

FAREHAM

BOROUGH COUNCIL

AGENDA

AUDIT AND GOVERNANCE COMMITTEE

Date: Monday, 23 June 2014

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
D L Steadman
P W Whittle, JP

Deputies: D J Norris
K D Evans



1. Apologies

2. Minutes (Pages 1 - 6)

To confirm as a correct record the minutes of the Audit Committee meeting hold on 10 March 2014.

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. Quarterly Audit Report (Pages 7 - 24)

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

7. Head of Audit's Annual Opinion (Pages 25 - 40)

To consider a report by the Director of Finance and Resources on the Head of Audit's Annual Opinion.

8. Counter Fraud Investigation Progress (Pages 41 - 50)

To consider a report by the Director of Finance and Resources on the Counter Fraud Investigation Progress.

9. Counter Fraud Strategy Progress (Pages 51 - 56)

To consider a report by the Director of Finance and Resources on the Counter Fraud Strategy Progress.

10. Review of Committee Work Programme (Pages 57 - 60)

To consider a report by the Director of Finance and Resources on a Review of the Committee Work Programme.

11. Review of Financial Regulations (Pages 61 - 78)

To consider a report by the Director Finance and Resources on a review of Financial Regulations.

12. Review of Members Training & Development and Determination of Programme (Pages 79 - 88)

To consider a report by the Director of Finance and Resources on a review of Members Training & Development and for determination of the programme.

P GRIMWOOD
Chief Executive Officer

www.fareham.gov.uk

13 June 2014

**For further information please contact:
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FAREHAM

BOROUGH COUNCIL

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

Date: Monday, 10 March 2014

Venue: Collingwood Room - Civic Offices

PRESENT:

Councillor T G Knight (Chairman)

Councillor L Keeble (Vice-Chairman)

Councillors: P J Davies, J M Englefield, Miss T G Harper, D L Steadman and P W Whittle, JP

**Also
Present:**



1. APOLOGIES

There were no apologies of absence.

2. MINUTES

RESOLVED that the minutes of the meeting of the Audit and Governance Committee held on 25 November 2013 be confirmed and signed as a correct record.

3. CHAIRMAN'S ANNOUNCEMENTS

The Chairman welcomed to the meeting, Catherine Morganti and Martin Young from Ernst & Young (External Auditors) and Adrian Tang and Pat Stothard from Mazars (Internal Auditors).

The Chairman informed members that the Council's internal audit service which is partly contracted out has for the last 4 years been Deloitte & Touche Public Sector Internal Audit Ltd. As of the 31 January 2014, the company is now a wholly owned subsidiary of Mazars LLP, and as such all reports from them will be branded as Mazars Public Sector Internal Audit Ltd but the team delivering the service will remain the same.

The Chairman also gave an update on the use of fraud incentives. At the last meeting of the Audit and Governance Committee members asked officers to carry out research into the effectiveness of using incentives to encourage the public to report suspicions of fraud. Work on this has now started with a request for information having been sent out to members of the Hampshire Tenancy Fraud Forum, published on 2 networking sites and 1 professional publication. The deadline for the responses has been set as the end of March 2014 and it is expected that the results should be available for the Committee in June 2014.

Lastly the Chairman informed the Committee that this would be the last Audit and Governance Committee meeting attended by Garry White Director of Regulatory and Democratic Services, as he would be retiring soon. All members passed on their thanks to Garry for all of his hard work and help over the years, and wished him all the best for the future.

4. DECLARATIONS OF INTEREST AND DISCLOSURES OF ADVICE OR DIRECTIONS

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. REVIEW OF FINANCIAL REGULATIONS

The Committee considered a report by the Director of Finance and Resources which reviewed the Financial Regulations 1 – Responsibilities of Members and 2 – Responsibilities of Statutory Officers.

RESOLVED that Committee recommends to Council that the proposed changes to these regulations as set out in Appendix B and D to the report be approved.

7. FUNCTIONS OF THE AUDIT AND GOVERNANCE COMMITTEE

The Committee considered a report by the Director of Regulatory and Democratic Services on updates to Part Two of the Constitution – Functions of the Audit and Governance Committee.

Members asked for clarification as to the handling of complaints, and the triggers for referring complaints to the standards sub-committee. The Director of Regulatory and Democratic Services addressed members on this item to explain the complaints procedure.

RESOLVED that the Committee:-

- (a) noted the updates to its functions, as specified in Part Two of the Council's Constitution – Functions of the Audit and Governance Committee relating to the Standing Orders with Respect to Meetings, as attached at Appendix A to the report to reflect the changes that were agreed at Council on 12 December 2013; and
- (b) recommends to Council the updates to the Functions of the Audit and Governance Committee that relate to the review of Financial Regulations, as highlighted in Appendix A to the report.

DECISIONS MADE UNDER DELEGATED POWERS

8. ANNUAL EXTERNAL AUDIT PLAN AND FEE

The Committee considered a report by the Director of Finance and Resources on the Annual External Audit Plan and Fee.

At the invitation of the Chairman Catherine Morganti from Ernst & Young presented the report to the Committee and took questions from members.

RESOLVED that the Audit Plan, attached as Appendix A to the report, be approved.

9. ANNUAL CERTIFICATION REPORT

The Committee considered a report by the Director of Finance and Resources on the Annual Certification report.

At the invitation of the Chairman Martin Young from Ernst & Young presented the report and took questions from Members.

RESOLVED that the Committee considered and commented on the information contained in the Annual Certification Report 2012-13 submitted by the Council's external auditors.

10. CONTRACTOR QUARTERLY AUDIT REPORT

The Committee considered a report by the Director of Finance and Resources on the audit work undertaken by the Contractor in that Quarter.

At the invitation of the Chairman, Pat Stothard from Mazars presented the report and circulated an additional annex to the report on Ferneham Hall which has been included in Appendix A of the report in Annex 3 pages 64-65.

RESOLVED that the Committee noted the progress and findings arising from the Internal Audit planned work being carried out by the Contractor, as set out in Appendix A of the report.

11. CONTRACTOR INTERNAL AUDIT ANNUAL PLAN 2014/15 (QUARTER 1)

The Committee considered a report by the Director of Finance and Resources on the Contractor Internal Audit Plan for 2014/15 (Quarter 1).

It was explained to the Committee that the Council is currently reviewing the internal audit planning process to make sure it complies with the new audit standards. The service is also reviewing the audit process from the customer's point of view and looking to see if there is any scope to make better use of the audit resources available and to improve the value of the end product of each assignment. As a result an audit plan has only been produced for the 1st quarter of the year with the full plan not being ready until June 2014.

Councillor Whittle raised a concern regarding the impact that the Council's Systems Thinking reviews will have on the internal audit process and the controls on systems that may change as a result of the process. The Head of Audit and Assurance reassured members that the audit team will be looking at services which have undergone a review to give an updated opinion on the adequacy of control, and are also looking at becoming more involved with the systems thinking work as it is undertaken.

RESOLVED that the Committee approves the Contractor Audit Plan for Quarter 1 of 2014/15, as set out in Appendix A of the report.

12. RISK MANAGEMENT PROGRESS REPORTS

The Committee considered a report by the Director of Finance and Resources on Risk Management Progress.

RESOLVED that the Committee notes the content of version 3 of the Corporate Risk Register attached set out in Appendix A of the report.

13. REVIEW OF THE MEMBERS CODE OF CONDUCT

The Committee considered a report by the Director of Regulatory and Democratic Services which reviewed the members Code of Conduct.

Members discussed this item at length regarding the value that should be set for registering of gifts and hospitality. Members felt that it was important that all members had an opportunity to comment on this. It was suggested that the Committee wait to review the registering of gifts and hospitality until Hampshire County Council have reviewed their Code of Conduct. This could then be taken into account as part of Fareham's review of its Code of Conduct for Members which could lead to a more consistent approach.

RESOLVED that once Hampshire County Council have reviewed their Code of Conduct for Members, that this is taken into account as part of the review of Fareham's Code of Conduct for Members and the request from HLOWLA to ensure as far as possible the Codes are consistent and complementary.

14. REVIEW OF AUDIT COMMITTEE WORK PROGRAMME AND ANNUAL REPORT

The Committee considered a report by the Director of Finance and Resources which summarised the work carried out by the Committee in 2013/14 and set out the proposed work programme for 2014/15.

RESOLVED that the Committee:-

- (a) recommends to Council that the content of the report be noted, and
- (b) the Work Programme for 2014/15, as set out in Appendix C of the report, be approved.

(The meeting started at 6.00 pm
and ended at 7.47 pm).

FAREHAM

BOROUGH COUNCIL

Report to Audit and Governance Committee

Date 23 June 2014

Report of: Director of Finance and Resources

Subject: QUARTERLY AUDIT 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 2014/15.

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 11 March 2013 on Contractor Annual Audit Plan 2013/14

Report by the Director of Finance to the Audit Committee on 10 March 2014 on Contractor Annual Audit Plan 2014/15

Enquiries:

For further information on this report please contact Suzanne Smith, Audit Manager, Mazars (Ext 4419)



Fareham Borough Council

Audit & Governance Committee

Quarterly Audit Progress Report

June 2014

This report has been prepared on the basis of the limitations set out on page 16.

This report and the work connected therewith are subject to the Terms and Conditions of the Contract dated 13 April 2010 and subsequent Letter of Extension dated 01 April 2013 between Fareham Borough Council and Mazars Public Sector Internal Audit Limited. This report is confidential and has been prepared for the sole use of Fareham Borough Council. This report must not be disclosed to any third party or reproduced in whole or in part without our prior written consent. To the fullest extent permitted by law, we accept no responsibility or liability to any third party who purports to use or rely, for any reason whatsoever, on this report, its contents or conclusions.

1. Introduction and background

- 1.1 This report has been prepared for the Members of the Audit & Governance Committee at Fareham Borough Council. This report highlights the progress made to date for delivery of the 2013/14 and 2014/15 Internal Audit Plans.

2. 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 & Governance Committee, including scope, weaknesses identified and confirmation that management actions have been agreed to address the weakness. 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 Four 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.

3. 2013/14 & 2014/15 Progress

- 3.1 The current status of the agreed 2013/14 Internal Audit Plan to be delivered is detailed in Annex One along with the number of days delivered. Audits have been completed in accordance with the timings agreed with the Head of Audit & Assurance, and as approved by the Audit & Governance Committee.

- 3.2 As at 31st May 2014, progress against the 2013/14 plan is as follows:

2013/14 Plan	Last Committee	This Committee
Number of audits in plan	31	31
Number of audits finalised	15 (45%)	20 (65%)
Number of reports issued at draft	2 (6%)	6 (19%)
Number of audits commenced	6 (19%)	5 (16%)*
Number of planned audit days delivered	171.25/235 (73%)	231.5/235 (98.5%)

* At this point, the audits noted as commenced are under quality review and the reports will be issued imminently.

- 3.3 At the time of this report, 98.5% of the 2013/14 Internal Audit Plan has been completed. Detailed progress is covered within Annex One.
- 3.4 Planning work on the initial Quarter 1 audits of the 2014/15 Audit Plan has commenced. Detailed progress is covered within Annex Two.

4. Changes to the plan

4.1 None to report since the last Audit and Governance Committee.

5. Detailed progress since the last Audit and Governance Committee

5.1 Since the previous Audit & Governance Committee, six reports are at draft stage from the 2013/14 plan; these relate to Training and Development, Ordering and Payment of Invoices, Invoicing and Collection of Income Receivable, Miscellaneous Democratic, Off-Street Parking and Financial Regulations Limited Compliance Testing. The assurance levels will be confirmed to the next Audit and Governance Committee upon finalisation.

5.2 Five reports have been issued in final version as listed below with the opinions given and level of recommendations made:

Audit	Assurance	Recommendations Made		
		New Essential	New Important	Outstanding Previous Essential or Important
2013/14 Plan				
Treasury Management	Strong	-	-	-
Main Accounting	Strong	-	-	-
Housing Benefits including Council Tax Support Scheme	Strong	-	-	-
Revenues	Strong	-	1	1
Planning Contributions and Community Infrastructure Levy	Reasonable	-	1	1

It should be noted that for one of the audits listed above (Revenues), queries have been raised after the issue of the final report; consequently, the assurances and/or priorities may be subject to change following further provision of evidence.

The above presents the key highlights; however, to enable Management and Members to focus on the areas of concern, we have provided a summary of all finalised reports since the last Committee, as detailed within Annex Three.

2013/14 Internal Audit Plan as at 31st May 2014

Annex One

No.	Audit Title	Days in Plan	Days Delivered	Status	Assurance Opinion	New Recommendations			Previous Recs. (E and I only)		
						Essential	Important	Advisory	Implemented	Cancelled	Non Implemented
Quarter 1											
1	Management of Tradesmen	7	7	Final	Reasonable	-	1	1	1	1	
2	Town Centre Management	7	7	Final	Strong	-	-	1	-	-	-
3	Coastal Protection & Land Drainage	6	6	Final	Strong	-	1	-	-	-	-
4	Leisure Centre Trust	6	6	Final	Strong	-	-	3	-	-	-
Quarter 2											
5	Treasury Management	6	6	Final	Strong	-	-	-	-	-	-
6	Insurance	5	5	Final	Reasonable	-	1	2	3	1	-
7	Planning Contributions and Community Infrastructure Levy	8	8	Final	Reasonable	-	1	1	-	-	1
8	Training & Development	8	8	Draft							
9	Licensing of Taxis & Alcohol	8	8	Final	Strong	-	1	2	7	5	-
10	Public Conveniences	6	6	Final	Reasonable	-	1	1	-	-	-
Quarter 3											
11	Ordering & Payment of Invoices	7	7	Draft							
12	Invoicing & Collection of Income	9	9	Draft							
13	Payroll	7	7	Final	Strong	-	-	-	1	-	1
14	Fixed Assets	6	6	Final	Strong	-	1	-	-	-	-
15	Revenues	12	12	Final	Strong	-	1	1	-	-	1
	Performance Management			Note 1							
16	Clean Borough Enforcement & Abandoned Vehicles	7	6.5	Started							
17	Cash Collection & Banking	9	9	Final	Strong	-	-	4	-	-	1
18	Housing Rents	6	6	Final	Strong	-	1	-	4	-	1
19	Ferneham Hall	9	9	Final	Reasonable	-	-	4	11	4	2

No.	Audit Title	Days in Plan	Days Delivered	Status	Assurance Opinion	New Recommendations			Previous Recs. (E and I only)		
						Essential	Important	Advisory	Implemented	Cancelled	Non Implemented
Quarter 4											
20	Risk Management	6	5.5	Started							
21	Main Accounting	10	10	Final	Strong	-	-	2	-	-	-
22	Financial Regulations Limited Compliance Testing	2	1.5	Draft							
23	Miscellaneous Democratic Note 2	5	4.75	Draft							
24	Housing Benefits & Council Tax Support	10	10	Final	Strong	-	-	-	-	-	-
25	Planning Applications	6	5.5	Started							
26	Off-street Parking	6	5.75	Draft							
27	Homelessness	6	5.5	Started							
28	Data Protection Follow Up	4	3.5	Started							
Computer Audit											
29	Remote Access	8	8	Final	Reasonable	-	5	1	1	-	-
30	Main Accounting System (E-Financials) Application Review	7	7	Final	Reasonable	-	2	3	-	-	-
31	Website Content Management	10	10	Final	Reasonable	-	1	1	-	-	1
Other											
Audit Committee		4	4								
Audit Management		12	12								
TOTAL		235	231.5 (98.5%)			0 0%	17 39%	27 61%	28 60%	11 23%	8 17%

Note 1: The audit was postponed until the 2014/15 financial year to allow the new management system to embed.

Note 2: The audit had been deferred from 2012/13 to 2013/14.

2014/15 Internal Audit Plan as at 31st May 2014


Annex Two

No.	Audit Title	Days in Plan	Days Delivered	Status	Assurance Opinion	New Recommendations			Previous Recs. (E and I only)		
						Essential	Important	Advisory	Implemented	Cancelled	Non Implemented
Quarter 1											
1	Legionella and Gas Safety Risks Follow Up	5	1.5	Started							
2	Contract Completion (Final Accounts)	10		Q1 Audit							
3	Tenancy Management	7	1	Planning							
4	Parks and Open Spaces	6	1	Planning							
5	Foreshore (Beach Hut Income)	4	1	Planning							
6	CHRIS 21	10		Q1 Audit							
TOTAL		42	4.5 11%			0 0%	0 0%	0 0%	0 0%	0 0%	0 0%

Summary of Findings from Completed Audits

2013/14 Treasury Management

Audit Opinion and Direction of Travel

Strong						
						
Direction of Travel:			↔ 2012/13			
Area of Scope	New Recommendations Raised			Previous Essential and Important Recommendations		
	Essential (🚨)	Important (▲)	Advisory (ℹ)	Implemented	Cancelled	Non Implemented
Policies and procedures	-	-	-	-	-	-
Levels, limits and institutions that can be dealt with for both lending and borrowing are clearly stated	-	-	-	-	-	-
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	-	-	-	-	-	-
Monitoring and reporting of performance	-	-	-	-	-	-
Reconciliations	-	-	-	-	-	-

2013/14 Main Accounting

Audit Opinion and Direction of Travel


Strong						
☺☺						
Direction of Travel:			↔2012/13			
Area of Scope	New Recommendations Raised			Previous Essential and Important Recommendations		
	Essential (☹)	Important (▲)	Advisory (⚠)	Implemented	Cancelled	Non Implemented
Policies and Procedures	-	-	-	-	-	-
Completeness, Accuracy, Reliability and Integrity.	-	-	1	-	-	-
Ledger Coding Structure, Feeder Systems and Control Accounts.	-	-	-	-	-	-
Virements, Journal Entries and Manual Adjustments	-	-	-	-	-	-
Processes for the Production of the Statement of Accounts	-	-	-	-	-	-
Financial Feeder System Reconciliation	-	-	-	-	-	-
Year End Procedures	-	-	-	-	-	-
Internal Recharging and Holding Accounts	-	-	-	-	-	-
Production of Financial Returns	-	-	1	-	-	-
Capital Programme Setting	-	-	-	-	-	-
Capital Programme Monitoring and Budgetary Control	-	-	-	-	-	-
Follow Up	-	-	1	-	-	-
Budget Setting and Adjustments	-	-	-	-	-	-
Budgetary Responsibilities and Training	-	-	-	-	-	-
Budget Monitoring and Commitment Accounting	-	-	-	-	-	-

Weaknesses identified during audit (Essential and Important only)

Priority	Weakness	Action Agreed?
	None	

2013/14 Housing Benefits and Council Tax Support

Audit Opinion and Direction of Travel

Strong						
						
Direction of Travel:				↔2012/13		
Area of Scope	New Recommendations Raised			Previous Essential and Important Recommendations		
	Essential (🔴)	Important (🟡)	Advisory (🟢)	Implemented	Cancelled	Non Implemented
Policies and Procedures	-	-	-	-	-	-
Post Receiving Procedures	-	-	-	-	-	-
Segregation of Duties	-	-	-	-	-	-
Timeliness and Accuracy of Assessments, Amendments, Payments and Cancellations	-	-	-	-	-	-
Backdated Claims	-	-	-	-	-	-
Overpayments and Recovery	-	-	-	-	-	-
Reliability of Records	-	-	-	-	-	-
Accuracy and Timeliness of Performance Monitoring	-	-	-	-	-	-
Follow up	-	-	1	-	-	-
Reconciliations	-	-	-	-	-	-
Controls over Bank Account Changes	-	-	-	-	-	-

Weaknesses identified during audit (Essential and Important only)

Priority	Weakness	Action Agreed?
	None	

2013/14 Revenues

Audit Opinion and Direction of Travel


Strong						
😊😊						
Direction of Travel:				↑2012/13		
Area of Scope	New Recommendations Raised			Previous Essential and Important Recommendations		
	Essential (🔴)	Important (🟡)	Advisory (🟢)	Implemented	Cancelled	Non Implemented
Policies and Procedures	-	-	-	-	-	-
Convenient Methods of Payment	-	-	-	-	-	-
Reconciliations Between Debit and Valuations Lists	-	-	-	-	-	-
Discount and Reductions Applications (including voids)	-	-	-	-	-	1
Billing	-	-	-	-	-	-
Receipts	-	-	-	-	-	-
Suspense Accounts	-	-	-	-	-	-
Recovery Action, including Write Offs	-	1	-	-	-	-
Monitoring Collection Rates	-	-	-	-	-	-
Refunds	-	-	-	-	-	-
Amendments to Standing Data	-	-	1	-	-	-
System Calculation of Amounts Due	-	-	-	-	-	-
Cyclical Coverage	-	-	-	-	-	-
Reconciliations End of Year and Daily Cash Processes	-	-	-	-	-	-

Weaknesses identified during audit (Essential and Important only)

Priority	Weakness	Action Agreed?
Important [New]	There were five accounts where the debt was deemed to be irrecoverable and needed to be written off.	Yes
Important [Outstanding Previous]	A discount and reduction review schedule needs to be established and monitored.	Yes

2013/14 Planning Contributions and Community Infrastructure Levy

Audit Opinion and Direction of Travel





Reasonable						
						
Direction of Travel:			↔2008/09			
Area of Scope	New Recommendations Raised			Previous Essential and Important Recommendations		
	Essential (🔴)	Important (🟡)	Advisory (🟢)	Implemented	Cancelled	Non Implemented
Policies, procedures and publicly available information	-	-	1	-	-	-
Identification and recovery of contributions	-	1	-	-	-	1
Section 106 expenditure and CIL expenditure plans	-	-	-	-	-	-
Development and Completion	-	-	-	-	-	-
Management Information	-	-	-	-	-	-

Weaknesses identified during audit (Essential and Important only)




Priority	Weakness	Action Agreed?
Important [New]	Instances were found of legal agreement payments which had been held in suspense for some time.	Yes
Important [Outstanding Previous]	Quarterly reconciliations between the planning system and accounting system had not been undertaken since June 2012.	Yes

Summary of Assurance Opinions Used

Annex Four

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 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 our 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 us 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. Even sound systems of internal control can only provide reasonable and not absolute assurance and may not be proof against collusive fraud. Our 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 work and to ensure the authenticity of such material. Effective and timely implementation of our recommendations by management is important for the maintenance of a reliable internal control system.

Mazars Public Sector Internal Audit Limited

London

June 2014

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FAREHAM

BOROUGH COUNCIL

Report to Audit and Governance Committee

Date **23 June 2014**

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

Subject: **HEAD OF AUDIT'S ANNUAL OPINION 2013/14**

SUMMARY

This report sets out the Internal Audit coverage, findings and performance for 2013/14 and gives an overall assurance opinion on the adequacy and effectiveness of the Council's framework of governance, risk management and control.

All audits from the revised internal audit plans have been delivered to at least the draft report stage and so can be used to support this year's opinion. Generally the Council is considered to have had a good framework of governance, risk management and control for the year 2013/14 which was generally working effectively. No minimal assurance opinions were given in the year and the spread of opinions being awarded across the Strategic Audit Plan is showing an upward trend. No errors in income collection or payments out were again recorded.

The results of the Quality Assurance and Improvement plan covering the work of the internal audit service have been included. There are no significant issues that it is considered need to be included in the annual Governance Statement.

RECOMMENDATION

That the contents of the report are noted as a source of evidence for the 2013/14 Annual Governance Statement.

INTRODUCTION

1. The Council is legally required to publish an Annual Governance Statement. Its purpose is to give assurance or produce a management action plan to address weaknesses in the effectiveness of the Council's governance, internal control and risk management arrangements.
2. This report covers the assurances that are available through the work of the Internal Audit service and is one of the key documents which will inform the production of this year's Annual Governance Statement. Its purpose is to provide an opinion on the adequacy and effectiveness of the Council's framework of governance, risk management and control.
3. This is the first year that the service has been delivered in accordance with the Public Sector Internal Audit Standards (PSIAs) and some of the content of this report has been expanded to meet the requirements of those standards.

WORK CARRIED OUT TO SUPPORT THE OPINION

4. A plan of 30 audit assignments for 2013/14 was approved by the Audit and Governance Committee in March 2013. This plan was delivered by Deloitte & Touche up to January 2014 when the Public Sector Internal Audit subsidiary was sold to Mazars LLP who then took over delivery of the remaining work. Any changes to the plan were approved by the Committee in the quarterly progress reports.
5. A summary of the nature of the audits making up the original and revised plans is attached as [Appendix A](#). A total of 30 pieces of audit work were included in the revised audit plans for 2013/14, all of which have been carried out. However, at the time of this report 11 audits are still at the draft report written or draft report issued stages.
6. This shows that there has been good coverage of the different levels of system which make up the Council's control environment, providing a sound basis for this year's opinion. In addition there were 3 reports from the 2012/13 plan where the conclusion was reached after the 2012/13 opinion was given. These have therefore been included as additional evidence for this year's opinion.

FINDINGS AND ASSURANCE AVAILABLE FROM INTERNAL AUDIT WORK

7. The findings from audit work consist of the following four key pieces of information which are used to assess the overall level of control in that service or system:
 - The assurance opinion awarded for the adequacy of controls found (judged against the risks and control areas covered in that audit).
 - The number of essential recommendations made or outstanding.
 - The level of excess expenditure or under achieved income discovered as a result of the audit, referred to as "errors".
 - The level of recommendation implementation that occurred since the previous audit as a remedy to address weaknesses found.

8. A summary of these key pieces of information arising from each completed audit (where it is applicable) is given in [Appendix B](#), and discussed below.

Assurance Opinions

9. At the end of a risk based audit, an opinion is usually given. The scale of opinions used in 2013/14 was: Strong, Reasonable, Limited, and Minimal. Definitions for these are given in [Appendix B](#). The opinion reflects the level of internal control found within the system for those areas tested and is mainly determined by the nature of recommendations that have been made. These are classified on the scale: Essential, Important and Advisory.
10. [Appendix B](#) shows the opinions that were given for the 33 audits where it was applicable to do so. No opinions of 'Minimal Assurance' were issued in the year. There is 1 'Limited Assurance opinion' likely to be awarded in the year, compared to 3 last year. This relates to the Data Protection follow up where although some work has been carried out in this area the impact has not been enough to close many of the recommendations made last year. However, it should be noted that this review is still at the draft report stage.
11. The overall spread of opinions compared to the previous 5 years is summarised below. This shows an increase in Strong opinions compared to last year.

Table 1 – Spread of Opinions issued for Audits in last 5 years

	Strong	Reasonable	Limited	Minimal	Total
2013/14	13	18	1	0	32
2012/13	8	16	3	0	27
2011/12	13	14	1	0	28
	Very Good / Good	Satisfactory	Fair	Poor	Total
2010/11	22	6	0	0	28
2009/10	13	12	2	0	27

12. The table below shows the movements in opinions issued for specific audits this year, with more increasing in opinion than decreasing:

Table 2 – Audits Changing Opinion

Audit	Previous Opinion	Current Opinion
Audits Increasing in Opinion (8)		
Payroll	Reasonable	Strong
Council Tax & NNDR	Reasonable	Strong
Housing Rents	Reasonable	Strong
Cash Collection and Banking	Reasonable	Strong
Leisure Centre Trust	Satisfactory	Strong
Licensing of Taxis and Alcohol	Satisfactory	Strong
Ferneham Hall	Limited	Reasonable
<i>Off Street Car Parking</i>	Limited	Reasonable
Audits Decreasing in Opinion (3)		
Public Conveniences	Very Good	Reasonable
<i>Ordering and Payment of Invoices [Creditors]</i>	Strong	Reasonable
Insurance	Good	Reasonable

13. Three subjects in the year (Coastal Protection and Land drainage, Miscellaneous

Democratic and Training Development) had been audited for the first time. These resulted in two opinions of Strong and 1 of reasonable. The spread of opinions across the whole strategic audit plan is shown graphically in [Appendix C](#), which shows that as new audits are carried out and others are revisited there is a general trend towards the left (higher opinions being given).

Essential Recommendations

14. No new essential recommendations have been raised from the 2013/14 audits.
15. As at the end of last year there were 4 essential recommendations awaiting implementation. All of these have now been implemented and confirmed as such by internal audit.
16. However, there were 2 additional essential recommendations arising from the 2012/13 work and 1 reinstated from follow up work. Work is currently in progress to ascertain the latest status of these recommendations.

Errors on Income or Expenditure

17. No uncorrected errors in income collection or expenditure were again found during testing in audits this year. The car parking audit did again highlight a number of variances for income collected but these related more to over collection due to missing machine readings. As of April 2014 an alternative system has been put in place to produce machine readings. This will allow more accurate monitoring of income due.

Implementation of Recommendations

18. During 2013/14, 17 of the audits included a review of progress made with implementing previous recommendations, covering a total of 68 individual actions [excluding Advisory Actions], of which 53 were deemed still valid. These resulted in an overall implementation rate of 66%. This represents 18 recommendations being found unimplemented in this year compared to 25 last year.

Table 3 – Trend in Results of Audit Testing of Implementation of Recommendations

	No of audits with recommendation reviews	No. of recs tested	% of recommendations tested signed off by audit as implemented
2013/14	17	68	66%
2012/13	16	77	61%
2011/12	23	147	68%
2010/11	25	262	79%
2009/10	23	185	63%

19. Work is currently in progress to provide an updated status for all outstanding actions. Similar work carried out last year concluded that the Council had implemented 71% (102/143) of all its outstanding audit recommendations during 2012/13 and progress had been made on a further 10% (14).
20. Additional work has been carried out to sign off recommendation which services had

previously reported as implemented. In total 97 recommendations have been followed up. 10 of these (10%) were subsequently reinstated.

GOVERNANCE

21. The external auditors concluded that the Councils Annual Governance Statement for 2012/13 complied with the requirements of the CIPFA/SOLACE Delivering Good Governance in Local Government Framework, and was consistent with the information they were aware of from their audit of the financial statements.
22. The Council is nearing the end of a project to streamline the rules laid out in its Contract and Financial Procedure Rules and will then continue to challenge the suitability of policies set in relation to the objectives for the organisation.
23. One governance audit was carried out this year to test compliance with two of the updated Financial Regulations. The draft results are summarised in the table below.

Table 4 – Draft Results from Testing of Compliance with Financial Regulations

Rule Tested	Number of Transactions Analysed	Initial Level of Compliance Found	Notes
<p>Prompt Payment of Invoices</p> <p>Reg 16.1.4 – Valid supplier invoices should be paid 30 days following the latter of a) receipt of a valid invoice by FBC Accounts Payable OR b) works, goods/services provided).</p>	8,147	87%	<p>3 days was allowed for the invoice to reach the council in this analysis.</p> <p>Further testing of a sample of 15 'late' payments found that 9 (60%) were for appropriate reasons and the policy had not been breached. Extrapolated that would give 95% compliance.</p> <p>The Council is currently reviewing our purchasing systems which may identify ways to make it easier to achieve full compliance with this rule.</p>
<p>Prompt Raising of Debtor Invoices</p> <p>Reg 19.2.5 – Invoices which cannot be raised in advance should be raised at an earlier opportunity after supply and within 30 days of the value of the charge being known.</p>	2,056	95%	<p>Some problems were found with the data available to allow this analysis to be completed. So these results need to be put in this context</p>

RISK MANAGEMENT

24. During 2013/14 the Committee received six monthly updates on the Corporate Risk Register in accordance with the revised Risk Management Policy adopted in 2012/13.
25. The Policy also requires that there is an independent assessment of our Risk Management process every 3 years. Mazars PSA conducted this audit in 2013/14 and

no significant issues arose from the review.

HEAD OF AUDIT OPINION

26. Using the information outlined above, in the opinion of the Head of Audit and Assurance, the Council had a good framework of governance, risk management and control for the year 2013/14 which was generally working effectively. There is awareness amongst managers about their top risks and the importance of control mechanisms, and action plans are agreed to address any major weaknesses found.
27. There is still work to be done to improve the speed in which recommendations are implemented. In particular we are will be holding more detailed discussions into the context of findings from audits to try and ensure that any new recommendations are seen as relevant by managers. We are also developing an online action management system to improve the management information available on outstanding recommendations.
28. This opinion is given based on the audits that have finished, and will be updated if the audits currently in progress gives rise to the need to change the opinion. It is also given against a back drop of fundamental reviews of key front line services from the customer's point of view. Audit coverage is therefore planned to ensure that these do not significantly weaken the Council's control framework in place to address any material risks it faces.
29. In forming this opinion I have not placed any direct reliance on related projects or other assurance providers other than External Audit in relation to the governance framework. However, sources of external assurance will be reviewed as part of the evidence supporting the Annual Governance Statement.

RESULTS OF QUALITY ASSURANCE IMPROVEMENT PLAN

30. As required by the Public Sector Internal Audit Standards the service is developing a Quality Assurance and Improvement Plan [QAIP] which consists of a self- assessment against the standards and on-going monitoring arrangements and local performance indicators.
31. The QAIP is designed to provide reasonable assurance to its key stakeholders that the service: performs its work in accordance with its Charter; operates in an effective and efficient manner; is perceived by its key stakeholders as adding value and improving the service that it provides.
32. The PSIAS require the Head of Internal Audit to report on the outcomes of the QAIP each year which is covered by the following sections.

Audit Independence

33. In conformance with the PSIAS 1110, it is confirmed that that the internal audit activity was organisationally independent.
34. This is assessed on the basis that the Head of Audit and Assurance reported functionally to the Audit and Governance Committee during the year and had free and unfettered access to the Chief Executive Officer and Chair of the Committee.

35. Functional reporting to the Audit and Governance Committee included:

- approving the internal audit charter;
- approving the risk-based audit plan including the resource details;
- receiving communications on the audit activity's performance in relation to the plan;
- receiving communications on any inappropriate scope or resource limitations.

Self-Assessment against the Standards

36. In conformance with PSIAS 1320 our self-assessment concludes that during 2013/14 we have fully conformed with 44 of the 52 applicable standards with partial conformance with another 5. PSIAS 1322, requires instances of none or part conformance to be disclosed. These are given in [Appendix D](#). It should be noted that in total there are 128 parts making up the 52 standards.

None of the areas of non-conformance are considered significant enough for reporting in the Annual Governance Statement particularly as the external assessment requirement is not due for another 4 years. An action plan is being progressed to address the areas of non or part conformance indicated, where it is considered to be of benefit to the Council.

Local Performance Indicators

37. The performance of the audit function based on other local indicators is summarised in [Appendix E](#). Key measures, such as the completion of the audit plan and providing work that the external auditors can place reliance on, have been met this year. However, fewer audits have been finalised by the time of this report. This is mainly due to the turnover of staff this year and also due to work that has started to refocus the final reports to reflect the culture and direction of the organisation.

RISK ASSESSMENT

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

CONCLUSION

39. This annual audit report contains the information required by the Public Sector Internal Audit Standard. The opinion offered within it, is that the Council continues to have a good framework of governance, risk management and control.

Appendices:

- A. Summary of the Completion of the Original 2013/14 Audit Plans
- B. Findings from Audits Completed in 2013/14

- C. Current Spread of Opinions in Strategic Audit Plan
- D. Areas of Non Conformance with the Public Sector Internal Audit Standards
- E. Comparison of Local Performance Indicators

Background Papers: None

Reference Papers:

Report to Audit and Governance Committee on 27/06/13 on Head of Audit's Annual Report 2012/13

Quarterly audit reports to the Audit and Governance Committee during 2013/14

Public Sector Internal Audit Standards [PSIAS] and Local Government Application Note Guidance [LGAN].

Enquiries:

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

SUMMARY OF THE COMPLETION OF THE ORIGINAL & REVISED 2013/14 ANNUAL AUDIT PLANS

Audit Type	No of Audits Originally Planned	No. of Audits Added	No. of Audits Removed	Revised No. of Audits	No. of Audits Carried Out	% Delivery	Notes
Fundamental Systems	10			10	10	100%	Debtors and Creditors at draft report issued stage.
Corporate and Partnership	2		1	1	1	100%	Performance Management audit postponed at manager's request to allow the new management system to embed. Other audit at draft report issued stage
Governance and Risk Management	2			2	2	100%	One report at draft report issued stage and one at draft report written stage.
Contract and Specialist	0			0	0		
Public Services	10	1	1	10	10	100%	Leisure Centre Trust audit carried out in place of Leisure Partnership audit at managers request. 2 audits at draft report issued stage and 2 at draft report written stage.
Internal Process	3			3	3	100%	
Computer and Information Governance	3			3	3	100%	
Specific Follow Ups	0	1		1	1	100%	Follow up of Data Protection Limited Assurance report. At draft report written stage.
TOTALS	30	2	2	30	30	100%	

Additional Assurances arising from the 2012/13 Plan where opinion produced after the 2012/13 Head of Audit Opinion:

Contract and Partnership - Legal Service Contract

Internal Services - Miscellaneous Democratic

Internal Services – Customer Service Centre Process (Disabled Parking)

Findings from Completed Audits in Support of the 2013/14 Audit Opinion

The reports for those audits in italics are still being finalised.

Audit Title	Errors Found	New Recommendations			Previous Recs. (E and I only)			Assurance Opinion	Direction of Travel
		Essential	Important	Advisory	Implemented	Cancelled	Not Implemented		
Fundamental Systems									
Treasury Management	None	-	-	-	-	-	-	Strong 😊😊	↔
Main Accounting, System & Budgetary Control	None	-	-	2	-	-	-	Strong 😊😊	↔
Housing Benefits and Council Tax Support	None	-	-	-	-	-	-	Strong 😊😊	↔
Fixed Assets	None	-	1	-	-	-	-	Strong 😊😊	↔
Payroll	None	-	-	-	1	-	1	Strong 😊😊	↑
Council Tax & NNDR	None	-	1	1	-	-	1	Strong 😊😊	↑
Housing Rents	None	-	1	-	4	-	1	Strong 😊😊	↑
Cash Collection and Banking	None	-	-	4	-	-	1	Strong 😊😊	↑
<i>Invoicing and Collection of Income Receivable [Debtors]</i>	None	-	2	1	2	-	2	Reasonable 😊	↔
<i>Ordering and Payment of Invoices [Creditors]</i>	None	-	3	-	1	-	1	Reasonable 😊	↓
Corporate & Partnership Audits									
<i>Training and Development</i>	None	-	1	4	-	-	-	Reasonable 😊	New
Governance & Risk Management Audits									
<i>Financial Regulations Compliance Testing</i>	None	-	-	-	-	-	-	Not applicable	N/A
<i>Risk Management</i>	None	-	2	-	-	-	-	Reasonable 😊	N/A

Audit Title	Errors Found	New Recommendations			Previous Recs. (E and I only)			Assurance Opinion	Direction of Travel
		Essential	Important	Advisory	Implemented	Cancelled	Not Implemented		
Contract and Specialist Audits									
Legal Services Contract (2012/13)	None	-	2	-	-	-	-	Reasonable 😊	N/A
Public Service Audits									
Town Centre Management	None	-	-	1	-	-	-	Strong 😊😊	↔
Leisure Centre Trust	None	-	-	3	-	-	-	Strong 😊😊	↑
Licensing of Taxis and Alcohol	None	-	1	2	7	5	-	Strong 😊😊	↑
Coastal Protection and Land Drainage	None	-	1	-	-	-	-	Strong 😊😊	New
<i>Planning Applications</i>	None	-	1	1	1	4	1	Reasonable 😊	↔
<i>Homelessness</i>	None							Reasonable 😊	↔
<i>Clean Borough Enforcement and Abandoned Vehicles</i>	None				-	-	-	Reasonable 😊	↔
Ferneham Hall	None	-	-	4	11	4	2	Reasonable 😊	↑
<i>Off Street Parking</i>	None	-	1	-	-	-	1	Reasonable 😊	↑
Public Conveniences	None	-	1	1	-	-	-	Reasonable 😊	↓
Internal Process Audits									
<i>Miscellaneous Democratic Services (2012/13)</i>	None	-	2	1	-	-	-	Strong 😊😊	New
Customer Service Centre Processes – Disabled Parking (2012/13)	None	-	5	-	1	-	-	Reasonable 😊	N/A
Management of Tradesmen	None	-	1	1	1	1	-	Reasonable 😊	N/A

Audit Title	Errors Found	New Recommendations			Previous Recs. (E and I only)			Assurance Opinion	Direction of Travel
		Essential	Important	Advisory	Implemented	Cancelled	Not Implemented		
Planning Contributions (including Community Infrastructure Levy)	None	-	1	1	-	-	1	Reasonable 😊	↔
Insurance	None	-	1	2	3	1	-	Reasonable 😊	↓
Computer & Information Governance Audits									
Website Content Management	None	-	1	1	-	-	1	Reasonable 😊	↔
Remote Access, Third Party Access and Mobile Working	None	-	5	1	1	-	-	Reasonable 😊	↔
Main Accounting System (E- Financials) Application Review	None	-	2	3	-	-	-	Reasonable 😊	↔
Specific Follow Ups									
<i>Data Protection</i>	None	-	-	-	1	1	5	Limited 😞	↔
TOTALS	0	0	36	34	34	16	18		

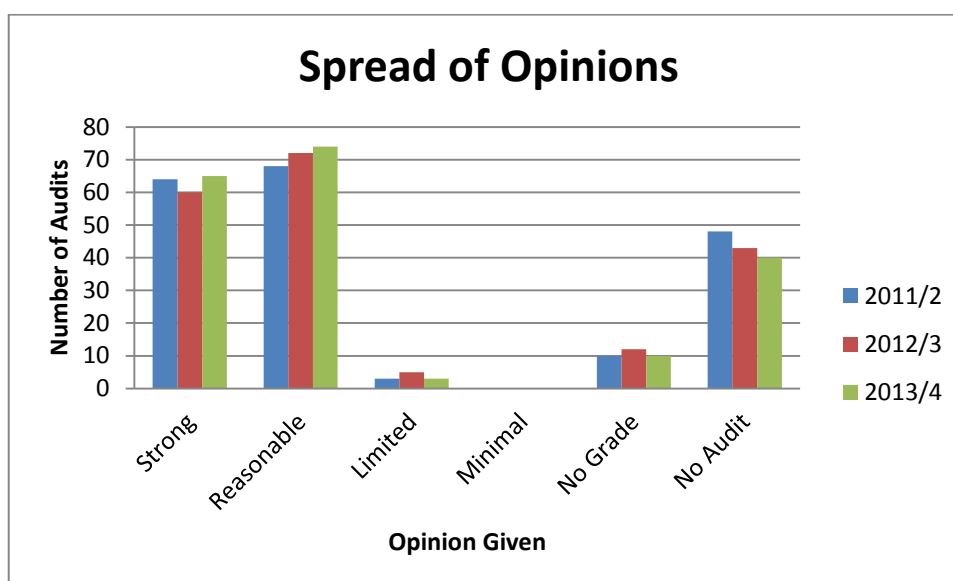
Summary of Assurance Opinions Used		
Assurance Level	Symbol	Description
Strong	😊😊	There is a strong system of control designed and operating effectively. Any weaknesses found were low impact and do not significantly affect key controls or the achievement of the objectives of the system.
Reasonable	😊	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.

Current Spread of Opinions across the Whole Strategic Audit Plan as at June 2014

Category of Audit	Strong / Very Good / Good	Reasonable / Satisfactory	Limited / Fair	Minimal / Poor	No Opinion	No Audit	Total
Fundamental	10	2					12
Corporate & Partnership	3	5			0	8	16
Governance & Risk Management	2	1			4	1	8
Contract & Specialist	5	2	2		2	2	13
Public Service	28	30			3	20	81
Internal Process	6	10				6	22
Computer & Information Governance	11	24	1		1	3	40
Total 2013/14	65	74	3		10	40	192
Total 2012/13	60	72	5		12	43	192
Total 2011/12	64	68	3		10	48	193

Notes:

The “no opinion” column shows audits where a piece of work has been carried out in the past but the nature of the work was such that an opinion wasn’t appropriate. The “no audit” column shows audits that have not been carried out in the last 10 years or are new to the plan.



Areas of Non Conformance with the Public Sector Internal Audit Standards

Standard	Area of Non Conformance	Comments
1000 Purpose, Authority and Responsibility	The Internal Audit Charter is not presented to senior managers in addition to the board.	The internal audit charter is a formal document that defines the internal audit activity's purpose, authority and responsibility which has been reviewed by the Section 151 Officer and approved by the Audit and Governance Committee where the Monitoring Officer was also present. It is considered unnecessary to formally present the Charter to the rest of the Senior Officers. However, the draft Audit Strategy will be presented to the full Chief Executive's Assurance Group.
1100 Independence and Objectivity	The Chief Executive Officer and Chair of the Audit and Governance Committee do not formally feed into the performance appraisal of the Chief Audit Executive.	Informal mechanisms are in place for concerns about independence to be raised. Regular one to ones occur between the Section 151 Officer and the Head of Audit and Assurance [HAA]. There are also regular one to ones between the Chief Executive Officer and Section 151 Officer and an annual one to one between the Chief Executive Officer and the HAA. The HAA also has access to the Chief Executive Officer as chair of the Chief Executive's Assurance Group. The HAA has access to the Chair and Vice chairs of the Audit and Governance Committee during the quarterly chairman briefings and can approach them directly should she have any concerns.
1310 Requirements of the Quality Assurance and Improvement Programme	No external assurances are currently included in the Quality Assurance and Improvement Plan.	This requirement is not yet due for another 5 years. However, given the current financial climate it is unlikely that we would want to incur additional costs to pay for an independent external verification of our self-assessment.
1312 External Assessments		We will, however, monitor any feedback on conformance to the standards received by the external auditors and internal audit contractor. We will also monitor discussions on the potential use of peer reviews to provide this assurance which can be met within budget, bearing in mind that the professional body has some reservations about using a near neighbour for peer reviews as they cannot be truly independent.
2010 Planning	We do not currently have a fully up to date risk assessment supporting the annual plan.	The Strategic Audit plan is in the process of being updated and will include a risk assessment for the audits in accordance with the model being piloted by the CIPFA Governance Forum and our new approach.
2020 Communication and Approval	The entire internal audit activity's plan and resource requirements, were not presented to senior managers in addition to the board for review.	The Audit and Governance Committee is responsible for endorsing the Annual Plan of work which the Director of Finance and Resources as the Section 151 Officer has previously reviewed. Other Directors are consulted on coverage in the plan for their departments before the plan is put together. They also receive information on the proposed Annual Plans and any changes to these before approval and are invited to provide feedback.
2030 Resource Management	The audit plan did not explain how the internal audit's resource requirements have been assessed.	The Audit Strategy is in the process of being updated with an assessment of resource requirements based on the updated Audit Universe. Reference to this will be made in each year's Annual Plans.
2110 Governance	No specific assurance has been given on Information Technology Governance and the effectiveness of ethics related objectives.	Assurances are currently provided each year from specific computer audit work and counter fraud initiatives. Discussions are being held with the internal audit contractors on how we can strengthen coverage in the plan to give further assurances on these specific aspects of the control framework.

Comparison of Local Performance Indicators for last 5 years

Indicator	Comments	Direction	Performance	2013/14	2012/13	2011/12	2010/11	2009/10
Extent to which External Audit place reliance on our work	No reports received from external audit which include an opinion on internal audit. Verbal feedback was given that reliance was placed on the work of the service.	↔	😊	Yes	Yes	Yes	Yes	Yes
% of Audit Plan Completed	All the audit work has been carried out and had reached the stage that a draft opinion was available.	↑	😊	100%	97%	97%	97%	93%
% of reports finalised by time of Head of Audits Report	The amount of non-finalised work being relied on in the Annual Opinion has decreased compared to last year.	↓	😐	67% (22/33)	84% (26/31)	80% (28/35)	87% (33/38)	65% (36/40)
% of Customer Satisfaction	This performance is similar to that of last year. We are looking to move away from questionnaires from 2014/15 and use phone surveys instead in order to capture wider feedback on the audit experience.	↑	😐	75% (9)	73% (5)	84% (10)	83% (14)	84% (14)

FAREHAM

BOROUGH COUNCIL

Report to Audit and Governance Committee

Date **23 June 2014**

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

Subject: **COUNTER FRAUD INVESTIGATION PROGRESS**

SUMMARY

This report provides information on the numbers and outcomes of fraud cases for 2013/14.

RECOMMENDATION

That the content of the report be noted.

INTRODUCTION

1. Fareham Borough Council has adopted an Anti-Fraud and Corruption Policy and carries out a programme of work to strengthen our fraud prevention, detection and investigation arrangements.
2. This report provides information on the numbers and outcomes of fraud cases that have arisen during 2013/14.

HOUSING BENEFIT AND LOCAL COUNCIL TAX SUPPORT FRAUD

Future of the Benefit Fraud Investigation Team

3. Members will be aware that the Government has created a Single Fraud Investigation Service (SFIS) to replace the existing arrangements whereby the Department for Work and Pensions (DWP), HM Revenues and Customs and Local Authorities employ their own investigators.
4. As reported in our last update to the Committee, the DWP initially launched four SFIS pilots and their initial findings, published in September 2013, indicated that the preferred delivery model would be to introduce SFIS as a single organisation within the DWP. This has now been approved by the Treasury and will be implemented on a roll-out basis from 2014 to 2015. The timetable recently published confirms that Fareham Borough Council's fraud caseload will transfer to SFIS on 1 October 2014. This in practice now means:
 - The investigation of all Housing Benefit and historical Council Tax Benefit fraud will move to the DWP.
 - Fareham's Benefit Fraud Investigators could also transfer to DWP's employ.
 - The amendment of Housing Benefit and Council Tax Benefit claims will remain with Fareham Borough Council.
 - The calculation and recovery of any Housing Benefit and Council Tax Benefit overpayments will remain with Fareham Borough Council.
 - SFIS investigators will request information and evidence from Fareham Borough Council to support their investigation.
 - Any referral to SFIS that is rejected will be passed back to Fareham Borough Council for compliance activity (which could be in the form of a visit, letter or phone call to follow up the discrepancy and take appropriate action).
 - A single prosecution body will be used, this being the Crown Prosecution Service.
5. The responsibilities to investigate non-benefit fraud such as Local Council Tax Support fraud, Housing fraud, Council Tax and Business Rates discounts and exemptions frauds will remain with Fareham Borough Council. However, the action required to protect these funds and services from fraud is discretionary. Officers are therefore discussing the options open to us to cover these frauds after October 2014.

Number of Investigations

6. The Local Authority benefits investigations team has continued to be fully staffed since the last report. A summary of referrals received for the whole of 2013/14, compared to the previous year, is summarised below:

Table 1 - Number of Benefits Fraud Cases Investigated

	Full Year 2012/13	Full Year 2013/14
Number of Referrals:		
Investigations brought forward from previous year	259	82
New Referrals to the investigations team in the year	692	461
Total cases to Investigate	951	543
Sources of New Referrals:		
Housing Benefits Matching Service (DWP)	410	188
Benefit officers	95	95
Anonymous callers (Not via fraud hotline)	80	61
Website via online form	33	40
Anonymous letters	17	7
Housing Department	16	11
Council Tax Section	12	21
Visiting Officer	7	14
Other Local Authority	6	4
Fraud Hotline (Dedicated telephone number)	5	7
Government Department of Works and Pension (DWP)	4	6
Other Departments	4	4
Fraud Officers	2	3
Police	1	0
Total	692	461
Completion of Investigations:		
Referrals rejected for investigation	162	111
Investigations completed	707	347
Investigations C/FWD	82	85
Total cases to Investigate	951	543

Findings and Sanctions

7. From the 347 cases investigated this year, there were 66 cases where abuse was found, as summarised in the table below. This also shows that 47 sanctions were applied.

Table 2 - Conclusions from Benefit Fraud Cases Investigated

	Full Year 2012/13	Full Year 2013/14
Conclusion from Investigation		
Investigations completed	707	347
Files closed – No abuse found or unproven	646	281
Files closed - Abuse found	61	66
Sanctions Applied		
Prosecutions	20	12
Formal Cautions	9	9

	Full Year 2012/13	Full Year 2013/14
Administration Penalties	4	26
No sanction was applied (usually for social reasons, such as elderly or infirm, or insufficient evidence to support caution or prosecution)	28	19
Total Files closed - Abuse found	61	66

Prosecutions

8. As summarised above the team has achieved 12 successful prosecutions in the financial year. The details of 6 cases were reported previously to the committee in November 2013. The remaining 6 cases are summarised below:

Table 3 - Outcomes from Benefit Fraud Cases PROSECUTED in the last 6 months

Case Ref	Benefits Involved	Nature of the Fraud	Value of FBC overpayment (DWP overpayment)	Sentence (All found guilty)	Fine/Costs
7727	Council Tax Benefit, Council Tax Support, Housing Benefit	Failure to report changes in circumstances (earnings)	£9,534	Conditional Discharge for 12 months	£313 costs £15 victim surcharge
1020	Housing Benefit	Failure to report changes in circumstances (earnings)	£7,315	Conditional Discharge for 12 months	£285 costs
21214	Council Tax Benefit, Council Tax Support, Housing Benefit	False declaration	£4,718	Conditional Discharge for 3 years	£285 costs £15 victim surcharge
20981	Housing Benefit	Failure to report change in circumstances (moved address)	£4,154	Conditional Discharge for 2 years	£100 costs £15 Victim Surcharge
8455	Council Tax Benefit and Council Tax Support	Failure to disclose capital	£2,888		£110 fine £85 costs £20 victim surcharge
8219	Housing Benefit and Council Tax Benefit	False declaration	£2,139		£180 fine £100 costs £20 victim surcharge

Redress

9. As well as the sanctions applied above, action is taken to recover any overpayments that have occurred due to fraud. The total value of Housing Benefit for the cases where abuse has been found in 2013/14 has been calculated as **£161,823**. The total value of Council Tax Benefit overpayments found in 2013/14 was **£33,946** and those for Council Tax Support (which came into effect 1/4/2013) was **£2,278**.
10. The total repayments of Housing Benefit collected in the year for all cases due to fraud were **£89,005**.

Interesting cases prosecuted

11. Claim 21214 (£4,718 overpayment)

This was referred to FBC by the DWP compliance team, who had calculated an overpayment of Income Support of over £55,000 but were unable to prosecute as the activity had been through compliance and not fraud investigation. This had all been undertaken without FBC's knowledge.

FBC decided that as the Housing Benefit overpayment was substantial and had not been part of DWP's activities an investigation would be undertaken and prosecution was agreed.

The claimant's partner had worked for Barclays Bank on a full time basis and this had never been declared to either FBC or DWP. All claims were false from the outset.

12. Claim 8219 (£2,139 overpayment)

This case appeared fairly recently in the Portsmouth Evening News.

According to FBC records, the claimant lived on her own and was subject to a 14% reduction to her Housing Benefit due to the under occupancy rules (bedroom tax). Her landlord contacted the Benefits team to advise that this reduction was incorrect as both her sons resided in the property. However, neither had ever been declared on various application forms submitted since 2006.

As well as the Housing Benefit overpayment resulting, the claimant had also been claiming a Single Occupancy Discount of 25% for her Council Tax discount. This was removed and the claimant re-billed for the outstanding Council Tax (£822). She was also issued a £70 civil penalty by Fareham Borough Council for failing to declare her circumstances.

WHISTLE-BLOWING CASES

13. No cases of serious concern have been raised by an employee in the last 6 months and no employee has felt it necessary to raise concerns outside the organisation.

OTHER INDIVIDUAL FRAUD CASES

14. There have been 10 new suspicions of other types of fraud raised in the last 6 months through various means, including the council's 'report-it' channels. These are in addition to any frauds identified from bulk proactive reviews or data matching exercises.
15. The cases cover the following types of fraud and may be dealt with by various teams in the Council:

Table 4 – Nature of Other New Cases raised in the last 6 months

Type of Fraud	Number of Cases
Housing	5
Council Tax	1
Banking	1
Other	3

16. Since the last report 4 cases of abuse have been concluded for cases that have been closed. These are listed below with the outcomes to date:

Table 5 – Cases where Abuse Concluded

Type of Case	Abuse Concluded	Outcomes
Other – False Documents	FBC council tax documents had been manipulated to suggest someone was resident in the borough in order to secure funding from the navy.	Evidence was passed to the navy police to continue their own investigation into this matter and take appropriate action.
Other – Benefit claim by employee	An FBC employee had failed to make the benefit service aware of their earnings.	The employee has left the council's employment and has been prosecuted for benefit fraud.
ICT Misuse	A small number of FBC mobiles were found to be sending texts to an unobtainable number incurring a charge.	Details were passed to the police to trace the owner of the unobtainable number. The SIM cards on the phones have been replaced and no further incidents have occurred.
Banking	Attempt to use Counterfeit £10 note as part of a council tax payment.	Note was confiscated and passed to the police along with a statement.

NATIONAL FRAUD INITIATIVE

17. The National Fraud Initiative (NFI) is a data matching exercise which is run every 2 years, with Council Tax and Electoral Roll data matched in the intervening years. The last sets of matches were released in January 2014. Table 6 shows the progress made on clearing all matches since the last report

Table 6 - Progress Made on Clearance of NFI Matches

Year of Exercise	Subject of match	Number of matches received to review	Number of matches still to clear - last report	Number of matches still to clear - current
2011/12	Council Tax	484	86 (18%)	0
2012/13	Benefits	1076	206 (19%)	20 (2%)
	Housing Rents	19	3 (16%)	0
2013/14	Council Tax	553	New	553 (100%)

18. The table below shows the number and value of fraud cases arising for the NFI in the last 6 months compared to the last report:

Table 7 - Fraud Cases Identified in the last 6 months

Data Set	Nature of Fraud	Sept 2013		June 2014	
		Number	Value	Number	Value
Housing Benefits	Undeclared earnings, pension or student loan of adult at the property.	0	0	8	£29,541
Council Tax	Undeclared second adult living at property	1	£180	13	£8,117
Residents Permit*	Non return of permit from deceased holder	2	none		
TOTAL		3	£180	21	£37,658

**It should be noted that although these are classified as frauds for the purposes of NFI, in most cases there may not have been a criminal intent involved.*

USE OF RIPA POWERS

19. There have been 2 authorisations granted under the Regulation of Investigatory Powers Act 2000 (RIPA) for the six months between 1 October 2013 and 31 March 2014 as summarised in Appendix 1.

TOTAL NUMBER OF INVESTIGATIONS

20. The draft Local Government Transparency Code published by the Department of Communities and Local Government for 2014, recommends that Councils start to publish details of the counter fraud work carried out each year.
21. Officers have therefore started to look into the feasibility of collating the data they suggest across the different fraud streams and investigation types. Appendix 2 shows the summary figures that have been collated for the last 2 years from the data available.

RISK ASSESSMENT

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

CONCLUSION

23. Fraud referrals for investigation continue to be received and handled by the relevant investigation teams.

Appendices

Appendix 1 - Authorisations for use of RIPA (October 2013 – March 2014)
Appendix 2 – Overall Counter Fraud Figures for the last Two Years

Background Papers: None

Reference Papers: None

Enquiries:

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

Authorisations for use of RIPA (October 13 to March 14)

Ref No	Date Authorised Internally	Authorising Officer	Suspected Offence	Investigation power used	Date Authorised by a Magistrate	Duration of authorisation (in days)	Outcome for the Investigation
1	09/01/14	Head of Revenues and Benefits	Benefit Fraud – Undeclared partner	Surveillance	17/01/14	88	Evidence obtained that crime or disorder MAY BE occurring
2	29/01/14	Head of Revenues and Benefits	Benefit Fraud - Undeclared partner	Surveillance	06/02/14	63	Evidence obtained that crime or disorder MAY BE occurring

Overall Counter Fraud Figures for the Last Two years

	2013/14	2012/13
Number of counter fraud investigators employed by the Council.	2.5	2.5
Number of occasions that the powers under the Prevention of Social Housing Fraud Regulations 2014 were used.	N/A	N/A

Type of Fraud	Number of Fraud Cases		
	Investigated	Fraud Concluded	Value
Housing Benefit and Council Tax Benefit	348	66	£195,769
Council Tax	458	187	£67,472
Housing	7	3	£0
Other	10	6	£181
TOTAL	823	262	£263,422

Type of Fraud	Number of Fraud Cases		
	Investigated	Fraud Concluded	Value
Housing Benefit and Council Tax Benefit	707	61	£59,119
Council Tax	232	9	£6,632
Housing	3	3	£0
Other	14	5	£1,609
TOTAL	956	78	£67,360

FAREHAM

BOROUGH COUNCIL

Report to Audit and Governance Committee

Date **23 June 2014**

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

Subject: **COUNTER FRAUD STRATEGY PROGRESS**

SUMMARY

This report updates the Committee on Counter Fraud strategy work in progress or carried out in the last 6 months.

Key pieces of work have included: a) Survey of reporting incentives used by other organisations, b) Completion of the pilot scheme charging penalties for cases of Single Occupancy Discount fraud and c) Completing work from the Housing fraud action plan.

RECOMMENDATION

That the progress made to date as part of the Counter Fraud Strategy be noted.

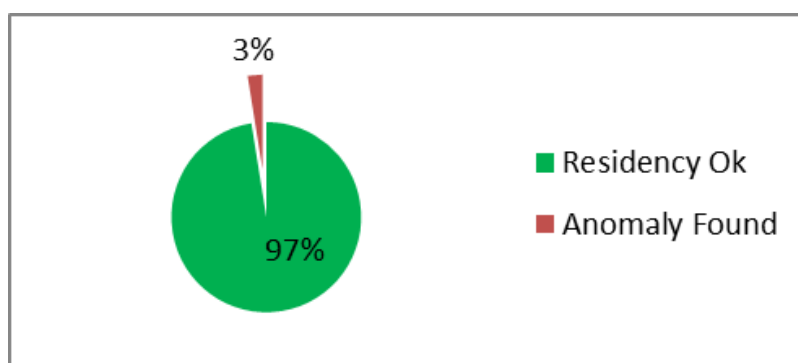
INTRODUCTION

1. The Council maintains an Anti-Fraud and Corruption Policy which is supported by a programme of work to review and strengthen our counter fraud arrangements where necessary.
2. This report provides an update on any actions proposed or taken in the last 6 months in relation to:
 - (a) The top fraud risks for the Council.
 - (b) Revising counter fraud policies.
 - (c) Raising internal and external awareness.
 - (d) Initiatives to improve prevention, detection or redress.
 - (e) Any legislative changes that have occurred.
3. A separate report details the cases of fraud that have been investigated.

WORK UNDERTAKEN SINCE THE LAST REPORT

Housing Fraud

4. **Action Plan:** Significant progress has been made on completing the action plan approved by the Committee to further strengthen the council's arrangements to prevent and detect housing fraud. This has included:
 - Improving the referral, collation and recording of housing fraud cases.
 - Briefing investigators on housing terminology and processes and the potential offences relevant to housing fraud cases.
 - Rolling out awareness briefings to relevant teams who may identify potential cases of housing fraud during their normal day job.
 - Inclusion of an article in the last Tenants' newsletter. 6 referrals for alleged housing fraud have been received since the article was published although most have been concluded as no abuse found.
5. **Tenant View Exercise:** A one off data match exercise has been carried out to provide some measurable assurance that the level of housing fraud is relatively low for this Council. This involved matching our Tenant's details with those of a credit reference agency.
6. The chart below summarises the result of the initial matches which shows that **97%** of our tenants' details agreed to those held by the agency. On average Councils expect to find an initial anomaly with 5 -10% of their households in these types of exercises, so this result gives us strong assurance that generally the individuals living in our social housing properties are who we think they are.



7. We have also now almost completed our review of the 60 cases where anomalies were found. The conclusions so far are summarised in the table below which shows that no fraud issues has been found with another 2% of tenancies.

Conclusion	Number of Cases
No Fraud Found	
Case Closed – No fraud found	35
Data or Tenancy update was needed but no fraud found	8
Property Needs to be recovered	
Known and was in the process of being recovered	1
Not known and is now in the process of being recovered	1
Inconclusive	
Cases still under investigation	15
	60

8. There are 2 cases to date where we are in the process of recovering the property, due to the tenant no longer being there and the resident, although being related to the tenant, having no right to succeed to the tenancy. One of these was already known to us but the other was found as a result of this exercise.
9. The conclusions from the remaining 15 cases will be included in the next progress report. 5 of these include a review of Benefits and/or Single Residents Discount entitlement as part of the investigation.
10. **PoS HFA:** The final part of the Prevention of Social Housing Fraud Act commenced in April 2014 which provides additional powers to investigators to request information from institutions such as banks and utility companies to further an investigation into housing fraud.
11. As part of the requirements of the Act we need to publish when these powers are used by the Council. This will therefore now be included in the 6 monthly investigation report to the committee.

Council Tax Fraud

12. In the previous progress report we highlighted the pilot exercise that was being carried out in relation to Single Occupancy Discount: this discount gives the householder a 25% reduction in their Council Tax liability. The pilot exercise was looking at using civil

powers to issue a penalty where a change in circumstances which affects the award of the discount, is either not reported promptly or not reported at all to the Local Authority.

13. This pilot exercise has now been completed. Forms were sent out to all 13,536 households in receipt of the discount. Where we were notified of a change, or the form was not returned, the details were verified against credit reference agency data to establish an accurate date that a second adult was present. As a result the discount has now been removed from **192** of these accounts and the householders have been rebilled for the extra Council Tax payable totalling **£66,940**.
14. **162** of these cases fell into the classification of 'fraud concluded' and 102 of these were also issued with the £70 civil penalty, generating a further income of £7,140 to the billing authority (FBC). Another 28 households were issued with warning letters.
15. The pilot has been deemed a success, with only 4 customers disagreeing with the credit reference agency data and having their penalty revoked. All other accounts have been updated with the penalty and are being repaid through the normal recovery processes.
16. This has now prompted the consideration of issuing a penalty against any type of discount or exemption where a change of circumstance is notified late to the Authority and will be used again for any type of bulk discount review undertaken.

Housing Benefit Fraud

17. In the previous progress report we reported that the Council is taking part in a free additional data match run by the National Fraud Initiative Flexible Matching Service. This seeks to identify housing benefit fraud committed by students by matching our benefits claims to the Student Loans Company data.
18. We received 19 matches as a result of this exercise. No issue was found with 16 of these but 3 have warranted further investigation. 1 of these investigations has now been completed and an overpayment of £1,258 raised. An administrative penalty was also given to the claimant.
19. As part of the service our data was also matched to the Metropolitan Police Amberhill fraudulent identities database and the current Home Office Immigration databases. No cases of fraudulent identity or inappropriate immigration status were received, which is good assurance for the Council.

Corporate Arrangements

20. **Reporting Incentives:** At its meeting in November 2013, the Committee asked officers to look into the advantages and disadvantages of offering rewards to encourage people to report suspicions of fraud.
21. Fareham Borough Council had last tried a scheme in 2010 offering rewards of £200 for information about illegal sub-letting where it led to a successful prosecution. Only 1 referral was received under this scheme and no fraud was concluded for this case.

22. A short questionnaire was therefore drawn up and publicised across professional forums during January to March 2014. In total 20 responses were received from 15 Councils and 5 Housing Associations. Only 4 of these (1 Council and 3 Housing Associations) reported to have used an incentive scheme, and only the Housing Associations are still continuing with theirs. None of the 11 other Hampshire Councils who responded purported to have tried such a scheme.
23. The four organisations that had used a scheme had all used it to generate referrals in relation to housing fraud only. The rewards ranged between £200 and £500 per reward for information from the public that led either to the successful prosecution or the repossession of a property. One housing association was also developing similar rewards schemes for employees.
24. No organisations were able to quantify how many referrals the rewards had generated and only 2 could provide figures on the number of rewards they had paid out for a full year. The highest of these was one London based Housing Association who had paid out 12 rewards of £250 last year on the basis that 12 properties had been recovered.
25. The questionnaire led to some debate on the forums on the nature of the reservations organisations had with using reward schemes. This is summarised in Appendix A. The conclusion drawn is that although the costs of the scheme are generally quite low, there is no clear evidence that it leads to a significant increase in referrals as most people making referrals tend to remain anonymous.
26. **PACE Training:** Refresher training sessions have been delivered for teams that are required to carry out interviews in accordance with the Police and Criminal Evidence Act 1984. This included briefings on using the new digital recording equipment.
27. **Intelligence Products:** A review has been completed of the intelligence products used for investigations and debt recovery work at the council. As a result, the use of these products has been strengthened across the Council and a small annual saving on the costs of the products will be made.

RISK ASSESSMENT

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

CONCLUSION

29. Work continues to be carried out in accordance with the Council's Counter Fraud Policy.

Background Papers: None

Reference Papers: None

Enquiries:

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

Issues Debated on the Use of Reporting Incentives

Issue		Comments
Cost	The rewards and cost of administering the scheme have to be funded from a Council budget if no government funding is available.	Experience of organisations were that not many people making referrals want to claim a reward, preferring to remain anonymous, therefore the cost of the rewards and administering them can remain small. Also rewards are only paid out on successful re-possession or prosecution.
Deters reports being made	Most people making reports tend to want to remain anonymous, and some may be put off by a monetary reward as they would lose the sense of “doing the right thing for no personal gain”.	The scheme can be set up to allow the reporter to still remain anonymous if they choose to.
Poor referrals	Offering a reward could encourage malicious or repeat referrals that have to be processed.	Experience of organisations was that most referrers wish to remain anonymous and therefore are not ‘in it’ just to get the reward, so a scheme should not create lots of malicious hoax referrals.
Fairness	If more than one person makes the same referral you need to be careful as to who gets the reward.	Administering the scheme would need to make sure that the date of the receipt of the referral is recorded. Flexibility can be built in to allow more than one reward to be paid out.
Loss of confidentiality for the suspect	At the moment referrers are not given any confirmation that a person is a tenant or claimant, and they do not receive any feedback on the outcome of an investigation. However, by paying out the reward it confirms to the reporter that we found a problem with what the suspect was doing.	Most organisations publicise successful prosecutions or the findings of fraud to act as a deterrent to would-be fraudsters and to encourage members of the public to give information if they suspect fraud is occurring. Therefore feedback to the referrer after successful prosecution should not breach confidentiality in most cases. Payment of the reward on just the repossession of the property might be more delicate.
Effect on court case	The use of an incentive reward may have an influence on the court decision on a case, and if the person making the referral has to appear as a witness it may be sensitive if they had received a payment.	No cases reported where a reward scheme affected the outcome in court.

FAREHAM

BOROUGH COUNCIL

Report to Audit and Governance Committee

Date **23 June 2014**

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

Subject: **REVIEW OF COMMITTEE WORK PROGRAMME**

SUMMARY

This report reviews the current Work Programme for the Committee.

RECOMMENDATION

That the Work Programme for the rest of the year, as shown in [Appendix A](#), is approved.

INTRODUCTION

1. This report brings the latest work programme for review by the Committee.

WORK PROGRAMME 2014/15

2. The work programme for the year has been updated, as shown in [Appendix A](#). This shows the reports expected in relation to each of the functions of the Committee along with an update on the delivery of the programme to date.
3. One change had been made to the programme which is the postponement of the Audit Strategy report until the September 2014 meeting.

RISK ASSESSMENT

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

CONCLUSION

5. The work programme in place is appropriate to meet the responsibilities of the Committee

Background Papers: None

Reference Papers: Minutes of and reports to Audit and Governance Committee for the Municipal Year 2014/15

Enquiries:

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

AUDIT AND GOVERNANCE COMMITTEE CURRENT WORK PROGRAMME 2014/15 as at June 2014

Committee Function and Report Subject		Frequency	Last Reviewed	June 2014	September 2014	November 2014	March 2015
COMMITTEE WORKING ARRANGEMENTS							
Review of Work Programme and training plan		Quarterly	2013-14	Completed	YES	YES	YES and Annual Report
Review of the Functions of the Committee		3 yearly	2013-14				
Review of the Constitution		As needed	2013-14				
ETHICAL FRAMEWORK AND STANDARDS (NEW)							
Standards of Conduct	Review of Code of Conduct for Members	As needed	2013-14				
	Review of member / officer protocol	As needed	2008-09				
	Overview of Complaints against the Council	Annual	2013-14		YES		
Member Training and Development	Review of Members Training and Development and Determination of Programme	Annual	2012-13	Completed			
GOVERNANCE FRAMEWORK							
Framework	Local Code of Corporate Governance	As needed	2012-13				
	Annual Governance Statement	Annual	2013-14		YES		
Key Policy	Review of Financial Regulations	3 yearly	2013-14	Completed	YES		
	Review of Contract Procedure Rules	3 yearly	2013-14		YES		
	Implementation of Treasury Management Policy and Strategy	Annual	2013-14			YES	
Risk Management	Policy and Strategy	As needed	2012-13				
	Risk Management Progress Reports	6 monthly	2013-14		YES		YES
	Business Continuity	3 yearly	2011-12			YES	
	Specific Risk Management topics	As needed	None				
Counter Fraud	Benefits Anti-Fraud and Corruption Policy	As needed	2013-14				
	Counter Fraud Policy and Strategy	3 yearly	2013-14				
	Anti-Bribery Policy	As needed	2011-12				
	Sanctions and Redress Policy	3 yearly	2008-09		YES		
	Counter Fraud Strategy Progress	6 monthly	2013-14	Completed		YES	
	Counter Fraud Investigation Progress	6 monthly	2013-14	Completed		YES	

Committee Function and Report Subject	Frequency	Last Reviewed	June 2014	September 2014	November 2014	March 2015
INTERNAL AUDIT ASSURANCE						
Internal Audit Strategy	3 yearly	2006-07	Postponed to September	Postponed from June		
Contractor Internal Audit Annual Plan	Annual	2013-14				YES
Contractor Quarterly Audit Reports	Quarterly	2013-14	Completed	YES	YES	YES
Head of Audit's Annual Opinion	Annual	2013-14	Completed			
EXTERNAL ASSURANCE						
External Audit Annual Plan and Fee	Annual	2013-14				YES
External Audit Annual Inspection Letter	Annual	2013-14			YES	
Annual Certification Report	Annual	2013-14				YES
Specific reports from external audit and inspection agencies	As needed	2011-12 (RIPA)				
STATEMENT OF ACCOUNTS						
Statement of Accounts	Annual	2013-14		YES		
External Audit Annual Governance Report	Annual	2013-14		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				

FAREHAM

BOROUGH COUNCIL

Report to Audit and Governance Committee

Date **23 June 2014**

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

Subject: **REVIEW OF FINANCIAL REGULATIONS**

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 required to adhere to.

Two more parts have now been reviewed and are submitted for comment. These cover the Introductory Status of the Regulations and Regulation 3 – Responsibilities of Other Officers.

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. There were originally twenty-one 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. Eighteen regulations have been completed to date.
3. The review has been completed for one more regulation and the introductory status wording, which are now being brought to members for comment.

STATUS OF THE REGULATIONS

4. The first section of the current regulations consists of an overarching statement about the status of the regulations. This forms part of the rules. It has now been updated as part of the review as attached as [Appendix B](#). The previous wording in this statement is given in [Appendix A](#).

FINANCIAL REGULATION 3 – RESPONSIBILITIES OF OTHER OFFICERS

5. [Appendix C](#) and [Appendix D](#) give the current regulation and the proposed new regulation with the changes highlighted. Proposed changes to the regulation include:
 - Change the name of the regulation to 'Responsibilities of Employees and Agents of the Council'.
 - Change the tiers of employee to now be Directors and Chief Executive Officer, Heads of Service or all Employees and agents and recognise the significance of the responsibilities of the Heads of Service for financial administration.
 - Removal all duplication of specific rules found in other regulations.
 - Removal any duplication with the Anti-Fraud and Corruption Policy.
6. As the details on revenue expenditure responsibilities have now been removed from Regulation 3 to remove duplication with Regulation 8, one of the rules in Regulation 18 (Payments to Employees and Members) will also need updating as highlighted below:

18.1.4 Budgetary Control: *Responsible Officers must ensure proper financial control of their employee budgets in accordance with their revenue expenditure responsibilities in Regulation 3-2 8.*

RISK ASSESSMENT

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

CONCLUSION

8. 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: Status of the Financial Regulations – Current Version ([separate attachment](#))

Appendix B: Status of the Financial Regulations – Proposed version ([separate attachment](#))

Appendix C: Financial Regulation 3 – Responsibilities of Other Officers - Current version ([separate attachment](#))

Appendix D: Financial Regulation 3 – Responsibilities of Employees – Proposed version ([separate attachment](#))

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)

THE STATUS OF FINANCIAL REGULATIONS (Current)

These Financial Regulations form part of Fareham Borough Council's Constitution and are a statutory requirement under the Local Government Act 2000. They replace all previous Financial Regulations for the authority.

Their purpose is to provide the framework for managing the authority's financial affairs. These affairs include the functions carried out under Part III of the Local Government Planning and Land Act 1980, and the Local Government Act 1988 (DSOs).

They have been **approved by Full Council** and **must be followed** by all members, employees and anyone acting on the council's behalf (i.e. contractors or agents employed to provide council functions using council assets).

Where work is carried out in partnership then the regulations of the 'principal' authority shall be followed.

The general principle behind these regulations is:

"All financial dealings must be of the highest standard of propriety conducive with being custodians of public monies."

The Statutory Chief Finance Officer (SCFO) referred to in these regulations is the Director of Finance.

The Statutory Chief Finance Officer will maintain a continuous review of these regulations and submit any changes to Full Council for approval.

The Statutory Chief Finance Officer may set aside these regulations if considered necessary. Any decision to suspend Financial Regulations will be reported to the Executive and, where the SCFO deems appropriate, to the Scrutiny Board.

The Statutory Chief Finance Officer is responsible for issuing advice and guidance to underpin the Financial Regulations to members, employees and others acting on the authority's behalf.

Directors and Chief Officers are responsible for ensuring that all their employees are aware of the existence and content of these Financial Regulations and any other internal procedural documents.

THE STATUS OF FINANCIAL REGULATIONS (Proposed)

These Financial Regulations form part of Fareham Borough Council's Constitution and are a statutory requirement under the Local Government Act 2000.

Their purpose is to provide the framework for managing the authority's financial affairs. They are supported by a set of supplementary procedure and guidance notes to assist in the interpretation of the rules contained in the Regulations.

The posts currently fulfilling the responsibilities stipulated in the Regulations are laid out in a supporting table. The Statutory Chief Finance Officer has delegated authority to keep this table up to date.

The general principle behind these Regulations is:

"All financial dealings must be of the highest standard conducive with being custodians of public resources and assets."

These Financial Regulations **must be followed** by all members, employees and anyone acting on the council's behalf. Where work is carried out in partnership then the regulations of the 'principal' authority should be followed.

The Statutory Chief Finance Officer will maintain a continuous review of these regulations and submit any changes to the Audit and Governance Committee for review and Full Council for approval.

The Statutory Chief Finance Officer is responsible for issuing advice and guidance to underpin the Financial Regulations to members, employees and others acting on the authority's behalf.

The Statutory Chief Finance Officer may agree to waive the provisions of these Regulations if considered in the Council's best interests. Any material decision to waive the provisions of the Financial Regulations will be reported to a **future meeting of the Executive**.

REGULATION 3: RESPONSIBILITIES OF OTHER OFFICERS, EMPLOYEES AND AGENTS OF THE COUNCIL

Quick Link

- 3.1 Directors and Chief Officers
- 3.2 Managers
- 3.3 All Employees and Agents

This regulation has been designed to specify the key financial and propriety responsibilities of the 3 officer 'roles' in the Council. One individual may fulfil two or more of these roles, and therefore should comply with the regulation in each of the sections that apply.

3.1 DIRECTORS AND CHIEF OFFICERS (DCOs)

A Director or Chief Officer means the Chief Executive Officer plus any officer accountable to the Chief Executive Officer for the management of his/her department or service. These officers make up the Chief Executive's Management Team (CXMT).

Directors and Chief Officers must ensure that:

General Responsibilities

- 3.1.1 **Integrity:** As custodians of public money, the Council performs and accounts for its financial activities in an honest and trustworthy manner in accordance with best accounting practices. (See [FRSD 18 – Propriety and Probity](#)).
- 3.1.2 **Employee Interests:** Consideration is given to any declarations of interest notified to them from employees, in order to ensure impartiality. (See [FRSD 19 – Registers of Interests](#)).
- 3.1.3 **Irregularity:** Sufficient consideration is given to preventing and detecting fraud and irregularity in accordance with the Anti-Fraud and Corruption Policy.
- 3.1.4 **Best Value:** Service provisions secure best value and are in accordance with the fulfilment of the Council's Community Strategy.
- 3.1.5 **Corporate Standards:** Corporate standards, policies and ground rules are established that will provide a framework for governing the provision of all services. All activities under the control of the Director or Chief Officer must be carried out in accordance with this framework.
- 3.1.6 **Financial Regulations:** They, and all employees in their services, adhere to these Financial Regulations.
- 3.1.7 **Separation of Duties:** Employees within their services are designated to carry out required financial tasks. Duties allocated within services must maintain the principles of separation of duties in that no individual is solely responsible for an entire process, and one person's work should be capable of being checked by another. See also [Regulation 7.1.5](#).

- 3.1.8 **Financial Statements:** Information required to enable the completion of the Annual Statement of Accounts and other financial documents is accurate and complete and provided by the deadlines set by the Statutory Chief Finance Officer.
- 3.1.9 **Tax Records:** Any advice or instruction issued by the Statutory Chief Finance Officer in relation to accounting for VAT or income tax is adhered to.
- 3.1.10 **Financial Agreements:** Directors and Chief Officers are NOT empowered to enter into any financial agreements giving custody of financial assets elsewhere.
- 3.1.11 **Accuracy of Information:** All financial information presented to members must be approved by the Statutory Chief Finance Officer, to ensure that it is relevant, accurate and complete.

Service Plans, Strategies and Budgets

- 3.1.12 **Planning:** Directors and Chief Officers must ensure that service plans, strategies and budgets are produced by all services within their area of control in accordance with [Regulation 5](#) and [Regulation 6](#).
- 3.1.13 **New Proposals:** Any proposal to incur expenditure on new policies or significant changes in a service plan must be the subject of a report to the Executive.

Revenue Expenditure

- 3.1.14 **When Permitted:** Directors and Chief Officers may incur revenue expenditure on decisions approved by the Executive, which are within the policy and budget framework already approved by the Council and within their personal authorisation limits.
- 3.1.15 **Budgetary Control:** Directors and Chief Officers shall ensure proper financial control of the parts of the budget for which they are responsible and keep under review current spending and income compared to each budget estimate in accordance with [Regulation 8.3](#). Virement transfers may be carried out as appropriate, in accordance with [Regulation 8.4](#).
- 3.1.16 **Supplementary Estimates:** Directors and Chief Officers will endeavour to contain expenditure within the approved budget, using virement where necessary. If they are unable to do so, or unforeseen changes in planned expenditure arise during the year, which cannot be contained within the budget, they should seek the advice of the Statutory Chief Finance Officer before reporting the position to the Executive in accordance with [Regulation 8.5](#).

- 3.1.17 **Significant Financial Impact:** Directors and Chief Officers must inform the Statutory Chief Finance Officer, as soon as practicable, of any matter within their area of responsibility which is likely to have significant financial consequences for which no provision has been made.
- 3.1.18 **Delegation of Authority:** Directors and Chief Officers may delegate their authority to incur expenditure in accordance with [Regulation 4](#). Such authorisation does not reduce the overall accountability of the Director or Chief Officers.
- 3.1.19 **Outturn:** At the end of the financial year, Directors and Chief Officers will report to the Executive on the outturn of expenditure and income and performance of their service compared with the approved service plan budget.

Capital Expenditure

- 3.1.20 **When Permitted:** Expenditure may be incurred when a capital scheme has been included in the Council's approved Capital Programme. See [Regulation 9.1](#).
- 3.1.21 **Authority to Incur:** The approved Capital Programme will give authority to incur expenditure on the acquisition of land, property and other preparatory or advance work necessary to enable a scheme to be carried out within the approved timescale subject to provision for any revenue costs in the revenue budget.

3.2 MANAGERS

A manager, in this context, is an officer fully responsible to a Director or Chief Officer for the management and provision of an identifiable service in accordance with business plans and strategies.

Managers must ensure that:

General Responsibilities

- 3.2.1 **Compliance:** The preparation and monitoring of service strategies, service and business plans meets member's objectives and complies with corporate standards, ground rules, legislation and the principles of best value.
- 3.2.2 **Data Quality:** Appropriate data quality procedures are used to ensure that the information used to make decisions or publicise performance can be relied upon, in accordance with the Council's [Data Quality Policy](#).

- 3.2.3 **Accuracy of Financial Information:** All financial information presented to members has been approved by the Statutory Chief Finance Officer to ensure that it is relevant, accurate and complete.

Service and Business Plans, Strategies and Budgets

- 3.2.4 **Planning:** Managers must prepare service plans, strategies and budgets for members, which comply with the overall resources allocated by the Council and in accordance with [Regulation 5](#) and [Regulation 6](#). Support Service Managers shall report their plans to the Chief Executive's Management Team.
- 3.2.5 **Resource Levels:** Managers will also ensure that the resources required to implement their strategies and plans are reasonable in relation to the level of services which the business is required to provide and that the levels of income assumed in the plan are likely to be achievable.
- 3.2.6 **Performance:** Managers will monitor the performance of each of their services in relation to their plans and shall make adjustments to their plans as necessary resulting from changes in priorities, costs or revenue to:
- Secure the most effective deployment of resources.
 - Otherwise meet the objectives of the plans.
- 3.2.7 **New Proposals:** Any proposal to incur additional expenditure on new policies or significant changes in a plan must be the subject of a report to the appropriate Committee. The resource implications of proposals must be fully considered and cleared with the Finance Group in accordance with [FRSD 31 - Protocol for Clearing Executive and Other Committee Reports with Resource Implications](#).

Revenue Expenditure

- 3.2.8 **When Permitted:** Managers may incur revenue expenditure in accordance with approved strategies and plans within their personal authorisation limits.
- 3.2.9 **Budgetary Control:** Managers shall ensure proper financial control of the parts of the budget for which they are responsible and keep under review current spending and income compared to each budget estimate in accordance with [Regulation 8.3](#). Virement transfers may be carried out as appropriate, in accordance with [Regulation 8.4](#).
- 3.2.10 **Supplementary Estimates:** Managers will endeavour to contain expenditure within the approved budget, using virement where necessary. If they are unable to do so, or unforeseen changes in planned expenditure arise during the year, which cannot be contained

within the budget, they will report the position to the Executive in accordance with [Regulation 8.5](#).

- 3.2.11 **Significant Matters:** Managers must inform the Statutory Chief Finance Officer, as soon as practicable, of any matter within their area of responsibility which is likely to have significant financial consequences for which no provision has been made.
- 3.2.12 **Delegation of Authority:** Managers may delegate their authority to incur expenditure in accordance with [Regulation 4](#). Such authorisation does not reduce the overall accountability of the Manager.

Capital Expenditure

- 3.2.13 **Capital Projects:** All proposals for capital expenditure must be submitted for inclusion in the capital programme in accordance with [Regulation 9](#).
- 3.2.14 **Nature of Capital Projects:** Managers will ensure that items of capital expenditure conforms to the strategic direction of the Council, is justified and achievable within the capital programme period and that consequential revenue costs can be contained within the revenue resources available to the Executive.
- 3.2.15 **Authority to Incur Expenditure:** The approved Capital Programme will give authority to incur expenditure on the acquisition of land, property and other preparatory or advance work necessary, to enable a scheme to be carried out within the approved timescale subject to provision for any revenue costs in the revenue budget.

3.3 ALL EMPLOYEES AND AGENTS

An employee is any permanent, casual or temporary member of staff employed by Fareham Borough Council. An agent is any external contractor, consultant or agent working on the Council's behalf.

- 3.3.1 **General Duties:** All employees have a general duty of care to the Council and all dealings with public money must be of the highest standard in accordance with [FRSD 18 – Propriety and Probity](#).
- 3.3.2 All employees are responsible for taking reasonable actions to:
- Provide for the security of assets under their control (including ICT systems);
 - Ensure use of resources is legal and properly authorised;
 - Ensure use of resources achieves best value;

- Ensure that at no time any assets, income or other resources under their control are put at risk of loss or waste;
- All contractors and agents are instructed on the requirements of financial regulations and are contractually obliged to abide by them.

3.3.3 **Code of Conduct:** All employees must comply with the Council's agreed code of conduct.

3.3.4 **Employee Interests:** All employees must notify their Director or Chief Officer of any direct or indirect interest they may have in, or knowledge they may have of, any organisation or contractor with which they are dealing on behalf of the Council. They must also ensure that this is recorded in the Council's Register of Interests in accordance with the [Financial Regulation Support Document 19](#).

3.3.5 **Systems of Control:** All employees must operate systems of financial control in accordance with these regulations and as instructed by their manager(s), paying particular regard to [Regulation 10.2 \(internal Control\)](#).

3.3.6 **Financial Records:** All employees must ensure that all financial records maintained meet the requirements of the Statutory Chief Finance Officer, or her representatives, and comply with proper standards of financial control.

3.3.7 **Irregularity:** An individual must immediately notify their Manager whenever a matter arises which may involve a financial irregularity.

3.3.8 **Security of Information:** All employees must keep all confidential Council data and information secure in accordance with [Regulation 14 \(other Council assets\)](#).

3.3.9 **Delegated Authority:** Any transaction authorised by an employee or agent must be within their delegated level of authority in accordance with [Regulation 4 \(Authorisation Limits\)](#).

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

[Regulation 4 \(Authorisation Limits\)](#).

[Regulation 5: Corporate Planning](#)

[Regulation 6: Financial Strategies](#)

[Regulation 7: Financial Reporting](#)

[Regulation 8: Revenue Budgets](#)

[Regulation 9: Capital Budgets](#)

[Regulation 10.2: Risk Management \(Internal Control\)](#)

[Regulation 14.3: Other Council Assets \(Intellectual Property\)](#)

[FRSD 3: Expenditure Authorisation Limits](#)

[FRSD 17: Gifts and Hospitality](#)

[FRSD 18: Propriety and Probity](#)

[FRSD 19: Registers of Interests](#)

[FRSD 31 - Protocol for Clearing Executive and Other Committee Reports with Resource Implications.](#)

[Disciplinary Code of Practice \(Officer Code of Conduct\)](#)

[Anti-Fraud and Corruption Policy](#)

[ICT Security Regulations \(Handbook\)](#)

[Code of Practice for Confidential Reporting](#)

[Data Quality Policy](#)

[Constitution Part 1 \(Chapter 10\) The Councils Officers](#)

[Constitution Part 4.5: Scheme of Delegation to Officers](#)

REGULATION 3: RESPONSIBILITIES OF EMPLOYEES AND AGENTS OF THE COUNCIL (PROPOSED)

[Quick Link](#)

[3.1 Chief Executive Officer and Directors](#)

[3.2 Heads of Service](#)

[3.3 All Employees and Agents](#)

3.1 CHIEF EXECUTIVE OFFICER AND DIRECTORS

3.1.1 The Chief Executive Officer and Directors are responsible for the effective management of the financial resources allocated to their areas of responsibility.

3.2 HEADS OF SERVICE

3.2.1 Heads of Service are responsible for the effective management of the financial resources allocated to their services in compliance with these Financial Regulations and their budget allocations.

3.2.2 Heads of Service must make sure employees and agents within their service are instructed on the relevant requirements of Financial Regulations and have adequate guidance on financial procedures and working practices.

3.2.3 Heads of Service must ensure that they consult with the Statutory Chief Finance Officer, and members where required, on any matter liable to materially affect the Council's finances at the earliest opportunity.

3.2.4 The financial implications of any decisions must be fully identified and considered before the decision is made.

3.3 ALL EMPLOYEES AND AGENTS

An employee is any paid or unpaid permanent, casual or temporary member of staff employed by Fareham Borough Council. An agent is any external contractor, consultant or agent working on the Council's behalf.

3.3.1 **Duty of Care:** All employees and agents have a general duty of care when dealing with public money and assets.

3.3.2 All employees and agents are responsible for taking reasonable actions to:

- ensure use of resources is legal and properly authorised;
- ensure use of resources achieves best value;
- ensure that at Council assets, income or other resources are not put at any undue risk.

3.3.3 **Understand the Rules:** All employees and agents must be familiar with these Financial Regulations where they relate to their work. If an employee or agent is unclear about these rules, they must get advice before acting, by talking to their line manager or accountant.

3.3.4 **Financial Records:** All employees and agents must ensure that all financial records maintained meet the requirements of the Statutory Chief Finance Officer and comply with proper standards of financial control.

3.3.5 **Irregularity:** Where there is a suspicion of Financial Irregularity, it is the duty of all individuals to report the matter in accordance with Financial Regulation 10.4.

FAREHAM

BOROUGH COUNCIL

Report to Audit and Governance Committee

Date **23 June 2014**

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

Subject: **REVIEW OF MEMBERS TRAINING AND DEVELOPMENT AND
DETERMINATION OF PROGRAMME**

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 reviews the delivery of training events in the previous year and proposes a framework for the programme of development for newly elected and existing members in 2014/15.

RECOMMENDATION

The Committee is recommended to

- a) note the report and to approve the framework for members' training and development in 2014/15 which is set out in Appendix A of this report; and
- b) to agree a training needs survey be circulated to all members in February 2015 and the results reported to this committee.

INTRODUCTION

1. 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 reviews the arrangements made for delivery of training events in the previous year and invites the committee to note the draft programme for 2014/15.
2. In addition, new member induction training has been revised as approved by this committee at its meeting held on 11 March 2013 (au-130311-r11-ewi.doc) and is presented in module format at Appendix A.

THE STRATEGY

3. 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.
4. 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 through 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.
5. 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 reflect more precisely the needs of Fareham's councillors would be established. Members are invited to complete a schedule of training needs in alternate years to local council elections to enable them to identify skills and knowledge which need to be developed. The development needs identified feed into a 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. In the intervening years, a new member development programme will be reviewed which existing members will be able to attend to refresh their knowledge.
6. 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.

REVIEW OF 2013/14 ARRANGEMENTS

7. The programme of training and development for 2013/14 was approved by the Committee at its meeting in March 2013. Progress in delivering the programme is examined below, as is the take-up and evaluation of events.
8. Delivery of training events against the approved programme has progressed fairly well with events delivered (or offered) in most areas. Where no suitable course has been offered for some of the lower demand events, these will be rolled forward to 2014/15.

9. Most training events have a target audience, for example members of a certain committee, but they are frequently made available to all other members of the Council. The Head of Democratic Services monitors take-up of the training events to ensure that they are reaching the target audience. Take-up in training for the quasi-judicial functions of determining planning and licensing applications is especially monitored, in light of cross party support for ensuring that those members undertaking such functions do participate in essential training.
10. The Committee is advised that take up of the traditional workshop events has generally been satisfactory. During the municipal year 2013/14, there have been 197 member attendances at 16 events. In addition, a number of training sessions have taken place during meetings for the particular members involved. There were no externally funded programmes offered to members this year. This gives an average of 12 members at each session.

THE 2014/15 DEVELOPMENT PROGRAMME

11. Following the election in May 2014, 1 new member has been elected and the new programme has been designed to provide good induction training and invite other members to attend as a refresher. Additional training will be provided throughout the year to address new legislation and complete the programme from the training needs survey carried out in 2013.
12. A comprehensive induction programme will be offered to new members following their election to office. New members will be supplied with a briefing pack on election night. 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. The draft training plan and modules are attached as Appendix A of this report. All sessions will also be open to serving members to attend as a refresher on service operations. Interest in IT skills development is always a high priority as well as different aspects of financial management.
13. The majority of knowledge-based training 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 a number of members. Where budget permits, lower priority items will also be delivered.
14. 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.

RISK MANAGEMENT

15. 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

16. The programme of members' training and development events for 2013-2015 is progressing well and the majority of the events requested by members will have been delivered by the end of the municipal year. Some new topics will be addressed where they fit with initiatives being undertaken by the Council. Take up by members of the training events offered by the Council in 2013/14 has generally been good and each event appears to have reached its target audience.

17. With regard to the programme for 2014/15, the framework will be shaped around new members and their needs and additional training sessions will complete any outstanding training required on the matrix of core knowledge previously provided by members elected in 2012. A new training assessment needs questionnaire will be circulated in February 2015 to assess training requirements for 2015/16.

Appendix A – [Framework for Members' Training and Development in 2014/15](#)

Background Papers:

Reference Papers:

Report to the Audit and Governance Committee on member training and development and revised new member induction package (ref au-130311-r11-ewi)

Enquiries:

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

CURRENT MEMBER DEVELOPMENT PROGRAMME 2014/15

Please note that these courses are subject to change. An invitation to attend training courses or briefings is sent by a meeting request to your calendar. For an up to date list of Member Development courses, please contact Democratic Services on 01329 824587.

Date	Venue	Subject	Objective	Trainer	Invitees	Political skills framework
27 May 2014, 4.00pm – 5.30pm	Collingwood Room, floor 8	New Member Induction (1)	To ensure newly elected members have the basic requirements to operate	Head of Democratic Services and Democratic Services Manager	New member(s)	Political understanding, basics of how FBC works
2 June 2014 4.30pm – 5.30pm	Council Chamber	IER – Electoral registration is changing	To equip members with the skills and expertise to advise electors	Democratic Services Manager	All members	Political understanding, engaging with electors
3 June 2014 3pm – 5pm	Vannes / Pulheim	Member development induction module (2)	Introduction to the scope of committee work, declaration of interests, the constitution, using Outlook and Mod Gov	Head of Democratic Services and Democratic Services Manager	New member(s) + other interested members	Political understanding and partnership working
5 June 2014 10am – 12 noon	Depot, Wallington	Streetscene	to inform members about the work undertaken by Streetscene and to provide members with the opportunity to learn about street cleansing, waste management, transport repairs and grounds maintenance operations; and to view some of the equipment and machinery in use.	Director of Environmental Services	All members	

Date	Venue	Subject	Objective	Trainer	Invitees	Political skills framework
17 June 2014 4.30pm – 5.30pm	Council Chamber	Health and Safety	AED's (Automated External Defibrillators) have been installed within the Civic Offices, Ferneham Hall and the Depot. This briefing session will outline their purpose, where they are sited and how to summon First Aid within the Civic Offices.	Head of Democratic Services & Facilities Manager	All members	
19 June 4.30pm – 5.30pm	Collingwood Room	Probity in Planning	To understand the role of members when discussing planning applications	Planning Solicitor	All members	Political understanding and safeguarding your position as a councillor when discussing planning applications
June		Developing New member(s)	Set up meetings with CX and directors		New member(s)	Political understanding and partnership working.
June		ICT set up Module induction (3)	Visit from ICT to set up equipment and explain website and identify training	ICT	New member(s)	
7 July 2104 4pm-5.30pm	Council Chamber	Code of Conduct induction training (4)	Refresher session on the Code of Conduct for Members	Solicitor to the Council & Monitoring Officer	All members	Regulating and monitoring. Political understanding
11 July 10am – 1pm	Southampton City Council	Member induction	Workshop to provide practical skills and advice to new members	South East Employers		
July ?		Licensing	To understand the role of members when discussing licensing applications		All members	Political understanding and safeguarding your position as a councillor when discussing licensing applications

Date	Venue	Subject	Objective	Trainer	Invitees	Political skills framework
August		Member induction training (5)	Training review 1:1 meetings with new members	Head of Democratic Services and Democratic Services Manager	New member(s)	
September		Chairing Skills	To equip members with the skills and expertise to effectively run committees.	South East Employers	All chairman and the mayor	Political understanding, regulating and monitoring. Communication skills
September		Media training	Using social media, media and personal web pages	Head of Communications	All members	Communication skills and local leadership
October		Finance and budgets	To inform members of the financial context of the budget process	Head of Finance	All members	Scrutiny and challenge. Regulating and monitoring.
October		Planning	Quarterly Update on Planning matters	Planning Solicitor	All members	Political understanding and safeguarding your position as a councillor when discussing planning applications
November		Safeguarding of children and adults at risk			All members	
December		Effective Casework	How to use your time effectively	South East Employers	All members	Political understanding
January 2015		Petition scheme, deputations and motions	Different methods of raising issues	Head of Democratic Services	All members	
January 2015		Planning	Quarterly Update on Planning matters	Planning Solicitor	All members	Political understanding and safeguarding your position as a councillor when discussing planning applications
February 2015		Member induction training (6)	Training review 1:1 meetings with new members	Head of Democratic Services	New members	

Date	Venue	Subject	Objective	Trainer	Invitees	Political skills framework
February 2015		Health and Safety	Liability and responsibility		All members	
March 2015		Equality and Inclusion	Relevant legislation regarding equality		All members	Local leadership and communications skills
March 2015		Members training needs survey issued			For completion by all members to form training programme for 2015/16	
March 2015		Walk the ward with CX	An opportunity to showcase your ward to the CX		New members	
April 2015		Planning	Quarterly Update on Planning matters	Planning Solicitor	All members	Political understanding and safeguarding your position as a councillor when discussing planning applications
June 2015						
June 2015						
July 2015						
September		Highways and parking	To outline our responsibilities v HCC		All members	
October		Finance and budgets	To inform members of the financial context of the budget process	Head of Finance	All members	Scrutiny and challenge. Regulating and monitoring.
November						
December						

Group training and 1:1 training sessions will be available throughout the year regarding the use of ICT and Microsoft packages used by the Council but technical assistance is available on request from ICT helpdesk.

A range of courses are available on the Skillgate website which will be launched to Councillors in the future.

- New Member Induction Module 1-
 - i. New member to return acceptance of office, bank details and car registration
 - ii. ICT for ID badge
 - iii. Establish how to be addressed for business cards
 - iv. How does the committee system work
 - v. When are meetings held
 - vi. Members Allowances
 - vii. What is your role
 - viii. Options for committee papers, paper / electronic
 - ix. ICT – home visit and equipment supplied
 - x. Group rooms
 - xi. Points of contact
 - xii. Use of Freephone number
 - xiii. Training schedule
- New Member Induction Module 2-
 - i. Scope of committee work
 - ii. Declaration of interests form to be completed
 - iii. The Constitution, Localism Act, Code of conduct
 - iv. Council's Aims and objectives
 - v. Using ICT, establishing training required
 - vi. Using Outlook for Council work
 - vii. Newsletter
 - viii. Mod Gov
- New Member induction – Meet the Management team

Democratic Services will set up meetings with CX and relevant directors to explain work undertaken and the forward plan

- New Member Induction Module 3 - ICT
 - i. Visit from ICT to home address to explain usage policy and areas
 - ii. Finding your way around the website and filing structure
 - iii. Establish ICT training needs
- New Member Induction Module 4 - Meet the Monitoring Officer
 - i. Roles and responsibility
 - ii. Code of conduct
 - iii. Localism Act
 - iv. Interests
- New Member Induction Module 5 – 1:1
 - i. Any questions?
 - ii. Further training required?

