

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

Date: Monday, 22 September 2014

Venue: Collingwood Room - Civic Offices

PRESENT:

Councillor T G Knight (Chairman)

Councillor L Keeble (Vice-Chairman)

Councillors: P J Davies, Miss T G Harper, D L Steadman, P W Whittle, JP
and N R Gregory

**Also
Present:**



1. APOLOGIES

There were no apologies of absence.

2. MINUTES

The Chairman addressed the Committee on this item and requested an update from the Head of Democratic Services on item 12 of the previous minutes – Review of Members Training & Development and Determination of Programme. The Head of Democratic Services confirmed that discussions have been held with the ICT department regarding how members will be able to access the training directory. Once in place, training will be provided to all members on how to access and use the directory.

RESOLVED that the minutes of the meeting of the Audit and Governance Committee held on 23 June 2014 be confirmed and signed as a correct record.

3. CHAIRMAN'S ANNOUNCEMENTS

The Chairman welcomed to the meeting Kate Handy and Martin Young from Ernst & Young (External Auditors).

The Chairman advised that in accordance with the recent set legislation, members of the public and press are able to audio and video record all meetings held in public by Fareham Borough Council.

The Chairman confirmed that there had been no requests to film any part of the meeting, however, stated that should any members of the public or press wish to do so, they must respect the wishes of other members of the public present who do not wish to be filmed.

4. DECLARATIONS OF INTEREST AND DISCLOSURES OF ADVICE OR DIRECTIONS

There were no declarations of interest from members in accordance with Standing Orders and the Council's Code of Conduct.

5. DEPUTATIONS

There were no deputations made at this meeting.

MATTERS SUBMITTED FOR CONFIRMATION

6. UPDATE TO STANDING ORDERS FOLLOWING THE OPENNESS OF LOCAL GOVERNMENT BODIES REGULATIONS 2014

The Committee considered a report by the Monitoring Officer on an update to Standing Orders following the Openness of Local Government Bodies Regulations 2014.

Members discussed this item at length and agreed that wording for the Standing Order 59.3 should read 'The Mayor or Chairman of the meeting will have absolute discretion to terminate or suspend filming/recording of the meeting, if in their opinion, continuing to do so would prejudice or disrupt proceedings at the meeting'.

RESOLVED that the Committee:-

- a) recommends to Council, subject to the amendment of wording to Standing Order 59.3 above, that the updates to Part Four of the Constitution – Standing Orders with Respect to Meetings, as detailed in paragraph 8 of the report be approved; and
- b) recommends to Council that the draft protocol on the recording of public meetings, as set out in Appendix A to the report, be approved and that the Monitoring Officer be delegated authority to update the protocol to meet operational needs.

DECISIONS MADE UNDER DELEGATED POWERS

7. OVERVIEW OF COMPLAINTS AGAINST THE COUNCIL

The Committee considered a report by the Director of Finance and Resources on an overview of complaints against the Council.

Members debated this item at length and several of them expressed concern over the length of time it had taken for the breach of the member's code of conduct, as set out in paragraphs 18-21 of the report, to have been reported to the Committee. Members were advised that the report is an annual report to the Committee which is why it has been reported to the Committee at this meeting. Councillor Whittle asked that for future breaches of the code of conduct be reported to the earliest meeting of the Audit and Governance Committee.

Members also questioned why the Committee were not asked to form a Sub-Committee to deal with the breach of the Code of Conduct. The Solicitor to the Council addressed the Committee on this item and advised members that the breach had been dealt with in accordance with the Council's complaints procedure and Government legislation. He confirmed that he was satisfied with the outcome of the investigation and in the way in which it was handled by the Council.

RESOLVED that the Committee:

- a) notes the content of the report; and
- b) requests that any future breaches to the Members Code of Conduct be reported to the Audit and Governance Committee at the earliest opportunity.

8. STATEMENT OF ACCOUNTS

The Committee considered a report by the Director of Finance and Resources on the Statement of Accounts.

The Committee received a short presentation from the Finance Strategy and Development Manager, which gave a breakdown of the accounts in more simple terms to assist Members with their understanding of the report. Members were also circulated amended figures to Appendix A of the report, for page 69 Operating Leases. Members were informed that the most significant changes to the accounts were regarding the new Business rates Retention Scheme and the new Pensions Accounting Standard.

RESOLVED that the Statement of Accounts for 2013/14, attached as Appendix A, be approved and published by 30 September 2014.

9. ANNUAL GOVERNANCE STATEMENT

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

Councillor Whittle addressed the Committee on this item and commented on the fact that the Annual Governance Statement had already been pre-signed prior to the meeting and therefore not allowing for the Committee to comment on the documents. The Director of Finance and Resources addressed members to assure them any changes that they identified would be made prior to the final document being published with the Statement of Accounts.

Members requested that in future to promote openness and transparency to the public, no documents awaiting approval will be presented to the Committee pre-signed.

Councillor Keeble requested that a link to where the monthly budgetary control information is published be circulated to Members for future reference and included in the Financial Management section of the Statement this year.

RESOLVED that the Annual Governance Statement for 2013/14, subject to the proposed amendment above, as attached as Appendix C to the report, be approved.

10. EXTERNAL AUDIT ANNUAL RESULTS REPORT 2013/14

The Committee considered a report by the Director of Finance and Resources on the External Audit Annual Results Report 2013/14.

The report was presented by Kate Handy and Martin Young from Ernst and Young (External Auditors). A letter of representation was circulated to members, during this item.

Councillor Whittle enquired as to whether the uncommented misstatements had taken into account the revised figure circulated earlier for the Statement of Accounts. Kate Handy addressed the Committee to confirm that they were already aware of the correction to the Statement of Accounts.

Members were asked to note and agree the contents of the letter of representation which was circulated to them at the meeting.

RESOLVED that the Committee:-

- a) notes the contents of the Annual Governance report, as set out in Appendix A to the report; and
- b) notes and agrees to the letter of representation, circulated to them during the meeting, attached as appendix A to these minutes.

11. EXTERNAL AUDIT ANNUAL FEE LETTER 2014/15

The Committee considered a report by the Director of Finance and Resources on the External Audit Annual Fee Letter 2014/15.

The report was presented by Kate Handy of Ernst and Young (External Auditors) and took questions from members.

RESOLVED that the Committee approves the fees proposed for the External Audit coverage in 2014/15.

12. CORPORATE RISK REGISTER UPDATE

The Committee considered a report by the Director of Finance and Resources on an update of the Corporate Risk Register.

Councillor Keeble addressed the Committee to inform them that he had sought assurance from the CX management team that Risk Managers were not being overloaded with the amount of work that has been assigned to them.

RESOLVED that the content of version 4 of the Corporate Risk Register, attached as Appendix A to the report, be noted.

13. REVIEW OF COMMITTEE WORK PROGRAMME

The Committee considered a report by the Director of Finance and Resources on the Committee's current work programme.

Councillor Knight requested that a training session on the Annual Governance Statement be included onto the Committee's Work Programme.

Councillor Whittle expressed concern over the amount of reports that are scheduled for the November meeting. The Chairman addressed the Committee to inform them that this issue had been raised previously and it was felt that the all of the reports scheduled in the Work Programme are necessary and therefore the Work Programme should not be reduced. The Director of Finance and Resources informed members that he would look into the issue and try to find ways in which the workload could be reduced.

RESOLVED that, subject to the inclusion of the addition of a member training session on the Annual Governance Statement, the work programme for the rest of the year, as set out in Appendix A to the report, be approved.

14. QUARTERLY AUDIT REPORT

The Panel received a report by the Director of Finance and Resources on the Quarterly Audit report.

At the agreement of the Chairman this item was moved to the end of the agenda.

The report was presented by the Head of Audit and Assurance, who took questions from members.

Councillor Whittle asked as if the services which are currently being reviewed under the Council's Vanguard intervention are being audited as they are making significant changes to working practices. The Head of Audit and Assurance addressed the Committee to confirm that all services that are being reviewed under the Vanguard Intervention will be audited, at some point. In some cases the Audit Service are being rolled into the process as significant changes to control are discussed. The first service which is to be fully assessed is the Benefits department as they are near to completion of their review of the Service.

RESOLVED that Committee noted the progress of the Contractor Internal Audit Plan, attached as Appendix A to this report.

(The meeting started at 6.00 pm
and ended at 8.43 pm).

FAREHAM

BOROUGH COUNCIL

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

Director of Finance
and Resources
Andrew Wannell

Contact: Andrew Wannell

Ext.: 4620

Date: 22 September 2014

Letter of Representation: Audit of Financial Statements

This representation letter is provided in connection with your audit of the financial statements of Fareham Borough Council ("the Council") for the year ended 31 March 2014. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the financial statements give a true and fair view of the financial position of Fareham Borough Council as of 31 March 2014 and of its expenditure and income for the year then ended in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14.

We understand that the purpose of your audit of our financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing (UK and Ireland), which involves an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, and is not designed to identify - nor necessarily be expected to disclose - all fraud, shortages, errors and other irregularities, should any exist.

Accordingly, we make the following representations, which are true to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with the Accounts and Audit Regulations (England) 2011 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14.
2. We acknowledge, our responsibility for the fair presentation of the financial statements. We believe the financial statements referred to above give a true and fair view of the financial position, and of its expenditure and income of the Council in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting

in the United Kingdom 2013/14 and are free of material misstatements, including omissions. We have approved the financial statements.

3. The significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.
4. We believe that the Council has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 that are free from material misstatement, whether due to fraud or error.

B. Fraud

1. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud
2. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
3. We have disclosed to you all significant facts relating to any frauds, suspected frauds or allegations of fraud known to us that may have affected the Council (regardless of the source or form and including, without limitation, allegations by “whistle-blowers”), whether involving management or employees who have significant roles in internal control. Similarly, we have disclosed to you our knowledge of frauds or suspected frauds affecting the entity involving others where the fraud could have a material effect on the financial statements. We have also disclosed to you all information in relation to any allegations of fraud or suspected fraud communicated by employees, former employees, analysts, regulators or others, that could affect the financial statements.

C. Compliance with Laws and Regulations

1. We have disclosed to you all known actual or suspected noncompliance with laws and regulations whose effects should be considered when preparing the financial statements.

D. Information Provided and Completeness of Information and Transactions

1. We have provided you with:
 - Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters as agreed in terms of the audit engagement.
 - Additional information that you have requested from us for the purpose of the audit and
 - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
2. All material transactions have been recorded in the accounting records and are reflected in the financial statements.

3. We have made available to you all minutes of the meetings of the Council, and committees (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the year to the most recent meeting.
4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Council's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the year end. These transactions have been appropriately accounted for and disclosed in the financial statements.
5. We have disclosed to you, and the Council has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

E. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the financial statements.
2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.
3. We have recorded and/or disclosed, as appropriate, all liabilities related litigation and claims, both actual and contingent, and have disclosed all guarantees that we have given to third parties.
4. No other claims in connection with litigation have been or are expected to be received.

F. Subsequent Events

1. Other than described in Note 6 to the financial statements, there have been no events subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.

G. Accounting Estimates

1. We believe that the significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
2. Accounting estimates recognised or disclosed in the financial statements:
 - We believe the measurement processes, including related assumptions and models, we used in determining accounting estimates is appropriate and the application of these processes is consistent.
 - The disclosures relating to accounting estimates are complete and appropriate in accordance with the applicable financial reporting framework.

- The assumptions we used in making accounting estimates appropriately reflects our intent and ability to carry out specific courses of action on behalf of the entity, where relevant to the accounting estimates and disclosures.
- No subsequent event requires an adjustment to the accounting estimates and disclosures included in the financial statements.

H. Retirement benefits

1. On the basis of the process established by us and having made appropriate enquiries, we are satisfied that the actuarial assumptions underlying the scheme liabilities are consistent with our knowledge of the business. All significant retirement benefits and all settlements and curtailments have been identified and properly accounted for.

I. Comparative information – corresponding financial information

1. Prior year adjustments have been included in the financial statements to implement the revised IAS19 in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14.

The comparative amounts have been correctly restated to reflect the above matter(s) and appropriate note disclosure of this restatement has also been included in the current year's financial statements.

J. Use of the Work of an Expert

1. We agree with the findings of the experts engaged to evaluate the valuation of property, plant and equipment, the pension fund liability and the NDR appeals provision and have adequately considered the qualifications of the experts in determining the amounts and disclosures included in the financial statements and the underlying accounting records. We did not give or cause any instructions to be given to the experts with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the experts.

Director of Finance and Resources

I confirm that this letter has been discussed and agreed at the Audit and Governance Committee on 22 September 2014.

Chairman of the Audit and Governance Committee