FAREHAM
BOROUGH COUNCIL

AGENDA
AUDIT AND GOVERNANCE COMMITTEE

Date: Monday, 11 March 2013

Time: 6:00 pm

Venue: Collingwood Room - Civic Offices

Members:

Councillor   T G Knight (Chairman)

Councillor   L Keeble (Vice-Chairman)

Councillors   P J Davies

                 N R Gregory

                 Miss T G Harper

                 Mrs K Mandry

                 D J Norris

Deputies: J M Englefield

                 K D Evans

                 P W Whittle, JP

1. **Apologies**

2. **Minutes** (Pages 1 - 4)

   To confirm as a correct record the minutes of the Audit Committee meeting hold on 26 November 2012.

3. **Chairman's Announcements**

4. **Declarations of Interest and Disclosures of Advice or Directions**

   To receive any declarations of interest from members in accordance with Standing Orders and the Council's Code of Conduct.

5. **Deputations**

   To receive any deputations of which notice has been lodged.

6. **External Audit Annual Fee Letters 2012/13 and 2013/14** (Pages 5 - 12)

   To consider a report by the Director of Finance and Resources on the External Audit Annual Fee letters for 2012/13 and 2013/14

7. **External Audit Report of those charged with governance - Annual Certification Report 2011/12** (Pages 13 - 28)

   To consider a report by the Director of Finance and Resources on the External Audit report of those charged with governance – Annual Certification Report 2011/12

8. **Quarterly Internal Audit Report** (Pages 29 - 66)

   To consider a report by the Director of Finance and Resources on the Quarterly Internal Audit report

9. **Contractor Internal Audit Plan 2013/14** (Pages 67 - 94)

   To consider a report by the Director of Finance and Resources on the Contactor Internal Audit Plan 2013/14

10. **Corporate Risk Register 2013** (Pages 95 - 110)

    To consider a report by the Director of Regulatory and Democratic Services on the Corporate Risk Register 2013

11. **Latest Financial Regulations Updates** (Pages 111 - 146)

    To consider a report by the Director of Finance and Resources on the latest Financial Regulations Updates

12. **Member Training and Development Programme 2013/14** (Pages 147 - 156)

    To consider a report by the Director of Regulatory and Democratic Services on Member Training and Development programme for 2013/14

13. **Review of Committee Work Programme and Annual Report** (Pages 157 - 168)

   To consider a report by the Director of Finance and Resources, on a review of the Committee Work Programme and Annual Report

14. **Motion referred by Council**

   At its meeting on Friday 22 February, the Council referred the following motion to the Audit & Governance Committee for its consideration as it comes under the terms of the Committee:

   "I would like to request that this Council sends a letter to Eric Pickles, Secretary of State for Communities and Local Government.

   The letter should request a review of the regulations on the elected members' Code of Conduct to allow sanctions to be implemented by Employed Officers of the Authority and or independent member/s of the public of this Authority without Political intervention.

   This move would promote openness, accountability and integrity to the people who elected us to our public office, and ensuring that all elected members Code of Conduct's are fit for purpose.

   Whilst the current Code of Conduct and the implementations of sanctions do meet current Government regulations; however the changes adopted last April bring to question the accountability of these due to the sanctioning of breaches. This also brings into question the accountability of members to their residents."

P GRIMWOOD
Chief Executive Officer

www.fareham.gov.uk
1 March 2013

For further information please contact:
Democratic Services, Civic Offices, Fareham, PO16 7AZ
Tel:01329 236100
democraticservices@fareham.gov.uk

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FAREHAM BOROUGH COUNCIL

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Minutes of the
Audit and Governance Committee
(to be confirmed at the next meeting)

*Minutes of a meeting held on 26 November 2012
at the Civic Offices, Fareham*

PRESENT:

Councillor T G Knight
(Chairman)

Councillor L Keeble
(Vice Chairman)

Councillors: P J Davies, J M Englefield (deputising for N R Gregory), Miss T G Harper, Mrs K Mandry and D J Norris.

1. CHAIRMAN'S ANNOUNCEMENTS

The Chairman welcomed the Council's two Independent Members, David Basson and Mary Kilbride to the meeting. He also introduced the new external auditors that the Council would be using following the demise of the Audit Commission; Kate Handy, Audit Director and Catherine Morganti, Audit Manager from Ernst & Young.

2. APOLOGY FOR ABSENCE

An apology for absence was received from Councillor Gregory.

3. MINUTES

RESOLVED that the minutes of the meeting of the Audit Committee held on 28 June 2012 be confirmed and signed as a correct record (au-120924-m).

4. DECLARATIONS OF INTEREST

There were no declarations of interest made at this meeting.

5. DEPUTATIONS

There were no deputations made at this meeting.

MATTERS SUBMITTED FOR CONFIRMATION

6.   UPDATE TO THE LOCAL CODE OF CORPORATE GOVERNANCE

The Committee considered a report by the Director of Regulatory and Democratic Services on an update to the Local Code of Corporate Governance (copy of report au-121126-r04-eha refers).

RESOLVED that the Committee recommends to Council that the proposed changed wording to the Local Code of Corporate Governance, as set out in Appendix A, be adopted.

7.   ANNUAL REVIEW OF CONTRACT PROCEDURE RULES

The Committee considered a report by the Director of Regulatory and Democratic Services on the proposed amendments to the Council's Contract Procedure Rules (copy of report - au-121126-r06-eha refers).

RESOLVED that the Committee recommends to Council that the proposed changes, as set out in Appendix A, be approved.

8.   REVIEW OF FINANCIAL REGULATION 16 (ORDERING AND PAYING FOR GOODS AND SERVICES)

The Committee considered a report by the Director of Finance and Resources on the review carried out on Financial Regulation 16, with the purpose to stream line them down to the key controls that members and officers are expected to adhere to (copy of report au-121126-r07-eha refers)

RESOLVED that the Committee recommends to Council that the proposed changes set out in the report be approved.

DECISIONS UNDER DELEGATED POWERS

9.   EXTERNAL AUDIT ANNUAL AUDIT LETTER

The Committee considered a report by the Director of Finance and Resources on the External Auditor's Annual Audit Letter 2011/12 which summarised the findings from the 2011/12 audit. (copy of report au-121126-r05-awa refers).

RESOLVED that the Committee note the content of the letter as set out in Appendix A of the report.

10.   REVIEW OF WORK PROGRAMME AND TRAINING NEEDS

The Committee considered a report by the Director of Finance and Resources which reviewed the current Work Programme and identified any specific training needs. (copy of report au-121126-r11-eha refers).

RESOLVED that:-

a) the work programme for the rest of the year, as set out in Appendix A of the report, be approved;
b) the changes to slim down the work programme for future years, as set out in paragraph 5 be approved, subject to counter fraud reports remaining as 6 months;
c) the work programme report be included on every agenda, and
d) that a survey be undertaken to identify generic member training needs that can be incorporated into a Member Training Programme for 2013/14 and reported to the next meeting of the Audit and Governance Committee.

11.   IMPLEMENTATION OF THE TREASURY MANAGEMENT POLICY AND STRATEGY

The Committee considered a report by the Director of Finances and Resources on the Implementation of the Treasury Management Policy Statement (copy of report - au-121126-r01-cha refers).

RESOLVED that the report be noted. .

12.   QUARTERLY INTERNAL AUDIT PROGRESS REPORT

The Committee considered a report by the Director of Finance and Resources on the internal audit work (copy of report au-121126-r08-mwh refers).

At the invitation of the Chairman, Martyn White from Deloittes and Touche Public Sector Internal Audit addressed the Committee to present the report, and answered questions from the members.

RESOLVED that the progress of the Contractor Internal Audit Plan, as set out in Appendix A of the report, be noted.

13.   COUNTER FRAUD STRATEGY PROGRESS REPORT

The Committee considered a report by the Director of Finance and Resources on the progress being made to deliver the Corporate Counter Fraud Strategy (copy of report au-121126-r10-eha refers).

RESOLVED that the progress made to date as part of the Counter Fraud Strategy be received and noted.

14.   OVERVIEW OF COMPLAINTS AGAINST THE COUNCIL

The Committee considered a report by the Director of Community and Director of Regulatory and Democratic Services and Monitoring Officer, on a review of the Complaints against the Council (copy of report au-121126-r12-ata refers).

RESOLVED that the report reviewing complaints to the Local Government Ombudsman and allegations to the former Standards Committee of breaches of the Code of Conduct for Members for the year ending 31 March 2012 be received and noted.

15. **EXCLUSION OF THE PUBLIC AND PRESS**

RESOLVED that in accordance with the Local Government Act 1972 the Public and Press be excluded from the remainder of the meeting, as the Committee considered that it is not in the public interest to consider the following matter in public on the grounds that the matter to be dealt with involved the disclosure of exempt information, as defined in Paragraph 1 of Part 1 of Schedule 12A of the Act.

16. **COUNTER FRAUD INVESTIGATION PROGRESS REPORT**

The Committee considered a report by the Director of Finance and Resources which summarised the number and type of investigations that have been carried out into suspected cases of fraud during the period April to September 2012 (copy of report confidential paper which contains exempt information circulated to members with the agenda and appended to signed minutes).

RESOLVED that the Committee received and noted the content of the report.

(The meeting started at 6:04pm
and ended at 8.08pm).

Agenda Item 6

FAREHAM BOROUGH COUNCIL

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Item 6

Report to
Audit and Governance Committee

Date: **11 March 2013**

Report of: **Director of Finance and Resources**

Subject: **EXTERNAL AUDIT ANNUAL FEE LETTERS 2012/13 and 2013/14**

SUMMARY

This report brings to members' attention the proposed Annual Audit Fee letters for 2012/13 and 2013/14 received from Ernst and Young, the Council's external auditors.

RECOMMENDATION

That the Committee approves the fees proposed for the External Audit coverage in 2012/13 and 2013/14.

Appendices:

Appendix A – Fee letter 2012/13 (separate attachment)

Appendix B – Fee letter 2013/14 (separate attachment)

Background Papers: None

Reference Papers: None

Enquiries:

For further information on this report please contact Andrew Wannell. (Ext 4620)

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≡ll ERNST & YOUNG

Peter Grimwood
Chief Executive Officer
Fareham Borough Council
Civic Offices
Civic Way
Fareham
Hants
P016 7PU

17 December 2012

Ref: FBC/Fee Letter/KH

Direct line: 07867 152471

Email: KHandy@uk.ey.com

Dear Peter

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 Fareham 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.

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.

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	Indicative fee 2012/13	Planned fee 2011/12	Actual fee 2010/11
	£	£	£
Total Code audit fee	63,407	105,678	111,240
Certification of claims and returns*	17,900	44,500	33,356

*The indicative fee for 2012/13 and the planned fee for 2011/12 relate to the certification of grant claims and returns for the years ended 31 March 2013 and 31 March 2012 respectively. The certification fees for 2010/11 are the actual fees for the year ended 31 March 2011.

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 March 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 Director of Finance and Resources and, if necessary, prepare a report outlining the reasons for the fee change for discussion with the Audit and Governance Committee.

Billing

The indicative audit fee will be billed in 4 installments of £20,327

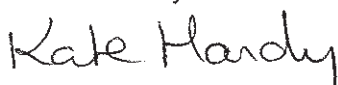## Audit team

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

Kate Handy **Director**	KHandy@uk.ey.com	Tel: 07867 152471
Catherine Morganti **Manager**	CMorganti@uk.ey.com	Tel: 07779 576414
Martin Young **Executive**	MYoung1@uk.ey.com	Tel: 07867 152513

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, 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

Kate Hardy

Kate Handy
Director
Ernst & Young LLP
United Kingdom

cc.   Andrew Wannell, Director of Finance and Resources
       Cllr T G Knight, Chair of the Audit and Governance Committee

Peter Grimwood
Chief Executive Officer
Fareham Borough Council
Civic Offices
Civic Way
Fareham
Hants
P016 7PU

13 February 2013

Ref: KH/FBC

Direct line: 02380 382043

Email: KHandy@uk.ey.com

Dear Peter

Annual Audit Fee 2013/14

We are writing to confirm the audit work that we propose to undertake for the 2013/14 financial year at Fareham 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 2013/14. 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 2013/14 the Audit Commission has set the scale fee for each audited body. The 2013/14 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.

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.

	Indicative fee 2013/14 £	Planned fee 2012/13 £	Actual fee 2011/12 £
Total Code audit fee	63,407	63,407	105,678
Certification of claims and returns*	16,085	17,900	45,462

*The indicative fee for 2013/14 and the planned fee for 2012/13 relate to the certification of grant claims and returns for the years ended 31 March 2014 and 31 March 2013 respectively. The certification fees for 2011/12 are the actual fees for the year ended 31 March 2012.

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 March 2014. 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 Director of Finance and Resources and, if necessary, prepare a report outlining the reasons for the fee change for discussion with the Audit and Governance Committee.

Billing

The indicative audit fee will be billed in 4 installments of £19,873.

Audit team

The key members of the audit team for 2013/14 are:

Kate Handy **Director**	KHandy@uk.ey.com	Tel: 07867 152471
Catherine Morganti **Manager**	CMorganti@uk.ey.com	Tel: 07779 576414
Martin Young **Executive**	MYoung1@uk.ey.com	Tel: 07867 152513

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, 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 faithfully

Kate Handy
Director
Ernst & Young LLP
United Kingdom

cc.   Andrew Wannell, Director of Finance and Resources
       Cllr T G Knight, Chair of the Audit and Governance Committee
       Catherine Morganti, Manager Ernst & Young LLP

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FAREHAM BOROUGH COUNCIL

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Report to
Audit and Governance Committee

Date: **11 March 2013**

Report of: **Director of Finance and Resources**

Subject: **EXTERNAL AUDIT REPORT TO THOSE CHARGED WITH GOVERNANCE – ANNUAL CERTIFICATION REPORT 2011/12**

SUMMARY

This report presents the External Auditor's Annual Certification Report 2011/12 which summarises the findings from the 2011/12 certification work.

RECOMMENDATION

That the Committee consider and comment on the information contained in the Annual Certification Report 2011/12 submitted by the Council's external auditors.

Appendix A: Annual Certification Report 2011/12

Background Papers: None

Reference Papers: Statement of responsibilities of auditors and audited bodies

Enquiries:

For further information on this report please contact Caroline Quirk. (Ext 4645)

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Annual Certification Report (2011/12)
Fareham Borough Council

Report to those charged with governance

February 2013

Ernst & Young LLP

ΞIl ERNST & YOUNG

The Members of the Audit and Governance Committee
Fareham Borough Council   13 February 2013

Dear Members

Annual Certification Report (2011/12)

We are pleased to attach our annual certification report for the forthcoming meeting of the Audit and Governance Committee. This report summarises the results of certification work that we have undertaken at Fareham Borough Council on 2011/12 claims and returns.

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.

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 Ernst & Young, as appointed auditors of the Council, set out the work we must undertake before issuing our 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 Audit 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.

Results of certification work

For the period 1 April 2011 to 31 March 2012 we certified four claims and returns with a total value of £64.4 million.

The Housing and Council Tax Benefit claim was both qualified and amended. The amendment to the claim reduced the grant due to the Council from £22,470,945 to £22,460,904, a reduction of £10,041. Details of the qualification matters are included in section 2. Adjustments to subsidy may arise due to this. In recognition that errors arise, the Department for Work and Pensions' subsidy arrangements allows Local Authorities to receive full subsidy for local authority error overpayments providing the total does not exceed a pre-determined threshold (0.48% of correctly paid benefit for the corresponding year). Local authority error overpayments can result from, for example, incorrect information being extracted from a benefit claim or failure to act promptly on the notification of a change of circumstances. The threshold for Fareham was £103,426 (£21,547,187 x 0.48%) and the total value of local authority errors was £102,526, therefore the Council came close to losing subsidy, so we are discussing with officers an action plan to address the issues arising taking into account the imminent changes in the Housing and Council Tax Benefit regime.

All deadlines for submission of certified claims and 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 Audit and Governance Committee meeting scheduled for 11 March 2013.

Yours faithfully
For and on behalf of Ernst & Young LLP

David Wilkinson
Ernst & Young LLP

Contents

1. Summary of 2011/12 Certification Work

Claim or return	Certificate Instruction (CI) Reference	2011/12 Claim Value £000s	Qualification (Q) Amendment (A) Neither (-)	Reason for issue, and financial effect.
Housing and council tax benefit scheme	BEN01	22,471	(Q) (A)	We identified several errors. Details of these are set out in section 2 below.
National non-domestic rates return (NNDR3)	LA01	38,702	-	Not applicable
HRA subsidy	HOU01	3,032	-	Not applicable
Pooling of Housing Capital receipts	CFB06	206	-	Not applicable

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2. Qualifications in respect of 2011/12 certification work

The certificate that we issue to the grant-paying body is qualified where there is disagreement or uncertainty over an item or items in the claim or return, or the Council has not complied with the scheme terms and conditions. Details of the qualifications made during 2011/12 are provided below.

Claim/Return	Issue and risk arising	Agreed action plan and comments from officers
Housing and council tax benefit scheme	Summary The total amount of subsidy payable to the Council was £22.471m. The Department for Work and Pensions (DWP) sets thresholds for errors made by Council. Should the total value of errors made the Council exceed these thresholds, the Council will lose subsidy. Errors found during certification were assessed and where necessary extrapolated across the populations of the claims. As the Council was close to the Department for Work and Pensions error threshold, it needs to reduce the level of errors to mitigate the risk of exceeding the threshold and losing subsidy. Officers recognise this and have already taken action based on errors we found. Results of our testing We tested an initial sample of claims across the main types of benefit. We found a high level of errors, particularly for non HRA rent rebates. The proportion of errors from our	We recognise that the Council has already taken action to improve its housing and council tax benefit processes since the time period of the claim – 1 April 2011 to 31 March 2012. So we recommend that the Council assesses the errors identified from our certification work, identifies work still required to achieve improvement and develops an action plan to address each issue which is relevant to the changes in the Housing Benefit and Council Tax Benefit regime.

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initial sample was as follows:

- 9/18 non HRA rent rebates

- 3/20 HRA rent rebates

- 4/20 Rent Allowances

- 2/20 Council Tax Benefit

As a result of this additional testing focussing on the types of error found was required. We selected samples for the Council to test and then reperformed a sample of this testing to assess the quality of the work. We concluded we were able to rely on the Council's additional testing.

The results of the testing led either to us agreeing amendments to the claim or including findings in the qualification letter.

Further details of the types of errors from the initial and extended testing are set out below.

Earnings

There were five cases where earnings were not calculated correctly – this led to claimants being either overpaid or underpaid benefit.

Eligible rents

There were three errors caused by incorrect assessments and they led to both under and overpayments to claimants.

In four of cases benefit was underpaid due a small

The Senior Benefits Officer responsible for checking and monitoring claims carries out a 10% check of all claims. In addition all claims assessed by new and temporary assessors are subject to 100% check until this is judged to be no longer necessary.

Staff were made aware of the errors found in earnings after the claim was certified in November 2012 and were asked to be vigilant.

The Senior Benefits Officer responsible for checking and monitoring claims was made aware of these and is focussing checking in this area.
This arose due to incorrect figures being supplied to the officer responsible for these cases. Training has now been given to the

incorrect deduction being made for breakfasts.

Misclassification of expenditure

The claim is made up of several entries or "cells" for the different types of benefit granted. We are required to test whether cases have been correctly coded to the cells in the claim.

We found 6 errors in the classification of non HRA rent rebate expenditure due to a systematic calculation error within the benefit software. There was no impact on the claimant but the Council claimed too little subsidy.

Once overpayments to claimants have occurred the impact on subsidy the Council receives from the DWP varies depending on the cause of the overpayment and how it has been coded or classified in the claim. We found twelve Council Tax Benefit cases where type of error had been misclassified.

Other errors in assessment

Testing also identified:

- four cases of benefit overpaid due to assessors using the incorrect date of change for a Pension Credit Assessed Income Figure

- three cases with benefits underpaid and one overpaid case as a result of incorrect date of change for a tax credit calculation being used

officer and the Senior Benefits Officer responsible for checking and monitoring claims is focussing checking in this area.

All staff received training in December 2012 following certification of the 2011/12 claim.

This training included

- Classifying overpayments

- Applying changes in dates for pension credit

- Applying changes in dates for tax credits and

- Assessing non dependent deductions

- one case of benefit overpaid due to incorrect calculation of a non-dependant deduction

- one case of benefit underpaid due to the 'relevant benefit' rule not being correctly applied.

Single Resident Discount

The certification work on the 2010/11 claim identified that Single Resident Discount (SRD) had not been applied on all Council Tax benefit (CTB) cases. There was no impact on claimants but the Council was overpaid subsidy.

During 2011/12, the Council conducted a review of all CTB claims without a SRD to identify those to which a SRD had not been appropriately applied in previous years and corrected errors on a claim by claim basis through benefits software.

Our testing of the 2011/12 claim identified two further errors.

Compiling the claim

We found and discussed with officers some areas for improvement in respect of:

- ensuring checks recommended by the software supplier are carried out and changes needed from the checks are made – we found one check not fully completed

The claim needs to be complied, checked internally and submitted to the DWP by 30 April.

Although the Systems and Support Manager carries out checks and records amendments to be made during the year, she is planning to free up additional resource to help her in the compressed timescale for compiling the claim

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- minor manual errors for reconciliations in April 2013.

- minor manual errors for uncashed cheques.

Missing claim form

Our testing also identified one case of a missing claim form. The Council was able to produce sufficient evidence of a claim form being received so we concluded this was not an issue for certifying the claim. However the Council has a policy of destroying documents after 10 years, so more claims forms may become unavailable in future.

The Council should assess the impact of its policy on document retention against evidence required to ensure ongoing correct payment of Housing and Council Tax Benefit and subsequent certification of year end claims.

3. Progress on previous auditor recommendations

Progress on recommendations from 2010/11 grant certification work is detailed below.

Issue	Recommendation	Current status
Qualification of NNDR return Audit Commission CI LA01 requires auditors to check entries in the return to prime documents. It was not possible for the Council to produce a retrospective system report as at 31 March 2011 to support one figure. This introduced a potential timing error in the movement in total rateable values between the end of March 2011 and June 2011.	Ensure that relevant reports to support grant claims and returns are produced and retained as part of the grant compilation process	Fully cleared in 2011/12
Qualification of Housing finance base data return The authority's schedule of properties simply indicated which terraced properties were considered small / large. There were no underlying records relating to the measurement of floor areas. Due to this, we could not test this classification in accordance with DCLG guidance.	Review your property records and identify a way to support the classification of terraced properties between small and large.	Return not required in 2011/12 due to ending of Housing subsidy arrangements

Issue	Recommendation	Current status
Qualification of Housing Benefit subsidy claim Our detailed testing revealed a small number of technical benefit assessment errors which led to adjustments to subsidy entitlement. Details of these errors have been passed to the benefits team for consideration	Conduct a review of messages from our benefits audit to identify any training needs to benefit assessment staff	Action has been taken but issues were still identified during certification work. The level of errors identified from the certification of the 2011/12 was high. However due to the timing of certification work, there is an inherent time lag between certification work identifying errors and officers being able to take action, for example training was carried out in December 2012 following certification in November 2012.
The year-end bank reconciliation showed £18,165 of unpresented cheques that relate to benefits payments. We reviewed a sample of these cheques and while some are genuine unpresented cheques, others have been cancelled on the Benefits system.	Reviewing the list of unpresented benefit cheques and make any amendments in your 2011/12 claim.	New procedure implemented in 2011/12 – issue cleared.

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Appendix A   Certification Fees

Claim/Return	2011/12 Actual £	2010/11 Actual £	Reasons for changes in fee greater than +/- 10 per cent
Housing and council tax benefit scheme	36,552	24,266	High level of errors found which required additional testing, evaluation and reporting. Fee for 2009/10 was £37,187
National Non-domestic Rate (NNDR3)	1,491	2,850	The fee was higher in 2010/11 as fuller testing is required every 3 years
Housing Subsidy	2,051	1,050	Increase of fee on low base in 2010/11, Fee for 2009/10 was £2,254
Housing Finance Base data return		2,340	Certification not required in 2011/12
Pooling of capital receipts	1,398	690	Increase of fee on low base in 2010/11
Disabled facilities	-	245	Not requiring certification in 2011/12
Planning and reporting	4,000	1,915	Longer report produced.
Total	45,492	33,356	

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Ernst & Young LLP

Assurance | Tax | Transaction | Advisory

Agenda Item 8

FAREHAM BOROUGH COUNCIL

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Item 8

Report to
Audit and Governance Committee

Date: **11 March 2013**

Report of: **Director of Finance and Resources**

Subject: **QUARTERLY INTERNAL AUDIT PROGRESS REPORT**

SUMMARY

This report provides the Audit Committee with the information arising from the latest internal audit work to be finalised and gives an update on the completion of the remaining audits from previous plans and the new audits planned for 2012/13.

RECOMMENDATION

That the Committee notes the progress of the Contractor Internal Audit Plan, attached as Appendix A to this report.

Appendix A – Contractor Internal Audit Progress Update

Background Papers: None

Reference Papers:

Report by the Director of Finance to the Audit Committee on 14 March 2011 on Contractor Annual Audit Plan 2011/12

Report by the Director of Finance to the Audit Committee on 12 March 2012 on Contractor Annual Audit Plan 2012/13

Enquiries:

For further information on this report please contact Ben Deeley, Audit Manager, Deloitte and Touche (Ext 4419)

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Fareham Borough Council

Audit & Governance Committee

Quarterly Audit Progress Report

February 2013

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INTRODUCTION AND BACKGROUND

1.1   This progress report has been prepared for the Members of the Audit & Governance Committee at Fareham Borough Council. The report outlines the work performed by Deloitte & Touche Public Sector Internal Audit Ltd to date for the 2011/12 and 2012/13 Internal Audit Plan.

PROMOTING INTERNAL CONTROL

2.1   To promote internal control within the Authority, Internal Audit will report to Committee in the following format:

- An update on progress against delivery of the plan, including an update on any Significant Control Weaknesses and on any proposed amendments to the Internal Audit Plan;
- Report back on the specific audits finalised since the last meeting of the Audit and Governance Committee, including a brief background, scope and recommendation titles. Audit opinions are Strong, Reasonable, Limited, or Minimal. Recommendations and actions in the report are categorised using a 3 point scale used on the Council's action management system. Both rating systems are detailed within Annex Three of this report; and
- Update Members on the current situation regarding limited areas previously reported to Committee. This will inform Members of the action taken by Officers to resolve internal audit issues.

2.2   Since the last Audit & Governance Committee a total of ten reports have been finalised of which six were previously reported at draft report stage and four of which were previously reported as work in progress. These are listed in Table One and full details of the findings are given in Annex Two.

2.3   Table two lists the reports currently at draft stage and awaiting finalisation. Full details of the reports will be included in our next submission to the Audit & Governance Committee meeting upon finalisation.

2.4   All audits completed were full in-depth audits of operational systems within the Authority. Members and Management should note that the assurance level is an illustration of the level of control operational at the time of the audit. The auditor will agree with Management a number of recommendations which, when implemented, will result in a more secure system. Each recommendation is given an implementation date, and these will be monitored on a regular basis by the Internal Audit Team.

PROGRESS AGAINST THE 2011/2012 INTERNAL AUDIT PLAN

3.1 Since the last meeting of the Audit & Governance Committee, the remaining 2011/12 Internal Audit report of Use of Supplier Base and Tendering has been finalised. Details of this are included within Annex Two. The 2011/12 plan is now complete and we can confirm that audits have been completed in accordance with the timings agreed with the Head of Audit and Assurance.

PROGRESS AGAINST THE 2012/2013 INTERNAL AUDIT PLAN

4.1 The current status of the agreed 2012/13 Internal Audit Plan is detailed in Annex One along with the number of days delivered.

4.2 As at the 31st January 2013, progress against the 2012/13 plan is as follows:

	Last Committee	This Committee
Number of audits in plan	31	31
Number of audits finalised	4 (13%)	13 (42%)
Number of reports issued at draft	7 (23%)	5 (16%)
Number of audits commenced or finalised	N/A	25 (81%)
Number of planned audit days delivered	114/230 (50%)	173/230 (75.2%)

4.3 At the time of this report, 75.2% of the 2012/13 Internal Audit Plan has been completed (See Annex One – Days Delivered). Audits have been completed in accordance with the timings agreed with the Head of Audit and Assurance, and as approved by the Audit and Governance Committee.

AUDIT ACTIVITY

Table One – Finalised Audits since the last Audit and Governance Committee

Audit	Assurance Rating
2011/12 Internal Audit Plan	
Use of Supplier Base and Tendering	Strong
2012/13 Internal Audit Plan	
Commercial Estates	Strong
Responsive Repairs	Reasonable
Invoicing & Collection of Income Receivable	Reasonable
Disabled Facilities Grants	Reasonable
Community Development – Safeguarding	Reasonable
Network Security and Infrastructure	Reasonable
Telecommunications	Reasonable
Geographical Information Systems (GIS)	Reasonable
Follow-up of IT Recommendations	N/A

Table Two - Draft Reports Issued to Management since the last Audit and Governance Committee

2012/13 Internal Audit Plan	
Pest Control	November 2012
Cash Collection and Banking	February 2013
Treasury Management	February 2013

Significant control weaknesses

Based on the work we have undertaken, there are no significant internal control issues (Essential Recommendations) to be brought to the attention of the Audit and Governance Committee.

Changes to the Plan

There are five reported changes to the 2012/13 Internal Audit Plan. These are as follows:

- the Miscellaneous Democratic Service Audit has been moved to quarter one of the 2013/14 financial year at the managers request to cover the new electronic information system being implemented to manage committee meetings;
- the Garden Waste audit has been removed from the plan at the managers request with the six days split between two days added to the Main Accounting audit to allow coverage of elements of Budgetary Control and four days added to follow up previously raised recommendations to help hit the target of 100 recommendations followed up a year;.
- adding the remaining two Contingency Days to follow up work to include follow-up of Community Action Team and Economic Development Recommendations.

SUMMARY OF FINALISED REPORTS

To enable Management and Members to focus on the areas of concern, we have provided a brief summary of the finalised reports since the last Committee, detailed within Annex Two.

2012/13 Internal Audit Plan as at 14th February 2013

No.	Audit Title	Days in Plan	Days Delivered	Status	Assurance Opinion	Recommendations		
						Essential	**Important**	**Advisory**
Quarter 1								
1	Commercial Estates	7	7	Final Report	Strong	-	1	-
2	Off Street Parking	6	4.5	Work in progress				
3	Planning Enforcement	7	7	Final Report	Reasonable	-	2	3
4	Pest Control	5	4.5	Draft Report Issued	*TBC*			
5	Data Protection	7	6.5	Draft Report Issued	*TBC*			
Quarter 2								
6	Responsive Repairs Contract	7	7	Final Report	Reasonable	-	3	1
7	Ordering and Payment of Invoices	7	6.5	Draft Report Issued	*TBC*			
8	Electronic Expenses	3	3	Final Report	Strong	-	1	-
9	Procurement Cards	4	4	Final Report	Reasonable	-	2	2
10	Postal Services	6	6	Final Report	Strong	-	-	5
11	Community Development (Safeguarding)	7	7	Final Report	Reasonable	-	4	-
12	Disabled Facilities Grant	6	6	Final Report	Reasonable	-	2	2
Quarter 3								
13	Invoicing and Collection of Income Receivable	9	9	Final Report	Reasonable	-	4	-
14	Payroll	7	6	Work in Progress				
15	Capital Project Management	8	7	Work in Progress				
16	Revenues	10	8	Work in Progress				
17	Cash Collection and Banking	7	6.5	Draft Report Issued	*TBC*			
18	Housing Benefits	7	5.5	Work in Progress				
19	Housing Rents	6	3.5	Work in Progress				
Quarter 4								
-	Risk Management	-	6 days deferred to 2013/14 Internal Audit Plan					

Internal Audit Progress Report- Quarter Three 2012/13

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No.	Audit Title	Days in Plan	Days Delivered	Status	Assurance Opinion	Recommendations		
						Essential	Important	Advisory
20	Ferneham Hall – Follow-up	3		To be commenced Q4				
21	Main Accounting and Budgetary Control	12		To be commenced Q4				
22	Treasury Management	6	5.5	Draft Report Issued	*TBC*			
23	CSC Processes	5		To be commenced Q4				
24	Misc Democratic	5		Note 1				
25	Legal Services Contract	8	6	Work in Progress				
26	Corporate Health and Safety	8		To be commenced Q4				
27	Recommendation Follow Up	6		To be commenced Q4				
Computer Audit								
28	Network Security and Infrastructure	10	10	Final Report	Reasonable	-	10	4
29	Telecommunications	10	10	Final Report	Reasonable	-	2	7
-	Remote Access	-		10 days deferred to 2013/14 Internal Audit Plan				
30	Geographical Information Systems (GIS)	7	7	Final Report	Reasonable	-	7	1
31	Follow-up of IT Recommendations	3	3	Final Report	N/A	-	-	-
Other								
	Audit Needs Assessment	4	4					
	Audit Committee	5	3					
	Audit Management	12	10					
	TOTAL	**230**	**173 (75.2%)**			**0 (0%)**	**38 (60%)**	**25 (40%)**

Note 1: The audit will be undertaken in Q1 of the 2013/14 financial year.

Summary of Findings from Completed Audits

2011/12 Use of Supplier Base and Tendering

Scope

Audit work was undertaken to provide assurance over the following control areas:

- Use of Supplier Base;
- Letting of Contracts;
- Selection of Contractors;
- Tender Receipt, Opening, Evaluation, Award and Reporting ;and
- Storage of Contracts.

Audit Opinion and Direction of Travel

Strong
☺

Direction of Travel:	➡ 2005/06

Other Assurances	
Income and Expenditure Errors	None identified
Policy Compliance	Where applicable, for both tenders or one relevant tender, we confirmed for the Invitation to Tender (ITT) that: a) A description of the works supplies or services being procured was included b) A specification indicating whether variants are permissible was included c) The Council's terms and conditions of contract were included d) The evaluation criteria including any weightings in order of importance were included e) The pricing mechanism and instructions for completion were included f) Where there is a potential transfer of employees, the Council's view on whether TUPE will apply were included g) The form and content of method statements to be provided were included. We confirmed for two tenders that: a) The requirements for tender submission were noted in the ITT; and a) Any late tenders received after the stipulated closing date and time for receipt of them were not accepted. If they had an estimated value in excess of £50,000 they were opened in the presence of an Executive member or chairman of the appropriate Committee.If they had an estimated value in excess of £50,000 they were awarded by the Executive or an Individual Executive Member, or by the appropriate Committee.

Counter Fraud	For two contracts, one above EU threshold, one below threshold, there was no evidence of bribery, in so much as the following were noted: a) The South East Business Portal was used to place two advertisements giving open access to the tender opportunity with a Pre-Qualification Questionnaire attached to select potential suppliers to tender via a restricted tender process.. More than one party was involved in each of the two tender evaluations.c)The winning party scored the highest in each of the two tender evaluations
Previous Weaknesses addressed	4/4 (100%)

A 'Strong' level of assurance was issued following the completion of this audit, with three 'Advisory' only recommendations raised to enhance control. The level of assurance given during the 2005/06 audit was 'Satisfactory' and hence the current assurance opinion has improved. Four previous recommendations were followed up and found to have been implemented.

One of the advisory recommendations has been raised in relation to the timely removal of access rights for amending supplier details when an employee no longer requires the access. This issue should be considered by management in addition to the findings within the 2012/13 Ordering and Payment of Invoices audit which is currently at draft report stage.

Commercial Estates

Scope

Audit work was undertaken to provide assurance over the following control areas:

- Lease management, including lettings, lease agreements and renewals, rent reviews and negotiations;
- Estate management and maintenance, including void management;
- Debtor processes, including debt management and monitoring;
- Partnership working ;and
- Management reporting.

Audit Opinion and Direction of Travel

Strong

☺

Direction of Travel: ⇔ 2005/06

Other Assurances	
Income and Expenditure Errors	None identified

A 'Strong' level of assurance was issued following the completion of this audit, with one 'Important' recommendation raised to enhance control. The level of assurance given during the 2005/06 audit was 'Good' and hence in line with the current assurance opinion. No outstanding recommendations were required to be followed up.

New Essential or Important Recommendations Raised

Recommended Action	Audit Finding	Priority (Essential / Important / Advisory)
Quarterly reconciliations of live properties on estates records to invoices raised should be conducted to ensure that all rental invoices have been raised within the period.	It was noted that at present no reconciliation is performed to provide assurance that invoices for live properties are raised in a timely manner.	**Important**

Agreed Action	Responsibility	Deadline
Agree we will hold a discussion with finance to put this process in place to ensure that a quarterly reconciliation is undertaken.	Head of Estates	31st December 2012

Responsive Repairs

Scope

Audit work was undertaken to provide assurance over the following control areas:

- Contracts;
- Variations to Contract;
- Works Instructions (Ordering including correct use of SoR/Non-SoR);
- Variation to Works Instructions;
- Quality control (including receipting of services provided)
- Complaints, Deficiencies in Provision, Rectification and Default;
- Payments (including reconciliations to the Purchase Ledger);
- Annual Checking of Insurances; and
- Contract Performance Monitoring, Management Reporting and Performance Management.

Audit Opinion and Direction of Travel

Reasonable

Direction of Travel:	No Previous Audit

Other Assurances	
Income and Expenditure Errors	None identified
Data Quality	Percentage of emergency repairs completed within 24 hours – No exceptions identified
Specific Risk Test	The Accounts team undertake weekly reconciliations between payments authorised in the Orchard responsive repairs systems to the contractor's invoice prior to releasing the automatic payment file in E-Financial. Payments are not processed unless they have been authorised by the Responsive Maintenance Manager.
Specific Risk Test	Quality assurance and challenge of work done before payment – No exceptions identified

A 'Reasonable' level of assurance was issued following the completion of this audit, with three 'Important' recommendations and one "Advisory" recommendation raised to enhance control. The area had not been subject to previous audit and as such no outstanding recommendations were required to be followed up.

New Essential or Important Recommendations Raised

Recommended Action	Audit Finding	Priority (Essential / Important / Advisory)
A Complaints Register should be used to record the number of complaints received by the service and those that have been passed onto the Service	Whilst complaints are discussed at progress meetings between Comserv and the Council no formal record of the number of complaints has been recorded. As such,	Important

Recommended Action	Audit Finding	Priority (Essential / Important / Advisory)
Provider for explanation or resolution. The number of complaints in any one month should be monitored against the performance measure stated in the contract.	there is no detail of the date of complaint, the time taken to respond to it or who the responsibility to deal with the complaint was allocated to. There is also no record of whether the number of complaints exceeds the maximum 1% of dwellings in any month complaining.	

Agreed Action		Responsibility	Deadline
A complaints register will be put in place to record the number of complaints received by the service and those that have been passed onto the Service Provider for explanation or resolution.		Responsive Maintenance Manager	Completed and relevant staff instructed

Recommended Action	Audit Finding	Priority (Essential / Important / Advisory)
Monitoring reports of Schedule of rates (SoR), Non-SoR and variations to work instructions should be produced and reviewed by management on a monthly basis. The relationships between SoR and Non-SoR items should be monitored for reasonableness to include period & cumulative values, average values, period & cumulative volumes, average volumes, Non-SoR items as a percentage of all works instructions raised and percentage of cumulative value raised. Any other useful metric should also be considered. The value and volume of variations should be monitored as a percentage of works instructions raised in a similar manner.	Three out of ten cases of non-SoR items tested had been incorrectly allocated as such. The overall volume and value of non-SoR work being instructed as a proportion of the total work is not identifiable to management due to a lack of information provision. The current reporting suite produced from Orchard is limited in providing management with visibility over the use of SoR items, non-SoR items and variations to works instructions.	**Important**

Agreed Action		Responsibility	Deadline

Recommended Action	Audit Finding	Priority (Essential / Important / Advisory)
IT System Administrator to determine what reports are available within Orchard to achieve this.	Responsive Maintenance Manager IT System Administrator	31st December 2012

Recommended Action	Audit Finding	Priority (Essential / Important / Advisory)
All staff, including agency staff, who raise works instructions to be placed on the responsive repairs service provider should have appropriate financial limits set. The limits allocated to each staff member should be detailed in the Authorised Signatory Listing and be certified in accordance with Council delegation procedure.	It was noted that authorisation limits for agency staff are not detailed on the Council's authorised signatory listing.	**Important**

Agreed Action	Responsibility	Deadline
The authorised signatory listing will be updated to reflect current delegated authority for all staff, including agency.	Head of Building Services	Completed

Invoicing and Collection of Income Receivable

Scope

Audit work was undertaken to provide assurance over the following control areas:

- Policies and procedures;
- Segregation of duties;
- Raising of invoices, credit notes and refunds;
- Amendments to standing data;
- Posting of cash receipts;
- Debt monitoring;
- Debt recovery, including suppression of accounts, tracing and bailiffs;
- Write off procedures; and
- Reconciliations, including suspense account.

Audit Opinion and Direction of Travel

Reasonable

Direction of Travel:	⇔2011/12

Other Assurances	
Income and Expenditure Errors	None identified
Previous Weaknesses addressed	3/6 (50%) previous recommendations were found to have been implemented

A 'Reasonable' level of assurance was issued following the completion of this audit, with four 'Important' recommendations three of which were previously raised recommendations which were found not to have been fully implemented and one of which was a newly raised recommendation. Of the six recommendations raised within the 2011/12 audit three had been found to be implemented.

New Essential or Important Recommendations Raised

Recommended Action	Audit Finding	Priority (Essential / Important / Advisory)
The Council should update Financial Regulation (FR) 19.3.6 – Timing of Accounts to align with HMRC guidance that VAT invoices are raised within 30 days of the date of supply of goods or services. Furthermore, in accordance with HMRC	FR19.3.6 states that local authority accounts must be issued within two months of the supply of the goods or service, unless specific dispensation is granted by HM Revenue and Customs. HMRC guidance, however, states 30 days of the date of supply of goods or Services. Audit testing of compliance with FR19.3.6 identified not all	**Important**

guidance, a VAT invoice must show: • the time of supply (also known as tax point) if this is different from the invoice date; and • a description sufficient to identify the goods or services supplied to the customer. All staff with responsibility for raising invoices should be reminded of these requirements. Localised monitoring should be implemented to identify the level of non-compliance.	invoices were raised within 2 months of delivery of goods / service. In one instance, the invoice had been raised over 2 months after service delivery, in a further three instances the dates of service delivery were not stated on the invoice. Exceptions included: • Invoice for Building control - no specific dates for inspection. • Environmental Health - invoiced after 2 months from start of service delivery • Waste and recycling - no service delivery date on invoice • Building Control- no service delivery date on invoice	
Agreed Action	**Responsibility**	**Deadline**
For the future where exchequer staff receive incomplete information or the invoice request is more than two months after service / goods delivery, exchequer staff will contact the individual service to inform them.	Individual services and exchequer staff	31st December 2012

Outstanding Actions from Previous Audits

Priority	Action Required	Audit Findings
Important	Written evidence should be maintained for any requests for amendments to standing data received over the phone.	Testing found that in three instances we were unable to obtain supporting documentation for amendments to master file data. This was an issue raised in the 2011/12 audit, and therefore, this recommendation has not been fully implemented.
Important	In accordance with Council policy, all overdue invoices should be referred to the legal department to progress. New wording proposed- All overdue invoices should be subject to review and, if relevant, referred to legal.	Where no contact or no payment is made seven days after the final demand is issued the debt should be sent to legal. Audit testing of twenty cases identified 14 instances where there was no evidence to support that the debt had been passed to legal. The recommendation has been superseded and should now read. All overdue invoices should be reviewed and if relevant referred to legal.

Important	The Collection and Recovery Policy be updated and changes authorised by the Executive Committee.	The current version available to staff on the staff intranet is dated 2002/3. A revised version is currently being processed. Consultation has taken place and responses received, it is anticipated that the revised version will be taken to the Executive in December for approval.

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Disabled Facilities Grants

Scope

Audit work was undertaken to provide assurance over the following control areas:

- Policies and procedures;
- Application and assessment;
- Works, scheduling, contractors, inspections and completion certificates;
- Invoice payment and approval;
- Collection of applicants contributions;
- Use of Home Improvement Agency; and
- Budget control and monitoring.

Audit Opinion and Direction of Travel

Reasonable

Direction of Travel:	No Previous Audit

Other Assurances	
Income and Expenditure Errors	None identified
Policy Compliance	Policy – 16.4.7 Authorisation of invoices; Invoices can only be authorised by an employee whose level of delegated authority is above the total net value of the payment. Testing confirmed that invoices (creditor payment vouchers) had been correctly authorised for payment. Although testing passed in this area, testing of authorisation of contractor payments found a missed authorisation form and two further cases where the forms were poorly scanned. We were therefore unable to identify the authoriser in these three cases and a recommendation was raised.
Counter Fraud	Adequacy of the checks carried out on validity of application (including verification of identity, property ownership and residency and financial means). A number of issues arose from this testing mainly due to a lack of evidence on file to support these checks. Details are discussed within the main body of this report with a recommendation raised.

A 'Reasonable' level of assurance was issued following the completion of this audit, with two 'Important' recommendations and two "Advisory" recommendations raised to enhance control. The area had not been subject to previous audit and as such no outstanding recommendations were required to be followed up.

New Essential or Important Recommendations Raised

Recommended Action	Audit Finding	Priority (Essential / Important / Advisory)
At the closure of each DFG case, all	Audit testing of a sample of ten Disabled Facilities Grants	**Important**

Recommended Action	Audit Finding	Priority (Essential / Important / Advisory)
supporting evidence should be scanned and retained on the BPMS system.	issued identified the following: • Six cases where there was no evidence to confirm the completion of an application form; • Two cases lacked evidence to support the undertaking of the financial means test; • Three cases lacked evidence to support ownership / residency checks being conducted. Audit testing a sample of ten completed works identified the following: • Eight cases where insufficient evidence to support any inspections of the property; • Eight cases where insufficient evidence to support the payment authorisation / satisfaction form had been signed by the customer; • Six cases where unsigned copies of the completion certificates were on file. Subsequent investigations found that all key documents were available in hard copies but not all had been scanned into BPMS.	

Agreed Action		Responsibility	Deadline
New cases will have an audit trail on file to evidence that benefits clients are in receipt of benefits. At the close of each case all supporting documentation will be scanned into BPMS		Housing Renewals Officer	31st October 2012

Recommended Action	Audit Finding	Priority (Essential / Important / Advisory)
A signed formal partnership agreement should be in place between the Council and the Home Improvement Agency. The agreement should clearly outline the services to be provided, the responsibilities	We noted that a formal agreement is not currently in place between the Council and the Home Improvement Agency. It was noted that there is a contract in place between Hampshire County Council and the Home Improvement Agency, which Fareham Borough Council could join.	**Important**

Recommended Action	Audit Finding	Priority (Essential / Important / Advisory)
and roles for both parties, reporting and performance requirements and the agreement break clauses in the event of unsatisfactory performance.		

Agreed Action	Responsibility	Deadline
This is in the process of being renewed with an intended start with effect from 1st April 2013.	Housing Renewals Officer	1st April 2013

Community Development - Safeguarding

Scope

Audit work was undertaken to provide assurance over the following control areas:

- Policies, Procedures and Legislation;
- Governance and Partnership Arrangements;
- Staffing, including CRB Checks;
- Training and Awareness of Staff and Members;
- Contractor Vetting Procedures;
- Incident Reporting and Assessment; and
- External Relationships with Partners, including the Local Safeguarding Board and Local Community Groups.

Audit Opinion and Direction of Travel

Reasonable	
🙂	
Direction of Travel:	No Previous Audit

Other Assurances	
Income and Expenditure Errors	None identified
Data Quality	Data Quality – The December 2011 report to CXMT stated that there had been 17 cases in total since the previous report in September 2010. Examination of the register identified 18 cases listed between September 2010 and December 2011. The exception related to a case, reported in November 2011, which was omitted due to the timing of the report. We were assured that this case will be included within the next report to CXMT and therefore deemed satisfactory.

A 'Reasonable' level of assurance was issued following the completion of this audit, with four 'Important' recommendations raised to enhance control. The area had not been subject to previous audit and as such no outstanding recommendations were required to be followed up.

New Essential or Important Recommendations Raised

Recommended Action	Audit Finding	Priority (Essential / Important / Advisory)
A regular review should be undertaken of the Council's safeguarding policies to ensure that the Policy is kept up to date and in line with current legislation. Consideration should be given to the inclusion of Adults at risk within the Policy,	The Council's Safeguarding Children Policy, Procedures and Guidelines were last subject to review in 2008 and only cover the protection of Children. It was noted that whilst the Policy states that the key principles of this Policy apply when working with adults at risk, however, there is no specific detail in place to help and protect those individuals, the staff, representatives and elected members who may be in contact	**Important**

Recommended Action	Audit Finding	Priority (Essential / Important / Advisory)
Procedures and Guidance.

Evidence of the review should be retained, the next review date should be stated and version control applied to the policies.

The outcome of the review should be disseminated to staff and elected members. | with adults at risk. | |

Agreed Action		Responsibility	Deadline
A review will be undertaken and any resulting changes will be disseminated to staff. Inclusion of adults at risk in the policies will depend on whether this is agreed at a corporate level.		The Community Development Manager	30th April 2013

Recommended Action	Audit Finding	Priority (Essential / Important / Advisory)
Is should be clarified whether elected members should be subject to regular CRB checks. If this is not feasible, the Council should consider the following options:

• A self-declaration form of any criminal convictions; or
• A risk assessment to identify the Member's role; assessing what they do, how they do it, who they meet and what information they are privy to within that position. | Elected members are currently not subject to CRB checks. As representatives of the community and as community leaders, elected members could potentially come in contact with children and adults at risk. | **Important** |

Agreed Action		Responsibility	Deadline
The indication is that CRB checks are no longer required for majority of staff and contractors and therefore the query remains of the relevance for Elected Members. The Review in Rec 1. should consider appropriate arrangements for elected members.		The Community Development Manager	30th April 2013

Recommended Action	Audit Finding	Priority (Essential / Important / Advisory)
Safeguarding of Children and Adults at risk training should be provided to all new staff, volunteers and members. Refresher training should be provided, appropriate to the role. Training should be centrally coordinated with records of training and attendees retained.	The Hampshire Safeguarding Children's Board (HSCB) provided FBC staff with safeguarding training approximately three years ago. It was established that Ferneham Hall staff and volunteers received training specific to their needs in August 2011, however, due to turnover of staff at Ferneham Hall a number of seasonal and new staff would not have received an overview of safeguarding and corresponding training. Furthermore, it was established that Safeguarding Children training was provided to members in September 2010. Since the provision of this training, new Members have been elected.	**Important**

Agreed Action	Responsibility	Deadline
Resources to fund the training solution will be agreed through debate at CMXT.	Head of Personnel	30th April 2013
The Democratic Services team will record and log all Member Training requests and will liaise with Community Development team to schedule training sessions.	Head of Democratic Services	Immediate

Recommended Action	Audit Finding	Priority (Essential / Important / Advisory)
In order to comply with the minimum training requirements set out by the LSCB, the person providing safeguarding training for contractors should have attended the required Child Protection Foundation Course.	Building Services opted to provide their own safeguarding training to contractors with their first session provided in September 2012. It was, however, established that the training provider has not attended the Child Protection Foundation Course, as required by the Local Safeguarding Children's Board guidelines.	**Important**

Agreed Action	Responsibility	Deadline
The training provider at the depot will be made aware of the need to attend the required Child Protection Foundation Course.	Depot Staff	30th April 2013

Network Security and Infrastructure

Scope

Audit work was undertaken to provide assurance over the following control areas:

- **Windows Operating System Security**
  - System Accounts Policy;
  - Audit Policy Settings;
  - Registry Key Settings;
  - Analysis of Trusted and Trusting Domains;
  - Use of Home Directories, Logon Scripts;
  - Analysis of Services and Drivers;
  - User Account Management;
  - Discretionary Access Controls;
  - User Permissions;
  - Network Resilience;
  - Network Management and Support;
  - Network Topology; and
  - Network Device Security.

Audit Opinion and Direction of Travel

Reasonable
☺

Direction of Travel:	⇔2006/7

Other Assurances	
Previous Weaknesses addressed	0/2 (0%) of previous recommendations were found to have been implemented.

A 'Reasonable' level of assurance was issued following the completion of this audit, with ten 'Important' recommendations two of which were previously raised recommendations which were found not to have been fully implemented and four 'Advisory' recommendations.

New Essential or Important Recommendations Raised

Recommended Action	Audit Finding	Priority (Essential / Important / Advisory)
The Council should apply the following settings to the Domain Accounts Policy of the Windows Operating System: • rename the Administrator from the default supplied name to a new	The policy values for "Rename administrator account" and "Rename guest account" identified they had not been renamed, although the "Guest" account has been disabled and the policy value for "Allow lockout of the local administrator account" was "Disabled". Furthermore, the password for the Administrator account was last changed in	Important

| name to make this less obvious;
 • enable a lockout of the local administrator account; and
 • put in place a process to periodically change the Administrator password, especially when a member of the ICT team leaves who would have access to or knowledge of the password. | June 2009. | |

Agreed Action	Responsibility	Deadline
1. We will investigate the name change and the lockout of the local administrator account to ensure that it does not affect/impact anything on the system. 2. We have added changing the Domain Administrator password to a 6 monthly review procedure and will be updated once the password has been changed.	Technical Infrastructure Manager (AS)	21st December 2013

Recommended Action	Audit Finding	Priority (Essential / Important / Advisory)
A review of all the GPOs (Group Policy Objects) defined on the network domain should be undertaken, and where they appear to be redundant or inconsistent, that the required corrective action to remove or rename the object should be undertaken.	A review of the security analysis report identified there are a total of 157 GPOs defined on the Fareham domains of them: - 42% (66) do not exist on disk; - 25% (39) have the Computer Configuration Disabled; - 29% (46) have the User Configuration Disabled; and - 41% (65) are not linked to a container.	**Important**

Agreed Action	Responsibility	Deadline
We have identified and disabled a large number of GPOs that can shortly be deleted.	Technical Infrastructure Manager (AS)	31st March 2013

Recommended Action	Audit Finding	Priority (Essential / Important / Advisory)
The audit policy settings on the Windows network domain should be enhanced by applying the following suggested settings. These events should be reviewed as part of the audit log review process:	The analysis of the audit policy settings identified that although auditing has been set for certain events, it has not been set for Object Access and Process. In addition it was noted that for Privilege use only auditing by failure had been set.	**Important**

Policy Items	Audited Events
Object Access	Success, Failure
Privilege Use	Success, Failure
Process Tracking	Log failures of process events only

Enabling some of these logs may have performance implications on the network and therefore a review should be performed following the implementation of the logs to confirm that they do not have a detrimental effect.

Agreed Action	Responsibility	Deadline
Will implement these recommended settings and keep a close eye on performance.	Technical Infrastructure Manager (AS)	21st December 2012

Recommended Action	Audit Finding	Priority (Essential / Important / Advisory)
Management should ensure that accounts with zero length password settings should have their settings changed so that they are forced to enter a password that is in line with leading practice. Should there be an exception where its implementation may affect the operation of the service, this should be documented and its exception authorised by senior management.	The security analysis identified that due to account level security settings, excluding disabled accounts, the following 10 users are allowed to logon with a zero length password. **Account Name** 0012 - CSC officer 0029 - CSC officer 0529 - Pest Control officer 0581 - Sheltered housing officer 0670 - Gardner 0703 - Refuse collector1136 - Gardner 1384 - Parks technical officer 1464 - Facilities assistant 1572 - Bar assistant	**Important**

Agreed Action	Responsibility	Deadline
We will change these 10 accounts following procedures provided by the auditor.	Technical Infrastructure Manager (AS)	Completed

Recommended Action	Audit Finding	Priority (Essential / Important / Advisory)
A review of the currently assigned rights should be performed and the rights that should not be 'granted to anyone' only allowed if this is imperative to the operation of the system. Specifically, the following permissions should be reviewed: • 'Act as part of the operating system'; • 'Adjust memory quotas for a process'; • 'Log on as batch job'; and 'Log on as a service'.	Examination of the system security extract identified that the rights that should not have been 'granted to anyone' were assigned to: • 'Act as part of the operating system' – this right is assigned to id 1336; • 'Adjust memory quotas for a process' - all the seven administrators who are part of the Administrators Group have this right; • 'Log on as batch job' - four accounts have this right - 0177, 1336, dmacdonell and dwalker (disabled account); and • 'Log on as a service' - three user accounts have this right - 1336, ascribbans-adm and CHRISCS (Chris Client Server account).	**Important**

Agreed Action		Responsibility	Deadline
All listed accounts will be reviewed and rights will be removed unless there is a definite need for these to be in place.		Technical Infrastructure Manager (AS)	21st December 2012

Recommended Action	Audit Finding	Priority (Essential / Important / Advisory)
Management should consider the potential benefits of effectively restricting network access to authorised devices, and the use of appropriate tools to achieve these. This could include the use of Network Access Protocol and Network Access Control (NAP/NAC).	Audit enquiry established that there are currently no controls in place to prevent and detect unauthorised devices from connecting to the Council's network.	**Important**

Agreed Action		Responsibility	Deadline
Implement IDAM as soon as Ridgeline SP4 has been released.		Technical Infrastructure Manager (AS)	31st March 2013

Recommended Action	Audit Finding	Priority (Essential / Important / Advisory)
The Council should remove or minimise the single points of failure in the Council's network infrastructure design to help confirm that the Council's operations are not impacted by weaknesses in the infrastructure caused by failure of a single network component.	Our audit of the network architecture noted that the Council's internet service is dependent on a single connection and there is only one switch that provides the main connection into the Corporate network from the DR site where part of the Council's network is hosted.	**Important**

Agreed Action		Responsibility	Deadline
We will review resiliency options to see if an adequate mitigation can be put in place.		Technical Infrastructure Manager (AS)	31st July 2013

Recommended Action	Audit Finding	Priority (Essential / Important / Advisory)
A formal Network Strategy should be developed or included in the IT strategy, approved and signed off by senior management of the Council. The strategy should include, for example: • meeting the needs of the services as well as the Corporate plans and strategy; • network capacity and traffic volumes that are required to meet the needs of the Council; • the requirement for resilience of the network as well as its components; • use of voice, data and video communications technology; • standards of the operating system environment, servers and PCs; • the level of security required; • long term developments of capacity, performance, lines (network and telephony), software, hardware etc.; and • responsibility for the management and	We are informed during our audit fieldwork that there is currently no formal documented network strategy in place to identify the future requirements of the network.	**Important**

	Agreed Action	Responsibility	Deadline
	support of the network.		
	We will look to developing a Network strategy.	Head of ICT (PH)	31st July 2013

Outstanding Actions from Previous Audits

Priority	Action Required	Audit Findings
Important	Regular review and maintenance of accounts on the Domain should be carried out for accounts that have: • not registered any activity for a period of time; • have been disabled for a considerable period; or • whose expiry date has long since passed. Where identified as redundant, these accounts should be removed from the network.	The security analysis identified that: • Excluding disabled accounts, there are 396 (19.4%) user accounts that have never been used or their last logon date is unknown; • There are 37% (755) accounts that have expired. Of these, 748 have expired from a period 2011 back to 2001 and therefore considered to be redundant; and • 53.5% (1092) of user accounts have been disabled of which there are 1083 accounts whose last logon date is unknown.
Important	The Discretionary Access Control Lists (DACLs) should be reviewed to ensure they are valid, current and that permissions granted through them are appropriate.	Review of the SekChek security report identified that there are 36,638 DACLs defined on the following classes of container objects: • Containers: 36,362 DACLs • Domains: 148 DACLs • Organizational Units: UNKNOWN • Sites: 128 DACLs A sample of the DACLs show that the following Trustees own over 100 DACLs and whose requirement is not clear: • Account Operators • C Drive Access • Print Operators • CHRIS 21 Computers • Print room • CT008 • 0133 • DUser • 0144 • ICT Development • 1994 • Logon script testing

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Telecommunications

Scope

Audit work was undertaken to provide assurance over the following control areas:

- Telecommunications Strategy and Acceptable Usage Policies;
- Equipment Issue, Control and Security;
- System Management Roles and Responsibilities;
- System Security;
- Call Restrictions;
- Call Audit Trails;
- Resilience, Disaster Recovery and Maintenance; and
- System Monitoring and Reporting.

Audit Opinion and Direction of Travel

Reasonable

Direction of Travel:	2002/03 Previous Audit Not Comparable

Other Assurances	
Counter Fraud	An area of Counter Fraud was requested to be examined during this audit and has been covered in the system security section of this report. This identified that to avoid hacking of the switch the Council has regular penetration and vulnerability testing to identify vulnerabilities of obtaining remote access.
Previous Weaknesses addressed	2/3 (67%) of previous recommendations have been implemented

A 'Reasonable' level of assurance was issued following the completion of this audit, with two 'Important' recommendations and seven "Advisory" recommendation raised to enhance control. Six recommendations were followed up as part of this audit. This found that two recommendations have been implemented and three recommendations are no longer required. The one remaining recommendation has been re-raised as an "Advisory" recommendation.

New Essential or Important Recommendations Raised

Recommended Action	Audit Finding	Priority (Essential / Important / Advisory)
The 'administrator' login should be configured to grant access to the Mitel 3300Mxe network telephony switch for only named individual IDs and passwords so that there is complete accountability and transparency maintained	Access into both the primary and secondary voice Mitel 3300Mxe switches at the Council was identified to be either direct access via an *https* browser session into the Mitel Network 3300 Integrated Communications Platform or via the Mitel Enterprise Manager (MEM) GUI console which enables	**Important**

Recommended Action	Audit Finding	Priority (Essential / Important / Advisory)
of all user activities including high level administrative functions on the switch. If the use of shared generic user accounts for accessing the switch is to remain, then these should be restricted and monitored on a periodic basis.	the clustered pair of Mitel Network 3300Mxe switches and all IP handsets connected to the voice network to be centrally configured, administered and managed. On the MEM, there were two Security Groups setup and configured which were noted to be 'System Admin' and 'Operations 1' that were used for IP Handset and user administration and operational support. The permissions assigned and applied for both these security groups were noted to be in line with the role. Individual user accounts were identified to be used for three of the User Support Officers who were assigned to the 'Operations 1' Security Group in MEM. However, the ICT Infrastructure team was identified to be using the generic account profile called 'administrator' within the 'System Admin' security group for high level access to the Mitel telephone switch and infrastructure. Although, audit trails are maintained within the events logs of access and authentication, there is no transparency and accountability for when ICT Infrastructure staff use the generic 'administrator' profile.	

Agreed Action		Responsibility	Deadline
We will review and create individual user accounts for the "System Admin" Security Group for the Mitel 3300Mxe network telephony switch.		Network Analyst	February 2013

Recommended Action	Audit Finding	Priority (Essential / Important / Advisory)
Password policies which control access into the Mitel 3300Mxe switch, as well as via the Mitel Enterprise Manager (MEM) GUI solution, should be evaluated, strengthened and where possible enforced by the system. The following password controls should be considered and implemented which are in accordance with leading practice, as well as	The ICT Infrastructure Team and three User Support Officers have been setup and configured to access the Mitel 3300Mxe switch. Current password rules and standards that have been configured on the system do not fully comply with leading practice, as well as the minimum requirements of the Information Security Policy at the Council. It was acknowledged that the MEM console was designed with a limited security configuration menu without logical access	**Important**

Recommended Action	Audit Finding	Priority (Essential / Important / Advisory)
the Information Security Policy at the Council: • Passwords should be a minimum length of 8 characters; • Passwords should be complex by consisting of alpha and numeric characters; • Passwords should be changed on a periodic basis; and • A password history should be maintained to prevent re-use.	policies, such as the minimum password character length, expiration, password history which could be configured and enforced on the switch. These enhanced automated features within the Mitel software would incur a significant cost to ICT Services.	

Agreed Action	Responsibility	Deadline
We will review the password control settings for the Mitel network switch and identify and actions that can be manually implemented to make them more in accordance with best practice.	Network Analyst	February 2013

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Geographical Information Systems

Scope

Audit work was undertaken to provide assurance over the following control areas:

- Project Management Methodology;
- Project Risk Management;
- User Satisfaction;
- Identification of Project Benefits;
- Transfer to normal Business operations;
- System Development;
- System Security and Resilience; and
- Change and System Management.

Audit Opinion and Direction of Travel

Reasonable
😐

Direction of Travel:	No Prior Audit

A 'Reasonable' level of assurance was issued following the completion of this audit, with seven 'Important' recommendations and one "Advisory" recommendation raised to enhance control. No prior audit had been undertaken in this area and as such no recommendations required following up.

New Essential or Important Recommendations Raised

Recommended Action	Audit Finding	Priority (Essential / Important / Advisory)
The Council should establish procedures to confirm that end user satisfaction exercises are performed in order to confirm compliance with user requirements.	It was identified that a Post Implementation Review of user satisfaction survey has not been performed following implementation of the system.	**Important**

Agreed Action	Responsibility	Deadline
An end user satisfaction survey will be performed as part of a post implementation review due to be completed by the end of March 2013.	GIS Development Officer	January 2013

Recommended Action	Audit Finding	Priority (Essential / Important / Advisory)
Management should formalise the benefits realisation process by defining clear and	It was identified that there is no benefits register and proactive management of the benefits identified during the	**Important**

Recommended Action	Audit Finding	Priority (Essential / Important / Advisory)
measurable benefits along with details of the responsible officers for assessing project benefits.	project.	

Agreed Action		Responsibility	Deadline
The benefits realisation process will be reemphasised as part of the post implementation review.		GIS Development Officer	March 2013

Recommended Action	Audit Finding	Priority (Essential / Important / Advisory)
Management should review and update the GIS Strategy in order to reflect ongoing system enhancements.	There is a GIS Strategy which was approved in 2007 prior to the procurement and implementation of the current GIS solution at the Council. This strategy has not been updated and as a result, does not reflect ongoing system development and enhancement requirements.	Important

Agreed Action		Responsibility	Deadline
The GIS Strategy will be considered as part of ongoing plans for a newly developed GIS Steering Group and a draft strategy will be developed from this process over the next 12 months.		GIS Development Officer	December 2013

Recommended Action	Audit Finding	Priority (Essential / Important / Advisory)
Access to the desktop version of the software, which requires a licence and has edit functionality should be restricted to only appropriately authorised members of staff.	The current configuration for access to the desktop application is open to any authenticated client machine on the same network as the licence.	Important

Agreed Action		Responsibility	Deadline
The configuration for access to the licence pool on the system will be investigated with ESRI (UK) Ltd and restrictions will be implemented thereafter.		GIS Development Officer	31st January 2013

Recommended Action	Audit Finding	Priority (Essential / Important / Advisory)
Permissions and access rights within departmental folders holding editable GIS related data is restricted to only authorised staff.	It was identified that there are departmental folders on a shared network drive which holds departmental GIS related data. It was identified that all authenticated user account profiles on the Council's network currently have full control over these folders.	**Important**

Agreed Action		Responsibility	Deadline
Permissions on shared accounts holding GIS data will be reviewed to ensure that all areas within the restricted folders are restricted to only appropriately authorised users.		GIS Development Officer	Completed

Recommended Action	Audit Finding	Priority (Essential / Important / Advisory)
The ARCGIS database and ARCGIS application servers should be included in disaster recovery plans and also confirm that they are subject to regular recovery testing.	Audit testing identified that the ARCGIS database and ARCGIS application servers are currently not included in the Council's disaster recovery arrangements.	**Important**

Agreed Action		Responsibility	Deadline
1. The GIS servers ARCGISAPP are now included on the list of servers with real time replication to the DR site. 2. The DR test will be completed by March 2013.		Technical Infrastructure Manager	March 2013

Recommended Action	Audit Finding	Priority (Essential / Important / Advisory)
Documented testing should be performed on all system updates prior to their release into the live environment.	There is currently no documentation of testing conducted as part of procedures to implement system updates from the system supplier.	**Important**

Agreed Action		Responsibility	Deadline
There is a procedure in place that will be adopted to define a list of tests on the software that can be incorporated into the Change Control process for the GIS system.		GIS Development Officer	31st March 2013

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IT Audit Follow Up

Scope

Audit work was undertaken to ascertain the current status of recommendations made in the following audit reports:

- 2010/11 Installation and Security Review – five recommendations followed up;
- 2010/11 Access Controls – five recommendations followed up.

These recommendations had previously been reported by the services as having been implemented and the focus of the audit was to confirm this status. The implementation of recommendations followed up during this audit identified the implemented status being reported was accurate.

Audit Opinion and Direction of Travel

N/A

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Summary of Assurance Opinions Used

Assurance Level	Symbol	Description
Strong	☺	There is a strong system of control designed and operating effectively. Any weaknesses found were low impact and do not significantly affect key controls or the achievement of the objectives of the system.
Reasonable	😐	There is basically a sound system of internal control but weaknesses were found in system design or compliance, which result in some risk to the achievement of the system objectives.
Limited	☹	There are some weaknesses in the system of control designed or the level of compliance which result in significant risk to the achievement of the system objectives.
Minimal	☹	Fundamental weaknesses have been identified such that many key controls are absent or not operating effectively which may put at risk the achievement of the corporate control objectives.

Recommendations and actions in the report are categorised using the following 3 point scale in use on the Council's action management system:

Essential	💣	A fundamental weakness in the control system which presents immediate risk to the service or system of a significant nature. Requires urgent attention by management. Reported to the Audit Committee and implementation of proposed actions are monitored.
Important	▲	A significant control weaknesses where the risk is not imminent or only of a moderate nature. This needs addressing but is not urgent. Reported to the Audit Committee and implementation of proposed actions are monitored.
Advisory	⚑	A weakness or opportunity for improvement where the risk poses no great threat and is relatively minor. Consideration should be given to addressing the weakness if there is the appetite and/or capacity to implement the improvements. We will not track actions taken to address these recommendations unless at the manager's request.

Statement of Responsibility

We take responsibility for this report which is prepared on the basis of the limitations set out below.

The matters raised in this report are only those which came to our attention during the course of our internal audit work and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Recommendations for improvements should be assessed by you for their full impact before they are implemented. The performance of internal audit work is not and should not be taken as a substitute for management's responsibilities for the application of sound management practices. We emphasise that the responsibility for a sound system of internal controls and the prevention and detection of fraud and other irregularities rests with management and work performed by internal audit should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify all circumstances of fraud or irregularity. Auditors, in conducting their work, are required to have regards to the possibility of fraud or irregularities. Even sound systems of internal control can only provide reasonable and not absolute assurance and may not be proof against collusive fraud. Internal audit procedures are designed to focus on areas as identified by management as being of greatest risk and significance and as such we rely on management to provide us full access to their accounting records and transactions for the purposes of our audit work and to ensure the authenticity of these documents. Effective and timely implementation of our recommendations by management is important for the maintenance of a reliable internal control system. The assurance level awarded in our internal audit report is not comparable with the International Standard on Assurance Engagements (ISAE 3000) issued by the International Audit and Assurance Standards Board.

Deloitte & Touche Public Sector Internal Audit Limited

February 2013

In this document references to Deloitte are references to Deloitte & Touche Public Sector Internal Audit Limited.

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FAREHAM BOROUGH COUNCIL

www.fareham.gov.uk

Report to
Audit and Governance Committee

Date: **11 March 2013**

Report of: **Director of Finance and Resources**

Subject: **CONTRACTOR INTERNAL AUDIT PLAN 2013/14**

SUMMARY

This report summarises the approach taken and the coverage proposed by the Internal Audit Contractor (Deloitte & Touche Public Sector Internal Audit Ltd.) for 2013/14, with a provisional plan for 2014/15.

RECOMMENDATION

That the Contractor Audit Needs Assessment and Plan for 2013/14, attached as Appendix 1, be approved

INTRODUCTION

1. The Internal Audit Service provides independent assurance that the systems operating within the Council are sound and effective.

2. The Audit Strategy sets out what services it will provide to give this assurance and how its role fits in the Council's Risk Management processes and framework for compiling the Annual Governance Statement.

3. The Audit and Assurance service is currently provided jointly by a small in-house team and an external partner "Deloitte & Touche".

4. The responsibilities for each party under the current Audit Strategy are clearly defined and planned coverage for each year is set out in 2 separate plans: the in-house plan and the contractor plan. It should be noted that the contractor plan is compiled from a general audit needs assessment and a computer audit needs assessment.

5. This report proposes the contractor plan to be delivered for 2013/14. This plan is the pure "internal audit" assurance process that forms the majority of the Head of Audit's annual opinion and therefore the target is for 90% of this work to be completed in a year.

AUDIT NEEDS ASSESSMENT AND PROPOSED PLAN

6. The approach to the audit needs assessment and the resulting annual plan proposed by the external audit partner is attached as Appendix 1.

RISK ASSESSMENT

7. There are no significant risk considerations in relation to this report

CONCLUSION

8. The annual plan for the audit partner for 2013/14, along with the in-house plan for the year, outlines a range of work which will appropriately support the Council's Governance Assurance Framework

Appendices:

Appendix 1 -Contractor Operational Audit Plan 2013/14 (Separate attachment)

Background Papers:

None

Reference Papers:

Report by the Director of Finance and Resources to the Audit Committee on 12 March 20112 on the Contractor Annual Audit Plan 2012/13

Enquiries:

For further information on this report please contact Ben Deeley, Engagement Manager, Deloittes and Touche (Ext 4419)

FAREHAM
BOROUGH COUNCIL

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Fareham Borough Council

Draft Internal Audit Plan 2013/14

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This report has been prepared on the basis of the limitations set out on page 25.

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Our Approach

1. Introduction and Background

1.1 This report sets out the planned Internal Audit activity for the period 1st April 2013 to 31st March 2014 for Fareham Borough Council.

1.2 The purpose of Internal Audit is to provide an independent and objective opinion to the organisation on the degree to which the internal control environment supports and promotes the achievement of the organisations objectives. Internal Audit is not a substitute for effective internal control. The proper role of Internal Audit is to contribute to internal control by examining, evaluating and reporting to management on its adequacy and effectiveness.

2. Annual Audit Plan 2013/14

2.1 The proposed operational Internal Audit plan for 2013/2014 is attached in Appendix A. The plan has been developed through:

- Discussions held with key officers, as listed within Appendix D, to establish that key risks which may affect service delivery are reflected within the Audit Plan;
- Examination of audit work previously completed, including the assurance opinions previously assigned to individual audit assignments;
- Any areas of significant change which are likely to involve new or changing processes;
- Our experience of working with other Authorities within the region; and
- Liaison with the Head of Audit and Assurance at Fareham Borough Council and the External Auditors to Fareham Borough Council.

2.2 The audit topics selected for coverage represent the following;

- Fundamental system audits, including Invoicing & Collection of Income Receivable and the Ordering & Payment of Invoices, are to be covered annually to provide assurance to the Authority and External Audit; key auditable areas are to receive regular coverage;
- The Annual Plan is balanced with corporate and partnership reviews, computer and information audits, service audits and specialist contract and capital expenditure audits. Where possible, the plan includes some coverage across all departments with a view to minimise input into any one department.

2.3 Allowance has been made in the plan for other essential audit work comprising audit planning, management and administration, progress meetings, and external audit liaison. The annual plan will be kept under review to identify any amendments needed to reflect changing priorities and emerging audit needs as the year progresses.

2.4   The plan is based on 230 days of audit assurance in the form of 30 pieces of work. Nineteen (63%) of these audits are different to the coverage in 2012/13, of which three (10%) are systems which will be audited for the first time.

2.5   A slightly increased proportion of the days in the 2013/14 plan (81(35%)) have been assigned to give the annual assurance on the fundamental financial systems that are required by external audit under the "managed audit" joint approach. Last year's plan allocated (72 (31%)) of time to this work.

2.6   49 (21%) of the days have been assigned to specialist and high level audit work which includes computer audit, tax audit, contract audit, corporate and partnership audit and risk management.

2.7   All the contingency and follow up time has been allocated out to audits. If any audits yet to be completed in 2012/13 result in low assurance opinion being awarded, these will be followed up in the usual way and the work will need to be substituted for one of the lower risk planned audits.

2.8   The changes made to the plan compared to the provisional 2013/14 plan produced last year are given in Appendix B.

3.   Strategic Plan 2012/13 to 2014/15

3.1   The Audit Universe was provided by the Council. The Universe had been reviewed against the latest budget estimate book and four changes were made as below: there are therefore still 193 audits in the Audit Universe:

- Traffic Management operation added - new service in budget book

- Policy Compliance added – new corporate audit

- Health Development removed - service stopped in 2011/12

- Highways construction agency HCC removed - covered by other audit titles

3.2   Discussions held with key Officers have informed the amendments to the three year Strategic Plan, which has also been updated to reflect changes that have occurred in year within the 2012/13 operational Internal Audit plan. The revised Strategic Plan is found in Appendix C.

3.3   The work delivered in the last 3 years and the proposed range of work in the next two years, along with the in-house assurance work, covers 60% (115) of the 193 potential audits in the updated "Audit Universe",

3.4   There are 7 audits included within the proposed plans which have received no previous coverage leaving 37 titles (19%) across the whole universe which will not have had any audit coverage since the records were introduced in 1997/8. These are generally areas that are not

considered high risk to the Council. Details of audits not covered in the last 3 years nor the proposed range of work in the next two years are given within Appendix E by type of audit.

4. Action Required

4.1 The Audit Committee is asked to approve the proposed Annual Plan for 2013/2014.

Appendix A - 2013/14 Operational Annual Internal Audit Plan

Audit Title	Type	2013/14				Reason for Inclusion	Audit Scope/ Additional Comments	Work Group
		Q1	Q2	Q3	Q4			See key at end
DEPARTMENT OF FINANCE & RESOURCES (F)								
Risk Management	Risk Management				6	Previous Deferral	The audit will cover the Risk Management Function and include coverage on the following areas: • Risk Management Framework; • Identification of Risk; • Assessment of Risk; • Management of Risk; and • Monitoring and Reporting of Risk.	FA
Ordering & Payment of Invoices	Fundamental System			7		Fundamental System	The audit will cover the Creditors Function and include coverage on the following areas: • Policies and procedures; • Authorisation procedures; • Goods/ services receipting; • Coding of Expenditure; • Prompt payment discounts; • Manual payments; • Duplicate payments; and • Supplier accounts. • Segregation of Duties	FG/ AA
Invoicing & Collection of Income Receivable	Fundamental System			9		Fundamental System	The audit will cover the Debtors Function and include coverage on the following areas: • Policies and procedures; • Amendments to standing data; • Debt monitoring; • Debt recovery; • Raising of Invoices and Credit Notes; • Posting of cash receipts; • Write off procedures; and • Segregation of duties;	FG / AA
Payroll	Fundamental System			7		Fundamental System	The audit will cover the Payroll Function and include coverage on the following areas:	FG / RL

| Audit Title | Type | 2013/14 | | | | Reason for Inclusion | Audit Scope/ Additional Comments | Work Group |
		Q1	Q2	Q3	Q4			See key at end
							- Policies and procedures; - Security of, and access to IT Systems; - Integrity and reliability of data; - Segregation of duties; - Starters (including pre-employment screening); - Leavers; - Variations; - Statutory and voluntary deductions; - Overpayments; and - Management information.	
Main Accounting	Fundamental System				10	Fundamental System	This audit will cover the Main Accounting System and include coverage on the following areas: - Policies, procedures, standing orders and financial regulations, including staff awareness; - Completeness, accuracy, reliability & integrity of transactions and records for production of annual accounts, including suspense accounts and other financial returns; - Journal entries and manual adjustments; - Financial Feeder system reconciliations; and - Year-end procedures including carry forward of balances.	FG / FF
Treasury Management	Fundamental System		6			Fundamental System	The audit will specifically cover the Treasury Management process and include coverage on the following areas: - Policies and procedures, including the Treasury Management Strategy and Policy; - Levels, limits and institutions that can be dealt with for both lending and borrowing are clearly stated; - Contracts/service agreements with investment managers and brokers used; - Authorisation limits to borrow and lend; - Compliance with the Treasury Management Strategy; - Cash flow monitoring, maximising and forecasting; - Investment and borrowing records; - Risk exposure of investments; - Timeliness of transactions; - Interest payments and receipts;	FF

| Audit Title | Type | 2013/14 | | | | Reason for Inclusion | Audit Scope/ Additional Comments | Work Group |
		Q1	Q2	Q3	Q4			See key at end
							• Monitoring and Reporting of performance; and • Reconciliations.	
Insurance	Service Audit		5			Cyclical Coverage and previous actions for follow up	The audit will specifically cover the Insurance process and include coverage on the following areas: • Policies and procedures; • Insurance policies detail coverage required and are reviewed annually; • Claims recording, approval and liability estimation; and • Contract management and management information.	FF
Financial Regulations Limited Compliance Testing	Corporate and Partnership				2	Change of approach away from including tests as part of all other audits	This audit will test for compliance with two requirements of the revised Financial Regulations. The requirements and scope will be discussed with the audit sponsor.	FA/AA
Fixed Assets	Fundamental System			6		Cyclical Coverage and support for external audit work	The audit will specifically cover the Fixed Assets arrangements. The scope will be discussed with the audit sponsor.	FE
Revenues	Fundamental System			12		Fundamental System	A joint audit of Council Tax and NNDR will be undertaken, covering the following aspects: • Policies and procedures; • Convenient Methods of Payment; • Reconciliation between the Debit and Valuation List; • Discount and Reduction Applications, including Voids; • Billing; • Receipts; • Clearance from Suspense Accounts; • Recovery Action; • Writing Off Irrecoverable Income; • Monitoring Collection Rates; and • Refunds. • Amendments to standing data	FH

Audit Title	Type	2013/14				Reason for Inclusion	Audit Scope/ Additional Comments	Work Group
		Q1	Q2	Q3	Q4			See key at end
							• System calculation of amounts due	
Housing Benefits and Council Tax Benefits (including Local Council Tax Support Scheme)	Fundamental System				10	Fundamental System	The audit will specifically cover the Housing Benefits process and include coverage on the following areas: • Policies and procedures, including adherence to legislation, financial regulations and local policy; • Post opening procedures; • Segregation of duties, to include conflicts of interest; • Timeliness and accuracy of assessments, amendments, payments and cancellations; • Backdated claims; • Management of overpayments and recovery arrangements; • Reliability of records (paper and electronic) and protection against loss and unauthorised access; and • Accuracy and timeliness of Performance Monitoring. The scope will be discussed with the audit sponsor.	FH
Management of Tradesmen	Service Audit	7				Previous Deferral and no previous coverage	The audit will specifically cover the arrangements in place for management and control of tradesmen. The scope will be discussed with the audit sponsor.	FK
Remote Access	Computer Audits		8			Previous Deferral	The audit will focus on evaluating the effectiveness and adequacy of internal controls operating in relation to remote access. Areas included are as follows • Policies and procedures are in place defining the process to gain remote access to the Council Network. Furthermore, statements have been documented and communicated regarding the acceptable use of remote access and home working once these permissions have been provided; • Controls are in place to restrict access to the Council network via remote access to authorised users and third parties. Furthermore, processes are in place to ensure that remote access privileges are revoked in a timely manner; • Controls are in place to govern the logical and physical security of mobile devices both owned by the Council or a	FT

Audit Title	Type	2013/14				Reason for Inclusion	Audit Scope/ Additional Comments	Work Group
		Q1	Q2	Q3	Q4			See key at end
							'Bring Your Own Device (BYOD)'. Remote access connections are subject to logging. Processes are in place to respond to security violations and incidents; and • Remote access security arrangements are subject to formal change control procedures and testing. Furthermore, the risks associated with remote access have been assessed and are subject to monitoring.	
Main Accounting System (E-Financials) Application review	Computer Audits			7		Support for external audit work and review following major upgrade	The audit will focus on evaluating the effectiveness and adequacy of internal controls operating in relation to the efinancials system. Areas included are as follows: • There are access controls in place to ensure that unauthorised users can not gain access to the system and authorised users have the correct level of access to the application; • Data Input Controls are in place to help ensure the integrity of data input into the application; • Data Processing controls are in place to ensure data is processed completely, accurately and to required timescales; • Interface controls ensure that only valid data is transferred between applications and the data remains complete and accurate; • Output controls are in place to help ensure that output generated from the application is correct and only accessible by authorised users; • A management trail with key areas of access is maintained and reviewed; • Controls are in place for the system administration of the application including patching and upgrades; and • Arrangements for backup and recovery are in place. • Integrity of data transfer and migration following upgrade	FT
DEPARTMENT OF PLANNING & ENVIRONMENT (P)								
Planning Contributions	Service Audit		8			Cyclical Coverage and	The audit will specifically cover the Planning Contributions process to provide assurance that the systems in place for both S106	PL

Audit Title	Type	2013/14				Reason for Inclusion	Audit Scope/ Additional Comments	Work Group
		Q1	Q2	Q3	Q4			See key at end
						introduction of new Community Infrastructure Levy	agreements and Community Infrastructure Levy are suitable. The scope will be discussed with the audit sponsor.	
Town Centre Management	Service Audit	7				Cyclical Coverage. Last audited 2006/07	The audit will specifically cover the Town Centre Management arrangements The scope will be discussed with the audit sponsor.	PG
Coastal Protection and Land Drainage	Service Audit	6				Management Request and no previous coverage	The audit will specifically cover the Coastal Protection and Land Drainage systems. The scope will be discussed with the audit sponsor.	PR
Planning Applications	Service Audit				6	Management Request and high risk service	The audit will specifically cover the arrangements in place for management and control of Planning Applications including determination of applications within required timescales The scope will be discussed with the audit sponsor.	PL
DEPARTMENT OF REGULATORY & DEMOCRATIC SERVICES (R)								
Performance Management	Corporate and Partnership			8		Cyclical Coverage and introduction of new system	The audit will specifically cover the systems in place for Performance Management including the new arrangements for employee appraisals. The scope will be discussed with the audit sponsor.	RL
Training and Development	Corporate and Partnership		8			No previous coverage and introduction of new systems	The audit will specifically cover the systems in place for Training and Development including the new arrangements. The scope will be discussed with the audit sponsor.	RL
Licensing of Taxis and Alcohol	Service Audit		8			Cyclical Coverage and previous actions for follow up	The audit will specifically cover the systems in place for Licensing, specifically those arrangements for Taxis and Alcohol licensing. This will be a joint audit with Gosport BC audit team. The scope will be discussed with the audit sponsor.	RE
Clean Borough Enforcement and Abandoned Vehicles	Service Audit			7		Cyclical Coverage – last audited 2008/09	The audit will specifically cover the systems in place for Clean Borough Enforcement and Abandoned Vehicles. The scope will be discussed with the audit sponsor.	RC

Audit Title	Type	2013/14				Reason for Inclusion	Audit Scope/ Additional Comments	Work Group
		Q1	Q2	Q3	Q4			See key at end
Parking Strategic Management and Policy Services	Service Audit				6	Fundamental System and support for external audit work	The audit will specifically cover the systems in place for managing Parking Strategic Management and Policy Services specifically including the collection and reconciliation of income. The scope will be discussed with the audit sponsor.	RC
DEPARTMENT OF COMMUNITY								
Cash Collection & Banking	Fundamental System			8		Fundamental System	The audit will specifically cover the Cash Collection & Banking process and include coverage on the following areas: • Legislation, Policies and Procedures; • Cash Transactions and Records; • Cash Collection; • Cash Payments; • Cash Holdings; • Banking; and • Management Reporting.	SO / FG
Website Content Management	Computer Audits	10				Cyclical Coverage and previous actions for follow up. Launch of new website in 2013	The audit will focus on evaluating the effectiveness and adequacy of internal controls operating in relation to the website content management system. Areas included are as follows: • Web site strategy, governance, management and control; • Stakeholder engagement in defining requirements for the council's internet \ intranet; • Security and support arrangements for CMS environment; • Compliance with relevant legislation and guidelines; • Training and support for web editors\contributors; • Use and efficiency of the CMS; • Change control management of content; and • Customer take up of internet site.	SO
Housing Rents	Fundamental System			6		Fundamental System	The audit will cover the Housing Rents function and include coverage on the following areas: • Calculation of rents, in line with the Government Rents Formula and targets; • Billing; • Recording of receipts and correct allocation of income (including garages); • Reconciliations between council's properties and rent	ST

Audit Title	Type	2013/14				Reason for Inclusion	Audit Scope/ Additional Comments	Work Group
		Q1	Q2	Q3	Q4			See key at end
							accounts; • Refunds and Account Adjustments (rent cancellations and rent free weeks); • Accounts in credit; • Rent arrears recovery for both previous and current tenants; and • System Access & ICT Controls. • Segregation of Duties	
Homelessness	Service Audit				6	Management Request	The audit will specifically cover the systems in place for Homelessness. The scope will be discussed with the audit sponsor.	SH
Leisure Partnership	Service Audit	6				No previous coverage	The audit will specifically cover the systems in place in relation to the Leisure Partnerships with voluntary, statutory and commercial organisations for sport, recreational and community related activities The scope will be discussed with the audit sponsor.	SL
Ferneham Hall	Service Audit			6		High risk audit and previous actions for follow up	The audit will specifically cover the systems in place for Ferneham Hall, particularly in relation to income collection The scope will be discussed with the audit sponsor.	SL
DEPARTMENT OF STREET SCENE								
Public Conveniences	Service Audit		6			Cyclical Coverage – last audited 2000/1	The audit will specifically cover the systems in place for management and control of Public Conveniences. The scope will be discussed with the audit sponsor.	TS
WORK FOR PORTCHESTER CREMATORIUM JOINT COMMITTEE								
Portchester Crematorium	Service Audit	7				Cyclical Coverage and annual certification	Work for Portchester Crematorium in accordance with joint agreement. Fully recharged	
OTHER								
Specific Follow Up	Follow Up	-	-	-	-		N/A	

Audit Title	Type	2013/14				Reason for Inclusion	Audit Scope/ Additional Comments	Work Group
		Q1	Q2	Q3	Q4			See key at end
Contingency	Contingency	-	-	-	-		N/A	
Audit Needs Assessment	-	-	-	-	-		N/A	
Audit Committee	-	2	0.5	0.5	1		This allows for any ad hoc management requirements, including attendance at relevant Committee, Risk Management, Governance Meetings and preparation of the Head of Internal Audit Opinion.	
Audit Management	-	3	3	3	3			
Total		**48**	**52.5**	**86.5**	**50**			

Work Group Key:

Work Group Reference		Department / Service
FD	-	Department of Finance and Resources
FA	-	Internal Audit
FE	-	Estates
FF	-	Strategic Finance and Procurement
FG	-	Operational Finance
FH	-	Benefits and Revenues
FK	-	Building Maintenance
FT	-	Information & Communication Technology (ICT)
PD	-	Department of Planning & Environment
PF	-	NCNF
PG	-	Regeneration
PR	-	Planning Strategy & Environment
PL	-	Development Management and Trees
TD	-	Department of Street Scene
TS	-	Street Scene Services
TT	-	Transport

Work Group Reference		Department / Service
RD	-	Department of Regulatory and Democratic Services
DP	-	Building Control Partnership
RC	-	Community Safety & Enforcement
RE	-	Environmental Health
RG	-	Legal and Information Management
RL	-	Personnel
RU	-	Facilities
RO	-	Democratic Services
SD	-	Department of Community
SH	-	Strategic Housing
SL	-	Community & Leisure
SO	-	Corporate Services
ST	-	Tenancy Services
SU	-	Customer Service Centre
AA	-	Cross Cutting

Appendix B – Amendments from Original Strategic Plan 2012/13-2014/15

Audit Title	Net Days Effect	Proposed Action	Rationale
External Funding	-7	Remove from planned coverage	Lower risk area in comparison to other audits
Insurance	-2	Reduce allocation	Reduced coverage to just higher risk elements to allow additional high risk audits to be included.
Financial Regulations Limited Compliance Testing	+2	Addition to planned coverage	Time allocation in individual audits remove and replaced by single audit allowing specified requirements from the revised Financial Regulations to be tested for compliance.
Revenues	+2	Increase allocation	To allow for sufficient coverage of high risk areas
Housing and Council Tax benefits	+3	Expand to include Local Council Tax Support System (LCTSS)	New LCTSS to be implemented, high risk due to being a new process
Property Maintenance and Inspection	-7	Remove from planned coverage	Lower risk area in comparison to Management of Tradesmen
Management of Tradesmen	+7	Addition to planned coverage	Higher risk area in comparison to Property Maintenance and Inspection
Computer Audits	-5	Reduce allocation	Allocation can be more effectively spent on General Audit assignments- high level of input in previous years
Planning Contributions	+1	Increase allocation	To allow for coverage of both S106 agreements and Community Infrastructure Levy
Planning Applications	+6	Addition to planned coverage	High risk area and absence from planned 3 year coverage
Training and Development	+2	Increase allocation	To allow for greater coverage of new arrangements to be implemented
Taxis Licensing Licensing of Taxis and Alcohol	-6 -6 +8	Merge audit Merge audit Merge audit	To enable efficiencies from joint operation of audit to allow coverage to increase on higher risk elements of other audits
Parking Strategic Management and Parking Policy	+6	Addition to planned coverage	Strong trend for this to be incorporated as a fundamental system due to the level of income derived and will support external audit work.
Cash Collection and Banking	+1	Increase allocation	To allow for sufficient coverage of high risk areas and to incorporate any changes to the processes
CSC Process	-5	Remove from planned coverage	Due to upcoming review of the area by external consultants and to incorporate higher risk audits

Appendix C – New Strategic Plan 2012/13 – 2014/15

Audit Title	Type	Financial Year			Work Group
		2012/13	2013/14	2014/15	
DEPARTMENT OF FINANCE & RESOURCES (F)					
Risk Management	Risk Management		6		FA
Financial Regulations Limited Compliance Testing	Corporate and Partnership		2	5	FA/ AA
Ordering & Payment of Invoices	Fundamental System	7	7	7	FG/AA
Invoicing & Collection of Income Receivable	Fundamental System	9	9	9	FG/AA
Payroll	Fundamental System	7	7	7	FG/RL
Electronic Expenses	Fundamental System	3			FG
Main Accounting &budgetary control	Fundamental System	12	10	12	FG / FF
Contract Completion (Final Accounts)	Contract and Specialist Audit			5	FG
Treasury Management	Fundamental System	6	6	6	FF
Efinancials Application Review	Computer and Information Audits		7		FF
Orchard Housing & Direct Works Systems Application review	Computer and Information Audits			10	FF/FK
Procurement Cards	Service Audit	4			FF
Insurance	Service Audit		5		FF
Capital Project Management	Corporate and Partnership	8			FF / FE
Commercial Estates	Service Audit	7			FE
Fixed Assets	Fundamental System		6		FE/FF
Revenues	Fundamental System	10	12	10	FH
Equality and Diversity	Corporate and Partnership			7	FH
Housing Benefits & DIPS	Fundamental System	7	10	10	FH
Responsive Repairs contract	Contract Audit and Other Specialist	7			FK
Management of Tradesmen	Service Audit		7		FK
IT Recommendations Follow Up	Computer and Information Audits	2			FT
Network Security and Infrastructure	Computer and Information Audits	10			FT
Telecommunications	Computer and Information Audits	10			FT
GIS post implementation review	Computer and Information Audits	8			FT / PL
Remote Access	Computer and Information Audits		8		FT
MS Exchange and Email	Computer and Information Audits			10	FT
DEPARTMENT OF PLANNING & ENVIRONMENT (P)					

Audit Title	Type	Financial Year			Work Group
		2012/13	2013/14	2014/15	
Planning Enforcement	Service Audit	7			PL
Planning Contributions	Service Audit		8		PL
Planning Applications	Service Audit		6		PL
Town Centre Management	Service Audit		7		PG
Markets	Service Audit			7	PG
Planning Policy and LDF	Service Audit			7	PR
Coastal Protection and Land Drainage	Service Audit		6		PR
DEPARTMENT OF REGULATORY & DEMOCRATIC SERVICES (R)					
Cleaning and Caretaking	Service Audit			7	RU
Misc Democratic	Service Audit	5			RO
Legal Services Contract	Contract Audit and Other Specialist	8			RG
Performance Management	Corporate and Partnership		8		RL
Training and Development	Corporate and Partnership		8		RL
Health and Absence Management	Corporate and Partnership			7	RL
Payroll Application Review	Computer and Information Audits			10	RL/FG
Corporate Health and Safety	Corporate and Partnership Audit	8			RE
Pest Control	Service Audit	5			RE
Licensing of Taxis and Alcohol	Service Audit		8		RE
Parking Strategic Management and Policy Services	Service Audit	6	6		RC
Clean Borough Enforcement and Abandoned Vehicles	Service Audit		7		RC
Building Control Enforcement	Service Audit			7	DP
Emergency Planning	Service Audit			5	RD
Business Continuity	Corporate and Partnership			6	RD
DEPARTMENT OF COMMUNITY					
Data Protection	Computer and Information	7			SO
Cash Collection & Banking	Fundamental System	7	8	7	SO
CSC Process	Service Audit	5			CSO
Partnership Governance	Corporate and Partnership Audit			7	SO
Website Content Management	Computer and Information Audits		10		SSO
Postal Services	Service Audit	6			SSU
Community Development	Service Audit	7			SL

Audit Title	Type	Financial Year			Work Group
		2012/13	2013/14	2014/15	
(Safeguarding)					
Disabled Facilities Grants	Service Audit	6			SH
Housing Rents	Fundamental System	6	6	6	SH
Homelessness	Service Audit		6		SH
Registered Social Landlord	Service Audit			7	SH
Tenancy Management	Service Audit			7	SH
Leisure Partnership	Service Audit		6		SL
Ferneham Hall	Service Audit	3 (follow up)	6		SL
Fore Shore (Beach Hut Income)	Service Audit			4	SL
DEPARTMENT OF STREET SCENE					
Public conveniences	Service Audit		6		TS
Parks and Open Spaces	Service Audit			6	TS
Vehicle Management	Service Audit			6	TD
OTHER					
Specific Follow Up	Follow Up	6	-	5	
Contingency	Contingency	-	-	1	
Audit Needs Assessment	-	4		4	
Audit Committee	-	5	4	4	
Audit Management	-	12	12	12	
Total		**230**	**230**	**230**	

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Appendix D - Staff Interviewed

- Andrew Wannell - Director of Finance and Resources
- Elaine Hammell - Head of Audit and Assurance
- Graham Lloyd - Head of Estates
- Peter Harper - Head of ICT
- Richard Jolley - Director of Planning and Environment
- Linda Jewell - Head of Planning Strategy and Environment
- Selina Crocombe - Head of New Community North Fareham
- Patricia Gray - Fareham Town Centre Manager
- Garry White - Director of Regulatory and Democratic Services
- Ian Rickman - Head of Environmental Health
- Kevin Wright - Head of Community Safety and Enforcement
- Leigh Usher - Head of Democratic Services
- Sarah Robinson - Head of Personnel and Development
- Martyn George - Director of Community
- Lindsey Ansell - Head of Corporate Services
- Mark Bowler - Head of Leisure and Community
- Paul Doran - Director of Street Scene

Not Able to Meet during this Planning Period

- Andrew Fiske - Head of Strategic Housing
- Lee Smith - Head of Development Management and Trees

Interviewed in previous years as part of cyclical planning:

- Caroline Quirk - Head of Revenues and Benefits
- John Shaw - Head of Building Control
- Jon Shore - Tenancy Services Manager

Appendix E – Areas of Audit Universe Not Covered within last Three Years or Proposed Two Year Plan

Covered in 2010/11 and 2011/12 or In-house Plan	NO AUDIT COVERAGE IN 5 YEARS		
	Has had previous coverage (year)	No / limited previous coverage since 1997/8	Total
Corporate and Partnership			
Freedom of Information	Grant Claims (2006/07)	Advertising and Sponsorship	
Corporate Governance		Community Consultation	
Performance Indicators		Community Strategy	
Anti- Fraud and Corruption		Value for Money	
RIPA		Conditions of Service	
		Equal Opportunities - Employees	
		Employee Termination	
	1	7	8
Computer and Information			

Covered in 2010/11 and 2011/12 or In-house Plan	NO AUDIT COVERAGE IN 5 YEARS		
	Has had previous coverage (year)	No / limited previous coverage since 1997/8	Total
ICT Business Continuity	Software Control (2003/04)	ICT Strategy	
Revenues and Benefits system (Northgate)	Information Security Policies and Standards (2008/09)	Database Administration	
Fuel System	Information Governance (2009/10)	Computer Misuse	
Environmental Health and Planning System (Ocella)	Windows Operating System (2006/07)		
Cash Management System (AIM)	Wireless Network (2005/06)		
Document Management System (CFS/ BPMS)	Equipment Management (2007/08)		
Main Computer Installation	ICT Procurement (1999/00)		
Systems Development	PC End User Support (2009/10)		
Server Virtualisation	Estates System (Technology Forge) (2009/10)		
Access Controls	Elections System (Express) (2004/05)		
Change Management	Ferneham Hall System (Databox) (2008/09)		
	Customer Service Centre System (CRM) (2006/07)		
	12	3	15

Covered in 2010/11 and 2011/12 or In-house Plan	NO AUDIT COVERAGE IN 5 YEARS		
	Has had previous coverage (year)	No / limited previous coverage since 1997/8	Total
Contracts and Specialist			
Sustainability	Procurement (2006/07)	Contract Appraisal & Design	
Approved Lists and Tendering	Liquidated Damages (2009/10)	Consultants	
Capital Expenditure and Accounting	External Funding (2007/08)		
VAT & PAYE	Construction Industry Tax (2008/09)		
	4	**2**	**6**
Service - Public			
Democratic representation	Civic Expenses (1999/00)	Publicity & Promotion	
Land Charges	Warden Services (2006/07)	Welfare Services	
Benefit Fraud Investigation	Housing Communal Services (2002/03)	Private Sector Housing Renewal	
Housing Allocations	Economic Development (2008/09)	Housing Strategy	
Household Waste Collection and Recycling	Street Cleansing (2007/08)	Meals on Wheels	
Trade Waste Collection & Recycling	Dog Control (2008/09)	War Memorials and Public Clocks	
Food Safety and Health and Safety	Leisure Card (1999/00)	Tourism	

Covered in 2010/11 and 2011/12 or In-house Plan	NO AUDIT COVERAGE IN 5 YEARS		
	Has had previous coverage (year)	No / limited previous coverage since 1997/8	Total
Community Safety	Cemeteries and Burial Grounds (2007/08)	Allotments	
CCTV	Community Centres (2008/09)	Countryside Service	
On Street Parking	Leisure Centre Trust (2008/09)	Westbury Manor Museum	
Traffic Management - Policy	Outdoor Recreation (2007/08)	Community Schools	
Building Control	Grants and Contributions (2009/10)	Street Furniture	
Planning Advice	Elections (2007/08)	Pollution Reduction	
Planning Appeals	Electoral Registers (2008/09)	Individual Environmental Projects	
Home Energy Conservation	Neighbourhood working & CATS (2009/10)	Tree Service	
	Public Transport (2008/09)	Historic Environmental Services	
	Right To Buy (2007/08)	Sustainable Development Strategies	
	Leased Properties (2008/09)	Traffic Management Operation	
		Garden Waste	

| Covered in 2010/11 and 2011/12 or In-house Plan | NO AUDIT COVERAGE IN 5 YEARS | | |
	Has had previous coverage (year)	No / limited previous coverage since 1997/8	Total
		Henry Cort	
	18	**20**	**38**
Service - Internal			
Petty Cash	Car loans (2002/03)	Trust funds	
	Controlled Stationery (2009/10)	Stationery	
	Printing (2007/08)	Time recording	
	Recruitment and Selection (2007/08)	Property Maintenance & Inspection - other buildings	
	Property Maintenance and Inspections – depot (2004/05)	Property Maintenance & Inspection - civic offices	
	Staff Refreshments (2009/10)		
	6	**5**	**11**
		TOTAL	**78**

Statement of Responsibility

We take responsibility for this report which is prepared on the basis of the limitations set out below.

The matters raised in this report are only those which came to our attention during the course of our internal audit work and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Recommendations for improvements should be assessed by you for their full impact before they are implemented. The performance of internal audit work is not and should not be taken as a substitute for management's responsibilities for the application of sound management practices. We emphasise that the responsibility for a sound system of internal controls and the prevention and detection of fraud and other irregularities rests with management and work performed by internal audit should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify all circumstances of fraud or irregularity. Internal auditors, in conducting their work, are required to have regards to the possibility of fraud or irregularities. Even sound systems of internal control can only provide reasonable and not absolute assurance and may not be proof against collusive fraud. Internal audit procedures are designed to focus on areas as identified by management as being of greatest risk and significance and as such we rely on management to provide us full access to their accounting records and transactions for the purposes of our internal audit work and to ensure the authenticity of these documents. Effective and timely implementation of our recommendations by management is important for the maintenance of a reliable internal control system. The assurance level awarded in our internal audit report is not comparable with the International Standard on Assurance Engagements (ISAE 3000) issued by the International Internal audit and Assurance Standards Board.

Deloitte & Touche Public Sector Internal audit Limited

February 2013

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FAREHAM BOROUGH COUNCIL

www.fareham.gov.uk

Report to
Audit and Governance Committee

Date: **11 March 2013**

Report of: **Director of Regulatory and Democratic Services**

Subject: **CORPORATE RISK REGISTER 2013**

SUMMARY

The new Corporate Risk Register attached as Appendix B, has now been produced in accordance with the new risk management framework adopted by the Council.

RECOMMENDATION

That the Committee note the content of the new Corporate Risk Register attached as Appendix B and the approach for managing these risks.

INTRODUCTION

1. Risk Management is as an intrinsic part of Corporate Governance and the Council is required to demonstrate that it has a sound risk management framework which is embedded across the Council.

2. A report was brought to this Committee in March 2012 which outlined how the Council has been carrying out a radical review of its Risk Management framework. A new Risk Management Policy was adopted in September 2012 which stipulates that one formal risk register, the Corporate Risk Register, will be maintained.

3. The new Corporate Risk Register has now been developed and the risk assessments completed. This report brings the register to the Committee for noting as part of their role to confirm that a structured and appropriate approach is being taken in the management of risks.

HOW THE REGISTER WAS PRODUCED

4. An integral part of the new approach is the maintenance of a new "Central Risk Directory" which has been developed from the Council's Corporate Priorities, top Corporate Projects, the Governance framework and the key risks identified by the Council's Heads of Service.

5. These are grouped together under generic risk themes so that the links between similar risks are highlighted and any duplication removed. Each "second tier" risk has been assigned a lead Head of Service who has carried out a risk assessment using a standard template which concludes with a "residual" risk category from the scale of High, Medium and Low. Reliance has been placed on the Council's project management process to provide feedback on the status of the risks associated with the delivery of the project. Both sets of information have then been used to inform the Corporate Risk Register.

6. The Corporate Risk Register consists of the 32 generic risk themes that make up the top level of the Central Risk Directory. Each of the risks has been assigned a member of the Chief Executive's Management Team to act as the Risk Manager for the risk, and they have now also completed the risk assessments using a similar standard template.

7. This process is summarised in the diagram in Appendix A.

THE CORPORATE RISK REGISTER

The resultant Corporate Risk Register is attached as Appendix B which has been formally considered in its entirety by the Chief Executive's Management Team. It will also be presented to the Executive Committee as an annual report.

MONITORING THE RISKS

8. The second tier risks on the central risk directory are being managed by the lead officers and progress is monitored in one to one discussions with their Director; similarly the corporate risks will be monitored in one to one discussions between the Director and the Chief Executive Officer. Where there are issues these will be escalated to the Chief Executive's Management Team and if necessary reported to the Executive.

9.   The full list of risks and assessments will be reported to the Chief Executive's Management Team and the Audit and Governance Committee twice a year, and this will highlight any significant changes in the risk profile that has occurred.

10.   This process is summarised in Appendix C.

RISK ASSESSMENT

11.   There are no significant risk considerations in relation to this report.

CONCLUSION

12.   The Council now has a fully revised Corporate Risk Register in place, as attached as Appendix B, which meets the requirements of the new Risk Management Policy adopted in 2012/13.

Appendices

A - Summary of the Council's Risk Hierarchy
B - Corporate Risk Register (separate attachment)
C - Summary of Process of Managing Risks (separate A3 attachment)

Background Papers:

None

Reference Papers:

Report by the Director of Regulatory and Democratic Services to the Audit and Governance Committee on 24 September 2012 on the Risk Management Policy

Enquiries:

For further information on this report please contact Elaine Hammell. (Ext 4344)

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Summary of the Council's Risk Hierarchy

CENTRAL RISK DIRECTORY

TOP TIER RISKS
With links to Corporate Priorities
Risk Manager = Member of Chief Executive's Management Team

Corporate Risk Register

SECOND TIER RISKS
With links to Corporate Priority Improvements
Risk Manager = Head of Service

Top Service Risks and Governance Issues

Corporate Projects
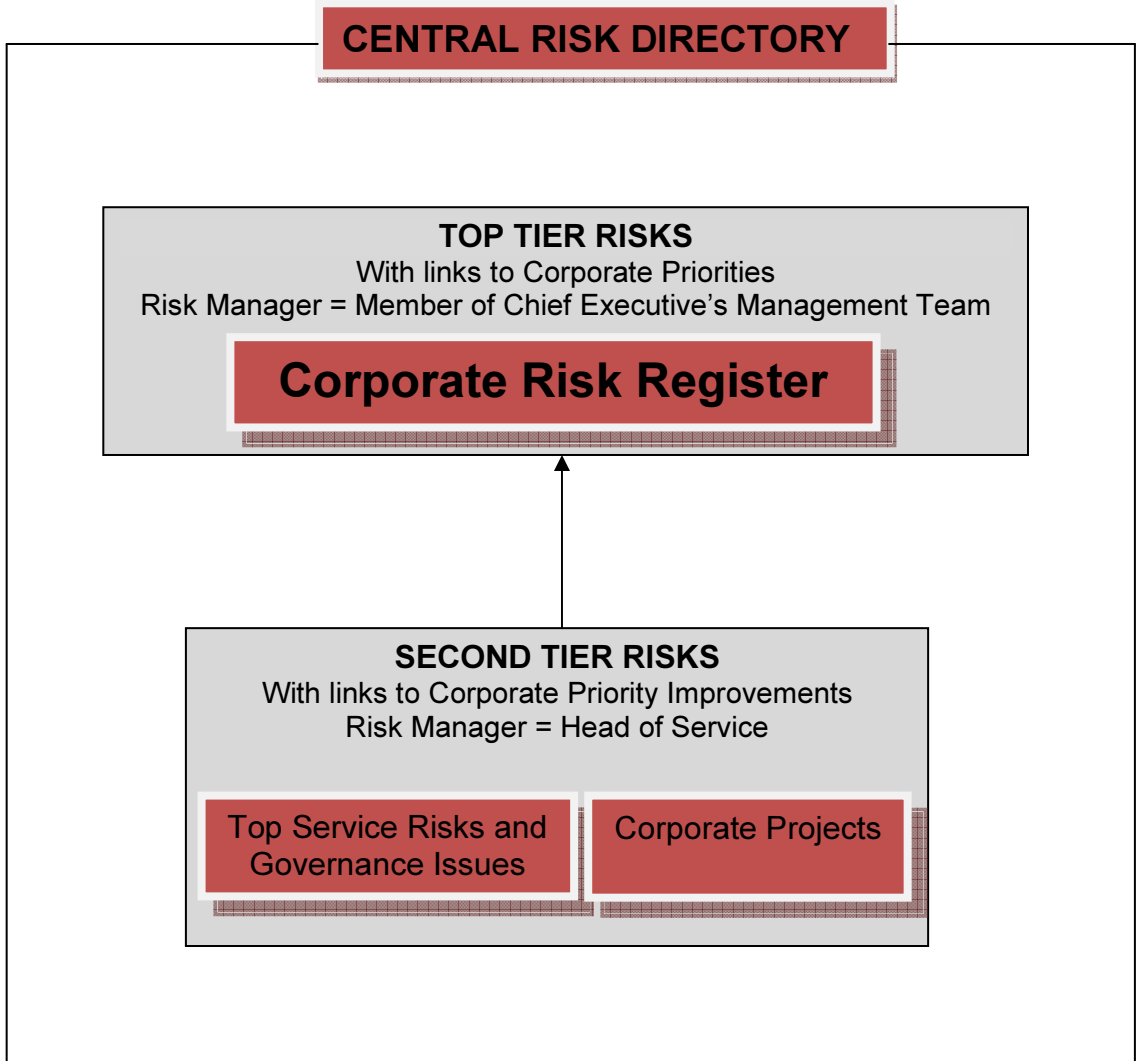
CORPORATE RISK REGISTER V1.2 - March 2013

Risk Ref	Corp Priority (Improvement reference)	Short Name	Risk Description	Risk Manager	Latest risk sheet	Current status	Current Risk Score	Last review by CXMT
Page 99	All (1)	**NCNF**	Failing to progress the planning framework for the new community north of Fareham, provide effective communication about the new community or address the infrastructure funding issues.	Richard Jolley	[Feb 13](#)	Planning framework - preparation of Draft NCNF Plan and associated preferred concept master plan, transport and green infrastructure strategies, infrastructure delivery plan (IDP) and supporting technical evidence studies progressing to latest agreed timetable; Communications - naming consultation in progress and to be followed by extensive consultation on Draft Plan and preferred master plan; Infrastructure Funding - in parallel with preparation of NCNF Plan, and drawing on the associated Infrastructure Delivery Plan, consultants appointed to undertake work on preparation of an Infrastructure Funding Strategy. Additional staff resources now in place to support plan-making, infrastructure work and community engagement; staff not recruited to NCNF Development Management posts. Report provided to Executive on costs of and funding sources for NCNF work.	😐	20/02/13

Risk Ref	Corp Priority (Improvement reference)	Short Name	Risk Description	Risk Manager	Latest risk sheet	Current status	Current Risk Score	Last review by CXMT
4	2 Prosperity (4)	**Daedalus**	Failure to provide a planning framework for the Daedalus site and support the LEP in the promotion of the Enterprise Zone.	Richard Jolley	Feb 13	FBC rating policy for Enterprise Zone approved by Executive and now in place. Detailed work on planning S106 agreement related to outline planning application for the whole Daedalus site progressing well, with target date of end of March 2013 to issue planning consent - highway S106 agreement also to be completed.	😐	20/02/13
5	2 Prosperity (5)	**Retail areas**	Failure to achieve proposed improvements for retail areas in the borough.	Richard Jolley	Feb 13	Fareham town centre - Executive approval of Action Plan to support town centre in place and update on progress with implementation of actions to be provided in March 2013. Measures include parking policy changes, signage, environmental improvements, dedicated website/marketing strapline etc. Locks Heath District Centre - work is continuing on preparing the master plan in discussion with shopping centre owners. Planning policy framework to enable food store/swimming pool development at centre to be provided through progression of Development Sites & Policies Plan to Pre-submission draft and examination.	😐	20/02/13
8	4 Leisure (8)	**Coldeast**	Failure to deliver proposed community facilities at the Coldeast development site or alternative location.	Martyn George	Jan 2013	Need to finalise clear understanding of the trigger points within the section 106 agreement for transferring land & funds to FBC. Also need to clarify delivery timescales for community facilities.	😐	20/02/13
9	4 Leisure (9)	**Community Buildings**	Failure to provide modern, fit for purpose community buildings in the most	Martyn George	Jan 2013	Need to report to Executive early in 2013 on Fareham Town Needs Assessment to agree way forward.	😐	20/02/13

Risk Ref	Corp Priority (Improvement reference)	Short Name	Risk Description	Risk Manager	Latest risk sheet	Current status	Current Risk Score	Last review by CXMT
			appropriate locations.					
12	5 Housing (11)	**Affordable Homes**	Failure to deliver 500 new affordable homes by 2017.	Martyn George	Jan 2013	Resolve future funding arrangements for new affordable housing (for new homes to be delivered beyond March 2015).	😐	20/02/13
14	6 Community (13)	**Gateway**	Failure to implement the Fareham Park 'Gateway' Project.	Martyn George	Jan 2013	On 7 January 2013 Executive agreed to establish a Member & Officer Steering Group to lead this project with clear Terms of Reference. Executive also agreed to fund a Project Officer to support the Working Group.	😐	20/02/13
16	7 Dynamic Council (15)	**Asset Management**	Failure to maximise the Council`s assets resulting in missed opportunities for generating revenue and or capital receipts or delivering other corporate and service priorities.	Andy Wannell	Feb 2013	There are a number of steps on-going, which have led to improved revenue streams for the Council. The Corporate Asset Management Group continues to meet regularly and have demonstrated its effectiveness through the recommendation of a number of asset disposals and acquisitions in pursuit of improved VFM.	😐	20/02/13
17	7 Dynamic Council (16)	**Sustainable Budget**	Failure to minimise Council tax increases through delivery of a sustainable budget.	Andy Wannell	Feb 2013	Robust plans are in place for the 2013/14 budget, with opportunities identified and in the process of implementation to deliver a sustainable budget in 2014/15. However, the remaining plans are considered to be more difficult to achieve, and any bias toward net budget reductions through new income has a higher probability of non-achievement. Government settlement figures were more pessimistic than first hoped, and the indicative reduction in grant presents greater risks for the achievement of a balanced budget in 2014/15.	😐	20/02/13
19	7 Dynamic Council	**Policy Changes**	Failure to respond to new	Martyn	Jan	Recruitment is underway to replace the	😐	20/02/13

Risk Ref	Corp Priority (Improvement reference)	Short Name	Risk Description	Risk Manager	Latest risk sheet	Current status	Current Risk Score	Last review by CXMT
	(18)		legislation and the governments changing policy agenda.	George	2013	Policy Officer who has recently retired.		
		Business Continuity	Inadequate arrangements in place to respond to a critical disruption	Garry White	Feb 2012	The approach to business continuity has been reviewed, a new policy has been agreed by the Audit Committee (September 2011) and new guidance and templates have been developed for officers to make the process simpler and easier. The list of critical services have been reviewed by CXMT in October 2012 and the Head of Community Safety and Enforcement is meeting with all the Heads of Service who are responsible for a critical service to make sure that their plans are up to date and fit for purpose. Further work is required on the development and testing of the corporate business continuity plans in particular those relating to the loss of the civic offices and the depot as well as testing the plans that are in place for a number of the Council`s critical services. The CX co-ordination of the Council`s response to the recent severe weather (snow / ice and flooding) show that the Council have arrangements in place to respond to such events in order to maintain critical services.	😐	20/02/13
25		Service Delivery	Current level of service cannot be delivered within existing budget.	Andy Wannell	Feb 2013	There is generally a good understanding of the services which are under pressure, and resources have been allocated to meet those demands and achieve target dates for projects to be delivered. (Examples include allocating resources to support the NCNF programme of work, Disability Facility	😐	20/02/13

Risk Ref	Corp Priority (Improvement reference)	Short Name	Risk Description	Risk Manager	Latest risk sheet	Current status	Current Risk Score	Last review by CXMT
						Grants, welfare reforms, etc). However, there remains some areas where resourcing plans have either not been formulated in detail, or are yet to be implemented fully. As such, there is a reasonable possibility that some services will not be able to respond to the demands upon them for short periods of time.	🟠	
27		**Income**	Loss of income	Andy Wannell	Feb 2013	The services which present the greatest risk currently are, car parking, commercial estates, Ferneham Hall and treasury management. Close monitoring of these areas is carried out, and cost reductions elsewhere are sufficient to offset the income shortfall, at this time.	😐	20/02/13
32		**Health and Safety - Employee**	Failure to meet Health & Safety responsibilities in relation to employees.	Garry White	Feb 2013	Health and Safety regularly monitored by all managers, Corporate H&S templates available for all departments to use. These are being updated through the audits to make sure that these are up to date and actions required reflected in the action plans. Annual report to CXMT and the Executive highlights that the Council has satisfactory arrangements in place for the management of health and safety of its employees.	😐	20/02/13
2	1 Environment (2)	**Recycling**	Failure to reduce the quantity of household waste and maximise the amount that is reused or recycled.	Paul Doran	Feb 13	Current recycling rate stable at 39%. Weight of residual waste per household marginally down against comparable period in 2011-12.	🙂	20/02/13
3	1 Environment (3)	**Sustainability**	Benefits of the Council`s Environmental Sustainability Strategy and other environmental strategies are not fully delivered.	Richard Jolley	Feb 13	Environmental Sustainability Strategy and progress on actions reviewed annually with report to CXMT in March and Members in May 2013.	🙂	20/02/13

Risk Ref	Corp Priority (Improvement reference)	Short Name	Risk Description	Risk Manager	Latest risk sheet	Current status	Current Risk Score	Last review by CXMT
6	2 Prosperity (6)	**PUSH**	Failure to support PUSH and SLEP to deliver economic growth and improved skills.	Richard Jolley	Feb 13	Extensive support currently being provided to Solent LEP to support delivery of Solent Enterprise Zone at Daedalus, including progression of outline planning consent for site, progression of project with Fareham College, approval of FBC rating policy.	☺	20/02/13
	3 Safe and Healthy (7)	**Crime and Disorder**	Increase in the incidents of crime, disorder and anti social behaviour.	Garry White	Feb 2013	Fareham have robust arrangements in place and through the work with our Community Safety Partners are effectively dealing with crime, disorder and Anti Social Behaviour in the Borough which is in turn reflected by Fareham being the second best performing Community Safety Partnership in Hampshire. The work of the Partnership has seen a 22% reduction in crime and disorder within the Borough over the last 5 years. The reputation of the Council is good and we have a clear corporate priority of maintaining Fareham as a safe and healthy place to live and work and we will work with our community safety partners to continue to reduce anti-social behaviour and crime in Fareham. The performance of the CSP is reported on an annual basis to the Council`s Scrutiny Board.	☺	20/02/13
10	4 Leisure (9)	**Portchester Community Centre**	Failure to deliver the Portchester Community Centre on time and within budget	Martyn George	October 2011	New Community Centre opened for business on 7 January 2013. Old Community Centre is being demolished and landscaping to follow. Lease to Portchester Community School still to be completed	☺	20/02/13
11	4 Leisure (10)	**Outdoor Recreation**	Failure to fully implement the improvement programme for parks, play	Martyn George	Jan 2013	Wicor Pavilion completed Dec 2012 - now open for business.	☺	20/02/13

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Risk Ref	Corp Priority (Improvement reference)	Short Name	Risk Description	Risk Manager	Latest risk sheet	Current status	Current Risk Score	Last review by CXMT
			areas and sports facilities.					
13	5 Housing (12)	Sheltered Housing	Failure to deliver and implement a programme of modernising and improving sheltered accommodation across the Borough.	Martyn George	Jan 2013	Planning permission granted to redevelop Collingwood House. Contribution toward redevelopment cost secured from Home and Communities Agency. Project Manager appointed Project currently out to Tender.	☺	20/02/13
15	6 Community (14)	Community Engagement	Failure to communicate and engage effectively with the local community.	Martyn George	Jan 2013	Regular CATs meetings held and on-going needs based consultation. Council Connect stand in place in town centre. New Web launched on 28 Jan 2013.	☺	20/02/13
18	7 Dynamic Council (17)	ICT	Failure to make best use of existing technology in the way that services are delivered.	Andy Wannell	Feb 2013	No material concerns are identified. The ICT Control Group scrutinise all proposed ICT investments and cashable savings are monitored as part of the corporate efficiency plan to ensure that the expected benefits are realised.	☺	20/02/13
20		Partnerships	Failure of a significant partnership or contract	Martyn George	Jan 2013	CXMT reviewed latest partnership report on 30 Jan 2013 and all partnerships performing well.	☺	20/02/13
22		Governance	Inadequate Governance and Systems of Control	Andy Wannell	Feb 2013	No material concerns Positive external audit reports received.	☺	20/02/13
23		Performance Management	Inadequate Performance Management Framework	Garry White	Feb 2013	Performance Management Framework overseen by CXMT. The latest Audit and Governance report shows that the Council are receiving value for money and clearly focussing our resources on delivering the Council`s corporate priorities.	☺	20/02/13
24		People Management	Poor people management and resourcing	Garry White	Feb 2013	The Council has undertaken work on the development of managers is now progressing this with a review of individual performance management which is due to be launched in April 2013. Following extensive consultation the	☺	20/02/13

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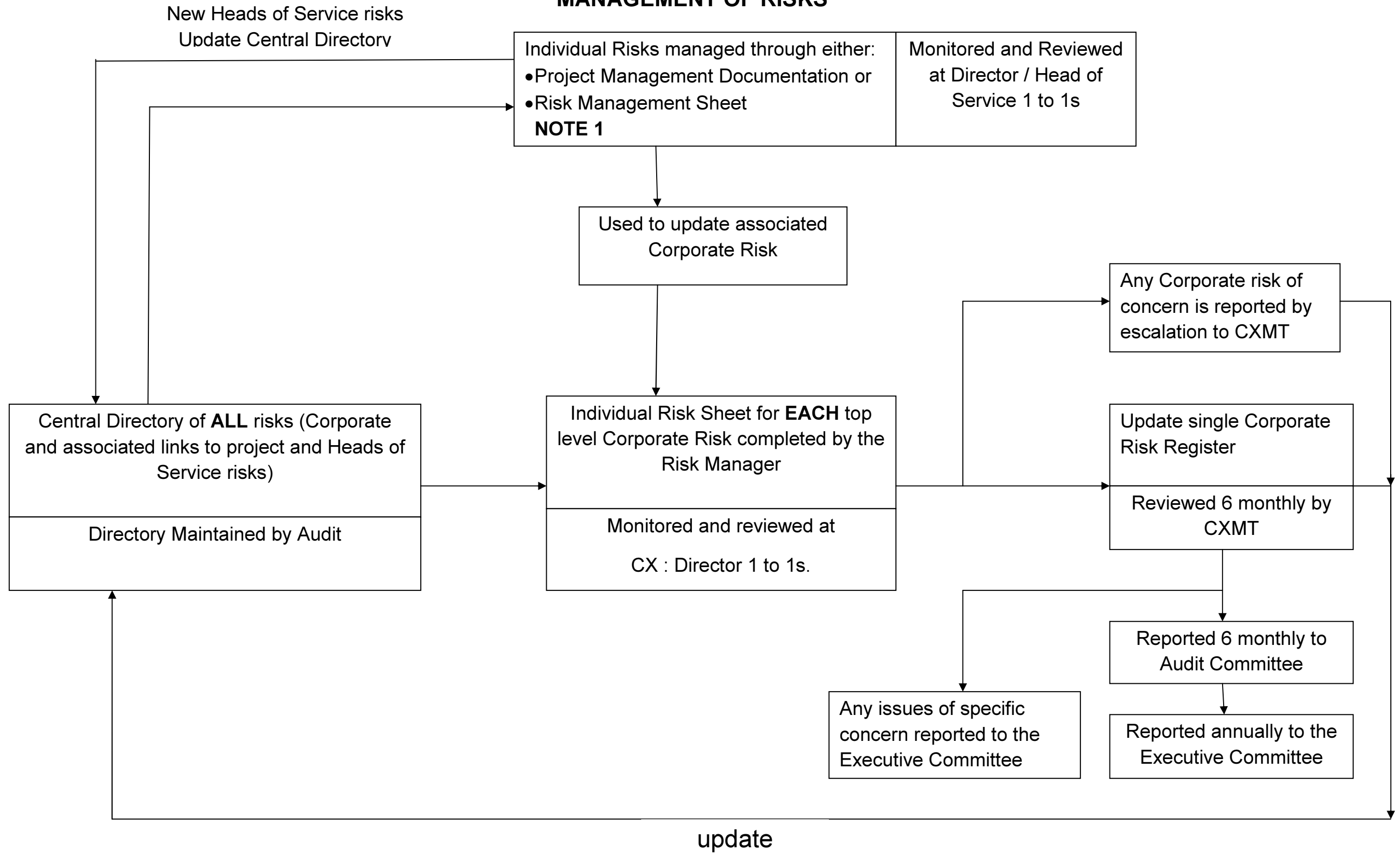| Risk Ref	Corp Priority (Improvement reference)	Short Name	Risk Description	Risk Manager	Latest risk sheet	Current status	Current Risk Score	Last review by CXMT
Page 106						new approach for individual performance management has been agreed and the project is on target to meet the implementation deadline. Communications, e-briefing, on-line training and face to face training sessions are all being developed together with a revised simple system; all will be ready for roll out from March to May 2013. The new approach to training, development and talent management is also on target with the first phase to agree training plans ready for April 2013. A new on line e-development package (Skillgate) has been purchased providing access to over 700 training courses covering a wide variety of topics from soft skills to briefings on regulatory matters. Attention will then turn to further developments including a focus on talent management. An employee training, development and talent management group has been established to act as a sounding board and to get feedback as to how areas of employee development and performance can be improved.		
26		**Health and Safety - Public**	Failure to meet Health and Safety responsibilities in relation to public liability.	Andy Wannell	Feb 2013	No material areas of immediate concern, although it is important that the Council achieves the roll out of the new corporate approach for H&S in line with the agreed target dates.	☺	20/02/13
28		**Emergency Planning**	Failure to provide an appropriate response in an emergency	Garry White	Feb 2013	Annual report to Executive that sets out the status of the Council`s arrangements and details of the exercises, training and actual incidents. A programme of regular exercising, testing and training is in	☺	20/02/13

Risk Ref	Corp Priority (Improvement reference)	Short Name	Risk Description	Risk Manager	Latest risk sheet	Current status	Current Risk Score	Last review by CXMT
						place. Whilst a positive response and outcome was provided to the recent flooding incident at Wallington, as with all such incidents the debrief identified areas for improvement both in terms of the Council response but also in terms of the overall multi agency response. This will be covered by reviewing some of the roles in an emergency (Liaison Officers) as well as the arrangements and procedures within the plan itself. The arrangements for dealing with coastal pollution incidents need to be reviewed. Mutual Aid arrangements are in place with other Hampshire Authorities. The annual report presented to the Executive highlights that the Council has arrangements in place that will enable the Council to satisfy its duties and responsibilities.		
29		**Elections**	Challenge to an election process	Garry White	Feb 2013	Procedures are in place to cover the election process. Insurance cover is in place to meet any damages awarded against the Returning Officer. All staff undertaking their roles receive direction and training as to what is expected. A clear project plan is in place to cover all areas of the election including Business Continuity arrangements.	☺	20/02/13
30		**Customer Focus**	Failure to deliver a customer focused service.	Martyn George	Jan 2013	Customer First Training completed. Customer demand and use of Customer Service Centre being reviewed.	☺	20/02/13
31		**Equality**	Failure to meet Equality and Inclusion Standards.	Andy Wannell	Feb 2013	Appropriate policies in place. No material causes for concern	☺	20/02/13

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MANAGEMENT OF RISKS

New Heads of Service risks
Update Central Directory

Individual Risks managed through either:	Monitored and Reviewed
•Project Management Documentation or	at Director / Head of
•Risk Management Sheet	Service 1 to 1s
NOTE 1	

Used to update associated
Corporate Risk

Any Corporate risk of
concern is reported by
escalation to CXMT

Central Directory of **ALL** risks (Corporate and associated links to project and Heads of Service risks)	Individual Risk Sheet for **EACH** top level Corporate Risk completed by the Risk Manager	Update single Corporate Risk Register
Directory Maintained by Audit	Monitored and reviewed at CX : Director 1 to 1s.	Reviewed 6 monthly by CXMT

Reported 6 monthly to
Audit Committee

Any issues of specific
concern reported to the
Executive Committee

Reported annually to the
Executive Committee

update

NOTE 1: It is important to make sure that whichever document is used it contains the detail that is required to provide the reassurance needed that the risk is being managed.

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FAREHAM BOROUGH COUNCIL

www.fareham.gov.uk

Report to
Audit and Governance Committee

Date: **11 March 2013**

Report of: **Director of Finance and Resources**

Subject: **LATEST FINANCIAL REGULATIONS UPDATES**

SUMMARY

Officers are currently carrying out a detailed review of each Financial Regulation in order to streamline them down to the key controls that members and officers are expected to adhere to.

Three more regulations have now been reviewed and are submitted for comment. These cover Regulation 13 - Physical Assets, Regulation 17 - Petty Cash and Regulation 20 - Taxation.

RECOMMENDATION

That the proposed changes are considered and any comments forwarded to the Council, to aid its decision in approving these revised regulations.

INTRODUCTION

1.   Financial Regulations form part of the Council's constitution and provide a detailed strategic and operational framework for managing the authority's financial affairs. We currently have 21 Financial Regulations.

2.   Since November 2010, officers have been reviewing individual regulations and streamlining them down to the key rules that are necessary for the Council to adequately manage its financial affairs. Nine regulations have been completed to date.

3.   The review has been completed for three more regulations which are now being brought to members for comment.

FINANCIAL REGULATION 13 - PHYSICAL ASSETS

4.   Appendix A and Appendix B give the current regulation and the proposed new Regulation 13. The name has been changed from Fixed Assets to Physical Assets to match the terminology in the statement of accounts.

5.   This regulation has been subjected to a robust challenge which has included:

(a)   Focusing the content on what a member of the public would expect to see as the top level rules and changing any local terminology to more generic terms.

(b)   Taking out any of the detail of our processes in practice and confining them to a new support document number 41 to cover who is tasked with each of the responsibilities listed for different types of building (now rule 13.2.5).

(c)   Taking out information that would sit better in other regulations, such as storage of cash arrangements.

(d)   Taking out anything that was considered too obvious, prescriptive or which would be governed by professional codes of practice (such as new rule 13.2.4).

(e)   Amalgamating lists of checks or responsibilities where possible, for example responsibility for due care of assets (now general rule 13.1.3) and reporting discrepancies found in stock checks (now general rule 13.1.5)

6.   There have also been some areas where we have sought to clarify, strengthen or make the rules more practical. In particular these have included:

(a)   New rule added on the need to report break-ins and thefts, and any significant shortages found during inventory and stock checks to the Statutory Chief Finance Officer and Nominated Audit Manager.

(b)   The value of assets that need to be included on an inventory has been increased from £50 to £200 as well as anything else assessed by Head of Service as being vulnerable or important to the service. The definition of assets to include has also been expanded.

(c)   The frequency of physically verifying equipment and stocks has been made less prescriptive and for the Head of Service to determine based on the vulnerability of the item.

(d)   Clarification of the different methods of disposal endorsed and what approval needs to be obtained in order to proceed with the chosen method of disposal.

(e)   New rule added that disposal rules do not apply to the assets disposed of under a statutory obligation such as Right to Buy.

FINANCIAL REGULATION 17 - PETTY CASH

7.   Appendix C and Appendix D give the current regulation and the proposed new regulation. There have been limited changes made to this regulation as highlighted. Most changes relate to removing details of the procedures to be followed which will now be kept just to the Support Document Number 32 (as per Appendix E).

FINANCIAL REGULATION 20 - TAXATION

8.   Appendix F and Appendix G give the current regulation and the proposed new regulation. This regulation has been significantly reduced on similar lines to that of a neighbouring council to stipulate the key rules which are applicable for all the types of tax. The responsibilities for individual tax streams have been kept to the Support Document number 23 (as per Appendix H).

RISK ASSESSMENT

9.   There are no significant risk considerations in relation to this report

CONCLUSION

10.   The proposed new approach to streamlining Financial Regulations will continue to guide the strategic and operational financial affairs of the authority in accordance with the latest national and local requirements.

Appendices:

Appendix A: Financial Regulation 13 - Physical Assets – Current version (separate attachment).

Appendix B: Financial Regulation 13 – Physical Assets - Proposed new version (separate attachment).

Appendix C: Financial Regulation 17 - Petty Cash - Current version (separate attachment).

Appendix D: Financial Regulation 17 - Petty Cash - Proposed new version (separate attachment).

Appendix E: Financial Regulation Support Document 32 - Operation of Petty cash Accounts (separate attachment).

Appendix F: Financial Regulation 20 - Taxation - Current version (separate attachment).

Appendix G: Financial Regulation 20 - Taxation - Proposed version (separate attachment).

Appendix H: Financial Regulation Support Document 23 - Responsibility for Tax Administration (separate attachment).

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Background Papers: None

Reference Papers:

Report of the Director of Finance and Resources to the Audit Committee on 30 November 2010 "Annual Review of Financial Regulations".

Enquiries:

For further information on this report please contact Elaine Hammell. (Ext 4344)

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REGULATION 13: FIXED ASSETS (CURRENT)

> **This regulation covers all physical assets such as land, property, equipment or stock, which would be expected to feature as fixed assets on a balance sheet. Assets which are less tangible or easy to value such as staff, council information and documents and ICT data are covered in** Regulation 14 – Other Council Assets.

13.1   OVERVIEW

13.1.1 **Responsibility for Physical Security:** Directors and Chief Officers are responsible for maintaining proper security of all building, equipment, vehicles, stocks, stores and cash under their control. This includes minimising the risks of natural hazards, theft, damage and misuse.

13.1.2 **Storage of Cash**: Maximum limits for cash holdings shall be agreed with the Statutory Chief Finance Officer and shall not be exceeded without her express authority.

13.1.3 **Keys:** Keys to safes and similar receptacles holding cash, or which provide access to a secure environment or limited supply, shall be the personal responsibility of named individuals to whom they are issued. Such individuals are responsible for the safe custody of the keys. The loss of such keys must be reported to the Statutory Chief Finance Officer promptly.

13.1.4 **Acquisition of Assets:** Assets should be acquired in accordance with the procurement rules laid out in Financial Regulation 15. Any asset to be obtained by a leasing arrangement must meet the conditions stipulated in Financial Regulation Support Document 12.

13.1.5 **Asset Register:** The Statutory Chief Finance Officer shall maintain the 'Asset Register' which contains details of all assets leased or owned by the Council which exceed the Capital de-minimus levels, as set out in Financial Regulations Support Document 15. This must be maintained in accordance with any guidelines issued by CIPFA and the Council's Asset Management Plan.

13.1.6 **Capital Charges:** Information about the value of capital assets owned by the Council must be maintained in such a way as to show the real costs of utilising these assets in providing services.

13.1.7 **Updates to Asset Register:** Directors and Chief Officers shall provide on a regular basis such information as is required by the Statutory Chief Finance Officer for the maintenance of the register.

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13.2   LAND & PROPERTY

13.2.1   **Maintenance of Portfolio**: The "Nominated Chief Officer with responsibility for Estates" shall carry out an on-going review of the Council's land and property portfolio, in accordance with the Asset Management Plan.

The objective should be to optimise the income within the other policy guidelines of the Council by the sale, lease or appropriation of surplus land and property, the restructuring of existing leases and where appropriate the acquisition of land and property to enhance the value of existing assets.

13.2.2   **Terrier Record:** The "Nominated Chief Officer with responsibility for Estates" shall maintain a terrier of all land and property owned or leased by the Council (including dwellings provided under the Housing Acts) recording:

(a) the purpose for which land acquired
(b) location
(c) plan reference
(d) acquisition or sale details
(e) nature of interest
(f) rents payable or receivable
(g) particulars of tenancies granted
(h) rent review dates
(i) any other information required by the Asset Management Plan

13.2.3   **Security of Title Deeds:** The title deeds to all land and property belonging or mortgaged to the Council must be kept secure by the Democratic and Legal Service.

13.2.4   **Maintenance Records:** The "Nominated Chief Officer with responsibility for Estates" shall ensure that current records are kept of the maintenance of land and property owned or in the control of the Council.

13.2.5   **Property Security:** Appropriate arrangements should be put in place to secure Council property in accordance with Financial Regulation Support Document 34: Security of Premises Policy and Guidance.

13.2.6   **Non Council Property:** Directors and Chief Officers shall notify the "Nominated Chief Officer with responsibility for Estates" of all cases where steps are necessary to prevent or investigate loss or damage of property not belonging to the Council but in its control.

13.3   FURNITURE, EQUIPMENT, VEHICLES AND PLANT

13.3.1   **Due Care:** Each Manager with budget responsibilities is responsible for the care and protection of all furniture, equipment, vehicles and plant within their control or used by their service.

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13.3.2 **Security Markings:** All items of equipment should bear security markings identifying them as belonging to the Council, wherever possible.

13.3.3 **Loans of Equipment:** Council property (owned or hired) must only be used on Council business and any temporary removal from the normal workplace, or for use other than as part of their normal duties, must be authorised by the appropriate Director or Chief Officer and the details of receipt and return recorded.

13.3.4 **Items to Record in Inventory:** All individual items of equipment, vehicles and plant with a value in excess of **£50** must be recorded on an inventory kept in the relevant department. All items that Managers consider to be vulnerable because of their usefulness or portability, or which could be the subject of an insurance claim, should also be recorded on the inventory.

Furniture is generally not required to be recorded. ICT equipment shall be kept in a separate inventory maintained by ICT Services.

13.3.5 **Details to Record:** The inventory record should contain the following details:

a)   item description, model and serial number
b)   supplier name
c)   order number and date of purchase
d)   location held/person to whom issued
e)   value at date of purchase.

Where equipment with a recognised market value is used in a 'pool' rather than assigned to one particular person then an additional record should be maintained of individual removal and return of equipment for Council purposes.

13.3.6 **Changes to Equipment:** Inventories should be amended to reflect any modifications, damage, disposal or permanent relocation of any items as they occur.

13.3.7 **Inventory Checks:** Managers with budget responsibilities should verify the accuracy of inventories at least annually and report any discrepancies to their respective Director or Chief Officer.

Where items are attractive or easily removed, more frequent checks should be carried out.

13.3.8 **Reporting of Losses:** Directors and Chief Officers should ensure that any equipment losses are reported to the Statutory Chief Finance Officer to arrange insurance claims and adjust the Asset Register as appropriate.

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APPENDIX A

SECTION C: RISK MANAGEMENT & CONTROL – REG 13 (Fixed Assets)
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13.4   STOCKS AND STORES

13.4.1   **Stock levels:** Each Manager with budget responsibilities must make arrangements for the maintenance of reasonable levels of stocks and stores in his/her department and any establishments under his/her control. The level of stock considered reasonable should be those necessary for the economic, effective and efficient provision of the service.

13.4.2   **Records of Stock Levels:** Appropriate up to date records of the level of stocks and stores held must be maintained. The Statutory Chief Finance Officer shall be entitled to receive on demand details of the quantities and values held.

13.4.3   **Stock Valuation:** The method of stock valuation employed must be agreed by the Statutory Chief Finance Officer.

13.4.4   **Stock Movements:** Appropriate records of stock and store movements (receipt and issue) must be maintained, including reference to the persons handling these transactions. All movements must be reconciled to prime documents such as invoices.

13.4.5   **Stock Checks:** Each Manager with budget responsibilities must arrange for periodical, independent examinations of stocks and stores, at least once a year.

13.4.6   **Reporting of Discrepancies:** The Statutory Chief Finance Officer must receive a list of all significant surpluses and deficiencies resulting from these checks, together with explanations of any significant differences, and will adjust the accounts accordingly.

13.5   DISPOSAL OF ASSETS

13.5.1   **Disposal of Assets:** Any land, property or other asset that the Council wishes to sell, lease to a third party or otherwise dispose of, should be done in a way that achieves the best considerations for the Council, and in accordance with the table below. *NB: Cut off values relate to the current estimated market value of the item or batch of items for disposal.*

Prior to a decision being made to sell the asset, confirmation must be sought that it is 'owned' by the Council.

13.5.2   **Disposal of ICT equipment:** ICT equipment can only be disposed of by ICT Services, and if it is considered redundant in accordance with the ICT strategy. However, the procedures set out in the table should still be adhered to.

APPENDIX A

SECTION C: RISK MANAGEMENT & CONTROL – REG 13 (Fixed Assets)
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13.5.3 **Disposal of Land and Property:** Land and property can only be disposed of in conjunction with Estates Services in accordance with the Disposal Strategy. Any valuations must be undertaken by the "Nominated Estates Manager" or a suitably qualified person.

LIMITS FOR DISPOSAL OF ASSETS

Type of Asset	Cut off Value (see note below)	Key Rules Governing Disposal	Main Requirements
Land and Property Furniture, Equipment, Vehicles, Plant, Stocks	**over £10,000**	Disposal Strategy and Financial Regulations	• Report by Director or Chief Officer to Executive, or appropriate committee, containing professional valuation, proposed method of disposal, and implications of sale • Method of disposal must include Public Advert or Notice inviting expressions of interest, and/ or where appropriate sealed tenders controlled by Democratic and Legal. <u>Bids match or above valuation</u> • "Nominated Chief Officer with responsibility for Estates" to award to highest tender and report to Executive, or appropriate committee, after disposal <u>Bids below valuation</u> • Nominated Chief Officer with responsibility for Estates" to report to Executive or appropriate Committee, before disposal
Land and Property	**£5,000 - £10,000**	Disposal Strategy and Financial Regulations	• Report by Director or Chief Officer to Executive, or appropriate committee, containing professional valuation, proposed method of disposal, and implications of sale • Appropriate method of disposal as per 13.5.6 <u>Bids match or above valuation</u> • Nominated Chief Officer with responsibility for Estates" to award to highest tender and report to Executive, or appropriate committee, after disposal <u>Bids below valuation</u> • Nominated Chief Officer with responsibility for Estates" to report to Executive or appropriate Committee, before disposal
Land	**Up to £5,000**	Scheme of Officer delegations	• The Nominated Chief Officer with responsibility for Estates" can negotiate disposal of surplus land subject to the details being reported for information to the Executive spokesman for Policy, Strategy and Finance.
Furniture, Equipment, Vehicles, Plant, Stocks	**£250 to £10,000**	Financial Regulations and CSOs (if tenders used)	• Appropriate method of disposal as per 13.5.7 • Final Disposal agreed by Head of Service in conjunction with Statutory Chief Finance Officer
Furniture, Equipment, Vehicles, Plant, Stocks	**Under £250**	Financial Regulations	• Appropriate method of disposal as per 13.5.7 or 13.5.8 • Final disposal agreed by Director or Chief Officer.

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13.5.4   **Propriety:** All employees must be mindful of the Council's <u>Anti-fraud and Corruption Policy</u> in relation to disposal of assets and must take all appropriate steps to avoid allegations of collusion or favouritism.

13.5.5   **Tenders:** Any method of disposal using tenders must employ official council envelopes designed for this purpose, which are either received by Democratic Services, or collected on the Council's behalf by a nominated estate agent.

A representative from Democratic Services must be present at the opening of the tenders to record the bids received.

13.5.6   **Land and Property Methods of Disposal**: The method of disposal for all land and property over **£10,000** must include a Public Advert or Notice, and any bids received must follow the tender procedure.

Alternative methods of disposal that can be used for the disposal of land and property under **£10,000** (or in addition to the above if a to c) include:

a)   Approved Estate Agents
b)   Auctions (with a reserve price)
c)   Negotiations with neighbouring land owners
d)   Sealed Bids opened by service with two officers present

13.5.7   **Other Asset Methods of Disposal:** The method of disposal for all furniture, equipment, vehicles, plant and stocks over **£10,000** must include a Public Advert or Notice, and any bids received must follow the tender procedure.

Alternative methods of disposal that can be used under **£10,000** (or in addition to the above if a to c) include:

a)   Advertisement in specialised journals
b)   Auctions (with a reserve price)
c)   Part Exchange for Replacements
d)   Sealed Bids opened by service with two officers present
e)   Any other method of disposal approved by the Nominated Chief Officer with responsibility for Estates".

The method of disposal chosen should have the objective of obtaining the best price for the Council, net of disposal costs.

13.5.8   **Disposal of Low Value Assets:** Where the value of items, other than land and property, is less than **£250** other potential methods of disposal also available, in order of consideration, are:

a)   arranging alternative use elsewhere within the Council where possible.
b)   quotes for disposal to original supplier/scrap/second-hand merchants
c)   internal tenders to employees (with reserve price representing minimum market value.)

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	d)	donation to a local non-profit making groups (with regard to any health and safety implications)
	e)	open donation to employees (with regard to any health and safety implications)
	f)	arranging disposal via internal Cleansing services
	g)	any other method of disposal approved by the Director or Chief Officer

13.5.9 **Income Collection:** Any payment resulting from the disposal of an asset should be paid into the Council's bank account as soon as possible. The asset should not be released until receipt of the income has been confirmed.

Other Points of Reference (underline denotes a hyperlink is available)

Financial Regulation 9: Capital Budgets

Financial Regulation 14: Other Council Assets

Financial Regulation 15: Contracts and Procurement

Financial Regulation 19: Income Collection and Banking

Financial Regulation Support Document 12: Leasing of Assets

Financial Regulation Support Document 15: Capitalisation of Expenditure

Financial Regulation Support Document 34: Security of Premises Policy and Guidance (In progress)

Constitution Part 4.5: Scheme of Delegation to Officers

Asset Management Plan
Property Strategy
Disposal Strategy
Repairs and Maintenance Strategy

In Progress
Financial Regulation Support Document 16: Disposal of Assets

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REGULATION 13: PHYSICAL ASSETS (PROPOSED)

> **This regulation covers all physical assets such as land, buildings, equipment or stock, which would be expected to feature as fixed assets on a balance sheet. Assets which are less tangible or easy to value such as staff, council information and documents and ICT data are covered in Regulation 14 – Non Tangible Assets.**

13.1   OVERVIEW

13.1.1   **Asset Register:** The Statutory Chief Finance Officer will maintain the 'Asset Register' which contains details of all assets leased or owned by the Council which exceed the Capital de-minimus levels. This must be maintained in accordance with the accounting policies of the Council.

13.1.2   **Updates to Asset Register:** Heads of Service will provide information as required by the Statutory Chief Finance Officer for the maintenance of the asset register.

13.1.3   **Due Care:** Heads of Service are responsible for maintaining proper security, care and protection of all building, equipment, vehicles, stocks, stores and cash under their control. This includes minimising the risks of natural hazards, theft, damage and misuse.

13.1.4   **Reporting of Thefts:** The Statutory Chief Finance Officer and Nominated Audit Manager shall be informed, as soon as possible, of any break-in, theft or attempt at such, and any loss otherwise suffered.

13.1.5   **Reporting of Losses:** The Statutory Chief Finance Officer and Nominated Audit Manager shall be informed of any missing equipment or significant shortfalls in stock as soon as possible after discovery, together with explanations for the loss, if known.

13.2   LAND & BUILDINGS

13.2.1   **Maintenance of Portfolio**: The "Nominated Director with responsibility for Estates" shall carry out an on-going review of the Council's land and buildings portfolio, to ensure it continues to meet the corporate objectives.

13.2.2   **Acquisition of Assets:** All negotiations for the purchase, occupation and development of land and buildings owned by third parties, or use of Council land (with the exception of casual lettings) should be carried out in liaison with the Head of Estates and the Council's Procurement Officer.

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APPENDIX B

SECTION C: RISK MANAGEMENT & CONTROL – REG 13 (Physical Assets)
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Any land acquisition over **£10,000** should be approved by the Executive Committee.

13.2.3 Any asset to be obtained by a leasing arrangement must be carried out in liaison with the Statutory Chief Finance officer and meet the conditions stipulated in Financial Regulation Support Document 12.

13.2.4 **Property Terrier Record:** The "Nominated Director with responsibility for Estates" shall maintain a record of all land and buildings owned, mortgaged or leased by the Council (including dwellings provided under the Housing Acts) in accordance with appropriate professional practice.

13.2.5 **Clear responsibilities**: The "Nominated Director with responsibility for Estates" is responsible for ensuring that the Council's arrangements for managing land and buildings owned, mortgaged or leased by the Council, are formally documented as Financial Regulation Support Document 41.

This should include responsibilities for the following:

- Custody and security of the title deeds.
- Security of buildings in accordance with Financial Regulation Support Document 34: Security of Premises Policy and Guidance.
- Arranging for appropriate insurance cover.
- Carrying out condition surveys and prioritising the works.
- Management of budget allocations for building maintenance.
- Procurement of repairs and maintenance works.
- Record keeping of the repairs and maintenance carried out.
- Carrying out and recording inspections of land and buildings.
- Carrying out and acting upon the results of corporate premises hazard and health and safety risk assessments.
- Carrying out and acting upon the results of energy efficiency assessments.

13.3   FURNITURE, EQUIPMENT, VEHICLES AND PLANT

13.3.1 **Records of Assets held**: The Transport Manager will maintain appropriate records of the vehicles and plant held by the Council

13.3.2 The Head of ICT will maintain appropriate records of the IT equipment held by the Council.

13.3.3 Heads of Service will maintain appropriate records of all other furniture, equipment, heritage or infrastructure assets held or deployed by their service.

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This will include maintaining an up to date inventory of all individual items with a purchase value in excess of **£200,** plus items considered by the Head of Service to be of high importance to the service, vulnerable to loss and/or which could be the subject of an insurance claim if lost or damaged.

13.3.4 The inventory records maintained should include the minimum information determined by the Statutory Chief Finance Officer.

13.3.5 **Loans of Equipment:** Council property (owned or hired) should not be removed other than in the ordinary course of the Council's business except in accordance with directions issued by the Head of Service concerned.

13.3.6 **Inventory Checks:** Heads of Service should arrange for the accuracy of the inventory to be verified periodically at a frequency appropriate to the risk of loss of the individual items recorded.

13.4   STOCKS AND STORES

13.4.1 **Stock levels:** Heads of Service must make arrangements for the maintenance of reasonable levels of stocks and stores in his/her control. The level of stock considered reasonable should be that necessary for the effective delivery of the service.

13.4.2 **Records of Stock Levels and Movements:** Heads of Service should ensure that appropriate up to date records of the level and value of stocks and stores held are maintained. This should include appropriate records of movements in stock. The Statutory Chief Finance Officer shall be entitled to receive on demand details of the quantities and values held.

13.4.3 **Stock Checks:** Periodical physical examinations of stocks and stores held, against the stock records, should be carried out at a frequency based on the value and vulnerability of the stock.

13.5   DISPOSAL OF ASSETS

13.5.1 **Disposal of Assets:** Any land, building or other asset that the Council wishes to sell, transfer its interest in, or otherwise dispose of, should be done in a way that achieves the best consideration for the Council.

13.5.2 **Disposal of ICT equipment:** ICT equipment can only be disposed of by ICT Services, and if it is considered redundant in accordance with the ICT Strategy.

13.5.3 **Disposal of Land and Buildings:** Land and buildings can only be disposed of in conjunction with the "Nominated Director with responsibility for Estates" and in accordance with the Disposal Strategy. Any valuations must be undertaken by the "Nominated Estates Manager" or a suitably qualified person.

APPENDIX B

SECTION C: RISK MANAGEMENT & CONTROL – REG 13 (Physical Assets)
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13.5.4 **Methods of Disposal of Assets over £1,000**: The following are approved methods of disposal for assets with an estimated potential market value at the time of disposal of £1,000 or more:

- Public Advert or Notice, inviting tenders in accordance with the Council's Contract Procedure Rules;

- Advertisement in specialised journals

- Use of Approved Estate Agents

- Use of Auctions (with a reserve price)

- Part Exchange for Replacements

- Negotiations with neighbouring land owners

- Sealed Bids opened by service with two officers present

- Any other method of disposal endorsed by the "Nominated Director with responsibility for Estates" (land and buildings) or "Nominated Director with responsibility for Procurement" (other).

Where the estimated asset value is greater than **£10,000** the method of disposal would normally involve open competitive tenders, unless it can be justified that this would not be in the Council's best interest.

13.5.5 **Methods of Disposal of Assets Under £1,000**: Disposal of assets under **£1,000** should be carried out in accordance with the Financial Regulations Support Document 42-Policy for Disposal of Council items, equipment, waste and materials in the Council's control.

13.5.6 **Authorisation of Disposal:** The method of disposal proposed to achieve the best consideration for the Council must be authorised, and the final disposal reported, in accordance with the table below:

Type of Asset	Estimated potential market value at the time of disposal	Approval of Method of Disposal	Reporting of Disposal
All	**More than £10,000**	Executive Committee	Report to Executive Committee <u>prior</u> to disposal if price to be achieved is below the valuation.
Land and buildings	**£10,000 or less**	The Nominated Director with responsibility for Estates	Report to Executive portfolio holder for Policy, Strategy and Finance <u>after</u> disposal.
Furniture, Equipment, Vehicles, Plant, Stocks	**£1,000 to £10,000**	Director and Statutory Chief Finance Officer	None
Furniture, Equipment, Vehicles, Plant, Stocks	**Less than £1,000**	Head of Service	None

13.5.7 **Release of Asset:** The asset should not be released until receipt of the income has been confirmed.

13.5.8 **Exemptions:** The disposal rules above do not apply to properties that are sold as a result of a statutory obligation.

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REGULATION 17: PETTY CASH AND FLOATS (CURRENT)

> **Floats are small amounts of cash maintained on site for the purpose of giving change to customers.**
>
> **Petty cash accounts (sometimes known as imprest accounts) are small amounts of cash maintained on site to allow employees to make small purchases where the formal ordering process would be considered inefficient in relation to the purchase being made.**
>
> **Use of petty cash may be by cash advancement or as a reimbursement for expenditure incurred from personal monies, on receipt of an approved voucher.**

17.1   PETTY CASH ACCOUNTS AND FLOAT HOLDERS

17.1.1   **Provision:** The "Nominated Chief Officer with responsibility for Exchequer functions" shall provide petty cash accounts and floats as considered necessary by the appropriate Director or Chief Officer. They will only be provided where there is a recognised need, without which the service would be highly ineffective or inefficient.

17.1.2   Any petty cash or float provided should be operated in accordance with Financial Regulation Support Document 32.

17.1.3   **Record of Provision:** The "Nominated Chief Officer with responsibility for Exchequer functions" shall maintain a record of authorised petty cash accounts and floats.

17.1.4   **Income Separation:** Income received on behalf of the Council must not be paid into a petty cash account. All floats must be kept separate from personal monies.

17.1.5   **Security:** Petty cash and float holders are responsible for the safekeeping of the cash and must keep a record of any money paid into or out of the account. At all times the total of cash in hand and vouchers paid out should balance the value of the petty cash account.

17.1.6   **Balancing Accounts:**Accounts and Floats should be balanced on a regular basis and the amount of the float advanced accounted for. Petty Cash accounts should be balanced at least quarterly and floats should be physically verified at least annually. Till floats should be balanced each time the till is cashed up.

17.1.7   All balancing and reconciliations should be appropriately documented which includes a signature and date of the person carrying out the reconciliation. A senior officer should be notified of any discrepancy arising and appropriate action taken to remedy any discrepancies arising. Any discrepancies **over £25** should be reported to the Statutory Chief Finance Officer.

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APPENDIX C

SECTION D: FINANCIAL SYSTEMS & PROCEDURES – REG 17 (Petty Cash)
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17.1.8 **Account Top Up:** Reimbursement requests should be made at periods not exceeding **one month** and made on an official Council form.

17.1.9 **Statement of Account:** Officers responsible for a petty cash account or a float shall, if so requested, provide the Statutory Chief Finance Officer a certificate of the sum held whether in cash or vouchers.

17.1.10 **Leavers:** On leaving the employment of the Council, or otherwise ceasing to hold a petty cash account or float, officers shall account to the Statutory Chief Finance Officer for the amount advanced to them.

17.2   REIMBURSEMENT FROM PETTY CASH

17.2.1 **Use of Petty Cash:** Petty cash disbursements shall be limited to minor items of expenditure where payment by other recognised payment methods is inappropriate. Under no circumstances should petty cash be used to circumvent an alternative method of payment e.g. payroll, creditors or internal journal.

17.2.2 **Budgetary Provision:** Petty cash is not an additional resource. Budgetary provision must be available before expenditure through petty cash is approved.

17.2.3 **Limits on Transactions:** Individual payments from petty cash shall be limited to **£200** per single transaction. The Statutory Chief Finance Officer can raise this limit on specific requests in which case authorisation must be by one of the officers with a higher level of authority (See Financial Regulations Support Document 3).

17.2.4 **Receipts:** All payments must be supported by a receipt and claim form. A VAT receipt should be obtained to enable the Council to reclaim this element of the expenditure, wherever possible. Where a VAT receipt has not been obtained a reason must be recorded on the claim form and approved by the authorising officer.

17.2.5 **Authorisation:** Cash advances and reimbursements can only be authorised by an employee whose level of delegated authority is above the total net value of payment.

17.2.6 **Authorisation List:** A list of the names of officers authorised to sign petty cash advances and claims on behalf of the Council shall be sent to the Nominated Chief Officer with responsibility for Exchequer functions" together with their specimen signatures and any limits imposed, in accordance with Financial Regulation 4.

17.2.7 **Processing Claims:** Care should be taken to ensure that reimbursement of petty cash claims are treated correctly, particularly with regard to VAT as supported by attached receipts.

APPENDIX C

SECTION D: FINANCIAL SYSTEMS & PROCEDURES – REG 17 (Petty Cash)
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17.2.8 **Cancelling Receipts:** Upon reimbursement of a petty cash claim, the attached receipt should be crossed through to prevent resubmission.

Other Points of Reference (underline denotes a hyperlink is available)

Financial Regulation 4: Authorisation Limits
Financial Regulation 16: Ordering and Paying for Goods and Services
Financial Regulation 20: Taxation
Financial Regulations Support Document 3: Expenditure Authorisation Limits
Financial Regulations Support Document 32: Operation of Petty Cash Floats

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REGULATION 17: PETTY CASH AND FLOATS (PROPOSED)

> **Floats are small amounts of cash maintained on site for the purpose of giving change to customers.**
>
> **Petty cash accounts (sometimes known as imprest accounts) are small amounts of cash maintained on site to allow employees to make small purchases where the formal ordering process would be considered inefficient in relation to the purchase being made.**
>
> **Use of petty cash may be by cash advancement or as a reimbursement for expenditure incurred from personal monies, on receipt of an approved claim voucher.**

17.1   PETTY CASH ACCOUNTS AND FLOAT HOLDERS

17.1.1   **Provision:** The "Nominated Chief Officer with responsibility for Exchequer functions" shall provide petty cash accounts and floats as s/he considers appropriate for council services.

17.1.2   Any petty cash or float provided should be operated in accordance with Financial Regulation Support Document 32.

17.1.3   **Record of Provision:** The "Nominated Chief Officer with responsibility for Exchequer functions" shall maintain a record of authorised petty cash accounts and floats.

17.1.4   **Security:** Petty cash and float holders are responsible for the safekeeping of the cash and must keep a record of any money paid into or out of the account.

17.1.5   **Balancing Accounts:** Accounts and floats should be balanced to the total advanced, on a regular basis.

17.1.6   All balancing should be appropriately documented which includes a signature and date of the person carrying out the reconciliation. Any discrepancies found **over £25** should be reported to the line manager and "Nominated Audit Manager".

17.1.7   **Certificate:** Officers responsible for a petty cash account or a float shall, provide the Statutory Chief Finance Officer with a certificate of the sum held whether in cash or vouchers, when requested.

17.1.8   **Leavers:** Heads of Service or managers shall ensure that any staff member has accounted to the Statutory Chief Finance Officer for the amount advanced prior to the staff member leaving the employment of the Council, or otherwise ceasing to hold an imprest account.

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17.2   REIMBURSEMENT FROM PETTY CASH

17.2.1   **Use of Petty Cash:** Petty cash will only be used as a method of procurement as a last resort and then only for low value expenditure.

17.2.2   **Receipts:** All claims from petty cash should be made on an official voucher form and supported by proof of expenditure such as a receipt.

16.1.1   **Authorisation:** Cash advances and reimbursements can only be authorised by council officers nominated to do so in accordance with Financial Regulation 4.

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FINANCIAL REGULATIONS SUPPORT DOCUMENT 32

Operation of Petty Cash Accounts & Floats

1. Introduction

This document is a guidance note which supplements Financial Regulation 17- Petty Cash Accounts and Floats.

A petty cash account (sometimes known as an Imprest account) is an advance of cash from which small items of expenditure may be paid. A float is an amount of cash maintained on site for the purpose of giving change to customers.

Petty cash should be used as a method of procurement as a last resort and only then for low value expenditure.

This document outlines the roles and responsibilities of petty cash/float holders and explains how to complete a reconciliation of the float.

2. Petty Cash/Float Holders- Roles and Responsibilities

The petty cash/float holder is responsible for the management of the petty cash account/float and is expected to complete the following duties:

- Safe keeping of the cash

- Carrying out checks to ensure that expenditure being paid through petty cash is appropriate and does not avoid another method of payment.

- Checking that petty cash vouchers and VAT receipts are available for all purchases.

- Completing reconciliations at least quarterly for petty cash accounts

- Physically verifying a float each time a till is cashed up.

- Reporting any discrepancies which are over £25 to the Statutory Chief Finance Officer including reporting unders on till cash ups over £25 to the Line Manager and Head of Audit and Assurance

- Completing an annual certificate to verify the amount held in cash and vouchers.

- Ensuring that the Senior Management Accountant is informed of any change in petty cash/float holders so that a certificate for the transfer of the petty cash/float can be completed.

3. Imprest [Petty Cash/Float] Certificates

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Officers responsible for a petty cash account/ float are required to sign an Imprest Certificate at year end on 31st March each year confirming the value of the sum held whether in cash or vouchers.

The officer will be sent an electronic copy of the certificate by the Senior Management Accountant and will need to print and sign this. The Senior Management Accountant retains all certificates for audit purposes.

On leaving the employment of the Council, or otherwise ceasing to be entitled to hold a petty cash account or float, officers also need to complete an Imprest certificate. This will confirm that either the petty cash balance/ float is returned or the balance/float is passed to a new holder. When a petty cash/float holder leaves the organisation it is particularly important to ensure that the petty cash balance/ float is accounted for.

4. Petty Cash Process

- A receipt and a petty cash voucher must be available for all items of expenditure. In order for VAT to be reclaimed a VAT receipt must also be obtained. If a VAT receipt has not been obtained a reason for this must be given and approved by an authorising officer.

- A claim to top up the account must be made at least monthly, irrespective of the amount to be claimed. This must be authorised by an Officer whose delegated authority is above the claim.

- The account should be reconciled at least monthly . The total of the cash in hand and the vouchers paid out should always balance the value of the petty cash account.

5. Petty Cash Reconciliations

The Council's Financial Regulations require that clear petty cash records are maintained. This includes the completion of a regular documented reconciliation of the petty cash account against the amount held.

The purpose of the monthly petty cash reconciliation is to ensure that the total of the petty cash in hand and the vouchers paid out balances to the value of the petty cash account.

An example of how a petty cash account could be reconciled is shown in Appendix 1:

6. VAT and Petty Cash Vouchers

In order to reclaim VAT on a purchase the Council must receive either a VAT invoice or a less detailed retailer's VAT invoice. If a retailer's VAT invoice is received then the receipt must contain the following:

- The name, address and VAT registration number of the retailer

- The time of the supply

- A description sufficient to identify the goods and service supplied

- The total amount paid and the total VAT paid.

- For each different rate of VAT chargeable, the gross amount payable including VAT and the VAT rate applicable.

The only time you can reclaim VAT without the above supporting documentation is where expenditure is less than £25 in the following circumstances:

- Purchase from coin operated machines
- Car parking and road tolls
- Telephone calls from a private or public telephone

The appropriate VAT indicator must be shown against each financial analysis code on the Petty Cash Vouchers used to obtain reimbursement. Care should be taken to ensure only the correct Indicator is used.

For information about the correct VAT code to use on a petty cash voucher please refer to Financial Regulations Support Document 10- A Guide to VAT or contact the Senior Management Accountant.

7. Change Floats

Tills in daily use containing cash should be cashed up daily in the presence of 2 or more officers. All income should be banked after the fixed float has been counted and retained. The Official level of float must remain as the float and not be transferred as income.

Floats not in daily use should be checked on a annual basis by an Officer different to the Float Holder. Records should be kept of all reconciliations carried out which should be signed and dated

Any discrepancy should be investigated and the Line Manager should be notified. Any discrepancies over £25 should be reported to the Statutory Finance Officer.

8. Things Not To Do!

- Under no circumstances should income to the Council be credited to the account. Instead cash/cheques should be paid into the Council's cash office. Only float top ups should be paid into the petty cash account.

- There should be no borrowings or lendings on petty cash accounts.

- The following should not be processed through petty cash accounts:

  -High value individual transactions (anything over £200 required authorisation by a director)

-Payments in respect of travel and subsistence claims. These claims should be submitted to payroll.

-Works carried out under the Construction Industry Scheme (CIS)

-Purchases which could have been made using a GPC card.

-Goods for which the Council has an approved contracted supplier such as Lyreco for stationery and Safe Aid/Arco for protective clothing and uniforms, etc.

9. Further Guidance

If you have any questions which are not covered by this support document please contact the Senior Management Accountant who will endeavour to assist you.

Appendix 1

Example Petty Cash Account Reconciliation

Account	Example	
Account Holder	Joe Bloggs	
	£	
Balance Brought Forward	30.00	This is the cash & stamps in hand from the last reconciliation
Add: Amounts Reimbursed	70.00	The amount of any top ups to the account
Add: Outstanding Claims	0.00	Any top ups to the account which are outstanding
Petty Cash Account Total	100.00	
Total Expenditure	85.00	This is the value paid out of the account during the month
Add: Cash & Stamps in Hand	15.00	The value of the cash and stamps currently in hand
Petty Cash Account Total	100.00	

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APPENDIX F

SECTION D: FINANCIAL SYSTEMS & PROCEDURES – REG. 20 (Taxation)
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REGULATION 20: TAXATION (CURRENT)

20.1   GENERAL

20.1.1   **Providing Advice:** The Statutory Chief Finance Officer is responsible for advising Directors and Chief Officers, in the light of guidance issued by appropriate bodies and relevant legislation as it applies, on all taxation issues that affect the authority.

20.1.2   **Responsibility for Tax Management:** The Statutory Chief Finance Officer is responsible for tax planning, maintaining the Council's tax records, making all tax payments, receiving tax credits and submitting tax returns by their due date, as appropriate.

20.1.3   **Responsibilities for Tax Administration:** Individual responsibilities for the administration of taxes should be fulfilled in accordance with Financial Regulation Support Document 23.

20.1.4   **Accuracy of Tax Transactions:** All managers should ensure that tax transactions are:

a) calculated in accordance with the relevant statutory regulations;
b) recorded at the appropriate time;
c) accounted for in the proper tax period;
d) documented appropriately.

20.2   VALUE ADDED TAX (VAT)

VAT must be accounted for in relation to purchases of goods and services by the Council *(Input Tax)* and services provided by the Council for which a fee is charged *(Output Tax).*

The Finance Act 1985 introduced penalties to improve the enforcement of VAT and a number of local authorities have been heavily penalised for not complying with VAT legislation. Relying on another person and ignorance of the law are not regarded by H.M Revenue and Customs as reasonable excuses for making errors in connection with VAT.

Information on the schedules, rates and rules in relation to VAT can be obtained from H.M. Revenue and Customs Notice 700, the VAT Guide, and Notice 749 (Local Authorities & Similar Bodies). Further assistance can also be obtained from the Finance Strategy and Development Group and Financial Regulations Support Documents 10a, 10b, 10c and 10d.

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20.2.1 **Knowledge:** Directors and Chief Officers must ensure that all employees responsible for processing invoices, payments and collecting income, familiarise themselves with VAT and establish the appropriate tax treatment on each transaction they deal with.

20.2.2 **VAT Indicators:** The Finance Section must maintain and circulate a list of VAT indicators and their use in the Council. (See Financial Regulation Support Document 10a).

20.2.3 **Use of Indicators:** The appropriate VAT indicator must be shown against each financial analysis code on all income and expenditure forms.

20.2.4 **Alteration of Invoices:** VAT invoices must not be altered. If an amount of an invoice is found to be incorrect then either a replacement or a credit note must be requested.

20.2.5 **Accounting for Errors:** Individual services may be charged with any penalties incurred by the Council for errors they make.

20.3 INCOME TAX AND NATIONAL INSURANCE

Income Tax and N.I. must be accounted for in relation to payments made to employees and members (usually through the payroll system).

Information on the rates, allowances and rules in relation to Income Tax and National Insurance can be obtained from the H.M. Revenue and Customs. Further assistance can also be obtained from the Payroll Section.

20.3.1 **Income Tax and NI Indicators:** The Operational Finance Section (Payroll) must maintain a list of taxable and NI-able allowances in use on the payroll system for the Council.

20.3.2 **Collection and Transfer of Tax:** The Operational Finance Section (Payroll) is responsible for the collection of Income Tax and NI from salaried employees, and for the prompt payment of this to H.M. Revenue and Customs in accordance with their prescribed procedures and time scales.

20.4 CONSTRUCTION INDUSTRY SCHEME (CIS)

The Construction Industry Scheme must be applied in relation to construction 'sub-contractors' employed by the Council. It should be noted that under the scheme the Council is designated as the *contractor* and any firm, individual, partner or agency employed by us is designated as a *sub-contractor,* and therefore fall within the scheme.

In principle this scheme requires such sub-contractors to be registered with H.M. Revenue and Customs. The Council can be penalised if they make payments to any contractor not registered. Where instructed, income tax will be deducted from the labour element of any invoice submitted by the sub-contractors and paid over to HMCR. A higher rate of income tax may be applied if the sub-contractor is not "matched" on the HMRC system.

More information on the rules in relation to CIS can be obtained from H.M. Revenue and Customs. Further assistance can also be obtained from the Operational Finance Section.

APPENDIX F

SECTION D: FINANCIAL SYSTEMS & PROCEDURES – REG. 20 (Taxation)
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20.4.1 **Status Checks:** Directors and Chief Officers must ensure that where construction and demolition works are undertaken, the sub-contractor must produce their Unique Transaction Reference (UTR)/Company Registration Number or NHI Number where applicable prior to commencement of works. They then must be registered by Operational Finance with the tax office and a verification number received prior to payment.

20.4.2 **Central List:** The Operational Finance Section must maintain a list of the CIS status of all sub-contractors used by the Council.

20.4.3 **Tax Deductions:** The Operational Finance Section must ensure that any deductions made from payments to sub-contractors are correctly recorded and paid over to the H.M. Revenue and Customs in accordance with the scheme.

20.4.4 **H.M. Revenue and Customs Return**: The Operational Finance Section must ensure that the monthly return is completed using the official forms and returned to H. M. Revenue and Customs by 19th of each month. Nil returns can be made as instructed by H.M. Customs and Revenues.

20.4.5 **Accounting for Errors:** Individual services may be charged with any penalties incurred by the Authority for errors they make.

APPENDIX F

SECTION D: FINANCIAL SYSTEMS & PROCEDURES – REG. 20 (Taxation)
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Other Points of Reference (underline denotes a hyperlink is available)

Financial Regulation 15: Contract and Procurement Procedures

Financial Regulation 16: Ordering and Paying for Goods and Services

Financial Regulation 17: Petty Cash and Floats

Financial Regulation 18: Payments to Employees and Members

Financial Regulation Support Document 10a: VAT Guidance Notes

Financial Regulation Support Document 10b: VAT Code Search

Financial Regulation Support Document 10c: Overview of FBC VAT Coding

Financial Regulation Support Document 10d:VAT Q and A Change of VAT Rate 2011

Financial Regulation Support Document 23: Tax Administration Responsibilities

Finance Web Pages: Summary of VAT Notice 700
CIPFA Standards of Professional Practice: Taxation

APPENDIX G

SECTION D: FINANCIAL SYSTEMS & PROCEDURES – REG. 20 (Taxation)
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REGULATION 20: TAXATION (PROPOSED)

20.1.1 **Providing Advice:** The Statutory Chief Finance Officer is responsible for advising Directors and Chief Officers, in the light of guidance issued by appropriate bodies and relevant legislation as it applies, on all taxation issues that affect the authority.

20.1.2 **Responsibility for Tax Management:** The Statutory Chief Finance Officer is responsible for tax planning, maintaining the Council's tax records, making all tax payments, receiving tax credits and submitting tax returns by their due date, as appropriate.

20.1.3 **Responsibilities for Tax Administration:** Specific responsibilities for the administration of taxes should be fulfilled in accordance with Financial Regulation Support Document 23.

20.1.4 **Tax Consideration:** Managers should seek advice on the tax implications of delivering their service, including the engagement of individuals and businesses.

20.1.5 **Accuracy of Tax Transactions:** Anyone instigating or authorising an order, invoice, petty cash claim or the collection of income should ensure that tax transactions are:

a) calculated in accordance with the relevant statutory regulations;
b) assigned the correct tax code;
c) recorded at the appropriate time;
d) accounted for in the proper tax period;
e) documented appropriately.

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FINANCIAL REGULATIONS SUPPORT DOCUMENT 23

Responsibility for Tax Administration

1.   INTRODUCTION

The purpose of this support document is to set out individual responsibilities as required by Financial Regulation 20: Taxation.

The responsibilities involved in tax administration include:

- Tax advice and planning
- Maintenance and Circulation of code Lists
- Maintenance of Tax records
- Managing the tax implications of individual transactions
- Making payments of tax to the relevant bodies
- Receiving tax repayments from the relevant bodies
- Compiling and submitting tax returns
- Reconciling tax control accounts

The following officers lead on fulfilling these responsibilities:

Type	Individual Responsibility
Value Added Tax (VAT)	Corporate Accountant
Payroll Income Tax (SCH E) Income Tax not falling within another schedule (SCH D) National Insurance (IT/NI) Construction Industry Scheme (CIS)	Operational Finance Manager

All staff involved in processing orders, invoices, petty cash claims and collecting income also have responsibilities for managing the VAT implications of individual transactions

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FAREHAM
BOROUGH COUNCIL

Report to
Audit and Governance Committee

Date: **11 March 2013**

Report of: **Director of Regulatory and Democratic Services**

Subject: **DETERMINATION OF MEMBERS TRAINING AND DEVELOPMENT PROGRAMME FOR 2013/14 AND REVISED NEW MEMBER INDUCTION PACKAGE**

SUMMARY

The Audit and Governance Committee, is charged with monitoring the arrangements for members' training and development to ensure that the capacity of members to provide effective governance and community leadership continues to develop. This report proposes a framework for the programme of development in 2013/14 and a revised new member induction package.

RECOMMENDATION

The Committee is recommended to:

(a) approve the framework for the 2013/14 programme as set out in Appendix B

(b) approve the new member induction programme as set out in Appendix C

INTRODUCTION

2. In 2003, the Council adopted a strategy for members' training and development which the Audit and Governance Committee monitors to ensure that the capacity to provide effective governance and community leadership continues to develop. This report invites the Committee to note the draft programme for 2013/14 based upon members' stated needs.

3. In addition, new member induction training has been revised and is presented for consideration.

4. From May 2012, a total of 13 training/briefing sessions have been run with an aggregate attendance of 193 - giving an average of 15 members at each session.

THE STRATEGY

5. The Committee is reminded of the main provisions of the Council's training and development strategy which contributes to the Council's aims and objectives and underpins good practice.

6. The strategy aims to provide members with opportunities for developing a range of skills and a depth of knowledge which will equip them to fulfil their roles and provide effective community governance. It recognises that these skills and knowledge are developed through a variety of means, not just though formal training events. Thus, members' skills and knowledge may equally be developed through informal arrangements such as personal reading and research; newsletters and briefing reports; interaction with other members, officers and constituents, joint working with other authorities and with partners; shadowing, coaching and mentoring.

7. The strategy recognises that in the main, members' development can be managed by the individual members themselves. However, in order to establish a development framework, an annual programme of training events which reflects more precisely the needs of Fareham's Councillors would be established. Members are invited to complete a schedule of training needs to enable them to identify the skills or knowledge which needs to be developed. The development needs identified feed into the programme of training events to deliver key elements on general topics and a breadth of service related training. In addition, individual needs will be addressed wherever possible and a variety of development methods offered to suit the individual member.

8. It is also recognised that learning and development is effective in building capacity and addresses wider development matters to promote work-life balance for Members and citizenship.

THE 2013/14 DEVELOPMENT PROGRAMME

9. To develop the Council's programme of development, members were recently invited to assess their training and development needs and to identify those areas in which they require further support from the Council. To assist members in considering their needs, a schedule of training needs was circulated to enable members to indicate whether they felt confident, required some training or required full training in the core areas of knowledge and skills required as a Councillor.

10. Just under half the councillors have responded. An analysis of the responses is attached as Appendix A to this report. It indicates interest in development across all

topic areas, especially for updates or refreshers on service operations. Interest in IT skills development remains high as is the interest in different aspects of financial management.

11. A framework for the programme for 2013/14 is attached at Appendix B for the Committee's consideration and approval. Further topics will be added to the programme throughout the year to accommodate new legislation or new service developments as appropriate.

12. The majority of knowledge-based training identified can be delivered in-house within existing budgets. Where externally led training does need to be provided, priority will be given to those topics which benefit from a number of members. Where the budget permits, lower priority items will also be delivered. Where external trainers are used, they are chosen for their knowledge of the subject, as well as experience in training delivery.

13. Members are informed of training opportunities available to them in the following ways:

- Members Newsletter

- Flyers

- Email invites for specialist training such as licencing panel members

- Links to partner organisations such as South East Employers and Local Government Improvement and Development.

NEW MEMBER TRAINING MODULES

14. During the consultation, Members also raised issues regarding the form of training provided for new Councillors following their election to office. Currently, new Councillors attend a training session with the Head of Democratic Services to ensure they are aware of policies and procedures but there is no recognised system in place to provide on-going support or direction.

15. As a result, a comprehensive induction programme will be offered to all new members following their election to office. New members will be supplied with a briefing pack on election night summarising the functions of the council and role of Members. Initially they will be invited to an introduction session followed by a number of modules covering the Council's constitution, financial regulations, budget, code of conduct and role of members. A suggested timetable covering various aspects of work undertaken by councillors and daily organisation of the Council is attached as Appendix C for consideration and approval.

RISK MANAGEMENT

16. The decision the committee is asked to make presents minimal risk but considerable opportunity, Failure to adopt a programme of training and development which is responsive to members'' needs is likely to restrict the capacity of the Council to fulfil its responsibilities of community leadership and local governance. In contrast, the opportunities presented by developing members are considerable.

CONCLUSION

17. Each member has been given the opportunity to identify their training needs by responding to the Training Needs survey. The responses received have shaped the framework for the proposed programme of development for the next municipal year. The committee is invited to:

  (a)   approve the framework for the 2013/14 programme

  (b)   approve the new member induction programme

Appendix A – Responses from training needs survey

Appendix B – Programme for 2013/14

Appendix C – New member training programme

Background Papers:

Individual assessments of training needs submitted by members (Note: these papers contain personal information and are therefore exempt from public inspection in accordance with Section 100D of the Local Government Act 1972)

Reference Papers:

Enquiries:

For further information on this report please contact Elaine Wildig. (Ext 4587)

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TRAINING NEEDS SURVEY RESULTS **APPENDIX A**

SCHEDULE OF TRAINING NEEDS

KNOWLEDGE / SKILLS AREA	Feel confident	Require some training	Require full training
Advocacy skills	10	2	
Dealing with the media	9	2	1
Facilitating groups	10	2	
Public speaking and presentation	9	3	
Interpersonal skills	12		
Dealing with constituents' enquiries	11	1	
Role of the Councillor	11	1	
Lone working	10	2	
Managing casework	11	1	
Mentoring	7	3	1
Problem solving skills	11		
Equality / diversity awareness	9	2	
Data Protection	3	7	
Crime and disorder	5	7	
Freedom of Information	2	8	
Human Rights Act	3	7	
Social exclusion / community cohesion	3	7	
Risk Management	9	3	
Monitoring financial information	6	4	
Understanding the budgetary process	3	9	
Procurement	6	4	1
Funding and grants	5	7	
Achieving savings and efficiencies	6	5	
Basic IT knowledge	9	2	

KNOWLEDGE / SKILLS AREA	Feel confident	Require some training	Require full training
Creating spreadsheets	5	3	3
Using outlook and email	10	2	
Using the internet	12		
Blogs, twitter, facebook, creating web pages	2	4	3
Chairing skills	11		1
Code of Conduct	12		
Making contributions in meetings	11	1	
Scrutiny and challenge	9	3	
Understanding Committee procedures	10	2	
Understanding the Constitution and Standing Orders	8	4	
Portfolio areas and service operations	11	1	
Contributing to policy formation	10	2	
Understanding strategic development	9	3	
Effective reading skills	10	2	
Your role on appointment to outside bodies	11	1	
Developing positive relationships with officers	12		
Understanding the organisation – structures and services	10	2	
Understanding the roles of other members e.g. panels, scrutiny and executive	9	3	
Planning Process – development control and enforcement.	8	3	1
Planning policy	6	5	1
Licensing	8	3	1
Analysing and interpreting complex information	8	3	
Monitoring performance	9	3	

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KNOWLEDGE / SKILLS AREA	Feel confident	Require some training	Require full training
Role of the Monitoring Officer and seeking advice	9	3	

Other points raised:

- Notes should be provided after training session for future use and filed on M Drive
- Training required on using and filing on the M Drive
- IT should be mandatory for Councillors
- Questions and motions to Council

FRAMEWORK FOR MEMBERS' DEVELOPMENT PROGRAMME 2013-14

KNOWLEDGE / SKILLS AREA	Comments
Democratic / constitutional matters	Ongoing updates and refreshers on corporate governance and ethical standards. Session on the constitution, democratic process, standing orders and questions to Council
Portfolio areas and service operations	Refresher training on work undertaken and updates on new developments
Licencing	Continuing skills training for committee members
Finance and budgets	Greater understanding of local government finance required. General awareness of budgets and financial management, including funding
Procurement	An update on current arrangements
IT skills	Use of M Drive, spread sheet improver courses and use of calendar. 1:1 sessions on use of applications as required and group courses
Planning Policy	On going updates on large projects and government policies
Role of monitoring Officer and seeking advice	Update on new developments and refresher courses
Public speaking, presentation and chairing meetings	Some demand for these areas
Facebook, twitter and creating web pages	Some demand for these areas. Introduction to social media.
Working with legislation	Briefings explaining how Data Protection, Human Rights, Freedom of Information and Social inclusion impact on decisions
Understanding new funding streams	Continuing skills training on obtaining grants and funding from other sources.
Dealing with constituents' enquiries	Update / refresher. Briefing on new roles of staff as required.

- Development of the Members' newsletter to include top tips for using IT software, FAQs in service operations and promoting good news items in addition to the usual forthcoming committee meetings and training available. Regular updates on service responsibilities and who to contact as changes occur

- Copies of presentations to be available on M Drive

- New member induction training sessions to be available to all Members as a refresher..

NEW MEMBER INDUCTION TRAINING

Elected Thursday/Friday – letter to accept office given immediately with request for bank details, car registration and declaration of interests form

Mayor making / Annual Council meeting following Thursday- come in for photo for ID badge

Friday induction training

Module 1 - Introduction
 1.1. Establish how would like to be addressed for business cards
 1.2. What is my role / LGA handbook
 1.3. How does committee system work – establish whether papers received electronically or paper - Newsletter
 1.4. On which committees do I sit and when are meetings held
 1.5. Who are my main contacts and where do I find them
 1.6. Claiming allowances
 1.7. Declaration of interests
 1.8. ICT provided
 1.9. Group rooms

Module 2 – what is the scope of my committee work
 1. Set up meetings with relevant Director / Head of Service to give presentation of work undertaken, explain forward plan

Module 3
 1. Presentation by Monitoring Officer – roles and responsibilities
 2. Committee Structure, scrutiny, motions to Council, petitions, code of conduct
 3. Equality and Inclusion
 4. Meet the Chief

Module 4 - ICT
 1. Visit from ICT to home address to explain usage policy and areas
 2. Finding your way around the website and filing structure
 3. Communication tools - Social media, media and personal web pages
 4. Use of Freephone number

Module 5 – 3 months later
 1. How am I doing?
 2. I don't understand…..
 3. What further training do I need?

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FAREHAM BOROUGH COUNCIL
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Report to
Audit and Governance Committee

Date: **11 March 2013**

Report of: **Director of Finance and Resources**

Subject: **REVIEW OF WORK PROGRAMME AND ANNUAL REPORT**

SUMMARY

This report summarises the work carried out by the Audit and Governance Committee during 2012/13 and proposes the programme of work for 2013/14.

RECOMMENDATION

(a) The Council is recommended to note the report;

(b) That the Committee work programme for 2013/14, as shown in Appendix C, be approved.

INTRODUCTION

1. The Audit Committee has been in operation at the Council since December 2005. Its purpose is to oversee the Council's risk management, control and corporate governance arrangements and to provide independent advice on the adequacy and effectiveness of these arrangements.

2. From June 2012 the Committee merged with the Standards Committee and became the Audit and Governance Committee.

3. Good practice recommends that the Committee reports to the Council each year on its performance in relation to its purpose and functions set out in the constitution, as given in Appendix A. This is the fifth annual report of the Committee and relates to its activity during 2012/13.

COMMITTEE ORGANISATION 2012/13

4. The Committee continued to operate this year in accordance with best practice as detailed in the Chartered Institute of Public Finance and Accountancy (CIPFA) publication "Audit Committees – Practical Guidance for Local Authorities" with a high level of compliance with the 2006 CIPFA publication "A Toolkit for Local Authority Audit Committees".

5. The Committee met four times in the year and reported directly to the Council. It was originally comprised of five members but this was expanded to seven members after the merger; the members of the Committee still reflect the political balance of the Council. The chairman of the Committee for the year had no Executive responsibilities and only attended the Scrutiny Board when required to deputise. The committee was supported in its work by the Director of Finance and Resources.

COMMITTEE ACTIVITY IN 2012/13

6. A summary of the work carried out by the Committee in fulfilment of its functions for the year is given in Appendix B. The following points should be noted:

    (a) The Committee was not requested to review any issues by the Chief Executive, any director or Council body during the year.

    (b) The Committee obtained assurance that actions were being taken on risk related issues identified by auditors, inspectors or risk managers by the following methods:

        - levels of recommendation implementation reviewed for each completed audit reported in the quarterly audit reports, along with grade movements and the results of specific follow up work;

        - review of Head of Audit's report in June giving the annual measures of audit recommendation implementation (audit findings only);

        - reviewed progress made on the 2010/11 Annual Governance Statement action plan in the review of evidence to support the Annual Governance Statement 2011/12.

    (c) The Committee requested further information from managers three times as follows:

        - The problems with the benefits system which temporarily meant that we could

not provide details of the total of council tax benefit where abuse had been found in 2011/12.

- Confirmation that the Council is correctly accounting for PAYE in relation to the private use of Council vehicles.

- The key controls relied on to prevent losses of council fuel due to misuse of fuel keys.

(d)   There were no issues arising from the review of the Statement of Accounts and subsequent external audit report that the Committee felt needed to be brought to the attention of the Council.

7.   Apart form the new responsibilities arising from the merger with the Standards Committee, there were three additional pieces of work carried out by the committee in additional to the original work programme set which covered the following:

(a)   The impact of the Protection of Freedoms Act 2012 on the Council's use of covert investigation methods.

(b)   Additional update of the Council's Local Code of Corporate Governance in response to CIPFA's "*Statement on the Role of the Chief Financial Officer in Local Government*".

(c)   The External audit annual certification report 2011/12.

8.   In the November meeting of the Committee a number of changes to the work programme were approved in order to lighten the workload of the Committee given the wider remit arising from the merger with the Standards Committee. In addition to these, it has been considered that a separate report to the Committee on the whistle-blowing arrangements, due in March, is no longer warranted. Instead the work being done to strengthen arrangements will now be included in the Counter Fraud Strategy progress report, and the data on the number of whistle-blowing incidents will be included in the Counter Fraud Investigation progress report.

9.   There have also been three reports in the original work programme for the year not presented to the committee for the reasons summarised below.

Report Title	When Due	Reason for Non Completion
3 yearly review of the Audit Strategy	September 2012	This item has been on hold for a while whilst arrangements with the new audit contractor have embedded and the CIPFA new Statement on the role of the Chief Internal Auditor and new standards were published. Work has continued on parts of the Strategy with the aim of bringing it to the Committee when ready.
3 yearly review of the Counter Fraud Policy and Strategy	November 2012	This work has been postponed to allow resources to be focused on carrying out more detailed assessments on the top fraud risk themes identified by the Audit Commission. However, the policy will be reviewed to confirm that no updates are required.
3 yearly review of the Sanctions and Redress Policy	March 2013	This was considered a low priority piece of work and has been deferred to next year.

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TRAINING EVENTS

10. The Committee had three training events before or during its meetings in the year as summarised in the table below:

Date	Subject	Provider
November 2012	Counter Fraud awareness	Deloittes and Touche Public Sector Audit Ltd
November 2012	Members Code of Conduct and arrangements for dealing with complaints	Director of Regulatory and Democratic Services, FBC
March 2013 (Due)	Vehicle Risk Management	Director of Street Scene and Transport Manager, FBC

11. The following topics are currently flagged for possible delivery in 2013/14:

    (a) Risk Financing and Insurance

    (b) Annual briefing on Treasury Management

12. However, the training plan will now be reviewed in light of the new member training and development programme and will be a standing item on the agenda.

WORK PROGRAMME FOR 2012-13

13. The proposed annual work plan for the Committee based on coverage in past years and the revised list of functions for the Committee is attached as Appendix C. This has been updated for the changes to the work programme agreed at the last meeting. There are no further changes to highlight.

RISK ASSESSMENT

14. There are no significant risk considerations in relation to this report

CONCLUSION

15. The annual report demonstrates a high level of compliance with best practice in the way that the Audit and Governance Committee operates and summarises the achievements for the year.

Appendix A - Functions of the Audit Committee (extract from the constitution)

Appendix B - Summary of Work Carried out by the Committee in 2012/13

Appendix C - Work Programme for 2013/14

Background Papers:

None

Reference Papers:

Minutes of and reports to Audit and Governance Committee for the Municipal Year 2012/13

Enquiries:

For further information on this report please contact Elaine Hammell. (Ext 4344)

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Constitution Part 2: Chapter 8 (last reveiwed June 2012)

Functions of the Audit and Governance Committee

1.   The purpose of the Audit and Governance Committee is to:

   a.   Oversee and assess the Council's risk management control and corporate governance arrangements and to provide independent advice on the adequacy and effectiveness of these arrangements;

   b.   To lead on the Council's duties under Chapter 7 of the Localism Act 2011 and to design, implement, monitor, approve and review the standards of ethics and probity of the Council both for councillors and employees; and

   c.   To promote, maintain and strengthen high standards of conduct by members and co-opted members of the Council.

2.   The general functions and areas of responsibility of the Audit and Governance Committee are:

General

a)   To review any issue referred to it by the Chief Executive or a director or any council body.

b)   To seek assurance that action is being taken on risk related issues identified by auditors, inspectors or risk managers.

c)   To lead on the Council's duties under Chapter 7 of the Localism Act 2011 and oversee, maintain and strengthen high standards of conduct in public office.

Governance Framework

a)   To oversee the Council's arrangements for corporate governance and agree necessary actions to ensure compliance with best practice.

b)   To review and make recommendations to Council on its Financial Regulations and Contract Procurement Rules.

c)   To consider the effectiveness of the Authority's risk management arrangements and the systems of internal control.

d)   To review the adequacy of the Council's corporate risk registers.

e)   To review the policies and measures in place to prevent fraud and corruption.

f)   To oversee the production of the Council's annual governance statement and to recommend its adoption.

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g)   To oversee the implementation of the Council`s Treasury Management Strategy and Policy

Audit Activity

a)   To review Internal Audit's strategy, plans and performance.

b)   To review summary internal audit reports and the main issues arising and seek assurance that action has been taken where necessary.

c)   To consider the Head of Audit and Assurance's annual report and opinion and a summary of internal audit activity (actual and proposed) and review the level of assurance it can give over the Council's corporate governance arrangements.

d)   To consider the findings of the review of effectiveness of the systems of internal audit.

External Audit and Inspection

a)   To comment on the scope and depth of external audit work and to ensure it gives value for money.

b)   To consider the external auditor's annual audit letter, the annual governance report and any other specific reports of external audit and inspection agencies as deemed appropriate to the committee role and responsibilities.

c)   To monitor the arrangements for effective co-operation between internal audit, external audit and other review bodies.

Accounts

a)   To approve the Authority's Statement of Accounts, income and expenditure and balance sheet or record of receipts and payments (as the case may be), in accordance with The Accounts and Audit Regulations 1996 (SI 1996/590).

b)   To consider whether appropriate accounting practices have been followed and whether there are concerns arising from the financial statement or from the audit that need to be brought to the attention of the Council

c)   To consider the External Auditor's report on issues arising from the audit of accounts.

Standards

a)   Advise on an internal framework of probity and standards of conduct that should be followed by members and officers.

b)   Formulate, monitor and revise, as necessary, Local Codes of Conduct for members and officers.

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c) Formulate, monitor and revise, as necessary, a protocol for member/officer relationships.

d) Issue guidance and best practice advice with regard to probity and ethics including the following:

- the declaration and registration of members' interests
- claims for members' allowances and expenses
- acceptance of, or dealing with, offers of hospitality and gifts made by third parties
- the provision to members of hospitality, goods, services and facilities by the Council
- the undertaking of travel and foreign visits.

e) Advise on such other matters of a similar kind that may be referred to the Committee.

f) Issue advice and guidance to members representing the Council on outside bodies.

g) Receive, consider and, where necessary, act on reports guidance and advice from the Council's Monitoring Officer and the Local Government Ombudsman.

h) Provide appropriate training for members and officers with regard to any of the above and the ethical governance of the Council generally.

i) Appoint such sub-committees, panels or working parties as are deemed appropriate to undertake specific parts of these Terms of Reference.

j) Consider complaints against members' conduct and assess allegations of breaches of the Code of Conduct for Members to determine such complaints.

k) Monitor and review members' training and development.

l) To establish a Standards Sub-Committee to investigate and determine appropriate actions in respect of alleged breaches of the Members' Code of Conduct.

SUMMARY OF WORK CARRIED OUT BY THE AUDIT AND GOVERNANCE COMMITTEE IN 2012/13

Committee Function Topic	Committee Activity			
	June 2012	Sept 2012	Nov 2012	March 2013 (due)
COMMITTEE WORKING ARRANGEMENTS				
Functions of the Committee	Noted report on new arrangements for Standards Committee			
Work Programme of the Committee			Reviewed content of work programme and training needs	To note annual report and review work programme for 2013/14
ETHICAL FRAMEWORK AND STANDARDS				
Standards of Conduct			Noted complaints to the Local Government Ombudsman and allegations to the former Standards Committee of breaches of the Code of Conduct for Members for 2011/12	
Member Training and Development				To review members training and development programme for 2013/14
GOVERNANCE FRAMEWORK				
Framework	Noted level of compliance with Local Code of Corporate Governance Recommended changes to Local Code Endorsed areas for improvement	Reviewed sources of evidence supporting the Annual Governance Statement. Approved the Annual Governance Statement and recommended it for signature.	Recommended changes to Local Code of Corporate Governance	
Key Policies	Recommended to Council the changes to Regulations 5,6, and 7 (Financial Planning and reporting)	Recommended to Council the changes to Regulations 4, * and 9 (Authorisation Limits, Revenue and Capital Budgets)	Recommended to Council the changes to Regulation 16 (Ordering and payment for purchases) Recommended to Council the changes to Contract Procedure Rules Noted report on the implementation of Treasury Management Strategy & Policy	To recommend to Council the changes to Regulation 13, 17 and 20. (Physical Assets, Petty Cash and Tax administration)
Risk Management		Approved adoption of new Risk Management Policy		To note new Corporate Risk Register and proposals for managing the risks
Anti Fraud and Corruption	Noted progress on Counter Fraud Strategy Noted progress on counter Fraud investigations		Noted progress on Counter Fraud Strategy Noted progress on counter Fraud investigations	

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Committee Function	Topic	Committee Activity			
		June 2012	Sept 2012	Nov 2012	March 2013 (due)
INTERNAL AUDIT ASSURANCE					
Internal audit strategy and plans			Noted outcome of review by the Section 151 Officer on the effectiveness of audit		Contractor Plan 2013/14 presented for approval
Findings from internal Audit work		Noted Annual Report of the Head of Audit 2011/12 as a source of evidence for the Annual Governance Statement Noted findings from completed audits from Contractor Plan (Quarterly Reports)	Noted findings from completed audits from Contractor Plan (Quarterly Reports)	Noted findings from completed audits from Contractor Plan (Quarterly Reports)	To be Noted
EXTERNAL ASSURANCE					
External Audit strategy and plans		Noted update to the External Audit Plan.			To approve the fees for external audit work for 2012/13 accounts
Findings from External Audit work				Reviewed and noted Annual Audit Letter to Members arising from work carried out in respect of 2011/12.	To consider external audit annual certification report 2011/12
STATEMENT OF ACCOUNTS					
Statement of Accounts			Approved Statement of Accounts 2011/12 to be published Noted External Audit Annual Governance Report 2011/12 Approved signing of Letter of Representation		
OTHER					
Updates on legal issues			Noted contents of reports on the impact of the Protection of Freedoms Act 2012 on the Council's use of covert investigation methods. Endorsed a report being presented to the Executive updating the existing Corporate RIPA policy.		

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AUDIT AND GOVERNANCE COMMITTEE PROPOSED WORK PROGRAMME 2013/14

Committee Function and Report Subject		Frequency	Last Reviewed	June 2013	September 2013	November 2013	March 2014
COMMITTEE WORKING ARRANGEMENTS							
Review of Work Programme and training plan		Quarterly	2012-13	**YES**	**YES**	**YES**	**YES** and Annual Report
Review of the Functions of the Committee		3 yearly	2012-13				
ETHICAL FRAMEWORK AND STANDARDS (NEW)							
Standards of Conduct	Review of Code of Conduct for Members	As needed	2012-13				
	Review of member / officer protocol	As needed	2008-09				
	Overview of Complaints against the Council	Annual	2012-13	**YES**			
Member Training and Development	**Review of Members Training and Development and Determination of Programme**	Annual	2012-13				**YES**
GOVERNANCE FRAMEWORK							
Framework	Local Code of Corporate Governance	2 yearly	2012-13				
	Annual Governance Statement	Annual	2012-13		**YES**		
Key Policy	**Review of Financial Regulations**	3 yearly	2012-13	**YES**	**YES**	**YES**	**YES**
	Review of Contract Procedure Rules	3 yearly	2012-13			**YES**	
	Implementation of Treasury Management Policy and Strategy	Annual	2011-12			**YES**	
Risk Management	Policy and Strategy	3 yearly	2012-13				
	Risk Management Progress Reports	6 monthly	2009-10		**YES**		**YES**
	Business Continuity	2 yearly	2011-12		**YES**		
	Specific Risk Management topics	As needed	None				
Counter Fraud	Benefits Anti-Fraud and Corruption Policy	As needed	2011-12				
	Counter Fraud Policy and Strategy	3 yearly	2009-10			**YES** – Policy only	
	Anti-Bribery Policy	As needed	2011-12				
	Sanctions and Redress Policy	3 yearly	2008-09				**YES**

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Committee Function and Report Subject	Frequency	Last Reviewed	June 2013	September 2013	November 2013	March 2014
Counter Fraud Strategy Progress	6 monthly	2012-13	YES		YES	
Counter Fraud Investigation Progress	6 monthly	2012-13	YES		YES	
INTERNAL AUDIT ASSURANCE						
Internal Audit Strategy	3 yearly	2006-07	YES			
Contractor Internal Audit Annual Plan	Annual	2012-13				YES
Contractor Quarterly Audit Reports	Quarterly	2012-13	YES	YES	YES	YES
Head of Audit's Annual Opinion	Annual	2012-13	YES			
EXTERNAL ASSURANCE						
Annual External Audit Plan and Fee	Annual	2012-13				YES
External Audit Annual Inspection Letter	Annual	2012-13			YES	
Annual Certification Report	Annual	2012-13				YES
Specific reports from external audit and inspection agencies	As needed	2011-12 (RIPA)				
STATEMENT OF ACCOUNTS						
Statement of Accounts	Annual	2012-13		YES		
External Audit Annual Governance Report	Annual	2012-13		YES		
OTHER						
Updates on legal issues	As needed	2012-13				
Issues referred from the Chief Executive Officer, Directors and Other Council Bodies	As needed	None				

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