Standing Order 7.1.1 if the Standards and Governance Committee has granted a dispensation to the Member

STANDARDS AND GOVERNANCE COMMITTEE

Membership, 8 Councillors

Terms of Reference

1. To promote and maintain high standards of conduct within the Council, both for Councillors, Co-opted Members and officers through advice, guidance, training and monitoring of the Local Code of Conduct.
2. To promote transparency and probity throughout all functions of the Council ensuring that Councillors and officers strive to publicly, as well as privately, demonstrate the highest standards of conduct.
3. To monitor the effectiveness and development of the Local Code of Conduct and to make recommendations on the adoption and review of the Local Code of Conduct as necessary to Council.
4. To arrange training for Councillors, Co-opted Members and officers on matters relating to the Local Code of Conduct and governance including standards, ethics and probity.
5. To have an oversight of the Council's method for establishing and recording Members' and Co-opted Members disclosable pecuniary interests and to determine applications for dispensations under Section 33 of the Localism Act 2011.
6. To support the Monitoring Officer in their statutory role.
7. To have an oversight of the Constitution, the operation of and amendments to the Constitution particularly in relation to codes of conduct.
8. To adopt or amend any protocols on conduct made pursuant to the Constitution.
9. In accordance with the Council's arrangements to appoint sub-committees to determine allegations of breach of the Code of Conduct.

10. To support the Chief Financial Officer in their statutory role in connection with the financial probity.
11. To consider the Head of Internal Audit's annual report and opinion, and a summary of internal audit activity (actual and proposed) and the level of assurance it can give over the Council's corporate governance arrangements.
12. To consider the external auditor's annual letter, relevant reports, and the reports to those charged with governance.
13. To consider specific reports as agreed with the external auditor.
14. To liaise with the Audit Commission over the appointment of the Council's external audit.
15. To monitor the effective development and operation of risk management and corporate governance in the Council.
16. To review any issue referred to it by Council or the Chief Executive.
17. To review complaints under the Council's Complaints procedure and those investigated by the Ombudsman.
18. To have an oversight of the Council's "Whistle-blowing" policy, Anti-fraud and Anti-corruption policies.
19. To oversee the production of the Council's Statement of Internal Control and to recommend to Council its adoption.
20. To consider in relation to Internal Audit:
 - Summary of specific Internal Audit reports (as requested)
 - Reports dealing with the management and performance of the Internal Audit service.
21. To comment on the scope and depth of external audit work and to ensure it gives value for money.

Assessment Sub-Committee

Membership, 3 Members of the Standards and Governance Committee

Delegated Powers

1. The determination of allegations of failure to comply with the Council's Code of Conduct, in accordance with the Council's arrangements for dealing with such allegations.

Arrangements for Dealing with Allegations of Breaches of the Code of Conduct for Members

1. Context

- 1.1 These arrangements set out how you may make a complaint that an elected or co-opted member of Gosport Borough Council (“the Council”) has failed to comply with the Council’s code of Conduct, and sets out how the Council will deal with allegations of a failure to comply with the Council’s Code of Conduct as required by Section 29(6) and (7) of the Localism Act 2011.
- 1.2 Such arrangements must provide for the Council to appoint at least one Independent Person (‘IP’), whose views must be sought by the Council before it takes a decision on an allegation which it has decided shall be investigated, and whose views can be sought by the Council at any other stage, or by a member or co-opted member against whom an allegation has been made.

2. Code of Conduct

- 2.1 The Council has adopted a Code of Conduct for members, which is attached as Appendix 1 to these arrangements and which is available for inspection on the Council’s website and at the Town Hall.

3. Making a Complaint

- 3.1 If you wish to make a complaint, please write or email to –

The Monitoring Officer
Gosport Borough Council
Town Hall
High Street
Gosport
Hampshire
PO12 1EB
Email:

- 3.2 The Monitoring Officer is a senior officer of the Council who has statutory responsibility for maintaining the register of members’ interests and who is responsible for administering the system in respect of complaints of member misconduct.

- 3.3 In order to ensure that we have all the information which we need to be able to process a complaint, please complete and send us the model complaint form, which can be downloaded from the Council's website, www.gosport.gov.uk, and is available on request from Reception at the Town Hall.
- 3.4 Please provide us with your name and a contact address or email address, so that we can acknowledge receipt of your complaint and keep you informed of its progress. If you want to keep your name and address confidential, please indicate this in the space provided on the complaint form. The Council does not investigate anonymous complaints.
- 3.5 The Monitoring Officer will acknowledge receipt of your complaint within 5 working days of receiving it, and will keep you informed of the progress of your complaint.

4. Will Your Complaint be Investigated

- 4.1 The Monitoring Officer will review every complaint received and may dismiss it without further action if:
- (a) The person complained about is no longer a Member of Gosport Borough Council or
 - (b) The Monitoring Officer considers the complaint does not relate to behaviour in the Member's official capacity as a Councillor; or
 - (c) The matter being complained about happened more than 12 months before the complaint was received; or
 - (d) The matter being complained about came to the complainant's notice more than 6 months before the complaint was received; or
 - (e) The complaint was made anonymously.

The Monitoring Officer will inform the complainant and the Member of their decision and the reason for it.

This decision will normally be made within 20 working days or receipt of your complaint.

- 4.2 If the Monitoring Officer does not dismiss the complaint on one of the above grounds, they will acknowledge it and inform the complainant of the procedure to be followed.
- 4.3 Where the Monitoring Officer requires additional information in order to come to a decision, they may come back to you for such information, and may also request information from the Member against whom your complaint is direct.
- 4.4 The Monitoring Officer will (except in exceptional circumstances where they consider that it is in the public interest not to do so) send the Member complained about a copy of the complaint, and invite the Member to submit initial written comments within 10 working days.
- 4.5 The Monitoring Officer may also ask the Member any specific questions the Monitoring Officer considers will assist the initial assessment of the complaint.
- 4.6 In appropriate cases, the Monitoring Officer may seek to resolve the complaint informally, without the need for a formal investigation. Such informal resolution may involve the Member accepting that their conduct was unacceptable and offering an apology, or other remedial action by the Council. Where the Member or the Council makes a reasonable offer of local resolution, but you are not willing to accept that offer, the Monitoring Officer will take account of this in deciding whether the complaint merits formal investigation.
- 4.7 If your complaint identifies criminal conduct or breach of other regulation by any person, the Monitoring Officer or any other officer will refer the complaint to the Police or other regulatory agencies. If you consider there has been criminal conduct then you may go directly to the Police or other regulatory agency.

5. Initial Assessment of the Complaint

- 5.1 Initial assessment of the complaint will, if practicable, take place within 20 working days of receipt of the Member's written comments under section 4 above.
- 5.2 The decision on the initial assessment will be made by the Assessment Sub-Committee or the Monitoring Team. The Assessment Sub-Committee comprises 3 members of the Council's Standards and Governance Committee who are appointed to consider the specific complaint.

- 5.3 Complaints from Councillors, Council employees, contractors appointed by the Council, complaints about Chairmen of the Council's Boards, the Mayor or Group Leaders will, subject to the provisions of 4.1, be referred to the Assessment Sub-Committee for initial assessment.
- 5.4 The Monitoring Team comprises the Monitoring Officer the Chief Executive and if the Member requests the involvement of the Independent Person or the Monitoring Officer considers this appropriate the Independent Person. The Monitoring Team will deal with all complaints other than those referred to in Paragraph 5.3 above, save where they consider that such a complaint should be referred to the Assessment Sub-Committee for initial assessment.
- 5.5 If the Monitoring Officer considers that it is not appropriate for them to act, the Deputy Monitoring Officer will take their place. If the Chief Executive considers that it is not appropriate for them to act. The Council's Section 151 Officer will take their place.
- 5.6 Before the Assessment Sub-Committee or Monitoring Team considers the complaint, the Monitoring Officer will send members of the Assessment Sub-Committee or Monitoring Team
- (a) A copy of the complaint.
 - (b) A copy of the Member's comments in response to the complaint.
 - (c) Any other information in the Monitoring Officer's possession that they considers relevant.
- 5.7 The Assessment Sub-Committee or Monitoring Team's decision on the initial assessment, with reasons and the views of the IP (if involved) will be given in writing to the Member and the complainant within five working days.
- 5.8 There will be no right of appeal.
- 5.9 The decision will be available for public inspection.

6. Decision Options at Initial Assessment

- 6.1 The Assessment Sub-Committee or Monitoring Team may decide:
- (a) To take no action (see 6.2 below); or

- (b) To attempt to resolve the matter informally between the complainant and Member, either in writing, by face-to-face meeting, or by any other method they consider appropriate. In this case there will be no formal decision as to whether or not there was a breach of the Code of Conduct. If an attempt to resolve the matter in this way is not achieved to the satisfaction of the Member and the complainant, options (a) and (c) will remain open; or
- (c) To arrange for a formal investigation to be undertaken, including interview of appropriate witnesses, and to seek the view of the investigator (see Paragraph 7.1) as to whether there has been a breach of the Code of Conduct. If the investigator considers there has been a breach of the Code, a hearing will be arranged. If the investigator considers that there has not been a breach of the Code, the Monitoring Officer will issue a formal finding to that effect.

6.2 No action will be taken where any of the following apply:

- (a) The Monitoring Team or Assessment Sub-Committee considers that there is no prima facie evidence that the Code has been breached;
- (b) Taking into account the nature of the allegation, the Monitoring Team or Assessment Sub-Committee considers that using public funds to examine the matter further would be disproportionate;
- (c) The Monitoring Team or Assessment Sub-Committee considers that the complaint appears to be vexatious, politically motivated, tit-for-tat or made by a persistent complainant;
- (d) The conduct complained about has already been the subject of investigation or enquiry by another public body;
- (e) The same, or substantially the same, issue has been the subject of a previous Code of Conduct allegation, and the Monitoring Team or Assessment Sub-Committee considers that there is nothing further to be gained;
- (f) The Monitoring Team or Assessment Sub-Committee considers that there is not enough information to take the matter further.

- (g) The complainant has requested that their identity as complainant be withheld from the Member, and the Monitoring Team or Assessment Sub-Committee considers that the matter cannot reasonably be taken further in these circumstances;
- (h) The Member has already apologised for the action that was the subject of the complaint, and the Monitoring Team or Assessment Sub-Committee considers that this is sufficient to dispose of the complaint;
- (i) The Monitoring Team or Assessment Sub-Committee considers that the complaint is essentially against the action of the Council as a whole and cannot properly be directed against an individual Member(s).

7. How is the Investigation Conducted?

- 7.1 If the Monitoring Team or Assessment Sub-Committee decide that a complaint merits formal investigation, the Monitoring Officer will appoint an Investigating Officer, who may be another officer of the authority, an officer of another authority or an external investigator. The Investigating Officer will decide whether they need to meet or speak to you to understand the nature of your complaint and so that you can explain your understanding of events and suggest what documents the Investigating Officer needs to see, and who the Investigating officer needs to interview.
- 7.2 The Investigating Officer would normally write to the Member against whom you have complained and ask the Member to provide their explanation of events, and to identify what documents they need to see and who they needs to interview. In exceptional cases, where it is appropriate to keep your identify confidential or disclosure of details of the complaint to the Member might prejudice the investigation, the Monitoring Officer can delete your name and address from the papers given to the Member, or delay notifying the Member until the investigation has progressed sufficiently.
- 7.3 At the end of their investigation, the Investigating Officer will produce a draft report and will send copies of that draft report, in confidence, to you and to the Member concerned, to give you both an opportunity to identify any matter in that draft report which you disagree with or which you consider requires more consideration.

- 7.4 Having received and taken account of any comments which you may make on the draft report, the Investigating Officer will send their final report to the Monitoring Officer.
- 7.5 If the Investigating Officer concludes that there is no evidence of a failure to comply with the Code of Conduct the Monitoring Officer will write to the complainant and Member and advise that no further action will be taken and a copy of the Investigating Officer's final report will be sent to you and the Member.
- 7.6 If the Investigating Officer concludes that there is evidence of a failure to comply with the Code of Conduct the matter will be sent to the Standards and Governance Committee for a hearing.

8. Procedure for Hearings

General:

- 8.1 Hearings will where possible be held within two months of receipt by the Monitoring Officer of the Investigator's final report.
- 8.2 The hearing will be before the Standards and Governance Committee.
- 8.3 The Independent Person (IP) appointed under Section 28 of the Localism Act 2011 will also be present. Their views will be requested and taken into account by the Standards and Governance Committee, but by law they cannot vote.
- 8.4 The Monitoring Officer or Deputy Monitoring Officer will be present as legal advisor to the Standards and Governance Committee.
- 8.5 The Investigating Officer's report should normally provide the Standards and Governance Committee with all the available information, but they may call such witnesses as they consider necessary. Both the Member and complainant will be invited to attend.
- 8.6 The Member may present their own case or be represented.
- 8.7 Written statements from all witnesses called by the Investigating Officer or the Member must be lodged with the Monitoring Officer no later than 10 working days before the hearing. Character witnesses who cannot provide evidence on the matter complained about will not be permitted.

- 8.8 The cost of any attendance or representation must be borne by the party concerned.
- 8.9 All written evidence will be circulated to the members of the Standards and Governance Committee, the IP, the Member and the complainant at least five working days before the hearing.
- 8.10 Written statements will not be read out at the hearing as it will be assumed all those present are already familiar with their contents.
- 8.11 The legal advisor can speak at any time to advise the Standards and Governance Committee on technical matters or ask questions of any party.
- 8.12 Order of Proceedings:
- (a) The Investigating Officer presents their case and calls witnesses (if any).
 - (b) The Member can ask the Investigating Officer and any witnesses questions.
 - (c) The Panel and IP can ask the Investigating Officer and any witnesses questions.
 - (d) The Member can address the Panel and call witnesses (if any).
 - (e) The Investigating Officer can ask the Member and witnesses questions.
 - (f) The Panel and IP can ask the Member and witnesses questions.
 - (g) The Investigating Officer can make a closing statement.
 - (h) The IP will be invited to give their advice on the matter.
 - (i) The Member can make a closing statement.
 - (j) All those present except the Standards and Governance Committee and the Clerk will leave the room while the Standards and Governance Committee makes its decision. The Committee may ask the legal advisor to attend to give advice.

- (k) The Standards and Governance Committee will announce its decision as to whether there has been a breach of the Code of Conduct taking in open session.
 - (l) The Member will be invited to make representation on what action should be taken.
 - (m) The Standards and Governance Committee may retire to consider what action should be taken and will announce its decision in open session.
- 8.13 A written report of the hearing and decision, with reasons, will be prepared, usually within 7 working days. A copy will be sent to the Member and Complainant.
- 8.14 The written report will be available for public inspection.

9. What is the Standards Committee

- 9.1 The Standards Committee is a politically balanced Committee of the Council. It is comprised of eight members of the Council. It is appointed on the nomination of party group leaders in proportion to the strengths of each party group on the Council. The Leader of the Council may not be appointed to the Standards and Governance Committee.
- 9.2 The decision of the Committee shall be by a simple majority of those present able to vote.
- 9.3 The Independent Persons are invited to attend all meetings of the Committee and their views are sought and taken into consideration before the Committee takes any decision on whether the Member's conduct constitutes a failure to comply with the Code of Conduct and as to any action to be taken following a finding of failure to comply with the Code of Conduct. The Independent Persons do not, however, have voting rights on the Committee. Their role is an advisory one and they are appointed in accordance with the provisions of the Localism Act 2011.
- 9.4 The Committee will be subject to the same rules regarding public access to meetings as other Committees of the Council. Public notice of the meeting will be given. Copies of the Agenda and any report will be open to inspection by members of the public and the press, unless in the case of reports they disclose confidential or exempt information.

- 9.5 Meetings of the Committee will be open to the press and the public except where the Committee decides to resolve to exclude the press and public on the grounds of potential disclosure of exempt or confidential information.
- 9.6 There is no general protection against defamation arising against any party involved in any complaint brought before the Standards and Governance Committee.
- 9.7 The Standards and Governance Committee on the advice of the legal advisor may depart from these arrangements in relation to hearings where it is necessary to do so in order to secure the effective and fair consideration of any matter.

10. What Action can the Standards and Governance Committee Take Where a Member has failed to comply with the Code of Conduct

The Council has delegated to the Standards and Governance Committee such of its powers to take action in respect of individual members as may be necessary to promote and maintain high standards of conduct.

Accordingly the Standards Committee may decide –

- 10.1 No action needs to be taken;
- 10.2 Censure or reprimand the Member;
- 10.3 Report its findings to Council for information;
- 10.4 Recommend to the Member's group Leader that the member removed from any or all Boards and Committees of the Council;
- 10.5 Recommend to Council that the Member be removed from any offices held on behalf of the Council for example appointments to outside bodies;
- 10.6 If the Member agrees instruct the Monitoring Officer to arrange training for the Member.
- 10.7 Restrict or remove the use of Council resources or facilities for a specified period by the Member provided this does not prevent the Member from carrying out their duties as an elected Councillor.

11. Appeals

There is no right of appeal for the complainant or for the Member against a decision of the Monitoring Officer, Monitoring Team or the Standards and Governance Committee.

If you feel the Council has failed to deal with your complaint properly you may make a complaint to the Local Government Ombudsman.

AGENDA ITEM NO. 09

Board/Committee:	Standards and Governance Committee
Date of Meeting:	21 June 2012
Title:	Internal Fraud 2010/11
Author:	Head of Internal Audit & Risk Assurance
Status:	FOR DECISION

Purpose

The report summarises the key issues regarding the internal fraud committed against the Council by an ex employee from September 2010 through to June 2011.

Recommendation

That the report is noted and that Members of the Committee are updated on future actions.

1 Background

- 1.1 Early in July 2011 it was discovered that the Council had been a victim of a significant financial fraud committed by an ex employee who had worked in the Accountancy section of the Financial Services Unit for over nine years. The Council had been defrauded of £307,810.15 during the period September 2010 to June 2011 involving seventeen fraudulent payments to his personal bank account. The fraud itself was very sophisticated but there was a trail left (within all the systems) at each stage that was subsequently analysed.
- 1.2 The perpetrator had exploited his knowledge of and access to all budgets within the Council through his role as Accountancy officer. He was familiar with how key processes operated within the overall accounts structure as well as the controls in place to safeguard these transactions as he had played a significant role in the implementation of these new systems from 2010.

2 Report

- 2.1 The fraud was discovered internally and was reported to Internal Audit on Friday 8th July 2012. This was initially a £80k fraud and early investigation traced it back to a HSBC bank account held at Fareham.
- 2.2 Early the following week the case was reviewed and it was soon established that the fraud was an internal one and was further reaching. The perpetrator was identified at this early stage. The facts were reported to the Chief Executive, Deputy Borough Chief Executive & Borough Treasurer and Monitoring Officer prior to

reporting the matter to the Police

- 2.3 It was soon established that the full extent of the fraud was £307,810.15. All evidence was gathered and secured for further analysis, eventually giving a clear picture of how the crime had been committed. Immediate steps were taken to secure systems against any further potential fraudulent payments, initially including temporary suspension and manual screening of all creditor payments.
- 2.4 Three witness statements from Council staff were provided to the Police in this criminal investigation. Additional support and key information was also provided from the internal audit team to support this case.
- 2.5 Subsequently the Council have implemented a series of new and enhanced controls to safeguard against any future breach and our external auditors have been kept apprised of developments at every stage.
- 2.6 The Council's insurers, following meetings, information exchange and further discussions, confirmed that our Fidelity Guarantee Insurance would cover the loss incurred in full, although a confiscation order is being applied for in order to ensure that the fraudster eventually makes substantial, if not complete, reparation.
- 2.7 The case has taken many months to progress through the judicial process but eventually the perpetrator pleaded guilty and has received a 30 month custodial sentence.
- 2.8 Whilst the case has lead to a thorough review of our business processes, further actions will be taken to raise awareness of the threat of fraud and the steps that can be taken to reduce risk. Actions are likely to include:
 - A statement to all staff and Members by the Chief Executive relaunching our anti-fraud and corruption policy;
 - Awareness and guidance sessions on fraud throughout the Council and to key contractors. The confidential whistleblowing facility available to all will also be re-launched;
 - A review of the Internal Audit Section's own working practices in performing investigations and provision of additional advice to Managers and supervisors (i.e. what to do if a fraud is suspected);
 - Use of the Internal Audit infonet site to raise awareness of the risk of fraud; and,
 - The Internal Audit Section will be set up a finance system user group to invite discussion regarding the various system modules and the building in of appropriate control measures.

3 Risk Assessment

- 3.1 This internal and sophisticated fraud has raised many questions regarding the Council's internal control environment and internal audit have responded by assisting with the strengthening a number of "high risk" processes within the Council to reduce the threat of a similar act re-occurring.
- 3.2 The internal audit team have developed with other key staff improved control mechanisms to trigger automatic alerts on all changes to key data. Further enhancements to this area of continuous auditing are under development.
- 3.3 The Council continues to insure against all fraudulent losses through its Fidelity Guarantee Insurance policy.

4 Conclusion

- 4.1 The Council has been victim of a sophisticated financial fraud by a former employee who had deliberately misappropriated a significant amount of money over his closing working months with the Council, prior to taking redundancy. His actions were calculated and involved using his position and knowledge within the finance team to select suppliers and values that would not initially raise suspicion.
- 4.2 Thorough work in strengthening existing controls within the financial systems (aided by the supplier), other high risk systems and the IT control environment will help to ensure that this type of fraud will not go undetected in the future.

Financial Services comments:	This fraud was fully insured under the Council's Fidelity Guarantee Insurance Policy
Legal Services comments:	None
Crime and Disorder:	This was an internal crime against the Council and close professional working with the Police was well established to progress and support this criminal investigation.
Equality and Diversity:	Nil
Service Improvement Plan implications:	General awareness training on both internal and external fraud risks against a public body (a series of workshops for all people managers).
Corporate Plan:	Nil
Risk Assessment:	See Section 3
Background papers:	None
Appendices/Enclosures:	None
Report author/Lead Officer:	Chris Davis 02392 545306

Meeting:	Gosport Borough Council Standards and Governance Committee Meeting
Item no:	11
Date:	June 2012
Author:	Kevin Suter and Rose Coates
Subject:	Audit Plan for 2011/12

1. Purpose and Rationale

The purpose of this document is to set out my planned audit work to address the opinion audit risks identified for 2011/12. The audit plan has been discussed and agreed with officers in the Finance department.

2. Summary

This audit plan sets out:

- my analysis of the key audit risks for the financial statements audit (pages 5 to 7) and the value for money conclusion (pages 11-12);
- my audit strategy; and
- my planned reporting timetable (page 13).

The fee for the audit is £116,375 as set out in our letter of 4 April 2011. The audit fee has been discussed previously by this committee.

3. Recommendations

None.

4. Link to Assurance Framework

Strengthening governance, financial reporting and internal controls at the Council.

5. Action for Standards and Governance Committee

The Committee is asked to approve the Audit Plan.

Audit plan

Gosport Borough Council

Audit 2011/12



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Introduction

This plan sets out the work for the 2011/12 audit. The plan is based on the Audit Commission's risk-based approach to audit planning.

This Audit Plan sets out my:

- analysis of the key audit risks for the financial statements audit and the value for money conclusion;
- audit strategy; and
- planned reporting timetable.

I discuss this plan with you to ensure that you are clear on the intended scope of the audit. This should help me to provide a high-quality audit service.

Responsibilities

The Audit Commission's Statement of Responsibilities of Auditors and of Audited Bodies sets out the respective responsibilities of the auditor and the audited body. The Audit Commission has previously issued a copy of the Statement to you.

The Statement summarises where the different responsibilities of auditors and of the audited body begin and end. I undertake my audit work to meet these responsibilities.

I comply with the statutory requirements governing my audit work, in particular:

- the Audit Commission Act 1998; and
- the Code of Audit Practice for local government bodies.

My audit does not relieve management or the Standards and Governance Committee, as those charged with governance, of their responsibilities.

Accounting statements and Whole of Government Accounts

I will carry out the audit of your accounting statements under International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board (APB). I am required to issue an audit report giving my opinion on whether your accounts give a true and fair view.

Materiality

I apply materiality in planning and performing my audit, in evaluating the effect of any identified misstatements, and in forming my opinion.

Identifying audit risks

I need to understand the Council to identify any risk of material misstatement (whether because of fraud or error) in the accounting statements. I do this by:

- identifying the business risks facing you, including assessing your own risk management arrangements;
- considering your financial performance;;
- assessing internal control, including reviewing the control environment, the IT control environment and internal audit; and
- assessing the risk of material misstatement arising from the activities and controls within your information systems.

Identification of significant and specific risks

I set out below the significant or specific risks I have identified relating to my audit of the 2011/12 accounting statements. Significant risks require special audit attention under the auditing standards. As the audit progresses I will refresh my risk assessment. I may identify more risks, or reclassify certain risks, or decide some risks are no longer relevant. If there are any changes to my risk assessment, I will report these to you.

Table 1: **Significant risks**

Risk	Audit response
No significant risks have been identified to date	

Table 2: **Specific Risks**

Risk	Audit response
<p>1. Housing Revenue Account (HRA) reforms</p> <p>The government is reforming local authority housing finance by adopting a self-financing model from 1 April 2012. This replaces the HRA subsidy system.</p> <p>Self-financing is implemented through a one-off settlement payment to or from government, to adjust the housing debt of local housing authorities and leave each with a level of HRA debt considered affordable from rental income. Payments from government will in most cases be used to redeem an equal percentage of all PWLB debt held by authorities.</p> <p>In 2011/2012, the Council will therefore need to:</p> <ul style="list-style-type: none"> ■ recognise the settlement payment to or from government; ■ account for any premiums and discounts arising from the premature redemption of debt. This will include apportioning any premiums and discounts between the HRA Housing Revenue Account and General fund in line with statutory provisions; and ■ recognise additional borrowing taken out to make the self-financing settlement to government. 	<p>I will undertake specific substantive procedures to obtain audit assurance over your transactions with DCLG (Department for Communities and Local Government), the PWLB (Public Works Loan Board) and the accounting treatment of those transactions. This will include the following:</p> <p>Payment to central government:</p> <p>Agreement to final determination</p> <p>Review of accounting entries against recommended accounting practice (as set out in Local Authority Accounting Panel (LAAP) Bulletin 92)</p> <p>Related PWLB loan</p> <p>Third party confirmation</p> <p>Re-performance of calculations supporting Item 8 debits and credits</p>

Risk	Audit response
<p>2. Heritage Assets</p> <p>The Code of Practice on Local Authority Accounting requires local authorities to adopt new accounting principles when accounting for heritage assets for the first time in 2011/12..</p> <p>The Code defines heritage assets as ‘those assets that are intended to be preserved in trust for future generations because of their cultural, environmental or historical associations.</p> <p>This change represents a change in accounting policy, therefore, restatement of comparative information is required where the impact of implementation is material. This restatement includes a balance sheet at the start of the comparative period (i.e. at 1 April 2010) and associated disclosure notes at that date.</p>	<p>In this first year of implementation I will undertake specific audit work to assess whether you have:</p> <ul style="list-style-type: none"> adequate arrangements to identify and record all heritage assets; set out your accounting policies in your financial statements; and met the new disclosure requirements. <p>If the value of heritage assets is material I will also ensure you have:</p> <ul style="list-style-type: none"> applied appropriate judgements in classifying heritage assets as either operational or non-operational; applied appropriate judgements in determining whether valuation or cost information can be obtained at a cost which is commensurate with the benefit of providing that information; used an appropriate and current valuation method where heritage assets are measured at valuation; and correctly restated prior year comparative information in your financial statements.
<p>3. Planned upgrade to your key financial systems</p> <p>In 2010/11 the COA e-financials went live from 1st of April 2010. COA e-financials provides the general ledger, accounts receivable and accounts payable systems. Further planned up grades have been made since its implementation.</p> <p>Key system controls did not operate consistently during 2010/11 in the accounts receivables and accounts payable systems.</p> <p>The risk to my audit is that key system controls do not operate effectively to ensure the reliability of the information supporting figures in the financial statements.</p>	<p>I will understand and document the system changes in the COA- e financials and assess the impact on my audit.</p> <p>My work will test the operation of key system controls to provide assurance over the accuracy and completeness of the financial information which supports your financial statements.</p> <p>I will assess your general IT controls.</p>

Risk	Audit response
<p>4. Special investigation</p> <p>In July 2011 the Council's internal processes identified an internal fraud totalling just over £300,000. The fraud spans two financial years 2010/11 and 2011/12. The Council is confident that any loss will be covered by its insurers.</p> <p>The special investigation undertaken by officers has identified scope to further strengthen Internal controls.</p>	<p>With regard to the internal fraud I will:</p> <ul style="list-style-type: none"> ■ review IA's response to internal fraud ■ assess the adequacy system controls in the accounts payable system including any additional local controls which have been implemented as a result ■ use my IT specialist to review the effectiveness of general IT controls. <p>In addition, if applicable, I will ensure appropriate accounting adjustments and disclosures are reflected in the accounts or annual governance statement.</p>

Testing strategy

My work will involve documenting the way your material financial systems operate, and testing the effectiveness of the key controls identified within them. I will also review your control environment in which the key financial systems operate and assess your IT control environment.

Where appropriate, my audit involves:

- review and re-performance of the work of your internal auditors;
- testing of controls;
- reliance on the work of other auditors;
- reliance on the work of experts; and
- substantive tests of detail of transactions and amounts.

I have sought to:

- maximise reliance, subject to review and re-performance, on the work of your internal auditors; and
- maximise the work that can be undertaken before you prepare your accounting statements.

The nature and timing of my proposed work is as follows.

Table 3: Proposed work

	Review of internal audit	Controls testing	Reliance on the work of other auditors	Reliance on work of experts	Substantive testing
Interim visit March 12 to April 12	<p>I will rely on the following IA work:</p> <ul style="list-style-type: none"> ■ General ledger ■ Creditors ■ Debtors ■ Payroll ■ Cash ■ NNDR ■ Housing Benefits ■ Treasury Management ■ Fixed assets 	<p>General Ledger</p> <p>Cash receipting</p> <p>Accounts Receivable</p> <p>Housing Rents</p> <p>Treasury Management</p>	<p>Pensions assets and liabilities – reliance will be placed on work of the auditor to Hampshire County Council Pension Fund.</p> <p>The appointed auditor of Hampshire County Council Pension Fund is the Audit Commission and an internal protocol is in place to enable us to place reliance on their work.</p>	<p>Pensions liabilities and assets;</p> <ul style="list-style-type: none"> ■ Aon Hewitt - the actuary of Hampshire County Council's Pension Fund; and ■ PwC - the Audit Commission's consulting actuary (PwC). <p>Valuation of property, plant and equipment;</p> <ul style="list-style-type: none"> ■ Capita Symonds – who value your fixed assets. ■ Savills(L&P) Ltd – who value your HRA housing stock ■ Review of Gerald Eve report 	<ul style="list-style-type: none"> ■ Substantive Analytical Review of rent income ■ Substantive Analytical Review of HRA expenditure ■ Substantive Analytical Review of CT income ■ Income from collection fund billing authorities ■ Substantive Analytical Review of employee benefits ■ General government grants ■ NNDR redistribution ■ Opening balances ■ Suspense accounts ■ Subjective analysis (SERCOP)
Post statements visit July 12	<p>None. Although we will liaise with Internal Audit throughout the audit.</p>	<p>I will complete any 'top up' controls testing required to provide assurance</p>	<p>I will assess the assurance provided by the auditor of Hampshire County Council Pension Fund and undertake any additional procedures that are required.</p>	<p>I will assess the assurance provided by the experts listed above. I will undertake any additional procedures that are required.</p>	<p>All material accounts balances and amounts will be subject to substantive work to provide assurance against the stated assertions.</p> <p>Year-end feeder system</p>

	Review of internal audit	Controls testing	Reliance on the work of other auditors	Reliance on work of experts	Substantive testing
		covering the whole audit period for the systems noted above.			reconciliations.

I will agree with you a schedule of working papers required to support the entries in the accounting statements and share this with offices before 31 March 2012.

Whole of Government Accounts

I will review and report to the National Audit Office on your Whole of Government Accounts return. The extent of my review and the nature of my report are specified by the National Audit Office.

Value for money

I am required to reach a conclusion on your arrangements to secure economy, efficiency and effectiveness.

My conclusion on your arrangements is based on two criteria, specified by the Commission. These relate to your arrangements for:

- securing financial resilience – focusing on whether you are managing your financial risks to secure a stable financial position for the foreseeable future; and
- challenging how you secure economy, efficiency and effectiveness – focusing on whether you are prioritising resources within tighter budgets and improving productivity and efficiency.

How I form my value for money conclusion:

To form my view on the Council's arrangements, I plan a programme of VFM audit work based on my risk assessment. This includes the following.

- Capturing what I know already from last year's work, the Audit Commission's VFM profiles, my continuing reviews of minutes and discussions with officers.
- Considering how the Council is addressing the issue I raised last year in my Annual Audit Letter of the impact of new funding arrangements because of changes in arrangements for business rates and council tax benefits.
- Considering risks that are common to some or all councils, including the Finance Settlement 2012/13, formula grant changes and council tax freeze grants.

I have identified risks that I will address through my work.

Table 4: **Value for money conclusion risks**

Risk	Audit response
<p>1. HRA Reforms</p> <p>Under self-financing, the housing business plan becomes more critical in providing assurances about the long-term financial viability of the HRA Housing Revenue Account.</p> <p>It is essential that the Council has proper arrangements in place to consider how this change impacts on it's HRA Housing Revenue Account business plan, medium-term financial planning, treasury management and budgeting.</p>	<p>I will consider whether your HRA business plan, medium-term financial planning, treasury management and budgeting adequately consider the risks and implications of HRA self-financing.</p>
<p>2. Business rate reforms</p> <p>The government announced at the end of June 2011 that it would be changing the way local government is funded. The government is aiming to introduce the business rates retention scheme from April 2013. This means that in future a local authority's income from business rates may change if the amount of business rates that they collect goes up or down.</p> <p>The government is also considering how tax increment financing, whereby authorities will be able to borrow against future business rate income, could operate within the business rates retention system.</p> <p>To secure its future financial resilience it is essential the Council assesses the impact of this significant funding change on it's medium-term financial planning, treasury management and budgeting. This will allow it to plan ahead to</p>	<p>I will consider how you have reflected this significant funding change in your medium-term financial planning, treasury management and future budgets.</p>

Risk	Audit response
<p>minimise the impact on its financial resilience.</p>	
<p>3. Localising support for council tax from 2013/14</p> <p>The government has announced proposals to localise support for council tax from 2013/14. Under the new proposals, council tax billing authorities will be responsible for all aspects of the council tax system. It is intended that local authorities will establish their own local council tax schemes by April 2013.</p> <p>The government's plans are intended, amongst other things, to:</p> <ul style="list-style-type: none"> ■ increase councils' financial freedom; ■ create stronger incentives for councils to get people back into work and save taxpayers' money; and ■ enable councils to align the support scheme more closely with the council tax system to help reduce administrative costs. <p>The Council needs to ensure that it has plans in place to implement these proposals and manage the impact on its medium term financial plans.</p>	<p>I will assess the arrangements that Council has put in place to manage the introduction of this reform.</p>
<p>I will report my conclusions on these risks within my Annual Governance Report.</p>	

Key milestones and deadlines

You are required to prepare the accounting statements by 30 June 2012. I aim to complete my work and issue my opinion and value for money conclusion by 30 September 2012.

Table 5: **Proposed timetable and planned outputs**

Activity	Date	Output
Opinion: controls and early substantive testing	March - April 2012	Audit Plan (May 2012)
Opinion: receipt of accounts and supporting working papers	30 June 2012	Annual Governance Report
Opinion: substantive testing	July 2012	Annual Governance Report
Value for money conclusion work	July – August 2012	Annual Governance Report
Present Annual Governance Report at the Standards and Governance Committee	13 September 2012	Annual Governance Report
Issue opinion and value for money conclusion	By 30 September 2012	Auditor's report
Summarise overall messages from the audit	October 2012	Annual Audit Letter

The audit team

The key members of the audit team for the 2011/12 audit are as follows.

Table 6: **Audit team**

Name	Contact details	Responsibilities
Kevin Suter District Auditor	k-suter@audit-commission.gov.uk 0844 798 4634 07876 397 986	Responsible for the overall delivery of the audit including quality of reports, signing the auditor's report and liaison with the Chief Executive and the Chair of the Standards & Governance Committee.
Rose Coates Audit Manager	r-coates@audit-commission.gov.uk 0844 798 1771 07810 152 333	Manages and coordinates the different elements of the audit work. Key point of contact for the Head of Accountancy.
Alan Gregory Team Leader	a-gregory@audit-commission.gov.uk 0844 798 8985 07815 878 097	Coordinates, team leads and undertakes the audit work. Key point of contact for the Head of Accountancy and Internal Audit.

Independence and quality

Independence

I comply with the ethical standards issued by the APB and with the Commission's additional requirements for independence and objectivity as summarised in appendix 1.

I am not aware of any relationships that may affect the independence and objectivity of the Audit Commission, the audit team or me, that I am required by auditing and ethical standards to report to you.

Quality of service

I aim to provide you with a fully satisfactory audit service. If, however, you are unable to deal with any difficulty through me and my team please contact Chris Westwood, Director – Standards & Technical, Audit Practice, Audit Commission, 1st Floor, Millbank Tower, Millbank, London SW1P 4HQ (c-westwood@audit-commission.gov.uk) who will look into any complaint quickly and to do what he can to resolve the position.

If you are still not satisfied you may of course take up the matter with the Audit Commission's Complaints Investigation Officer (The Audit Commission, Westward House, Lime Kiln Close, Stoke Gifford, Bristol BS34 8SR).

Fees

The fee for the audit is £116,375 as set out in my predecessor's letter of 4 April 2011

The audit fee

The Audit Commission has set a scale audit fee of £116,375. This compares to the scale fee in 2010/11 of £122,500.

The scale fee covers:

- my audit of your accounting statements and reporting on the Whole of Government Accounts return; and
- my work on reviewing your arrangements for securing economy, efficiency and effectiveness in your use of resources.

The scale fee reflects:

- the Audit Commission's decision not to increase fees in line with inflation;
- a reduction resulting from the new approach to local VFM audit work; and
- a reduction following the one-off work associated with the first-time adoption of International Financing Reporting Standards (IFRS).

Variations from the recommended fee only occur where my assessments of audit risk and complexity are significantly different from those reflected in the 2010/11 fee. I have not identified significant differences and have therefore set the fee equal to the recommended fee.

Assumptions

In setting the fee, I have made the assumptions set out in appendix 2. Where these assumptions are not met, I may be required to undertake more work and therefore increase the audit fee. Where this is the case, I will discuss this first with the Head of Finance and I will issue a supplement to the plan to record any revisions to the risk and the impact on the fee.

Specific actions you could take to reduce your audit fee

The Audit Commission requires me to inform you of specific actions you could take to reduce your audit fee. As in previous years, I will work with staff to identify any specific actions you could take to reduce fees while providing continuing audit support.

Total fees payable

In addition to the fee for the audit, the Audit Commission will charge fees for:

- certification of claims and returns; and
- the agreed provision of non-audit services under the Audit Commission's advice and assistance powers.

Based on current plans the fees payable are as follows.

Table 7: **Fees**

	2011/12 proposed	2010/11 actual	Variance
Audit	£116,375	£132,500	-£16,125. The reduction reflects the Audit Commission's year on year reduction to the scale fee. Additional audit fees of £10,000 were raised during 2010/11 for additional audit work arising from the fraud and questions from the public.
Certification of claims and returns	£40,000	£41,258	2011/12 fee is an estimate. Grant are billed as actual work takes place
Non-audit work	£0	£0	
Total	£156,375	£173,758	

Appendix 1 – Independence and objectivity

Auditors appointed by the Audit Commission must comply with the Commission’s Code of Audit Practice and Standing Guidance for Auditors. When auditing the accounting statements, auditors must also comply with professional standards issued by the Auditing Practices Board (APB). These impose rigorous rules to ensure the independence and objectivity of auditors. The Audit Practice puts in place robust arrangements to ensure compliance with these requirements, overseen by the Audit Practice’s Director – Standards and Technical, who serves as the Audit Practice’s Ethics Partner.

Table 8: **Independence and objectivity**

Area	Requirement	How we comply
Business, employment and personal relationships	<p>Appointed auditors and their staff should avoid any official, professional or personal relationships which may cause them incorrectly limit the scope, extent or rigour of their work, or impair their judgement.</p> <p>The appointed auditor and senior members of the audit team must not take part in political activity for a political party, or special interest group, whose activities relate directly to the functions of local government or NHS.</p>	All audit staff are required to declare all potential threats to independence. Details of declarations are made available to appointed auditors. Where appropriate, staff are excluded from engagements or safeguards put in place to reduce the threat to independence to an acceptably low-level.

Area	Requirement	How we comply
Long association with audit clients	The appointed auditor responsible for the audit should, in all but the most exceptional circumstances, be changed at least once every seven years, with additional consideration of threats to independence after five years.	The Audit Practice keeps and monitors a central database of assignment of auditors and senior audit staff to ensure this requirement is met.
Gifts and hospitality	The appointed auditor and members of the audit team must comply with the Commission's policy on gifts, hospitality and entertainment.	All audit staff are required to declare any gifts or hospitality irrespective of whether they are accepted. Gifts and Hospitality may only be accepted with line manager approval.
Non-audit work	<p>Appointed auditors should not perform additional work for an audited body if it will compromise their independence.</p> <p>Auditors should not accept engagements that involve commenting on the performance of other auditors appointed by the Commission on Commission work without first consulting the Commission.</p> <p>Work over a specified value must only be undertaken with the prior approval of the Audit Commission's Director of Audit Policy and Regulation.</p>	All proposed additional work is subject to review and approval by the appointed auditor and the Director – Standards and Technical, to ensure that independence is not compromised.

Code of Audit Practice, Audit Commission Standing Guidance and APB Ethical Standards

Appendix 2 – Basis for fee

In setting the fee, I have assumed the following.

- The risk in relation to the audit of the accounting statements is not significantly different to that identified for 2010/11. For example:
 - internal controls are working effectively; and
 - I secure the cooperation of other auditors and experts.
- The risk in relation to my value for money responsibilities is not significantly different to that identified for 2010/11.
- Internal Audit meets professional standards.
- You provide:
 - good quality working papers and records to support the accounting statements and the text of the other information to be published with the statements by 30 June 2012;
 - other information requested within agreed timescales; and
 - prompt responses to draft reports.
- There are no questions asked or objections made by local government electors.

Where these assumptions are not met, I will have to undertake more work which is likely to result in an increased audit fee.

Appendix 3 – Glossary

Accounting statements

The annual statement of accounts that the Authority is required to prepare. This reports the financial performance and financial position of the Authority under the Accounts and Audit (England) Regulations 2011 and the Code of Practice on Local Authority Accounting in the United Kingdom.

Annual Audit Letter

Report issued by the auditor to the Authority after completing the audit that summarises the audit work carried out in the period and significant issues arising from auditors' work.

Annual Governance Report

The auditor's report on matters arising from the audit of the accounting statements presented to those charged with governance before the auditor issues their opinion [and conclusion].

Annual Governance Statement

The annual report on the Authority's systems of internal control that supports the achievement of the Authority's policies aims and objectives.

Audit of the accounts

The audit of the accounts of an audited body comprises all work carried out by an auditor under the Code to meet their statutory responsibilities under the Audit Commission Act 1998.

Audited body

A body to which the Audit Commission is responsible for appointing the external auditor.

Auditing Practices Board (APB)

The body responsible in the UK for issuing auditing standards, ethical standards and associated guidance to auditors. Its objectives are to set up high standards of auditing that meet the developing needs of users of financial information and to ensure public confidence in the auditing process.

Auditing standards

Pronouncements of the APB that contain basic principles and essential procedures with which auditors must comply, except where otherwise stated in the auditing standard concerned.

Auditor(s)

Auditors appointed by the Audit Commission.

Code (the)

The Code of Audit Practice for local government bodies issued by the Audit Commission and approved by Parliament.

Commission (the)

The Audit Commission for Local Authorities and the National Health Service in England.

Ethical Standards

Pronouncements of the APB that contain basic principles about independence, integrity and objectivity that apply to the conduct of audits and with which auditors must comply, except where otherwise stated in the standard concerned.

Group accounts

Consolidated accounting statements of an Authority and its subsidiaries, associates and jointly controlled entities.

Internal control

The whole system of controls, financial and otherwise, the Authority sets up to provide reasonable assurance of effective and efficient operations, internal financial control and compliance with laws and regulations.

Materiality

The APB defines this concept as ‘an expression of the relative significance or importance of a particular matter in the context of the accounting statements as a whole. A matter is material if its omission would reasonably influence the decisions of an addressee of the auditor’s report; also a misstatement is material if it would have a similar influence. Materiality may also be considered in the context of any individual primary statement within the accounting statements or of individual items included in them. Materiality is not capable of general mathematical definition, as it has both qualitative and quantitative aspects’.

The term ‘materiality’ applies only to the accounting statements. Auditors appointed by the Commission have responsibilities and duties under statute, as well as their responsibility to give an opinion on the accounting statements, which do not necessarily affect their opinion on the accounting statements.

Significance

The concept of ‘significance’ applies to these wider responsibilities and auditors adopt a level of significance that may differ from the materiality level applied to their audit of the accounting statements. Significance has both qualitative and quantitative aspects.

Those charged with governance

Those entrusted with the supervision, control and direction of the Authority. This term includes the members of the Authority and its Audit Committee.

Whole of Government Accounts

A project leading to a set of consolidated accounts for the entire UK public sector on commercial accounting principles. The Authority must send a consolidation pack to the department for Communities and Local Government which is based on, but separate from, its accounting statements.

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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.



AGENDA ITEM NO. 12

Board/Committee:	Standards and Governance Committee
Date of Meeting:	21 June 2012
Title:	Internal Audit Annual Report 2011/12
Author:	Head of Internal Audit & Risk Assurance
Status:	FOR DECISION

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 A.

3 Risk Assessment

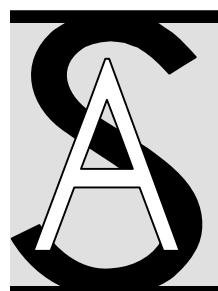
- 3.1 The report has a minimal direct impact on the overall risk of the Council. The work performed and the professional advice given by Internal Audit provides management with a high degree of assurance as stated within the attached report.

4 Conclusion

- 4.1 The overall opinion provided by internal audit, from the work undertaken in 2011/12.

Financial Services comments:	None
Legal Services comments:	None
Crime and Disorder:	None
Equality and Diversity:	None
Service Improvement Plan implications:	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.
Corporate Plan:	Internal Audit's work supports all Council Services in pursuit of their overall corporate and strategic priorities.
Risk Assessment:	See section 3
Background papers:	None
Appendices/Enclosures:	
Appendix 'A'	Internal Audit Annual Report 2011/12
Report author/ Lead Officer:	Chris Davis 02392 545306

**Audit
Services**



Delivering a Quality Audit Service

Gosport Borough Council

Standards & Governance Committee

Internal Audit Annual Report Year ending 31 March 2012

Head of Internal Audit & Risk Assurance: Chris Davis

Presented at the Standards & Governance Committee on: 21 June 2012

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1.0 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, value for money, process re-engineering 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 or assurances that assist the Council to prepare their statement on the Council's overall corporate governance arrangements.

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 2011/12 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 with senior management during 2011/12 (allowing us to be independent). The Section encountered planned resource secondment to the major procurement project in the year but this was partially negated by increased support from the remaining team, to ensure delivery of the agreed plan. The annual audit plan reflected this planned resource secondment to ensure full delivery in the key areas of the Council.

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 2012 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 and external audits (including other inspectorates) undertaken during the year ended 31 March 2012;
- 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 Council's objectives or activities;

- Matters arising from previous reports to the Committee and/or Council;

2.5 The Basis of the Opinion

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

Risk Management

Gosport Borough Council has a well developed strategic risk register which is now active on the Council performance management software (Covalent). The Corporate Risk Management Group meet on a quarterly basis and this focused group has enhanced the culture of risk at this level. Meetings took place in July, October and February in this financial year. In addition two reports were tabled to Council Management Team covering the topic of risk management. Much work in the year has been focussed in developing a similar structure around operational risk registers and this has culminated in all sections of the Council now having their 5 top operational risks in an electronic format. Additional work in 2012/13 is planned to further develop and enhance these registers.

Governance

The Council is committed to the principles of good governance, which is already demonstrated through many aspects of good practice in relevant areas. Key areas covered in the year were revisions to the Council's Anti Fraud & Corruption Policy covering money laundering, bribery and whistleblowing. In addition, the Financial Procedure Rules were amended and other minor amendments to the Constitution reflecting the reduction in Management Team. Further enhancements to the Constitution are in place already, at the time of writing, to reflect the new management team structure. Finally, the Council has responded to the External Audit Annual Governance Report 2011/12 and management are implementing a number of areas that require improvements and these are being followed up by Internal Audit as part of their 2012/13 work plan.

Internal Control

Our work has shown that internal controls across the organisation are working effectively. We have made no critical recommendations this year and the trend of the recommendations for 2011/12 remains spread across the lower two categories. The internal audit team in total recommended 165 recommendations to management (all accepted). The spread was 22 essential, 66 important and 77 advisory.

Fraud

The internal audit section did investigate in the year a serious matter of "abuse of position" and an ex employee has received a 30 month custodial sentence following a criminal investigation. This investigation was extremely resource hungry but through professional and dedicated staff the evidence was delivered to the Police in a number of days which assisted in their criminal investigation. The detail regarding this fraud is subject to a separate report to Members.

In addition to the above fraud, the Council continues to be active in detecting and preventing benefit fraud. The internal team claimed back over £227k from various sources in housing benefit overpayment, council tax benefit and income support/job seekers allowance. Many of the investigations were jointly managed with the Department of Works and Pensions. The Council again took part in the National Fraud Initiative (administered by the Audit Commission) and a number of strong matches were reported back to the various sections of the Council. There were 604 positive matches discovered when comparing electoral roll data to those registered on council tax claiming single person discount.

Acceptance of Recommendations

All of the twenty two essential recommendations (<14% of the total 165 recommendations) made during the year were fully accepted by management. Through the process of consultation, professional independent dialogue (including the weight of audit evidence) as well as quality assurance all other lower category recommendations (important [66 in total] and advisory [77 in total]) were also accepted. In total Internal Audit recommended to senior management 165 recommendations in the year.

2.6 Other External Inspections

The Council was subject to an inspection by the Office of Surveillance Commission in February 2012. This inspection reviews the Council processes and procedures around its managing of applications for covert surveillance (RIPA). As the Council has not applied for a RIPA for a number of years (2008) the inspection was 'light touch'. Though within the final report it implied that the Council may wish to reconsider its stance on the use of RIPA, especially in light of the Protection of Freedoms Act. The key areas of this Act that will affect the Council are:

- introduces a code of practice for surveillance camera systems and provides for judicial approval of certain surveillance activities by local authorities; and
- extends Freedom of Information rights by requiring datasets to be available in a re-usable format.

2.7 The Statement on Internal Control

Although Internal Audit cannot provide total assurance that control weaknesses or irregularities do not exist, due to time and other constraints of audit coverage, it is my professional opinion that sound assurance can be placed upon the adequacy and effectiveness of the Council's overall internal control system in the year to 31 March 2012.

3.0 Performance of Internal Audit

3.1 Internal Audit Resource

Internal Audit began the year in April 2011 supporting a short term absence at Eastleigh Borough Council at Principal level. This meant that two days out of five the Principal Auditor spent at Eastleigh from April through to December 2011. This generated an additional £22,000 of income. As at March 2012 the partnership with Eastleigh Borough Council had generated £207,726 in its first 5 years. The Head of Internal Audit continued with his shared management role across the two Councils splitting his working weeks across a fortnight (Tue–Wed, Mon–Wed at Eastleigh). In addition, a member the team was temporarily seconded to procurement (the post holder had been assisting in the lead up and successful transition of the new major contractors in both environmental and housing services) for the full year. This part-time post remained vacant through the year but with a revised audit plan in September 2011 and some strong work ethics the team achieved the audit plan.

3.2 Meeting Internal Audit Needs

I am satisfied that by delivering our agreed plan, a statutory requirement of the Section 151 Officer, the internal audit needs of the Council have been met.

3.3 Conflict of Interest

We have not undertaken any work or activity during 2011/12 that would lead us to declare any conflicts of interest. This area is taken extremely serious and rotation of work is undertaken annually. All Auditors sign an annual declaration.

3.4 Compliance with the CIPFA Code of Practice for Internal Audit

The Council engage in 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.

3.5 External Audit annual review of Internal Audit

The Audit Commission, the External Auditors for the Council, have examined the quality of the internal audit work and they can place adequate reliance on our output against the CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom.

3.6 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;
- Liaison with other county auditors through established Hampshire wide groups on fraud and IT related matters;
- Professional training (CPD) as well as attendance on relevant professional seminars.
- Performance management (annual service improvement plan and key local and personal performance indicators);
- The maintenance of the Internal Audit Manual.

AGENDA ITEM NO. 13

STANDARDS AND GOVERNANCE COMMITTEE WORKPLAN **AS AT 21 JUNE 2012**

Work Area	Report To Committee	Lead Officer
Work Plan	Standing Item	
Complaints (Min No 37 refers (S & G Cttee 13 Dec 11))	TBA	
Update on Standards & Governance	June 12	Linda Edwards
Note: Whilst the Standards Board for England has been abolished the new standards regime is not expected to be in force until July 2012. However many of the necessary details which are to be included in Regulations, Orders and Guidance are still not available.		
Financial Fraud Case	June 12	Julian Bowcher/Chris Davis
Recommendation 1 on page 8 of the Audit Commission's report entitled 'Certification of claims and returns – annual report (GBC Audit 2010/11)'	June 12	Audit Commission
Audit Plan	June 12	Audit Commission
Local Government Ombudsman: Annual Review 2011/12	Sept 12	Linda Edwards
Annual Governance Report	Sept 12	Audit Commission
Annual Audit Letter	Nov 12	Audit Commission