

**AGENDA**  
**AUDIT AND GOVERNANCE COMMITTEE**

**Date:** Monday, 27 June 2016

**Time:** 6.00 pm

**Venue:** Collingwood Room - Civic Offices

**Members:**

Councillor Miss T G Harper (Chairman)

Councillor P J Davies (Vice-Chairman)

Councillors F Birkett  
Mrs M Brady  
J E Butts  
Mrs T L Ellis  
S D Martin

**Deputies:** Mrs S M Bayford  
S Cunningham



**1. Apologies**

**2. Minutes (Pages 1 - 10)**

To confirm as a correct record the minutes of the Audit and Governance Committee meeting held on 13 March 2016 and of the Audit and Governance Standards Sub-Committee held on the 13 April 2016.

**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. Terms of Reference - Verbal Report**

To receive a verbal report from the Head of Finance & Audit on the Audit and Governance Committee's Terms of Reference as set out in the Councils constitution.

**7. Fraud & Corruption Sanctions and Redress Policy & Anti-Fraud Policy (Pages 11 - 36)**

To consider a report from the Director of Operations on a revised Counter Fraud Sanctions and Redress Policy.

**8. External Auditors Audit Plan 2015/16 and Fee 2016/17 (Pages 37 - 60)**

To consider a report by the Director of Finance and Resources on the External Auditors Annual Plan and Fee.

**9. Counter Fraud Progress (Pages 61 - 70)**

To consider a report by the Head of Finance and Audit on the Counter Fraud work carried out in the last 6 months.

**10. Head of Audits Annual Opinion 2015/16 (Pages 71 - 82)**

To consider a report by the Head of Finance and Audit on the Annual Internal Audit Opinion.

**11. Annual Governance Statement 2015/16 (Pages 83 - 110)**

To consider a report by the Head of Finance and Audit on the 2015/16 Annual Governance Statement.

**12. Quarterly Audit Reports (Pages 111 - 126)**

To consider a report by the Head of Finance and Audit on the internal audit work

completed in the last quarter.

**13. Audit and Governance Committee Work Programme** (Pages 127 - 132)

To consider a report by the Head of Finance and Audit on the Work Programme and Training Plan for the Audit and Governance Committee.

P GRIMWOOD  
Chief Executive Officer

[www.fareham.gov.uk](http://www.fareham.gov.uk)

17 June 2016

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# FAREHAM

BOROUGH COUNCIL

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

**Date:** Monday, 14 March 2016

**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, P W Whittle and  
C J Wood

**Also  
Present:**



**1. APOLOGIES**

There were no apologies for absence given at this meeting.

**2. MINUTES**

RESOLVED that the minutes of the Audit and Governance Committee held on the 23 November 2015 be confirmed and signed as a correct record.

**3. CHAIRMAN'S ANNOUNCEMENTS**

The Chairman welcomed to the meeting Kate Handy from Ernst & Young (External Auditors) and David Basson as the Council's Designated Independent Person.

**4. DECLARATIONS OF INTEREST AND DISCLOSURES OF ADVICE OR DIRECTIONS**

In accordance with the Standing Orders and the Council's Code of Conduct, Councillor P W Whittle, declared a non-pecuniary interest for minute item 7 – Annual Certification Report as he has contractual engagements with Ernst & Young through his job.

**5. DEPUTATIONS**

There were no deputations made at this meeting.

**MATTERS SUBMITTED FOR CONFIRMATION**

**6. ANNUAL AUDIT AND GOVERNANCE COMMITTEE REPORT, WORK PROGRAMME AND TRAINING PLAN**

The Committee considered a report by the Head of Finance and Audit which summarised the operation and work of the Committee in 2015/16 and proposed the Work Programme for 2016/17.

At the invitation of the Chairman, the Head of Finance and Audit addressed the Committee and asked them to note that in Appendix A there was a change to the report, stating that the 2016/17 External Audit Plan and Fee item would also be going to the March 2017 meeting.

RESOLVED that the Committee:-

- a) subject to the inclusion of the amendment above, approve the work programme for 2016/17, set out in appendix A to the report; and
- b) requests that the Council note the content of the report.

## **DECISIONS MADE UNDER DELEGATED POWERS**

### **7. ANNUAL CERTIFICATION REPORT**

The Committee considered a report by the Director of Finance and Resources on the annual certification work carried out by the External Auditors for 2014-15.

RESOLVED that the Committee note the information contained in the Annual Certification Report by the External Auditors for 2014-15.

### **8. TREASURY MANAGEMENT STRATEGY AND PRUDENTIAL INDICATORS 2016/17**

The Committee received a report by the Director of Finance and Resources on the Treasury Management Strategy and Prudential Indicators 2016/17.

RESOLVED that the Committee note the content of the report.

### **9. INTERNAL AUDIT ANNUAL PLAN 2016/17**

The Committee considered a report by the Head of Finance and Audit on the Internal Audit Annual Plan 2016/17.

Members asked for clarification on the Appendix A, page 45, with the work proposed under the title – ‘Effectiveness of Ethics related activities’. The Head of Finance and Audit confirmed to members that this title was taken from the Public Sector Internal Audit Standards and was part of a programme of work looking at the design, implementation and effectiveness of the Council’s arrangements to support ethical conduct amongst employees and member.

The Committee asked for it to be noted, that the Officers be complimented on a very informative report.

RESOLVED that the Internal Audit draft plan for 2016/17, be approved.

### **10. QUARTERLY INTERNAL AUDIT REPORT**

The Committee received a progress report from the Head of Finance and Audit on the work completed by the Internal Audit team.

Members raised questions about the Software Control audit in Appendix Three, which was being given a ‘Limited’ assurance opinion, and asked for this to be brought to the Committee again to monitor the progress on the implementation of the agreed actions.

RESOLVED that:-

- (a) a follow up to the software control audit be brought to the Committee in a future report; and
- (b) the Committee note the progress noted in the report.

(The meeting started at 6.00 pm  
and ended at 6.55 pm).



# FAREHAM

BOROUGH COUNCIL

## Minutes of the Audit and Governance Standards Sub- Committee

**(to be confirmed at the next meeting)**

**Date:** Wednesday, 13 April 2016

**Venue:** Collingwood Room - Civic Offices

**PRESENT:**

Councillor T G Knight (Chairman)  
Councillor Miss T Harper  
Councillor D J Norris

**ALSO PRESENT:**



## 1. CODE OF CONDUCT

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 Standards Sub Committee had been convened to consider an allegation of a breach of the Members' Code of Conduct against Councillor David Whittingham in the XX Department at the Civic Offices on Monday 21 March 2016.

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

The Chairman informed the panel that Councillor Whittingham had declined to attend the meeting and instead had submitted an email for consideration by the panel.

Councillor Miss T Harper declared a Personal Interest for this item as she has a family member working in the same department as the officers who had alleged that a breach of the Members Code of Conduct had occurred. Councillor Miss Harper confirmed that her family member had not been present in the office at the time of the alleged incident due to holiday and that the situation had not been discussed. Councillor Miss Harper remained present in the room and took full part in the debate and voted on the item.

The Chairman asked the Monitoring Officer to present his report. In presenting his report and investigation findings, the Monitoring Officer presented copies of an e-mail exchange between him and Councillor Whittingham in which the Councillor disputed the accuracy of the record of the investigatory meeting held between them. The Monitoring Officer provided clarification about what was discussed in the interview and referred to Councillor Whittingham's submitted e-mail as evidence.

The Monitoring Officer then answered clarification questions put to him about the allegation and the subsequent investigation by members of the Standards Sub Committee.

At the invitation of the Chairman, Officer A was called upon to outline the complaint raised about Councillor Whittingham's alleged conduct during his

visit to the XX department. Officer A then answered clarification questions put about the complaint. The Monitoring Officer also asked some clarification questions.

Officer A was thanked for attending and left the room and took no further part in the discussion.

At the invitation of the Chairman, Officer B was called upon to outline the complaint raised about Councillor Whittingham's alleged conduct during his visit to the XX department. Officer B then answered clarification questions put about the complaint. The Monitoring Officer also asked some clarification questions.

Officer B was thanked for attending and left the room and took no further part in the discussion.

At the invitation of the Chairman, Officer C was called upon to outline the complaint raised about Councillor Whittingham's alleged conduct during his visit to the XX department. Officer C then answered clarification questions put about the complaint. The Monitoring Officer also asked some clarification questions.

Officer C was thanked for attending and left the room and took no further part in the discussion.

The Chairman distributed copies of an email which had been submitted by Councillor Whittingham for the panel to consider.

The Designated Independent Person, Mr David Basson, was invited to give his views on the allegation.

There were further clarification questions about the allegation by Members of the Standards Sub Committee.

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

At this point, the Chairman adjourned the meeting to enable Members of the Standards Sub Committee to deliberate and reach a conclusion. The Monitoring Officer and Mr D Basson left the room and took no further part on the deliberation. The Solicitor to the Council and the Head of Democratic Services remained.

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

- (c) subject to the findings of (a) and (b) above, the Report including the Minute of the decision be no longer treated as exempt information and be open for public inspection.

During the debate on the item, the Standards Sub Committee expressed its disappointment in the conduct of Councillor Whittingham which fell far short of the usual high ethical standards displayed by both Elected Members and Officers of Fareham Borough Council. The Sub Committee also voiced its alarm at the racist nature of the incident.

Following deliberation of the Standards Sub Committee and consultation with Mr David Basson, the Council's Designated Independent Person, a motion was proposed and seconded to resolve that a breach of the code had taken place in respect of paragraphs 3.9, 3.13 and 3.14 of the adopted Code of Conduct and further that the appropriate actions would be to:

- formally censure Councillor D M Whittingham;
- request that he provide a full written apology to the officers who raised the complaint about his conduct;
- instruct the Monitoring Officer to arrange appropriate training for Councillor Whittingham;
- remove Councillor Whittingham's access permissions to the Civic Offices for a period of 2 months, with the exception of his requirement to attend formal Council or Committee meetings or where his attendance is required by Officers; and
- report the findings of the Standards Sub Committee to the Council by submitting the minutes of the meeting for noting.

These actions are in accordance with paragraphs 8.1.2, 8.1.3, 8.1.6 and 8.1.8 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, save for the names of individuals involved.

Having been duly seconded, the motion was declared CARRIED.

RESOLVED that:

- (a) a breach of the Members' Code of Conduct at paragraphs 3.9, 3.13 and 3.13 had taken place;

(b) the following sanctions be applied:

- i. Councillor D M Whittingham would receive a letter of censure from the Standards Sub Committee Chairman;
- ii. Councillor D M Whittingham be requested to provide a full written apology to the officers who raised the complaint about his conduct;
- iii. the Monitoring Officer be instructed to arrange appropriate training for Councillor D M Whittingham;

- iv. the removal of Councillor D M Whittingham's access permissions to the Civic Offices for a period of 2 months, with the exception of his requirement to attend formal Council or Committee meetings or where his attendance is required by Officers; and
  - v. the Standards Sub Committee report its findings to the Council by submitting the minutes of the meeting for noting; and
- (c) the report, including the minute of the decision be no longer treated as exempt information and be open for public inspection, save for individuals' names.

(The meeting started at 6pm  
and ended at 7.35pm).



# FAREHAM

## BOROUGH COUNCIL

### **Report to Audit and Governance Committee**

Date: **27 June 2016**

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

Subject: **FRAUD & CORRUPTION SANCTIONS AND REDRESS POLICY  
& ANTI-FRAUD POLICY**

#### **SUMMARY**

This report presents 2 revised policies for approval which cover how the Council prevents, detects and investigates fraud or corruption and what action should be taken where an investigation has supported a suspicion of internal or external theft, fraud and corruption or ICT abuse. These revised policies include areas, for example Housing Fraud and Council Tax, not previously identified in other sanction policies and also incorporate the details of investigating and sanctions and redress actions of Council Tax Support that was previously included in the now untenable Benefits Anti-Fraud Policy.

#### **RECOMMENDATION**

That the revised policies as attached as Appendix A and Appendix B are approved and added to the Counter Fraud Framework.

## **INTRODUCTION**

1. The Council has a robust Corporate Anti-Fraud and Corruption Policy which sets out the Council's Corporate Counter Fraud culture and structures and methods of preventing, detecting and deterring fraud. This policy is supplemented by a separate Sanctions and Redress policy which sets what action would be taken for cases of confirmed fraud and corruption.
2. The Benefits Section also had its own robust Anti-fraud policy, which deals with the prevention and detection of fraud within Housing Benefit, Council Tax Benefit and from 1 April 2013, Council Tax Support, the replacement local scheme of help with Council Tax. This policy also outlined the sanctions and redress from such investigations.
3. However, from 1 October 2014 the investigation of Housing Benefit fraud transferred to the Department for Work & Pensions and local authorities no longer have the legislative powers to investigate reports of Housing Benefit fraud. The Benefits Anti-Fraud Policy is therefore no longer relevant.
4. Since December 2014 the Council has recruited an Investigations Officer, who sits within the Housing, Revenues & Benefits teams to investigate all cases of Council Tax fraud (including Council Tax Support), Business Rates and Housing. Investigations for Housing fraud and Council Tax fraud have therefore increased, with focus on various elements of Housing fraud such as Right to Buy and illegal subletting.
5. This report therefore brings a combined "Fraud and Corruption - Sanction and Redress Policy" and revised "Anti-Fraud & Corruption Policy" to members for approval which now covers all fraud in the Council.

## **CHANGES IN THE SANCTION AND REDRESS POLICY**

6. The Corporate Fraud Sanction and Redress Policy has been renamed as the Fraud and Corruption Sanction and Redress Policy and re-branded in line with the current Anti-Fraud & Corruption Policy.
7. Section 1 Introduction - The Sanction and Redress Policy now includes reference to it fulfilling its statutory duty under Section 151 of the Local Government Act 1972 which requires appropriate management of its financial affairs by the prevention, detection and deterrence of fraud against the Council.
8. Section 1 Introduction - Reference to the Benefits Anti-Fraud Policy has been removed as a separate policy that exists. Section 4 informing of the Assessments Sub Committee of the Council's Standards Committee for the Breach of the code of conduct for members has been removed and replaced in Section 1 with reference to the Member Misconduct Complaints Procedure.
9. Section 2 Sanctions – The list of legislation used to identify offences has been moved into this section from Section 5. The list has also been updated to include legislation used to investigate Council Tax offences, Council Tax Support offences and Housing offences.



10. Section 2 Sanctions – The list has been amended to include criminal sanctions that are used for Council Tax Support offences, civil action that includes the recovery of property when dealing with Housing offences and civil penalties that are used for Council Tax and Business Rates administration and Council Tax Support offences.
11. Section 4 Criminal Prosecution – This section has been updated to take account of current procedures. The Investigations Steering Group has been renamed as an Investigations Panel, with the view that any senior manager can be called to sit on the Panel depending on the nature of the investigation and the lead investigator. The Solicitor to the Council has been replaced with the term 'the Legal Team'. The monetary threshold of £1,000 below which prosecution action is less likely to occur has been increased to £2,000, in line with the limit that had previously been used for Housing Benefit fraud and is currently used for Council Tax Support fraud.
12. Section 5 Cautions & Administrative Penalties – This section has been introduced from the Benefits Anti-Fraud Policy.
13. Section 6 Civil Actions – This section has been introduced to include reference to obtaining Council properties in cases of Housing fraud and also details the £70 civil penalties that can be given for Council Tax administration and Council Tax Support offences where a criminal sanction is not appropriate. There is also reference to the collection of underpaid Council Tax liability or overpaid Council Tax support as part of redress.

#### **CHANGES IN THE ANTI-FRAUD AND CORRUPTION POLICY**

14. Foreword - The cost of fraud to local government has been amended to the 2016 Annual Fraud Indicator (£7.3 billion a year)
15. Section 2 Introduction – Reference is made to the Council's statutory duty to "*prevent, detect and deter*" fraud.
16. Section 5.3 Key structure and roles – Head of Audit is replaced by Head of Finance and Audit. The Benefit Fraud Investigators have been replaced with an Investigations Team showing their role and responsibilities
17. Section 5.4 External Liaison – CIPFA Counter Fraud Centre, TEICCAF (The European Institute for Combatting Corruption and Fraud) and the Centre for Counter Fraud Studies (CCFS) have been added into the list.
18. Section 8.1 Whistle-blowing – Reference is made to the Council's Code of Practice for Confidential Reporting.
19. Section 8.2 Referrals from the Public – More reporting channels have been introduced such as the smartphone App.
20. Section 8.3 Data Matching – Monthly data matching and Real Time Information (RTI) files from the Department for Work & Pensions for the administration of Council Tax Support have been included in this section.
21. Section 11 Redress – Possession orders for obtaining Council properties have been included in this section. Reference to the Council employing an Accredited Financial Investigator has been replaced with a partnership agreement with Portsmouth City Council.

22. Section 12 Training and Awareness – Reference has been made that relevant specific training in investigations ensures that officers are receiving continuous professional development which compliment their accreditation.

## **CONCLUSION**

23. The revised Sanction and Redress Policy will allow the Council to demonstrate that it is applying sanctions and redress for fraud and corruption across all services in a fair and consistent way which meets the requirements of the Council's Corporate Equality Policy and the Human Rights Act 1998.

### **Appendices:**

[Appendix A](#) – Proposed Fraud and Corruption Sanction and Redress Policy (Separate attachment)

[Appendix B](#) – Proposed Anti-Fraud & Corruption Policy (Separate attachment)

**Background Papers:** None

### **Reference Papers:**

Benefits Anti-Fraud Policy 2013

Anti-Fraud & Corruption Policy 2013

Corporate Fraud Sanction and Redress Policy 2009

### **Enquiries:**

For further information on this report please contact Andrea Kingston (Ext 4618).



**Fraud and Corruption  
Sanction and Redress  
Policy**

**June 2016**

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# 1. INTRODUCTION

Members and employees are expected to act with honesty and integrity and not to take advantage of any situation for personal gain for themselves or acquaintances. Residents, partners, other members of the public, suppliers and contractors are also expected to act with integrity in their business with the Council and not to behave dishonestly to the detriment of the Council.

Local authorities have a statutory duty under Section 151 of the Local Government Act 1972 to make arrangements for the proper administration of their financial affairs. This statutory duty includes the prevention, detection and deterrence of fraud against the Council. The arrangements the Council have in place are set out in our [Anti-Fraud and Corruption Policy](#).

When fraud has occurred the Council will seek to apply appropriate sanctions to punish those responsible as deterrence to future dishonest acts against the Council and also to maximise the recovery of the Council funds and assets that have been defrauded (redress).

This policy sets out the procedure that the Council will follow when an investigation supports the suspicion that fraudulent or corrupt activity has occurred which could lead to such action being taken.

Its purpose is to provide a fair, reasonable, consistent and efficient approach which takes into consideration the Council's Corporate Equality Policy and the Human Rights Act 1998; in particular Article 6 - the right to a fair trial.

It covers acts of theft, fraud, corruption, non-compliance and ICT abuse committed against the Council by its employees, members of the public or other organisations or their employees.

Separate policies covering other occasions where sanction and/or redress action may be considered are as follows:

- [Collection and Recovery Policy](#) – specifically for cases of failure to pay debts owed to the Council.
- [Regulatory Services Enforcement Policy](#) - for enforcement of legislation into food safety, occupational safety, environmental protection, noise control, private sector housing, animal welfare, licensing and antisocial activities.
- [Parking Enforcement Policy](#) - for enforcement of on street and off street parking restrictions.
- [Member Misconduct Complaints Procedure](#) – for cases where there is a conclusion that a member had failed to comply with the Code of Conduct.

## 2. SANCTION OPTIONS

It is the Council's policy that it will consider the full range of available sanctions and redress options throughout an investigation into a suspicion of fraud and corruption.

Offences identified may come from legislation or internal policies. Examples are:

<p>Council Tax Reduction Schemes (Detection of Fraud &amp; Enforcement) (England) Regulations 2013</p> <p>Local Government Finance Act</p> <p>The Prevention of Social Housing Fraud Act 2013</p> <p>Housing Act 1985</p> <p>The Fraud Act 2006</p> <p>The Theft Act 1986</p> <p>The Bribery Act 2010</p> <p>Proceeds of Crime Act 2002</p> <p>Forgery &amp; Counterfeiting Act 1981</p> <p>Computer Misuse Act 1990</p> <p>Codes of conduct for employees and members</p> <p>Departmental Health &amp; Safety policy</p> <p>Financial Regulations &amp; Standing Orders</p>
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The main sanction and redress options available are:

<p>Internal disciplinary Action (Employees)</p> <p>Civil Action to recover property, money, interests and costs</p> <p>Criminal Sanction (such as Formal Caution)</p> <p>Criminal Prosecution in Magistrates or Crown Court</p>	<p>Civil Penalties (Fine)</p> <p>Regulatory Body Disciplinary Action</p> <p>Application for a Compensation or Confiscation Order</p>
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The options are not mutually exclusive and can proceed in parallel. However, the relevance to the case will depend on the nature of the fraud and the perpetrator.

The burden of proof for the actions is different, ranging from the [balance of probabilities](#) for internal disciplinary cases and civil cases and [beyond reasonable doubt](#) for criminal sanction and prosecution.

Each case should therefore be considered individually and on its own merit and in accordance with the legislation that is applicable. In most cases the lead investigator will make a recommendation of the course of action to be considered. Before making a decision on the recommendation or deciding the appropriate course of action the Investigation Panel should consider the following:

- Legislation to be used
- Degree of criminality
- Nature of the offence
- Monetary loss and timing of the loss
- Quality of Evidence
- Denial or Admission
- Mitigating Circumstances
- Public Interest

The panel should formally record the sanction(s) that have been agreed as a result of the assessment.

### **3. DISCIPLINARY ACTION**

Any proposed disciplinary action to be taken against EMPLOYEES should be referred to Personnel services who will carry it out in accordance with the Council's [Disciplinary Code of Practice](#).

Any proposed disciplinary action to be taken by internal or external perpetrators using their professional or REGULATORY BODY should be referred to the appropriate body in accordance with their procedures.

### **4. CRIMINAL PROSECUTION**

If an act of fraud is considered too serious for disciplinary action or civil sanction then a criminal sanction or prosecution must be considered in line with the relevant legislation.

Offences of corruption are currently contrary to the Prevention of Corruption Acts 1906 and 1916. It should be noted that only the Crown Prosecution Service can prosecute these offences.

In some cases, if it appears that fraud has resulted in the commission of an offence, the matter may be reported to the police who may then refer the case to the Crown Prosecution Service. The case may be passed back to the Council to pursue its own prosecution using the evidence obtained by the police.

In other cases, the Council will prepare its own prosecution file in a standard similar to the Crown Prosecution Service and pass this to its Legal Services.

A decision to prosecute should not automatically prevent other sanctions being pursued. However, due consideration should be given to the impact of one upon the other.

Where the police have decided not to bring a prosecution, the matter should be referred to the Investigation Panel for further consideration. If the panel recommends that a sanction of prosecution is followed, this proposal then must be accepted by the Council's Legal team.

### **Things to consider before approving a case for Prosecution**

Any decision should be fair, independent and objective and they should not let any personal views about race, gender, disability, age, religious beliefs, political views or sexual orientation of either the perpetrator(s) or the witnesses to influence the decision.

In order to approve a case for prosecution of those accused of committing theft, fraud, corruption or ICT abuse against the Council, the Investigation Panel and Legal Team must be satisfied that the following two tests are passed:

- **the EVIDENTIAL TEST**
- **the PUBLIC INTEREST TEST**

The **Evidential Test** is based on the likelihood that a conviction will be secured. The burden of proof is "**beyond reasonable doubt**" and the evidence collected must be assessed in relation to this and be admissible in a court of law. This will involve reviewing:

- the evidence that the correct person is being accused;
- the evidence that the correct offences are being alleged and all parts of the offence can be proven;
- the reliability of the information sources and the ability to reproduce them in a court;
- the strength of the unused evidence that does not support the accusation;
- the strength of any defence given by the perpetrator;
- compliance with codes of practice in the way the investigation was conducted.

The **Public Interest Test** is based on the benefit there will be to the Council and the public by pursuing a prosecution.



The Council will be *more likely* to prosecute if:

The offence was deliberate and planned and not caused by a genuine mistake or misunderstanding;

The offence was on-going for a period of time and was unlikely to have stopped had the investigation not taken place;

A similar previous offence had been committed by the perpetrator;

There is evidence of collusion and/or the perpetrator is the ring leader or organiser of the offence;

The perpetrator was in a position of trust or the offence constitutes an abuse of position.

Circumstances which may make the option of prosecution *less likely* are:

The loss to the Council was under **£2,000**;

The perpetrator was co-operative during the investigation and has tried to right the loss or harm caused;

Mitigating circumstances of the perpetrator e.g. ill health or age

There was a significant delay in the prosecution being brought due to undue delay in the investigation;

There is the potential of considerable adverse publicity against the Council if a prosecution is sought.

It should be noted that these lists are not exhaustive.

## 5. CAUTIONS & ADMINISTRATIVE PENALTIES

There are occasions where fraud has been committed but prosecution is not the first course of action to be considered. This may be due to factors such as it being a first time offence, or it would be more detrimental to that person receiving a criminal record if the overpaid Council Tax Support is marginally larger than the prosecution limit of £2,000

For cases of Council Tax Support, an alternative to prosecution may be given in the form of a formal caution or administrative penalty.

A formal caution is an oral warning given only in specific circumstances. There has to be sufficient evidence to justify instituting criminal proceedings and the offence has to be admitted during an interview under caution.

However, if no admittance is given then an administrative penalty may be given as an alternative to prosecution. Again, there must be sufficient evidence to justify instituting criminal proceedings and the perpetrator must sign acceptance of the penalty as an alternative to prosecution. The amount

of the penalty is 50% of the amount of overpaid Council Tax Support, subject to a minimum of £100 and a maximum amount of £1,000.

If neither of these sanctions are accepted by the perpetrator, the Council will then proceed with prosecution.

## 6. CIVIL ACTIONS

In cases involving Council housing such as an illegal subletting of a Council property, a Notice to Quit and Notice Seeking Possession is generally sought from the County Court. Prosecution may be considered alongside civil action in serious cases.

Civil penalties may be given in the administration of Council Tax and Council Tax Support. In some circumstances a discount or exemption may be awarded to a Council Tax payer which reduces the amount of Council Tax payable. Failure to notify the Council in a timely manner of a change in circumstances which affects the discount or exemption will result in the award of a £70 penalty which is given under Schedule 3 of the Local Government Finance Act.

Where this failure to notify affects Council Tax Support but the overpayment is not suitable for criminal sanction, a £70 penalty may be given as an alternative sanction under the Council Tax Reduction Schemes (Detection of Fraud & Enforcement)(England) Regulations 2013.

## 7. REDRESS OPTIONS

Redress is defined as the recovery or attempted recovery of assets lost or defrauded. This includes financial recompense for the fraud. Where possible the Council would expect to follow cases through to this point to minimise the impact of the losses incurred and the cost of the investigation on the Council.

### Redress options via Court

Redress options will need to be considered alongside the sanction action to be taken. There are criminal ([compensation order](#)) and civil ([penalty, possession order or substantive claim](#)) options available to pursue redress although only one route should be pursued per case. Each case will need to be considered on its merits. However, the civil route is generally considered the most effective way to secure recovery for the Council.

Action may need to be initiated before an investigation is completed to secure the assets against which a claim will be made, if it is considered that there is a risk that they may be dissipated.

There are both criminal ([restraint and confiscation order](#)) and civil ([possession orders, freezing orders, asset disclosures and tracing injunction](#)) options to secure assets. The speed with which assets are restrained can determine what will be available to satisfy a civil judgement or compensation order and needs to be considered in relation to which route is used.

Civil “search” orders can also be used to preserve evidence and property if there is a real likelihood that the material will disappear.

Before any applications are made to a court to take one of the criminal or civil options outlined in the summary table, legal advice must be sought and approval must be obtained from the Legal Team.

### **Recovery from Council Tax Bills**

Any Council Tax discount, exemption or Council Tax Support that has been overpaid will be billed and collected in accordance with the Council’s [Collection & Recovery Policy](#).

## **8. OTHER ACTION OPTIONS**

If criminal proceedings have failed or have not been possible to complete, consideration can be given to referring a case to the National Crime Agency to instigate civil proceedings for recovery where it is in the public interest. However, the recoverable property must have been identified and have an estimated value of over £10,000.

If no other redress action is possible consideration should be given to pursuing recovery through:

- [an Insurance Claim \(under fidelity guarantee for employees, or money cover for external perpetrators\).](#)
- [recovery of Council pension if the perpetrator is an employee.](#)

Where a defendant fails to pay a debt due back to the Council following a judgement in our favour further action can be taken to recover the loss by applying for a judgement order for any of the following:

- [Attachment of Earnings.](#)
- [Garnishee Order - recovery from an amount of credit due to the debtor by third parties e.g. bank account, insurance policies.](#)
- [Charging Order - Charge placed on a property which is paid to the Council if the property is sold.](#)

## **9. PUBLICITY**

The Council will seek to publicise successful prosecutions and dismissals for fraud as a deterrent to others.

Publicity will include declaring the recovery of any assets awarded against the perpetrator.



## **ANTI-FRAUD AND CORRUPTION POLICY**

### **1. Foreword**

Fareham Borough Council is committed to protecting the public funds entrusted to us and to upholding the highest standards of financial probity and accountability. The cost of fraud to local government has recently been estimated at £7.3 billion a year (Annual Fraud Indicator 2016). This is money that could be used for local services.

This Anti-Fraud and Corruption Policy details the arrangements at this Council for managing the risk of fraud and corruption and has our full support.

We are committed to reducing losses from fraud by using an integrated approach which uses prevention, deterrence, detection and investigation. We will pursue those responsible and seek to recover any losses, referring matters to the police and using the courts where appropriate.



We cannot afford to be complacent and we urge all our members, employees, contractors and partners to assist us in fighting fraud by having regard to this policy and the risks of fraud when carrying out their duties, recognising that, if uncontrolled, fraud diverts much needed resources from our communities.

*Seán Woodward*

Councillor Seán D.T. Woodward  
Executive Leader

*P Grimwood*

Peter K. Grimwood  
Chief Executive Officer

## 2. Introduction

This policy sets out the approach that the Council uses to manage the risk of fraud and corruption and minimise the losses incurred.

Maintenance of this policy supports the Council's corporate objective to be *"a dynamic, prudent, progressive and best practice Council"* and is one of the measures in place to address the Corporate Risk that *"we have inadequate Governance and Systems of Control"*. It also supports the Council's statutory duty to *"prevent, detect and deter"* fraud in properly administering its financial affairs. The required outcome is that we have *"confidence that the Council is effective in countering fraud and corruption"*.

## 3. Definitions

This policy is designed to cover the risks associated with theft, fraud, corruption, bribery and ICT abuse, whether they are perpetrated by employees, councillors, FBC residents, visitors, contractors, suppliers or individuals and organisations unconnected with the Council.

For the purpose of this policy the following definitions are used:

<p style="text-align: center;"><b>Fraud</b></p> <p><i>"the intentional distortion of financial statements or other records by persons internal or external to the Authority which is carried out to conceal the misappropriation of assets or otherwise for gain"</i>.</p> <p>The Fraud Act 2006 describes 3 methods of committing fraud:</p> <p><i>Fraud by misrepresentation.</i>  <i>Fraud by failing to disclose information.</i>  <i>Fraud by abuse of position.</i></p>	<p style="text-align: center;"><b>Corruption</b></p> <p><i>"the offering, giving, soliciting or acceptance of any inducement or reward which may improperly influence the action of any person"</i>.</p>
	<p style="text-align: center;"><b>Theft</b></p> <p><i>"appropriating property belonging to another with the intention of permanently depriving the other of it"</i>.</p>
	<p style="text-align: center;"><b>Bribery</b></p> <p><i>"an inducement or reward offered, promised or provided to gain personal, commercial, regulatory or contractual advantage"</i></p>

There is no definition of ICT fraud and abuse but the Audit Commission devised the following list to determine the different acts that it covers:

Type of ICT Fraud or Abuse	Ways Committed
<b>Business Disruption</b>	<i>Virus infections / denial of service</i> <i>Hacking</i> <i>Sabotage</i>
<b>Reputational Damage</b>	<i>Accessing inappropriate material</i> <i>Invasion of privacy</i> <i>Using unlicensed software</i>
<b>Financial Loss</b>	<i>Unauthorised alteration of input</i> <i>Destroying, stealing or suppressing output</i> <i>Making unapproved changes to stored information</i> <i>Amending or misusing programs</i> <i>Using ICT facilities for private work</i> <i>Theft of information</i>

## 4. Our Counter Fraud Strategy

The Council's Counter Fraud Strategy is to take an integrated approach to dealing with internal and external fraud and corruption, with the emphasis on prevention wherever possible.

However, any measures put in place to reduce losses will be balanced with their impact on the cost of service provision and on the service experience for the majority of law abiding customers.

Risk Assessments will be carried out on the top fraud risks to the Council to identify any actions needed to strengthen our arrangements in proportion to the risk we face. A separate [Anti-Bribery Policy](#) is maintained in response to the Bribery Act 2010.

## 5. Culture and Structures

### 5.1 Propriety

The Council is committed to sound corporate governance and supports the “Nolan 7 Principles of Public Life” covering: Selflessness, Integrity, Objectivity, Accountability, Openness, Honesty and Leadership. It also seeks to create an environment that prevents and detects fraud and corruption in all its work.



#### Employees are expected to:

- **act with integrity, honesty and propriety in all their dealings as a Council representative and lead by example;**
- **carry out their duties to the best of their ability for the benefit of the Council and not to take advantage of any situation for personal gain, for themselves, members of their family or friends;**
- **take the risk of both internal and external fraud seriously and to follow systems and procedures designed to prevent or detect fraudulent activity;**
- **secure all passwords, information, documents, money, equipment etc. in their control which can be stolen or used to perpetrate fraud.**

Further guidance on propriety is available in the [Employee Code of Conduct and Disciplinary Rules and Procedure](#) and in [Financial Regulation Support Document 18 – Probity and Propriety](#).

Most professional bodies issue their own rules or policies on ethics and standards and employees also have a professional obligation to familiarise themselves and adhere to these. The Council will support all employees in their observance of such rules and policies.

Residents, other members of the public, suppliers and contractors will be expected to act with integrity in their business with the Council and not to behave dishonestly to the detriment of the Council.

## 5.2 Members Conduct

Both elected and non-elected members are required to sign that they will observe the [Code of Conduct for Members](#) adopted by the Council which sets out what members must observe in carrying out their duties as councillors, as a representative of the Council and in conducting the business of the Council.

## 5.3 Key Structures and Roles

[Appendix A](#) shows the main policies and procedures that support the Council's Anti-Fraud and Corruption Framework. This policy also recognises the following structures and roles:

Group or Individual	Role and Responsibility
<b>Audit and Governance Committee</b>	The Council has an Audit and Governance Committee to review the policies and measures in place to prevent fraud and corruption. This is a non-executive Committee reporting directly to Full Council.
<b>Section 151 Officer</b>	The Council has appointed an officer with the statutory responsibility, under Section 151 of the Local Government Act 1972, " <i>to ensure the proper arrangements of the Council's financial affairs</i> ". In addition, the Chartered Institute of Public Finance and Accountancy's Statement on the role of the Chief Financial Officer lists one of the core responsibilities as " <i>implementing appropriate measures to prevent and detect fraud and corruption</i> ".
<b>Monitoring Officer</b>	The Council has appointed an officer with the statutory responsibilities under Section 5 of the Local Government and Housing Act 1989 to ensure that all decisions made by the Council are within the law. The post holder also promotes high standards of conduct by members and employees throughout the Council.
<b>Head of Finance and Audit</b>	The Council has appointed an officer with the duty to monitor instances of financial irregularities within the Council and report as necessary to the Audit and Governance Committee and external auditors. The post holder also ensures that an appropriate investigation is carried out.
<b>Corporate Counter Fraud Team</b>	The Council has set up a corporate counter fraud team to carry out a programme of work aimed at maintaining and strengthening the counter fraud framework. They also lead on investigations carried out under the Irregularity Response Plan. In addition they check that actions required as a consequence of an investigation are implemented.
<b>Internal Audit</b>	The Council maintains an internal audit team who carry out reviews of the adequacy of controls in systems to prevent fraud, amongst other risks, and report on control weaknesses found. They also test aspects of the corporate governance arrangements that are being relied on to prevent and detect fraud.
<b>Investigations Team</b>	The Council has a dedicated investigations officer to investigate suspicions of fraud relating to Council Tax, Business Rates and Housing. The investigations officer and line manager have "Authorised Officer" powers, able to use additional investigative powers in accordance with The Council Tax Reduction Schemes (Detection of Fraud and Enforcement)(England) Regulationjs 2013 and The Prevention of Social Housing Fraud Act 2013 .
<b>External Audit</b>	Part of the External Auditor's statutory duties is to ensure that the Council has adequate arrangements in place for the prevention and detection of fraud and corruption. Complaints of fraud and corruption can be taken directly to them.



## **5.4 External Liaison**

Arrangements will be maintained to encourage the exchange of information on national and local fraud and corruption activity and arrangements with external organisations including:

- the Police;
- other councils and housing associations;
- partner organisations to the Council;
- the External Auditor;
- the Local Government Ombudsman;
- the Department for Work and Pensions (DWP);
- the Cabinet Office;
- the National Anti-Fraud Network (NAFN);
- the CIPFA Counter Fraud Centre;
- the European Institute of Combatting Corruption & Fraud (TEICCAF);
- the Centre for Counter Fraud Studies (CCFS);
- and, the Local Authority Investigation Officers Group (LAIOG).

The Council will also support local forums where matters of anti-fraud and corruption are discussed. These include:

- the Hampshire Chief Financial Officers Group;
- the Hampshire Fraud Group;
- the Hampshire Tenancy Fraud Forum.

## **6. Deterrence**

### **6.1 Strong Response**

Our deterrence arrangements will include a clear framework of procedures and responsibilities which make fraud and corruption hard to perpetrate and which will be likely to disclose fraud and corruption at the earliest opportunity.

Sufficient professional resources will be maintained for investigations into irregularities and allegations received.

For some cases the police may be informed in cases where a criminal offence may have been committed and the Council will prosecute offenders where it is in our interest to do so. We will also take actions to maximise the recovery of any losses incurred. The existence of such a competent response should give a strong warning to any person contemplating acting dishonestly against the best interests of this Council.

### **6.2 Publicity**

In addition, the Council will maintain a strong message of intolerance to acts of fraud and corruption and will seek to publicise to the public, members and employees local or national cases which highlight the consequences of committing fraud.

## 7. Prevention

### 7.1 Internal Control Systems

Appropriate policies and procedures will be maintained to ensure that internal controls designed to prevent or detect fraud and corruptions are built into the Council's systems of operation. Key council policies are listed in [Appendix A](#).

All employees shall be made aware of and be expected to adhere to any internal control system designed to prevent or detect fraud and corruption. The Council's ongoing training and development programme should regularly cover internal control systems relevant to the employee's responsibilities.



**All employees are required to bring any concerns they have on the adequacy of control measures to the attention of their line manager.**

### 7.2 Employee Screening

The Council recognises that a key preventative measure is to take effective steps at the recruitment stage to establish, as far as possible, the honesty and integrity of potential employees, whether permanent, temporary or casual.

The Council has a [Recruitment & Selection Policy](#), will contains appropriate safeguards such as taking up written references and verifying qualifications held.

Criminal records will be taken into account where the conviction is relevant. After starting at the council, employees are required to bring to their manager's attention any new criminal convictions.

### 7.3 Interests, Gifts and Hospitality

As part of the induction process, relevant employee interests will be ascertained and registered in accordance with the [Employee Guidelines on Gifts, Hospitality, Conflicts of Interest and undertaking second jobs](#). Gifts and Hospitality can only be accepted in accordance with these guidelines. Employees are required to register any subsequent interests or Gifts and Hospitality offered and/or accepted.

The registration process produces an annual reminder to the manager to take appropriate action to manage any conflicts of interest that arise in the operation of their service.

[The Code of Conduct for Members](#) sets out the requirements for members in relation to registration and disclosure of pecuniary and personal interests.

### 7.4 Fraud Warnings

The Corporate Counter Fraud Team will be the focal point for any fraud warnings on potential external threats or attacks that have occurred in other organisations and will take appropriate action to identify or prevent similar incidents occurring at this Council. This includes processing the Intelligence Bulletins published by the **National Anti Fraud Network**.

A log of any companies associated with these threats will be maintained which should be checked before any new suppliers are set up on our payments system.

## 7.5 Money Laundering

The Council has adopted an [Anti-Money Laundering Policy](#) in response to the Money Laundering Regulations 2007. It has established procedures and a designated Money Laundering Officer (MLRO) to enable the formal reporting and checking of transactions which may indicate Money Laundering.

## 8. Detection

Appropriate systems of internal control will be built into procedures in order to detect fraud and corruption. The following specific systems of fraud detection will also be used.

### 8.1 Whistle-Blowing

The Council encourages any individual to raise, with the appropriate officer, genuine worries regarding the integrity of anyone acting on behalf of, or in business with, the Council. It has adopted a [Code of Practice on Confidential Reporting](#) (a.k.a. the “Whistle-Blowing Policy”) which allows concerns to be raised in the certainty that they will be properly investigated in a confidential manner. The Code also seeks to reassure individuals that they will be protected from possible reprisals if they make disclosures in good faith.



**It is the duty of all individuals to report a suspicion of financial irregularity to their Manager, the "Nominated Audit Manager" or the Statutory Chief Finance Officer. Such disclosures will be treated in accordance with the Council's Code of Practice for Confidential Reporting.** [Financial Regulation 10.4.2](#)

Contractors with the Council are also encouraged to raise genuine concerns as part of their contract terms and conditions.

### 8.2 Referrals from the Public

Members of the public are encouraged to report genuine concerns through the designated **Report-IT** channels. Examples are dedicated on-line forms, email addresses, a smartphone App and the **Fraud Hotline 01329 824667**. Members of the public can also report fraud whilst contacting the Council either by phone or in person for other reasons and systems are built in place to ensure all reports fraud are recorded and acted on.

The Council also has a [Corporate Complaints Policy](#) through which complaints can be made on a wide range of subjects. These can reveal suspicions of dishonesty. Alternatively the complaints may be taken directly to the independent **Local Government Ombudsman**.

The Council has also established a [Member Misconduct Complaints Procedure](#) which allows possible breaches of the Council's Code of Conduct for Members to be reported to the Monitoring Officer.

### 8.3 Data Matching

The Council will undertake data matching exercises as it sees as appropriate for the purposes of identifying and reducing fraud and corruption.

Monthly data matching files and Real Time Information (RTI) are received from the DWP and the information used to identify any incorrectness of a Housing Benefit or Council Tax Support claim.

The Council also takes an active part in the **National Fraud Initiative** as organised by the Cabinet Office. This involves submitting data we hold in various departments of the Council for matching to that held by other organisations and following up promptly any matches received back.

### 8.4 Probity Audits

Probity audits will be included in the Internal Audit Plan, as time allows, aimed specifically at identifying irregularities or providing assurance that they do not exist.

## 9. Investigation

The Council will maintain an *Irregularity Response Plan* detailing how allegations of fraud and irregularity will be managed and investigated.

Report of incidents involving employees will be dealt with in accordance with the *Employee Disciplinary Rules and Procedures*. Reports of incidents involving elected members will be passed to the Monitoring Officer to be dealt with in accordance with the *Members Misconduct Complaints Procedure*.

The procedures seek to ensure that:

- there is consistent treatment of fraud and corruption issues;
- a proper investigation is carried out by suitably qualified officers;
- the Authority's and Community's interests are best served.

Investigating officers are required to ensure that investigations are objective, fair and complete and that they comply with the relevant statutory provisions and internal procedures including *The Regulation of Investigatory Powers Act 2000 (RIPA) – Corporate Policy & Procedure*.

Where criminal activity is suspected the investigators may notify the police and seek their advice. Any internal investigations will continue to be progressed alongside supporting the Police in their investigation.



**The Council expects the fullest co-operation from all members and officers who are called upon to assist with an investigation into suspected fraud and corruption.**

## 10. Sanctions

When an investigation's findings supports the suspicion that fraudulent or corrupt activity has occurred, action will be taken in accordance with the *Fraud and Corruption Sanctions and Redress Policy*, which requires all types of sanctions – disciplinary, civil and criminal – to be considered.

Any disciplinary action against **employees** will be taken in accordance with the Council's *Employee Disciplinary Rules and Procedures*. For **elected members**, sanctions used for breaches of the Members Code of Conduct will be taken in accordance with the *Members Misconduct Complaints Procedure*.

Where fraud or impropriety has been perpetrated by organisations/ individuals with whom the Council has a contractual relationship the Council will take action, including where appropriate, terminating the contract, publicising findings and civil recovery proceedings.

## 11. Redress

The Council will seek to recover any losses fraudulently obtained from it and where necessary the costs incurred in doing so.

We will consider all means available to recover these amounts including possession orders, compensation claims, civil litigation, making an application for recovery from an employee's pension fund and general debt recovery.

The Council will also maintain access to an Accredited Financial Investigator under a partnership agreement with Portsmouth City Council to be able to use the investigatory powers available under the Proceeds of Crime Act and the use of restraint and confiscation orders.

Other forms of redress to recover losses, (such as making a claim against our insurance cover) or to prevent further fraudulent activity by the perpetrator, (such as notifying their professional body); will also be used wherever appropriate.

## 12. Training and Awareness

The Council recognises that the success of the Anti-Fraud and Corruption Policy will depend largely on the effectiveness of members and employees throughout the organisation.

To facilitate this, appropriate provision will be made through induction, fraud awareness training and refresher training and communications. Training on specific fraud topics will also be provided to those members and employees most likely to encounter that type of fraud.

Officers involved in investigatory work will be provided with relevant specific training that meets their needs and allows for continuous professional development.



**Managers should ensure that staff are adequately trained to carry out their duties and are aware of how to comply with the Council's policies. An anti-fraud and corruption briefing sheet is attached to the Council's induction checklist and is required to be read by all new employees.**

### 13. Monitoring Arrangements

The Nominated Director with responsibility for Counter Fraud and the will report to the Chief Executive's Assurance Group and the Audit and Governance Committee any actions that they consider are needed to strengthen our arrangements for managing the risk of fraud and corruption.

The Head of Finance and Audit will also report the number of allegations of fraud and corruption that have been received and the outcomes of cases where fraud is concluded from an investigation.

The Council completes an Annual Fraud Survey of the number of proven cases of fraud and corruption and the adequacy of our arrangements. This will be used to compare performance with other Councils completing the return. Systems weaknesses identified as a result of an investigation will be addressed through an action plan agreed with the relevant service manager. The Corporate Counter Fraud Team will monitor implementation of the action plan.



**Any incident of suspected or identified fraud must be reported to the Corporate Counter Fraud Team or Investigations Team within Housing, Revenues and Benefits, even if it has been dealt with, so that accurate data on the nature of fraud risks can be kept.**

## Overview of Policies and Procedures Relevant to the Anti-Fraud and Corruption Policy

### POLICY AND STRATEGY

Anti-Fraud and Corruption Policy

Anti-Bribery Policy

### CULTURE AND STRUCTURES

Employee Code of Conduct

Member Code of Conduct

Guidance on Propriety and Probity (FRSD 18)

### DETECTION

Code of Practice on Confidential Reporting (Whistle Blowing)

Corporate Complaints Procedures

### INVESTIGATION PROCEDURE

Irregularity Response Plan

Employee Disciplinary Rules and Procedures

Member Misconduct Complaints Procedure

The Regulation of Investigatory Powers Act 2000 (RIPA)  
– Corporate Policy  
& Procedure

### SANCTIONS AND REDRESS

Fraud and Corruption Sanctions & Redress Policy

### PREVENTION

Scheme of Delegation

Financial Procedure Rules

Contract Procedure Rules

Procurement Guiding Principles (FRSD 40)

Anti-Money Laundering Policy (FRSD 30)

Information Management Guides

Recruitment and Selection Policy

Employee Guidelines on Gifts, Hospitality,  
Conflicts of Interest and undertaking second jobs





# FAREHAM

## BOROUGH COUNCIL

### Report to Audit and Governance Committee

**Date**                    **27 June 2016**

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

**Subject:**              **EXTERNAL AUDITORS AUDIT PLAN 2015/16 AND FEE 2016/17**

#### 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 2015/16 audit (carried out in 2016/17) and to ensure that the work is in line with members' expectations.

The report also brings to members' attention the proposed Annual Audit Fee for 2016/17 received from Ernst and Young.

#### RECOMMENDATION

That the Committee approves the 2015/16 Audit Plan, attached as Appendix A to this report.

That the Committee approves the fees proposed for the External Audit coverage in 2016/17.

#### Appendices:

[Appendix A](#) – Audit Plan 2015/16

[Appendix B](#) – Audit Fee for 2016/17

**Background Papers:** None

**Reference Papers:** None

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



# Fareham Borough Council

Year ending 31 March 2016

Audit Plan

March 2016

Ernst & Young LLP



**EY**

Building a better  
working world

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

4<sup>th</sup> March 2016

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 auditor. Its purpose is to provide the Audit and Governance Committee with a basis to review our proposed audit approach and scope for the 2015/16 audit in accordance with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2015 Code of Audit Practice, the Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd, auditing standards and other professional requirements. It is also to ensure that our audit is aligned with the Audit and Governance Committee's service expectations.

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

We welcome the opportunity to discuss this Audit Plan with you on 27 June 2016 and to understand whether there are other matters which you consider may influence our audit.

Yours faithfully

K. L. Handy  
*For and behalf of Ernst & Young LLP*  
*Enc*

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In April 2015 Public Sector Audit Appointments Ltd (PSAA) issued “Statement of responsibilities of auditors and audited bodies 2015-16”. It is available from the Chief Executive of each audited body and via the [PSAA website \(www.psa.co.uk\)](http://www.psa.co.uk)

The Statement of responsibilities serves as the formal terms of engagement between 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 ‘Terms of Appointment from 1 April 2015’ issued by PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and statute, and covers matters of practice and procedure which are of a recurring nature.

This Audit Plan is prepared in the context of the Statement of responsibilities. It is addressed to the Audit 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

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 2016 and of the income and expenditure for the year then ended;
- ▶ Our conclusion on the Council's arrangements to secure economy, efficiency and effectiveness;

We will also review and report 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.

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

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 also been mindful of and given consideration to the Council's main developments and schemes, including but not limited to:

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

In sections two and three 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 is set out in section four.

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 2016.

## 2. Financial statement risks

We outline below our current 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.

### Risk of management override

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.

Our approach will focus on:

- ▶ 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;
- ▶ evaluating the business rationale for significant unusual transactions;
- ▶ evaluating the rationale for any changes in accounting policy; and
- ▶ reviewing the Minimum Revenue Provision policy and the appropriates of charges

### 2.1 Responsibilities in respect of 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 risks.

### 3. Value for money risks

We are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources.

For 2015/16 this is based on the overall evaluation criterion:

*"In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people"*

Proper arrangements are defined by statutory guidance issued by the National Audit Office. To help auditors to consider this overall evaluation criterion, the following sub-criteria are intended to guide auditors in reaching their overall judgements. However, these are not separate and auditors are not required to reach a distinct judgement against each one:

Sub-Criteria	Proper Arrangements
<b>Informed decision making</b>	Acting in the public interest, through demonstrating and applying the principles and values of sound governance
	Understanding and using appropriate and reliable financial and performance information (including, where relevant, information from regulatory/monitoring bodies) to support informed decision making and performance management
	Reliable and timely financial reporting that supports the delivery of strategic priorities
	Managing risks effectively and maintaining a sound system of internal control
<b>Sustainable resource deployment</b>	Planning finances effectively to support the sustainable delivery of strategic priorities and maintain statutory functions
	Managing and utilising assets effectively to support the delivery of strategic priorities
	Planning, organising and developing the workforce effectively to deliver strategic priorities
<b>Working with partners and other third parties</b>	Working with third parties effectively to deliver strategic priorities
	Commissioning services effectively to support the delivery of strategic priorities
	Procuring supplies and services effectively to support the delivery of strategic priorities

In considering your proper arrangements, we will draw on the requirements of the CIPFA/SOLACE framework for local government to ensure that our assessment is made against a framework that you are already required to have in place and to report on through documents such as your annual governance statement.

We are only required to determine whether there are any risks that we consider significant, which the Code of Audit Practice which defines as:

*"A matter is significant if, in the auditor's professional view, it is reasonable to conclude that the matter would be of interest to the audited body or the wider public"*

Our risk assessment supports the planning of sufficient work to enable us to deliver a safe conclusion on arrangements to secure value for money and enables us to determine the nature and extent of further work that may be required. If we do not identify any significant risks there is no requirement to carry out further work.



Our risk assessment has therefore considered both the potential financial impact of the issues we have identified, and also the likelihood that the issue will be of interest to local taxpayers, the Government and other stakeholders. This has resulted in the following significant VFM risks which we view as relevant to our value for money conclusion.

**Significant value for money risks    Our audit approach**

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**Sustainable resource deployment - Medium term financial outlook**

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Financial pressures in the public sector continue to mount with the announcement of the Spending Review in November 2015. As a result of these pressures there is increased focus and wider public interest in the financial resilience of Local Government.

Our approach will focus on:

- reviewing outturn against the 2015/16 budget. A strong history of managing service delivery to budget, provides comfort over the Council's ability to set realistic and achievable budgets in the future;
  - reviewing the reasonableness of the 2016/17 budget and 5 year Finance Strategy, including integration of Daedalus (and other significant capital projects) into the Council's revenue and capital budgets; and
  - understanding the progress made with and achievability of the efficiency plan intended to address budget shortfalls in future years.
-

## 4. Our audit process and strategy

### 4.1 Objective and scope of our audit

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

- ▶ financial statements; and
- ▶ 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 an audit report that covers:

#### 1. Financial statement audit

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

We report to you by exception in respect of your governance statement and other accompanying material as required, in accordance with relevant guidance prepared by the NAO on behalf of the Comptroller and Auditor General.

Alongside our audit report, we also review and report to the NAO on the Whole of Government Accounts return to the extent and in the form they require.

#### 2. Arrangements for securing economy, efficiency and effectiveness (value for money)

We are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources.

### 4.2 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.

#### Processes

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

- ▶ Accounts payable;
- ▶ Payroll; and
- ▶ 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; and
- ▶ 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

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 specialists

When auditing key judgements, we are often required to rely on the input and advice provided by specialists who have qualifications and expertise not possessed by the core audit team. The areas where either EY or third party specialists provide input for the current year audit are:

Area	Specialists
Land and property valuations	Councils valuers
Pensions	Council actuary, EY third party specialists and EY Pensions team
NDR appeals provision	Council's third party specialist
Fair value disclosures	Council's third party specialist

In accordance with Auditing Standards, we will evaluate each specialist's professional competence and objectivity, considering their qualifications, experience and available resources, together with the independence of the individuals performing the work.

We also consider the work performed by the specialist in light of our knowledge of the Council's environment and processes and our assessment of audit risk in the particular area. For example, we would typically perform the following procedures:

- ▶ Analyse source data and make inquiries as to the procedures used by the expert to establish whether the source data is relevant and reliable;
- ▶ Assess the reasonableness of the assumptions and methods used;
- ▶ Consider the appropriateness of the timing of when the specialist carried out the work; and
- ▶ Assess whether the substance of the specialist's findings are properly reflected in the financial statements.

## 4.3 Mandatory audit procedures required by auditing standards and the Code

As well as the financial statement risks (section two) and value for money risks (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
- ▶ Satisfying ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Finally, we are also required to discharge our statutory duties and responsibilities as established by the Local Audit and Accountability Act 2014.

## **4.4 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 £1.2m based on 2% of gross revenue expenditure. We will communicate uncorrected audit misstatements greater than £61k 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.

## **4.5 Fees**

The duty to prescribe fees is a statutory function delegated to Public Sector Audit Appointments Ltd (PSAA) by the Secretary of State for Communities and Local Government. PSAA has published a scale fee for all relevant bodies. This is defined as the fee required by auditors to meet statutory responsibilities under the Local Audit and Accountability Act 2014 in accordance with the NAO Code. The indicative fee scale for the audit of Fareham Borough Council is £48,230.

## **4.6 Your audit team**

The engagement team is led by Kate Handy, who has significant experience at Fareham Borough Council. Kate Handy 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.

## **4.7 Timetable of communication, deliverables and insights**

We have set out below a timetable showing the key stages of the audit, including the value for money 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 2015/16. These dates are determined to ensure our alignment with PSAA’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 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.

<b>Audit phase</b>	<b>Timetable</b>	<b>Audit Committee timetable</b>	<b>Deliverables</b>
High level planning	<b>Ongoing</b>	<b>June 2015</b>	Audit Fee letter
Risk assessment and setting of scopes	<b>December 2015 – March 2016</b>	<b>March 2016</b>	Audit Plan
Testing routine processes and controls	<b>December 2015 – March 2016</b>	<b>March 2016</b>	Audit Plan
Year-end audit	<b>July 2016 – August 2016</b>	<b>September 2016</b>	<ul style="list-style-type: none"> <li>• Report to those charged with governance via the Audit Results Report;</li> <li>• Audit report (including our opinion on the financial statements; and overall value for money conclusion;</li> <li>• Audit completion certificate; and</li> </ul> Reporting to the NAO on the Whole of Government Accounts return.
Completion of audit	<b>September 2016</b>	<b>September 2016</b>	Report to those charged with governance via the Audit Results Report  Audit report (including our opinion on the financial statements; [our opinion on the regularity of your expenditure and income]; and, [by exception] overall value for money conclusion).  Audit completion certificate  Reporting to the NAO on the Whole of Government Accounts return.
Conclusion of reporting	<b>October 2016</b>	<b>November 2016</b>	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.

## 5. Independence

### 5.1 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"> <li>▶ 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;</li> <li>▶ The safeguards adopted and the reasons why they are considered to be effective, including any Engagement Quality Review;</li> <li>▶ The overall assessment of threats and safeguards;</li> <li>▶ Information about the general policies and process within EY to maintain objectivity and independence.</li> </ul>	<ul style="list-style-type: none"> <li>▶ 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;</li> <li>▶ Details of non-audit services provided and the fees charged in relation thereto;</li> <li>▶ Written confirmation that we are independent;</li> <li>▶ Details of any inconsistencies between APB Ethical Standards, the PSAA Terms of Appointment and your policy for the supply of non-audit services by EY and any apparent breach of that policy; and</li> <li>▶ An opportunity to discuss auditor independence issues.</li> </ul>

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.

### 5.2 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 PSAA Terms of Appointment.

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 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.

## **5.3 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 June 2015 and can be found here:

<http://www.ey.com/UK/en/About-us/EY-UK-Transparency-Report-2015>

## Appendix A Fees

A breakdown of our agreed fee is shown below.

	Planned Fee 2015/16 £	Scale fee 2015/16 £	Outturn fee 2014/15 £	Explanation
Opinion Audit and VFM Conclusion	48,230	48,230	64,307	For the 2015/16 financial year the Audit Commission has set the scale fee for each audited body prior to it's 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.
<b>Total Audit Fee – Code work</b>	<b>48,230</b>	<b>48,230</b>	<b>64,307</b>	
Certification of claims and returns <sup>1</sup>	15,959	15,959	15,080	
Non-audit work	0	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 operating effectiveness of the internal controls for the key processes outlined in section 4.2 above;
- ▶ We can rely on the work of internal audit as planned;
- ▶ 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.

<sup>1</sup> 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><b>Planning and audit approach</b> Communication of the planned scope and timing of the audit including any limitations.</p>	▶ Audit Plan
<p><b>Significant findings from the audit</b></p> <ul style="list-style-type: none"> <li>▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures</li> <li>▶ Significant difficulties, if any, encountered during the audit</li> <li>▶ Significant matters, if any, arising from the audit that were discussed with management</li> <li>▶ Written representations that we are seeking</li> <li>▶ Expected modifications to the audit report</li> <li>▶ Other matters if any, significant to the oversight of the financial reporting process</li> </ul>	▶ Report to those charged with governance
<p><b>Misstatements</b></p> <ul style="list-style-type: none"> <li>▶ Uncorrected misstatements and their effect on our audit opinion</li> <li>▶ The effect of uncorrected misstatements related to prior periods</li> <li>▶ A request that any uncorrected misstatement be corrected</li> <li>▶ In writing, corrected misstatements that are significant</li> </ul>	▶ Report to those charged with governance
<p><b>Fraud</b></p> <ul style="list-style-type: none"> <li>▶ Enquiries of the Audit and Governance Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity</li> <li>▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist</li> <li>▶ A discussion of any other matters related to fraud</li> </ul>	▶ Report to those charged with governance
<p><b>Related parties</b> Significant matters arising during the audit in connection with the entity's related parties including, when applicable:</p> <ul style="list-style-type: none"> <li>▶ Non-disclosure by management</li> <li>▶ Inappropriate authorisation and approval of transactions</li> <li>▶ Disagreement over disclosures</li> <li>▶ Non-compliance with laws and regulations</li> <li>▶ Difficulty in identifying the party that ultimately controls the entity</li> </ul>	▶ Report to those charged with governance
<p><b>External confirmations</b></p> <ul style="list-style-type: none"> <li>▶ Management's refusal for us to request confirmations</li> <li>▶ Inability to obtain relevant and reliable audit evidence from other procedures</li> </ul>	▶ Report to those charged with governance
<p><b>Consideration of laws and regulations</b></p> <ul style="list-style-type: none"> <li>▶ 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</li> <li>▶ 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</li> </ul>	▶ Report to those charged with governance

Required communication	Reference
<p><b>Independence</b></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"> <li>▶ The principal threats</li> <li>▶ Safeguards adopted and their effectiveness</li> <li>▶ An overall assessment of threats and safeguards</li> <li>▶ Information about the general policies and process within the firm to maintain objectivity and independence</li> </ul>	<ul style="list-style-type: none"> <li>▶ Audit Plan</li> <li>▶ Report to those charged with governance</li> </ul>
<p><b>Going concern</b></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"> <li>▶ Whether the events or conditions constitute a material uncertainty</li> <li>▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements</li> <li>▶ The adequacy of related disclosures in the financial statements</li> </ul>	<ul style="list-style-type: none"> <li>▶ Report to those charged with governance</li> </ul>
<p><b>Significant deficiencies in internal controls identified during the audit</b></p>	<ul style="list-style-type: none"> <li>▶ Report to those charged with governance</li> </ul>
<p><b>Fee Information</b></p> <ul style="list-style-type: none"> <li>▶ Breakdown of fee information at the agreement of the initial audit plan</li> <li>▶ Breakdown of fee information at the completion of the audit</li> </ul>	<ul style="list-style-type: none"> <li>▶ Audit Plan</li> <li>▶ Report to those charged with governance</li> <li>▶ Annual Audit Letter if considered necessary</li> </ul>
<p><b>Certification work</b></p> <ul style="list-style-type: none"> <li>▶ Summary of certification work undertaken</li> </ul>	<ul style="list-style-type: none"> <li>▶ Annual Report to those charged with governance summarising grant certification, and Annual Audit Letter if considered necessary.</li> </ul>

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[ey.com](http://ey.com)



Peter Grimwood  
Chief Executive  
Fareham Borough Council  
Civic Offices  
Civic Way  
Fareham  
PO16 7AZ

20 April 2016

Ref: FBC/16-17/Fee Letter

Direct line: 023 8038 2043

Email: KHandy@uk.ey.com

Dear Peter

## Annual Audit and Certification Fees 2016/17

We are writing to confirm the audit and certification work that we propose to undertake for the 2016/17 financial year at Fareham Borough Council.

### Indicative audit fee

For the 2016/17 financial year Public Sector Audit Appointments Ltd (PSAA) has set the scale fee for each audited body, following consultation on its Work Programme and Scale of Fees.

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.

The audit fee covers the:

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

For Fareham Borough Council our indicative fee is set at the scale fee level. This indicative 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;
- There is an effective control environment;
- We can rely on the work of internal audit as planned;
- The operating effectiveness of the internal controls for the key processes identified within our audit strategy;
- Our accounts opinion and value for money conclusion being unqualified;

- Officers meeting the agreed timetable of deliverables;
- Appropriate quality of documentation is provided by the Council; and
- Prompt responses are provided to our queries and 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.

As we have not yet completed our audit for 2015/16, our audit planning process for 2016/17 will continue as the year progresses. Fees will be reviewed and updated as necessary, within the parameters of our contract.

### Certification fee

The PSAA 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 2014/15 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 2016/17 relates to work on the housing benefit subsidy claim for the year ended 31 March 2017. We have set the certification fee at the indicative fee level. We will update our risk assessment after we complete 2015/16 benefit certification work, and to reflect any further changes in the certification arrangements.

### Summary of fees

	Indicative fee 2016/17 £	Planned fee 2015/16 £	Actual fee 2014/15 £
Total Code audit fee	48,230	48,230	64,307
Certification of housing benefit subsidy claim	11,310	15,959	15,080
<b>Total</b>	<b>59,540</b>	<b>64,189</b>	<b>79,387</b>

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 audit fee will be billed in 4 quarterly instalments of £14,885.

### Audit plan

Our 2016/17 plan is expected to be issued in March 2017. 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 2016/17 financial year are:

Kate Handy  
**Executive Director**

[KHandy@uk.ey.com](mailto:KHandy@uk.ey.com)

Tel: 07867 152471

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Martin Young  
**Assistant Manager**

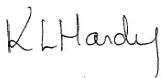
[MYoung1@uk.ey.com](mailto:MYoung1@uk.ey.com)

Tel: 07867 152513

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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  
Executive Director  
For and on behalf of Ernst & Young LLP

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





# FAREHAM

BOROUGH COUNCIL

## Report to Audit and Governance Committee

**Date:** 27 June 2016  
**Report of:** Head of Finance and Audit  
**Subject:** Counter Fraud Progress

### SUMMARY

This report updates the Committee on the counter fraud work carried out in the last 6 months including the numbers and outcomes of fraud cases.

### RECOMMENDATIONS

That the content of the report be noted.

That this report now becomes an annual report rather than a 6-monthly report.

## 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. **Fraud Awareness Campaign:** A fraud awareness campaign is due to be launched to the residents of Fareham within the next few months. The Council Connect in the shopping centre will be used, plus posters around the Borough. These will list the types of fraud that can occur at FBC, provide the monetary amounts of fraud uncovered in the last year at FBC, as well as details of how to report fraud to us. There will be a press release and an announcement made via social media to highlight the campaign and that fighting fraud is a priority for the Council. There will also be a comprehensive article in the next edition of Fareham Today. A report on the success of this campaign will be provided in the next Counter Fraud Progress report.
3. **Fraud Case Database:** The Council has implemented a new fraud case database, which allows multiple teams to record their cases on the one system. It also allows a wider range of fraud types to be recorded and monitored. Having this central database of all referrals should facilitate the collation of statistics for the various reports and returns required each year and give greater visibility of cases relating to the same household.
4. **Investigatory Legislation and Best Practice Training:** An external training company has been engaged to run a two day in-house course for officers with investigatory and/or enforcement responsibilities. The course gave updates and best practice guidance on the law, and procedures for collecting and recording of effective, credible and admissible evidence for an investigation/prosecution.

### Specific Areas of Fraud

5. **Council Tax Discount Fraud:** A discount review of Single Occupancy Discount was undertaken by the Revenues Team for the 2015 billing year. This discount entitles a householder to claim a 25% reduction off their Council Tax bill. There were 12,040 households with this discount that were reviewed. This discount was removed from 120 households due to a change in the household. This has generated an extra £42,105 Council Tax liability that has been billed. In addition, penalties amounting to £700 have been issued for the 10 cases where the change had not been reported promptly to the Council. This discount will be reviewed again in the 2017 billing year.
6. **Right To Buy Pilot Update:** Members were advised in the November 2015 report, that Fareham's Investigations Officer would be conducting more in-depth checks on applications for the Right to Buy scheme. This was introduced in March 2016; since then 12 applications have been received and referred to the team, but no fraud has yet been detected. However, it is clear from organisations, who provide statistical evidence, that Right to Buy fraud is still on the increase and continued use of in-depth checks is advised.

7. As Right to Buy is being introduced within other Social Housing providers, which is likely to create a large uptake, we are looking to work with our local Housing Associations and provide this type of checking service for them under a partnership agreement.

## INVESTIGATION REFERRALS AND OUTCOMES

8. The information provided in Table 1 shows the number of fraud cases received and investigated in the last 6 months. These are in addition to any frauds identified from bulk proactive reviews or data matching exercises discussed elsewhere.

**Table 1 – Investigation cases raised and closed October 2015- March 2016**

Type of Fraud	Number of New referrals received	Number referred to DWP	Number of Investigations Completed (closed by DWP)	Number of Cases where Abuse Concluded (by DWP)	Value of Abuse to FBC £
Benefits <sup>1</sup>	95	95	(47)	(12)	55,152
Council Tax Support only	33		53 <sup>2</sup>	23	15,043
Council Tax Discount	16		8	0	0
Housing	5		4	0	0
Right To Buy	1		1	0	0
Parking	1		0	0	0
Elections	1		1	0	0
Procurement	1		1	1	0
<b>Total</b>	<b>153</b>	<b>95</b>	<b>115</b>	<b>36</b>	<b>70,195</b>

*Note 1 - May also have some elements of Council Tax Support*

*Note 2 - Some of these cases have a Housing Benefit interest but were not picked up for investigation by DWP*

## Whistleblowing

9. 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.

## Sanctions

10. One criminal sanction has been applied by FBC for a Council Tax Support case where abuse was concluded. In all other cases, the values of the Council Tax Support overpayments are below £2,000 which is the current prosecution limit. Therefore civil financial penalties were raised as detailed below, as an alternative sanction.

**Table 2 – Penalties raised 1 April 2015 to 31 March 2016 (Council Tax Billing Year)**

Penalties raised for overpayments of Council Tax Support (£70)	Value of overpayments
43 (£3,010)	£31,787

## Interesting Cases

11. **Undeclared capital:** In the last report, members were advised of an investigation which involved the use of a financial investigator at a neighbouring council, who was looking into undeclared capital in Australia. An overpayment of Council Tax Support of £4,625 was raised as a result of this investigation using these enhanced powers but unfortunately the council tax payer passed away before he could be interviewed and

questioned. Due to complications with there being no will, a bill has been raised to a family member addressed to the Executors. It is likely that the money will be repaid once the properties in Australia have been dealt with by Australian authorities.

12. **Undeclared monies:** Another case involving suspected pension or capital in America has been started and again a financial investigator from Portsmouth City Council has been instructed to assist with this case. The use of these enhanced powers does mean that we can legally obtain this type of information from another country, including banking and immigration information. Without these, an investigation would almost certainly become stale and Benefits would continue without us knowing the true financial information of that claimant.
13. **Social Housing:** The Investigations Officer has been dealing with a suspected case of non-residency in a social housing property. Although Housing Benefit and Council Tax Support are in payment, the main focus of this investigation has been on the non-residency of this tenant, who was suspected of letting out the property to a family member.
14. Evidence has been collated from a variety of sources, including social media, a statement from the employer and 3 months of detailed surveillance. It has been discussed with the Housing Association to determine the next course of action after interviewing their tenant under caution, with a view that the tenant will either voluntarily hand back their property or the property will be handed back through the court process via civil processes. A discussion will also take place to decide whether or not they wish for us to prosecute the tenant on their behalf under the Prevention of Social Housing Fraud Act (POSHFA). This is the first case where illegal subletting has been investigated and concluded.

## NATIONAL FRAUD INITIATIVE

15. 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. There has been 1 further release of new matches over the last 6 months, in December 2015, and a number of additional cases added to previous matches. Table 3 shows the progress made on clearing all matches since the last report; the totals marked with a \* have been increased for the additional matches received.

**Table 3 - 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
2014/15	Council Tax	610	414	398 (65%)
2014/15	Benefits	779*	391	2 (0.3%)
2014/15	Payroll	11	1	1 (9%)
2014/15	Housing Tenants	20*	8	8 (40%)
2014/15	Right to Buy	4	2	2 (50%)
2015/16	Council Tax Reduction	11	11	10 (91%)
2015/16	Council Tax	464	New	456 (98)%

16. The table below shows the number and value of fraud cases arising from the

clearance of NFI matches in the last 6 months. More detail of how much fraud and error has been identified from each NFI exercise is provided in [Appendix A](#).

**Table 4 - Fraud Cases Identified from NFI**

Data Set	Nature of Fraud	Date of Committee Report					
		June 2016		Nov 2015		June 2015	
		Number	Value	Number	Value	Number	Value
<b>Housing Benefits</b>	Undeclared earnings of adult at the property.	1	£1,445			8	£10,077
	Undeclared pensions of adult at the property.					2	£179
<b>Council Tax</b>	Undeclared second adult living at property	5	£2,498	1	£651	2	£1,730
	Child at property reaching 18 and not declared					1	£637
<b>Residents Permit*</b>	Non return of permit of deceased holder					1	£0
<b>Creditors*</b>	Duplicate payment of invoice not repaid until requested					1	£4,200
<b>TOTAL</b>		<b>6</b>	<b>£3,943</b>	<b>1</b>	<b>£651</b>	<b>15</b>	<b>£16,823</b>

*\*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

- There have been 3 authorisations granted under the Regulation of Investigatory Powers Act 2000 (RIPA) between 1 October 2015 and 31 March 2016 as summarised in [Appendix B](#).
- There have been 69 uses of Authorised Officer powers during investigations in the last 6 months. They are all related to powers granted under the Council Tax Reduction Schemes (Detection of Fraud and Enforcement) Regulations 2013 and Prevention of Social Housing Fraud Act 2013. The powers allow information to be requested from a prescribed list of institutions such as banks and utilities and allow the investigator to request information from employers.

## ANNUAL FRAUD CASE FIGURES

- The annual fraud and irregularity case figures compiled for 2015/16 are included in [Appendix C](#). These show additional detail to the figures published on our website as required by the Transparency Code.

## RISK ASSESSMENT

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

## Appendices

Appendix A – Cumulative Findings from National Fraud Initiative Exercises

Appendix B - Authorisations for use of RIPA

Appendix C - Annual Fraud Case Figures 2015/16

**Background Papers:** None

**Reference Papers:** None

**Enquiries:** For further information on this report please contact Jenny Moses (Ext 4333) or Andrea Kingston (Ext 4618).

## 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	42	0	0	7	£0
2014/15+2015/16	Full Exercise	994	13	£15,901	12	£0
2014/15+2015/16	Council Tax	1,054	6	£3,149	0	0
<b>2014/15</b>	<b>Student Loans</b>	<b>19</b>	<b>1</b>	<b>£1,258</b>	<b>0</b>	<b>0</b>
<b>2013/14</b>	<b>Council Tax</b>	<b>553</b>	<b>34</b>	<b>£13,774</b>	<b>4</b>	<b>£1,334</b>
<b>2012/13</b>	<b>Full Exercise</b>	<b>1,333</b>	<b>13</b>	<b>£34,838</b>	<b>14</b>	<b>£14,724</b>
<b>2011/12</b>	<b>Council Tax</b>	<b>484</b>	<b>21</b>	<b>£12,264</b>	<b>2</b>	<b>£770</b>
<b>2010/11</b>	<b>Full Exercise</b>	<b>1,760</b>	<b>335<sup>#</sup></b>	<b>£26,356</b>	<b>13</b>	Not split out
<b>2009/10</b>	<b>Council Tax</b>	<b>1,424</b>	<b>43</b>	<b>£18,648</b>		
<b>2008/09</b>	<b>Full Exercise</b>	<b>1,779</b>	<b>212<sup>#</sup></b>	<b>£54,978</b>	<b>3</b>	Not split out
<b>2008/09</b>	<b>Council Tax</b>	<b>747</b>	<b>130</b>	<b>£87,920</b>	<b>3</b>	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 with no monetary value used.

## Authorisations for use of RIPA (October 15 to March 16)

Ref No	Date Authorised Internally	Authorising Officer	Suspected Offence	Investigation power used	Date Authorised by a Magistrate	Duration of authorisation (in days)	Outcome for the Investigation
3-2015/16	30/11/15	Head of Housing, Revenues and Benefits	Council Tax Support Fraud – Undeclared partner	Surveillance	03/12/15	32	Evidence obtained that crime or disorder MAY BE occurring
4-2015/16	27/01/16	Head of Finance and Audit	Tenancy Fraud (Housing Association) – Illegal Subletting  Housing Benefit Fraud – Non Residency and undeclared partner	Surveillance	02/02/16	91	Evidence obtained that crime or disorder MAY BE occurring
6-2015/16	27/01/16	Head of Finance and Audit	Council Tax Support Fraud – Undeclared partner	Surveillance	02/02/16	73	Evidence obtained that crime or disorder MAY BE occurring



## Annual Fraud Case Figures 2015/16

	2015/16			2014/15		
	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	588	29	91,920*	583	74	107,589*
Council Tax Reduction	133	47	42,608*	232	39	16,951*
Council Tax	12,272	127	45,619	588	35	15,152
Housing	140	1	0	83	3	0
Procurement	4	3	449	213	1	4,200
Insurance	1	0	0			
<b>TOTAL</b>	<b>13,138</b>	<b>207</b>	<b>£180,596</b>	<b>1,699</b>	<b>152</b>	<b>£143,892</b>
*This value has been estimated.						
Type of Irregularity	Investigated	Abuse Concluded	Value £	Investigated	Abuse Concluded	Value £
Employee	6	4	0	10	-	-
Banking	1	1	40	2	2	161
Permits and Passes	-	-	-	12	7	0
Elections	1	0	0			
Theft and Other	3	2	2,598			
<b>TOTAL</b>	<b>12</b>	<b>7</b>	<b>£2,638</b>	<b>24</b>	<b>9</b>	<b>£161</b>
Values Recovered and Other Sanctions						
Benefits Fraud overpayments recovered			£39,491			£106,356
Other amounts recovered incl insurance payout			£2,388			£4,361
Court costs and Surcharges awarded			£15			£4,405
Administrative Penalties levied			£0			£14,548
Civil Penalties Issued			£3,780			£2,240



# FAREHAM

## BOROUGH COUNCIL

### **Report to Audit and Governance Committee**

**Date:** 27 June 2016

**Report of:** Head of Finance and Audit

**Subject:** HEAD OF AUDIT'S ANNUAL OPINION 2015/16

#### **SUMMARY**

This report sets out the Internal Audit coverage, findings and performance for 2015/16 and gives an overall assurance opinion on the adequacy and effectiveness of the Council's framework of governance, risk management and control.

It also covers the results of the Quality Assurance and Improvement Plan for the internal audit service for the year.

#### **RECOMMENDATION**

That the contents of the report are noted as a source of evidence for the 2015/16 Annual Governance Statement.

## INTRODUCTION

1. This report covers the assurances that are available through the work of the Internal Audit service on the adequacy and effectiveness of the Council's framework of governance, risk management and control.
2. It is one of the key documents to inform this year's Annual Governance Statement.

## ASSURANCES AVAILABLE TO SUPPORT THE OPINION

### Completion of Planned Assignments

3. The audit plan for 2015/16 included 22 audit assignments of different types to give a good representation of the audit universe (which contains 166 audit titles). 16 of these assignments were designed to produce an audit opinion and 171 days, plus 50 days in-house support, have been used in this work.
4. At the time of giving this annual opinion, 21 of the 2015/16 assignments have been undertaken and sufficient conclusions have been drawn for 19 of these to be useable as a source of assurance. 13 have been fully completed and actions agreed with the Audit Sponsor.
5. The 2 pieces of work from the 2014/15 plan which had not progressed sufficiently at the end of last year, for an assurance opinion to be issued, have now done so and so are also relied upon for this report.
6. This is considered adequate coverage as set out in the Internal Audit Strategy to allow the annual opinion to be produced. [Appendix A](#) gives the latest status of the assignments and the key assurance measures arising from the work.

### Spread of Individual Assignment Opinions

7. The majority of assignments result in an individual assurance opinion which reflects the level of internal control found within the system for those areas tested. The table below provides a summary of this information compared to previous years:

Table 1 - Spread of Assignment Assurance Opinions Given					
Year	Strong	Reasonable	Limited	Minimal	Total
2015/16	4 (27%)	11	1	0	16
2014/15	6 (40%)	8	1	0	15
2013/14	13 (41%)	18	1	0	32
2012/13	8 (30%)	16	3	0	27
2011/12	13 (46%)	14	1	0	28

8. No opinions of 'Minimal Assurance' were issued in the year. There was 1 'Limited Assurance opinion' awarded for the Software Control audit. Issues found involved clarifying responsibilities for managing adherence to licences, strengthening the checks that the technical team carry out before installing software on machines, and maintaining employee awareness about our software management policies.

9. It should be noted that the audits of the services (Parking Enforcement and Recruitment and Selection) in the year which had undergone “Systems Thinking” interventions both have maintained *reasonable* assurance opinions.

### Income or Expenditure Errors found

10. No errors were identified in the year from the testing carried out in planned assignments. Errors are defined as spending we incurred when we shouldn't have, or uncollected income.

### Implementation of Recommendations

11. During 2015/16, 8 of the audits included a review of the progress made with implementing previous recommendations. These covered a total of 23 essential or important actions. Testing confirmed that **57%** of the recommendations have been implemented, or are now cancelled, with a further 17% in progress. The table below compares this to previous years.

<b>Table 2 – Trend in Implementation of Recommendations</b>			
	No of audits with recommendation reviews	No. of recs tested	% of recommendations tested signed off by audit as implemented or closed
<b>2015/16</b>	8	23	57% + 17% in progress
<b>2014/15</b>	13	69	57% + 14% in progress
<b>2013/14</b>	17	68	66%
<b>2012/13</b>	16	77	61%
<b>2011/12</b>	23	147	68%

12. No other follow up work has been completed in 2015/16. The new action database is now fully functional and just needs calibrating and updating for movements since the initial import was completed. It will be a priority for the service to get this completed in the coming months and to commence the next full survey of outstanding recommendations, so that stronger assurance in this area is available for next year.

### Other Sources of Assurance in the Year

13. [Appendix B](#) lists other sources of assurance that have been available this year to support the Annual Audit Opinion, and shows where some opportunities to strengthen internal controls were found. The most significant piece of work is to streamline the way that the council identifies and manages notifications that residents have deceased.

### Governance, Ethics and IT

14. The focus of governance work this year was on ethics. The Public Sector Internal Audit Standards require the *'internal audit activity to evaluate the design, implementation and effectiveness of the organisation's ethics-related objectives, programmes and activities'*. A programme of work has now been drawn up to help provide on-going assurances on our ethics arrangements.
15. The work completed this year covered the following:

DESIGN	IMPLEMENTATION	EFFECTIVENESS
Structured discussions with Senior managers and members	Compliance with the Transparency Code Identifying and Managing Conflicts of Interests in Council Applications Test of what honesty checks are conducted in the recruitment and selection process	Employee Perception Survey

The conclusions from this work are:

*The senior managers of the council believe they set clear expectations on behaviours and are expected to lead by example. Councillors also believe there is a strong embedded culture in FBC of doing the right thing for the public.*

*The arrangements we have in place to achieve this, such as the codes of conduct, are well known but the framework is also supported by softer systems such as having long standing officers and councillors and informal management processes which identify potential issues.*

*Feedback from employees was also high in their perception that the Council showed ethical values and behaviours and our processes help identify unethical behaviour.*

*However, a few actions have been identified, as result of the work, which include: a) improving our understanding of perceptions of the effectiveness of the whistleblowing policy, b) improving our understanding of perceptions of how effectively we manage conflicts of interest and c) assigning ownership over what Transparency information is being published.*

#### Information Technology Governance

16. The Public Sector Internal Audit Standards require the 'internal audit activity to assess whether the information technology governance of the organisation supports the organisation's strategies and objectives'.
17. The conclusion arising from this work for 2015/16 is that the information technology governance of the Council is adequate to support the organisation's strategies and objectives. This is based on the knowledge of the work that has been done to realign the IT strategy and workforce to meet the needs of the organisation, and the findings from the computer audit work this year, especially the work done to implement previous recommendations concerning Disaster Recovery. However, full implementation of the strategic direction will not be possible until the conclusions from the Systems Thinking intervention are reached. Other key actions needed are to strengthen the arrangements to manage software licences and clarify the ICT security policies for the Council.

#### **Risk Management**

18. There is an outstanding action to complete the review of effectiveness of our risk management process in relation to whether it is providing the information most needed by senior managers and members. The Systems Thinking process is in the process of being applied to the framework and so limited formal reporting has occurred in 2015/16.

#### **HEAD OF AUDIT OPINION**

19. I am satisfied that sufficient internal work has been undertaken to allow an opinion to be given on the adequacy and effectiveness of governance, risk management and control. However, it should be noted that as audit cannot review every decision and transaction of the council the opinion cannot provide absolute assurance.
20. Using the information outlined in this report, in the opinion of the Head of Audit and Assurance, the Council had a framework of governance, risk management and control for the year 2015/16 which was generally working effectively. There is awareness amongst managers about their top risks and the importance of control mechanisms within the developing Systems Thinking culture, and the need to address any major weaknesses found.
21. The opinion is particularly based on the fact that:
  - a) no “minimal” audit assurance opinions were again given this year;
  - b) no income or expenditure errors were found in the year;
  - c) the services audited which have undergone a Systems Thinking intervention this year have been given a ‘reasonable’ audit assurance opinion;
  - d) only 2 new essential recommendations have been made this year, which are already being progressed.
22. Particular areas for actions noted which will enhance the adequacy and effectiveness of governance, risk management and control include:
  - (a) Complete the review of effectiveness of the Risk Management framework.
  - (b) Roll out the new action management system to improve the management of recommendations arising from audit reports, and update the data available on the level of implementation.
  - (c) Roll out of the Data Protection refresher training that is being developed in Skillgate, and use Skillgate to maintain the records of who has completed the training.
  - (d) Clarify the ICT security policies for the Council.
  - (e) Finalise the action plan for the Contract Completion audit from 2014/15 which includes updating the Financial Regulation on Procurement to be clear on the expectations in relation to pricing variation orders and reporting overspends.

Actions a to c have been recommended for inclusion in the Annual Governance Statement.

## **AUDIT SERVICE QUALITY ASSURANCE**

23. As required by the Public Sector Internal Audit Standards (PSIAs), the service has developed a documented Quality Assurance and Improvement Plan (QAIP) which consists of a self-assessment against the standards, on-going monitoring arrangements and local performance measures.
24. The QAIP is designed to provide reasonable assurance to its key stakeholders that the service: *performs its work in accordance with its Charter; operates in an effective and*

*efficient manner; is perceived by its key stakeholders as adding value and improving the service that it provides.*

25. The PSIAs require the Head of Internal Audit to report on the outcomes of the QAIP each year which is covered by the following sections.

### **Audit Independence**

26. In conformance with PSIA 1110, it is confirmed that the internal audit activity was organisationally independent.
27. This is assessed on the basis that the arrangements laid out in the Audit Charter had been adhered to, the Head of Finance and Audit reported functionally to the Audit and Governance Committee during the year and had free and unfettered access to the Chief Executive Officer and Chair of the Committee.
28. Opinion audit work is bought in from other providers which gives additional independence for audits of financial services where there might be a conflict of interest.

### **Self-Assessment against the Standards**

29. Our self-assessment against the standards for 2015/16 concludes that we have fully conformed to 48 [45 last year] of the 52 applicable standards with partial conformance with another 3. It should be noted that there are 128 parts making up the 52 standards.
30. Significant improvements made since the last report involved:
- ✓ Finalising the Quality and Improvement Plan (QAIP) for the Service including the performance measures to be used.
  - ✓ The QAIP process now includes feedback from the external assessment process undertaken by the audit contractor.
  - ✓ Setting up a programme of work to support the annual ethics opinion.
  - ✓ Updating the Audit Charter to include the need for “*The Nominated Audit Manager to be notified of all investigations into fraud, corruption or impropriety and the outcomes*”.
31. Instances of non or part conformance are given in [Appendix C](#); we are now down to those where no further action is planned to improve conformance. None of the areas are considered significant enough for reporting in the Annual Governance Statement, particularly as the external assessment requirement is not due for another 3 years.

### **Local Performance Measures**

32. Three local performance measures were used for the service in 2015/16, as discussed below.

#### Completion of Plan

33. The first measure covers the amount of planned work that is finalised by the time of the Annual Report. There has been some improvement in this indicator this year, as summarised in the table below, but it is still an aspect of the service that we are focusing on.

<b>Table 3 – Completion of Plan</b>	<b>2015/16</b>	<b>2014/15</b>	<b>2013/14</b>	<b>2012/13</b>	<b>2011/12</b>
% of reports finalised by time of Head of	59%	29%	67%	84%	80%



<b>Table 3 – Completion of Plan</b>	<b>2015/16</b>	<b>2014/15</b>	<b>2013/14</b>	<b>2012/13</b>	<b>2011/12</b>
Audits Report (June)	(13/22)	(6/21)	(22/33)	(26/31)	(28/35)

### Time Taken to Deliver Assignments

34. The second measure covers the length of time between the initial audit scoping meeting with the customer and the provision of a final report for the work. This is a new measure introduced this year as we know it is an area of weakness for the service. We are compiling detail behind the measure to identify the common causes for delay, and will add in the performance for previous years as the reports get finalised.

<b>Table 4 – Time Taken</b>	<b>2015/16</b>	<b>2014/15</b>
Average number of calendar months between start and finish of audits finalised (Number of audits in the measure)	5.3 (7)	7.9 (16)

### Customer Feedback

35. The third measure covers customer feedback. We now use a face to face interview with an auditor not involved in the assignment in order to obtain feedback. 10 interviews have been completed since the last report and a score applied as shown in the table below.

<b>Table 5 - Level of Customer Satisfaction 2015/16</b>	<b>2015/15</b>	<b>2014/15</b>
Audit was above expectations	20% (2)	
Happy with the audit	30% (3)	100% (5)
Minor problems with the audit	50% (5)	
Significant problems with the audit	0	

36. Generally feedback has been positive in relation to the revised audit approach to assignments. The main issue arising in the feedback is the length of time between the end of the audit and the issue of the final report, as would be expected from our performance in the second measure.

## **RISK ASSESSMENT**

37. The Head of Audit's Opinion above highlights those significant control issues where it is recommended that action is taken.

## **CONCLUSION**

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

### **Appendices:**

- A. Results of Planned Assignments 2014/15
- B. Additional Sources of Assurance this year
- C. Areas of Non Conformance with the Public Sector Internal Audit Standards

**Background Papers:** None

**Reference Papers:**

Report to Audit and Governance Committee on 21/09/15 on Head of Audit's Annual Report 2014/15

Quarterly audit reports to the Audit and Governance Committee during 2015/16

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

**Enquiries:**

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

**RESULTS OF PLANNED ASSIGNMENTS 2014/15 not available last year**

**APPENDIX A**

Audit Title	Days in Plan	Stage reached of 10*	Assurance Opinion	Direction of Travel	New Recommendations			Previous Recs. (E and I only)			
					Essential	Important	Advisory	Implemented	Cancelled	In Progress	Not Implem
<b>FUNDAMENTAL SYSTEM AUDITS</b>											
Income Collection & Banking	15	Stage 8	Strong	↔	-	1	1	-	-	1	-
<b>CORPORATE, SPECIALIST, GOVERNANCE, RISK AUDITS</b>											
Corporate Data Protection	7.5	Stage 9	Reasonable	↑	1	4	2	4	3	2	1

**RESULTS OF PLANNED ASSIGNMENTS 2015/16**

Audit Title	Days in Plan	Stage reached of 10*	Assurance Opinion	Direction of Travel	New Recommendations			Previous Recs. (E and I only)			
					Essential	Important	Advisory	Implemented	Cancelled	In Progress	Not Implem
<b>FUNDAMENTAL SYSTEM AUDITS</b>											
Local Tax Collection	15	Stage 10	Strong	↔	-	1	1	-	-	1	1
Payroll and Staff Expenses	15	Stage 10	Strong	↔	-	1	2	-	-	-	-
Capital Expenditure and Accounting	10	Stage 10	Reasonable	↔	-	2	-	-	-	-	-
Fixed Assets	10	Stage 7	Reasonable	↓				-	-	-	1
Accounts Payable	10	Stage 5	Reasonable	↔				1	-	-	1
<b>CORPORATE, SPECIALIST, GOVERNANCE AUDITS</b>											
Recruitment and Selection	15	Stage 7	Reasonable	↔				-	-	-	-
Transparency Code (part of the Ethics audit work)	4	Stage 10	Reasonable	Not Applicable	-	3	7	-	-	-	-
<b>SERVICE AND SYSTEM AUDITS – High Risk</b>											
Parking Enforcement (V)	15	Stage 9	Reasonable	↔	-	3	-	-	-	-	-
Land Charges	12	Stage 8	Reasonable	↓				-	-	-	1
Recycling	10	Stage 6						-	-	-	-
Household Waste Collection	10	Stage 6						-	-	-	-
<b>SERVICE AND SYSTEM AUDITS – Other</b>											
Individual Electoral Registration	7	Stage 10	Strong	↔	-	-	-	-	-	-	-

Audit Title	Days in Plan	Stage reached of 10*	Assurance Opinion	Direction of Travel	New Recommendations			Previous Recs. (E and I only)			
					Essential	Important	Advisory	Implemented	Cancelled	In Progress	Not Implem
Protection of Trees	8	Stage 8	Reasonable	Not Applicable				-	-	-	-
COMPUTER AUDITS											
Express (Electoral Register)	5	Stage 10	Reasonable	↔	1	-	-	-	-	-	-
Software Control	10	Stage 10	Limited	↔	-	5	1	1	-	-	1
IT Disaster Recovery	15	Stage 10	Reasonable	↔	-	5	2	4	-	-	-
NON OPINION WORK											
Contract Deeds Management		Not started									
Right to Buy		Stage 10	Not applicable		-	1	-	-	-	-	-
Effectiveness of Ethics Related Activities (4 pieces of work)		Stage 10	Not applicable					-	-	-	-
Problem with Debt Repayment		Stage 10	Not applicable		-	2	2	-	-	-	-
	171				2	28	18	10 (44%)	3 (13%)	4 (17%)	6 (26%)

ADDITIONAL SOURCES OF ASSURANCE THIS YEAR

<p><b>Reactive work undertaken by the Team</b></p> <p><i>* Opportunities found to improve internal controls</i></p>	<p>Review of how the Council ascertains and manages notifications about deceased residents*</p> <p>Analysis of reasons behind the write off of a large debt*</p> <p>Debtor Tracing pilot using facilities available through the National Anti-Fraud Network*</p> <p>Review of suppliers who put us on hold*</p> <p>Certification of Repair and Renew grant usage (Help with Flooding)</p> <p>Certification of Disabled Facilities Grants claim</p>
<p><b>Other work undertaken by the team</b></p>	<p>NFI Fair Processing Checks</p> <p>Participation on working group applying system thinking to the Building Repairs service (including reviewing financial management and invoice processing)</p> <p>Update of Assurance framework for Building Control partnership</p> <p>Updates to key policy documents including financial regulations</p>
<p><b>Other sources</b></p>	<p>Review of assurances available from External organisations</p>

## Areas of Non Conformance with the Public Sector Internal Audit Standards

<b>Standard</b>	<b>Area of Non Conformance</b>	<b>Comments</b>
1000 Purpose, Authority and Responsibility (part)	The Internal Audit Charter is not presented to senior managers in addition to the board.	<b>No further action proposed</b> The internal audit charter is a formal document that defines the internal audit activity's purpose, authority and responsibility which has been reviewed by the Section 151 Officer and approved by the Audit and Governance Committee where the Monitoring Officer was also present. It is considered unnecessary to formally present the Charter to the rest of the Senior Officers.
1100 Independence and Objectivity (part)	The Chief Executive Officer and Chair of the Audit and Governance Committee do not formally feed into the performance appraisal of the Chief Audit Executive.	<b>No further action proposed</b> Informal mechanisms are in place for concerns about independence to be raised. Regular one to ones occur between the Section 151 Officer and the Head of Finance and Audit [HFA]. There are also regular one to ones between the Chief Executive Officer and Section 151 Officer and an annual one to one between the Chief Executive Officer and the HFA. The HFA has access to the Chair and Vice chairs of the Audit and Governance Committee during the quarterly chairman briefings and can approach them directly should she have any concerns.
1312 External Assessments	No external assessments are currently included in the Quality Assurance and Improvement Plan.	<b>No further action proposed</b> This requirement is not yet due for another 3 years. However, given the current financial climate it is unlikely that we would want to incur additional costs to pay for an independent external verification of our self-assessment. We do, however, monitor any feedback on conformance to the standards received from the external auditors and internal audit contractor. We also now monitor the feedback the internal contractor gets from their external quality review process. We will also monitor discussions on the potential use of peer reviews to provide this assurance which can be met within budget, bearing in mind that the professional body has some reservations about using a near neighbour for peer reviews as they cannot be truly independent.
2020 Communication and Approval (part)	The entire internal audit activity's plan and resource requirements were not presented to senior managers in addition to the board for review.	<b>No further action proposed</b> The Audit and Governance Committee is responsible for endorsing the Annual Plan of work which the Director of Finance and Resources as the Section 151 Officer has previously reviewed. Other Directors are consulted on coverage in the plan for their departments before the plan is put together. They also receive information on the proposed Annual Plans and any changes to these before approval and are invited to provide feedback.

**FAREHAM**  
BOROUGH COUNCIL

**Report to  
Audit and Governance Committee**

**Date**                27 June 2016

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

**Subject:**          ANNUAL GOVERNANCE STATEMENT 2015/16

**SUMMARY**

This report brings the 2015/16 Annual Governance Statement for member approval before publishing with the Statement of Accounts.

**RECOMMENDATION**

That the Annual Governance Statement for 2015/16, as attached as [Appendix C](#), be approved, or any changes required be identified.

## **INTRODUCTION**

1. The Accounts and Audit Regulations 2015 require the Council to publish a statement on its systems of internal control as follows:

*‘The relevant authority must ensure that it has a sound system of internal control which –*

*a) facilitates the effective exercise of that body’s functions and the achievement of its aims and objectives:*

*b) ensures that the financial and operational management of the authority is effective; and*

*c) includes effective arrangements for the management of risk.’*

*The relevant authority must, each financial year - conduct a review of the effectiveness of the system of internal control... and prepare an annual governance statement. ... it must consider the findings of the review... by a committee or by members of the authority meeting as a whole; and approve the annual governance statement prepared...by resolution of a committee or by members of the authority meeting as a whole.*

*The annual governance statement ... must be approved in advance of the relevant authority approving the statement of accounts...and be prepared in accordance with proper practices...’*

2. The ‘proper practices’ for this obligation are regarded to be the CIPFA/SOLACE governance framework first published in 2007 plus the December 2012 addendum.
3. This report therefore informs members of the processes that have been used to prepare the Annual Governance Statement for 2015/16 as attached as [Appendix C](#), and seeks approval for this to accompany the Statement of Accounts for 2015/16 due to be published in October 2016.

## **RESPONSIBILITIES OF THIS COMMITTEE**

4. The annual review of the effectiveness of the Council's governance framework and systems of control has now been completed by the officers on the 'Chief Executive's Assurance Group', who have also compiled the action plan for completion. These findings have been fed into the text of the Annual Governance Statement.
5. Member involvement in the process is important to establish corporate ownership of the governance framework. The specific role of members in the process is to:-
  - (a) confirm that a robust approach has been taken to review the Council's governance framework and systems of internal control;
  - (b) confirm that the sources of evidence are appropriate and support the Annual Governance Statement; and
  - (c) approve the content of the Statement and action plan or make suggestions for improvement.
6. The final version of the Statement, taking on board members' comments, will then be submitted for endorsement by the Chief Executive Officer and the Leader of the Council before being published.



## **GOVERNANCE FRAMEWORK**

7. The Governance Framework '*comprises the systems and processes and culture and values by which the Council is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the Council to monitor achievement of the strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services*'. The system of internal control '*is a significant part of the framework and is designed to manage risk to a reasonable level*'.
8. The Council has defined its Governance Framework as consisting of 23 elements as listed in [Appendix A](#), which is consistent with the guidance given in the 'proper practices'.

## **SOURCES OF EVIDENCE**

9. Each of the elements of the framework were reviewed and discussed by the Chief Executive Assurance Group which consists of the Chief Executive, all the directors and the Head of Finance and Audit. The following additional evidence was also reviewed to support the discussions:
  - Outcomes of Audit work in 2015/16.
  - Summary of external assurances received in the year (as listed in [Appendix B](#)).
  - Review of progress made on the actions included in the previous Annual Governance Statement.

## **ANNUAL GOVERNANCE STATEMENT**

10. The Annual Governance Statement, as attached as [Appendix C](#), has been drafted in accordance with the CIPFA proper practices guidance and some of the sections are standard text. The lists of improvements already delivered or identified during this review are highlighted on pages 18 and 19 of the statement. It should be noted that these do not necessarily signify a significant control weakness in the Council's framework but tend more to reflect ideas for improvements to existing processes.

## **RISK ASSESSMENT**

11. The Annual Governance Statement is a statutory requirement and will be published on the Council's internet site with the Statement of Accounts. It is audited by the Council's external auditors.

## **CONCLUSION**

12. This organisation has defined an appropriate Governance Framework on which to base its Annual Governance Statement. The sources of assurance have been subject to a review to allow the Annual Governance Statement to be drawn up for 2015/16.

**Background Papers:** None

**Reference Papers:**

CIPFA Financial Advisory Network - The Annual Governance Statement - meeting the requirements of the Accounts and audit Regulations 2003, incorporating Accounts and

Audit (Amendment) (England) Regulations 2006 - Rough Guide for Practitioners with effect from 2007/08 - Final Version Published April 2008.

CIPFA/ SOLACE - Delivering Good Governance in Local Government - Framework and Guidance 2007 and Addendum 2012

**Appendices:**

[Appendix A](#) – Components of the Fareham BC Governance Framework.

[Appendix B](#) – List of external assurances reviewed












Appendix C – Draft Annual Governance Statement 2015/16 ([attachment](#)).


**Enquiries:**

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

## Components of the Fareham BC Governance Framework

		Element
1		<p><b>Vision and Outcomes</b></p> <p>Identifying and communicating the authority's vision of its purpose and intended outcomes for citizens and service users.</p>
2		<p><b>Vision and Governance</b></p> <p>Reviewing the authority's vision and its implications for the authority's governance arrangements.</p>
3		<p><b>Vision and Objectives</b></p> <p>Translating the vision into objectives for the authority and its partnerships.</p>
4		<p><b>Quality and Value for Money</b></p> <p>Measuring the quality of services for users, for ensuring they are delivered in accordance with the authority's objectives and for ensuring they represent the best use of resources and value for money.</p>
5		<p><b>Constitution</b></p> <p>Defining and documenting the roles and responsibilities of the executive, non-executive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication in respect of the authority and partnership arrangements.</p>
6		<p><b>Codes of Conduct</b></p> <p>Developing, communicating and embedding codes of conduct, defining the standards of behaviour for members and staff.</p>
7		<p><b>Decision Making</b></p> <p>Reviewing the effectiveness of the authority's decision-making framework, including delegation arrangements, decision making in partnerships and robustness of data quality.</p>
8		<p><b>Risk Management</b></p> <p>Reviewing the effectiveness of the framework for identifying and managing risks and demonstrating clear accountability.</p>
9		<p><b>Counter Fraud</b></p> <p>Ensuring effective counter-fraud and anti-corruption arrangements are developed and maintained.</p>
10		<p><b>Change Management</b></p> <p>Ensuring effective management of change and transformation.</p>
11		<p><b>Financial Management</b></p> <p>Ensuring the authority's financial management arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010) and, where they do not, explain why and how they deliver the same impact.</p>

Element		
12		<p><b>Internal Audit</b></p> <p>Ensuring the authority's assurance arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Head of Internal Audit (2010) and, where they do not, explain why and how they deliver the same impact.</p>
13		<p><b>Monitoring Officer</b></p> <p>Ensuring effective arrangements are in place for the discharge of the Monitoring Officer function.</p>
14		<p><b>Head of Paid Service</b></p> <p>Ensuring effective arrangements are in place for the discharge of the Head of Paid Service function.</p>
15		<p><b>Audit Committee</b></p> <p>Undertaking the core functions of an Audit Committee, as identified in CIPFA's <i>Audit Committees: Practical Guidance for Local Authorities</i>.</p>
16		<p><b>Laws and Policies</b></p> <p>Ensuring compliance with relevant laws and regulations, internal policies and procedures and that expenditure is lawful.</p>
17		<p><b>Whistleblowing</b></p> <p>Whistleblowing and receiving and investigating complaints from the public.</p>
18		<p><b>Training and Development</b></p> <p>Identifying the development needs of members and senior officers in relation to their strategic roles, supported by appropriate training.</p>
19		<p><b>Communication</b></p> <p>Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation.</p>
20		<p><b>Other Service Providers</b></p> <p>Enhancing the accountability for service delivery and effectiveness of other public service providers.</p>
21		<p><b>Partnerships and Governance</b></p> <p>Incorporating good governance arrangements in respect of partnerships and other joint working as identified by the Audit Commission's report on the governance of partnerships and reflecting these in the authority's overall governance arrangements.</p>
22		<p><b>Emergency Planning</b></p> <p>Ensuring we can respond effectively to an emergency within the borough.</p>

Element		
23		<p><b>Business Continuity Management</b> Reviewing what disruptions the Council might face to its service delivery and planning to minimise the impacts should they happen.</p>

## Sources of External Assurance Reviewed this Year

Type	Report
<b>External Audit</b>	Annual Audit Letter 2014/15 (October 2015)
	Audit Results Report 2014/15 (September 2015)
	Annual Certification Report 2014/15 (January 2016)
<b>Government Department or Agency</b>	Local Government Ombudsmen Report 2014/15 (June 2015) and cases referred during 2015/16
	Planning Inspectorate reviews of the Welborne Plan and the Development Sites and Policies Plan (May 2015)
	Public Service Network Compliance (2015/16)
	Driver and Vehicle Standards Agency (DVSA) Vehicle Operators Compliance Score (August 2015) and Vehicle Test History (April 2016)
<b>Insurers</b>	Allianz Insurance property risk improvement surveys of the Daedalus airfield, Fareham Leisure Centre and the Civic Offices (March - November 2015)
<b>Other</b>	Hampshire Safeguarding Children Board (HSCB) 2014 S11 Audit Self-Assessment Tool (June 2015) and HCSB Evaluation Letter (March 2016)
	Partnership Coverage by other Audit Teams (PUSH 2014/15, Project Integra 2014/15)
	HCC Property Services Annual Review of the Building Control Partnership (March 2015)
	External and Internal Penetration Health checks performed by a specialist company on our IT systems.

**FAREHAM**  
BOROUGH COUNCIL

# **Annual Governance Statement 2015/16**



# Scope of Responsibility

Fareham Borough Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. Fareham Borough Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, Fareham Borough Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk.

Fareham Borough Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*.



A copy of our code is on our website at:

<http://www.fareham.gov.uk/about-the-council/strategies/policydocs.aspx>

This statement explains how Fareham Borough Council has complied with the code and also meets the requirements of the Accounts and Audit (England) Regulations 2015, regulation 6 (1b) which requires all relevant authorities to prepare an annual governance statement.



# The Purpose of the Governance Framework

The governance framework comprises the systems and processes, culture and values by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads its communities. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness.

The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of the authority's policies, aims and objectives, to evaluate the likelihood and potential impact of those risks being realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at Fareham Borough Council for the year ended 31 March 2016 and up to the date of approval of the Statement of Accounts.

## The Governance Framework

The key elements of the systems and processes that comprise Fareham Borough Council's governance arrangements are summarised in this document.

# Community Communication

The Council's approach to communication is set out in the Communications and Engagement Strategy which is monitored and updated regularly. We are seeing a consistent growth in followers on social media channels like Facebook and Twitter which give us ways to have informal two-way conversations with a wider range of people. We also use the Council Connect stand in the Town Centre to display a range of material on targeted themes throughout the year.

The Council has a Public Relations, Marketing and Consultation Team who coordinate and undertake community consultations using a variety of methods. These include an e-panel of nearly 2000 residents. In 2015/16 we stopped carrying out a biannual survey of a sample of residents.

Instead we now have a more personal conversation with a sample of residents who have used a key service in the year which allows us to pick up improvements and what matters to our customers. The Team encourages all departments to seek advice on the best communication methods to be used for events and information, and when our equality objectives need to be considered, to ensure our approach is consistent.

Meetings are held in the community when there is a need to focus on hot topics of interest to that neighbourhood.

The Team also work with the media to convey important messages.



# Council's Visions and Objectives

The Council's purpose and objectives are often affected by changes in legislation and government. However, we use the information from our communication channels to put these into a local context and identify local priorities.

A "Big Picture" report covering the hot topics in the Borough and what people are talking about using social media or other sources is reviewed every six months by the Chief Executive's Management Team.

This includes analysing any changes in demographics in the borough which may influence what our priorities should be.

The Leader of the Council chairs discussions at the summer Community Action Team meetings around the borough each year on the Council's vision, objectives, achievements and priorities.

Our Corporate Strategy 2011-2017 describes an overall vision for the Borough and sets out



our priorities for improvement over a six-year period. This is updated and reviewed by the Executive annually and is available on our website.

<http://www.fareham.gov.uk/about-the-council/strategies/keystrategies.aspx>

A major refresh of the Strategy is in progress and is scheduled to be completed by April 2017.

## Change Management

The Council seeks to avoid complacency and continuously challenges the way it works. We are applying the 'Systems Thinking' approach throughout the Council to put the customer at the heart of the organisation's processes. We are seeking to embed this into our culture and

keep employees involved and informed about the process using 'show and tell' days. As new ways of delivering services are adopted, the employee structure of the service is also reviewed so that resources match the revised way of working.

# Service Quality and Value for Money

The Council is implementing a programme of cultural change which is leading to better quality and value for money services. We have been introducing 'Systems Thinking' into our services which redefines the purpose from the customers point of view and puts them at the heart of the processes we use to deliver them. In 2015 we were awarded a Bronze Improvement and Efficiency (IESE) award for this initiative.



During 2015/16 interventions have progressed in relation to Noise Pollution, the Housing Waiting List, Housing Voids Management and Insurance, resulting in improved customer experiences and faster service delivery.

We have Local Service Agreements( LSAs) in place which set out how well we are doing on delivering key services in line with our corporate priorities. They are updated annually and reviewed by the Chief Executives Management Team and the Executive. The LSAs include a list of key performance measures which are monitored

during the year and over years. These indicators are being revised as we determine what measures truly match the purpose of the service.

Internal audit and external inspections provide an independent layer of assurance on the services being provided.

The Council has a corporate efficiency plan which identifies cost saving actions. Extra actions, totalling £450k, were identified in 2015/16. The plan is being refreshed in 2016/17, in light of the latest financial settlement, to help us set a balanced and sustainable budget through to 2020.

The Council continued to jointly buy goods and services with other Councils, and build upon successful services delivered jointly with other local authorities. In 2015/16 we have also been working with neighbouring councils in relation to corporate procurement processes.

The Council has been proactive in launching a transparency portal on its website, as linked below, which provides information and data about the way it is being run. This gets regularly updated.

<http://www.fareham.gov.uk/about-the-council/financial-information/intro.aspx>



# Member and Officer Roles and Responsibilities

The Council's Constitution sets out:

- How the Council operates.
- The roles, responsibilities and relationships between the different Council committee.
- The roles of Executive Members, Committee Chairmen, Ward Councillors and Chief Officers.
- The functions, responsibilities and post holders of the statutory officers: Head of Paid Service, Monitoring Officer and Chief Finance Officer.

A member / officer protocol lays out how communication is effected between the two roles. The Constitution documentation continues to be reviewed to keep it as a

single reference source that meets the needs of its users. A member and officer working group meets periodically to review the content. During 2015/16 the Standing Orders for the Appointment, Dismissal and Discipline of Employees and the Code of Conduct for Members were updated and approved by the Council.

There is a designated post which covers the Monitoring Officer responsibilities. The post holder keeps apprised of changes in the requirements by attending appropriate courses and the Council subscribes to a national service to obtain advice as necessary.

## Decision Making

The Constitution sets out how different types of decisions are made including who has the responsibility for making them and what procedures should be followed. The Monitoring Officer and Chief Finance Officer maintain their legal responsibilities to ensure that the Council acts legally and within its financial means. Meetings are held in public except where personal or confidential matters are being discussed. The Forward Plan highlights any 'key decisions' due to be made. The Scheme of Delegation sets out when and how the Executive, portfolio holders and officers can make Executive decisions. There

are also schemes of delegation for the Planning Development Control and Licensing and Regulatory functions. Where partnerships have been developed with other agencies, decision making powers and delegated powers are documented and presented to members.



# Risk Management

The Council has a Risk Management Policy which seeks to embed risk management into the everyday workings of the Council. A further review is in progress to apply System Thinking to the process. The arrangements are tested every three years by internal audit. The last review was in 2013/14 and there were no major findings. A Central Risk Directory identifies the links between the corporate priorities, significant projects, top risks managed by Heads of Service, all of

which contribute to a single Corporate Risk Register. The Corporate Risk Register is owned and monitored by the Chief Executive's Management Team and reviewed by the Audit and Governance Committee. A major review of insurable risks has been carried out which resulted in some changes to the way and what insurance cover we purchase, and how claims are managed.

## Codes of Conduct

In accordance with the Localism Act 2011 we have a Code of Conduct which sets out the behaviours expected from our members, and we have arrangements in place to deal with matters of ethics, honesty and member conduct. The Code of Conduct was revised in 2015/16 to make it easier to read and consistent with other authorities in Hampshire, in order to assist those Councillors involved with more than one body. A report is presented annually to the Audit and Governance Committee setting out the number of complaints received about member conduct. In addition, any breaches of code handled by the Monitoring Officer are reported at the next available meeting.

The Council's Code of Conduct and Disciplinary Rules and Procedure aims to maintain appropriate standards of conduct at

work by employees. It ensures that employees are treated fairly and supports an appropriate culture and working environment, through fair and effective management of disciplinary matters. A review of the code is planned for 2016/17 to update it and simplify it for users. All new employees receive a copy of the code. Further arrangements, such as an electronic system where employees can register their interests, help ensure everyone is aware of the code. A revised policy on employee gifts and hospitality and interests has been drafted to meet the needs of the Bribery Act and will be finalised in 2016/17.

An audit of our ethics arrangements was carried out in 2015/16 which gave positive assurance that appropriate arrangements are in place to manage member and employee behaviours.

# Member and Officer Development

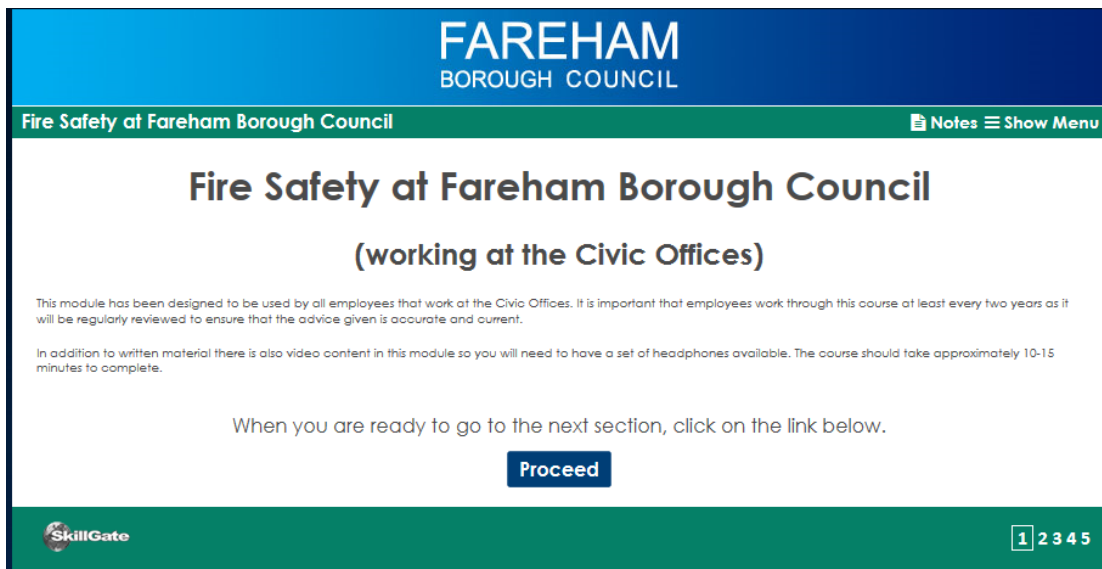
A modular induction and training programme is in place for members. The induction modules for new members are completed within a few months of being elected. During the year the member training plan was refreshed and a review completed of how well the new process is working for members. How well it works for new members will be further tested in 2016/17.



This programme is supplemented by specific topic briefings for all members. Five member training/briefing events took place in 2015/16.

Officer training & development is based around a simplified individual performance management process. There is a coordinated approach to the identification of the training needs of the organisation which helps us make the most of money spent on employee development and training. This was reviewed in 2015/16 and the process was made more flexible and agile to allow both forward planned and reactive training needs to be addressed.

The Council receives the benefits of an on-line training suite called Skillgate used by both members and employees. We have expanded our use of the authoring tool to create local courses when the generic course does not meet our needs. For example, in 2015/16 a fire safety training course was developed and rolled out to all employees.



# Financial Management

The Council has adopted an integrated approach to service and financial planning which allows for pressures and opportunities in service delivery to be considered and reflected in the financial plans of the Council at the earliest opportunity. The Council's Medium Term Finance and Treasury Management Strategies are updated each year and approved by Members.

Finances are monitored regularly through reporting and discussions with nominated budget holders, directors and the relevant portfolio holder. These meetings cover all aspects of service delivery that have a financial consequence.

Monthly summary financial information is published online for all Members and the public, showing actual performance against budgets for the year to date. This can be found at [http://www.fareham.gov.uk/pdf/about\\_the\\_council/councilport.pdf](http://www.fareham.gov.uk/pdf/about_the_council/councilport.pdf).

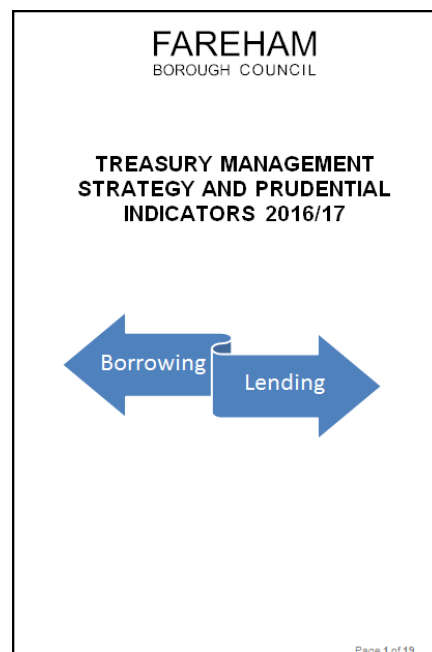
Periodic financial reports showing expenditure against budgets are prepared and presented to the Chief Finance Officer and Executive Members. These reports focus on services with high spend or which are subject to fluctuations.

Accountants are being developed to become business partners to the services they support and they meet periodically to share to

maintain knowledge of current developments and share experiences and ideas.

Quarterly reports on the Council's loans and investments are presented to the Chief Finance Officer, the Chief Executive Officer, and half yearly to the Council's Executive along with a set of indicators which measure the impact of capital investment decisions.

Treasury investments are made, having taken into account advice from the Council's treasury management consultants in order to reflect current market developments.



The Council's financial management arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010).



# Internal Audit and Audit and Governance Committee

The Council has an internal audit service which delivers a risk based plan of work approved by the Audit and Governance Committee.

In 2015/16 the service was jointly delivered by an in-house team and an external contractor with one piece work delivered in collaboration with a neighbouring council. This helps the delivery of the whole scope of audit work and maintain independence. Joint working with neighbouring councils will be further developed in 2016/17 to identify where assurances can be shared.

Managers receive a report of findings following an internal audit review and an action plan is agreed to address any weaknesses found.

These actions are tracked until they are completed. A new action management system has been developed to improve the information available to managers and help capture updates on implementation. The functionality of the system was completed in 2015/16 and it will be rolled out to users in 2016/17.

A summary of the work undertaken by internal audit and the findings are reported quarterly to the Audit and Governance Committee.

The new Public Sector Internal Audit Standards came into effect on 1<sup>st</sup> April 2013 and we have carried out a full assessment of

our level of compliance. We considered that in 2015/16 we fully conformed with 48 of the 52 standards and partially conformed with another 3. This reflects some improvements made in 2015/16 including the introduction of ethics audit work, and finalising the Quality and Improvement Plan for the service.

The Council has an Audit and Governance Committee which undertakes the core functions of an Audit Committee in accordance with the CIPFA guidance. It reports directly to the Full Council. In 2012/13 the responsibilities of the Committee were extended to include those previously undertaken by the Standards Committee.

This Committee meets four times a year and receives reports covering the range of governance issues set out in its terms of reference. In particular it receives the Head of Audit's Annual Report and the External Auditor's Audit Results Report.

<b>FAREHAM</b> BOROUGH COUNCIL	
<b>Report to</b> <b>Audit and Governance Committee</b>	
Date:	27 June 2016
Report of:	Head of Finance and Audit
Subject:	HEAD OF AUDIT'S ANNUAL OPINION 2015/16

# Ensuring Compliance with Relevant Laws and Policies

Fareham Borough Council and Southampton City Council are in an established partnership for the provision of legal services. This helps ensure that the Council has access to a wider range of solicitors for support. It also gives joint responsibility for ensuring the Council identifies changes in legislation and has the right policies and procedures in place to ensure on-going compliance.

A review has been carried out to agree the most significant laws and policies where assurance is needed as part of the governance framework. Part of this assurance is provided by the Internal Audit Service who carry out tests of compliance with key rules. Additional assurance mechanisms may be introduced to provide information on compliance with our policies when needed. For example, in 2015/16 we introduced a new automated assurance process in relation to the grey fleet drivers covered by our Transport Policy.

Key policies are regularly reviewed to ensure they are up to date and relevant and new and

refresher training is rolled out when considered appropriate.

For example, in 2015/16 training was rolled out to investigators on Investigative law, Evidence, Procedure and Best Practice

The Council's Financial Regulations are being reviewed. This is to streamline them down to the key rules that are necessary for the Council to manage its financial affairs within the resources available. All but one have now been reviewed and presented to the Audit and Governance Committee. The regulations are supported by a series of documents which give further guidance on the purpose of the regulations and methods to ensure compliance. These are then put into a series of procedure notes and manuals used by individual services.

Alternative methods of inducting new employees on the content of key policies are being developed using briefings to be delivered using Skillgate.

## Whistleblowing and Complaints

The Council's Whistleblowing Policy is reviewed every three years by the Audit and Governance Committee and was last updated in October 2013. The Policy is sent

out as part of the pack of information given to new employees and periodic updates are communicated through the staff intranet. Designated channels including electronic

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reporting methods are available for employees and members of the public. A central database recording incidents of whistleblowing and the results of investigations arising has been set up and all whistleblowing incidents are reported to the Audit and Governance Committee.

A formal complaints procedure is in place which consists of 2 stages (Head of Service review then Director review) plus an option to go to the Local Government Ombudsman. Complaints to the Local Government

Ombudsman are dealt with by designated Council officers. An annual report covering complaints made to the Local Government Ombudsman is received by the Audit and Governance Committee. The latest report was received in June 2015 which included one conclusion of maladministration by the Council. We have not been made aware of any similar conclusions in 2015/16.

## Counter Fraud

The Council has adopted an Anti Fraud and Corruption Policy which is supported by a programme of work to review and strengthen our counter fraud arrangements. These include training, data matching exercises and strengthening our policies and procedures.

Risk assessments are being carried out on the top frauds faced by councils, to maximise the cost effectiveness of our approach to the prevention and detection of the of fraud in our borough.

In 2014/15 the Council's benefit investigators were transferred to the Department of Work and Pensions. However, the Council has taken action to ensure that it still has professional investigator resources available who deliver



a full programme of work. In 2015/16 enhanced vetting checks were introduced for Right To Buy applications as this was assessed as an increasing area of risk. In 2016/17 there will be a fraud awareness campaign aimed at the public.

The Audit and Governance Committee receive six -monthly updates on the work carried out on the counter fraud framework and the nature and results of investigations carried out.

# Enhancing the Accountability of other Service Providers

The Council has identified the groups and organisations who we work with on a regular basis and who provide important services to the community themselves. We have also identified what we have in place to enhance their accountability for the services they deliver. The Scrutiny Board plays an

important role in working with other service providers and will invite them to appear at a meeting. The Scrutiny Board also receive an annual report on the performance of the multi-agency Community Safety Partnership which includes the police, probation and fire services.

## Partnership Governance

The Council delivers some services by entering into partnership agreements. These are assessed for their significance in terms of the results they seek to deliver, their profile/reputation and the resources that are put into them. Failure of a significant partnership is one of the risks managed on the Council's Corporate Risk Register. 10 partnerships were deemed significant to the Council in 2015/16.

The Council maintains a Corporate List of its significant partnerships with links to the agreements in place. These were last reviewed by the Chief Executive's Management Team in March 2016 to confirm the significance of the partnership, review any potential governance issues and review how each is performing.

Lead officers are assigned to each partnership. They are responsible for day to day liaison and for providing the Chief

Executive's Management Team with details of any significant changes to the circumstances/membership of the partnership. Senior Officers and/or Members sit on the board of the Council's significant partnerships and take an active part in discussions and decision making.

Governance arrangements were updated in 2015/16 for the Building Control Partnership which expanded to include Portsmouth City Council.



# Emergency Planning and Business Continuity

The Council works in partnership with the Emergency Planning & Resilience Unit at Hampshire County Council to maintain its readiness to respond to emergencies in the borough. A fully staffed emergency control centre or table top training exercise is carried out each year to test and train officers who are involved in the emergency response process.

This is supplemented by refresher training of the different roles recognised by the response plan. In 2015/16 the Emergency Response Plan was refreshed .

The purpose of business continuity is to ensure

that the authority can still provide its critical services when it is involved in an emergency response or faced with a disruption. Business continuity plans are in place for all critical services and are supported by an overarching Disruption Management Plan and response plans for specific disruptions such as adverse weather. A test exercise using the plans was last carried out in March 2015.

Work has started to challenge the documentation maintained for emergency planning and business continuity to make sure it is proportionate and serves a purpose in a real situation.

## Review of Effectiveness

Fareham Borough Council has responsibility for conducting a review of the effectiveness of its governance framework, including the system of internal control. This is done at least once a year. The review of effectiveness is informed by the work of the Directors within the authority who have responsibility for the development and maintenance of the governance environment. The review of effectiveness has been led by the Chief Executive's Assurance Group. It consists of all directors, which includes the Monitoring Officer and Chief Finance Officer, and is chaired by the Chief Executive Officer. The Head of Finance and Audit also attends.

The group reviewed the following evidence:

- Analysis of the 23 parts of our governance framework against current knowledge, including reports seen by Senior Officers during the year.
- Head of Audit's Annual Report 2015/16
- Summary of what reports and feedback we have received from external auditors, inspectors or other external agencies in the year.
- Review of progress made on the actions included in the previous Annual Governance Statement.

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# Head of Internal Audit's Annual Report

Internal audit cannot give absolute assurance but an opinion was provided to the Audit and Governance Committee in June 2016. The opinion given was that:

*The Council had a framework of governance, risk management and control for the year 2015/16 which was generally working effectively. There is awareness amongst managers about their top risks and the importance of control mechanisms within the developing Systems Thinking culture, and the need to address any major weaknesses found.*

*The opinion is particularly based on the fact that:*

- no "minimal" audit assurance opinions were again given this year;*
- no income or expenditure errors were found in the year;*
- the services audited which have undergone a Systems Thinking intervention this year have been given a 'reasonable' audit assurance opinion;*

- only 2 new essential recommendations have been made this year, which are already being progressed.*

*Particular areas for actions noted which will enhance the adequacy and effectiveness of governance, risk management and control include:*

- a. Complete the review of effectiveness of the Risk Management framework.*
- b. Roll out the new action management system to improve the management of recommendations arising from audit reports, and update the data available on the level of implementation.*
- c. Roll out the Data Protection refresher training that is being developed in Skillgate, and use Skillgate to maintain the records of who has completed the training.*
- d. Clarify the ICT security policies for the Council.*
- e. Finalise the action plan for the Contract Completion audit from 2014/15 which includes updating the Financial Regulation on Procurement.*

## External Assurances

The Council's independent external auditors were summarised in their Annual Audit for the year were Ernst and Young. They Results Report which was presented to the have worked throughout the year in Audit and Governance Committee in accordance with their code of practice. The September 2015 and circulated to Members findings from the work carried out last year and the statutory officers. This report was <sup>16</sup>



very positive and unqualified opinions were given by the auditors.



Other external inspections and audits undertaken during the year which have been used as a source of assurance included:

- Certification report from the External auditors 2014/15.
- Report of the Local Government Ombudsman 2014/15.
- Reports of the Planning Inspectorate 2015.
- Assessments by the Driver and Vehicle Standards Agency
- Compliance work undertaken to meet the requirements of the Public Service Network
- Results of the Insurable risk reviews carried out by Allianz in 2015/16

- Results of IT Health checks (external and internal penetration tests) carried out by an external firm.
- Hampshire County Council review of our safeguarding arrangements.
- Partnership coverage by other internal audit teams.



## Review of Effectiveness Conclusion

The conclusion from the review of effectiveness is that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework.

The Audit and Governance Committee have reviewed the sources of assurances used this year and have scrutinised the content of the Annual Governance Statement.

# Actions taken to strengthen the Governance Arrangements in 2015/16

The annual review of effectiveness have identified that the following significant actions were taken during 2015/16 to strengthen our governance arrangements:

- ✓ Systems thinking reviews progressed to improve service quality in Voids management, Housing waiting List, Insurance and Noise Pollution.
- ✓ Changed the residents' survey process to make the measures of customer satisfaction used more meaningful
- ✓ Ethics audit undertaken to ascertain arrangements to manage behaviours. Included interviews with senior managers and members and employee perception survey.
- ✓ Standing Orders for the Appointment, Dismissal and Discipline of Employees and the Code of Conduct for Members were updated and approved by the Council.
- ✓ The effectiveness of the new approach to employee training was reviewed and as a consequence it has been made more flexible and agile so that it covers reactive as well as planned training needs; and frees up managers time from planning to delivery of the training.
- ✓ The member training plan was refreshed and reviewed as to how well the new process is working for members.
- ✓ The use of the Skillgate online training system rolled out to members.
- ✓ Rolled out the new system to strengthen the assurance available on compliance with the Council's Transport Policy for drivers in the grey fleet.
- ✓ Functionality of the action management system has been fully implemented to improve the efficiency in the way that we manage recommendations arising from audit reports.
- ✓ Governance arrangements updated for the Building Control Partnership to take account of the new third partner.
- ✓ Governance arrangements established for the Solent Enterprise Zone at the Daedalus site.
- ✓ Designed a new approach to Health and Safety assurance.
- ✓ The Emergency Response Plan was refreshed and all senior officers were issued with a revised copy.



# Planned Governance Improvements

Whilst there have been a number of improvements made through the year, the Council strives for continuous improvement. We have therefore selected the following improvements, identified from our review of effectiveness, for action next year:

- Continue with the next phase of Systems thinking reviews.
- Produce the next 6 year corporate strategy, including an update of the Council's objectives.
- Governance arrangements to be established for the New Welborne Community .
- Consider what governance arrangements are needed if Devolution in the Solent area occurs.
- The efficiency plan to be refreshed in light of the 4 year financial settlement to enable us to set a balanced and sustainable budget through to 2020.
- Review the progress and impact of the new individual performance management initiative.
- Further review the Risk Management Policy to apply Systems Thinking to the process.
- Review the Disciplinary Code of Conduct and Disciplinary Rules and Procedure code is to update it and make it simpler for users
- Finalise and launch the revised employee gifts and hospitality and interests policy.
- Provide appropriate training and support for the new Chairman of the Audit and Governance Committee
- Roll out the new action management system to improve the efficiency in the way that we manage recommendations arising from audit reports.
- Roll out bespoke Data Protection training on Skillgate.
- Roll out an updated Fraud awareness campaign
- Update the Sanctions and Redress Policy to reflect the changes that have occurred to benefits fraud investigation.
- Continue challenging the documentation maintained for emergency planning and business continuity to make sure it is proportionate and serves a purpose in a real situation.

# Certification

We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Audit and Governance Committee, and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework. The areas already addressed and those to be specifically addressed with new actions are outlined above.

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

**Signed:**

Councillor S.D.T. Woodward  
Executive Leader  
Fareham Borough Council

Dated: September 2016

**Signed:**

P.K.Grimwood  
Chief Executive Officer  
Fareham Borough Council

Dated: September 2016

**FAREHAM**  
BOROUGH COUNCIL

**Report to  
Audit and Governance Committee**

**Date:** 27 June 2016  
**Report of:** Head of Finance and Audit  
**Subject:** QUARTERLY INTERNAL AUDIT REPORT

**SUMMARY**

This report provides the assurances arising from the latest internal audit work 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.

## INTRODUCTION

1. This report highlights the progress made to date on the delivery of the Internal Audit Plans and the assurances that can be obtained from the work now completed.

## FINALISING THE 2014/15 AUDIT PLAN

2. The current status of the 5 audits remaining from the 2014/15 Internal Audit Plan in the last report is detailed in [Appendix One](#). A draft report has been received by the in-house audit team for all of these audits and one further report has been finalised.

## DELIVERY OF 2015/16 AUDIT PLAN

3. There have been no further changes to the original plan set for 2015/16. Work has started on 95% of the audits in the 2015/16 plan as detailed in [Appendix Two](#) and ten of the nineteen audits have been finalised.

## DELIVERY OF 2016/17 AUDIT PLAN

4. Work is just starting on delivery of the 2016/17 plan as detailed in [Appendix Three](#) so no audits have yet reached the draft report stage.

## FINDINGS FROM COMPLETED AUDITS

5. Since the previous Audit and Governance Committee, six final reports have been as listed below with the opinions given and number of recommendations made:

Audit	Assurance Opinion	Recommendations Made		
		New Essential	New Important	Outstanding Previous Essential or Important
<b>2014/15 Plan</b>				
Corporate Data Protection	Reasonable	1	4	3
<b>2015/16 Plan</b>				
Local Taxation	Strong	-	1	2
Payroll	Strong	-	1	-
Capital Expenditure and Accounting	Reasonable	-	2	-
IT Disaster Recovery	Reasonable	-	5	-
Effectiveness of Ethics Related Activities	Not applicable			

6. The detail of the recommendations made and the actions to be taken is provided in [Appendix Four](#), with the exception of the "effectiveness of ethics related activities work" which will be fed back to members in the form of a presentation at the meeting.

## RISK ASSESSMENT

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

## **Appendices**

**Appendix One** - Update on Outstanding Audits from the 2014/15 Plan

**Appendix Two** - Progress on Delivering the 2015/16 Plan

**Appendix Three** - Audits in the 2016/17 Audit Plan

**Appendix Four** - Findings from the Latest Completed Audits

**Appendix Five** – Reference Tables

**Background Papers:** None

### **Reference Papers:**

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

Report by the Director of Finance and Resources to the Audit and Governance Committee on 16 March 2015 on the Internal Audit Strategy and Annual Audit Plan 2015/16

Report by the Head of Finance and Audit to the Audit and Governance Committee on 14 March 2016 on the Internal Audit Plan 2016/17

### **Enquiries:**

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

## APPENDIX ONE

### Update on Outstanding Audits from the 2014/15 Plan

The following table shows those audits that were outstanding in the last quarterly report and shows the current position with finalising the work.

Audit Title	Type of Audit**	Days in Plan	Stage reached of 10*	Assurance Opinion*	New Recommendations*			Previous Recs. (E and I only)		
					Essential	Important	Advisory	Implemented	Cancelled	Not Implemented
<b>Corporate Data Protection</b>	<b>Corporate, Specialist, Governance</b>	<b>5</b>	<b>Stage 10</b>	Reasonable	<b>1</b>	<b>4</b>	2	4	3	<b>3</b>
Information Governance Opinion	<b>Computer</b>	<b>6</b>	Stage 8							
Income Collection & Banking	Fundamental	15	Stage 8							
Benefits	Fundamental (V)	30	Stage 8							
Contract Completion	Corporate, Specialist, Governance	10	Stage 8							

\* A key to the information in this column is given in Appendix 4.

\*\* V denotes this audit was covering a service which had been subject to a Vanguard intervention

APPENDIX TWO

Progress on Delivering the 2015/16 Plan

No.	Audit Title	Type of Audit**	Days in Plan	Stage reached of 10*	Assurance Opinion*	New Recommendations*			Previous Recs. (E and I only)		
						Essential	Important	Advisory	Implemented	Cancelled	Not Implemented
1	Express (Electoral Register)	Computer	5	Stage 10	Reasonable	1	-	-	-	-	-
2	Individual Electoral Registration	Service and Systems - Other	7	Stage 10	Strong	-	-	-	-	-	-
3	Local Tax Collection	Fundamental System	15	Stage 10 (new)	Strong	-	1	1	-	-	2
4	Capital Expenditure and Accounting	Fundamental System	10	Stage 10 (new)	Reasonable	-	2	-	-	-	-
5	Fixed Assets	Fundamental System	10	Stage 7							
6	Parking Enforcement	Service and Systems – HR (V)	15	Stage 9							
7	Contract Deeds Management	Thematic Review	15	Not started							
8	Land Charges	Service and Systems – HR	12	Stage 8							
9	Payroll and Staff Expenses	Fundamental System	15	Stage 10 (new)	Strong	-	1	2	-	-	-
10	Accounts Payable	Fundamental System	10	Stage 5							
11	Software Control	Computer	10	Stage 10	Limited	-	5	1	1	-	1
12	Recruitment and Selection	Corporate, Specialist, Governance (V)	15	Stage 7							
13	Right to Buy	Wider Work (change)	10	Stage 10	Not applicable	-	1	-	-	-	-
14	Effectiveness of Ethics Related Activities	Thematic Review	15	Stage 10 (new)	Not applicable						

No.	Audit Title	Type of Audit**	Days in Plan	Stage reached of 10*	Assurance Opinion*	New Recommendations*			Previous Recs. (E and I only)		
						Essential	Important	Advisory	Implemented	Cancelled	Not Implemented
	Vehicle Repairs Procurement	Wider Work – Follow Up	-8	Cancelled							
15	Recycling	Service and Systems – HR	10	Stage 6							
16	Household Waste Collection	Service and Systems – HR	10	Stage 6							
17	<b>IT Disaster Recovery</b>	<b>Computer</b>	<b>15</b>	<b>Stage 10 (new)</b>	Reasonable	-	5	2	4	-	-
	Data Protection	Wider Work – Follow Up	-7	Cancelled							
18	Protection of Trees	Service and Systems - Other	8	Stage 8							
19	<b>Problem with Debt Repayment</b>	<b>Wider Work</b>	<b>8</b>	<b>Stage 10</b>	Not applicable	-	2	2	-	-	-

\* A key to the information in this column is given in Appendix 4.

\*\* V denotes this audit is covering a service which has been subject to a Vanguard intervention. HR denotes this audit was assessed as meeting the High Risk criteria so is a priority for completion this year.



APPENDIX THREE

Audits in the 2016/17 Plan

No.	Audit Title	Type of Audit	Days in Plan	Stage reached of 10*	Assurance Opinion*	New Recommendations*			Previous Recs. (E and I only)		
						Essential	Important	Advisory	Implemented	Cancelled	Not Implemented
<b>OPINION AUDITS</b>											
1	<b>Banking</b>	Fundamental System	10	Stage 1							
2	<b>Treasury Management</b>		10	Not started							
3	<b>Housing Rents</b>		15	Not started							
4	<b>Accounts Payable</b>		10	Not started							
5	<b>Payroll and Employee Expenses</b>		10	Not started							
6	<b>Sheltered Housing</b>	Service and Systems – High Risk	15	Stage 2							
7	<b>Trade Waste and Recycling</b>		15	Not started							
8	<b>Building Control</b>		15	Not started							
9	<b>Daedalus Project</b>		12	Not started							
10	<b>Outdoor Sport and Recreation</b>		15	Not started							
11	<b>Neighbourhood Working, Public Relations &amp; Consultation</b>	Service and Systems - Other	10	Stage 1							
12	<b>Air Quality and Pollution (V)</b>		15	Not started							
13	<b>Countryside Management</b>		8	Not started							
14	<b>Technology Forge</b>	Computer	15	Not							

No.	Audit Title	Type of Audit	Days in Plan	Stage reached of 10*	Assurance Opinion*	New Recommendations*			Previous Recs. (E and I only)		
						Essential	Important	Advisory	Implemented	Cancelled	Not Implemented
				started							
15	<b>Cloud Based Computing</b>		15	Not started							
	Contingency		10								
	In-house team support		50								
	Total Planned Time		<b>250</b>								
<b>WIDER WORK</b>											
16	Leaseholder Charges	Joint working project		Not started							
17	Building Health and Safety Risks	Follow Up / Joint working project		Not started							
18	Data Protection	Joint working project		Not started							
19	Employee Performance Management	Joint Working Project - Corporate System		Not started							
20	Risk Management Approach	New Process		Not started							
21	Effectiveness of Ethics related activities (part 2)	Thematic Review		Stage 1							

## Findings from the Latest Completed Audits

## APPENDIX FOUR

<b>Audit Title</b>	<b>Corporate Data Protection</b>	<b>Overview of Subject:</b> The Council is a recognised “Data Controller” under the Data Protection Act 1998. Therefore we have a number of obligations about how we manage the personal data we collect about living individuals. This audit focused on the Corporate arrangements in place to effectively manage these obligations across the Council. Further work is then proposed to look at Data Protection compliance at the department level.
<b>Year of Audit</b>	2014/15	
<b>Type of Work</b>	Opinion audit	
<b>Assurance Opinion Given</b>	Reasonable	
<b>Direction of Travel</b>	↑ 2012/13	

Areas of Scope	Adequacy and Effectiveness of Controls		New Recommendations Raised			Previous Rec Implementation (E and I only)		
			Essential (🔴*)	Important (🟡)	Advisory (🟢)	Implemented	Cancelled	Non Implemented
<b>Mandatory Areas</b>								
Data Protection Policies and Guides	🟡	🟡	-	1	-	-	-	-
Key Roles	🟢	🟢	-	-	-	-	-	-
Training and Awareness	🟡	🟡	1	-	-	1	3	1
Information Commissioners Office Registration	🟢	🟢	-	-	-	-	-	-
Data Subject Requests	🟢	🟢	-	-	1	-	-	-
Complaints and breaches	🟡	🟡	-	1	-	-	-	-
Incident Reporting to Information Commissioner	🟢	🟢	-	-	-	-	-	-
Corporate Assurance	🟡	🟡	-	1	-	-	-	-
<b>Cyclical Areas and Specific Tests</b>								
Fair Processing Notices	🟢	🟡	-	1	-	1	-	-
Clear Desk Policy, Hub Retentions and T drive	🟢	🟢	-	-	1	1	-	1
External Disposal of Confidential Waste	🟢	🟢	-	-	-	1	-	-
Automatic Printing (follow up only)	🟢	🟡	-	-	-	-	-	1

**Weaknesses identified during the audit and the proposed action** (Essential and Important only)

<b>Weaknesses identified during the audit and the proposed action</b> (Essential and Important only)	
<b>Essential</b>	<b>Training Records:</b> Records need to be kept of the training and awareness provided to employees and councillors as this is a key piece of information that the Information Commissioner may request. The Council will be rolling out training using the Skillgate package and officers have confirmed that that this has the capability to produce management data of who completes the training modules. A register will also be kept of other training and awareness activity carried out.
<b>Previous Important</b>	<b>Employee Training:</b> Refresher training for employees is being developed using the Skillgate package. However, at the time of audit this had yet to be rolled out.
<b>Important</b>	<b>Disposal Policy:</b> Appropriate guidance is to be made available to employees on how long certain types of document should be retained before disposal.
<b>Important</b>	<b>Incident Awareness:</b> Managers will be briefed on the nature of data protection breaches and complaints which need to be reported to the Data Protection Officer (DPO), even if they do not result in a report to the Information Commissioner. This will allow the DPO to monitor the regularity and nature of incidents that are occurring and take any necessary action.
<b>Important</b>	<b>Corporate Assurance:</b> An annual Information Assurance report is being developed which will be presented to Senior managers to keep them informed of where we are with managing the risks associated with Information Governance. This includes compliance with the Data Protection Act and the Freedom of Information Act.
<b>Important</b>	<b>Fair Processing Statements:</b> A standard set of words will be developed for services to use and adapt on all documents where we collect personal information. This will improve consistency and help ensure that no information is missed from the statement. Issues were found in a sample of 17 forms currently available on the web.
<b>Previous Important</b>	<b>Clear Desks:</b> The Council is in the process of introducing a clear desk policy which should be fully in place once the office reorganisation of the Civic Offices is complete.
<b>Previous Important</b>	<b>Automatic Printing:</b> Problems were still found with prints containing personal information being generated by printers without the user being present. This only relates to printers located in the enclosed office space, however, the risk of it falling into the wrong hands increases as more organisations occupy the civic offices. Discussions are to be held with IT to try and understand the circumstances when this happens and whether there are any alternative methods of working.

<b>Year of Audit</b>	<b>2015/16</b>	National Non Domestic Rates (non-residential properties). Fareham Borough Council collects these taxes for other bodies (Hampshire County Council, Hampshire Fire and Rescue, the Police and Crime Commissioner and Central Government) as well as a proportion for itself. The amount of tax to be collected each year is approximately £57million of Council Tax and £41million of NNDR.
<b>Type of Work</b>	Opinion audit	
<b>Assurance Opinion Given</b>	<b>Strong</b>	
<b>Direction of Travel</b>	↔2013/14	

Areas of Scope	Adequacy and Effectiveness of Controls		New Recommendations Raised			Previous Rec Implementation (E and I only)		
			Essential (🔴)	Important (🟡)	Advisory (🟢)	Implemented	Cancelled	Not Implemented
Updating Rateable Values of Properties			-	-	-	-	-	-
Billing			-	-	-	-	-	-
Discounts, Reliefs, Exemptions and Reductions			-	1	1	-	-	2
Income Collection			-	-	-	-	-	-
Recovery			-	-	-	-	-	-
Payments to Precepting Authorities			-	-	-	-	-	-
Appeals Process			-	-	-	-	-	-
Hardship Fund			-	-	-	-	-	-

<b>Weaknesses identified during the audit and the proposed action</b> (Essential and Important only)	
<b>Previous Important</b>	<b>Discount, exemption and relief review schedule:</b> The Council still needs to develop a schedule to document how continued entitlement to all discounts etc. will be monitored and the nature and frequency of any reviews that will be carried out. Although some reviews are being carried out it is not clear what schedule of reviews has been agreed and whether this is therefore being adhered to. A schedule is now being developed which will also show what other sources of assurance are being relied upon (e.g. the National Fraud Initiative).
<b>Previous Important</b>	<b>Review and monitoring of student exemptions:</b> 2/5 student exemptions over a year old had not been reviewed for continuing entitlement (last reviewed February 2014 and October 2014). Annual reviews of student exemptions are now to be carried out.
<b>Important</b>	<b>Mismatch between Local Council Tax Support (LCTS) and Single Person Discount (SPD):</b> 2/20 instances found where there was only one person recorded in the household for a claimant in receipt of LCTS but there was no SPD applied to their Council Tax account. The service are investigating these 2 cases to ascertain the reason for the mismatch and to establish if any further staff training is needed.

<b>Audit Title</b>	<b>Payroll &amp; Staff Expenses</b>	<b>Overview of Subject:</b> The Payroll service is currently operated in-house and produces 4 sets of pay runs: FBC Employees, FBC members, Portchester Crematorium Employees and Election Staff. An audit of the service is carried out each year and some of the coverage is designed to be used by the external auditors.
<b>Year of Audit</b>	<b>2015/16</b>	
<b>Type of Work</b>	Opinion audit	
<b>Assurance Opinion Given</b>	<b>Strong</b>	
<b>Direction of Travel</b>	↔2014/15	

Areas of Scope	Adequacy and Effectiveness of Controls		New Recommendations Raised			Previous Rec Implementation (E and I only)		
			Essential (🔴)	Important (🟡)	Advisory (🟢)	Implemented	Cancelled	Non Implemented
Establishment Management			-	-	-	-	-	-
Standing Data			-	-	-	-	-	-
Basic Salary Calculations			-	-	-	-	-	-
Allowances, Expenses and Variations to Pay			-	1	1	-	-	-
Payroll Run Control			-	-	-	-	-	-
Ledger Postings and Interfaces			-	-	1	-	-	-
Sick Pay			-	-	-	-	-	-

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<b>Weaknesses identified during the audit and the proposed action</b> (Essential and Important only)	
<b>Important</b>	<b>Reviewing Employees in receipt of Essential User Allowance:</b> A review was carried out of the employees in receipt of the essential user allowance and a few cases were found where the post may no longer be meeting the criteria for the allowance, or may now be entitled to it. These cases are now being reviewed by personnel with the managers of the services concerned. An annual review of this allowance is now also to take place.

<b>Audit Title</b>	<b>Capital Expenditure and Accounting</b>	<p><b>Overview of Subject:</b> Capital expenditure is an amount spent to acquire or improve a long-term asset. The cost is then charged through depreciation over the useful life of the asset, rather than charging it immediately as an expense to the revenue account. The capital programme is included in the Financial Strategy of the Council. The provision for 2015/16 was approximately £8million.</p>
<b>Year of Audit</b>	<b>2015/16</b>	
<b>Type of Work</b>	Opinion audit	
<b>Assurance Opinion Given</b>	<b>Reasonable</b>	
<b>Direction of Travel</b>	↔2012/13	

Areas of Scope	Adequacy and Effectiveness of Controls		New Recommendations Raised			Previous Rec Implementation		
			Essential (●*)	Important (▲)	Advisory (P)	Implemented	Cancelled	Non Implemented
Capital Strategy and Policies			-	1	-	-	-	-
New Capital Projects Appraisal and Approval			-	As above	-	-	-	-
Capital Programme Setting and Phasing			-	-	-	-	-	-
Capital Programme Monitoring & Budgetary Control			-	1	-	-	-	-
Use of Capital Charges			-	-	-	-	-	-

Weaknesses identified during the audit and the proposed action (Essential and Important only)	
<b>Important</b>	<p><b>New Capital Projects Appraisal &amp; Approval:</b> In the previous audit it was found that that there were no formal procedures/templates in place to support adding a project to the capital programme. A template and guidance was drafted and piloted with a service but the conclusion was drawn that this was not the best approach to take. Instead the Council wants to move to the accountants taking the lead on the appraisal by having conversations with the services, using a checklist to help carry out the evaluation. However, this process has yet to be fully defined and rolled out.</p>
<b>Important</b>	<p><b>Transparency of Capital Programme Overspends where projects cover more than 1 year:</b> Whilst monitoring of the Capital programme occurs regularly, the reports presented to the Executive are not clear as to the total cost of projects which span more than one year, which means overspends on these projects may not be highlighted. The current reporting of the spending on the Capital Programme to the Executive is therefore to be reviewed to identify when whole project life monitoring needs to be included in the report.</p>

<b>Audit Title</b>	<b>ICT Disaster Recovery</b>	<b>Overview of Subject:</b> Disaster Recovery (DR) planning enables the recovery of ICT systems in the event of disruption impacting the data centre or server room hosting the Council's IT systems. Any event that prevents or interrupts an organisation's ability to perform its work tasks is considered a disaster. The moment that ICT becomes unable to support mission-critical processes is the moment that a pre-established Disaster Recovery plan should be invoked to manage the restoration and recovery procedures.
<b>Year of Audit</b>	<b>2015/16</b>	
<b>Type of Work</b>	Opinion audit	
<b>Assurance Opinion Given</b>	<b>Reasonable</b>	
<b>Direction of Travel</b>	↔2012/13	

Areas of Scope	Adequacy and Effectiveness of controls		New Recommendations raised			Previous Rec Implementation (E and I only)		
			Essential (🔴)	Important (🟡)	Advisory (🟢)	Implemented	Cancelled	Non Implemented
Critical Business Functions			-	1	-	-	-	-
Disaster Recovery Assessment			-	1	2	-	-	-
Contact Details			-	-	-	-	-	-
Disaster Escalation Procedures			-	-	-	-	-	-
Emergency Action Procedures			-	1	-	-	-	-
Salvage Procedures			-	1	-	-	-	-
Disaster Recovery Procedures			-	-	-	3	-	-
Temporary Arrangements			-	-	-	-	-	-
Disaster Recovery Test Plan			-	1	-	1	-	-

<b>Weaknesses identified during the audit and the proposed action</b> (Essential and Important only)	
<b>Important</b>	<b>Priority of Services to be reinstated:</b> The Disaster Recovery Plan does not include any priority schedule for services to be reinstated. Instead the IT section will be responding to instructions from the Disaster Management Team according to the local circumstances at the time. However, the plan does need to make reference to the Telephone system always being the first system to be reinstated and is to be expanded to contain the details of the individual system administrators who IT will need to liaise with when each system is being reinstated.
<b>Important</b>	<b>Document Names:</b> The Plan is to be renamed as the Disaster Recovery Procedures to clearly distinguish it during an emergency from



<b>Weaknesses identified during the audit and the proposed action</b> (Essential and Important only)	
	the ICT services own Business Continuity Plan.
<b>Important</b>	<b>Officer Crib lists:</b> The Disaster Recovery Plan is to be expanded give more detail on the roles and responsibilities of the key personnel identified with responsibility for Disaster Recovery. This will more detail on how to carry out the process should the named person not be available.
<b>Important</b>	<b>Salvage Procedures:</b> There are no currently procedures in place to ensure that, where necessary, high priority IT Assets can be salvaged from the Disaster site, upon authorised personnel regaining access to the building. Work will start to develop some procedures appropriate to our needs.
<b>Important</b>	<b>Reporting Results of Testing:</b> Whilst restore and recovery testing have been carried out and formally documented, there is currently no process to report the results to the Council's senior management team. This will now happen following the planned 2016 testing.

**Reference Tables**

**1. Scale of Assurance Opinions**

<b>Strong</b>	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.
<b>Reasonable</b>	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.
<b>Limited</b>	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.
<b>Minimal</b>	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.

**2. Scale of Recommendation Priorities**

<b>Essential</b>	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 A&G Committee and implementation of proposed actions are monitored.
<b>Important</b>	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 A&G Committee and implementation of proposed actions are monitored.
<b>Advisory</b>	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 are not tracked.

**3. Stages of An Audit Assignment**

<b>Stage 1</b>	The Audit teams have started drawing up the scope of coverage for the assignment.
<b>Stage 2</b>	A scoping meeting has been held with the Sponsor in the client service.
<b>Stage 3</b>	The Terms of Reference for the Assignment have been finalised.
<b>Stage 4</b>	The Auditor has started to deliver the agreed scope of work.
<b>Stage 5</b>	The work completed by the Auditor is being reviewed by their manager.
<b>Stage 6</b>	An exit meeting has been held with the Sponsor giving the preliminary feedback from the work.
<b>Stage 7</b>	Any additional testing identified has been completed.
<b>Stage 8</b>	The draft report has been received by the in-house audit team.
<b>Stage 9</b>	The draft report has been issued to the Service Sponsor and is awaiting their response.
<b>Stage 10</b>	The final report has been issued.

**FAREHAM**  
BOROUGH COUNCIL

**Report to  
Audit and Governance Committee**

**Date:** 27 June 2016  
**Report of:** Head of Finance and Audit  
**Subject:** AUDIT AND GOVERNANCE COMMITTEE WORK PROGRAMME

**SUMMARY**

This report reviews the current work programme for the Committee.

**RECOMMENDATIONS**

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

That any new or repeat topics required in the training programme are identified.

## **INTRODUCTION**

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

## **WORK PROGRAMME 2016/17**

2. The work programme for the year has been updated, as shown in [Appendix A](#). This shows the reports expected in relation to each of the functions of the Committee along with an update on the delivery of the programme to date.
3. One change has been made to the programme which is that the report on the Annual Governance Statement (AGS) has been brought forward to the June agenda from the September meeting, as part of preparations to publish the final accounts earlier next year. This is a requirement of the Accounts and Audit Regulations 2015 which stipulate that the 2016/17 accounts and AGS be approved by the committee by the end of July.

## **TRAINING PLAN**

4. There is currently one training event for the Committee scheduled for November, which is to be delivered by the Council's new Treasury Management advisors.
5. Members of the committee are invited to request any other sessions they feel would be particularly useful in addition to those scheduled as part of the general members' training and development programme. A list of training topics previously delivered is attached as [Appendix B](#).

## **RISK ASSESSMENT**

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

## **CONCLUSION**

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

**Background Papers:** None

**Reference Papers:** Report to the Audit and Governance Committee - 14 March 2016 - Annual Audit and Governance Committee Report, Work Programme and Training Plan

### **Appendices:**

[Appendix A](#) – Audit and Governance Committee Work Programme 2016/17 as at June 2016.

### **Enquiries:**

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

## WORK PROGRAMME FOR 2016/17

Committee Function and Report Subject		Frequency	Last Covered	June 2016	September 2016	November 2016	March 2017
<b>COMMITTEE WORKING ARRANGEMENTS</b>							
Review of Work Programme and training plan		Quarterly	2015-16	Completed	YES	YES	YES and Annual Report
Review of the Functions of the Committee		3 yearly	2013-14		YES		
Review of the Constitution		As needed	2013-14				
<b>ETHICAL FRAMEWORK AND STANDARDS</b>							
Standards of Conduct	Review of Code of Conduct for Members	As needed	2015-16				
	Review of member / officer protocol	As needed	2008-09				
	<b>Overview of Complaints against the Council</b>	Annual	2015-16		YES		
Member Training and Development	Review of Members Training and Development Programme	As needed	2015-16				
<b>GOVERNANCE FRAMEWORK</b>							
Framework	Local Code of Corporate Governance	As needed	2012-13				
	<b>Annual Governance Statement</b>	Annual	2015-16	Completed - brought forward from September			
Key Policy	Review of Financial Regulations	3 yearly	2015-16				
	<b>Review of Contract Procedure Rules</b>	3 yearly	2013-14				YES
	<b>Treasury Management Policy and Strategy</b>	Annual	2015-16			YES- implementation	YES- Policy and indicators
Risk Management	<b>Policy</b>	As needed	2012-13			YES	
	<b>Risk Management Progress Reports</b>	TBC	2014-15				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				
	<b>Sanctions and Redress Policy</b>	As needed	2008-09	Completed			
	<b>Counter Fraud Progress</b>	6 monthly	2015-16	Completed		YES	

<b>Committee Function and Report Subject</b>	<b>Frequency</b>	<b>Last Covered</b>	<b>June 2016</b>	<b>September 2016</b>	<b>November 2016</b>	<b>March 2017</b>
<b>INTERNAL AUDIT ASSURANCE</b>						
Internal Audit Strategy	3 yearly	2014-15				
<b>Internal Audit Annual Plan</b>	Annual	2015-16				<b>YES</b>
<b>Quarterly Audit Reports</b>	Quarterly	2015-16	<b>Completed</b>	<b>YES</b>	<b>YES</b>	<b>YES</b>
<b>Head of Audit's Annual Opinion</b>	Annual	2015-16	<b>Completed</b>			
<b>EXTERNAL ASSURANCE</b>						
<b>Annual Plan and Fee</b>	Annual	2015-16	<b>Completed</b>			<b>YES</b>
<b>Annual Audit Letter</b>	Annual	2015-16			<b>YES</b>	
<b>Annual Certification Report</b>	Annual	2015-16				<b>YES</b>
Specific reports from inspection agencies	As needed	2014-15 (RIPA)				
<b>STATEMENT OF ACCOUNTS</b>						
<b>Statement of Accounts</b>	Annual	2015-16		<b>YES</b>		
<b>External Audit – Audit Results Report</b>	Annual	2015-16		<b>YES</b>		
<b>OTHER</b>						
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			7	6	6	8

## COMMITTEE TRAINING DELIVERED IN THE LAST 5 YEARS

Date	Subject of Training	Format
September 2015	<b>Governance Statements</b>	Interactive presentation before the meeting by lead officer
November 2013	<b>Annual update on Treasury Management</b>	Presentation before the meeting by the Treasury Management advisors
March 2013	<b>Vehicle Risk Management</b>	Presentation before the meeting by lead officers
December 2012	<b>New arrangements for dealing with member complaints</b> <b>Anti-Fraud and Corruption Awareness</b>	Presentation before the meeting by lead officers and the Internal Audit contractor
July 2012	<b>Members Code of Conduct</b>	General members briefings
March 2012	<b>Implementation of the Treasury Management Strategy and Policy</b>	Presentation before the meeting by lead officer
March 2012	<b>The Role and Operation of the Committee</b>	Committee Crib sheet reported in annual report
June 2011	<b>Use of Surveillance under RIPA</b>	Presentation before the meeting by lead officers
June 2011	<b>Overview of implementing the International Financial Reporting Standards (IFRS)</b>	Presentation during the meeting by lead officer
March 2011	<b>Changes to the external audit process and Value for Money opinion</b>	Member briefing by the External Audit Manager

