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11 June 2018

S U M M O N S

MEETING: Standards and Governance Committee
DATE: 19 June 2018
TIME: 6.00 pm
PLACE: Committee Room 1, Town Hall, Gosport
Democratic Services contact: Lisa Young

MICHAEL LAWThER
BOROUGH SOLICITOR

MEMBERS OF THE BOARD

Councillor Raffaelli (Chairman)

Councillor Mrs Ballard	Councillor Johnston
Councillor Rev Blackman	Councillor Mrs Jones
Councillor Beavis	Councillor Mrs Morgan
Councillor Chegwyn	Councillor Mrs Prickett
Councillor Hicks	Councillor Scard
	Councillor Mrs Westerby

FIRE PRECAUTIONS

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

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

IMPORTANT NOTICE:

- 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).

Please note that mobile phones should be switched off or on silent for the duration of the meeting.

This meeting may be filmed or otherwise recorded. By attending this meeting, you are consenting to any broadcast of your image and being recorded.

AGENDA

1. **APOLOGIES FOR NON-ATTENDANCE**

2. **DECLARATIONS OF INTEREST**

All Members are required to disclose, at this point in the meeting or as soon as possible thereafter, any disclosable pecuniary interest or 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 28 March 2018 and 17 May 2018.

4. **DEPUTATIONS – STANDING ORDER 3.4**

(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 Friday 15 June 2018. The total time for deputations in favour and against a proposal shall not exceed 10 minutes).

5. **PUBLIC QUESTIONS – STANDING ORDER 3.5**

(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 Friday 15 June 2018)

6. **ELECTION OF A VICE –CHAIRMAN**

To elect from the Members of the Committee a Vice-Chairman for the 2018/19 Municipal Year.

7. **INTERNAL ANNUAL REPORT 2017/18**

In accordance with the Public Sector Internal Audit Standards 2017, the Head of Internal Audit is required to present an Annual Report on the activities of Audit during the year and the overall conclusion on the level of assurance that placed on the adequacy and effectiveness of the Council's internal control environment. This report is required to be made to the appropriate body that has responsibility for both governance and the Internal Audit function.

PART II
Chris Davis

8. **ANY OTHER ITEMS**

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

**A MEETING OF THE STANDARDS AND GOVERNANCE COMMITTEE
WAS HELD ON 28 MARCH 2018**

Councillors; Allen (P), Ms Ballard (P), Beavis (P), Carter (P), Chegwyn (P), Mrs Cully (P), Mrs Forder (P) , Mrs Furlong , Mrs Jones , Mrs Morgan , Mrs Prickett (P), Scard (P)

It was reported that in accordance with Standing Order 2.3.6, Councillors Burgess, had been nominated to replace Councillors Beavis for this meeting.

24. APOLOGIES

Apologies were received from Councillors Mrs Furlong, Mrs Jones and Mrs Morgan.

25. DECLARATIONS OF INTEREST

Councillor Carter advised that as his role as a County Councillor he had sat on and had voted on Hampshire County Council's pension panel and felt this should be recorded.

26. MINUTES

RESOLVED: That the minutes of the meetings of the Standards and Governance Committee held on 20 December 2017 be approved and signed by the Chairman as a true and correct record.

27. DEPUTATIONS

There were no deputations.

28. PUBLIC QUESTIONS

There were no public questions.

PART II

29. EY – AUDIT PLANNING REPORT 2017-18

Consideration was given to the Audit Planning Report setting out the work that is planned to be completed to enable the External Auditors to issue the audit opinion on the Council's financial statements and the value for money conclusion for 2017/18.

Kevin Suter was invited to address the Committee.

He advised that the report set out two key areas of focus, and particularly highlighted the management override. As every audit recognised that there was always a potential for issues and that the focus would circumvent that.

In answer to a Members question, the Board was advised that the 20% refund fee was yet to be approved as the PSSA had delayed their decision making until all claims had been submitted but there was not anticipated to be any problems

The Committee was also advised that preparation had been undertaken for the previous two years to ensure that the deadline of May could be met. The Committee were advised that the Officers were confident that it could be achieved and recognised the importance of both meeting the deadline and ensuring that the work undertaken was an acceptable quality.

RESOLVED:

- That the Audit Planning Report be reviewed and the risks be and areas of focus we have identified, and the auditor's planned response to them be noted.
- the Audit Planning Report for 2017/18 be recommended to the Policy and Organisation Board as those charged with governance.

30. INTERNAL AUDIT PLAN 2018/19

Consideration was given to a report of the Head of Internal Audit and Risk Assurance the Committee with the planned annual coverage of the Internal Audit resource for 2018/19.

RESOLVED: That the Standards and Governance Committee comment on and approve the Internal Audit Plan for 2018/19 as attached in Appendix One of the report of the Head of Internal Audit, Risk and Assurance. .

31. INTERNAL AUDIT MONITORING STATEMENT FROM 1ST NOVEMBER 2017 – 28TH FEBRUARY 2018

Consideration was given to a report of the Head of Internal Audit and Risk Assurance tabling the performance of the Internal Audit Section for 2017/18 (1st November 2017 – 28th February 2018) against the agreed audit plan (March 2017) to the Members with responsibility for governance.

Provide Members with an update on the team and their development and provision of audits services to Test Valley Borough Council

Members were advised that there was one outstanding issue with IT and that this was being followed up for resolution.

It was recognised that cyber-crime and attacks were and that protection against this should be paramount. The Committee was advised that the action was not critical and that the protection of IT control included ensuring the Town Hall had good secure area control; ensuring computers were locked when staff were away from their desks.

The Committee was advised that staff received training and a recent campaign against cyber-crime had been placed on the infonet.

RESOLVED

- a. That the Standards and Governance Committee note the performance of Internal Audit from 1st April 2017 to 31st October 2017.
- b. That the Members note the developments in the team and provision of service to Test Valley Borough Council

The meeting concluded at 18:25.

It was requested that an update be provided on a complaint received by the Monitoring Officer.

CHAIRMAN

**A MEETING OF THE STANDARDS AND GOVERNANCE COMMITTEE
WAS HELD ON 17 MAY 2018**

Ms Ballard (P), Beavis (P), Rev. Blackman (P), Chegwyn, Hicks, Johnston, Mrs Jones (P), Mrs Morgan (P), Mrs Prickett (P), Raffaelli (P), Scard (P), Mrs Westerby (P).

It was reported that in accordance with Standing Order 2.3.6, Councillors Hylands, Earle and Hammond, had been nominated to replace Councillors Johnston, Chegwyn and Hicks for this meeting.

1. APOLOGIES

Apologies for inability to attend the meeting were submitted on behalf of Councillor Chegwyn, Hicks and Johnston.

2. DECLARATIONS OF INTEREST

There were no declarations of interest.

3. DEPUTATIONS

There were no deputations

4. PUBLIC QUESTIONS

There were no public questions.

5. ELECTION OF CHAIRMAN

Two nominations for the position of Chairman were received. A vote was taken and tied.

The appointment of the Chairman of the Standards and Governance Committee was therefore referred to Council.

The meeting concluded at 5.40pm

CHAIRMAN

AGENDA ITEM NO. 7

Board/Committee:	Standards and Governance Committee
Date of Meeting:	19 June 2018
Title:	Internal Audit Annual Report 2017/18
Author:	Head of Internal Audit & Risk Assurance
Status:	FOR DECISION

Purpose

In accordance with the Public Sector Internal Audit Standards 2017, the Head of Internal Audit is required to present an Annual Report on the activities of Audit during the year and the overall conclusion on the level of assurance that placed on the adequacy and effectiveness of the Council's internal control environment. This report is required to be made to the appropriate body that has responsibility for both governance and 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, which is required to be approved prior the consideration 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 The attached report within Appendix A highlights that the Council has adequate and effective risk management control and governance arrangements in place to manage the achievement of the Council's strategic priorities and objectives.

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 2017/18 is detailed in the attached Appendix 1.

Financial Services comments:	There are no financial implications associated with the recommendations contained within this report.
Legal Services comments:	None
Crime and Disorder:	Nil
Equality and Diversity:	Nil
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 core values, overall corporate objectives and strategic priorities.
Risk Assessment:	See section 3
Background papers:	None
Appendices/Enclosures:	
Appendix 'A'	Internal Audit Annual Report 2017/18
Report author/ Lead Officer:	Chris Davis 02392 545306



Gosport Borough Council

Standards & Governance Committee

Internal Audit Annual Report Year ending 31 March 2018

Head of Internal Audit & Risk Assurance: Chris Davis

Presented at the Standards & Governance Committee on: 19 June 2018

1.0 Summary

- 1.1** In 2017/18 Internal Audit raised 10 essential, 71 important and 83 advisory recommendations. Internal Audit also gave 4 strong, 19 good and 7 poor assurance opinions throughout the year.
- 1.2** The final audit plan agreed with Committee in March 2017 contained 41 planned reviews. 2 of the audits were consolidated into one (more efficient) so the actual number of reviews reduced to 39 (these were the consolidation of Emergency Planning and Business Continuity and Accounting and Bank Reconciliation). A further unplanned review was added mid-year to review Payroll in light of the switch over to another system managed by Portsmouth CC. Total reviews equalled 40 for 2017/18.
- 1.3** All 2017/18 reviews were completed within a shorter timeframe (all audit work completed by the third week in April) due to improved performance management monitoring and good focused teamwork. This was a significant improvement from 2016/17 closure when some audit field work was still being completed in May 2017 for the previous year.
- 1.4** 100% of the agreed 2017/18 Audit Plan (40/40 audits) has been completed.
- 1.5** In addition to the planned audits there are 9 areas of on-going work which contribute to risk assurance, compliance and governance.
- 1.6** The assurance opinions are shown in the table within Appendix 1.
- 1.7** During 2017/18 Internal Audit carried provided 211 audit days to Test Valley Borough Council (TVBC) in the continued shared management partnership generating £57.1k. To balance this increased support to TVBC additional top up from Portsmouth CC auditors assisted us in delivering the agreed Councils audit plan (16 days) all within the existing budget.

2.0 Purpose of report

- 2.1** This report is to give the Annual Audit Opinion on the effectiveness of the control framework, based on the Internal Audit findings for 2017/18 and highlights any areas of concern.

3.0 Recommendations

- 3.1** Members note the Annual Audit Opinion on the effectiveness of the Councils system of internal control for 2017/18.
- 3.2** Consider any additional actions to be taken in response to matters raised within this report relating to the reviews undertaken.

4.0 Audit Plan Status 2017/18

Percentage of the approved plan completed

- 4.1 100% of the annual audit plan has been completed. Appendix 1 shows the completed audits for 2017/18 including their opinion and number of recommendations. The table below profiles the recommendations against the previous year (2016/17). All recommendations are being followed up and a full status of each recommendation will be provided to the next Committee in November.

Recommendation	2016/17	2017/18	Direction +/-
Critical	0	0	=
Essential	5	10	+ 5
Important	72	71	- 1
Advisory	106	83	- 23
	183	164	

- 4.1.1 The above table highlights an increase in essential recommendations that have been accepted by management and controls to mitigate these are in place to improve the overall control framework. This overall control landscape will be monitored closely throughout 2018/19.

Reactive Work

- 4.2 Reactive Work undertaken by Internal Audit in 2017/18 includes:

- 22 allegations were investigated (predominantly housing fraud referrals). Most of these cases have concluded (eight still open) with several excellent results (as previously reported) with keys back to five Council properties and good results from joint work with other Councils. Sound whistleblowing/referrals of alleged fraud exist within the Council and as a result those that require investigating will be thoroughly examined.
- 18 items of advice, (where the advice exceeds an hours work)
- There were no applications for covert surveillance or telecommunications information under RIPA in the year though all policies were updated and provided to the newly established Investigatory Powers Commissioner's Office (IPCO) for a later teleconference. Further training in RIPA legislation for key officers has been planned with neighbouring Authorities in May and June 2018.

Ongoing Areas

4.3 The following 9 areas are on-going areas of work carried out by Internal Audit;

- Anti-Money Laundering monitoring and reporting
- Investigations
- Financial & Contract Rules Waivers
- National Fraud Initiative (NFI) to facilitate national data matching carried out by the Cabinet Office
- National Anti-Fraud Network (NAFN) bulletins and intelligence follow up
- Counter Fraud Programme
- Standards & Governance Committee reporting and attendance
- Audit Planning and Consultation
- Governance and risk management matters

5.0 Annual Audit Opinion

5.1 Although Internal Audit cannot provide absolute assurance that control weaknesses or irregularities do not exist, due to time and other constraints of audit coverage, it is my professional opinion that **good assurance** can be placed upon the adequacy and effectiveness of the Council's overall internal control system in the year to 31 March 2018.

5.2 Any significant corporate weaknesses and agreed actions will be reflected in the Annual Governance Statement. The impact of the Internal Audit work for 2017/18 may affect that year's work for External Audit. It may also inform their work for 2018/19 and where they consider there are weaknesses in control that could materially affect the accounts they may need to carry out further work to gain the necessary audit assurance required for a true and fair view of the financial position and compliance with professional codes of practice.

5.3 Internal Audit has carried out a self-assessment and confirms that they are compliant with the Public Sector Internal Audit Standards (PSIAS). This assessment was also being overviewed by the Hampshire & IoW Audit Managers Group.

2017/18 Audit Work (supporting opinion in AGS)

No critical recommendations in 2017/18

Number	Year	Audit Assignment	Opinion	Essential	Important	Advisory	Total
1	17/18	Controlled Stationery	Good	0	3	4	7
2	17/18	Imprests & Floats	Good	0	0	0	0
3	17/18	Follow up Reviews	N/A	-	-	-	-
4	17/18	BLOXX Reports	N/A	-	-	-	-
5	17/18	Payroll Expenses Probity	Good	0	0	8	8
6	17/18	Cash Collection	Good	0	2	4	6
7	17/18	Development Control Fees	Good	0	2	5	7
8	17/18	Fees & Charges Booking System	Good	0	4	1	5
9	17/18	Dog Control	Poor	0	7	1	8
10	17/18	Alver Valley	Good	0	1	9	10
11	17/18	Data Protection	Good	0	6	3	9
12	17/18	Members Expenses Testing	N/A	-	-	-	-
13	17/18	Grants to Voluntary Organisations	Poor	4	1	0	5
14	17/18	IT Security	Poor	1	3	0	4
15	17/18	Sodexo	Good	0	7	7	14
16	17/18	Income Collection – Card Payments	Strong	0	0	3	3
17	17/18	Business Continuity & Emergency Planning	Poor	1	7	8	16
18	17/18	Kier	Good	0	0	1	1
19	17/18	Urbaser	Good	0	1	1	2
20	17/18	Debtors	Strong	0	1	2	3
21	17/18	NNDR	Good	0	1	4	5
22	17/18	Car Parking	Good	0	2	7	9
23	17/18	Treasury Management	Strong	0	0	0	0
24	17/18	Accounts Payable	N/A	-	-	-	-
25	17/18	Housing Benefits	Strong	0	1	0	1
26	17/18	Council Tax	Good	0	0	3	3
27	17/18	Budgetary Control & Capital Expenditure	Good	0	0	1	1
28	17/18	Accounting & Bank Rec	Poor	0	4	0	4
29	17/18	Housing Rent Collection	Poor	1	5	0	6
30	17/18	Payroll	Good	0	1	0	1
31	17/18	Land Charges	Good	0	1	5	6

Number	Year	Assignment	Opinion	Essential	Important	Advisory	Total
32	17/18	Caravan Park	Good	0	0	0	0

33	17/18	Housing Debtors	Poor	3	3	0	6
34	17/18	2 nd Follow up Review	N/A	-	-	-	-
35	17/18	CRM/CSC	Good	0	3	3	6
36	17/18	IT Audit 2 (Business Continuity)	N/A	0	0	0	0
37	17/18	IT Audit 3 (Patching & IT Security)	N/A	0	0	0	0
38	17/18	CIL Follow Up	N/A	-	-	-	-
39	17/18	Town Hall Security Follow Up	N/A	-	-	-	-
40	17/18	Procurement	Poor	0	5	3	8
Totals				10	71	83	164

Opinion Rating	Totals	%
Strong	4	13
Good	19	64
Poor	7	23
	30	