Please ask for:
Chris Wrein

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chris. wrein@gosport.gov.uk

8 January 2013

### SUMMONS

**MEETING:** Standards and Governance Committee

**DATE:** 16 January 2013

**TIME:** 6.00 p.m.

**PLACE:** Committee Room 1, Town Hall, Gosport

Democratic Services contact: Chris Wrein

LINDA EDWARDS BOROUGH SOLICITOR

### MEMBERS OF THE COMMITTEE

Councillor Allen (Chairman)
Councillor Scard (Vice-Chairman)

Councillor Beavis Councillor Hazel
Councillor Chegwyn
Councillor Forder 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.

Legal, Democratic and Planning Services: Linda Edwards – Borough Solicitor

Switchboard Telephone Number: (023) 9258 4242

Britdoc Number: DX136567 Gosport 2 Website: www.gosport.gov.uk

### 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.

### Standards and Governance Committee 16 January 2013

### **AGENDA**

RECOMMENDED MINUTE FORMAT

### **PART A ITEMS**

### 1. APOLOGIES FOR NON-ATTENDANCE

### 2. DECLARATIONS OF INTEREST

All Members present are reminded to declare, at this point in the meeting or as soon as possible thereafter, any disclosable personal interest in any item(s) being considered at this meeting.

### 3. MINUTES

To approve as a correct record the Minutes of the Committee meeting held on 13 September 2012 (copy attached)

### 4. DEPUTATIONS – STANDING ORDER 3.5

(NOTE: The Committee is required to receive a deputation(s) on a matter which is before the meeting of the Committee provided that notice of the intended deputation and its object shall have been received by the Borough Solicitor by 12 noon on Monday, 14 January 2013. The total time for deputations in favour and against a proposal shall not exceed 10 minutes).

### 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 Monday, 14 January 2013).

### 6. GOSPORT BOROUGH COUNCIL - ANNUAL CERTIFICATION REPORT (2011/12)

Part II

This report summarises the results of certification work undertaken at Gosport Borough Council on the 2011/12 claims and returns.

Contact Officer: Julian Bowcher Ext 5551

### 7. ANNUAL AUDIT FEE 2012/13

Part II

To confirm proposed audit work to be undertaken by Ernst and Young for the financial year 2012/13.

Contact Officer: Julian Bowcher Ext 5551

### 8. DISPENSATIONS

Part II

To advise the Standards and Governance Committee of changes introduced by the Localism Act 2011 which requires Members to apply for certain dispensations and to grant those dispensations.

Contact Officer: Linda Edwards Ext 5400

### Standards and Governance Committee 16 January 2013

### 9. HALF YEAR INTERNAL AUDIT MONITORING STATEMENT TO 30 SEPTEMBER 2012

Part II Contact Officer: Chris Davis Ext 5306

To table the performance of the Internal Audit Section in the first eight months of 2012/13 (1st April 2012 – 30th November 2012) against the agreed audit plan to the Members with responsibility for governance and to provide Members with an update on other key internal audit business.

### 10. ANY OTHER ITEMS

which the Chairman determines should be considered, by reason of special circumstances, as a matter of urgency.



Ernst & Young LLP Wessex House 19 Threefield Lane Southampton SO14 3QB

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Ian Lycett
Chief Executive
Gosport Borough Council
Town Hall, High Street
Gosport
Hampshire
PO12 1EB

18 December 2012

Ref: 27582822/HT/Fee Letter

Direct line: 023 8038 2099

Email: HThompson2@uk.ey.com

Dear Ian

### **Annual Audit Fee 2012/13**

We are writing to confirm the audit work that we propose to undertake for the 2012/13 financial year at Gosport Borough Council. The fee reflects the risk-based approach to audit planning set out in the Code of Audit Practice and the work mandated by the Audit Commission for 2012/13. The audit fee covers the:

- ► Audit of the financial statements;
- Value for money conclusion; and
- Whole of Government accounts.

Our fee has been set by the Audit Commission as part of the recent 5 year procurement exercise and consequently is not liable to increase in that period without a change in scope.

### Indicative audit fee

For 2012/13 the Audit Commission has set the scale fee for each audited body. The 2012/13 scale fee is based on certain assumptions, including:

- ► The overall level of risk in relation to the audit of the financial statements is not significantly different from that of the prior year;
- We are able to place reliance on the work of internal audit to the maximum extent possible under auditing standards;
- ▶ The financial statements will be available to us in line with the agreed timetable;
- Working papers and records provided to us in support of the financial statements are of a good quality and are provided in line with our agreed timetable; and
- Prompt responses are provided to our draft reports.



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Meeting these assumptions will help ensure the delivery of our audit at the indicative audit fee.

The indicative audit fee set out in the table below has initially been set at the scale fee level as the overall level of risk in relation to the audit of the financial statements is not significantly different from that of the prior year .

Total Code and to	Indicative fee 2012/13 £	Actual Fee 2011/12 £	Actual fee 2010/11 £
Total Code audit fee	69,825	121,375	132,500
Certification of claims and returns*	20,650	40,109	41,258
Total fees	90,475	** 161,484	**173,758

<sup>\*</sup>The fee for 2012/13 and for 2011/12 relates to the certification of grant claims and returns for the years ended 31 March 2013 and 31 March 2012 respectively.

Any additional work that we may agree to undertake (outside of the Audit Code of Practice) will be separately negotiated and agreed with you in advance.

Our audit plan for the audit of the financial statements will be issued in April 2013. This will detail the significant financial statement risks identified, planned audit procedures to respond to those risks, and any changes in fee. It will also set out the risks identified in relation to the value for money conclusion. Should we need to make any significant amendments to the audit fee during the course of the audit, we will discuss this in the first instance with the Borough Treasurer and, if necessary, prepare a report outlining the reasons for the fee change for discussion with the Standards and Governance Committee.

### Billing

The indicative audit fee will be billed quarterly in advance.

### Audit team

The key members of the audit team for 2012/13 are:

Helen Thompson Director	HThompson2@uk.ey.com	Office: 023 8038 2099 Mobile: 07974 007332
Rose Coates Manager	RCoates@uk.ey.com	Mobile: 07810 152333
Alan Gregory Executive	AGregory@uk.ey.com	Mobile. 07867 152490

We are committed to providing you with a high quality service. If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, please contact me. If you prefer an alternative route,

<sup>\*\*</sup>The Audit Commission agreed a fee rebate in each of the preceding years of £9,310 in 2011/12 and £8,359 in 2010/11 which reduces the fees noted above.



please contact Steve Varley, our Managing Partner, 1 More London Place, London, SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute.

Yours sincerely

Helen Thompson

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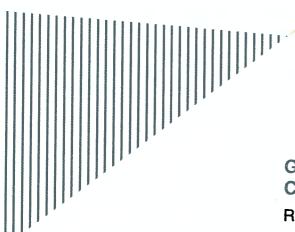
Director

Ernst & Young LLP

United Kingdom

cc. Julian Bowcher, Borough Treasurer

Councillor Allen, Chair of the Standards and Governance Committee



Gosport Borough Council - Annual Certification Report (2011/12)

Report to those charged with governance

Date 29 November 2012

Ernst & Young LLP



Ernst & Young LLP 1 More London Place London SE1 2AF

Tel: 020 7951 2000 Fax: 020 7951 1345 www.ey.com/uk

The Members of the Standards and Governance Committee

Gosport Borough Council Town Hall, High Street, Gosport. Hampshire, PO12 1EB 29 November 2012

Dear Member

### **Annual Certification Report (2011/12)**

We are pleased to attach the annual certification report for the next meeting of the Standards and Governance Committee. This report summarises the results of certification work that has been undertaken at Gosport Borough Council on the 2011/12 claims and returns.

From 1 September 2012 Ernst and Young LLP were appointed as your auditors. All grant certification work for 2011/12 was carried out by the previous auditor, namely the Audit Commission. All grant claims were submitted by the Audit Commission. Ernst and Young have only been responsible for drafting this annual report.

### Scope of work

Local authorities claim large sums of public money in grants and subsidies from central government and other grant-paying bodies and are required to complete returns providing financial information to government departments. Often these grant-paying bodies require certification from an appropriately qualified auditor of the claims and returns submitted to them.

Certification work is not an audit. Certification work involves executing prescribed tests which are designed to give reasonable assurance that claims and returns are fairly stated and in accordance with specified terms and conditions. This work provides assurance to government departments and grant paying bodies that claims for grants and subsidies are made properly or that information in claims/returns is reliable.

Under section 28 of the Audit Commission Act 1998, the Audit Commission may, at the request of authorities, make arrangements for certifying claims and returns because scheme terms and conditions include a certification requirement. When such arrangements are made, certification instructions issued by the Audit Commission to the appointed auditors of the Council set out the work that must be undertaken before issuing the certificate. We certify grants and claims as they arise throughout the year to meet the audited claim/return submission deadlines set by the grant-paying bodies.

### Statement of Responsibilities of Auditors and Audited Bodies

In March 2010 the Audit Commission issued a revised version of the 'Statement of responsibilities of auditors and audited bodies' ('Statement of responsibilities'). It is available from the Chief Executive of each audited body and via the Audit Commission website.



The statement of responsibilities serves as the formal terms of engagement between the Audit Commission's appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

This Annual Certification Report is prepared in the context of the statement of responsibilities. It is addressed to the Standards and Governance Committee, and is prepared for the sole use of the audited body. We, as appointed auditor, take no responsibility to any third party. Following the appointment of Ernst & Young as auditor for the year ended 31 March 2013 we have been requested to prepare this Annual Certification in respect of the year 2011/12. However the certification reported on herein was performed by Audit Commission staff prior to 31 October and therefore not under the direction and supervision of Ernst & Young and accordingly we take no responsibility to the council nor to any third party for the work undertaken.

### Results of certification work

For the period 1 April 2011 to 31 March 2012 four claims and returns with a total value of £51 million were certified. This work was completed prior to Ernst & Young being appointed auditor.

Of the four claims certified, none were qualified, but three were amended. The details are summarised in Section 1 below.

All deadlines for submission of certified claims/returns were met.

Fees for certification work are summarised in appendix A.

We welcome the opportunity to discuss the contents of this report with you at the Standards and Governance Committee meeting scheduled on 14 February 2012.

Yours faithfully for and on behalf of Ernst & Young LLP

David Wilkinson Ernst & Young LLP United Kingdom

Enc.

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1.	Summary	of 2012/13 Certification Work	. 2
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		on previous auditor recommendations	
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Summary of 2011/12 Certification Work

## Summary of 2011/12 Certification Work

Claim or return	Certificate Instruction (CI) Reference	2011/12 Claim Value £	Qualification (Q) Amendment (A) Neither (-)	Reason for issue, and financial effect.
Housing and council tax benefit scheme	BEN01	34,032,712	⋖	Carers allowance was omitted in one rent allowance case tested. In line with guidance an additional test sample of 40 was carried out. No further errors were identified. The error was extrapolated to give an error value over the whole population of £2,363.03. Cells 103 and 114 on the claim form were amended. Subsidy claimed by the Council reduced by £1,418.
Housing Revenue Account Subsidy	HOU01	3,477,094		No matters to report.
Pooling of Housing Capital Receipts	CFB06	228,595	∢	An error was found in the net interest calculation on late payments as incorrect dates were used. Net Interest on late payments decreased from £185.03 to £108.64. There was no impact on the grant claimed by the Authority.
National Non Domestic Rates	LA01	13,278,181	<	Values detailed on the original claim form did not agree to underlying information for the category of 'other mandatory reliefs (charitable occupation)'. The value of the amendment was £1,989. This amendment had no impact on the Authority's contribution to the pool.
Totals		51,016,582		

### Auditor recommendations

ر ا This section summarises the recommendations arising from our certification work and the actions agreed with management.

Recommendation	Priority	Priority Action agreed	Date for	Responsible Officer	-
B1   000   000   100			implementation		
111 Local all all gements for compiling	E E	Local drant claim arrangements and			
grant claims should allow sufficient time	)	reviewed regularly. Audit findings will	March 2013	Borough Treasurer	
Officer to engine claims		be considered at the next review.			
dincer to elibere cialitis are in line with					
underlying records.					

# 3. Progress on previous auditor recommendations

This section summarises the progress made in implementing recommendations made in the previous year arising from certification work.

	Management Comment	Disposal and Acquisitions Strategy is part of the Asset Management Strategy which is being compiled currently with a view that it is adopted by the Authority in March 2013.
	Deadline Current status	Implementation in progress
=	Deadline	From 1 April 2012.
	Agreed action	Asset management will be a key component of self financing. Planning and tenant consultation procedures will be reviewed as a consequence.
	Becommendation	bsidy base lace firm operties d undertake

## Appendix A Certification Fees

Certification Fees

Claim/Return	2011/12 Actual £	2010/11 Actual £	Reason for change in fees (+/- 10%)
Housing and council tax benefit scheme	35,313	32,697	No significant change in audit fee. 40+ additional testing was required in each year, and minor variances in fees are expected annually due to the varying number of complex claims selected in initial random samples.
Housing Revenue Account Subsidy	1721	1,656	No significant change in audit fee.
Pooling of Housing Capital Receipts	604	574	No significant change in audit fee.
National Non Domestic Rates	2470	2,399	No significant change in audit fee.
Total	40,109	37,326	
Claims certified in the previous year not requiring certification in 2011/12	Ē	3,932	
Total	40,109	41,258	

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### **AGENDA ITEM NO. 8**

Board/Committee:	STANDARDS AND GOVERNANCE COMMITTEE
Date of Meeting:	16 JANUARY 2013
Title:	DISPENSATIONS
Author:	MONITORING OFFICER
Status:	FOR DECISION

### **Purpose**

To advise the Standards and Governance Committee of changes introduced by the Localism Act 2011 which requires Members to apply for certain dispensations and to grant those dispensations.

### **Recommendation**

The Standards and Governance Committee resolve:-

To grant a dispensation to each Member of the Council until 5 May 2016 or until a member ceases to be an elected member of Gosport Borough Council, whichever occurs first, so that they may speak; participate; and vote in the following matters that may arise at any meeting of the Council, a board or committee of the Council:-

- Housing- for members or their spouses/partners who hold a tenancy or lease with the Council provided the matter does not relate to their particular tenancy or lease
- 2. Housing Benefit- where the member or their spouse/partner receive housing benefit
- 3. Statutory Sick pay- where a member or their spouse/partner receives this or is entitled to receive this
- 4. Any allowance, payment or indemnity for members
- 5. Any ceremonial honour given to members
- 6. Setting the Council Tax

### 1.0 Background

1.1 The Localism Act 2011 ('the Act') introduced new arrangements for the granting of dispensations to allow members to speak and take part in matters in which they have a disclosable pecuniary interest. This has replaced the previous arrangements which included standing dispensations to allow members to speak and vote in matters affecting the Council Tax, their Council tenancy and any allowance or indemnity payable to members.

### 2.0 Report

2.1 Under the previous Code of Conduct for Members of the Council there was provision which allowed members to speak, participate

and vote in the following matters:-

- Housing- for a member who held a tenancy or lease with the Council provided the matter did not relate to their particular tenancy or lease
- Housing Benefit- where the member received it
- Statutory Sick pay- where a member received or was entitled to receive it
- Any allowance, payment or indemnity for members
- Any ceremonial honour given to members
- Setting the Council Tax
- 2.2 All of these dispensations have been removed and in relation to the first 3 the new code of conduct would only require a declaration to be made where it concerned the member's circumstances. However the final 3 matters arise on a more regular basis at least once a year and it is reasonable to argue that any discussion about the proposed budget would impact on the Council tax
- 2.3 Therefore the Standards and Governance Committee is being asked, in accordance with the delegation agreed by Council on 11 July 2012, to consider granting a dispensation for these 6 matters.
- 2.4 The Act states that a member seeking a dispensation must submit an application in writing however as all Members are affected it would be unduly complicated and unwieldy administrative procedure to consider 34 separate applications. Therefore I have written to each group leader and asked them to confirm that each member of their group would like to make a joint application for a dispensation as set out in the recommendation above. Each of the group leaders has confirmed to me that each member of their group wishes to make such an application.
- 2.5 Once a request for a dispensation has been received the Standards and Governance Committee may grant it for up to 4 years if one of the following apply:-
  - without the dispensation so great a proportion of the Council would be prohibited from participating in that business as to impede the Council's transaction of that business
  - 2. without the dispensation the representation of different political groups dealing with that business would be so upset as to alter the likely outcome of the vote
  - 3. the granting of the dispensation is in the interests of people living in the Council's area
  - 4. it is otherwise appropriate to grant the dispensation
- 2.6 Clearly the first point in paragraph 2.5 above is met with regard to those matters in 4, 5 and 6 of the recommendation and in relation to 1-3 it is considered that point 3 above is met
- 2.7 As any dispensation has to be time limited and can be for no longer

than 4 years it is recommended that the dispensation is granted until 5 May 2016 or until a member ceases to be an elected member, whichever occurs earlier

### 3.0 Risk Assessment

3.1 The granting of the dispensation will allow the Council, boards and committees to discuss these matters without members being at risk of inadvertently committing a criminal offence which would affect the reputation of the Council itself.

Financial Services comments:	None
Legal Services comments:	Contained in the report
Crime and Disorder:	None
Equality and Diversity:	None
Service Improvement Plan	None
implications:	
Corporate Plan:	None
Risk Assessment:	See Section 3
Background papers:	None
Appendices/Enclosures:	None
Report author/ Lead Officer:	Linda Edwards

Board/Committee:	Standards and Governance Committee	
Date of Meeting:	16 <sup>th</sup> January 2013	
Title:	:le: Internal Audit Monitoring Statement to 30.11.12	
Author:	Head of Internal Audit & Risk Assurance	
Status:	FOR DECISION	

### **Purpose**

To table the performance of the Internal Audit Section in the first eight months of 2012/13 (1<sup>st</sup> April 2012 – 30<sup>th</sup> November 2012) against the agreed audit plan to the Members with responsibility for governance.

Secondly to provide Members with an update on other key internal audit business as well as the current status of the of the internal audit partnership with Eastleigh Borough Council within the same period.

### Recommendation

That the Standards and Governance Committee review the performance of Internal Audit from 1<sup>st</sup> April 2012 to 30<sup>th</sup> November 2012.

### 1 Background

1.1 Members of this Committee approved the Annual Audit Plan for the period 2012/13 on 5<sup>th</sup> April 2012. The Plan was produced in consultation with all Service Unit Managers. Performance against the Annual Audit Plan for 2012/13, contained within the above, is reported to Members periodically. This report outlines the audit activity for the period 1 April to 30 November 2012, as summarised in Appendix One.

### 2 Report

- 2.1 In the eight month period to the end of November 2012 very good progress has been made in delivering the annual audit plan. It is anticipated that the over 95% of the plan will be delivered by the 31<sup>st</sup> March 2013.
- 2.2 The actual internal audit days against the planned days at this stage of the financial year is currently in line with expectations. Significant progress can be reported on fundamental assignments with a level of

- continuous auditing also being applied in areas such as Accounts Payable. Advanced planning work in this quarter has been good with a view to begin fundamental work in early January 2013.
- 2.3 The Head of Internal Audit continues his joint role managing the two Internal Audit Sections and had spent 68 days engaged off site at Eastleigh Borough Council in the first six months. It is expected that this arrangement will generate £42k for 2012/13. This joint arrangement has generated income of over £234k since early 2008 to September 2012 and this continues to provide an excellent service.
- 2.4 Audit assignments completed in the period April to November 2012 include the following:-

Report Title	Service Unit	No.			of
		Reco	ommer	ndation	ıs¹
		Cr	Es	lm	Ad
Controlled Stationery	Financial	-	-	3	1
Allotments	Community &				4
Car Diavala 9 Traval	Customer	+	-	-	4
Car, Bicycle & Travel Loans	Financial	-	_	_	3
Cash Receipting	Community & Customer	-	-	2	7
Treasury					
Management	Financial	-	-	1	1
Gas Servicing	Housing	-	-	1	1
Car Parking	Community &				
	Customer	-	2	5	3
Alver Valley	Community &				
	Customer	-	-	-	7
Purchasing	Financial	-	-	8	10
Depot Security	Community &				
	Customer	-	-	2	-
Enforcement	Community &				
	Customer	-	-	2	-
Reprographics	Financial	-	-	2	6
Town Hall Security	Community &				
	Customer	-	-	3	2
Customer Service	Community &				
Centre	Customer	-	-	-	13
Emergency Planning	Chief Executive	-	-	-	2

<sup>&</sup>lt;sup>1</sup> Cr is critical, Es is essential, Im is important and Ad is advisory.

- 2.5 In addition, other work included support on the major contracts, assisting in work on the annual governance statement, audit advice to all Units, reviewing a number of complaints, supporting the strategic risk management group and also responding to the External Auditors questions relating to internal audit matters.
- 2.6 The risk of fraud against the public sector continues to rise as featured in the recent Audit Commission report Protecting the Public Purse 2012. The section is well placed to respond to this risk by the secondment, on a part time basis (filling the previous vacancy), of specialist investigators from the Benefit Fraud team who will assist in the Council to be more proactive in detecting and preventing other typical types of fraud. All internal procedures and processes are being reviewed to enhance this work with an aim to provide more awareness of the risk of fraud to all staff, contractors as well as members of the public.

### 3 Risk Assessment

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

### 4 Conclusion

4.1 That the Committee note the update on the planned coverage for 2012/13 as at 30 November 2012, other internal audit developments and the current status of the internal audit partnership with Eastleigh Borough Council.

Financial Services comments:	None
Legal Services comments:	None
Crime and Disorder:	Nil
Equality and Diversity:	Nil
Service Improvement Plan	The delivery of the annual audit plan is a
implications:	key function of the service and is
	measured quarterly and progress reviewed

	by the Chief Executive.
Corporate Plan:	It supports the Council in pursuit of excellence through delivering a quality joint service.
Risk Assessment:	Paragraph 3
Background papers:	None
Appendices/Enclosures:	None
Report author/ Lead Officer:	Chris Davis 02392 545306