

FAREHAM

BOROUGH COUNCIL

AGENDA

AUDIT AND GOVERNANCE COMMITTEE

Date: Monday, 29 June 2015

Time: 6:00 pm

Venue: Collingwood Room - Civic Offices

Members:

Councillor T G Knight (Chairman)

Councillor G Fazackarley (Vice-Chairman)

Councillors C J Wood

P J Davies

Miss T G Harper

D L Steadman

P W Whittle, JP

Deputies: L Keeble

D J Norris



1. Apologies

2. Minutes (Pages 1 - 10)

To confirm as a correct record the minutes of the Audit Committee meeting hold on 16 March 2015 and the Minutes of the Audit and Governance Standards Sub-Committee held on 26 March 2015.

3. Chairman's Announcements

4. Declarations of Interest and Disclosures of Advice or Directions

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

5. Deputations

To receive any deputations of which notice has been lodged.

6. External Auditors Annual Plan (Pages 11 - 32)

To consider a report by the Director of Finance and Resources on the external auditor's annual plan.

7. External Audit Annual Fee Letter (Pages 33 - 38)

To consider a report by the Director of Finance and Resources on the external audit annual plan.

8. Quarterly Audit Reports (Pages 39 - 52)

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

9. Counter Fraud Progress (Pages 53 - 60)

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

10. Review of Work Programme and Training Plan (Pages 61 - 64)

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

P GRIMWOOD
Chief Executive Officer
www.fareham.gov.uk
19 June 2015

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

FAREHAM

BOROUGH COUNCIL

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

Date: Monday, 16 March 2015

Venue: Collingwood Room - Civic Offices

PRESENT:

Councillor T G Knight (Chairman)

Councillor G Fazackarley (Vice-Chairman)

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

**Also
Present:**



1. APOLOGIES

An apology of absence was received from Councillor P W Whittle, JP.

2. MINUTES

RESOLVED that the minutes of the Audit and Governance Committee held on 9 February 2015 be confirmed and signed as a correct record.

3. CHAIRMAN'S ANNOUNCEMENTS

The Chairman welcomed to the meeting, Martin Young from Ernst & Young (External Auditors) and Pat Stothard and Suzanne Smith from Mazars (Internal Auditors).

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. TREASURY MANAGEMENT STRATEGY AND PRUDENTIAL INDICATORS 2015/16

The Committee considered a report by the Director of Finance and Resources on the Treasury Management Strategy and Prudential Indicators 2015/16.

Members asked questions regarding the Housing Revenue Account (HRA) and whether this debt could be affected in the future by changes in capital expenditure. The Finance Strategy and Development Manager explained that the HRA account is building up reserves and it is these reserves that will be used to help fund future housing development projects.

Members also enquired as to whether there is a contingency plan in place should the new Government in May withdraw the HRA self-financing debt buy out scheme. The Director of Finance and Resources explained that this is unlikely to happen as the debt buy out scheme was established in legislation, and cannot easily be withdrawn.

RESOLVED that the Committee recommends to Council the draft Treasury Management Strategy and Prudential Indicators for 2015/16, attached as Appendix A to the report, be approved.

7. ANNUAL AUDIT AND GOVERNANCE COMMITTEE REPORT AND WORK PROGRAMME

The Committee considered a report by the Director of Finance and Resources on the annual Audit and Governance Committee report and work programme.

RESOLVED that the Committee:-

- (a) requests that the Council note the content of the report; and
- (b) approve the work programme for 2015/16, as set out in Appendix A to the report.

DECISIONS MADE UNDER DELEGATED POWERS

8. VARIATION TO THE EXTERNAL AUDIT FINAL FEE 2013/14

The Committee considered a report by the Director of Finance and Resources on a variation to the External Audit Final Fee 2013/14.

The report was presented by Martin Young from Ernst & Young, External Auditors, and took questions from members.

RESOLVED that the Committee note the content of Appendix A to the report.

9. EXTERNAL AUDIT CERTIFICATION REPORT

The Committee considered a report by the Director of Finance and Resources on the external audit certification report.

The report was presented by Martin Young, from Ernst & Young External Auditors, who took questions from members.

Councillor Gregory enquired as to whether the introduction of Universal Credit will affect the audit process. The Director of Finance and Resources explained to the Committee that if the Department of Work and Pensions (DWP) are to administer Universal Credit then the audit process will fall under their responsibility. He also explained that it is unknown at present which benefits will be retained by the Council, as not all benefits will fall under Universal Credit.

The Committee expressed their appreciation for the hard work undertaken by the Benefits team.

RESOLVED that the Committee note the information contained in the Annual Certification Report 2013-14 submitted by the Council's external auditors.

10. BUSINESS CONTINUITY

The Committee considered a report by the Director of Environmental Services on the Council's business continuity plan.

The Head of Parking and Enforcement addressed the Committee and informed them that business continuity is taken very seriously, and reviews of all business continuity plans for all services will be conducted over the next year.

Councillor Gregory enquired as to whether there is flexibility within the plan as it could be that when an incident occurs more than one service could be affected. The Head of Parking and Enforcement confirmed that these things are taken into account when putting together a plan.

RESOLVED that the Committee notes the progress to date and the on-going work that is being undertaken in the development and implementation of the Council's business continuity arrangements.

11. INTERNAL AUDIT STRATEGY AND ANNUAL PLAN

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

The Head of Audit and Assurance presented the report to the Panel and outlined the proposed changes to the Internal Audit Strategy and Annual Plan which will allow more wider audit work to be undertaken by the in house team whilst still using bought in resources to deliver the individual opinion work in order to maintain independence.

RESOLVED that the Internal Audit Strategy and draft plan for 2015/16, as attached as Appendix A and Appendix B to the report, be approved.

12. QUARTERLY INTERNAL AUDIT REPORT

The Committee considered a report by the Director of Finance and Resources on the quarterly internal audit report.

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

13. CORPORATE RISK REGISTER UPDATE

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

The Head of Audit and Assurance drew members' attention to the 5 changes to the risk assessments as highlighted in paragraph 7 of the report.

RESOLVED that the Committee note the content of version 5 of the Corporate Risk Register attached as Appendix A to the report.

14. OFFICE OF SURVEILLANCE COMMISSIONERS INSPECTION REPORT 2014

The Committee considered a report by the Director of Finance and Resources on the outcomes of a recent inspection by the Office of Surveillance Commissioners.

The Committee noted the extremely complimentary report received from the inspector, and noted that this was the third complementary report received in 3 consecutive inspections. Councillor Knight passed on his praise to the Head of Audit and Assurance for all of the hard work and co-operation that was provided to the inspector.

Members also discussed the option for additional training on RIPA (Regulatory of Investigatory Powers Act 2000), but many felt that it would be better to postpone the training until a further report on RIPA is brought to the Committee as it would be easier for members to put this into context.

RESOLVED that the Committee:-

- (a) note the content of the report; and
- (b) agreed to defer training on RIPA until another report on it is brought to the Committee.

(The meeting started at 6.00 pm
and ended at 6.57 pm).

FAREHAM

BOROUGH COUNCIL

Minutes of the Audit and Governance Standards Sub- Committee

(to be confirmed at the next meeting)

Date: Thursday, 26 March 2015

Venue: Collingwood Room - Civic Offices

PRESENT:

M J Ford, JP (Chairman)

(Vice-Chairman)

Councillors: L Keeble and D J Norris

**Also
Present:**



1. CODE OF CONDUCT

The Chairman announced that unfortunately, the Designated Independent Person, Mr David Basson, was stuck in severe traffic and that with the local motorway closed, was not able to attend the meeting. He confirmed that Mr Basson would be available via telephone for consultation. Councillor C J Wood confirmed that he was happy with this arrangement and that the meeting should continue.

It was proposed by the Chairman that the public and representatives of the Press be excluded from the meeting on the grounds that the matters to be dealt with involve the likely disclosure of exempt information, as defined in Paragraph 1 of Part 1 of Schedule 12A of the Local Government Act 1972.

Having been duly seconded, it was RESOLVED that in accordance with the Local Government Act 1972 the Public and Press be excluded from the meeting, as the Sub Committee considers that it is not in the public interest to consider the matters in public on the grounds that they will involve the disclosure of exempt information, as defined in Paragraph 1 of Part 1 of Schedule 12A of the Local Government Act 1972.

Private Session

The Chairman confirmed that this special Standards Sub Committee had been convened to consider an allegation of a breach of the Members' Code of Conduct against Councillor Christopher Wood at a meeting of the Planning Committee held on Wednesday 25th February 2015.

The Chairman explained how the meeting would proceed, that it would be held in private session and that all information should be treated as confidential unless the Standards Sub Committee later resolves to remove the exemptions from publication.

At this point, the Chairman invited the Solicitor to the Council to address the Standards Sub Committee to clarify some legal points.

The Chairman invited the Monitoring Officer to present his report. The Monitoring Officer then answered clarification questions put to him about the allegation and the subsequent investigation by members of the Standards Sub Committee. Councillor C J Wood did not have any questions at this stage.

At the invitation of the Chairman, Councillor T M Cartwright was called upon to outline the complaint he had raised about Councillor Wood's alleged conduct at the Planning Committee meeting. Councillor Cartwright then answered clarification questions put to him about the complaint by members of the Standards Sub Committee. Councillor C J Wood and the Monitoring Officer did not have any questions at this stage.

At the invitation of the Chairman, Councillor C J Wood was called upon to respond to the complaint about his alleged conduct at the Planning Committee meeting. Councillor C J Wood then answered clarification questions put to him

about the alleged conduct by members of the Standards Sub Committee. The Monitoring Officer did not have any questions at this stage.

Councillor T M Cartwright was thanked for his attendance and in accordance with the Localism Act S, left the room and took no further part in the discussion.

The Chairman distributed copies of a written statement provided by the Designated Independent Person, Mr David Basson, which gave his views on the on the allegation. There were no clarification questions about the allegation by members of the Standards Sub Committee or by Councillor C J Wood.

The Monitoring Officer was invited to give his final summary of the investigation into the alleged misconduct.

At the invitation of the Chairman, Councillor C J Wood gave his final summary.

At this point, the Chairman adjourned the meeting to enable the Members of the Standards Sub Committee to deliberate and reach a conclusion. Councillor C J Wood, Mr D Basson and the Monitoring Officer left the room and took no part in the deliberation.

The Chairman confirmed that having considered all the reasons given for the call-in, the Standards Sub Committee now had to consider the recommendations as set out in the report, that being:

- (a) to determine whether or not a breach of the Members' Code of Conduct has taken place; and
- (b) that subject to the decision at recommendation (a), determines what action(s) should be taken, in accordance with Standards Arrangements, as approved by Council on 21 June 2012.

Following the deliberation of the Standards Sub Committee, a motion was proposed and seconded to resolve that a breach of the code had taken place; that the appropriate actions would be to censure Councillor C J Wood and to instruct the Monitoring Officer to arrange training for Councillor C J Wood, with a focus on the expected behaviour by a member at public meetings. These actions are in accordance with paragraphs 8.1.2 and 8.1.6 of Appendix A to the report.

Upon being put to the vote, the motion was declared CARRIED

The Chairman proposed that the report, including the minute of the decision be no longer treated as exempt information and be open for public inspection. Having been duly seconded, the motion was declared CARRIED.

RESOLVED that:

- (a) a breach of the Members' Code of Conduct had taken place;
- (b) Councillor C J Wood would receive a letter of censure and that the Monitoring Officer be instructed to arrange training for Councillor C J

- Wood, with a focus on the expected behaviour by a member at public meetings actions; and
- (c) that the report, including the minute of the decision be no longer treated as exempt information and be open for public inspection.

(The meeting started at 6.00 pm
and ended at 6.52 pm).

FAREHAM

BOROUGH COUNCIL

Report to Audit and Governance Committee

Date **29 June 2015**

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

Subject: **EXTERNAL AUDITORS AUDIT PLAN**

SUMMARY

This report brings to members' attention the Audit Plan from the Council's external auditors, Ernst & Young.

The plan provides the Committee with a basis to review the proposed audit approach and scope of work for the 2014/15 audit and to ensure that the work is in line with Members' expectations.

RECOMMENDATION

That the Committee approves the Audit Plan, attached as Appendix A to this report.

Appendices:

Appendix A – Audit Plan 2014/15

Background Papers: None

Reference Papers: None

Enquiries:

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

Fareham Borough Council

Year ending 31 March 2015

Audit Plan

20 April 2015

Ernst & Young LLP



Private and confidential

Audit and Governance Committee
Fareham Borough Council
Civic Offices
Civic Way
Fareham
Hampshire
PO16 7PU

20 April 2015

Dear Committee Members

Audit Plan

We are pleased to attach our Audit Plan which sets out how we intend to carry out our responsibilities as your auditor. Its purpose is to provide the Audit and Governance Committee with a basis to review our proposed audit approach and scope for the 2014/15 audit in accordance with the requirements of the Audit Commission Act 1998, the Code of Audit Practice, Standing Guidance, auditing standards and other professional requirements. It is also to ensure that our audit is aligned with the Committee's service expectations.

This plan summarises our initial assessment of the key risks driving the development of an effective audit for Fareham Borough Council and outlines our planned audit strategy in response to those risks.

We welcome the opportunity to discuss this plan with you on 29 June 2015 and to understand whether there are other matters which you consider may influence our audit.

Yours faithfully

Kate Handy
For and behalf of Ernst & Young LLP
Enc

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

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

The Standing Guidance serves as our terms of appointment as auditors appointed by the Audit Commission. The Standing Guidance sets out additional requirements that auditors must comply with, over and above those set out in the Code of Audit Practice 2010 (the Code) and statute, and covers matters of practice and procedure which are of a recurring nature.

This Annual Plan is prepared in the context of the Statement of responsibilities. It is addressed to the Audit and Governance Committee, and is prepared for the sole use of the audited body. We, as appointed auditor, take no responsibility to any third party.

Our Complaints Procedure – If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with your usual partner or director contact. If you prefer an alternative route, please contact Steve Varley, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.

1. Overview

Context for the audit

This Audit Plan covers the work that we plan to perform to provide you with:

- ▶ Our audit opinion on whether the financial statements of Fareham Borough Council give a true and fair view of the financial position as at 31 March 2015 and of the income and expenditure for the year then ended;
- ▶ A statutory conclusion on the Council's arrangements to secure economy, efficiency and effectiveness; and

We will also review and report to the National Audit Office (NAO), to the extent and in the form required by them, on your Whole of Government Accounts return.

When planning the audit we take into account several key inputs:

- ▶ Strategic, operational and financial risks relevant to the financial statements;
- ▶ Developments in financial reporting and auditing standards;
- ▶ The quality of systems and processes;
- ▶ Changes in the business and regulatory environment; and
- ▶ Management's views on all of the above.

By considering these inputs, our audit is focused on the areas that matter and our feedback is more likely to be relevant to the Council. We have been mindful of and given consideration to the Council's main developments and schemes, including:

- ▶ Welbourne;
- ▶ Daedalus Innovation Centre;
- ▶ the Housing Company;
- ▶ the Commercial Property Investment Acquisition Strategy;
- ▶ Vanguard; and
- ▶ the capital programme.

None of the above areas have given rise to a significant risk for either the financial statements audit or the Value for Money Conclusion. We will keep our risk assessment under review throughout our audit and communicate to the Audit and Governance Committee any revisions to the identified risks identified and any additional local risk-based work we may need to undertake as a result.

Our audit will also include the mandatory procedures that we are required to perform in accordance with applicable laws and auditing standards.

In sections three and four of this plan we provide more detail on the identified risks and we outline our plans to address them. Our proposed audit process and strategy are summarised below and set out in more detail in section five.

We will provide an update to the Audit and Governance Committee on the results of our work in these areas in our report to those charged with governance scheduled for delivery in September 2015.

Our process and strategy

Financial statement audit and regularity audit

We consider materiality in terms of the possible impact of an error or omission on the financial statements and set an overall planning materiality level. We then set a tolerable error to reduce the probability that the aggregate of uncorrected and undetected misstatements exceeds planning materiality to an appropriately low level. We also assess each disclosure and consider qualitative issues affecting materiality as well as quantitative issues.

We assess the controls in operation in each process affecting the financial statements and consider whether we will rely on internal controls. We expect to rely on internal controls in the benefits, accounts payable and payroll systems. This has been identified as the most efficient approach for your organisation.

To the fullest extent permissible by auditing standards, we will seek to rely on the work of internal audit wherever possible. We will continue to liaise with your internal auditors on this matter.

Arrangements for securing economy, efficiency and effectiveness

Our approach to the value for money (VFM) conclusion for Fareham Borough Council in 2014/15 is based on criteria specified by the Audit Commission relating to whether there are proper arrangements in place within the Council for:

- ▶ Securing financial resilience
- ▶ Challenging how the Council secures economy, efficiency and effectiveness.

We adopt an integrated audit approach, so our work on the financial statement audit feeds into our consideration of the arrangements in place for securing economy, efficiency and effectiveness.

One risk area has been identified relating to the acquisition of Daedalus airfield. Further detail is included in section 4 of this Audit Plan.

2. The Local Audit and Accountability Act 2014

The Local Audit and Accountability Act 2014 (the 2014 Act) closes the Audit Commission and repeals the Audit Commission Act 1998.

The 2014 Act requires the Comptroller and Auditor General to prepare a Code of Audit Practice. This must be laid before Parliament and approved before 1 April 2015.

Although this new Code will apply from 1 April 2015, transitional provisions within the 2014 Act provide for the Audit Commission's 2010 Code to continue to apply to audit work in respect of the 2014/15 financial year. This plan is therefore prepared on the basis of the continued application of the 2010 Code of Audit Practice throughout the 2014/15 audit.

3. Financial statement risks

We outline below our assessment of the financial statement risks facing the Council, identified through our knowledge of the Council's operations and discussion with those charged with governance and officers. At our meeting, we will seek to validate these with you.

Significant risks (including fraud risks)	Our audit approach
<p>Risk of management override</p> <p>As identified in ISA (UK and Ireland) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement.</p>	<p>Our financial statements audit approach will focus on:</p> <ul style="list-style-type: none"> ▶ Testing the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements; ▶ Reviewing accounting estimates for evidence of management bias, and ▶ Evaluating the business rationale for significant unusual transactions.
<p>Daedalus airfield valuation</p> <p>In March 2015, the Council purchased the freehold of the site from the Homes and Communities Agency (HCA). The site includes: commercial property, infrastructure and specialist assets such as the control tower. The valuation of this asset will require careful consideration.</p> <p>The Council will need to componentise the site and allocate assets between those that are operational and under construction. Operational assets will require valuation for which the Council may require specialist advice.</p>	<p>Our financial statements audit approach will focus on:</p> <ul style="list-style-type: none"> ▶ Evaluating the Council's process for allocating individual assets between operational and assets under construction; ▶ Evaluating the competence and capability of the Council's valuer; ▶ Considering the data provided to the valuer and evaluating the nature and scope of the valuers work; ▶ Evaluating the appropriateness of the valuers work as a source of audit evidence.

Respective responsibilities in relation to fraud and error

We would like to take this opportunity to remind you that management has the primary responsibility to prevent and detect fraud. It is important that management, with the oversight of those charged with governance, has a culture of ethical behaviour and a strong control environment that both deters and prevents fraud.

Our responsibility is to plan and perform audits to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatements whether caused by error or fraud. As auditors, we approach each engagement with a questioning mind that accepts the possibility that a material misstatement due to fraud could occur, and design the appropriate procedures to consider such risk.

Based on the requirements of auditing standards our approach will focus on:

- ▶ Identifying fraud risks during the planning stages;
- ▶ Enquiry of management about risks of fraud and the controls to address those risks;
- ▶ Understanding the oversight given by those charged with governance of management's processes over fraud;
- ▶ Consideration of the effectiveness of management's controls designed to address the risk of fraud;
- ▶ Determining an appropriate strategy to address any identified risks of fraud; and
- ▶ Performing mandatory procedures regardless of specifically identified fraud risks.

We will consider the results of the National Fraud Initiative and may refer to it in our reporting to you

4. Economy, efficiency and effectiveness

Our approach to the value for money (VFM) conclusion for Fareham Borough Council for 2014/15 is based on criteria specified by the Audit Commission relating to whether there are proper arrangements in place at the Council for securing:

1. Financial resilience, and
2. Economy, efficiency and effectiveness in the use of resources.

The Audit Commission VFM guidance for 2014/15 requires that auditors consider and assess the significant risks of giving a wrong conclusion and carry out as much work as is appropriate to enable them to give a safe conclusion on arrangements to secure VFM.

Our assessment of what is a significant risk is a matter of professional judgement, and is based on consideration of both quantitative and qualitative aspects of the subject matter in question.

For those significant risks identified by our risk assessment that are relevant to our VFM conclusion, where these risks will not be addressed by our financial statements audit work or work undertaken by the Council, Audit Commission or other review agency, we consider the need to undertake local VFM work.

The table below provides a high-level summary of our risk assessment and our proposed response to those risks.

Significant risks	Impacts arrangements for securing	Our audit approach
Acquisition of Daedalus airfield		
In March 2015, the Council purchased the freehold of the site from the Homes and Communities Agency (HCA) to facilitate economic development. The Council is now responsible for all operational and financial matters relating to the airfield which it considers viable, although it is projecting short term revenue losses. The Council is planning £10m - £15m capital expenditure to stimulate economic redevelopment on the site. Funding for the capital elements of the project are expected to be a combination of: HCA grant, land sales, prudential borrowing and business rates retention (subject to agreement with the Local Enterprise Partnership). The revenue budget and sources of capital funding are dependent on many assumptions which could have a significant impact on the Council's financial resilience.	Economy, efficiency and effectiveness Financial resilience	We will focus on: <ul style="list-style-type: none"> ▶ reviewing the evidence to support the assumptions in the Council's long term financial model for the site and considering if it is consistent with the Council's wider budgeting; ▶ considering the results of the Council's market analysis study as key to the success of the site will be interest from companies to locate themselves at Daedalus.

5. Our audit process and strategy

5.1 Objective and scope of our audit

Under the Audit Commission's Code of Audit Practice (the 'Code') our principal objectives are to review and report on, the Council's:

- ▶ Financial statements
- ▶ Arrangements for securing economy, efficiency and effectiveness in its use of resources to the extent required by the relevant legislation and the requirements of the Code.

We issue a two-part audit report covering both of these objectives.

i Financial statement audit

Our objective is to form an opinion on the financial statements under International Standards on Auditing (UK and Ireland).

We will also review and report to the NAO on the Whole of Government Accounts return to the extent and in the form they require.

ii Arrangements for securing economy, efficiency and effectiveness

The Code sets out our responsibility to satisfy ourselves that the Council has proper arrangements to secure economy, efficiency and effectiveness in its use of resources. In arriving at our conclusion, we will rely as far as possible on the reported results of the work of other statutory inspectorates on corporate or service performance.

In examining the Council's corporate performance management and financial management arrangements, we consider the following criteria and areas of focus specified by the Audit Commission:

- ▶ Arrangements for securing financial resilience – whether the Council has robust systems and processes to manage financial risks and opportunities effectively, and to secure a stable financial position that enables it to continue to operate for the foreseeable future.
- ▶ Arrangements for securing economy, efficiency and effectiveness – whether the Council is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.

5.2 Audit process overview

As part of our audit planning procedures we have assessed the design of your internal controls and determined where it will be most efficient to adopt a controls reliance approach. In those areas we will test the controls we determine as key to preventing and detecting material misstatement.

In implementing this strategy, we intend to rely on the work of internal audit as far as possible, while complying with the requirements of auditing standards. We will review their files and reperform a sample of their work to assess if we can do this.

Processes

Our initial assessment of the key processes across the entity has identified the following key processes where we will seek to test key controls:

- Accounts payable

- Payroll
- Housing Benefits

Analytics

We will use our computer-based analytics tools to enable us to capture whole populations of your financial data, in particular journal entries. These tools:

- ▶ Help identify specific exceptions and anomalies which can then be subject to more traditional substantive audit tests
- ▶ Give greater likelihood of identifying errors than random sampling techniques.

We will report the findings from our process and analytics work, including any significant weaknesses or inefficiencies identified and recommendations for improvement, to management and the Audit and Governance Committee.

Internal audit

As in prior years, we will review internal audit plans and the results of their work. We will reflect the findings from these reports, together with reports from any other work completed in the year, in our detailed audit plan, where we raise issues that could have an impact on the year-end financial statements

Use of experts

We will use specialist EY resource, as necessary, to help us to form a view on judgments made in the financial statements. Our plan currently includes involving specialists in pensions.

Mandatory procedures required by auditing standards

As well as the financial statement risks outlined in section three, we must perform other procedures as required by auditing, ethical and independence standards, the Code and other regulations. We outline below the procedures we will undertake during the course of our audit.

Procedures required by standards

- ▶ Addressing the risk of fraud and error;
- ▶ Significant disclosures included in the financial statements;
- ▶ Entity-wide controls;
- ▶ Reading other information contained in the financial statements and reporting whether it is inconsistent with our understanding and the financial statements; and
- ▶ Auditor independence.

Procedures required by the Code

- ▶ Reviewing, and reporting on as appropriate, other information published with the financial statements, including the Annual Governance Statement;
- ▶ Reviewing and reporting on the Whole of Government Accounts return, in line with the instructions issued by the NAO; and
- ▶ Reviewing and examining, where appropriate, evidence relevant to the Council's corporate performance management and financial management arrangements, and its reporting on these arrangements.

5.3 Materiality

For the purposes of determining whether the financial statements are free from material error, we define materiality as the magnitude of an omission or misstatement that, individually or in aggregate, could reasonably be expected to influence the users of the financial statements. Our evaluation requires professional judgement and so takes into account qualitative as well as quantitative considerations implied in the definition.

We have determined that overall materiality for the financial statements of the Council is £1.17 million based on 2% of gross operating expenditure. This will be reviewed and updated when we receive the draft financial statements in April 2015.

We will communicate uncorrected audit misstatements greater than £58,565 to you.

The amount we consider material at the end of the audit may differ from our initial determination. At this stage, however, it is not feasible to anticipate all the circumstances that might ultimately influence our judgement. At the end of the audit we will form our final opinion by reference to all matters that could be significant to users of the financial statements, including the total effect of any audit misstatements, and our evaluation of materiality at that date.

5.4 Fees

The Audit Commission has published a scale fee for all authorities. This is defined as the fee required by auditors to meet statutory responsibilities under the Audit Commission Act in accordance with the Code of Audit Practice 2010. The indicative fee scale for the audit of Fareham Borough Council is £64,307.

5.5 Your audit team

The engagement team is led by Kate Handy, who is supported by Martin Young who is responsible for the day-to-day direction of audit work and is the key point of contact for the finance team. All members of the team have significant external audit experience in the local government sector.

5.6 Timetable of communication, deliverables and insights

We have set out below a timetable showing the key stages of the audit, including the VFM work and the Whole of Government Accounts. The timetable includes the deliverables we have agreed to provide to the Council through the Audit and Governance Committee's cycle in 2014/15. These dates are determined to ensure our alignment with the Audit Commission's rolling calendar of deadlines.

From time to time matters may arise that require immediate communication with the Audit and Governance Committee and we will discuss them with the Committee Chair as appropriate.

Following the conclusion of our audit we will prepare an Annual Audit Letter to communicate the key issues arising from our work to the Council and external stakeholders, including members of the public.

Audit phase	Timetable	Audit and Governance Committee timetable	Deliverables
High level planning:	January	April 2014	Audit Fee letter
Risk assessment and setting of scopes	January – March 2015	June 2015	Audit Plan
Understanding routine processes and controls and early substantive testing	January – March 2015	June 2015	Audit Plan
Year-end audit	July - August 2015	September 2015	<ul style="list-style-type: none"> ▶ Report to those charged with governance via the audit results report ▶ Audit report (including our opinion on the financial statements and a value for money conclusion). ▶ Audit completion certificate Reporting to the National Audit Office (NAO), to the extent and in the form required by them on the Council's Whole of Government Accounts return.
Conclusion of reporting	October	November 2015	Annual Audit Letter

In addition to the above formal reporting and deliverables we will seek to provide practical business insights and updates on regulatory matters.

6. Independence

6.1 Introduction

The APB Ethical Standards and ISA (UK and Ireland) 260 'Communication of audit matters with those charged with governance', requires us to communicate with you on a timely basis on all significant facts and matters that bear on our independence and objectivity. The Ethical Standards, as revised in December 2010, require that we do this formally both at the planning stage and at the conclusion of the audit, as well as during the audit if appropriate. The aim of these communications is to ensure full and fair disclosure by us to those charged with your governance on matters in which you have an interest.

Required communications	
Planning stage	Final stage
<ul style="list-style-type: none"> ▶ The principal threats, if any, to objectivity and independence identified by EY including consideration of all relationships between you, your affiliates and directors and us; ▶ The safeguards adopted and the reasons why they are considered to be effective, including any Engagement Quality Review; ▶ The overall assessment of threats and safeguards; ▶ Information about the general policies and process within EY to maintain objectivity and independence. 	<ul style="list-style-type: none"> ▶ A written disclosure of relationships (including the provision of non-audit services) that bear on our objectivity and independence, the threats to our independence that these create, any safeguards that we have put in place and why they address such threats, together with any other information necessary to enable our objectivity and independence to be assessed; ▶ Details of non-audit services provided and the fees charged in relation thereto; ▶ Written confirmation that we are independent; ▶ Details of any inconsistencies between APB Ethical Standards, the Audit Commission's Standing Guidance and your policy for the supply of non-audit services by EY and any apparent breach of that policy; and ▶ An opportunity to discuss auditor independence issues.

During the course of the audit we must also communicate with you whenever any significant judgements are made about threats to objectivity and independence and the appropriateness of our safeguards, for example when accepting an engagement to provide non-audit services.

We also provide information on any contingent fee arrangements, the amounts of any future contracted services, and details of any written proposal to provide non-audit services.

We ensure that the total amount of fees that EY and our network firms have charged to you and your affiliates for the provision of services during the reporting period are disclosed, analysed in appropriate categories.

6.2 Relationships, services and related threats and safeguards

We highlight the following significant facts and matters that may be reasonably considered to bear upon our objectivity and independence, including any principal threats. However we have adopted the safeguards below to mitigate these threats along with the reasons why they are considered to be effective.

Self-interest threats

A self-interest threat arises when EY has financial or other interests in your entity. Examples include where we have an investment in your entity; where we receive significant fees in respect of non-audit services; where we need to recover long outstanding fees; or where we enter into a business relationship with the Council.

At the time of writing, there are no long outstanding fees.

We believe that it is appropriate for us to undertake permissible non-audit services, and we will comply with the policies that the Council has approved and that are in compliance with the Audit Commission's Standing Guidance.

A self-interest threat may also arise if members of our audit engagement team have objectives or are rewarded in relation to sales of non-audit services to the Council. We confirm that no member of our audit engagement team, including those from other service lines, is in this position, in compliance with Ethical Standard 4.

There are no other self-interest threats at the date of this report

Self-review threats

Self-review threats arise when the results of a non-audit service performed by EY or others within the EY network are reflected in the amounts included or disclosed in the financial statements.

There are no other self-review threats at the date of this report.

Management threats

Partners and employees of EY are prohibited from taking decisions on behalf of management of your entity. Management threats may also arise during the provision of a non-audit service where management is required to make judgements or decisions based on that work.

There are no management threats at the date of this report.

Other threats

Other threats, such as advocacy, familiarity or intimidation, may arise.

There are no other threats at the date of this report.

Overall Assessment

Overall we consider that the adopted safeguards appropriately mitigate the principal threats identified, and we therefore confirm that EY is independent and the objectivity and independence of Kate Handy, the audit engagement Director and the audit engagement team have not been compromised.

6.3 Other required communications

EY has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained.

Details of the key policies and processes within EY for maintaining objectivity and independence can be found in our annual Transparency Report, which the firm is required to publish by law. The most recent version of this report is for the year ended 27 June 2014 and can be found here:

<http://www.ey.com/UK/en/About-us/EY-UK-Transparency-Report-2014>

Appendix A Fees

A breakdown of our agreed fee is shown below.

	Planned Fee 2014/15 £	Actual fee 2013/14 £	Explanation
Opinion Audit and VFM Conclusion	64,307	64,307	
Total Audit Fee – Code work	64,307	64,307	
Certification of claims and returns ¹	15,080	22,199	
Non-audit work	0	0	

All fees exclude VAT.

The agreed fee presented above is based on the following assumptions:

- ▶ Officers meeting the agreed timetable of deliverables;
- ▶ the level of risk in relation to the audit of the financial statements is consistent with the Audit Commission's assumptions when setting the scale fee;
- ▶ The operating effectiveness of internal controls;
- ▶ The Audit Commission making no significant changes to the value for money criteria on which our conclusion will be based;
- ▶ Our accounts opinion and value for money conclusion being unqualified;
- ▶ Appropriate quality of documentation is provided by the Council; and
- ▶ The Council has an effective control environment.

If any of the above assumptions prove to be unfounded, we will seek a variation to the agreed fee. This will be discussed with the Council in advance.

Fees for the auditor's consideration of correspondence from the public and formal objections will be charged in addition to the scale fee.

¹ Our fee for the certification of grant claims is based on the indicative scale fee set by the Audit Commission.

Appendix B UK required communications with those charged with governance

There are certain communications that we must provide to the Audit and Governance Committee. These are detailed here:

Required communication	Reference
<p>Planning and audit approach Communication of the planned scope and timing of the audit including any limitations.</p>	<p>▶ Audit Plan</p>
<p>Significant findings from the audit</p> <ul style="list-style-type: none"> ▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures ▶ Significant difficulties, if any, encountered during the audit ▶ Significant matters, if any, arising from the audit that were discussed with management ▶ Written representations that we are seeking ▶ Expected modifications to the audit report ▶ Other matters if any, significant to the oversight of the financial reporting process 	<p>▶ Report to those charged with governance</p>
<p>Misstatements</p> <ul style="list-style-type: none"> ▶ Uncorrected misstatements and their effect on our audit opinion ▶ The effect of uncorrected misstatements related to prior periods ▶ A request that any uncorrected misstatement be corrected ▶ In writing, corrected misstatements that are significant 	<p>▶ Report to those charged with governance</p>
<p>Fraud</p> <ul style="list-style-type: none"> ▶ Enquiries of the Audit and Governance Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity ▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist ▶ A discussion of any other matters related to fraud 	<p>▶ Report to those charged with governance</p>
<p>Related parties Significant matters arising during the audit in connection with the entity's related parties including, when applicable:</p> <ul style="list-style-type: none"> ▶ Non-disclosure by management ▶ Inappropriate authorisation and approval of transactions ▶ Disagreement over disclosures ▶ Non-compliance with laws and regulations ▶ Difficulty in identifying the party that ultimately controls the entity 	<p>▶ Report to those charged with governance</p>
<p>External confirmations</p> <ul style="list-style-type: none"> ▶ Management's refusal for us to request confirmations ▶ Inability to obtain relevant and reliable audit evidence from other procedures 	<p>▶ Report to those charged with governance</p>
<p>Consideration of laws and regulations</p> <ul style="list-style-type: none"> ▶ Audit findings regarding non-compliance where the non-compliance is material and believed to be intentional. This communication is subject to compliance with legislation on tipping off ▶ Enquiry of the Audit and Governance Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Audit and Governance Committee may be aware of 	<p>▶ Report to those charged with governance</p>

Required communication	Reference
<p>Independence</p> <p>Communication of all significant facts and matters that bear on EY's objectivity and independence</p> <p>Communication of key elements of the audit engagement director's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> ▶ The principal threats ▶ Safeguards adopted and their effectiveness ▶ An overall assessment of threats and safeguards ▶ Information about the general policies and process within the firm to maintain objectivity and independence 	<ul style="list-style-type: none"> ▶ Audit Plan ▶ Report to those charged with governance
<p>Going concern</p> <p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> ▶ Whether the events or conditions constitute a material uncertainty ▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▶ The adequacy of related disclosures in the financial statements 	<ul style="list-style-type: none"> ▶ Report to those charged with governance
<p>Significant deficiencies in internal controls identified during the audit</p>	<ul style="list-style-type: none"> ▶ Report to those charged with governance
<p>Fee Information</p> <ul style="list-style-type: none"> ▶ Breakdown of fee information at the agreement of the initial audit plan ▶ Breakdown of fee information at the completion of the audit 	<ul style="list-style-type: none"> ▶ Audit Plan ▶ Report to those charged with governance ▶ Annual Audit Letter if considered necessary
<p>Certification work</p> <ul style="list-style-type: none"> ▶ Summary of certification work undertaken 	<ul style="list-style-type: none"> • Annual Report to those charged with governance summarising grant certification, and Annual Audit Letter if considered necessary

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FAREHAM

BOROUGH COUNCIL

Report to Audit and Governance Committee

Date **29 June 2015**

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

Subject: **EXTERNAL AUDIT ANNUAL FEE LETTER**

SUMMARY

This report brings to members' attention the proposed Annual Audit Fee letter for 2015/16 received from Ernst and Young, the Council's external auditors.

RECOMMENDATION

That the Committee approves the fees proposed for the External Audit coverage in 2015/16.

Appendices:

Appendix A – Fee letter 2015/16

Background Papers: None

Reference Papers: None

Enquiries:

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

Peter Grimwood
Fareham Borough Council
Civic Offices
Civic Way
Fareham
Hampshire
PO16 7PU

10 April 2015

Ref: FBC/KH/Fee Letter

Direct line: 023 8038 2043

Email: KHandy@uk.ey.com

Dear Peter

Annual Audit and Certification Fees 2015/16

We are writing to confirm the audit and certification work that we propose to undertake for the 2015/16 financial year at Fareham Borough Council.

Our 2015/16 audit is the first that we will undertake following the closure of the Audit Commission on 31 March 2015. Our contract will now be overseen by Public Sector Audit Appointments Ltd (PSAA), an independent company set up by the Local Government Association, until it ends in 2017 (or 2020 if extended by the Department of Communities and Local Government).

The responsibility for publishing the statutory Code of Audit Practice, under which we will conduct our audit work, has transferred to the National Audit Office.

Indicative audit fee

The fee reflects the risk-based approach to audit planning set out in the National Audit Office's Code of Audit Practice for the audit of local public bodies, applying from 2015/16 audits.

The audit fee covers the:

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

For the 2015/16 financial year the Audit Commission has set the scale fee for each audited body prior to its closure. The scale fee is based on the fee initially set in the Audit Commission's 2012 procurement exercise, reduced by 25% following the further tendering of contracts in March 2014. It is not liable to increase during the remainder of our contract without a change in the scope of our audit responsibilities.

The 2015/16 scale fee is based on certain assumptions, including:

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

Meeting these assumptions will help ensure the delivery of our audit at the indicative audit fee which is set out in the table below.

For Fareham Borough Council this fee is set at the scale fee level as the overall level of audit risk is not significantly different from that of the prior year.

As we have not yet completed our audit for 2014/15, our audit planning process for 2015/16 will continue as the year progresses. Fees will be reviewed and updated as necessary, within the parameters of our contract.

Certification fee

The Audit Commission has set an indicative certification fee for housing benefit subsidy claim certification work for each audited benefits authority. The indicative fee is based on actual 2013/14 benefit certification fees and incorporating a 25 per cent reduction.

The indicative certification fee is based on the expectation that an audited body is able to provide the auditor with a complete and materially accurate housing benefit subsidy claim with supporting working papers, within agreed timeframes.

The indicative certification fee for 2015/16 relates to work on the housing benefit subsidy claim for the year ended 31 March 2016. We have set the certification fee at the indicative fee level. We will update our risk assessment after we complete 2014/15 benefit certification work, and to reflect any further changes in the certification arrangements.

Summary of fees

	Indicative fee 2015/16 £	Planned fee 2014/15 £	Actual fee 2013/14 £
Total Code audit fee	48,230	64,307	64,307
Certification of housing benefit subsidy claim	15,959	15,080	22,199

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

Billing

The indicative fee will be billed in 4 quarterly instalments of £16,047.25, from July 2015.

Audit plan

Our plan will be issued in June, 2016. This will communicate any significant financial statement risks identified, planned audit procedures to respond to those risks and any changes in fee. It will also set out the significant risks identified in relation to the value for money conclusion. Should we need to make any significant amendments to the audit fee during the course of the audit, we will discuss this in the first instance with the Director of Finance and Resources and, if necessary, prepare a report outlining the reasons for the fee change for discussion with the Audit and Governance Committee.

Audit team

The key members of the audit team for the 2015/16 financial year are:

Kate Handy
Director

KHandy@uk.ey.com

Tel: 07867 152471

Martin Young
Manager

MYoung1@uk.ey.com

Tel: 07867 152513

Nigel Smith
Executive

NSmith3@uk.ey.com

Tel: 07721 762001

We are committed to providing you with a high quality service. If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, please contact me. If you prefer an alternative route, please contact Steve Varley, our Managing Partner, 1 More London Place, London, SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute.

Yours sincerely

Kate Handy
Director
For and on behalf of Ernst & Young LLP

cc. Andrew Wannell (Director of Finance and Resources)
Councillor T Knight, Chair of the Audit and Governance Committee

FAREHAM

BOROUGH COUNCIL

Report to Audit and Governance Committee

Date **29 June 2015**

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

Subject: **QUARTERLY AUDIT REPORTS**

SUMMARY

This report provides the assurances arising from the latest internal audit work to be finalised and gives an update on progress being made with the delivery of the audit plans.

RECOMMENDATION

That the Committee notes the progress and findings arising from Internal Audit work, attached as Appendix A to this report.

Appendix A – Quarterly Audit Progress Report

Background Papers: None

Reference Papers:

Report by the Director of Finance and Resources to the Audit and Governance Committee on 11 March 2013 on Contractor Annual Audit Plan 2013/14

Report by the Director of Finance and Resources to the Audit and Governance 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 2015

This report has been prepared on the basis of the limitations set out on page 11

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 2014/15 Internal Audit Plan.

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 Three of this report; and
 - Update Members on the current situation regarding limited areas previously reported to Committee. This will inform Members of the action taken by Officers to resolve internal audit issues.

3. 2014/15 Progress

- 3.1 The current status of the agreed 2014/15 Internal Audit Plan 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 The latest, progress against the 2014/15 plan is as follows:

2014/15 Plan	Last Committee	This Committee
Number of audits in plan	21	21
Number of audits finalised	3 (14%)	8 (38%)
Number of reports issued at draft	0 (0%)	5 (24%)
Number of audits commenced	13 (62%)	8 (38%)
Number of planned audit days delivered	84/223 (38%)	194/225.5 (86%)

- 3.3 At the time of this report, the field work for all the audits in the plan has been completed and 86% of the allocated days from the 2014/15 Internal Audit Plan have been completed against the planned days.

4. Changes to the 2014/15 plan

- 4.1 The following allocations from the contingency have been made to the plan since it was reported to Committee in November 2014:
- Two additional days each have been added to the planned time for the Accounts Payable and Penetration Testing service engagement audits and one extra day each added to the planned time for the Database Administration and Information Governance Opinion work to allow adequate time for completion of these audits. The rest of the remaining contingency for the year has been allocated to the Data Protection audit.

5. Detailed progress since the last Audit and Governance Committee

- 5.1 Since the previous Audit & Governance Committee, **four** formal reports and one Management Letter 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
2014/15 Plan				
Cheque Control	Reasonable	-	2	-
Virtual Procurement Card	Reasonable	-	1	-
Penetration Testing Service Engagement	Reasonable	2	1	-
IT Recommendations Follow Up	Not Applicable	-	-	1
Policy Compliance Checks [Management Letter]	Not Applicable	-	-	-

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 Two. A summary of the findings from the Management Letter will be included in the Head of Internal Audit's Annual Report.

2014/15 Internal Audit Plan as at 31st May 2015

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
Quarters 1 and 2											
1	Legionella and Gas Safety Risks Follow Up	5	5	Final Report	Reasonable	-	3	-	6	9	-
2	Contract Completion (Final Accounts)	10	7.65	Draft Report							
3	Tenancy Management	10	9.5	Draft Report							
4	Community Parks and Open Spaces	6	6	Final Report	Strong	-	-	1	-	-	-
5	Foreshore (Beach Hut Income)	5	5	Final Report	Strong	-	1	2	-	-	-
Quarters 3 and 4											
6	Cheque Control	6	6	Final Report	Reasonable	-	2	2	-	-	-
7	Policy Compliance Checks	12	12	Management Letter Produced	Not Applicable	-	-	-	-	-	-
8	Benefits	30	25.35	Exit Meeting							
9	Payroll (Light Touch)	7	6.5	Exit Meeting							
10	Accounts Receivable	12	9.5	Exit Meeting							
	Revenues			Note 1							
11	Accounts Payable (Light Touch)	9	8.7	Exit Meeting							
12	Income Collection & Banking	15	11.8	Exit							


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
				Meeting							
13	Data Protection	7.5	3.4	In Progress							
14	Virtual Procurement Card	3	3	Final Report	Reasonable	-	1	1	-	-	-
15	PAYE	12	11	Draft Report							
16	VAT	12	11	Draft Report							
Computer Audit											
17	Payroll & Personnel System (CHRIS 21)	10	9.5	Draft Report							
18	Penetration Testing Service Engagement	12	11.2	Final Report	Reasonable	2	1	2	5	-	-
19	Database Administration	9	5	In Progress							
20	Information Governance Opinion	6	4	In Progress							
21	Recommendation Follow Ups	3	3	Final Report	Not Applicable	-	-	-	10	1	2
Other											
Audit Committee		4	4								
Audit Management		16	16								
TOTAL		225.5	194.10 (86%)			-	6 55%	5 45%	6 40%	9 60%	0 0%

Note 1: Audit removed following review of 2014/15 by Head of Audit & Assurance.

Summary of Findings from Completed Audits

2014/15 Cheque Control

Audit Opinion and Direction of Travel

Reasonable						
						
Direction of Travel:			No previous comparable audit			
Area of Scope	New Recommendations Raised			Previous Essential and Important Recommendations		
	Essential (🔴)	Important (🟡)	Advisory (🟢)	Implemented	Cancelled	Non Implemented
Security Features and Crossing in the Cheque Design	-	-	-	-	-	-
Storage and Accounting for Blank Stock	-	-	-	-	-	-
Issuing of Cheque Stock for Use and Reconciliation of Cheque Runs	-	-	-	-	-	-
Use of Urgent Cheques Outside Main Cheque Runs	-	-	1 *	-	-	-
Returned Cheques	-	-	1 *	-	-	-
Procedures to Process and Follow Up Un-presented Cheques	-	1	1	-	-	-
Back Up Arrangements for Cheque Printer	-	1	-	-	-	-

*The advisory issue raised covers the finding in both areas

Weaknesses identified during audit (Essential and Important only)

Priority	Weakness	Action Agreed?
Important	Current policy stipulates that un-presented cheque reports should be monitored on a quarterly basis and those more than 6 months old stopped at the bank. Whilst this is done for benefits cheques the procedure no longer happens for all supplier cheques. However, any un-presented cheques over £10,000 are being monitored.	No – Risk Accepted by Management
Important	Definitive back-up arrangements do not exist for the Council's cheque printer, other than resorting to hand writing cheques. However, the focus is to reduce the level of payments being made by cheque (currently 6%).	No – Risk Accepted by Management

2014/15 Virtual Procurement Card

Reasonable						
☺						
Direction of Travel:			No previous audit			
Areas of Scope	New Recommendations Raised			Previous Essential and Important Recommendations		
	Essential (🔴)	Important (🟡)	Advisory (🟢)	Implemented	Cancelled	Non Implemented
Central records of accounts arranged with RBS	-	-	-	-	-	-
Management of Users	-	-	-	-	-	-
Logon Controls with suppliers	-	-	1	-	-	-
Management of catalogue items	-	-	-	-	-	-
Records of purchases made by services	-	-	-	-	-	-
Approval of purchases on statements	-	1	-	-	-	-
Posting of purchase transactions into accounts	-	-	-	-	-	-
Copy receipts and accounting for VAT	-	-	-	-	-	-
Business continuity arrangements	-	-	-	-	-	-

Weaknesses identified during audit (Essential and Important only)

Priority	Weakness	Action Agreed?
Important	The approval process takes place after purchases are made and consists of managers reviewing monthly statements of spend. However, there is insufficient detail on the statements to allow proper checking of purchases made as they do not show the items purchased or the purchase date.	Yes

2014/15 Penetration Testing Service Engagement

Reasonable						
☺						
Direction of Travel:			No previous audit			
Areas of Scope	New Recommendations Raised			Previous Essential and Important Recommendations		
	Essential (🔴)	Important (🟡)	Advisory (🟢)	Implemented	Cancelled	Non Implemented
Penetration Testing Strategy	2	-	1	-	-	-
Scoping Penetration Testing	-	-	1	-	-	-
Onsite testing by Penetration Tester	-	-	-	-	-	-
Reporting Penetration Test findings	-	1	-	-	-	-
Follow up of relevant recommendations relating to network security.	-	-	-	5	-	-

Weaknesses identified during audit (Essential and Important only)

Priority	Weakness	Action Agreed?
Essential	The vulnerability scanning carried out by the IT team does not currently cover all vulnerabilities, misconfigurations, default passwords, and doesn't look at all public facing and internal websites. The tool being used will allow this and widening its use was already being investigated by IT managers.	Yes
Essential	The external penetration testing doesn't currently include a detailed analysis of each Web application presented to the public. A cost benefit analysis will be carried out of how often this can be included in the schedule.	Yes
Important	The actions taken to address issues raised in the penetration testing reports are not all being logged on the Council's change control record.	Yes

2014/15 IT Recommendations Follow Up





Areas of Scope	New Recommendations Raised		Previous Essential and Important Recommendations			
	Essential (🔴)	Important (🟡)	Advisory (🟢)	Implemented	Cancelled	Non Implemented
Fuel Manager 2004/05 and 2011/12	-	-	-	3	-	1
BPMS and Hub Document Management 2010/11	-	-	-	2	1	-
Telecommunication 2012/13	-	-	-	2	-	-
GIS 2012/13	-	-	-	1	-	-
Ocella 2009/10 and 2010/11	-	-	-	3	-	-

Weaknesses identified during audit (Essential and Important only)




Priority	Weakness	Action Agreed?
Important	There are no options in the security files of the Fuel Manager system to allow the length, expiration date and complexity of passwords to be set and users can access the system without a password. This weakness still needs to be explored with the system supplier.	Yes

Summary of Assurance Opinions Used

Annex Three

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 and Governance 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 and Governance 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. Actions taken to address these recommendations are not tracked.

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 2015

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FAREHAM

BOROUGH COUNCIL

Report to Audit and Governance Committee

Date **29 June 2015**

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

Subject: **COUNTER FRAUD PROGRESS**

SUMMARY

This report updates the Committee on counter fraud strategy work carried out in the last 6 months. It also provides information on the numbers and outcomes of fraud cases investigated in the last 6 months.

RECOMMENDATION

That the content of the report be noted.

INTRODUCTION

1. This report provides an update of any actions taken in the last 6 months in support of our Anti-Fraud and Corruption Policy. It also includes details of the cases of fraud that have been investigated.

ACTIVITY SINCE THE LAST REPORT

Strategic Actions

2. **Counter Fraud Fund Bid:** It was noted in the last report that a bid for funding was submitted by the Council in partnership with 5 other Hampshire Councils and 2 Housing Associations to fund further investigation resource and improve our ability to use internal and external data matching to detect potential cases of fraud. However, the response rate for this opportunity was high across the country and we were not successful in our application.

Specific Areas of Fraud

3. **Council Tax Support Fraud:** Council Tax Support is a means tested local discount to assist people, who are on a low income, to pay their Council Tax.
4. Previously, Fareham Council's Benefit Section was able to prosecute most Council Tax Support frauds as this would be prosecuted alongside Housing Benefit and retrospective Council Tax Benefit (which ceased on 31 March 2013). However, since 1 October 2014 the investigation of Housing Benefit has been transferred to the Department for Work and Pensions (DWP) under the Government's welfare reforms and as a result of this, most Council Tax Support frauds identified are of a significantly lower value so are not in the public interest to prosecute or offer an alternative sanction.
5. However, Regulations 12 & 13 of the Council Tax Reduction Schemes (Detection of Fraud & Enforcement) Regulations 2013 enable a billing authority to impose a £70 civil penalty where a person negligently makes an incorrect statement in connection with an application for a reduction under a council tax reduction scheme or where a person fails to notify a change of circumstances when required to do so under a scheme. The penalty can be applied each time an offence is committed.
6. This penalty is payable to the billing authority and is added to the Council Tax bill and recovered alongside the normal Council Tax liability. The penalty amount is retained by the billing authority and is not distributed amongst the other billing precepts.
7. Since February 2015 we have therefore been using these civil penalties to act as a sanction for this type of fraud. The levels of penalties being given are now being included in the investigation section of this report below.
8. **Council Tax Discount Fraud:** In June 2014 members were advised of a pilot exercise that had been undertaken in the 2013 billing year, where credit reference agency data was used to identify cases where a change in circumstances relating to household occupancy had either been notified late or not notified at all.
9. The pilot proved to be very successful, resulting in £66,940 extra Council Tax liability being billed to 192 of the 13,536 householders that had been sent a review form and

£7,140 worth of civil penalties were issued.

10. In the 2014 billing year a bulk review exercise was not conducted but still 27 households received a penalty of £70 for either failing to notify a change in their circumstances within the required timescale or attempting to avoid their liability altogether. This has generated extra Council Tax liability of £12,723 and £1,890 worth of civil penalties were issued.
11. For the 2015 billing year a discount review for Single Occupancy discount is again being conducted and it is expected that the issuing of penalties will increase as more discrepancies of households claiming a discount will again be identified.
12. **Waiting List Fraud:** The Council is taking part in a free pilot being run by the National Fraud Initiative using their data matching tool to identify potential housing waiting list applicants who have misrepresented their circumstances. We have received 27 matches back, from the list of 400 applicants submitted. These are currently being reviewed by the housing team. A further 13 matches were received from a match of the data to our Benefits system. The latter have been reviewed and no issues were found.
13. **Blue Badge Fraud:** Hampshire County Council and Portsmouth City Council carried out a proactive enforcement action across Hampshire for 4 days in March 2015. It is understood that 1 day was spent in the Fareham/Havant area and 180 blue badges were inspected. 8 blue badges were confiscated on the basis that they were being misused or had expired. 5 of these related to Fareham residents. A proactive exercise is also being planned by the Fareham Borough Council parking team.
14. **Procurement Fraud:** There was an attempted bank mandate fraud in April which was successfully intercepted by finance officers before any payments were made. This involves a fraudster pretending to be a supplier and asking the Council to change the bank account details we hold for them so that the next payments made go to the fraudster's account. This would have been a payment for £178,000 if the fraud had not been intercepted.

INVESTIGATION REFERRALS AND OUTCOMES

Benefits and Council Tax

15. The information provided in Table 1 shows the number of fraud cases (Housing Benefits and Council Tax Support [CTS]) completed in the first half of the year, as reported to the Committee in November. During this period work was undertaken by benefits investigators employed at Fareham Borough Council. The value of the abuse relates to benefits paid that shouldn't have been, and Council Tax Reductions that were not due.

Table 1 –Benefit cases raised and concluded April - Sept 2014

Number of New referrals received	Number of Investigations Completed	Number of Cases where Abuse Concluded	Value of Abuse
287	237	67	£90,740

16. From October 2014 the benefits investigators transferred to the DWP and cases of Housing Benefit fraud are investigated by them. Table 2 shows the work that has been undertaken for the latter 6 months of 2014/15 in relation to cases of Housing Benefits,

Council Tax Support and Council Tax Discount fraud. The value of abuse found includes Housing Benefit and Council Tax Support paid for which the claimant was not eligible, and Council Tax Liability not raised when it should have been.

Table 2 – Investigation cases raised and concluded October 2014- March 2015

Number of New referrals received	Number of Investigations Completed	Number of Cases where Abuse Concluded	Value of Abuse
195 (124 referred to DWP)	105 (15 closed by DWP)	25 (5 concluded by DWP)	£27,482

17. It is worth noting that the cases not referred to the DWP are being investigated by the new Investigations Officer post at FBC. This was filled in December 2014 and work commenced in January 2015 after a period of training. These figures therefore only cover 3 months of FBC investigations activity.
18. 7 sanctions were applied by FBC for Housing Benefit cases where abuse was concluded, 5 of which were prosecutions accepted by FBC's legal team before the migration of Housing Benefit investigations to DWP. The details of the cases prosecuted are summarised in Appendix A.
19. As discussed above, penalties are being issued as a proportionate sanction for some abuse found. The levels raised in the last 6 months is summarised in Table 3.

Table 3 – Penalties raised October 2014 to March 2015

Penalties raised for Council Tax Liability discrepancy (£70)	Value of extra Council Tax liability raised	Penalties raised for overpayments of Council Tax Support (£70)	Value of overpayments
27	£12,723	5	£4,672

Other Frauds

20. There has been 1 new suspicion of another type of fraud raised in the last 6 months, and 2 previous cases have now been closed. These are in addition to any frauds identified from bulk proactive reviews or data matching exercises. The cases cover the following types of fraud and may be dealt with by various teams in the Council:

Table 4 – Nature of Other Cases Raised and Concluded in the last 6 months

	Number of new referrals received in last 6 months	Number of Investigations completed	Number of Cases where Abuse Concluded	Value of Abuse £
Housing Fraud	0	2	0	NA
Blue Badge Fraud	1	0	0	NA
Total	1	2	0	

21. Whistleblowing

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

NATIONAL FRAUD INITIATIVE

22. The National Fraud Initiative (NFI) is a data matching exercise organised by the Cabinet

Office. All data sets requested since the last report have been submitted on time.

23. There have been 4 releases of new matches (some with multiple sets) over the last 6 months, the latest being in April. Table 5 shows the progress made on clearing all matches since the last report. It should be noted that the 5 remaining benefits matches from the 2012/13 exercise are all open investigations, which have been passed to the DWP.

Table 5 - 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
2012/13	Benefits	1076	6	5 (1%)
2013/14	Council Tax	553	13	0
2014/15	Council Tax	610	New	582 (95%)
2014/15	Benefits	715	New	404 (57%)
2014/15	Payroll	11	New	1 (9%)
2014/15	Housing Tenants	16	New	4 (25%)
2014/15	Right to Buy	4	New	2 (50%)
2014/15	Residents Permits	1	New	0
2014/15	Insurance	1	New	1 (100%)
2014/15	Creditors	214	New	0

24. The table below shows the number and value of fraud cases arising from the clearance of NFI matches in the last 6 months. A summary of how much fraud and error has been identified from each NFI exercise is provided in Appendix B, as requested by members.

Table 5 - Fraud Cases Identified from NFI

Data Set	Nature of Fraud	Date of Committee Report					
		June 2014		Nov 2014		June 2015	
		Number	Value	Number	Value	Number	Value
Housing Benefits	Undeclared earnings of adult at the property.	6	£27,297	1	£2,713	7	£10,670
	Undeclared pensions of adult at the property.	1	£945	1	£2,158	2	£179
	Undeclared student loan of adult at the property.	2	£2,613				
Council Tax	Undeclared second adult living at property	13	£8,117	30	£12,367	2	£1,730
	Child at property reaching 18 and not declared			1	£375	1	£637
Residents Permit*	Non return of permit from deceased holder					1	£0
Creditors*	Duplicate payment of invoice not repaid until requested					1	£4,200
TOTAL		22	£38,672	33	£17,613	14	£17,416

*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 LEGAL POWERS

27. There have been no authorisations granted under the Regulation of Investigatory Powers Act 2000 (RIPA) between 1 October 2014 and 31 March 2015.
28. There have been 25 uses of Authorised Officer powers during investigations in the last 6 months. They all related to powers granted under the Council Tax Reduction Schemes (Detection of Fraud and Enforcement) Regulations 2013. The powers allow information to be requested from a prescribed list of institutions such as banks and utilities and to allow the investigator to request information from employers.

ANNUAL FRAUD CASE FIGURES

29. The annual fraud and irregularity case figures compiled for 2014/15 are included in Appendix C. These show additional detail to the figures published on our website as required by the Transparency Code.

RISK ASSESSMENT

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

CONCLUSION

31. Work continues to be carried out in accordance with the Council's Anti-Fraud and Corruption Policy. Fraud referrals for investigation continue to be received and handled by the relevant investigation teams.

Appendices

Appendix A - Outcomes from Benefit Fraud Cases Prosecuted in the last 6 months

Appendix B – Cumulative Findings from National Fraud Initiative Exercises

Appendix C - Annual Fraud Case Figures 2014/15

Background Papers: None

Reference Papers: None

Enquiries:

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

Appendix A

Outcomes from Benefit Fraud Cases Prosecuted in the last 6 months

Case Ref	Benefits Involved	Nature of the Fraud	#Value of FBC overpayment	Sentence (All found guilty)	Fine/Costs
18659	Housing Benefit Council Tax Support	Living together and failure to declare a change in income	£10,918 £325	12 month Community Order, 60 hours unpaid work	£285 costs £60 Victim Surcharge
13395	Housing Benefit	False representation to claim Housing Benefit	£6,599	3 months Community Order with 3 months curfew	£150 cost £60 Victim Surcharge
20987	Housing Benefit	Failure to declare a change in circumstances	£5,763	18 month conditional discharge	£100 costs £15 Victim Surcharge
20725	Housing Benefit Council Tax Benefit Council Tax Support	Failure to declare a change in circumstances	£3,581 £414 £21	2 Year conditional discharge	£275 costs £15 Victim Surcharge
8216	Housing Benefit Council Tax Benefit Council Tax Support	Failure to declare a change in circumstances	£2,907 £188 £502	12 month conditional discharge	£100 costs £15 Victim Surcharge

In addition to the sentence and costs awarded at court, the value of the overpayments are actively recovered by the benefits overpayments team.

Appendix B

Cumulative Findings from National Fraud Initiative Exercises

Year of Exercise*	Type	No. of Matches	No. of Fraud Cases found	Value of Fraud cases	No. of Errors found	Value of Errors
2015/16	Waiting List	40				
2014/15	Full Exercise	961	11	£15,049	10	£0
2014/15	Council Tax	610				
2014/15	Student Loans	19	1	£1,258		
2013/14	Council Tax	553	34	£13,774	4	£1,334
2012/13	Full Exercise	1,333	13	£34,838	14	£14,724
2011/12	Council Tax	484	21	£12,264	2	£770
2010/11	Full Exercise	1,760	335*	£26,356	13	Not split out
2009/10	Council Tax	1,424	43	£18,648		
2008/09	Full Exercise	1,779	212*	£54,978	3	Not split out
2008/09	Council Tax	747	130	£87,920	3	Not split out

*Compilation of the results of NFI started to be compiled in this way in 2008/09. Those exercises in bold have been completed so there will be no further findings.

Included match of concessionary travel permits against deceased database.

Annual Fraud Case Figures 2014/15

	2014/15			2013/14		
	Number of Fraud Cases			Number of Fraud Cases		
Type of Fraud	Investigated	Fraud Concluded	Value	Investigated	Fraud Concluded	Value
Housing Benefit and Council Tax Benefit	564	74	£107,589	348	66	£195,769
Council Tax Reduction	232	39	£16,951	10	10	£2,278
Council Tax	588	35	£15,152	448	177	£65,194
Housing	83	3	£0	7	3	£0
Other	2	2	£161	2	1	£10
TOTAL	1,469	153	£139,853	815	257	£263,251
	Number of Cases			Number of Cases		
	Investigated	Abuse Concluded	Value	Investigated	Abuse Concluded	Value
Payroll	10	-	-			
Banking	2	2	£161	2	1	£10
Procurement - Payments	213	1	£4,200	1	0	
Permits and Passes	12	7	£0	2	2	
Other	2	1		3	2	£171
	239	11	£4,361	8	5	£181
Values Recovered						
Benefits Fraud	£106,356			£108,131		
Irregularities	£4,361			£10		
Other Redress / Sanctions						
Court costs and Surcharges awarded	£4,405			£2,188		
Administrative Penalties levied	£14,548			NR		
Civil Penalties Issued	£2,240			£7,140		

FAREHAM
BOROUGH COUNCIL

**Report to
Audit and Governance Committee**

Date **29 June 2015**

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

Subject: **REVIEW OF WORK PROGRAMME AND TRAINING PLAN**

SUMMARY

This report reviews the current Work Programme and training plan 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 2015/16

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. 4 changes have been made to the programme as follows:
 - The review of Contract Procedure Rules and the last Financial Regulation on Procurement has been postponed for the time being. The Council will be carrying out a Vanguard review of the whole Procure to Pay process in 2015/16. This will be used to inform any changes in policy that are warranted.
 - The review of Members Training and Development and Determination of Programme has been postponed to the next meeting.
 - The Head of Audits Annual report has been postponed to the next meeting to allow more of the 2014/15 plan to be finalised to inform the opinion contained.

TRAINING PLAN

4. Members have requested that a session on the Annual Governance Statement (AGS) is delivered in 2015/16. This is planned for September when the AGS is on the committee's agenda.

RISK ASSESSMENT

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

CONCLUSION

6. 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

Appendices:

[Appendix A](#) – Audit and Governance Committee Work Programme 2015/16 as at June 2016.

Enquiries:

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

WORK PROGRAMME FOR 2015/16

Committee Function and Report Subject		Frequency	Last Reviewed	June 2015	September 2015	November 2015	March 2016
COMMITTEE WORKING ARRANGEMENTS							
Review of Work Programme and training plan		Quarterly	2014-15	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							
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	2014-15		YES		
Member Training and Development	Review of Members Training and Development and Determination of Programme	Annual	2014-15	Postponed to Sept	Postponed from June		
GOVERNANCE FRAMEWORK							
Framework	Local Code of Corporate Governance	As needed	2012-13				
	Annual Governance Statement	Annual	2014-15		YES		
Key Policy	Review of Financial Regulations	3 yearly	2014-15	Postponed			
	Review of Contract Procedure Rules	3 yearly	2013-14	Postponed			
	Treasury Management Policy and Strategy	Annual	2014-15			YES- implementation	YES- Policy and indicators
Risk Management	Policy and Strategy	As needed	2012-13				
	Risk Management Progress Reports	6 monthly	2014-15		YES		YES
	Business Continuity	3 yearly	2014-15				
	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	As needed	2008-09			YES	
	Counter Fraud Progress	6 monthly	2014-15	Completed		YES	

Committee Function and Report Subject	Frequency	Last Reviewed	June 2015	September 2015	November 2015	March 2016
INTERNAL AUDIT ASSURANCE						
Internal Audit Strategy	3 yearly	2014-15				
Internal Audit Annual Plan	Annual	2014-15				YES
Quarterly Audit Reports	Quarterly	2014-15	Completed	YES	YES	YES
Head of Audit's Annual Opinion	Annual	2014-15	Postponed to Sept	Postponed from June		
EXTERNAL ASSURANCE						
Annual Plan and Fee	Annual	2014-15	Completed (2 reports)			
Annual Audit Letter	Annual	2014-15			YES	
Annual Certification Report	Annual	2014-15				YES
Specific reports from inspection agencies	As needed	2014-15 (RIPA)				
STATEMENT OF ACCOUNTS						
Statement of Accounts	Annual	2014-15		YES		
External Audit Annual Governance Report	Annual	2014-15		YES		
OTHER						
Updates on legal issues	As needed	2014-15				
Issues referred from the Chief Executive Officer, Directors and Other Council Bodies	As needed	None				
Number of Items			5	9	6	6