

FAREHAM

BOROUGH COUNCIL

AGENDA

AUDIT AND GOVERNANCE COMMITTEE

Date: Monday, 19 October 2020

Time: 6.00 pm

Venue: Microsoft Teams Virtual Meeting

Members:

Councillor J E Butts (Chairman)

Councillor S D Martin (Vice-Chairman)

Councillors S Cunningham

P J Davies

T Davies

Mrs T L Ellis

J G Kelly

Deputies: I Bastable

J S Forrest

Mrs C Heneghan



1. Apologies

2. Chairman's Announcements

3. Minutes (Pages 5 - 8)

To confirm as a correct record the Minutes of the Audit and Governance Committee meeting held on the 25 November 2019.

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. Annual Report of the Audit and Governance Committee (Pages 9 - 22)

To consider the annual report by the Head of Finance and Audit on the work of the Audit and Governance Committee during 2019/20 and the proposed work programme for 2020/21.

7. External Audits Annual Certification Report (Pages 23 - 26)

To consider a report by the Head of Housing and Benefits on the findings from the 2018/19 certification work carried out by the External Auditors (KPMG).

8. Counter Fraud Annual Report (Pages 27 - 38)

To consider the Annual Counter Fraud Report by the Head of Finance and Audit.

9. External Audits Annual Plan and Fee (Pages 39 - 92)

To consider a report by the Deputy Chief Executive Officer on the External Auditor's Annual Plan of Work for 2020/21 and proposed Fee for the audit of the 2019/20 accounts.

10. First Year Review of the New Procurement and Contract Procedure Rules (Pages 93 - 114)

To receive a presentation from the Head of Finance and Audit and Head of Democratic Services reviewing the effectiveness of the recent changes to the Procurement and Contract Procedure Rules.

11. Head of Audits Annual Opinion 2019/20 (Pages 115 - 132)

To consider the Head of Audits Opinion report by the Head of Finance and Audit.

12. Annual Governance Statement (Pages 133 - 166)

To consider a report by the Head of Finance and Audit on the 2019/20 Council's Annual Governance Statement.

13. Internal Audit Annual Plan 2020/21 (Pages 167 - 174)

To consider a report by the Head of Finance and Audit on the Internal Audit Plan for 2020/21.

14. Internal Audit Progress Report (Pages 175 - 210)

To consider a report by the Head of Finance and Audit on the findings arising from the latest internal audit work to be finalised and the progress being made on delivering the internal audit plan for 2020/21.



P GRIMWOOD
Chief Executive Officer

Civic Offices
www.fareham.gov.uk
09 October 2020

**For further information please contact:
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FAREHAM

BOROUGH COUNCIL

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

Date: Monday, 25 November 2019

Venue: Collingwood Room - Civic Offices

PRESENT:

Councillor J E Butts (Chairman)

Councillor S D Martin (Vice-Chairman)

Councillors: P J Davies, T Davies, Mrs T L Ellis and J G Kelly

Also Present: I Bastable, J S Forrest, S Cunningham and Mrs K K Trott (for Item 7)



1. APOLOGIES

An apology of absence was received from Councillor Mrs C Heneghan.

2. MINUTES

RESOLVED that the Minutes from the Audit and Governance Committee meeting held on the 23 September 2019 be confirmed and signed as a correct record.

3. CHAIRMAN'S ANNOUNCEMENTS

There were no announcements made at this meeting.

4. DECLARATIONS OF INTEREST AND DISCLOSURES OF ADVICE OR DIRECTIONS

There were no declarations of interest made at this meeting.

5. DEPUTATIONS

There were no deputations made at this meeting.

6. EXCLUSION OF PUBLIC AND PRESS

RESOLVED that in accordance with the Local Government Act 1972 the Public and Press were excluded, as the Committee considered that it is not in the public interest to consider the matter in public on the grounds that the presentation on Cyber Security will disclose exempt information, as defined in Paragraph 3 of Part 1 of the schedule 12A of the Local Government Act.

7. RISK MANAGEMENT - CYBER SECURITY

The Committee considered a confidential presentation on the Council's Cyber Security Risks Management arrangements delivered by the Technical Infrastructure Manager.

At the invitation of the Chairman Councillors I Bastable, Mrs K Trott, J Forrest S Cunningham joined in discussions on this item.

RESOLVED that the Committee noted the contents of the presentation.

THE MEETING CONTINUED IN PUBLIC SESSION

8. TREASURY MANAGEMENT PROGRESS REPORT

The Committee considered a report by the Deputy Chief Executive Officer which sets out the mid-year review of the treasury management activity up to 30 September 2019.

RESOLVED that the Committee notes the contents of the report.

9. CONSTITUTION ANNUAL REVIEW

The Committee considered a report by the Deputy Monitoring Officer which provided the annual review of the Council's Constitution.

The Committee discussed the Standing Orders with Respect of Meetings and asked for clarification regarding Standing Order 14. The Committee asked for more details on the procedure for giving notice of a Motion to Council and also the process to enable Members to request an item to be considered at one of the Council's Committees or Scrutiny Panels. The Deputy Monitoring Officer explained the procedure to Members and the difference between Council and Executive Functions. The Committee asked that a diagram be circulated to assist Members with this process.

The Chairman requested that an item be added to the Committee's March 2020 meeting agenda, on Members rights to request that an item be considered at a meeting which falls within the Council's Committee Structure.

RESOLVED that the Committee: -

- (a) notes the contents of the report;
- (b) requested that an item be added to the March 2020 agenda, on Members rights to request that an item be considered at a meeting which falls within the Council's Committee Structure.
- (c) agrees the amendments to the Standing Orders with Respect to Meetings as set out in Appendix B;
- (d) agrees the amendments to the Scheme of Delegation to Officers as set out in Appendix C;
- (e) agrees the deletion of the Part 3 – Chapter 12 – Deputation Scheme; and
- (f) recommends the amendments at (c), (d) and (e) to Council for approval.

10. INTERNAL AUDIT PROGRESS REPORT

The Committee considered a report by the Head of Finance and Audit on Internal Audit Progress for 2019/20.

The Committee again raised concerns with regards to the outstanding audits on this year's plans. The Committee suggested that the Head of Finance and Audit consider closing off some of the audits that she is confident she has enough assurance to form an opinion. The Chairman requested that when this report is brought back to the Committee in March, work has been done to investigate those audits which can now be closed, without being fully completed, with a brief rationale to explain why for each audit.

RESOLVED that the Committee: -

- (a) notes the Internal Audit's progress for 2019/20 to date; and
- (b) request that when this report is brought back to the Committee in March, work has been done to investigate those audits which can be closed without being fully completed, with a brief rationale to explain why for each audit.

11. REVIEW OF WORK PROGRAMME

The Committee considered a report by the Head of Finance and Audit which reviews the Committee's Work Programme for 2019/20.

RESOLVED that, with the addition of an item being added to the March 2020 meeting, on Members rights to request an item be considered at a meeting which falls within the Council's Committee Structure, the Committee's Work Programme for 2019/20, be approved.

(The meeting started at 6.00 pm
and ended at 7.45 pm).

FAREHAM

BOROUGH COUNCIL

Report to Audit and Governance Committee

Date: 19 October 2020

Report of: Head of Finance and Audit

Subject: ANNUAL REPORT OF THE AUDIT AND GOVERNANCE
COMMITTEE

SUMMARY

This report summarises the work carried out by the Audit and Governance Committee during 2019/20 and proposes the programme of work for 2020/21.

RECOMMENDATION

It is RECOMMENDED that the Audit and Governance Committee: -

- a) notes the contents of the report; and
- b) submits the revised work programme for 2020/21, as shown in [Appendix C](#), to Council for endorsement.

INTRODUCTION

1. This annual report summarises how this Committee has performed during 2019/20 in relation to the purpose and functions set out in the constitution.

COMMITTEE ORGANISATION 2019/20

2. The Committee continued to operate this year in accordance with best practice as detailed in the Chartered Institute of Public Finance and Accountancy (CIPFA) publication "Audit Committees – Practical Guidance for Local Authorities". One exception is that the Vice-chairman is also an Executive member. This was reviewed during an audit of the Audit Committee arrangements and was not considered a significant problem due to a) the difference between the decision-making and governance roles is well understood and, b) the chairman of the Committee is not also the chairman of the Executive or any Scrutiny Panels.
3. The Committee met three times in the year and reported directly to the Council. The fourth meeting in March had to be cancelled at the last meeting as the Council went into lockdown in response to the Covid 19 pandemic.
4. The Committee was comprised of seven members who reflect the political balance of the Council. The committee was supported in its work by the Deputy Chief Executive Officer and Section 151 Officer.

COMMITTEE ACTIVITY IN 2019/20

5. The work being carried out by the Committee to fulfil its responsibilities is reported as a work programme to each Committee and is summarised in [Appendix A](#). The full list of the functions of the Committee is given in [Appendix B](#).
6. The following points should be noted:
 - (a) The Committee was not requested to review any issues by the Chief Executive Officer, any director or Council body during the year.
 - (b) There were no issues arising from the review of the Statement of Accounts and subsequent external audit report that the Committee felt needed to be brought to the attention of the Council.
 - (c) The Committee requested further information to be provided in respect of:
 - How the Council manages its cyber security risks (provided November 2019)
 - The work carried out by the Committee in relation to the functions of the Committee (provided October 2020)
 - The first-year review of working to the new Procurement and Contract Procedure Rules (provided October 2020)
 - Proposals to address internal audits from older plans that have not been finalised (provided October 2020)
 - Procedures available for members to request items to be considered at a meeting (provided as [Appendix D](#) to this report)
7. All reports in the original work programme for the first three meetings were presented to

the Committee, with the exception of the Counter Fraud Policy which was postponed making room for an additional item on the Cyber Security presentation.

8. The table below sets out proposals on how to address the work missed from the March 2020 and July 2020 meetings which were not able to run:

Original Meeting Scheduled	Subject	Proposal
March 2020	Annual Report of the Committee	Cover in the October 2020 committee
March 2020	Review of the Contract Procedure Rules	Cover in the October 2020 committee
March 2020	Treasury Management Policy and Strategy	Report dropped and reliance placed on the review and approval of the new Policy by the Executive. The six-month review of the policy to continue at the November Committee.
March 2020	Risk Management Monitoring Report	March report dropped and reliance placed on the review of the monitoring report by the Chief Executive's Management Team.
March 2020	Anti-Bribery Policy	Report deferred until the 2021/22 work programme
March 2020	Internal Audit Annual Plan	Cover in the October 2020 committee
March 2020	External Audit Plan and Fee	Cover in the October 2020 committee
March 2020	Annual Certification Report	Cover in the October 2020 committee
July 2020	Annual Governance Statement	Cover in the October 2020 committee The government issued an emergency Coronavirus amendment to the Accounts and Audit Regulations which allows the publishing of the AGS to be postponed until the end of November.
July 2020	Counter Fraud Annual Report	Cover in the October 2020 committee
July 2020	Head of Audit's Annual Opinion	Cover in the October 2020 committee
July 2020	Statement of Accounts	Cover in the November 2020 committee. The government issued an emergency Coronavirus amendment to the Accounts and Audit Regulations which allows the publishing of the draft accounts to be postponed until the end of August, and the final audited accounts to be postponed until the end of November.
July 2020	External Audit – Audit Results Report	Cover in the November 2020 committee The government issued an emergency Coronavirus amendment to the Accounts and Audit regulations which allows the publishing of the final audited accounts to be postponed until the end of November. The external auditors have continued with their scheduled timetable for the audit of the accounts.

TRAINING EVENTS

9. There were no specific training events for the Members of the Committee during 2019/20. However, the full programme of planned and delivered training for members will be presented as a separate report to the November Committee, and annually

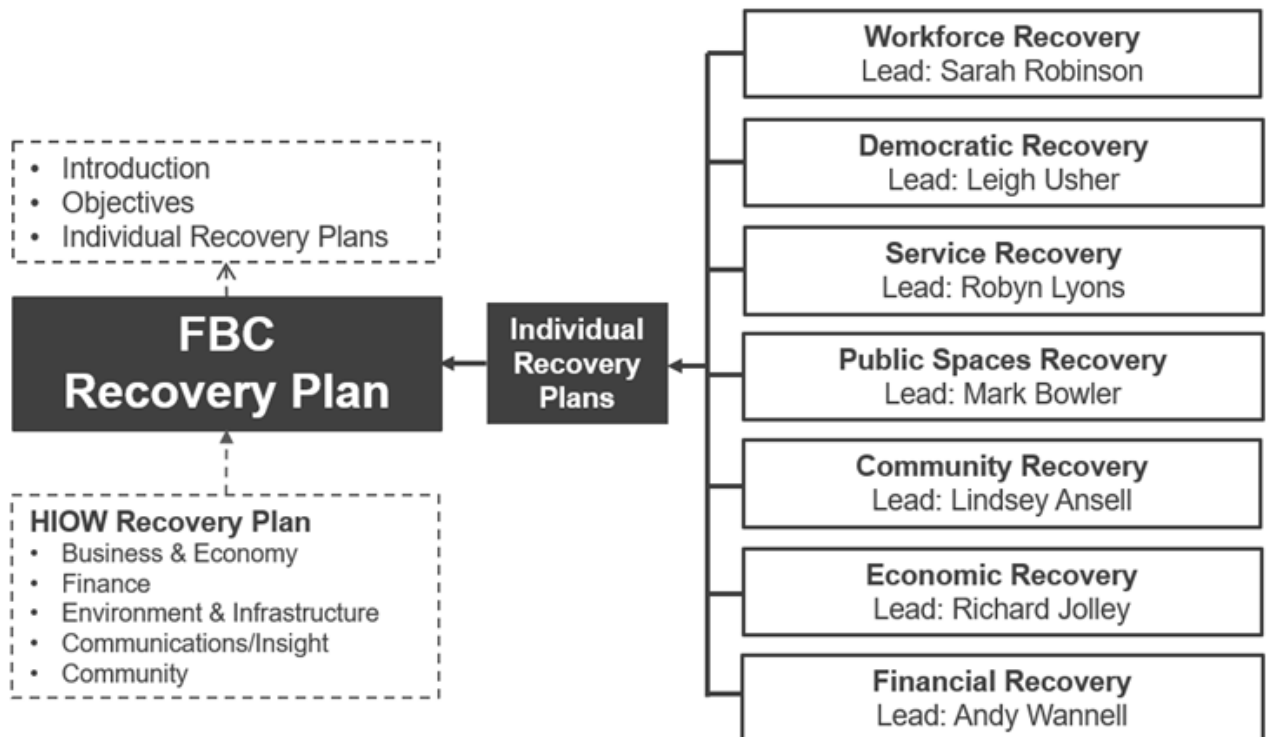
thereafter.

WORK PROGRAMME 2020/21

10. The proposed work plan for the Committee for 2020/21 is attached as [Appendix C](#). This has been adjusted to reflect the impact of the cancelled meetings for March 2020 and July 2020. The following should also be noted:

- **Counter Fraud Policy and Strategy** – It is now proposed to postpone the three-yearly review of the Policy and Strategy to the 2021-22 work programme.
- **Risk Management Monitoring Reports** – It is proposed that the Risk Management Monitoring reports are placed on hold with the potential to compile the next one ready for the March 2021 committee.

The most significant risk impacting on the Council has been responding to the Covid 19 pandemic. Members have been kept aware of the Council's actions to manage the risk during the response phase. As the Council moves to the recovery phase, a framework of recovery plans is being compiled and presented to the Executive Committee to approve the actions being taken to address the risks associated with this phase, as shown in the Recovery Plan Framework diagram below:



Members' attention is also drawn to pages 22-24 of the Statement of the Accounts item also being presented to this Committee, which sets out actions taken and being taken in relation to the financial risks to the Council associated with the pandemic.

RISK ASSESSMENT

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

CONCLUSION

12. The work programme in place is appropriate to meet the responsibilities of the Committee, and to respond to the impact of the two cancelled meetings on the responsibilities of the Committee.

Appendices:

[Appendix A](#) – Work carried out in 2019/20 in support of the functions of the Committee

[Appendix B](#) – Functions of the Audit and Governance Committee as set out in the constitution

[Appendix C](#) – Proposed Work Programme for 2020/21

Appendix D – Flow chart of procedures available for members to request items to be considered at a meeting ([Separate document](#))

Background Papers: None

Reference Papers: Minutes of and reports to Audit and Governance Committee for the Municipal Year 2019/20

CIPFA Publication – Audit Committees – Practical Guidance for Local Authorities and Police (2018)

The Accounts and Audit (Coronavirus) (Amendment) Regulations 2020

Enquiries:

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

Work carried out in 2019/20 in support of the Functions of the Committee

Function	Work Completed
Overall Purpose and Accountability	Quarterly reviews of the work programme Review of the Functions of the Committee <i>Annual Report of the Committee for 2019/20 was postponed to October 2020</i>
Corporate Governance and Annual Governance Statement	Review of Annual Governance Statement 2018/19
Risk Management and Internal Control	Six-Monthly risk management monitoring reports Presentation on Cyber Security
Value for Money	<i>No work completed</i>
Counter Fraud	Counter Fraud Annual Report 2018/19
Partnerships	<i>No work completed</i>
Internal Audit	<i>Internal Audit Annual Plan 2020/21 was postponed to October 2020</i> Head of Audit's Annual Opinion Report 2018/19 Quarterly Internal Audit Progress Reports
External Audit	Annual External Audit Letter <i>Annual Certification Report was postponed to October 2020</i> <i>External Audit Annual Plan and Fee was postponed to October 2020</i>
Financial Reporting	Review of the Statement of Accounts 2018/19 External Audit – Audit Results Report 2018/19
Standards and Ethics	Annual Ombudsman Reports and Overview of Complaints against members
Treasury Management	Treasury Management Progress Report
Key Policy Review	Annual review of the Constitution Full Review of Financial Regulations Proposed Changes to Procurement and Contract Procedure Rules <i>The first-year review of working to the new Procurement and Contract Procedure Rules was postponed to October 2020</i>
Considering Other Matters Referred to the Committee	<i>No work completed</i>

Part 2 Chapter 8 of the Constitution - Functions of the Audit and Governance Committee

OVERALL PURPOSE
<p>The Audit and Governance committee is a key component of Fareham Borough Council's corporate governance. It provides an independent and high-level focus on the audit, assurance and reporting arrangements that underpin good governance and financial standards.</p> <p>The purpose of our audit committee is to:</p> <p>Provide independent assurance to those charged with governance (the Full Council) of the adequacy of the risk management framework and the internal control environment.</p> <p>Provide independent review of Fareham Borough Council's governance, risk management and control frameworks and oversee the financial reporting and annual governance processes.</p> <p>Oversee internal audit and external audit, helping to ensure efficient and effective assurance arrangements are in place.</p>
ACCOUNTABILITY
<p>The Audit and Governance Committee should report to those charged with governance (the Full Council) on the committee's findings, conclusions and recommendations concerning the adequacy and effectiveness of their governance, risk management and internal control frameworks, financial reporting arrangements, and internal and external audit functions.</p> <p>The Audit and Governance Committee should publish an annual report on the work of the committee including details of coverage against the purposes of the Committee.</p>
GOVERNANCE, RISK AND CONTROL
Corporate Governance
<p>The Audit and Governance Committee's areas of responsibility for Corporate Governance are: -</p> <ol style="list-style-type: none"> a) To review the Council's arrangements for corporate governance, against the good governance framework, including the ethical framework, and consider the local code of governance. b) To consider the council's framework of assurance and ensure that it adequately addresses the risks and priorities of the council.
Annual Governance Statement
<p>To review the Council's Annual Governance Statement, prior to approval, and consider whether it properly reflects the risk environment and supporting assurances, taking into account internal audit's opinion on the overall adequacy and effectiveness of the council's framework of governance, risk management and control.</p>
Risk Management and Internal Control
<p>The Audit and Governance Committee's areas of responsibility for Risk Management and Internal Control are:</p> <ol style="list-style-type: none"> a) To monitor the effective development and operation of risk management in the Council. b) To monitor progress in addressing risk-related issues reported to committee. c) To consider reports on the effectiveness of internal controls and monitor the implementation of agreed actions.

Value for Money
To consider the council's arrangements to secure value for money and review assurances and assessments on the effectiveness of these arrangements.
Counter Fraud
The Audit and Governance Committee's areas of responsibility for counter fraud are: - a) To review the policies and measures in place to prevent fraud and corruption. b) To review the assessment of fraud risks and potential harm to the council from fraud and corruption. c) To monitor the counter-fraud strategy, actions and resources.
Partnerships
The Audit and Governance Committee's areas of responsibility for partnerships are to review the governance and assurance arrangements for significant partnerships or collaborations.
AUDIT
Internal Audit
The Audit and Governance Committee's areas of responsibility for Internal Audit are:- a) To approve the internal audit charter. b) To review proposals made in relation to the appointment of external providers of internal audit services and to make recommendations. c) To approve the risk-based internal audit plan, including internal audit's resource requirements and the approach to using other sources of assurance and any work required to place reliance upon those other sources. d) To approve significant interim changes to internal audit plan and resource requirements. e) To make appropriate enquiries of both management and the head of internal audit to determine if there are any inappropriate scope or resource limitations. f) To consider any impairments to independence or objectivity arising from additional roles or responsibilities outside of internal auditing of the head of internal audit. To approve and periodically review safeguards to limit such impairments. g) To consider reports from the head of internal audit on internal audit's performance, including the performance of external providers of internal audit services. These will include: <ul style="list-style-type: none"> • updates on the work of internal audit including key findings, issues of concern and action in hand as a result of internal audit work. • Reports on the results of the Quality Assurance and Improvement Plan (QAIP) • conformance to the Public Sector Internal Audit Standards considering whether the non-conformance is significant enough that it must be included in the Annual Governance Statement, and whether this affects the reliability of the conclusions of internal audit. h) To consider the head of internal audit's annual report and opinion on the overall adequacy and effectiveness of the council's framework of governance, risk management and control together with the summary of the work supporting the opinion. i) To receive reports outlining the action taken where the head of internal audit has concluded that management has accepted a level of risk that may be unacceptable to the authority or there are concerns about progress with the implementation of agreed actions. j) To provide free and unfettered access to the audit committee chair for the head of internal audit, including the opportunity for a private meeting with the committee.
External Audit
The Audit and Governance Committee's areas of responsibility for External Audit are:- a) To support the independence of external audit through consideration of the external auditor's annual assessment of its independence and review of any issues raised by Public Sector Audit Appointments (PSAA).

<p>b) To comment on the scope and depth of external audit work and to ensure it gives value for money.</p> <p>c) To consider the external auditor's annual letter, relevant reports, and the report to those charged with governance (the Full Council).</p> <p>d) To advise and recommend on the effectiveness of relationships between external and internal audit and other inspection agencies or relevant bodies</p>
<p>FINANCIAL REPORTING</p>
<p>The Audit and Governance Committee's areas of responsibility for the Council's Financial Reporting are:</p> <p>a) To review the annual statement of accounts. Specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the council.</p> <p>b) To consider the external auditor's report to those charged with governance (the Full Council) on issues arising from the audit of the accounts.</p>
<p>WIDER FUNCTIONS OF THE AUDIT AND GOVERNANCE COMMITTEE</p>
<p>The Audit and Governance Committee is responsible for carrying out wider functions for the Council in relation to:</p> <p>a) Standards and ethics</p> <p>b) Treasury management</p> <p>c) Key policy review</p> <p>d) Considering other matters</p>
<p>Standards and Ethics</p>
<p>The Audit and Governance Committee's purpose is also to:</p> <p>a) To lead on the Council's duties under Chapter 7 of the Localism Act 2011 and to design, implement, monitor, approve and review the standards of ethics and probity of the Council both for councillors and employees; and</p> <p>b) To promote, maintain and strengthen high standards of conduct by members and co-opted members of the Council.</p> <p>The Audit and Governance Committee's areas of responsibility for Standards and Ethics are:-</p> <p>a) Advise on an internal framework of probity and standards of conduct that should be followed by members and officers.</p> <p>b) Formulate, monitor and revise, as necessary, Local Codes of Conduct for members and officers.</p> <p>c) Formulate, monitor and revise, as necessary, a protocol for member/officer relationships.</p> <p>d) Issue guidance and best practice advice with regard to probity and ethics including the following:</p> <ul style="list-style-type: none"> • the declaration and registration of members' interests • claims for members' allowances and expenses • acceptance of, or dealing with, offers of hospitality and gifts made by third parties • the provision to members of hospitality, goods, services and facilities by the Council • the undertaking of travel and foreign visits. <p>e) Advise on such other matters of a similar kind that may be referred to the Committee.</p> <p>f) Issue advice and guidance to members representing the Council on outside bodies.</p> <p>g) Receive, consider and, where necessary, act on reports, guidance and advice from the Council's Monitoring Officer and the Local Government Ombudsman.</p> <p>h) Provide appropriate training for members and officers with regard to any of the above and the ethical governance of the Council generally.</p>

- i) Appoint such sub-committees, panels or working parties as are deemed appropriate to undertake specific parts of these Terms of Reference.
- j) Consider complaints against members' conduct and assess allegations of breaches of the Code of Conduct for Members to determine such complaints.
- k) Monitor and review members' training and development.
- l) To establish a Standards Sub-Committee to investigate and determine appropriate actions in respect of alleged breaches of the Members' Code of Conduct.

Treasury Management

The Council nominates the Audit and Governance Committee to be responsible for ensuring effective scrutiny of the implementation of the Council's Treasury Management Strategy and Policy.

Key Policy Review

The Audit and Governance Committee is responsible for reviewing and making recommendations to Council on its Constitution including Financial Regulations and Procurement and Contract Rules.

In carrying out this work the committee should advocate the principles of good governance and help ensure that there are appropriate governance, risk, control and assurance arrangements in place.

Considering Other Matters Referred to the Committee

Occasionally the Audit and Governance Committee may be requested to review an issue referred to it by another committee or a statutory officer.

WORK PROGRAMME FOR 2020/21

Committee Function and Report Subject		Frequency	Last Covered	July 2020	October 2020	November 2020	March 2021
OVERALL PURPOSE AND ACCOUNTABILITY							
Review of Work Programme and training plan		Quarterly	2019-20		YES, and Annual Report for 2019/20	YES	YES, and Annual Report for 2020/21
Review of the Functions of the Committee		3 yearly	2019-20				
GOVERNANCE, RISK AND CONTROL							
Corporate Governance & Annual Governance Statement	Local Code of Corporate Governance	As needed	2016-17				
	Annual Governance Statement	Annual	2018-19		YES		
Risk Management	Policy	As needed	2016-17				
	Risk Management Monitoring Reports	6 monthly	2019-20				YES
	Business Continuity	3 yearly	2018-19				
	Specific Risk Management topics	As needed	2019-20 (cyber security risks)				
Value for Money	Specific VFM studies	As needed	None				
Counter Fraud	Counter Fraud Policy and Strategy	3 yearly	2016-17				
	Anti-Bribery Policy	As needed	2011-12				
	Sanctions and Redress Policy	As needed	2016-17				
	Counter Fraud Annual Report	Annually	2018-19		YES		
Partnerships	Partnership Governance Report	As needed	NEW			YES	
AUDIT							
Internal Audit	Internal Audit Strategy	3 yearly	2018-19				
	Internal Audit Annual Plan	Annual	2018-19		YES		YES
	Internal Audit Progress Report	Quarterly	2019-20		YES	YES	YES
	Head of Audit's Annual Opinion	Annual	2018-19		YES		
External Audit	Update on Arrangements for Appointment of	As needed	2018-19				

Committee Function and Report Subject		Frequency	Last Covered	July 2020	October 2020	November 2020	March 2021
	External Auditors						
	Annual Plan and Fee	Annual	2018-19		YES		YES
	Annual Audit Letter	Annual	2019-20			YES	
	Annual Certification Report	Annual	2018-19		YES		YES
	Specific reports from inspection agencies	As needed	2018-19 (RIPA)				
FINANCIAL REPORTING							
Statement of Accounts		Annual	2018-19			YES	
External Audit – Audit Results Report		Annual	2018-19			YES	
WIDER FUNCTIONS OF THE COMMITTEE							
Standards and Ethics	Review of Code of Conduct for Members	As needed	2015-16				
	Review of member / officer protocol	As needed	2008-09				
	Annual Ombudsman Reports and Overview of Complaints against members	Annual	2019-20			YES	
	Review of Members Training and Development Programme	Annual (New)	2015-16			YES	
Treasury Management	Treasury Management Strategy and Indicators	Annual	2019-20			YES	YES - Policy and indicators
Key Policy Review	Annual Review of the Constitution	Annual	2018-19			YES	
	Review of Financial Regulations	3 yearly	2019-20				
	Review of Procurement and Contract Procedure Rules	3 yearly	2018-19		YES		
Other Matters referred to the Committee	Updates on legal issues	As needed	2017-18				
	Issues referred by the Chief Executive Officer, Directors and Other Council Bodies	As needed	None				
Number of Items				0	9	10	7

Appendix D – Flow chart of procedures available for members to request items to be considered at a meeting



I have an idea
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Democratic Services are happy to assist in order to determine the best audience for your topic to be discussed with Members

Request that topic be added as an item to a meeting agenda

If you are not a Member of the Panel or Committee you can discuss your topic with the Chairman.

Any Member of the Council has the right to request an item be considered. This must be in consultation with the Chairman who will have final say as to whether an item is added to an agenda.

If you are a Member of the Panel or Committee you can raise your topic to be considered during the meeting.

At every meeting within the Committee Structure there is the opportunity for Members of that Panel or Committee to suggest items to be added to a future agenda for consideration. This must be in consultation with the Chairman who will have final say as to whether an item is considered.

Give notice of Motion to Council

Once a Motion has been debated. Council can recommend that it be closed or referred to a Scrutiny Panel or Committee for consideration.

Executive Function - Motion referred to Scrutiny Panel
The mover of the motion has the right, as per the Council's Standing Orders, to attend and speak at the meeting for which their motion has been referred. The Scrutiny Panel can make a recommendation to the Executive or recommend that the motion be closed.

Non-Executive Function - Motion referred to a Committee
The mover of the motion has the right, as per the Council's Standing Orders, to attend and speak at the meeting for which their motion has been referred. The Committee can make a recommendation back to Council or recommend that the motion be closed.

FAREHAM

BOROUGH COUNCIL

Report to Audit and Governance Committee

Date: 19 October 2020
Report of: Head of Housing and Benefits
Subject: EXTERNAL AUDITOR'S ANNUAL CERTIFICATION REPORT

SUMMARY

This report presents the findings from the Housing Benefit Subsidy Certification work carried out by External Auditors (KPMG) in respect of 2018/19. This is first year that this work was undertaken by KPMG.

The Audit and Governance Committee's areas of responsibility for External Audit include considering the external auditor's annual letter, relevant reports, and the report to those charged with governance.

RECOMMENDATION

It is RECOMMENDED that the Audit and Governance Committee:

- a) consider the findings of the Annual Certification Report 2018/19 submitted to the Department for Work and Pensions by the Council's external auditors; and
- b) comment on the findings as appropriate.

INTRODUCTION

1. Housing Benefit is a national social security benefit administered by local authorities on behalf of the Department for Work and Pensions (DWP). The DWP reimburse local authorities for the cost of administering Housing Benefit through a system of subsidy payments, based on the subsidy claims submitted to the DWP by the local authorities.
2. The DWP require appropriately qualified reporting accountants to audit the subsidy claim and issue to them a report about the financial and legal probity of each local authority's Housing Benefit Service.
3. The reporting accountant is required to complete the assurance process in accordance with the instructions, tools and guidance supplied by the DWP. Testing of Housing Benefit cases is carried out on an initial sample of 20 cases per benefit type across the entire caseload. More extensive testing is undertaken if the initial testing identifies errors in the calculation of benefit or as a result of errors that have been identified in the audit of previous years' claims.

2018/19 HOUSING BENEFIT SUBSIDY CLAIM

4. The amount of subsidy claimed by Fareham Borough Council for 2018/19 was £18,500,193. KPMG completed the assurance process detailed above and determined that there are no amendments required or matters of concern and therefore the amount of subsidy payable by the DWP is £18,500,193.

EXCEPTIONS/ERRORS FOUND

5. The initial testing (20 cases per benefit type) across the entire caseload identified no errors.
6. A total of 275 cases were subject to additional testing as a result of errors found in the 2017/18 assurance process. This identified 1 case where the weekly earned income for a claimant was incorrectly assessed resulting in an overpayment of benefit totalling £97.00.

CONCLUSION

7. Following receipt of the Housing Benefit Reporting Accountant (KPMG) final tested claim for 2018/19, the DWP have confirmed there are no outstanding issues relating to our claim. The claim has therefore been settled on this basis and the total amount of subsidy payable is £18,500,193.

Background Papers: Reporting accountant's report for the Housing Benefit Subsidy claim form MPF720A for the year ended 31 March 2019.

Reference Papers: Statement of responsibilities of grant-paying bodies, authorities, Public Sector Audit Appointments (PSAA) and appointed auditors in relation to claims and returns – issued by PSAA

Enquiries:

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

FAREHAM

BOROUGH COUNCIL

Report to Audit and Governance Committee

Date: 19 October 2020

Report of: The Deputy Chief Executive Officer

Subject: COUNTER FRAUD ANNUAL REPORT 2019/20

SUMMARY

This report updates the Committee on the counter fraud work carried out in the last 12 months including the numbers and outcomes of fraud cases.

The Audit and Governance Committee's areas of responsibility for Counter Fraud include:
a) to review the assessment of fraud risks and potential harm to the council from fraud and corruption; and b) to monitor the counter-fraud strategy, actions and resources.

RECOMMENDATIONS

It is recommended that the Audit and Governance Committee note the contents of the report.

INTRODUCTION

1. This report provides an update of any actions taken in the last 12 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. **Joint working with the DWP:** As reported last year, the Government has re-introduced joint working of fraud between Local Authorities and the Department for Work & Pensions (DWP). The purpose of joint working is to re-align some of the processes by sharing intelligence gathering, thus investigating cases more quickly and interviewing a customer under caution by one joint interview rather than 2 separate interviews. This enables the Council Tax Support offences to be included in the DWP prosecution cases as the whole of a fraud is considered.
3. The joint working arrangements are working well and there have been 38 cases opened since the start of the initiative in October 2018. Further details on the outcomes of these can be found later in the report.
4. **Training:** Two corporate training events were delivered this year. The first covered training on the production of court worthy witness statements which was delivered to all relevant officers that may take such statements within their roles. The second was attended by all members of the FBC Corporate Fraud Team and covered the use of open source data to strengthen knowledge on what kind of information can be searched on the internet and used as evidence in cases.

Specific Areas of Fraud

5. **Business Rates Grants:** Due to the pandemic there has been a new stream of counter fraud work starting in the latter part of 2019/20. The Government announced various schemes to give financial help to businesses and individuals financially hit by the situation. A number of these schemes, were required to be administered by each Council and the following 3 involving the distribution of funding grants to businesses:
 - Small Business Grants
 - Retail, Hospitality and Leisure Grants
 - Local Authority Discretionary Fund Grants
6. FBC received over £21m from Government to pay grants to all eligible businesses within the Borough under these schemes between March 2020 and September 2020.
7. Due to the fraud risks inherent in the grants scheme, a team of officers, including all the counter fraud staff, were redeployed onto the Grant scheme

projects and a number of counter fraud measures were employed in the processing of applications including:

- Checks against the eligibility criteria
 - Due diligence checks regarding the applicant's identify and status, including use of the government's Spotlight tool
 - Data analysis to identify duplicate and contradictory applications
 - Independent verification of the bank account details before payment
8. At the close of the schemes FBC had received over 2,300 applications. Due diligence checks identified 272 duplicate applications and identified 64 applications that required further investigation: abuse has already been concluded for a number of these and repayment of the grant monies is being sort. The final statistics for this project will be included in the 2020/21 report.
 9. **Council Tax Single Residents Discount (SRD) Review:** Since last year's report, the Council have decided to not participate in the SRD review organised by the Hampshire Chief Finance Officers group, as a risk was identified in relation to the financing of the review.
 10. Instead the Council has commenced its 2-yearly review. The Council Tax department issued letters to all residents in receipt of Single Resident Discount as part of this year's annual billing run. This was a 100% review to ensure resident's details were up to date and no one was receiving the discount inappropriately. Unfortunately, the reply letters had to be put on hold due to the team's resources being diverted to other priorities. However, the review is now back in progress so the outcomes will feature in next year's report.

INVESTIGATION REFERRALS AND OUTCOMES

11. The information provided in [Appendix C](#) shows the number of fraud and irregularity cases received and investigated in the last financial year, and the information required to be published on our website in accordance with the Transparency Code. There was a total of 1,387 cases investigated, leading to 95 cases of fraud or irregularity being found. These amounted to a total value of £248,551. The largest area of fraud found by value was for housing benefit and council tax benefit payments (£109,127).

Whistleblowing

There were 2 cases raised by employees in the last 12 months and no employee has felt it necessary to raise concerns outside the organisation.

Sanctions

12. There have been no criminal sanctions following any investigation where Fareham Borough Council was the lead investigating party. However, 7 civil penalties have been applied totalling **£490**.
13. 2 administrative penalties were authorised by Fareham Borough Council on cases the DWP investigated. These are based on 50% of the overpayment of

Housing Benefit and are used as an alternative to prosecution. The total value of these penalties is **£4,828**.

14. DWP have progressed 2 cases for prosecution during the financial year. Unfortunately, due to Covid19, other prosecutions put forward by DWP have now been rejected by the Crown Prosecution Service.
15. Three Fareham Borough Council properties have been recovered in the year: 1 as a result of a report received that the tenant was not living there; 1 as the result of suspicions by a tenancy officer that the tenant was not living there and the last as a result of a Right to Buy fraud which identified that the property was being sublet. Two of these cases are detailed below.

Interesting Cases

16. **Housing Fraud – Right to Buy:** An application to buy a 3 bedroomed house was received in August 2019. An element of the Right to Buy due diligence checks is to visit unannounced to the home to check residency and it was during this initial visit that suspicions were raised as neither tenant was home, but a friend of their daughter answered the door. The daughter advised that her parents were out but could come back home straight away, which one of the tenants did. During the conversation, the tenant mentioned that they were in fact staying with a relative in Waterlooville with their youngest child on a temporary basis and the other older children were continuing to live at this property in Fareham. A walk around the property raised further suspicions as the bedrooms did not reflect that this stay in Waterlooville was temporary and other people not related to the family were living there also. The tenant could also not recall the exact address of where they were staying in Waterlooville and had to be confirmed at a later date.
17. During checks of the address in Waterlooville, the other occupants of the property in Fareham and the scrutinization of bank account transactions, the Council Tax Section received an occupancy form from the tenant for a different address in Fareham. Due to this breach in tenancy of not living in their social housing property as their main or principle home, it also became evident that the FBC property was being sublet to their daughter and her friends which is also a breach of their tenancy.
18. Invitations to be interviewed were refused and a voluntary termination of tenancy form was completed, and the keys returned in November 2019.
19. This saved the Council **£81,600** which was the discount that would have been given on the sale of the property to the tenant. The Council has also kept a valuable 3 bedroomed house, which was used to house another family who had been living in unsuitable temporary accommodation.

Offences:

Breach of tenancy through subletting and non-residency
Inappropriate Right to Buy Application due to non-residency
No overpayments recorded as no Benefits were in payment

Sanctions and Redress:

Fareham Borough Council property recovered
Right to Buy prevented saving the Council **£81,600** in property discount

20. **Housing Fraud – Non-Residency in Temporary Accommodation:** Suspicions were raised by a Tenancy Support Officer that their tenant who had been placed in temporary accommodation, as she had declared herself homeless, was not living there but was living elsewhere with her boyfriend. Unannounced visits were always unsuccessful whereas pre-arranged visits found her to be home with her boyfriend. Her bank statements were requested through the National Anti-Fraud Network and it was found that most of her daily spending and transactions were spent in a different part of the Borough.
21. As DWP benefits were in payment to the tenant for being a single parent this case was sent to DWP for joint working.
22. Along with other intelligence obtained from Facebook, utility suppliers and records from responsive repairs, it was decided that surveillance was required to establish exactly where the tenant was living.
23. This was undertaken over a period of 3 months. The tenant had allowed another person to stay overnight at the beginning of the surveillance, but following that, the tenant was seen arriving at the property when announced visits had been pre-arranged, but otherwise it was clear that she was not living there.
24. An anonymous call was then taken to advise that there were 2 men living there and some names provided. We were advised that these men were well known to the police, so enquiries were made directly to them. These men had also been seen during the period of the surveillance so details of this were also passed to the police. This information was subsequently used in a police operation, where a few weeks later, a raid was undertaken of the property, and these men, along with another, were found in the property in possession of car keys and other belongings all relating to a spate of car thefts that had been undertaken over the past few months.
25. An interview under caution was arranged but the tenant failed to attend. An eviction notice was issued although the locks had already been changed as a result of the police operation, so the property was empty. The tenant didn't make any contact during this time, so it was determined a few weeks later that the property should be recovered. The tenant was also taken off the waiting list.
26. This has therefore enabled another person/family to make use of this temporary accommodation whilst awaiting nomination to an FBC or Housing Association property.

Offences:

Non residency in Fareham Council temporary accommodation property

Housing Benefit overpayment	£9,681
Council Tax Support overpayment	£923

Sanction and Redress:

Temporary accommodation property recovered
Overpayments being recovered

27. **Payroll Fraud – Officer and Member impersonation:** There have been 3 attempts at bank mandate fraud this year in which a fraudster pretends to be a senior officer or member at the council to divert a payment in the system to a fraudulent account.
28. All 3 attempts were intercepted by the finance team and so no payments were made, preventing losses totalling over £11,000.

NATIONAL FRAUD INITIATIVE

29. The National Fraud Initiative (NFI) is a mandatory data matching exercise organised by the Cabinet Office. All data sets requested since the last report have been submitted on time. There have been 5 releases of new matches since the last report which fall into the 2019/20 financial year, resulting in an additional 4,582 matches to review.

Progress made on clearance of NFI matches

Fraud category	Number of Matches as at end of last year	Number of Matches now including all releases up to 31/3/20	Total closed as per last year	Total closed as per this year	Matches left to clear as at end of 2019/20
Matches from the 2018/19 2-Yearly Main Exercise (received from Jan 2019)					
Benefits	381	481	82	392	89
Council Tax Reduction	390	516	52	374	142
Housing Tenants	172	226	68	58	168
Waiting List	91	91	58	58	33
Right to Buy	-	-	-	-	-
Payroll	15	17	8	8	9
Procurement	2	1		1	-
Residents Parking	2	2	2	2	-
Creditors	295	294	-	36	258
sub-total	1,348	1,628	270	929	699
Matches from the Recheck Annual Exercises					
Council Tax	1,943	6,245	243	697	5,548
Total	3,291	7,873	513	1,626	6,247

30. The table above shows the progress made on clearing all matches since the last report. During the year the teams have managed to clear **1,113 (15%)** of the old and new matches leaving 6,247 still to review.

31. The table below shows the number and value of fraud cases arising from the clearance of NFI matches in the last 12 months. More detail of how much fraud and error has been identified from each NFI exercise is provided in [Appendix A](#). Any frauds that were being pursued by FBC will have been included in the overall statistics in [Appendix C](#).

Fraud Cases Identified from NFI

Data Set	Nature of Fraud	Date of Committee Report					
		Sept 2020		July 2019		July 2018	
		Number	Value	Number	Value	Number	Value
Housing Benefits and CTR	Undeclared pension			1	£1,902		
	Undeclared employment	1	£2,764				
	Benefits claimed on 2 properties			1	£9,812		
Council Tax	Undeclared second adult living at property	28	£22,139	35	£30,716	16	£17,580
TOTAL		29	£24,903	37	£42,430	16	£17,580

USE OF LEGAL POWERS

32. Key powers available to investigators for the detection and prevention of fraud are:
- Powers of Surveillance, using a Covert Human Intelligence Source (CHIS), or obtaining Communications data designated by the Regulation of Investigatory Powers Act 2000 (RIPA) and the Investigatory Powers Act 2016.
 - Authorised Officer powers to obtain information from specified parties including employers, utilities companies and banks under the Council Tax Reduction Schemes (Detection of Fraud and Enforcement) (England) Regulations 2013 Regulations and the Prevention of Social Housing Fraud (Power to require Information) (England) regulations 2014
33. There are several safeguards in the Council processes to make sure that investigation powers are only used when legal, proportionate and necessary. These include:
- a) All RIPA applications are required to be authorised by a trained designated officer in the Council.
 - b) All RIPA authorisations for surveillance and CHIS are presented to a magistrate for approval.
 - c) All RIPA applications for communications data are submitted to the National Anti-Fraud Network (NAFN) where they are reviewed and authorised by a NAFN officer before the request for information is issued.
 - d) All approved RIPA authorisations are logged on a central register which flags up when they expire. A formal cancellation form is completed for every application.

- e) The Council is required to complete annual returns on the use of the RIPA powers and is subject to an inspection every 3 years from the Investigatory Powers Commissioner's Office (IPCO). The last inspection in 2018 concluded that 'our usage and standards are an example to all'.
 - f) The National Anti-Fraud Network (NAFN) is subject to an annual inspection of the Interception of Communications Commissioner's Office (IOCCO), which may cover applications made by Fareham Borough Council depending on the sample they select to test.
 - g) Most Authorised Officer powers are also executed via application to the National Anti-Fraud Network (NAFN). They are reviewed and authorised by a NAFN officer before the request for information is issued.
34. We also report every year to this committee how many times we use these powers, as follows and publish the frequency of our use of authorised officer powers as part of our Transparency data.

Usage in 2019/20

35. There have been 2 authorisations granted under the Regulation of Investigatory Powers Act 2000 (RIPA) between 1 April 2019 and 31 March 2020 as summarised in [Appendix B](#).
36. There have been 400 uses of Authorised Officer powers during investigations in the last 12 months, as detailed in the table below. This compares to 386 last year.

Authorised Officer powers used 1 April 2019 and 31 March 2020	
Prevention of Social Housing Fraud Act	Council Tax Reduction Regulations & Data Protection Act exemptions
26	374

RISK ASSESSMENT

37. 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 2019/20

Background Papers: None

Reference Papers: None

Enquiries: For further information on this report please contact Elaine Hammell (Ext 4344) or Andrea Kingston (Ext 4618).

Cumulative Findings from National Fraud Initiative Exercises

Year of Exercise*	Type	No. of Matches	No. of Fraud Cases found	No. of Errors found	Value of Fraud & Error cases
2018/19	Council Tax	6,245	47	29	£35,389
2018/19	Full Exercise	1,628	3	27	£29,130
2017/18	Council Tax	3,577	16	8	£17,466
2016/17 & 2017/18	Full Exercise & Extra matches	1,624	1	8	£3,563
2016/17	Council Tax	669	25	32	£24,176
2015/16	Waiting List	42	0	7	0
2014/15+2015/16	Full Exercise	994	13	12	£15,901
2014/15+2015/16	Council Tax	1,054	6	0	£3,149
2014/15	Student Loans	19	1	0	£1,258
2013/14	Council Tax	553	34	4	£15,108
2012/13	Full Exercise	1,333	13	14	£49,562
2011/12	Council Tax	484	21	2	£13,034
2010/11	Full Exercise	1,760	335[#]	13	£26,356
2009/10	Council Tax	1,424	43	0	£18,648
2008/09	Full Exercise	1,779	212[#]	3	£54,978
2008/09	Council Tax	747	130	3	£87,920

*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 (April 19 to March 20)

Ref No	Date Authorised Internally	Authorising Officer	Suspected Offence	Investigation power used	Date Authorised by a Magistrate	Duration of authorisation (in days)	Outcome for the Investigation
1	12/11/19	Head of Housing and Benefits	Tenancy Fraud Housing Benefit Fraud Council Tax Support Fraud Council Tax Single Resident Discount Fraud (Universal Credit Fraud) On the basis of non-residency of FBC assigned temporary accommodation, and sub-letting of that accommodation.	Surveillance	21/11/19	92	Evidence obtained that crime or disorder MAY BE occurring
2	21/02/20	Head of Housing and Benefits	Tenancy Fraud Housing Benefit Fraud Council Tax Support Fraud (Employment Support Allowance) On the non-residency of FBC owned social housing.	Surveillance	24/02/20	29	Surveillance cancelled for operational reasons but did assist the investigation

Appendix C - Annual Fraud Case Figures 2019/20

Type of Fraud	2019/20			2018/19		
	Number of Fraud Cases			Number of Fraud Cases		
	Investigated	Fraud Concluded	Value	Investigated	Fraud Concluded	Value*
Housing Benefit and Council Tax Benefit	380	16	£109,127	259	36	£231,927
Council Tax Support	393	16	£20,569	449	35	£34,129
Council Tax	504	33	£24,498	934	38	£31,967
Business Rates	1	-	£0	3	2	£8,274
Housing	46	7	£82,400	201	4	-
Procurement - Payments	37	-	-	-	-	-
Permits and Passes	3	2	£487	-	-	-
Other	-	-	-	2	-	-
SUB-TOTAL	1,364	74	£237,081	1,848	115	£306,296
Other Irregularity	Investigated	Irreg Concluded	Value	Investigated	Irreg Concluded	Value
Employee and Payroll	15	14	£11,438	11	10	£5,733
Finance and Insurance	8	7	£32	5	2	£22
Other e.g. abuse of position	-	-	-	1	1	-
SUB-TOTAL	23	21	£11,470	17	13	£5,755
TOTAL	1,387	95	£248,551	1,865	128	£312,051
Sanctions and Redress						
Administrative Penalties levied			£7,402			£5,554
Council Tax Civil Penalties			£490			£1,710
Housing Benefit recovered			£52,447			£64,164
Counterfeit note intercepted			£20			£20
Compensation and other awards			£105			
Parking charges repaid			£487			
Total			£60,951			£71,448
Housing properties recovered / prevented		3			3	
Non FBC Fraud found (DWP benefits)		4	£30,860		6	£53,689

FAREHAM

BOROUGH COUNCIL

Report to Audit and Governance Committee

Date: 19 October 2020

Report of: Deputy Chief Executive Officer

Subject: EXTERNAL AUDITORS ANNUAL PLAN & FEE

SUMMARY

This report brings to members' attention the proposed 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 2019/20 audit (carried out in 2020/21) and to ensure that the work is in line with members' expectations.

Appendix A is the original plan report which had been drafted for the March 2020 Audit and Governance Committee which was cancelled.

Appendix B is an update to that plan taking into consideration the changes to the risk environment created by the pandemic.

Appendix A also brings to members' attention the Planned Fee for the 2019/20 audit work, as set out on p33 of Appendix A. This currently reflects the tender sums submitted as part of the procurement organised by Public Sector Audit Appointments (PSAA) in 2017/18. However, the external auditors are currently in negotiation with PSAA to approve an increase in the scale fee, to reflect extra work they are being expected to do.

The Audit and Governance Committee's areas of responsibility for External Audit are: -

- a) To support the independence of external audit through consideration of the external auditor's annual assessment of its independence and review of any issues raised by Public Sector Audit Appointments (PSAA).*
- b) to comment on the scope and depth of external audit work and to ensure it gives value for money.*
- c) to consider the external auditor's annual letter, relevant reports, and the report to those charged with governance.*
- d) to advise and recommend on the effectiveness of relationships between external and internal audit and other inspection agencies or relevant bodies.*

RECOMMENDATION

It is recommended that the Committee approves the 2019/20 Audit Plan and its update, attached as Appendices A and B to this report.

Appendices:

Appendix A – Audit Planning Report for the year ending 31 March 2020 - as at February 2020

Appendix B – Audit Planning Report Update for the year ending 31 March 2020 – as at June 2020

Background Papers: None

Reference Papers: Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd.

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

Fareham Borough
Council
Audit planning report
Year ended 31 March 2020

February 2020



Members of the Audit and Governance Committee
Fareham Borough Council
Civic Offices
Civic Way
Hampshire
PO16 7AZ

26 February 2020

Dear Audit and Governance Committee Members

Audit planning report

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 2019/20 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 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.

This report is intended solely for the information and use of the Audit and Governance Committee and management, and is not intended to be and should not be used by anyone other than these specified parties.

We welcome the opportunity to discuss this report with you on 23 March 2020 as well as understand whether there are other matters which you consider may influence our audit.

Yours faithfully

Kevin Suter
For and on behalf of Ernst & Young LLP

Contents



Public Sector Audit Appointments Ltd (PSAA) issued the "Statement of responsibilities of auditors and audited bodies". It is available from the PSAA website (<https://www.psa.co.uk/audit-quality/statement-of-responsibilities/>). 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 and further guidance (updated April 2018)" issued by the 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 in legislation, and covers matters of practice and procedure which are of a recurring nature. This report is made solely to the Audit and Governance Committee and management of Fareham Borough Council in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Audit and Governance Committee, and management of Fareham Borough Council those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Audit and Governance Committee and management of Fareham Borough Council for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.



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Overview of our 2019/20 audit strategy



Overview of our 2019/20 audit strategy

The following 'dashboard' summarises the significant accounting and auditing matters outlined in this report. It seeks to provide the Audit and Governance Committee with an overview of our initial risk identification for the upcoming audit and any changes in risks identified in the current year.

Audit risks and areas of focus

Risk / area of focus	Risk identified	Change from PY	Details
Inappropriate capitalisation of revenue expenditure	Fraud risk	No change in risk or focus.	Under ISA240 there is a presumed risk that revenue may be misstated due to improper recognition of revenue. In the public sector, this requirement is modified by Practice Note 10, issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition. Our judgement is the significant risk at the Council relates to the improper capitalisation of revenue expenditure.
Misstatements due to fraud or error	Fraud risk	No change in risk or focus.	As identified in ISA240, 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 would otherwise appear to be operating effectively. We identify and respond to this risk on every engagement.
Pension Liability Valuation	Inherent risk	No change in risk or focus.	The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme administered by Hampshire County Council. The Council's pension fund liability is a material estimated balance and the Code requires that this liability be disclosed on the Council's balance sheet. The information disclosed is based on the IAS 19 report issued to the Council by the actuary to the County Council. Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates. In 2018/19, late changes were required to disclosures in the financial statements arising from the McCloud legal judgement. Whether there is any further change is not yet known, but the assumptions made will remain a key focus.

Overview of our 2019/20 audit strategy

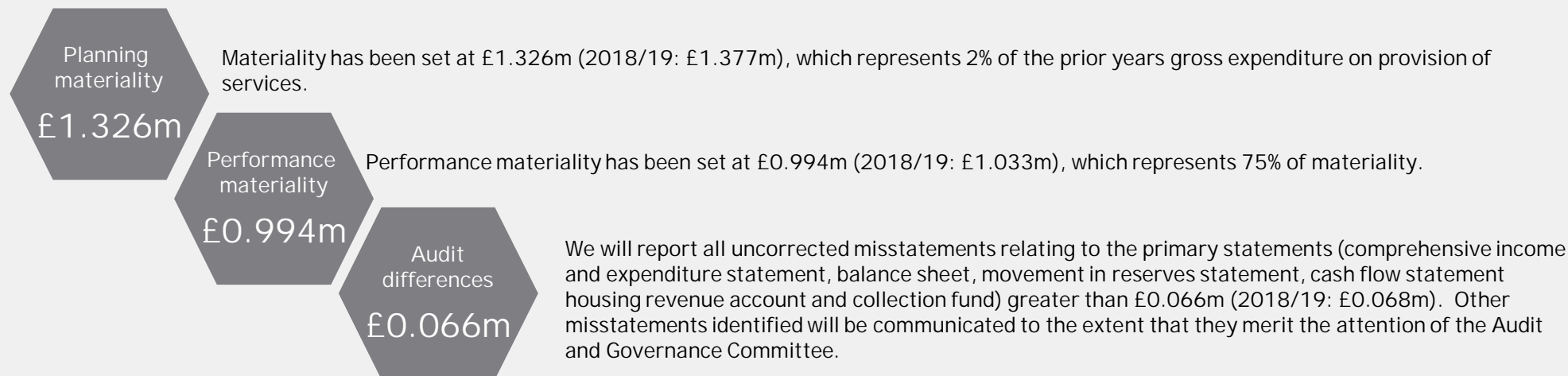
The following 'dashboard' summarises the significant accounting and auditing matters outlined in this report. It seeks to provide the Audit and Governance Committee with an overview of our initial risk identification for the upcoming audit and any changes in risks identified in the current year.

Audit risks and areas of focus

Risk / area of focus	Risk identified	Change from PY	Details
Valuation of Land and Buildings	Inherent risk	No change in risk or focus.	The value of Property, Plant and Equipment (PPE) represents a significant balance in the Council's accounts and are subject to valuation changes, impairment reviews and depreciation charges. Management is required to make material judgements and apply estimation techniques to calculate the year-end balances recorded in the balance sheet.
NDR Appeals Provision Valuation	Inherent risk	No change in risk or focus.	The Non Domestic Rates Appeals Provision is a material balance in the financial statements which requires a number of assumptions and judgements.
IFRS 16 Leases	Inherent risk	New risk identified this year.	<p>It is currently proposed that IFRS 16 will be applicable for local authority accounts from the 2020/21 financial year.</p> <p>There are transitional arrangements within the standard and although the 2020/21 Accounting Code of Practice for Local Authorities has yet to be issued, CIPFA have issued some limited provisional information which begins to clarify what the impact on local authority accounting will be. Whether any accounting statutory overrides will be introduced to mitigate any impact remains an outstanding issue.</p> <p>The Authority will need to consider whether disclosures are required under IAS8 in relation to the 2019/20 financial statements.</p>

Overview of our 2019/20 audit strategy

Materiality



Overview of our 2019/20 audit strategy

Audit scope

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 2020 and of the income and expenditure for the year then ended; and
- 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.

Taking the above into account, and as articulated in this audit plan, our professional responsibilities require us to assess independently the risks associated with providing an audit opinion, and to undertake appropriate procedures in response to that assessment. Our Terms of Appointment with PSAA allow them to vary the fee dependent on "the auditor's assessment of risk and the work needed to meet their professional responsibilities". PSAA are aware that the setting of scale fees has not kept pace with the changing requirements of external audit, with increased focus on, for example, the valuations of land and buildings, the auditing of groups, the valuation of pension obligations, the introduction of new accounting standards such as IFRS 9, 15 and 16 in recent years as well as the expansion of factors impacting the value for money conclusion. Therefore to the extent any of these are relevant in the context of Fareham Borough Council's audit, we will discuss these with management as to the impact on the scale fee.



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02 Audit risks



Our response to significant risks

We have set out the significant risks identified for the current year audit along with the rationale and expected audit approach. The risks identified below may change to reflect any significant findings or subsequent issues we identify during the audit.

Inappropriate capitalisation of revenue expenditure

What is the risk?

Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition.

We have identified an opportunity and incentive to capitalise expenditure under the accounting framework, to remove it from the general fund. This would result in funding expenditure that should properly be defined as revenue, through inappropriate sources such as capital receipts, capital grants, or borrowing.

The manipulation of capitalising expenditure could occur through management override of controls.

What will we do?

Our approach will focus on:

- Journals testing – we will use our testing of journals to identify transactions moved from revenue to capital.
- For significant additions we will examine invoices, capital expenditure authorisations, leases and other data that support these additions. We review the sample selected against the definition of capital expenditure in IAS 16.

Financial statement impact

Misstatements that occur in relation to the risk of fraud in revenue and expenditure recognition could affect the income and expenditure accounts. We are focussing our testing on capital additions (£5.7m in 2018/19).

Our response to significant risks

Misstatements due to fraud or error

What is the risk?

The financial statements as a whole are not free of material misstatements whether caused by fraud or error.

As identified in ISA (UK) 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.

What will we do?

We will undertake our standard procedures to address fraud risk, which include:

- Inquiry of management about risks of fraud and the controls put in place 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 those identified risks of fraud.
- Performing mandatory procedures regardless of specifically identified fraud risks, including testing of journal entries and other adjustments in the preparation of the financial statements

Other areas of audit focus

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures and therefore may be key audit matters we will include in our audit report.

What is the risk/area of focus?

Pension Liability Valuation

The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme administered by Hampshire County Council.

The Council's pension fund deficit is a material estimated balance and the Code requires that this liability be disclosed on the Council's balance sheet. At 31 March 2019 this totalled £59.224m.

The information disclosed is based on the IAS 19 report issued to the Council by the actuary to the County Council.

Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

In the prior year the 'McCloud' judgement impacted the estimate and resulted in an amendment of the net pension liability. We anticipate this will again be a key assumption in estimating the pension liability. We would expect the Authority's actuary to be basing their assumptions taking into account the Authority's specific membership profile and how it has been impacted by the judgement. We also note that there may be further developments in this area, potentially again coming after the balance sheet date.

What will we do?

We will:

- Liaise with the auditors of Hampshire Pension Fund to obtain assurances over the information supplied to the actuary in relation to Hampshire County Council.
- Assess the work of the Pension Fund actuary (AON Hewitt) including the assumptions they have used by relying on the work of PWC - Consulting Actuaries commissioned by Public Sector Auditor Appointments for all Local Government sector auditors, and considering any relevant reviews by the EY actuarial team; and
- Review and test the accounting entries and disclosures made within the Council's financial statements in relation to IAS19.

Other areas of audit focus

What is the risk/area of focus?

Valuation of Land and Buildings

The fair value of Property, Plant and Equipment (PPE) represents a significant balance in the Council's accounts and are subject to valuation changes, impairment reviews and depreciation charges. Management is required to make material judgements and apply estimation techniques to calculate the year-end balances recorded in the balance sheet.

What will we do?

We will:

- Consider the work performed by the Council's valuer, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work;
- Sample test key asset information used by the valuers in performing their valuation (e.g. floor plans to support valuations based on price per square metre) and challenge the key assumptions used by the valuer;
- Consider the annual cycle of valuations to ensure that assets have been valued within a 5 year rolling programme as required by the Code for PPE.
- Review assets not subject to valuation in 2019/20 to confirm that the remaining asset base is not materially misstated; and
- Test accounting entries have been correctly processed in the financial statements.

NNDR Appeals Provision

The Non Domestic Rates Appeals Provision is a material balance in the financial statements which requires a number of assumptions and judgements. In addition, in prior years we have identified errors above our audit differences threshold.

We will:

- Review the calculation of the provision for accuracy.
- Consider the work performed by the Council expert, Analyse Local and understand the assumptions used in their calculation.
- Perform post year-end review of appeals settled to determine whether the revised rateable value and effective date of the appeal are in line with the provision.
- Ensure the Council has amended the provision for any Business Rate reliefs awarded.

Other areas of audit focus

What is the risk/area of focus?

IFRS 16 Leases

is currently proposed that IFRS 16 will be applicable for local authority accounts from the 2020/21 financial year.

Whilst the definition of a lease remains similar to the current leasing standard; IAS 17, for local authorities who lease a large number of assets the new standard will have a significant impact, with nearly all current leases being included on the balance sheet.

There are transitional arrangements within the standard and although the 2020/21 Accounting Code of Practice for Local Authorities has yet to be issued, CIPFA have issued some limited provisional information which begins to clarify what the impact on local authority accounting will be. Whether any accounting statutory overrides will be introduced to mitigate any impact remains an outstanding issue.

The Authority will need to consider whether disclosures are required under IAS8 in relation to the 2019/20 financial statements.

What will we do?

Until the 2020/21 Accounting Code is issued and any statutory overrides are confirmed there remains some uncertainty in this area.

Although no operating leases as lessee is recorded in the 2018/19 audited accounts, it is clear is that the Authority will need to undertake a detailed exercise to identify all leases and capture the relevant information for the production of financial statement information. The Authority must therefore ensure that all lease arrangements are fully documented and they have the relevant information to draft the required disclosures in the 2019/20 financial statements, and to support the full implementation of the standard in the 2020/21 year.

We will:

- review the Authority's process for detailed identification and review of the leases it holds;
- Where operating leases as lessee are not identified, challenge the completeness of information recorded to ensure there is no impact on compliance with IFRS 16; and
- Ensure appropriate disclosures are recorded in the 2019/20 financial statements.



03

Value for Money Risks





Background

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. This is known as our value for money conclusion.

For 2019/20 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. They comprise your arrangements to:

- Take informed decisions;
- Deploy resources in a sustainable manner; and
- Work with partners and other third parties.

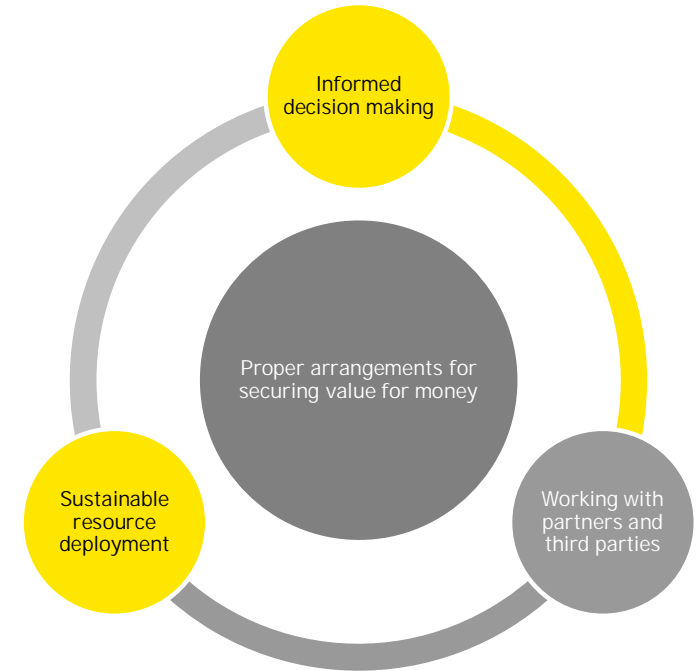
In considering your proper arrangements, we will draw on the requirements of the CIPFA/SOLACE framework for local government to ensure that our assessment is made against a framework that you are already required to have in place and to report on through documents such as your annual governance statement.

We are only required to determine whether there are any risks that we consider significant, which the Code of Audit Practice 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. We consider business and operational risks insofar as they relate to proper arrangements at both sector and organisation-specific level.

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. At the time of planning, this has resulted in no significant risks relevant to our value for money conclusion.





04

Audit materiality



Materiality

Materiality

For planning purposes, materiality for 2019/20 has been set at £1.326m. This represents 2% of the Council's prior year gross expenditure on provision of services. It will be reassessed throughout the audit process. We have provided supplemental information about audit materiality in Appendix C.

Key definitions

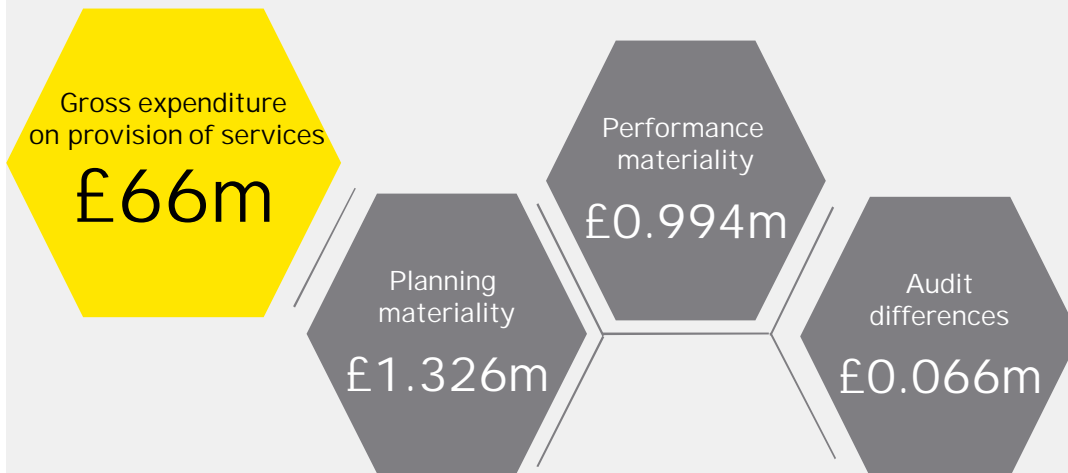
Planning materiality – the amount over which we anticipate misstatements would influence the economic decisions of a user of the financial statements.

Performance materiality – the amount we use to determine the extent of our audit procedures. We have set performance materiality at £0.994m which represents 75% of planning materiality

Audit difference threshold – we propose that misstatements identified below this threshold are deemed clearly trivial. We will report to you all uncorrected misstatements over this amount relating to the comprehensive income and expenditure statement, balance sheet, housing revenue account and collection fund that have an effect on income or that relate to other comprehensive income.

Other uncorrected misstatements, such as reclassifications and misstatements in the cashflow statement and movement in reserves statement or disclosures, and corrected misstatements will be communicated to the extent that they merit the attention of the Audit and Governance Committee, or are important from a qualitative perspective.

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We request that the Audit and Governance Committee confirm its understanding of, and agreement to, these materiality and reporting levels.



05

Scope of our audit



Our Audit Process and Strategy

Objective and Scope of our Audit scoping

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).

We also 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; and
- Reviewing and reporting on the Whole of Government Accounts return, in line with the instructions issued by the NAO

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.

Our Audit Process and Strategy (continued)

Audit Process Overview

Our audit involves:

- Identifying and understanding the key processes and internal controls; and
- Substantive tests of detail of transactions and amounts.

For 2019/20 we plan to follow a substantive approach to the audit as we have concluded this is the most efficient way to obtain the level of audit assurance required to conclude that the financial statements are not materially misstated.

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 regularly meet with the Head of Finance and Audit, and 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 they raise issues that could have an impact on the financial statements.

Our Audit Process and Strategy (continued)

Earlier deadline for production of the financial statements

The Accounts and Audit Regulations 2015 introduced a significant change in statutory deadlines from the 2017/18 financial year. From that year the timetable for the preparation and approval of accounts will be brought forward with draft accounts needing to be prepared by 31 May, and the publication of the accounts by 31 July with an audit opinion if it has been given.

These changes provide risks for both the preparers and the auditors of the financial statements:

- The Council now has less time to prepare the financial statements and supporting working papers. Risks to the Council include slippage in delivering data for analytics work in format and to time required, late working papers and internal quality assurance arrangements.
- As your auditor, we have a more significant peak in our audit work and a shorter period to complete the audit. Risks for auditors relate to delivery of all audits within same compressed timetable. Slippage at one client could potentially put delivery of others at risk.

To mitigate this risk we will require:

- good quality draft financial statements and supporting working papers by the agreed deadline;
- appropriate Council staff to be available throughout the agreed audit period; and
- complete and prompt responses to audit questions.

If you are unable to meet key dates within our agreed timetable, we will notify you of the impact on the timing of your audit, which may be that we postpone your audit until later in the summer and redeploy the team to other work to meet deadlines elsewhere.

Where additional work is required to complete your audit, due to additional risks being identified, additional work being required as a result of scope changes, or poor audit evidence, we will notify you of the impact on the fee and the timing of the audit. Such circumstances may result in a delay to your audit while we complete other work elsewhere.

To support the Council we will continue to:

- Work with the Council to engage early to facilitate early substantive testing where appropriate.
- Work with the Council to improve the use of EY Client Portal, streamlining our requests in accordance with feedback and suggestions from the prior year.



06

Audit team



Audit team

Audit team structure:

Kevin Suter
Associate Partner*

Jason Jones
Manager

Shannon Phillips
Senior

Specialists (as required)

- EY Real Estates
- Actuaries

* Key Audit Partner

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 area where either EY or third party specialists provide input for the current year audit is:

Area	Specialists
Valuation of Land and Buildings	EY Valuations Team
Pensions disclosure	EY Actuaries

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.

Page 65 We also consider the work performed by the specialist in light of our knowledge of the Council's business 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 specialist 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.



07 Audit timeline





Audit timeline

Timetable of communication and deliverables

Timeline

Below is a timetable showing the key stages of the audit and the deliverables we have agreed to provide to you through the audit cycle in 2019/20. The final timetable will depend on our ability to obtain sufficient, appropriate audit evidence to support our audit opinion

From time to time matters may arise that require immediate communication with the Audit and Governance Committee and we will discuss them with the Audit and Governance Committee Chair as appropriate. We will also provide updates on corporate governance and regulatory matters as necessary.

Audit phase	Timetable	Audit committee timetable	Deliverables
	November		
Planning: Risk assessment and setting of scopes. Walkthrough of key systems and processes	December		
	January		
	February		
Testing of routine processes and controls Interim audit testing	March	Audit and Governance Committee	Audit Planning Report
	April		
	May		
	June		
Year end audit Audit Completion procedures	July	Audit and Governance Committee	Audit Results Report Audit opinions and completion certificates
	August		
	Autumn	Audit and Governance Committee	Annual Audit Letter



08

Independence



Introduction

The FRC Ethical Standard and ISA (UK) 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 upon our integrity, objectivity and independence. The Ethical Standard, as revised in June 2016, requires that we communicate formally both at the planning stage and at the conclusion of the audit, as well as during the course of 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

- ▶ The principal threats, if any, to objectivity and independence identified by Ernst & Young (EY) including consideration of all relationships between the you, your affiliates and directors and us;
- ▶ The safeguards adopted and the reasons why they are considered to be effective, including any Engagement Quality review;
- ▶ The overall assessment of threats and safeguards;
- ▶ Information about the general policies and process within EY to maintain objectivity and independence.
- ▶ Where EY has determined it is appropriate to apply more restrictive independence rules than permitted under the Ethical Standard

Final stage

- ▶ In order for you to assess the integrity, objectivity and independence of the firm and each covered person, we are required to provide a written disclosure of relationships (including the provision of non-audit services) that may bear on our integrity, objectivity and independence. This is required to have regard to relationships with the entity, its directors and senior management, its affiliates, and its connected parties and the threats to integrity or objectivity, including those that could compromise independence that these create. We are also required to disclose any safeguards that we have put in place and why they address such threats, together with any other information necessary to enable our objectivity and independence to be assessed;
- ▶ Details of non-audit services provided and the fees charged in relation thereto;
- ▶ Written confirmation that the firm and each covered person is independent and, if applicable, that any non-EY firms used in the group audit or external experts used have confirmed their independence to us;
- ▶ Written confirmation that all covered persons are independent;
- ▶ Details of any inconsistencies between FRC Ethical Standard and your policy for the supply of non-audit services by EY and any apparent breach of that policy;
- ▶ Details of any contingent fee arrangements for non-audit services provided by us or our network firms; and
- ▶ An opportunity to discuss auditor independence issues.

In addition, during the course of the audit, we are required to communicate with you whenever any significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place, 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 services that have been contracted, and details of any written proposal to provide non-audit services that has been submitted;

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, analysed in appropriate categories, are disclosed.

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 the principal threats, if any. We have adopted the safeguards noted below to mitigate these threats along with the reasons why they are considered to be effective. However we will only perform non-audit services if the service has been pre-approved in accordance with your policy.

Overall Assessment

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

Self interest threats

A self interest threat arises when EY has financial or other interests in the Council. Examples include 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 you. 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 you have approved.

None of the services are prohibited under the FRC's ES or the National Audit Office's Auditor Guidance Note 01 and the services have been approved in accordance with your policy on pre-approval. The ratio of non audit fees to audits fees is not permitted to exceed 70%.

At the time of writing, we have not undertaken any non-audit work, therefore no additional safeguards are required.

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 you. We confirm that no member of our audit engagement team, including those from other service lines, has objectives or is rewarded in relation to sales to you, in compliance with Ethical Standard part 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 the Council. Management threats may also arise during the provision of a non-audit service in relation to which management is required to make judgements or decision based on that work.

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

Relationships, services and related threats and safeguards

Other threats

Other threats, such as advocacy, familiarity or intimidation, may arise.
There are no other threats at the date of this report.

Other communications

EY Transparency Report 2019

Ernst & Young (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 in place 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 1 July 2019 and can be found here:

<http://www.ey.com/uk/en/about-us/ey-uk-transparency-report-2019>



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09

Appendices



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.

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 requirements of the Code of Audit Practice and supporting guidance published by the National Audit Office, the financial reporting requirements set out in the Code of Practice on Local Authority Accounting published by CIPFA/LASAAC, and the professional standards applicable to auditors' work.

	Planned fee 2019/20	Scale fee 2019/20	Final Fee 2018/19
	£	£	£
Total Fee - Code work (1) (2)	37,137	37,137	38,265
Total audit	37,137	37,137	38,265
Other non-audit services not covered above (Housing Benefits) (2)	n/a	n/a	N/A
Total other non-audit services	n/a	n/a	N/A
Total fees	37,137	37,137	38,265

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All fees exclude VAT

Note:

(1) Our 2019/20 Code work includes additional planned procedures highlighted in section two of this report to address the new accounting requirements of IFRS 16 Leases. As at the date of our planning report the Council's preliminary assessment of the impact of this new standard is that there will not be a material impact as Council has no operating leases as lessee. We expect to perform some additional procedures on the completeness of this assessment. Any scale fee variation will be agreed with management and also subject to agreement by the PSAA.

(2) Our 2018/19 final fee includes £746 in respect of additional work required to gain assurance over the restatement of gross income and gross expenditure within the various portfolios as a result of changes to Council's revised portfolio structure. It also includes £382 for work undertaken on aspects of housing benefit income and expenditure which would previously have been performed as part of HB certification. This has been done separately in 2018/19 as we are no longer the HBAP reporting accountant. The proposed additional fees are subject to agreement with PSAA.

The agreed fee presented is based on the following assumptions:

- ▶ Officers meeting the agreed timetable of deliverables;
- ▶ The production of materially accurate draft accounts
- ▶ 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.

The outline timetable on page 27 is contingent on the above factors

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.



Appendix B

Required communications with the Audit Committee



We have detailed the communications that we must provide to the Audit and Governance Committee



Our Reporting to you

Required communications	 What is reported?	 When and where
Terms of engagement	Confirmation by the Audit and Governance Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified.	Audit planning report
Significant findings from the audit	<ul style="list-style-type: none"> • Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures • Significant difficulties, if any, encountered during the audit • Significant matters, if any, arising from the audit that were discussed with management • Written representations that we are seeking • Expected modifications to the audit report • Other matters if any, significant to the oversight of the financial reporting process 	Audit results report



Required communications with the Audit Committee (continued)

Required communications	 What is reported?	 When and where
Going concern	<p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> • Whether the events or conditions constitute a material uncertainty • Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements • The adequacy of related disclosures in the financial statements 	Audit results report
Misstatements	<ul style="list-style-type: none"> • Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation • The effect of uncorrected misstatements related to prior periods • A request that any uncorrected misstatement be corrected • Corrected misstatements that are significant • Material misstatements corrected by management 	Audit results report
Fraud	<ul style="list-style-type: none"> • Enquiries of the Audit and Governance Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity • Any fraud that we have identified or information we have obtained that indicates that a fraud may exist • A discussion of any other matters related to fraud 	Audit results report
Related parties	<ul style="list-style-type: none"> • Significant matters arising during the audit in connection with the entity's related parties including, when applicable: • Non-disclosure by management • Inappropriate authorisation and approval of transactions • Disagreement over disclosures • Non-compliance with laws and regulations • Difficulty in identifying the party that ultimately controls the entity 	Audit results report

Required communications with the Audit Committee (continued)





Our Reporting to you

Required communications	 What is reported?	 When and where
Independence	Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as: <ul style="list-style-type: none"> • The principal threats • Safeguards adopted and their effectiveness • An overall assessment of threats and safeguards • Information about the general policies and process within the firm to maintain objectivity and independence 	Audit Planning Report Audit Results Report
External confirmations	<ul style="list-style-type: none"> • Management's refusal for us to request confirmations • Inability to obtain relevant and reliable audit evidence from other procedures 	Audit results report
Consideration of laws and regulations	<ul style="list-style-type: none"> • Audit findings regarding non-compliance where the non-compliance is material and believed to be intentional. This communication is subject to compliance with legislation on tipping off • Enquiry of the Audit and Governance Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Audit and Governance Committee may be aware of 	Audit results report
Internal controls	<ul style="list-style-type: none"> • Significant deficiencies in internal controls identified during the audit 	Audit results report

Appendix B

Required communications with the Audit Committee (continued)

Our Reporting to you

Required communications	 What is reported?	 When and where
Representations	Written representations we are requesting from management and/or those charged with governance	Audit results report
Material inconsistencies and misstatements	Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	Audit results report
Auditors report	<ul style="list-style-type: none"> Any circumstances identified that affect the form and content of our auditor's report 	Audit results report
Fee Reporting	<ul style="list-style-type: none"> Breakdown of fee information when the audit plan is agreed Breakdown of fee information at the completion of the audit Any non-audit work 	Audit planning report Audit results report

Additional audit information

Other required procedures during the course of the audit

In addition to the key areas of audit focus outlined in section 2, we have to perform other procedures as required by auditing, ethical and independence standards and other regulations. We outline the procedures below that we will undertake during the course of our audit.

Our responsibilities required by auditing standards

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Concluding on the appropriateness of management's use of the going concern basis of accounting.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtaining sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Council to express an opinion on the financial statements. Reading other information contained in the financial statements, the Audit and Governance Committee reporting appropriately addresses matters communicated by us to the Audit and Governance Committee and reporting whether it is materially inconsistent with our understanding and the financial statements; and
- Maintaining auditor independence.

Additional audit information (continued)

Purpose and evaluation of materiality

For the purposes of determining whether the accounts are free from material error, we define materiality as the magnitude of an omission or misstatement that, individually or in the aggregate, in light of the surrounding circumstances, could reasonably be expected to influence the economic decisions of the users of the financial statements. Our evaluation of it requires professional judgement and necessarily takes into account qualitative as well as quantitative considerations implicit in the definition. We would be happy to discuss with you your expectations regarding our detection of misstatements in the financial statements.

Materiality determines:

- The locations at which we conduct audit procedures to support the opinion given on the financial statements; and
- The level of work performed on individual account balances and financial statement disclosures.

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 of the circumstances that may ultimately influence our judgement about materiality. 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 accounts, including the total effect of the audit misstatements we identify, and our evaluation of materiality at that date.

Fareham Borough
Council
Audit planning report
update
Year ended 31 March 2020
June 2020





Members of the Audit and Governance Committee
Fareham Borough Council
Civic Offices
Civic Way
Hampshire
PO16 7AZ

30 June 2020

Dear Audit and Governance Committee Members

Audit Planning Report update – Year ended 31 March 2020

This report seeks to provide the Audit and Governance Committee with an update to our risk identification for the 2019/20 audit, reflecting the changes in risks identified in the current year.

In our audit planning report submitted for the 23 March Audit and Governance Committee, we provided you with an overview of our audit scope and approach for the audit of the financial statements. Following the coronavirus outbreak (Covid-19) in March 2020, this meeting was cancelled and we have since re-assessed our audit scope and strategy. We provide an update to the significant accounting and auditing matters, and audit approach outlined in the Audit Planning Report.

If you have any queries in respect of this report, please contact me.
Yours faithfully

Kevin Suter

For and on behalf of Ernst & Young LLP



01 Audit risks



Our response to significant risks

We have set out the significant risks identified for the current year audit along with the rationale and expected audit approach. The risks identified below may change to reflect any significant findings or subsequent issues we identify during the audit.

Inappropriate capitalisation of revenue expenditure

What is the risk?

Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition.

We have identified an opportunity and incentive to capitalise expenditure under the accounting framework, to remove it from the general fund. This would result in funding expenditure that should properly be defined as revenue, through inappropriate sources such as capital receipts, capital grants, or borrowing. We believe the significant risk manifests itself within Property, Plant and Equipment (PPE) additions.

Financial statement impact

Misstatements that occur in relation to the risk of fraud in revenue and expenditure recognition could affect the income and expenditure accounts. We focus our testing on capital additions (£7.8m in 2019/20).

Update – Covid-19 expenditure

No change to the risk from Covid-19 in 2019/20 and no change to planned procedures.

Our response to significant risks (continued)

We have set out the significant risks identified for the current year audit along with the rationale and expected audit approach. The risks identified below may change to reflect any significant findings or subsequent issues we identify during the audit.

Valuation of Investment Properties

What is the risk?

The fair value of Investment Properties represents a significant balance in the Council's accounts and are subject to valuation changes, impairment reviews and market fluctuations. Management is required to make material judgements and apply estimation techniques to calculate the year-end balances recorded in the balance sheet.

Update – Covid-19 related constraints on property valuation

The Royal Institute of Chartered Surveyors (RICS), the body setting the standards for property valuations, has issued guidance to valuers highlighting that the uncertain impact of Covid-19 on markets might cause a valuer to conclude that there is a material uncertainty.

Since late March 2020 in the UK, Covid-19 has had a dramatic impact on the occupation of buildings due to the forced closure of restaurants, retail stores, leisure, offices and hotels due to government regulation. We do not know how long the government's measures will last or how long businesses will be impacted. Rental income is expected to fall as tenants may default on their rents and seek to negotiate rent reductions as the tenants can no longer trade effectively. This could have a significant impact on investment properties and we have therefore raised a significant risk in relation to investment property valuations.

Financial statement impact

The fair value of investment properties is £64m



Audit risks

Our response to significant risks (continued)

We will:

- Consider the work performed by the Council's valuer, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work;
- Sample test key asset information used by the valuers in performing their valuation and challenge the key assumptions used by the valuer; and
- Test accounting entries have been correctly processed in the financial statements.

Additional Covid-19 procedures in response to our risk include:

- Ensure the appropriate disclosure has been made in the accounts concerning the material uncertainty, including in Note 9 'Assumptions made about the future and other sources of estimation uncertainty'; and
- Obtain input from EY Real Estates, our internal specialists on asset valuations for Investment Properties, including inputs on market sentiment and how it has been reflected in the ERVs/yields.

Other areas of audit focus

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures and therefore may be key audit matters we will include in our audit report.

What is the area of focus?

Valuation of Land and Buildings

The fair value of Property, Plant and Equipment (PPE) represents a significant balance in the Council's accounts and are subject to valuation changes, impairment reviews and depreciation charges. Management is required to make material judgements and apply estimation techniques to calculate the year-end balances recorded in the balance sheet.

Update – Covid-19 related constraints on property valuation

The Royal Institute of Chartered Surveyors (RICS), the body setting the standards for property valuations, has issued guidance to valuers highlighting that the uncertain impact of Covid-19 on markets might cause a valuer to conclude that there is a material uncertainty.

This impact is expected to affect PPE valued at Existing Use Value (EUV) as the valuation basis for these properties are linked to recent market transactions. Caveats around this material uncertainty have been included in the year-end valuation reports produced by the Council's internal valuer.

What will we do?

We will:

- Consider the work performed by the Council's valuer, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work;
- Sample test key asset information used by the valuers in performing their valuation (e.g. floor plans to support valuations based on price per square metre) and challenge the key assumptions used by the valuer;
- Consider the annual cycle of valuations to ensure that assets have been valued within a 5 year rolling programme as required by the Code for PPE.
- Review assets not subject to valuation in 2019/20 to confirm that the remaining asset base is not materially misstated; and
- Test accounting entries have been correctly processed in the financial statements.

Additional Covid-19 procedures in response to our risk include:

- Consider the Council's asset base by type of asset and valuation methodology, as impacts are likely to be more significant for assets valued on the basis of data from market transactions;
- Ensure the appropriate disclosure has been made in the accounts concerning the material uncertainty, including in Note 9 'Assumptions made about the future and other sources of estimation uncertainty'; and
- If required, obtain input from EY Real Estates, our internal specialists on asset valuations for PPE, including inputs on market sentiment and how it has been reflected in valuations which are based on EUV and fair value.

Other areas of audit focus (continued)

What is the area of focus?

Covid-19 has created a number of financial pressures throughout Local Government, increasing service demand and increased expenditure. The Council has incurred additional expenditure in housing rough sleepers and has experienced some income losses in parking, commercial and leisure services. There is currently not a clear statement of financial support from MHCLG that covers all financial consequences of Covid-19.

There have been a number of media stories in both the national press and trade publications raising the possibilities of an increase in Chief Financial Officers using their s114 powers. This could be under s114(3), insufficient resources to fund likely expenditure.

CIPFA's Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 sets out that organisations that can only be discontinued under statutory prescription shall prepare their accounts on a going concern basis.

However, International Auditing Standard 570 Going Concern, as applied by Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom, still requires auditors to undertake sufficient and appropriate audit procedures to consider whether there is a material uncertainty on going concern that requires reporting by management within the financial statements, and within the auditor's report. We are obliged to report on such matters within the section of our audit report 'Conclusions relating to Going Concern'.

To do this, the auditor must review management's assessment of the going concern basis applying IAS1 Presentation of Financial Statements.

The auditor's report in respect of going concern covers a 12-month period from the date of the report, therefore the Council's assessment will also need to cover this period.

What will we do?

In light of the unprecedented nature of Covid-19, its impact on the funding of public sector entities and uncertainty over the form and extent of government support, we will be seeking a documented and detailed consideration to support management's assertion regarding the going concern basis and particularly with a view whether there are any material uncertainties for disclosure.

We will review your updated going concern disclosures within the financial statements under IAS1, and associated financial viability disclosures within the Narrative Statement. We expect you to disclose any material uncertainties that do exist.

These disclosures should also include the process that has been undertaken for revising financial plans and cashflow, liquidity forecasts, known outcomes, sensitivities, mitigating actions including but not restricted to the use of reserves, and key assumptions (e.g. assumed duration of Covid-19).

Our audit procedures to review these will include consideration of:

- Current and developing environment;
- Liquidity (operational and funding);
- Mitigating factors;
- Management information and forecasting; and
- Sensitivities and stress testing.



Audit risks

Other areas of audit focus (continued)

What is the area of focus?

New accounting standard – IFRS 16

In our Audit Planning Report drafted in January we identified an inherent risk in relation to the implementation of the new accounting standard on leases. Due to the impact Covid-19, the adoption of IFRS 16 (Leases) was deferred to 21/22.

What will we do?

Since IFRS 16 (Leases) has not yet been adopted by the Code, the Council no longer needs to disclose the financial impact of this new accounting standard in the 19/20 accounts. We therefore no longer consider this to be an areas of audit focus.

Additional Procedures

Audit Process overview

Additional audit procedures as a result of Covid-19

Other changes in the entity and regulatory environment as a result of Covid-19 that have not resulted in an additional risk, but result in the following impacts on our audit strategy are as follows:

- Information Produced by the Entity (IPE): There is an increased risk around the completeness, accuracy, and appropriateness of information produced by the entity due to the likely inability of the audit team to verify original documents or re-run reports on-site from the Council's systems. We will:
 - Use the screen sharing function of Microsoft Teams to evidence re-running of reports used to generate the IPE we're auditing; and
 - Agree IPE to scanned documents or other system screenshots.
- Additional EY consultation requirements concerning the impact on auditor reports.

The changes to audit risks and audit approach will change the level of work we perform. This may impact the audit fee. We will agree changes to the audit fee with management and report back to the Audit and Governance Committee in our Audit Results Report.

Materiality

Materiality

We have considered the materiality levels we reported to you in our Audit Planning Report, and whether any change to our materiality is required in light of Covid-19. Following this consideration we remain satisfied that the values for planning materiality, performance materiality and our audit threshold for reporting differences reported to you in our Audit Planning Report remain appropriate.

FAREHAM

BOROUGH COUNCIL

Report to Audit and Governance Committee

Date: 19 October 2020

Report of: Head of Finance and Audit and Head of Democratic Services

Subject: FIRST YEAR REVIEW OF THE NEW PROCUREMENT AND CONTACT PROCEDURE RULES

SUMMARY

In October 2018 the Council adopted a new set of Procurement and Contract Procedure Rules, which sought to change the Council's approach to buying goods and services against 7 Procurement Principles:

1. *Be clear about what you want and why you need it*
2. *Be able to justify your thinking to the person on the street who pays council tax*
3. *Pull in the Experts early*
4. *Anything over the European procurement limit = must go out tender (non-negotiable)*
5. *Get the best deal for the Council you can*
6. *Engage with local Small and Medium Enterprises (SMEs)*
7. *Buyer beware*

In January 2020, officers completed the first annual review of how working to the new rules was going; as a source of assurance to the organisation. A presentation on the findings of the review was prepared for the March meeting of the Council which unfortunately had to be cancelled due to the country going into lock down.

The presentation is now attached to this report and opportunity will be given for members to discuss the contents at this meeting. The presentation covers the following:

- The work carried out to roll out the new process across the Council.
- The status of the Council's Supplier base at the time of the review.
- The results of the first annual audit of compliance with the new policy including:
 - Cost Centre Managers' awareness and justification for spend with a sample of suppliers.
 - Cost Centre Manager's' approach to testing the market and obtaining value for money.

- A review of the route to market options that Managers have been choosing.

RECOMMENDATION

It is RECOMMENDED that the Committee notes the findings from the first-year review of the new Procurement and Contract Procedure Rules, as a source of assurance on the effectiveness of the procurement internal controls that have been adopted.

Appendix A – Presentation on the Findings from the first annual review of the Procurement and Contract Procedure Rules.

Background Papers: Internal Audit Annual Procurement audit working papers

Reference Papers:

Report to the Audit and Governance Committee 23/07/2018 – Procurement and Contract Procedure Rules

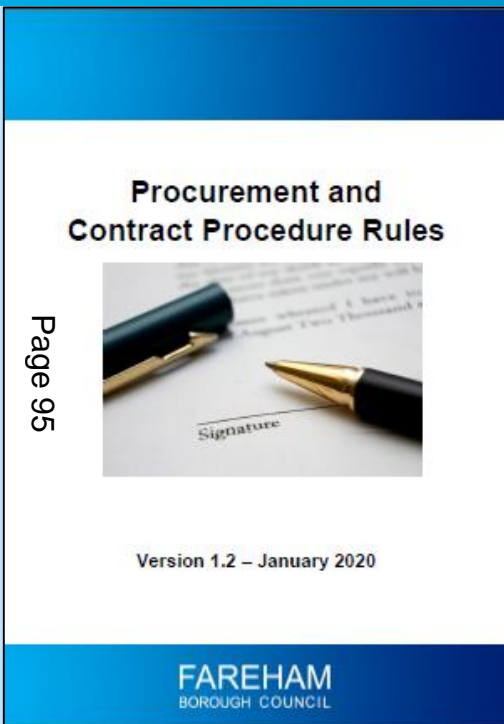
Enquiries:

For further information on this report please contact Elaine Hammell (Ext 4344) or Leigh Usher (Ext 4553).

The New Procurement Rules

The First Annual Review of how it has
been going...

Audit and Governance Committee
19 October 2020



Introduction

- The new Procurement and Contract Procedure Rules (PCPRS) went live October 2018
 - One of the Safeguards in the Rules was an annual review which is reported to the Senior Management Team.
- The A&G Committee also requested feedback after the first year.
- This presentation, therefore, reports back on the results of the first annual review of how things are going under the new regime. The work for this review was completed in February 2020.

Contents

- Rolling out the New Rules
- Current Supplier database profile
- Department Supplier spend profile
- Annual testing of understanding of spend - Results
- What procurement methods are being used
- Next Actions Proposed

Rolling out the new Rules

RECAP – Key Rule Changes

- Encouraging positive behaviours
 - Know your spend / Justify your spend / Demonstrate VFM
- Fewer thresholds and prescribed actions
 - Significant Value Threshold £100k – Must liaise with the experts
 - Member approval over £250k

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Lots of Route to Market Options

- Tender route expected if certain factors apply
- Try to invite one local SME
- Reduce need for waivers

How we rolled it out

Communications

- Senior Manager's workshop
- Finance/Procurement/Audit Training Sessions
- SID Notice
- Department Workshops
- Supplier Spend tool training
- Leader and A&G Committee Briefings

Any Issues?

- Generally positive process and improved engagement with Procurement team
- Some delays with workshops and supplier tool availability
- Added Table of approval flow into the rules to help deal with questions
- Examples of escalation happening

Current Nature of FBC Suppliers (Local SME)

One of the things we are trying to do with the new rules is encourage the use of local and SME suppliers, so we have carried out some analysis of our supplier database as a baseline in order to assess the impact of our agreed actions.



Actions Taken to engage with Local SMEs

- ✓ Services encouraged to source potential local SMEs
- ✓ Business meetings with FSB / Chamber of Commerce
- ✓ Responsive Repairs contracts – Open Meeting at Fhall
 - ✓ Of the total of 45 resulting contracts – 82% are Local SMEs
 - ✓ 7 other winning Local SMEs in pipeline analysis
- ✓ Purposefully tailored tender documentation + assistance from procurement team

Supplier Analysis Issues

1. Which Suppliers to Include?

- Excluded:
 - Refunds
 - Payments to landlords
 - Payments to employees
 - Treasury Management
 - Conveyancing
 - Local and Central Government
 - Temporary creditor with 1 or 2 payments

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ACTION – Working Group to agree the definition and flags to use for future analysis. Add to tool filters.

ACTION – Review of New supplier form flow as part of New finance system (what data do we need to capture / Data transfer cleanse on local and SME suppliers)

2. What does Local Mean?

- Currently assess on the Head Office
- Should we include if they have a local, satellite office?
- Are we more interested in the impact of the supplier in the local economy, distance away and affect on carbon footprint?
- Also subcontractor impact

3. Which First – Local or SME ?

ACTION – Redefine what local means to us in respect of what we are trying to achieve from our Procurement Rules and update the supplier flags in the database.

Local Suppliers on our Database (who received a payment from us)

	2018/19	2019/20 at the end of Jan
Total number of suppliers flagged as Local	392	373
Total number NOT	563	516
Total number without any flag	158	117
	1113	1006
% Local - numbers	41%	42%
Total spend Local (over £0)	£9,337,934	£8,506,710
Total spend NOT (over £0)	£9,681,455	£8,716,667
Total spend without flag	£491,631	£422,217
	£19,511,020	£17,645,594
% Local - value	49%	49%

Local & SME Suppliers

	2018/19	2019/20 at the end of Jan
Total number of Local suppliers with SME flag (Yes, Y1, Y2, Y3)	359	341
Total number of Local suppliers NOT	33	32
	392	373
% Local & SME - numbers (of the local)	92%	91%
% Local & SME - numbers (of all with flags)	38%	38%
Total spend Local & SME (over £0)	£7,788,528	£6,693,159
Total spend Local & NOT (over £0)	£1,549,406	£1,813,551
	£9,337,934	£8,506,710
% Local & SME - Value (of the local)	83%	79%
% Local & SME - Value (of all with flags)	41%	39%

Managers understanding of their spend

Results of Audit Testing 2019/20

What we did?

- Interviews with Cost Centre Managers and Authorisers using a standard set of questions
- Sample of 34 Suppliers (out of 1,400) covering the 3 types of spend
 - On Procurement Pipeline Log -14
 - Over £100,000 not on the Pipeline Log - 9
 - Under £100,000 -11
- Advance notice of what was in the sample
- Some audit review of what the nature of the spend was
- Outcomes - rating what they were overall by manager and by topic

Overall Ratings

Overall level of manager compliance assessed through interviews = **93%**

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Highest 100% (1 service)
Lowest 87% (1 service)

Managers found to have taken the review seriously and prepared for the discussion; all showed good awareness of the new rules.

Actions Arising From Discussions

Supplier spend tool	Ensure full training rolled out across all Services
Budget Monitoring	Extra meetings between managers will be set up with their Finance Budget Partners to discuss budget levels and provisions and supplier spend, where a gap was identified
Authorisation of Spend	The relevant Authorisers have been reminded to obtain adequate documentation to support the spend before they authorise any requests on behalf of other departments.
Market testing	Services should review the market for suppliers used for a number of years to verify whether an alternative supplier has appeared on the market that could be used resulting in further financial savings for the Authority.
Value for Money	Further guidance considered on how value for money of a purchase should be balanced against the budget constraints and the risk with that type of supply

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Procurement Methods Used

NB This data is taken for the procurement team database so will be biased to what procurement have been involved with. However, testing of what was going on across the council was explored in the managers' discussions covered above

Procurement Method by Value

	Under £100k	£100k - £250k	Over £250k	Total
Non-Tender	6	1	0	7
Tender - Any	4	15	8	27
Tender - Non OJEU only	13	6	0	19
Tender - OJEU only	1	1	3	5
	24	23	11	58

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Compliance with OJEU

- ✓ 3 Works over £500k – used open tender
- ✓ 1 Goods contract over £100k was not tendered but used a framework call off. The total value of the contract was below the OJEU threshold for goods.

Examples of Improved Deals Achieved

- ✓ £46k (10%) saving for Fareham in Insurance retender through the HIF

Work still to do to capture this information especially as cost is not the only criteria in a “good deal”

Other actions Proposed

- ✓ Next years audit to also cover:
 - Records kept to support delegated decisions
 - Member consultation happening as required
- ✓ Negotiation training
- ✓ Contract Management training

FAREHAM

BOROUGH COUNCIL

Report to Audit and Governance Committee

Date: 19 October 2020
Report of: Head of Finance and Audit
Subject: HEAD OF AUDIT'S ANNUAL OPINION 2019/20

SUMMARY

This report sets out the Internal Audit coverage, findings and performance for 2019/20 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.

The Audit and Governance Committee's areas of responsibility for Internal Audit include: -

- a) to consider the head of internal audit's annual report and opinion on the overall adequacy and effectiveness of the council's framework of governance, risk management and control together with the summary of the work supporting the opinion.*
- b) to consider reports from the head of internal audit on internal audit's performance, including conformance to the Public Sector Internal Audit Standards, considering whether the non-conformance is significant enough that it must be included in the Annual Governance Statement.*

RECOMMENDATION

It is recommended that the contents of the report are noted as a source of evidence for the 2019/20 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 original audit plan for 2019/20 included 23 audit assignments of different types. Two of the audits in the plan (Contract Management and Anti-Bribery Policy) have been postponed to future years, and an additional audit (Recommendation Follow up) was added to the plan. This revised plan of 22 audits (23 last year) therefore gave a good representation of the audit universe (which contains 167 audit titles). 17 of these assignments were to produce an audit opinion and 183 days, plus 32 days in-house support, were assigned to this type of work.
4. At the time of giving this annual opinion, all the 22 revised plan assignments for 2019/20 have been undertaken with sufficient coverage for conclusions to have been drawn and to be useable as a source of assurance. 20 (18 last year) have been fully completed and actions agreed with the Audit Sponsor. Two pieces of work from previous plans have also now been fully completed so can also be used in this report.
5. This is considered adequate coverage as set out in the Internal Audit Strategy to allow the annual opinion to be produced. [Appendices A and B](#) give the latest status of the assignments and the key assurance measures arising from the work.

Spread of Individual Assignment Opinions

6. 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:

Year	Strong	Reasonable	Limited	Minimal	Total
2019/20	7 (44%)	5	4	0	16
2018/19	6 (30%)	11	3	0	20
2017/18	5 (36%)	7	2	0	14
2016/17	8 (47%)	8	1	0	17
2015/16	4 (27%)	11	1	0	16

7. No opinions of 'Minimal Assurance' were issued again in the year. There were four 'Limited Assurance opinions' awarded. The first was for the Housing Rents audit, where a few weaknesses were found in relation to monitoring of debts and in particular responsibility for chasing former tenant arrears. Action has been taken to address the issues raised and a new housing system is currently being implemented which will help make the processes easier to manage.
8. The second was the Tenancy Management audit where although there were a few control processes which were strong in design, there was not always evidence available that these were being adhered to (e.g. management sign off of tenancy transfers). Housing managers have taken action to review these processes and identify the essential controls that need to be reiterated in instructions to the team.
9. The third audit covered the maintenance of void housing properties and in particularly arrangements with the new repairs and refurbishment contractor. Problems were found with the job valuation and invoicing process being used by the contractor and a number of meetings have been held to improve these arrangements. Managers are also implementing changes to processes to address issues found in relation to gaining access to properties, and the need to check gas isolation valves.
10. The last audit covered Safeguarding responsibilities and weaknesses were found in managing contractor compliance with requirements. This is being reviewed at a corporate level to agree expectations in relation to contractor compliance.

Income or Expenditure Errors found

11. Errors are defined as spending we incurred when we shouldn't have, or income due which was not requested. Errors were found in only 1 audit this year (3 last year) and related to duplicate processing of a set of write-offs on the Housing system, which have now been reversed.

Implementation of Recommendations

12. During 2019/20, 12 of the audits included a review of the progress made with implementing previous recommendations. These covered 79 essential or important actions. Testing confirmed that **66%** of the recommendations have been implemented.
13. Of the recommendations followed up **25** were essential recommendations. Of these, 17 (68%) were closed as complete or no longer needed, and another 4 (16%) were in progress.
14. The table below compares this to previous years.

Table 2 – Trend in Implementation of Recommendations			
	No of audits with recommendation reviews	No. of recs tested	% of recommendations tested signed off by audit as implemented or closed
2019/20	12	79	66% + 16% in progress
2018/19	15	190	69% + 18% in progress
2017/18	6	20	35% + 24% in progress
2016/17	4	8	50%
2015/16	8	23	57% + 17% in progress

15. The rest of the follow up work has not been completed in 2019/20. The communications team have drawn up a user guide to help with the roll out of the new management system to services and to obtain an updated implementation status for the 389 actions outstanding on the database (390 last year). This will be progressed as part of the 2020/21 plan.

Other Sources of Assurance in the Year

16. [Appendix C](#) lists other sources of assurance that have been available this year to support the Annual Audit Opinion.
17. One significant work stream to highlight, which started at the end of 2019/20 and continues into 2020/21, is the identification and justification of changes to financial controls implemented in response to the Covid-19 pandemic, which on the whole gives strong assurances that controls were managing to be adhered to whilst working remotely.

Governance, Ethics and IT

Governance

18. A specific piece of governance work was carried out as part of the 2019/20 audit plan. This covered reviewing what partnership governance assurances are in place and how they flow to the Audit and Governance Committee.
19. Action was taken as a result to design a specific report for the Audit and Governance Committee with the recommendation that it is presented at a future meeting of the Committee.
20. In addition, the first annual procurement audit and report provided strong assurance on adherence to a key governance policy (the Procurement and Contract Procedure Rules).

Ethics

21. 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 been drawn up to help provide on-going assurances on our ethics arrangements.

22. However, there has been little work completed this year for this work stream; actions not yet fully complete include:
 - (a) Provide refresher training of managers on how to manage "concerns" brought to their attention and provide appropriate feedback.
 - (b) Finalise and roll out briefings on the revised Employee Interests, Gifts and Hospitality Policy, and the new ways of registering these.

Information Technology Governance

23. 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*'.
24. The conclusion arising from this work for 2019/20 is that the information technology governance of the Council is adequate to support the organisation's strategies and objectives. This is based on the risk discussions with the Head of Service, the assurance provided in the first annual cyber security assurance presentation and knowledge of the findings from the following computer audits:
 - (a) BACS processing through Bottomline
 - (b) Fuel System
 - (c) CCTV control centre
 - (d) Cloud audit (final report)
 - (e) Follow up of 22 recommendations made in relation to IT systems; especially the progress made in relation to improving the monitoring of IT costs.
25. The work the organisation has carried out to continue to meet the Public Services Network (PSN) requirements was also noted as was the work being carried out by the ICT Security Officer, particularly in relation to Data Protection Impact Assessments.
26. However, there is still some work needed to clarify the ICT security policies and improve their dissemination, and to expand the ICT strategy for the Cloud migration of the service systems.

Risk Management

27. In accordance with the latest risk management policy, all services were examined in the year and evidence of effective risk management compiled into two 6-monthly reports to the Committee. It should be noted, however, that the second of these did not actually get debated due to the cancellation of the March 2020 committee as a result of lock-down.
28. A considerable amount of work was also carried out to finalise the project in

the audit plan looking specifically at the strength of the Council's inspection regimes to identify risks and hazards on council land and property. This work is still at the exit meeting stage but has identified some areas where action is recommended.

29. As the pandemic started to impact at the end of 2019/20 effective risk management processes were also being used in the response and recovery phases, and to reassess the risks and benefits of significant council projects in the new economic environment.

HEAD OF AUDIT OPINION

30. 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.
31. Using the information outlined in this report, in the opinion of the Head of Finance and Audit, the Council had a framework of governance, risk management and control for the year 2019/20 which was generally working effectively, although some opportunities to strengthen arrangements were found in the year. There is awareness amongst managers about their top risks and the importance of control mechanisms within the Systems Thinking culture, and the need to address any major weaknesses found.
32. The opinion is based on the following evidence:
- no "minimal" audit assurance opinions were again given this year, and the response by managers receiving the four "limited" audit assurance opinions was strong with action already taken to address many of the weaknesses highlighted;
 - income or expenditure errors were only recorded in one audit in the year;
 - 21/25 previous essential recommendations followed up were signed off as now implemented or in progress.
 - collaborative working with managers on 3 wider work areas in the year is leading to improved control and efficiency.
 - Significant progress has been made on an issue highlighted last year (Reviewing what partnership governance assurances are in place and how they flow to the Audit and Governance Committee).
33. Other issues highlighted last year where progress has been made but work is still needed are:
- (a) Rolling out training and support for contract management, including where IT systems are provided by a third party in the Cloud.
 - (b) Strengthening debt collection and write off processes in a number of services.
 - (c) Carrying out stock condition surveys and implementing asset

management plans.

- (d) Fully embedding the new system for managing costs associated with housing repairs or moving to an alternative system.
 - (e) Rolling out the new action management system to services to improve the management of recommendations arising from audit reports and updating the data available on the level of implementation *.
 - (f) Clarifying the ICT security policies for the Council and reviewing methodologies available to continuously disseminate messages to employees*.
34. Additional areas noted this year where further action will enhance the adequacy and effectiveness of governance, risk management and control include:
- (g) Strengthening budgetary control arrangements in a few teams to assist the Living within our Means agenda;
 - (h) Replacing the system to host the employee gifts and hospitality register, supported by the launch of the revised policy*.
- These issues had already been recognised by managers and they are working to address them.
35. The issues above marked with an asterisk have been included in this year's Annual Governance Statement.

AUDIT SERVICE QUALITY ASSURANCE

36. 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.
37. 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.*
38. 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

39. In conformance with PSIAs 1110, it is confirmed that that the internal audit activity was organisationally independent. This is assessed on the basis that 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.
40. Whilst there is a potential conflict from the dual role of Head of Finance and Head of Audit there are compensating controls which are set out in the Audit Charter as follows:

The Head of Finance and Audit and the External Partner Authorised Officer (at Portsmouth City Council) will be a member of a professional accountancy or auditing body.
The Head of Finance and Audit will assume the auditee role in audits of specific finance and local taxation systems.
The majority of planned “opinion” work will be carried out by the auditors of the external partner who are not employees of the council and who report to their own head of audit.
The original copy of all audit reports submitted by the external partners will be filed as part of the audit trail for that audit.
Although the teams will liaise on the scope of the audit and the content of the final audit report, the External Partner Authorised Officer will be sent a copy of the final report allowing them to raise any concerns they have with the content with the Section 151 Officer.
The Section 151 Officer will meet annually with the External Partner Authorised Officer without the Head of Finance and Audit being present.

41. The arrangements laid out in the Audit Charter were adhered to in the year.

Self-Assessment against the Standards

42. Our self-assessment against the Public Sector Internal Audit Standards this year continued with our rolling review of conformance with 14 standards selected by the reviewing officer. It should be noted that there are 106 parts making up the 52 standards.
43. The review this year covered the following standards:

1000	Purpose and Authority
1111	Direct Interaction with the Board
1120	Individual Objectivity
1130	Impairment to Independence or Objectivity
1230	Continuing Professional Development
1311	Internal Assessments
2010	Planning
2020	Communications and Approval
2130	Control
2201	Planning Considerations
2210	Engagement Objectives
2220	Engagement Scope
2230	Engagement Resource Allocation
2240	Engagement Work Programme

44. No areas of non-conformance were found. One improvement has been made to processes since the last report as follows:
- ✓ The International Professional Practices Framework was discussed by the Head of Finance and Audit at the Chief Executive’s Assurance Group in 2019.
45. Our self-assessment for 2019/20 therefore concluded that we have fully conformed to 49 [49 last year] of the 52 applicable standards with partial

conformance with the other 3.

46. Instances of non, or part conformance are given in [Appendix D](#); we are now down to those where no further action is planned to improve conformance. Due to the compensating controls documented, none of the areas are considered significant enough for reporting in the Annual Governance Statement.

Compliance with the CIPFA Statement on the Role of the Head of Internal Audit

47. During 2019/20 FBC performed a self-assessment of its compliance with the requirements listed within the latest CIPFA Statement on the Role of the Head of Internal Audit, as part of the annual Quality Assurance Improvement Programme (QAIP).
48. Overall it was found that FBC complied fully with 47 out of 51 requirements (92%) and partially complied with 3 requirements (6%); the area of non-compliance related to the 5-yearly external review of audit quality, as already highlighted in [Appendix D](#). A few areas of action have been identified which have been added to the QAIP action plan.

Local Performance Measures

49. Three local performance measures were used for the service in 2019/20, as discussed below.

Completion of Plan

50. 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 again this year, as summarised in the table below. However, this is partly due to the delay in producing the Head of Audit's Opinion report.

Completion of Plan	2019/20	2018/19	2017/18	2016/17
% of reports finalised by time of Head of Audits Report	95% (21/22)	78% (18/23)	70% (19/27)	68% (15/21)

Time Taken to Deliver Assignments

51. 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 known area of weakness for the service and there has been a drop in performance this year, mainly due to the impact of the pandemic.

Time Taken	2019/20	2018/19	2017/18	2016/17
Average number of calendar months between start and finish of audits finalised since the last annual report. (Number of audits in the measure)	5.1 (23)	3.4 (20)	6.3 (14)	6.7 (21)

Customer Feedback

52. 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. 13 interviews have been completed since the last report and a score applied as shown in the table below.

Level of Customer Satisfaction	2019/20	2018/19	2017/18	2016/17
Audit was above expectations	15% (2)	14% (2)	7% (1)	-
Happy with the audit	77% (10)	86% (12)	79% (11)	66% (10)
Minor problems with the audit	8% (1)	-	7% (1)	27% (4)
Significant problems with the audit	-	-	7% (1)	7% (1)

No trends in areas for improvement were identified this year.

RISK ASSESSMENT

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

CONCLUSION

54. 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 2019/20
- B. Results of Planned Assignments from previous years not available last year
- C. Additional Sources of Assurance this year
- D. Areas of Non-Conformance with the Public Sector Internal Audit Standards

Background Papers: None

Reference Papers:

Report to Audit and Governance Committee on 11/03/19 on the Internal Audit Strategy

Report to Audit and Governance Committee on 22/07/19 on Head of Audit's Annual Opinion 2018/19

Quarterly audit reports to the Audit and Governance Committee during 2019/20

Chartered Institute of Public Finance and Accountancy (CIPFA) 2017 – Public Sector Internal Audit Standards (PSIAS)

Chartered Institute of Public Finance and Accountancy (CIPFA) 2019 – Statement on the role of the Head of Internal Audit (HIA) in public service organisations.

Enquiries:

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

RESULTS OF PLANNED ASSIGNMENTS 2019/20

Audit Title	Errors found? Y/N	Current Stage of Audit (out of 10)	Days in Plan	Assurance Opinion	Direction of Travel	New Recommendations			Previous Recs. (E and I only)				Advisory
						Essential	Important	Advisory	Implemented	Cancelled	In Progress	Not Implemented	
FUNDAMENTAL SYSTEM AUDITS													
Payroll and Employee Expenses (1170)	N	10	15	Strong	↔ 2016/17	-	-	2	6	-	-	1	-
Housing Rents (1171)	Y	10	15	Limited	↓ 2016/17	2	-	1	4	-	2	2	-
Banking (1172)	N	10	5	Reasonable	↔ 2016/17	-	2	-	1	-	-	1	-
Treasury Management (1173)	N	10	10	Strong	↔ 2016/17	-	-	-	2	-	-	1	-
CORPORATE, SPECIALIST, GOVERNANCE, RISK AUDITS													
Recording of Sickness through HR 21 (1181)	N	5 – first draft of report	10	Strong	↑ 2007/08	-	-	1	-	-	-	-	-
SERVICES & SYSTEMS – HIGH RISK													
Tenancy	N	10	15	Limited	↓ 2014/15	-	4	-	4	1	2	1	-

Audit Title	Errors found? Y/N	Current Stage of Audit (out of 10)	Days in Plan	Assurance Opinion	Direction of Travel	New Recommendations			Previous Recs. (E and I only)				Advisory	
						Essential	Important	Advisory	Implemented	Cancelled	In Progress	Not Implemented		
Centre (1186)														
COMPUTER AUDITS														
Fuel System (1179)	N	10	10	Strong	↑ 2011/12	-	-	2	3	-	-	-	-	-
BACS processing through Bottom-line (1180)	N	10	10	Reasonable	No previous audit	-	3	-	-	-	-	-	-	-
WIDER WORK														
Annual Testing of Procurement Decisions (1187)	N	10	10	N/A	N/A	-	11	-	-	-	-	-	-	-
Contract Management	Audit Postponed													
Disabled Facilities Grants – grant certification 2018/19 (1189)	N	10	-	N/A	N/A	2	1	-	-	-	-	-	2	-
Deceased persons list (1190)	N	10	-	N/A	N/A	-	5	-	-	-	-	-	-	-

Audit Title	Errors found? Y/N	Current Stage of Audit (out of 10)	Days in Plan	Assurance Opinion	Direction of Travel	New Recommendations			Previous Recs. (E and I only)				Advisory
						Essential	Important	Advisory	Implemented	Cancelled	In Progress	Not Implemented	
Assurance on Partnership Governance (1191)	N	10	15	N/A	N/A	-	3	-	-	-	-	-	-
Anti-Bribery Policy	Audit Postponed												
FOLLOW UP													
Dog Control Follow Up (1185)	N	10	8	Reasonable	↑ 2018/19	-	1	-	4	1	1	1	-
Recommendation Follow Up (PCC) (1198)	N	10	15	N/A	N/A	-	-	-	20	-	7	4	-
Totals						9	44	13	48	6	12	13	0

APPENDIX B

RESULTS OF PLANNED ASSIGNMENTS FROM PREVIOUS YEARS NOT FULLY AVAILABLE FOR LAST YEAR'S OPINION OR UPDATED

Audit Title	Stage reached of 10*	Days in Plan	Assurance Opinion	Direction of Travel	New Recommendations			Previous Recs. (E and I only)			
					Essential	Important	Advisory	Implemented	Cancelled	In Progress	Not Implemented
SERVICE AND SYSTEM AUDITS – High Risk											
Out of Hours Service 2018/19	10	12	Reasonable	No Previous Opinion	-	3	-	-	-	-	-
Computer Audits											
Review of outstanding IT audit recommendations 2018/19	10	10	N/A	N/A	2	2	-	12	16	1	3

ADDITIONAL SOURCES OF ASSURANCE THIS YEAR

<p>Reactive work undertaken by the Team</p>	<p>Fraud investigations including misuse of a parking swipe card and housing options cases</p> <p>System reviews including management of current tenant arrears and accounts in credit.</p>
<p>Other work undertaken by the team</p>	<p>Identification and documenting the justification of changes in financial controls arising from responding to the Covid-19 pandemic.</p> <p>Review of Compliance with the 2016 CIPFA Statement “The Role of the Chief Financial Officer”</p> <p>Review of Compliance with the 2019 CIPFA Statement “The Role of the Head of Internal Audit”</p> <p>Monthly stock checks (April 2019-January 2020) and assistance with reconciliation at Ferneham Hall</p> <p>Review of clearance of matches received for the National Fraud Initiative</p> <p>System analyses carried out to progress the corporate review of Risk Inspection regimes.</p> <p>Design of processes to deal with the disposal of assets.</p>
<p>Other sources</p>	<p>Compilation of evidence for the Annual Governance Statement</p> <p>Project Integra audit by Hampshire CC – March 2020</p> <p>6 monthly risk management reports</p> <p>Attendance at Corporate Financial Forecasting and Medium -Term Finance Strategy meetings</p> <p>Lead or attendance on project team meetings concerning Welborne, Printing, Procurement, Debt Collection, emergency planning and the Collection Fund.</p>

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

Standard	Area of Non-Conformance	Comments
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.	<p>No further action proposed</p> <p>Informal mechanisms are in place for concerns about independence and performance to be raised. Regular meetings 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.</p> <p>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. They can also raise any concerns they have with the performance of the internal audit service.</p>
1312 External Assessments	No external assessments are currently included in the Quality Assurance and Improvement Plan.	<p>No further action proposed</p> <p>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. However, our audit partners completed an external assessment in 2017/18 which provides us with assurance on their processes.</p> <p>The in-house team do monitor any feedback on conformance to the standards received from the external auditors, and the internal audit partners.</p> <p>We have also introduced peer discussions in the Hampshire Audit managers group in which one authority presents how they comply with a section of standards and leads a discussion on the strengths and weaknesses of their approach.</p>
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.	<p>No further action proposed</p> <p>The Audit and Governance Committee is responsible for endorsing the Annual Plan of work which the Deputy Chief Executive Officer as the Section 151 Officer has previously reviewed. Other Directors are consulted on coverage in the plan for their department and receive information on the proposed Annual Plans and any changes to these before approval and are invited to provide feedback.</p>

FAREHAM

BOROUGH COUNCIL

Report to Audit and Governance Committee

Date: 19 October 2020
Report of: Deputy Chief Executive Officer
Subject: ANNUAL GOVERNANCE STATEMENT

SUMMARY

This report brings the 2019/20 Annual Governance Statement for member approval before publishing with the Statement of Accounts.

The Audit and Governance Committee's areas of responsibility for the Annual Governance Statement include:

- a) To consider the council's framework of assurance and ensure that it adequately addresses the risks and priorities of the council;
- b) To review the Council's Annual Governance Statement, prior to approval, and consider whether it properly reflects the risk environment and supporting assurances.

RECOMMENDATION

It is recommended that the Committee:

- a) approve the Annual Governance Statement for 2019/20, as attached as [Appendix C](#) of the report; and
- b) identify any changes required.

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 publication 'Delivering Good Governance in Local Government, which was last revised in April 2016.
3. This report therefore informs members of the processes that have been used to prepare the Annual Governance Statement (AGS) for 2019/20 as attached as [Appendix C](#), and seeks approval for this to accompany the audited Statement of Accounts for 2019/20 when they are published.

CHANGES TO THE PROCESS

4. 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*'.
5. The Council has defined its Governance Framework as consisting of 23 components as listed in [Appendix A](#) which is consistent with the 2016 guidance. Two of these are discretionary components which are considered important to this authority.
6. There have been no changes to the required process identified for the 2019/20. However, due to the Covid-19 pandemic the government issued an amendment to the Accounts and Audit Regulations which allows the Statement to be

published later than the usual July deadline; and up to 30/11/20.

RESPONSIBILITIES OF THIS COMMITTEE

7. 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.
8. 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.
9. 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.

SOURCES OF EVIDENCE

10. Each of the elements of the framework were reviewed and discussed by the Chief Executive's Assurance Group which consists of the Chief Executive Officer, all the directors and the Head of Finance and Audit. The following additional evidence was also reviewed to support the discussions:
 - Summary of external assurances received in the year (listed in [Appendix B](#)).
 - Review of progress made on the actions included in the previous Annual Governance Statement.
 - Annual cyber security assurances
 - Trends arising from internal audit and finance work in 2019/20.

ANNUAL GOVERNANCE STATEMENT

11. The Annual Governance Statement, as attached as [Appendix C](#), has been drafted in accordance with the CIPFA proper practices guidance. The lists of improvements identified during this review are highlighted on pages 24-25 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. In particular, this year they also reflect the impact of the pandemic on the way the Council works.

RISK ASSESSMENT

12. 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

13. 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 2019/20.

Appendices:

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

[Appendix B](#) – Sources of External Assurance Reviewed this year

[Appendix C](#) – Draft Annual Governance Statement 2019/20 (attachment).

Background Papers: None

Reference Papers:

CIPFA/ SOLACE - Delivering Good Governance in Local Government - Framework and Guidance 2016











The Accounts and Audit (Coronavirus) Amendments Regulations 2020 (SI 2020/404)






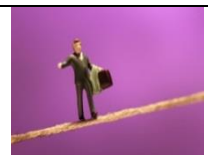





Enquiries:



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

APPENDIX A

Components of the Fareham BC Governance Framework

Mandatory Elements		
1		<p>Openness Documenting a commitment to openness and acting in the public interest</p>
2		<p>Communication Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation.</p>
3		<p>Vision and Outcomes Developing and communicating a vision which specifies intended outcomes for citizens and service users and is used as a basis for planning.</p>
4		<p>Vision and Actions Translating the vision into courses of action for the authority, its partnerships and collaborations.</p>
5		<p>Service Quality and Value for Money Measuring the performance of services and related projects and ensuring that they are delivered in accordance with defined outcomes and that they represent the best use of resources and value for money.</p>
6		<p>Constitution Defining and documenting the roles and responsibilities of members and management, with clear protocols for effective communication in respect of the authority and partnership arrangements.</p>
7		<p>Monitoring Officer Ensuring effective arrangements are in place for the discharge of the Monitoring Officer function.</p>
8		<p>Decision Making Reviewing the effectiveness of the authority's decision-making framework, including delegation arrangements, decision making in partnerships, information provided to decision makers, and robustness of data quality.</p>
9		<p>Scrutiny Ensuring an effective scrutiny function is in place.</p>
10		<p>Codes of Conduct Developing codes of conduct which define standards of behaviour for members and staff and that these codes and policies are communicated</p>

		effectively.
11		Whistleblowing and Conflicts of Interest Developing policies dealing with whistleblowing and conflicts of interest and that these codes and policies are communicated effectively
12		Training and Development Providing induction and identifying the development needs of members and senior officers in relation to their strategic roles, supported by appropriate training.
13		Head of Paid Service Ensuring effective arrangements are in place for the discharge of the Head of Paid Service function.
14		Laws and Policies Ensuring compliance with relevant laws and regulations, internal policies and procedures and that expenditure is lawful.
15		Financial Management 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 (2015) and, where they do not, explain why and how they deliver the same impact.
16		Risk Management Reviewing the effectiveness of the framework for identifying and managing risks and for performance demonstrating clear accountability.
17		Counter Fraud Ensuring effective counter-fraud and anti-corruption arrangements are developed and maintained in accordance with the Code of Practice on Managing the Risk of Fraud and Corruption (CIPFA, 2014).
18		Partnerships and Governance 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.
19		Internal Audit 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.
20		Audit Committee Undertaking the core functions of an Audit Committee, as identified in CIPFA's Audit Committees: Practical Guidance for Local Authorities (2013).
21		External Audit Ensuring that the authority provides timely support, information and responses to external auditors and properly considers audit findings and

		recommendations.
Discretionary Elements		
22		<p>Emergency Planning</p> <p>Ensuring we can respond effectively to an emergency within the borough.</p>
23		<p>Business Continuity Management</p> <p>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
External Audit	Annual Audit Letter 2018/19 (September 2019)
	Audit Results Report 2018/19 (July 2019)
	Annual Certification Report 2018/19 (March 2020)
Government Department or Agency	Local Government Ombudsman Report 2018/19 (July 2019)
	Update to Ministerial Directive issued by the Department of the Environment, Food and Rural Affairs (DEFRA) in relation to Air Quality (May 2019)
	Public Service Network Compliance (2019/20)
	Driver and Vehicle Licensing Agency (DVLA) data assurance audit of our use of Keeper at Date of Event Enquiries (November 2019)
	Driver and Vehicle Licensing Agency (DVLA) data assurance audit of our use of Web Enabled Enquiry Facilities for Abandoned Vehicles (December 2019)
Other	Hampshire Safeguarding Children Board (HSCBJ) S11 Audit Letter (September 2019)
	Partnership Coverage by other Audit Teams (PUSH, Project Integra)
	External quality audit of Building Control Partnership (BCP) by British Standards Institute (BSI) (April 2020)
	Annual ICT Security Health Check (February 2020)

FAREHAM
BOROUGH COUNCIL

Annual Governance Statement 2019/20

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.

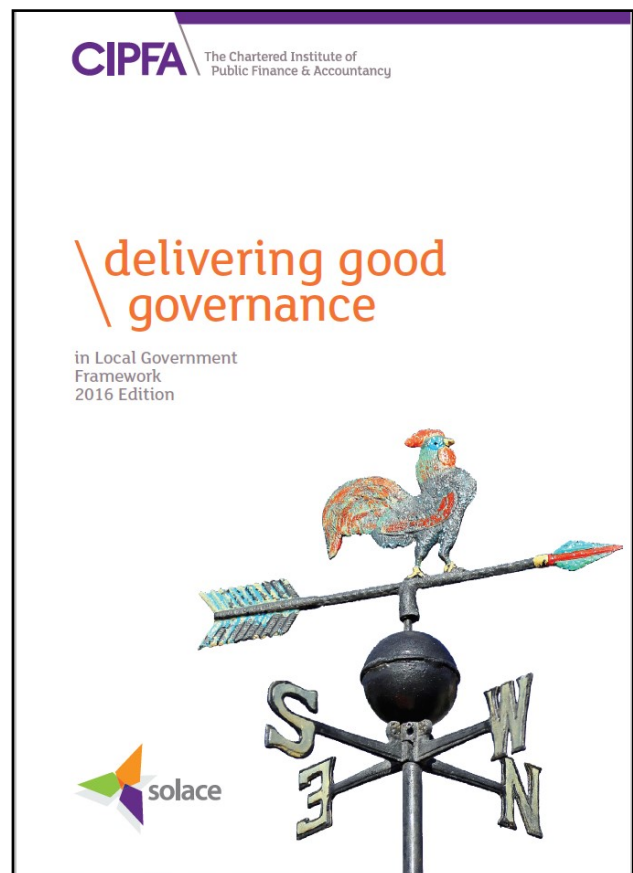
Fareham Borough Council also has a duty under the Local Government Act 1999 to make arrangements securing continuous improvements to the ways in which functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

The Council is responsible for putting arrangements in place for the governance of its affairs and facilitating the effective exercise of its functions, 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 Chartered Institute of Public Finance and Accountancy's 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>.

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.



This statement explains how Fareham Borough Council has complied with the

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 the 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 2020 and up to the date of approval of the Statement of Accounts.

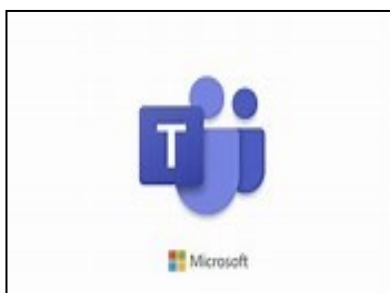
The key elements of the systems and processes that comprise Fareham Borough Council's governance arrangements are summarised in this document.

Openness

The Council seeks to be open and to act in the public's interest. The Community Action Team meetings in particular allow open debate on hot topics that come up.

During consultations we aim to be open about the data sources used and how decisions are made.

Due to the impact of the pandemic during 2020/21 we have been exploring virtual options for consultation with the public.



We have developed a Freedom of Information Publication Scheme which is published on our website along with a Transparency portal which provides financial information and other data about the way the Council is being run. This can be found on our website here:

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

We also carry out periodic reviews to ensure compliance with the latest requirements of the Transparency Code. The next review is planned for 2020/21.

On top of this we aim to respond to all Freedom of Information requests we receive. We issued 737 such responses during 2019/20.

Community Communication

The Council's approach to communication is set out in the Communications and Engagement Strategy which is monitored and updated periodically. The next periodic review is in progress, to be finalised 2020/21.

We have moved the Council magazine "Fareham Today" to be a primarily online publication which is now produced three times a year. Special editions are produced as required to focus on key topics. Households still have an option of requesting printed copies or receiving email alerts when an edition is published. Approximately 953 households have signed up to receive individual copies with a further 432 receiving email alerts.

We continue to see 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 use the Council Connect stand in the Town Centre to display a range of material on targeted themes throughout the year. Themes this year included: Citizen of Honour awards, 999 day, Bloom day, Christmas Light Switch on, Community Gardening Challenge, Thumbs up Thursday, National Play Day and also information regarding the Corona Virus Pandemic.

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

The Council has a Public Relations, Marketing and Consultation Team who coordinate and undertake community consultations using a variety of methods which includes an e-panel of over 2,000 residents. We will continue to grow the E-panel and to explore using it for wider consultation. We also now have conversations (10/10 surveys) with a sample

of residents who have used a key service in the year which allows us to receive feedback about what matters to our customers for future improvements.

The team encourages all departments to seek advice on the best communication methods to be used for events, information, and when our equality objectives need to be considered, to ensure our approach is consistent.

In 2019/20 almost 7,000 people responded to 20 consultations and events.

Alternative approaches used this year included a business breakfast for the Daedalus review at the Fareham Innovation Centre and a round table discussion at the



Town Centre Community Action Team meeting. We also conducted focus groups with homeless service users and another with statutory and community partners in the preparation of the Homelessness Strategy. We conducted interviews and group discussions with tenants in Sheltered Housing as part of the service review and an online polling to vote for the Gate Guardian at Daedalus.

Meetings are held in the community when there is a need to focus on hot topics of interest to that neighbourhood such as key development of the local plan and future development in the Borough.

Council's Visions and Outcomes

The Council's governance arrangements support the realisation of the Council's mission and objectives.

Our Corporate Strategy 2017-2023 describes an overall vision for the Borough - **Fareham: a prosperous and attractive place to be**. It sets out our priorities for improvement over a six-year period. This is available on our website at: http://www.fareham.gov.uk/about_the_council/strategies/keystrategies.aspx.

During 2019/20 we conducted an annual review of the Corporate Strategy which was reported to the Policy and Resources Scrutiny Panel in October, Executive in November and the changes were approved by Council on 14th December. One significant change in 2019/20 was the addition of a new priority *to develop an action plan to mitigate and adapt to impacts of climate change in Fareham and reduce our carbon footprint*.

A project plan has been drawn up to deliver the priorities which is monitored by the Chief Executive's Management Team twice a year. A process is being developed to quantify the finances needed to deliver the Corporate Priorities set, and feed these into the Medium-Term Financial Strategy.

Notable achievements from the Strategy include :

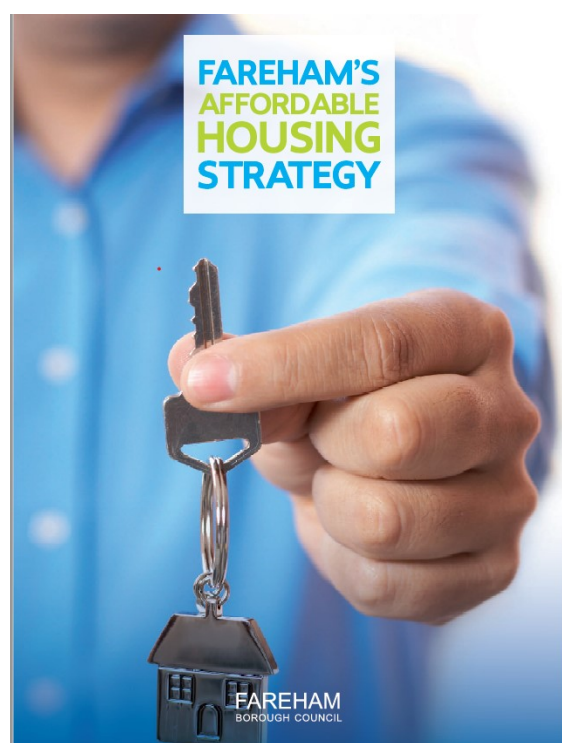
- ✓ Preparation and implementation of a new Affordable Housing Strategy, setting out how Affordable Housing will be delivered over the next five years
- ✓ Extension of Holly Hill Cemetery, providing an additional 400 burial plots

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 the results of 10/10 surveys.

We also monitor 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. A new approach to holding these meetings will be looked at for 2020/21 given the need to social distance.



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 reviewing our services using 'Systems Thinking' which redefines the purpose from the customer's point of view and puts them at the heart of the processes we use to deliver them. Reviews result in improved customer experiences and faster service delivery. Further training on the approach was rolled out this year for new managers and key officers.

The reviews carried out in 2019/20, included the freedom of information process, finalising the Building Control Partnership review and a small review of Tree Management. Further reviews are planned for the Communications team and StreetScene. We also need to review what impact the pandemic has had to the learning from previous reviews.

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

Our Local Service Agreements (LSAs) 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 Executive's Management Team and the Executive. The LSAs include a list of key performance measures which are monitored during the year and over years including 10/10 survey results. These indicators are being continually revised as we determine what measures truly match the purpose of the service.

The Council has a corporate Opportunities Plan which identifies opportunities for income generation and cost reduction to support the next five year Financial Strategy. This involves the use of reserves in an 'invest to

save' programme to support delivery of the project, including the establishment of a Project Team in April 2019 on an initial two year basis.

To date £711,000 of savings from the Opportunities Plan work has been built into the Council's budgets, including £221,000 built in for 2020/21.

The Council has a dedicated procurement team in place to help achieve value for money and service quality from purchasing and letting of contracts, by providing support, guidance, advice and challenge in the procurement process.

The work of the team during 2019/20 included the successful tender for an operator for an improved community leisure and arts venue.

The Council continues to buy some goods and services jointly with other councils, and builds upon successful services delivered jointly with other local authorities. For example, in 2019/20 Hampshire councils, led by Fareham Borough Council, jointly retendered for the provision of insurance services leading to significant savings across the contract.



Other joint procurement in the year included the Lift Maintenance Contract and the Textile Recycling contracts.



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 committees;
- The roles of Executive Members, Committee Chairmen, Ward Councillors and Chief Officers;
- The functions, responsibilities and post holders of the statutory offices: 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 by the Democratic Services team to keep it as a single reference source that is readily available on the Council's website.

An annual report to the Audit and Governance Committee is produced which advises members on any updates made to the constitution. In 2019/20 we started to review the Constitution Procedure Rules (Part 3); any revisions arising from this review will be reported in 2020/21.

Towards the end of 2019/20 work was carried out to identify how emergency powers and changes to the deputation scheme can be used in response to and during the pandemic.

There is a designated post which covers the Monitoring officer responsibilities; and in 2019/20 we had clear arrangements in place to cover the role during a period when the Monitoring Officer was absent. The Monitoring Officer keeps apprised of changes in requirements by attending appropriate courses and the Council subscribes to a national service to obtain advice as necessary.

Decision Making

The Constitution, including the Schemes of Delegation, sets out how different types of decisions are made, including who has the responsibility for making them and what procedures should be followed. In 2020/21 the temporary measures under the urgency provisions are being invoked in response to the Covid pandemic.

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. During 2019/20 we piloted the use

of a paperless agenda: however, during 2020/21 we have had to move to the use of virtual meetings in response to the pandemic which is being further developed as a priority.

The Notice of Key Decisions highlights any 'key decisions' due to be made and these are published 28 days before the decision is made, to enable wider transparency and opportunities for representation to the decision makers. These are discussed in advance by the Chief Executive's Management Team.

Where partnerships have been developed with other agencies, decision making powers and delegated powers are documented and presented to members.

Scrutiny

Our committee structure follows the Executive Leader and cabinet model, which requires us to have a scrutiny function.

The Council uses a Scrutiny Panel for each of its six portfolio areas. Each Panel is made up of seven non-executive councillors and reflects the political balance of the elected members. The Panels meet a minimum of four times a year with extra meetings called when needed.

Each Scrutiny Panel has a Priority Plan which identifies the objectives from the Corporate Strategy and areas of the executive function that require their scrutiny; for example budget setting fall under the Policy and Resources Scrutiny Panel. Part of the panels' focus is to be engaged in pre-scrutiny work and to have an input in the decision making process by making recommendations to the Executive. In some cases specific member working groups are in place to assist in the development of service visions and strategies.

For example, in 2019/20, Scrutiny Panels looked at:

- Fareham & Gosport Clinical Commissioning Group provision of mental health services in the Borough;
- Two Saints' provision of support for rough sleepers in Fareham following the introduction of the new contractual arrangements with Hampshire County Council in August 2019;
- Waste Composition Analysis for Fareham and Project Integra Work Review.

Examples of reports that went to the Scrutiny Panels for pre-scrutiny prior to going to the Executive Committee included:

- The Affordable Housing Strategy;
- The Design Costs for the remodelling of Ferneham Hall;
- The Interim Nitrogen Mitigation Solutions; and
- The Capital Programme Outturn 2018/19.

A review of how the new Scrutiny Panels are performing has commenced and will be completed during 2020/21, to confirm that the new arrangements are being consistently applied across the Council.

There were no decisions called in during 2019/20.



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. New members receive an induction session on the content of the Code. Specific training on communication with the media is planned for 2020/21. A national review of the code is being conducted by the LGA and we will update ours accordingly to reflect the review.

A report is presented annually to the Audit and Governance Committee setting out the number of complaints received about member conduct and the trends. A standards sub-committee is set up when a significant breach by a member requires investigation and the conclusion is reported at the next meeting of the Audit and Governance Committee and Full Council. The standards sub-committee was not convened in 2019/20.

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 started in 2016/17 to update and simplify it for users and this will be finalised in 2020/21. Other arrangements, such as the register for employee interests, help everyone keep 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 2021/22. A new platform for the Register of interests will also be developed in 2020/21. An internal audit of "ethics" was carried out in 2015/16 which included an employee survey. This gave positive assurance that appropriate arrangements are in place to manage behaviours. Follow up survey questions and focus group discussions were carried out in 2017 and 2018. These have fed into the work streams on Whistleblowing, Employee Registers of Gifts and Hospitality and the Procurement and Contract Procedure Rules.

Whistleblowing

The Council's Whistleblowing Policy is reviewed by the Audit and Governance Committee as required. The Policy is available to all employees via the intranet where periodic updates are also displayed.

Designated channels including electronic reporting methods are available for employees and members of the public.

Focus groups were used in 2017/18 to challenge the effectiveness of the policy which led to a rebranding in 2018/19 as the "Raise a Concern Policy". During 2020/21 we

will be rolling out further training for managers and employees, on raising concerns, using the Skillgate platform.

Records are kept of incidents of whistleblowing and the results of investigations arising. Statistics are reported to the Audit and Governance Committee annually.

During 2019/20 there were two investigations resulting from internal whistleblowing.

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. These modules are reviewed individually with new members appointed in the year and any additional training needs identified. A central library is also maintained to allow members to access briefing information outside of training events.

The programme is supplemented by specific topic briefings for members. Twelve member training/briefing events took place in 2019/20, including sessions on the functions of PfSH, Safeguarding, and a number of Welbourne briefings.

Officer training and development is based around a simplified individual performance management process. A review of this process was undertaken using structured interviews in 2017/18. A number of actions have been agreed and during 2019/20 we employed an officer to spearhead and implement these. These include rolling out training and support for managers to assist them with delivering the Council's vision for individual performance management; including when remotely from home.

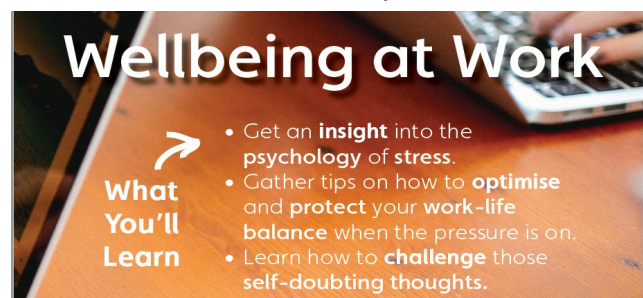
There is a coordinated approach to the identification of the training needs of the organisation which helps us make the most of money spent on employee development and training. In-house training sessions are delivered by a combination of online training for theory with face to face sessions for practical learning.

The Council's online training suite, called Skillgate, is used by both members and employees, which includes the facility to create local courses when the generic course does not meet our needs. All new employees

complete an online induction package through Skillgate which includes a number of tests and checks of understanding before the programme is complete. Completion of the programme is monitored by a designated Human Resources officer. In 2020/21 we will be reviewing methodologies available to continuously disseminate ICT Security policy messages to employees.

In 2019/20 we have been utilising an external consultant who has continued to carry out leadership training with the senior management team. Other specific training in 2019/20 included debt recovery training for the housing, exchequer and revenues teams.

In 2019/20 we have developed and started to roll out a holistic approach to awareness of mental health and emotional wellbeing issues with sessions delivered or planned to cover



“Managing People with Mental Health Issues”, Menopause Awareness, and “Wellbeing at Work”.

In 2017/18 we adopted a new approach to recruiting, developing and employing apprentices in line with the government apprenticeship levy. The new framework enables us to offer training opportunities on a wider basis than the previous traditional apprenticeship route.

As at the end of 2019/20 and following the recent successful completion of a number of apprenticeships, we have three employees currently in the apprenticeship scheme which are being funded by levy funding.

Ensuring Compliance with Relevant Laws and Polices

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.

In December 2019 an additional post was put in place for the property legal team to deal with the number of property related corporate projects.

A review has been carried out to agree the most significant laws and polices where assurance is needed as part of the governance framework. Part of this assurance is provided by the Internal Audit Service and additional assurance mechanisms are introduced to provide information when needed. For example in 2019/20 annual assurances on cyber security were introduced.

In response to the pandemic additional legal advice is being needed in 2020/21 in response to government directives.

A Vanguard review of how the Council manages external requests for information, such as under the Freedom of Information Act 2000, commenced in 2019/2. and the learning to date have led to some changes to the internal processes used.

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 January 2020 a new tool was rolled out to managers which allows them to drill down on their spend with suppliers.

During 2018/19 we developed and implemented a new approach to procurement as set out in the new Procurement and Contract Procedure Rules. The new approach includes the introduction of an annual report on the application of the new rules. The first of these was completed in 2019/20, and presented to CXMT (Chief Executives Management Team) in February 2020. As part of this a level of testing was carried out on the compliance of the rules and the results found a very high level of compliance. In 2020/21 we will be strengthening the processes used to assess financial standing of suppliers during the procurement process and subsequent contract management of critical suppliers.

The review of the Council's Financial Regulations has also been completed. The amalgamated rules were presented to the Audit and Governance Committee in September 2019. These were subsequently launched across the organisation via various direct and indirect briefing mechanisms.



During 2019/20 we also strengthened our use of data privacy impact assessments which give us an understanding of the impact and compliance of GDPR on services and projects.

Financial Management

The Council's arrangements conform to the requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government. During 2020 we refreshed our review of how well we conform to the 2016 statement.

The Council has adopted an integrated approach to service and financial planning which allows for pressures and opportunities to be considered and reflected promptly in the Council's financial plans. The Council's Medium Term Finance Strategy (MTFS) and Treasury Management Strategy are updated each year and approved by Members.

The Strategy had predicted a funding gap in 2020/21 and beyond. An Opportunities Plan was therefore developed to identify ways of bridging the gap and buffering the Council from future pressures. Some of these projects have now been delivered which allowed us to set a balanced budget for 2020/21.

In 2019/20 particular focus was given to the Collection Fund which broadened knowledge within the team and improved robustness of the process. In 2020/21 we are producing quarterly monitoring against our predictions of the Collection Fund. Further work is also being carried out to update the cost implications of delivering the corporate priorities, and to update the Strategy for any implications arising from the Fair Funding Review.

Finances are monitored regularly through reporting and discussions with budget holders, directors and the relevant portfolio holder. Accountants are established as Finance Business Partners (FBP) to the services they support and contribute to the development of their services.

In 2019/20 we rolled out a new drill down tool to managers, which provides better information on spend with Suppliers.

Monthly summary financial information is published online for all Members and the public. This can be found on our website at: http://www.fareham.gov.uk/pdf/about_the_council/

[councilport.pdf](#)

Twice yearly financial reports showing expenditure against budgets are prepared and presented to the Chief Finance Officer and Executive Members. These focus on services with spend or income over £1 million or which are subject to fluctuations in demand. Corporate financial forecasting meetings are scheduled monthly where the senior finance managers review the budgetary position and forthcoming pressures and opportunities to allow a forecast position to be established.

In 2019/20 monitoring predicted we were heading for an overspend so a 'Living within our means' strategy was introduced. Progress is regularly reviewed by CXMT, which will continue into 2020/21.

In 2020/21 mechanisms have been introduced to monitor the impact of the pandemic on the Council's financial standing and a financial recovery plan has been delivered and is being implemented to maintain the Council as a going concern. As part of the plan an emergency budget has been set for 2020/21 and proposals have been made to extend the Opportunities Plan work.

Quarterly reports on the Council's loans and investments are presented to the Chief Finance Officer, Chief Executive Officer, and half yearly to the 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.

In 2018/19 we developed a new high-level Capital Strategy report which is presented each year to Full Council; this meets the requirements of the new Prudential Code. This is being continually developed to provide further information that meets the local needs.

Risk Management

In 2017 the Council adopted a new approach to Risk Management using system thinking principles. This puts the focus on managing risks as an everyday normal Council activity rather than using resources to maintain corporate risk registers. This policy consists of seven principles and includes arrangements for monitoring the effectiveness of the policy. These include annual meetings with managers to ascertain risk management activity which has occurred in their services. Key risks arising from these discussions are documented and presented to the Chief executive's management team and the Audit and Governance Committee in six-monthly reports.

An important component of the policy is to embed a culture of everyone acting as the eyes and ears of the Borough. A crib sheet of "who to report issues to" has been piloted and is being made available to all staff, via the intranet, to refer to when out in the Borough.

A significant joint review by the audit and insurance teams was carried out in 2018/19 looking at the ownership of risk inspections in public areas. Work was progressed in 2019/20 to identify systems changes that had occurred or were needed to strengthen our arrangements. For example: The inspection and maintenance of all of the Council's existing play areas and parks infrastructure is recorded and managed remotely using the Council's mobile phones via the Public Sector Software app (PSS); a database which schedules inspections, task management and monitors minor maintenance issues. The system is monitored daily by the Public Spaces Officer, with outstanding tasks reviewed fortnightly by the Public Spaces Operations Manager.

The Risk Management process will be further developed in 20/21 using workshops to review specific top risk areas in more detail., such as the Local Plan and Solent Airport.

Emergency Planning and Business Continuity

In accordance with the Civil Contingencies Act 2004, the Council works in partnership with Portsmouth and Southampton's Joint Emergency Preparedness, Resilience and Response Team to ensure its readiness to respond to emergencies is maintained. Actual incidents are responded to in conjunction with Hampshire County Council.

A three year work programme is being implemented which is supported by monthly meetings identifying additional areas within emergency planning that require revision and updating. In 19/20 the training programme was refreshed to ensure staff were fully up to speed with their roles. Other actions in

2019/20 included updating the contacts directory.

The annual test of Fareham's Emergency Response Plan was carried out in January using a scenario of a hangar fire at Daedalus . The test reviews the adequacy of the plan and the functionality of the Emergency Control Centre.

Minor changes to the plan were made as a result to ensure procedures are adequate and complied with best practice.

The Council has a duty to ensure that Business Continuity Management Systems are in place to ensure that the authority can provide its critical services during a disruption.

Fareham's Business Continuity arrangements underwent a further review in 2019/20 and revised service business continuity plans were published. These plans are designed to aid and inform service recovery in the event of a major disruption of day-to-day activity.

A test of the corporate business continuity plan was held in the summer of 2019 using a cyber threat scenario via a table top exercise. The exercise demonstrated a good understanding of FBC arrangements in response to a business continuity event and stressed the importance of early communications during an incident.

The work carried out with Solent Airport (Daedalus) to review their arrangements for their The D-Day 75 celebrations led to a successful event in June 2019.

A Major Incident has been declared in response to Covid-19 since late 2019/2020 this has had a significant impact on the work programme. In response to Covid-19 we have activated our Business Continuity Plans and internal response structure as well as supported the multi-agency command structure. This has included developing new mechanisms to keep all members briefed on the actions being taken by the Council throughout the response phase of the pandemic.

During the response several lessons and areas for improvement have been identified. These will be reviewed and built into the work programme for 2020/21 and include:

- Completion of the scheduled review of the emergency response plan
- Completion of the scheduled review of the corporate business continuity plan
- Carrying out earlier review of the services business continuity plans .



Counter Fraud

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

The Council has retained professional investigation skills and resources which are used to deliver the programme of work which includes carrying out risk assessments on the top frauds faced by councils to ensure our approach to prevention and detection of fraudulent activity remains cost effective.

This Anti Fraud and Corruption Policy was updated in 2016/17 alongside the Sanctions and Redress Policy as a result of the Benefit Investigators transferring to the Department of Work and Pensions. In 2018/19 these arrangements changed to allow joint working on cases and prosecutions and as at the end of 2019/20 we had opened 38 joint working cases.

We were planning to refresh the sister Anti-Bribery Policy in 2020 but this has now been postponed until 2021.

Strategic counter fraud work carried out in 2019/20 included:

- ◆ The RIPA policy was refreshed in line with the changes in the Investigatory Powers Act 2016 and Data Retention Requisition Regulations 2018.
- ◆ Key staff received training in producing

effective witness statements.

- ◆ The Corporate fraud team attended training on using open source enquiries to assist with investigations.

A single residents discount campaign began at the end of 2019/20 which entailed a 100% review of all households receiving a single residents discount.

At the end of 2019/20 the Counter Fraud team were seconded to the Business Grants Projects to assess the risks associated with the payments of grants and to design and implement mitigating actions to reduce the risk of inappropriate payments being made.

The Audit and Governance Committee receive an annual update on the work carried out on the counter fraud framework and the nature and results of investigations carried out.

In 2019/20 we investigated 1,339 cases leading to 84 individual frauds or irregularities being found. These amounted to a total value of £249,000. The largest value of fraud found was for housing benefit payments (£109,000); the majority of this was found as a result of investigating council tax support cases. Further statistics can be found on our Transparency webpage:

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

FAREHAM
BOROUGH COUNCIL

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You are here: Home / Council Tax / Discounts And Exemptions / Discounts

Discount review

Thank you for choosing to complete this Single Resident Discount Review on-line.

You currently receive a Single Resident Discount because we believe that you are the only person living at the above property who is aged 18 years or older. This reduction is shown on your Council Tax Bill.

Please confirm that you are still entitled to this discount, or update any changes in your household, by completing [this review form](#).

If you have completed this on-line form, there is no need for you to also complete the paper form that we have sent you.

Partnership Governance

The Council delivers some services by entering into partnership agreements.

The Council maintains a Corporate List of its significant partnerships. These are assessed for their significance in terms of the results they seek to deliver, their profile/ reputation and resources involved.

The Council recognised seventeen partnerships of which ten were deemed significant to the Council in 2019/20.

Lead officers are assigned to each partnership. They are responsible for the 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, if there is one, and take an active part in discussions and decision making.

An annual report on partnerships is collated and reviewed by the Chief Executive's

Management Team each year to confirm the significance of the partnerships, review any potential governance issues and review how each is performing. Additional assurance arrangements are being put in place for 2020 in the forms of an Partnership Assurance report to the Audit and Governance Committee will be introduced.

Notable partnership activity in 2019/20 included:

- ◆ PUSH have reviewed their purpose and has rebranded to PfSH (Partnership for South Hampshire). A new project manager is now in place.
- ◆ The agreement for the East Solent Coastal Partnership was updated and approved by the constituent councils in June 2020 .
- ◆ The legal partnership were again short listed for legal team of the year 2019



GOSPORT
Borough Council



Portsmouth
CITY COUNCIL



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. We have applied “Systems Thinking” to the provision of the service to focus on what matters to the organisation. This has informed our Internal Audit Strategy which was last updated in 2018/19. We carry out four different strands of work to inform the annual audit opinion and help the organisation improve its systems of control.

In 2019/20 the service was jointly delivered in partnership with Portsmouth City Council. This helps in the delivery of the whole scope of audit work and in maintaining independence. An exercise has also been carried out with other audit teams in Hampshire to document 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. An action management system has been developed to improve the information available to managers and help capture updates on implementation. In 2019/20 we further developed an approach to assist managers self serve the system which will be rolled out in 2020/21.

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

In 2019/20 we completed the Review of how the Council compares to the CIPFA statement of the Role of Internal Audit 2019. Over a high level of compliance was found and some actions have been identified to further strengthen arrangements.

The service operates to the Public Sector Internal Audit Standards and the Internal Audit Charter was updated in 2018/19 to reflect the latest changes in the standards. Our annual review of compliance with the standards concluded that in 2019/20 we fully conformed with 49 of the 52 Audit Standards and partially conformed with the other three. Compensating activities are in place which included an external assessment undertaken by our audit partners last year.

The Council has an Audit and Governance Committee which undertakes the functions of an Audit Committee in accordance with the CIPFA guidance. It reports directly to the Full Council. It 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.

In 2018/19 a review of compliance with the 2018 guidance on effective Audit Committees, was published by the Chartered Institute of Public Finance and Accountancy. This identified that work was needed to review the flow of assurance about partnerships that the committee receives. This review was completed in 2019/20 and a new report to the Committee has been developed which will be piloted in November 2020.

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 September 2020. The opinion given was that:

The Council had a framework of governance, risk management and control for the year 2019/20 which was generally working effectively, although some opportunities to strengthen arrangements were found in the year. There is awareness amongst managers about their top risks and the importance of control mechanisms within the Systems Thinking culture, and the need to address any major weaknesses found.

The opinion is based on the following evidence:

- ⇒ no “minimal” audit assurance opinions were again given this year, and the response by managers receiving the four “limited” audit assurance opinions was strong with action already taken to address many of the weaknesses highlighted;
- ⇒ income or expenditure errors were only recorded in one audit in the year;
- ⇒ 21/25 previous essential recommendations followed up were signed off as now implemented or in progress.
- ⇒ collaborative working with managers on 3 wider work areas in the year is leading to improved control and efficiency.
- ⇒ Significant progress has been made on an issue highlighted last year (Reviewing what partnership governance assurances are in place and how they flow to the Audit and Governance Committee).

Other issues highlighted last year where progress has been made but work is still needed are:

- ◇ Rolling out training and support for contract management, including where IT systems are provided by a third party in the Cloud.
- ◇ Strengthening debt collection and write off processes in a number of services.
- ◇ Carrying out stock condition surveys and implementing asset management plans.
- ◇ Fully embedding the new system for managing costs associated with housing repairs or moving to an alternative system.
- ◇ Rolling out the new action management system to services to improve the management of recommendations arising from audit reports and updating the data available on the level of implementation*.
- ◇ Clarifying the ICT security policies for the Council and reviewing methodologies available to continuously disseminate messages to employees*.

Additional areas noted this year where further action will enhance the adequacy and effectiveness of governance, risk management and control include:

- ◆ Strengthening budgetary control arrangements in a few teams to assist the Living within our Means agenda;
- ◆ Replacing the system to host the employee gifts and hospitality register, supported by the launch of the revised policy*.

These issues had already been recognised by managers and they are working to address them.

External Audit and Other External Assurances

The Council's independent external auditors for the year for core audit work were Ernst and Young. They have worked throughout the year in accordance with their code of practice.

The findings from the work carried out last year were summarised in their Annual Audit Letter which was presented to the Audit and Governance Committee in September 2019 and circulated to Members and the statutory officers. This report was very positive and unqualified opinions were given by the auditors. There are no outstanding recommendations to be implemented.

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

- Annual certification report from KPMG 2018/19;
- Report of the Local Government Ombudsman 2018/19;
- Update to Ministerial Directive issued by the Department of the Environment, Food and Rural Affairs in relation to Air Quality (May 2019);
- DVLA assessment of our use of Keeper at Date of Event enquiries (November 2019);
- DVLA assessment of our use of Web enabled enquiry facilities (December 2019);
- Vehicle Operators Compliance Risk Score (March 2020) and Vehicle Test History (March 2020) assessed by the Driver and Vehicle Standards Agency;
- Hampshire County Council review of our safeguarding arrangements (September 2019)
- External quality audit of Building Control Partnership by British Standards Institute (April 2020);
- Compliance work undertaken to meet the requirements of the Public Service Network;
- Partnership coverage by other internal audit teams.



Review of Effectiveness Conclusion

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 Directors within the authority, who have responsibility for the development and maintenance of the governance environment, and is led by the Chief Executive's Assurance Group. This 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;
- Highlights from Head of Audit's Annual Report 2019/20;
- Summary of reports and feedback we have received from external auditors, inspectors or other external agencies in the year;
- Actions arising from the annual cyber security report;
- Review of progress made on the actions included in the previous Annual Governance Statement.

Chief Executive's Assurance Group (CXAG)

Review of Effectiveness of the Governance Framework 2019/20

Conclusion options	Meaning
Status known and OK	The preliminary review concludes that CXAG do not need any further assurance on this area this year and no improvement action is needed. These are likely to have been the subject of specific assurance mechanisms through CXMT.
Status known with action	The preliminary review concludes that CXAG do not need any further assurance on this area this year but assurance mechanisms during the year suggest we may want to include an improvement action.
Further Info needed	CXAG would like further assurance coming back to another meeting.

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 address the issues raised in the 2018/19 Annual Governance Statement

The annual review of effectiveness has identified the following progress made on the actions identified in the previous year:

	Issue 2018/19	Status	Update 2019/20
1	Review what partnership governance assurances are in place and how they flow to the Audit and Governance Committee.	Complete	Head of Finance and Audit A review was completed of the Partnership assurances available to the Council which concluded that a summary report would be useful for the Audit and Governance Committee. A Proforma report has been developed which will be used for the first time in November 2020.
2	Develop a process to feed the finances needed to deliver the priorities set out in the Corporate Strategy, into the Medium-Term Financial Strategy. (B/fwd.)	In Progress	Head of Finance and Audit A draft process has been designed but has not been rolled out yet due to resource pressures. Some work has started in relation to Daedalus actions in the Strategy which mainly affected the capital programme.
3	Complete the periodic review of the Communications and Engagement Strategy	In Progress	Director of Leisure and Community A draft strategy has been produced and needs to be reviewed and approved by CXMT and the Executive before being finalised.
4	Carry out a post-implementation review of the new Scrutiny Panels, once they have been in place for 12 months.	In Progress	Head of Democratic Services We are halfway through a post-implementation review of the new Scrutiny panels and this will be completed in
5	Finalise the review of the Disciplinary Code of Conduct and Disciplinary Rules to update it and make it simpler for users. (B/fwd.)	In Progress	Director of Support Services Progress has been made on this piece of work and it is due to be finalised in 2020/21.
6	Carry out a training session with members covering the media avenues available and the potential pitfalls to be aware of.	In Progress	Director of Leisure and Community This is to be included as an action in the latest draft communication and engagement strategy. The training will be carried out when the strategy has been approved.
7	Develop a Skillgate package for managers on how to handle concerns brought to their attention.	In Progress	Director of Support Services During 2020/21 the Human Resources team will be rolling out further training for managers and employees on raising concerns using the Skillgate platform. We have been awaiting Skillgate to release a new authoring tool to speed the development of this: the tool has only recently been released and so the work can now continue to develop the module for completion in 2020/21.
8	Launch the revised employee 'gifts and hospitality and interests' policy via Skillgate.	No progress to date	Head of Finance and Audit Due to competing other priorities we have been unable to progress this task and are unlikely to do so until 2021/22.

Actions taken to address the issues raised in the 2018/19 Annual Governance Statement (con.)

9	Roll out mental health and well-being training and support for employees and managers.	Complete	<p>Director of Support Services</p> <p>A new approach to improving awareness of mental health and emotional well-being issues has been developed. The first training opportunities have been delivered, which included sessions on Managing people with mental health issues and menopause awareness.</p>
10	Develop a programme of training and support for managers of all levels to assist them with delivering the Council's vision for individual performance management. (B/fwd.)	No progress to date	<p>Director of Support Services</p> <p>Due to competing other priorities we have been unable to progress this programme. However, we have employed an officer to be dedicated on this during 2020/21.</p>
11	Complete a vanguard style review of how the Council manages external requests for information.	In Progress	<p>Head of Democratic Services</p> <p>A vanguard style review commenced and learnings to date have resulted in a number of changes to internal processes making them more streamlined and efficient. This work will be recommenced in 2020/21.</p>
12	Develop the annual report to provide senior managers assurance on compliance with the new Procurement and Contract Procedure Rules.	Complete	<p>Head of Finance and Audit</p> <p>The first of these was completed in in 2019/20 and presented to CXMT (Chief Executives Management Team) in February 2020.</p>
13	Finalise the revised version of the Financial Procedure Rules for committee approval and communication to employees	Complete	<p>Head of Finance and Audit</p> <p>The review of the Council's Financial Regulations to streamline down to the key rules has also been completed. The amalgamated rules were presented to the Audit and Governance Committee for launch in September 2019. These were launched via a presentation to the Finance Department in order for finance officers to relay the contents to the services they supported. The documents were also placed on the Council's intranet system and an employee notice issued. Targeted briefings were held with officers that had specific responsibilities within the regulations.</p>
14	Review the implications of the Fair Funding Review for the Medium-Term Financial Strategy.	In Progress	<p>Finance Manager</p> <p>The Government's 'Fair Funding Review' was delayed due to the General Election and has been further delayed and unlikely to be completed until 2021/22.</p> <p>In the meantime, we continue to monitor the implications of the interim arrangements.</p>
15	Refresh the Anti-Bribery Policy produced in 2011 and review awareness with the principles contained.	No progress to date	<p>Head of Finance and Audit</p> <p>Due competing priorities we have not been able to progress this action this year. We are hoping to start the review in 2021/22.</p>

Actions taken to address the issues raised in the 2018/19 Annual Governance Statement (con.)

16	Roll out the new action management system to service managers and improve information available on the level of action implementation. (B/fwd.)	In Progress	<p>Head of Finance and Audit</p> <p>In 2019/20 we worked with the Communications team to develop user friendly guidance notes to assist with the roll out of the new system. This led to some changes to the RAM system which will allow wider roll out in 2020/21.</p>
17	Carry out a test of updated Business Continuity plans by way of a Tabletop exercise.	Complete	<p>Head of Environmental Health</p> <p>A tabletop exercise of a cyber-attack of the Council's benefit system took place on 19/07/19. This involved enacting different service business continuity plans as the scenario involved isolating different systems as it progressed. The exercise demonstrated a good understanding of FBC arrangements in response to a business continuity event.</p>

Planned Governance Improvements 2020/21

Whilst there have been a number of improvements made through the year, the Council strives for continuous improvement. Therefore, following the review of effectiveness, we have selected the following improvement opportunities, for priority action in the next year. Some of these relate to actions not yet fully complete from previous years:

Ref	Part of Framework	Planned Improvement	Lead officer
1	Council's Vision and Outcomes	Develop a process to feed the finances needed to deliver the priorities set out in the Corporate Strategy, into the Medium-Term Financial Strategy. fwd.)	Head of Finance and Audit
2	Openness	Conduct a review of current levels of compliance with the Transparency Code.	Web and Social media Manager
3	Openness	Due to the impacts of the pandemic, review virtual mechanisms available to carry out public consultations.	PR and Marketing Manager
4	Constitution	Continue to review part 3 of the constitution (Procedure Rules) and produce a report of first revisions needed to the Audit and Governance Committee.	Head of Democratic Services
5	Constitution	Identify how emergency powers and changes to the deputation scheme can be used in response to and during the pandemic. (Complete)	Head of Democratic Services
6	Decision Making	Maximise the efficiency and effectiveness of virtual committee meetings.	Head of Democratic Services
7	Decision Making	Continue to move towards paperless agenda for committee meetings.	Head of Democratic Services
8	Scrutiny	Complete the post-implementation review of the new Scrutiny Panels and explore the potential for using special panel meetings for specific items.	Head of Democratic Services
9	Codes of Conduct	Finalise the review of the Disciplinary Code of Conduct and Disciplinary Rules to update it and make it simpler for users. (B/fwd.)	Director of Support Services
10	Codes of Conduct	Carry out a training session with members covering the media avenues available and the potential pitfalls to be aware of. (B/fwd.)	PR and Marketing Manager
11	Whistleblowing	Develop a Skillgate package for managers and employees how to raise and handle concerns.	Director of Support Services
12	Conflicts of Interest	Complete the development of a replacement database for the employee register of Interests.	Director of Support Services
13	Training and Development	Review methodologies available to continuously disseminate ICT security policy messages to employees.	ICT Infrastructure Manager

Planned Governance Improvements 2020/21(con)

Ref	Part of Framework	Planned Improvement	Lead officer
14	Head of Paid Service	Develop a programme of training and support for managers of all levels to assist them with delivering the Council's vision for individual performance management, including when working remotely. (B/fwd.)	Director of Support Services
15	Compliance with relevant law and policies	Identify and implement legislative changes introduced as a result of the Covid Pandemic such as virtual decision making and the government/ procurement directives (PPN0120 and PPN0220). (Complete)	Head of Democratic Services
16	Compliance with relevant law and policies	Strengthen the processes used to assess financial standing of suppliers during the procurement process and subsequent contract management of critical suppliers.	Head of Finance and Audit
17	Financial Management	Introduce mechanisms to monitor the impact of the pandemic on the Council's financial standing and develop a financial recovery plan to maintain the council as a going concern.	Deputy Chief Executive Officer
18	Financial Management	Extend the Opportunities Plan work and progress the priority actions.	Head of Finance and Audit
19	Risk Management	Complete a risk assessment of the impact of the pandemic on key Council revenue and capital projects and revisit the assumptions made at the outset of the project in the context of the current economic climate	Deputy Chief Executive Officer
20	Internal Audit	Roll out the new action management system to service managers and improve information available on the level of action implementation. (B/fwd.)	Head of Finance and Audit
21	Audit Committee	Pilot the new Annual Partnership assurance report with the Audit and Governance Committee.	Customer Service Manager
22	Emergency Planning	Explore mechanisms to keep all members briefed on the actions being taken by the Council throughout the response phase of the pandemic. (Complete)	Chief Executive Officer
23	Emergency Planning and Business Continuity	Identify lessons from the pandemic response which can be built into the emergency response plan, and business continuity plans.	Head of Environmental Health

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 on behalf of Fareham Borough Council by:

Councillor S.D.T. Woodward
Executive Leader

P.K.Grimwood
Chief Executive Officer

FAREHAM

BOROUGH COUNCIL

Report to Audit and Governance Committee

Date: 19 October 2020
Report of: Head of Finance and Audit
Subject: INTERNAL AUDIT ANNUAL PLAN 2020/21

SUMMARY

This report presents a draft plan of Internal Audit Work proposed for delivery in 2020/21.

The Audit and Governance Committee's areas of responsibility for Internal Audit include: -

- 1. To review proposals made in relation to the appointment of external providers of internal audit services and to make recommendations.*
- 2. To approve the risk-based internal audit plan, including internal audit's resource requirements, and the approach to using other sources of assurance, and any work required to place reliance upon those other sources.*
- 3. To approve significant interim changes to internal audit plan and resource requirements.*
- 4. To make appropriate enquiries of both management and the head of internal audit to determine if there are any inappropriate scope or resource limitations.*

RECOMMENDATION

It is RECOMMENDED that the Committee approves the draft Annual Audit Plan for 2020/21 as attached as Appendix A.

INTRODUCTION

1. A requirement of Internal Audit Standard 2010 is that *'a risk-based plan is established to determine the priorities of internal audit activity, consistent with the organisation's goals'. 'It must take into account the requirement to produce an annual internal audit opinion and the assurance framework'*.
2. The Annual Audit Plan provides a mechanism in which the Head of Finance and Audit makes appropriate use of internal audit resources to produce the evidence needed to support the annual statement of assurance on risk management, internal control and governance arrangements.
3. At the meeting in March 2019, the Audit and Governance Committee approved the latest Internal Audit Charter which set out the following role and purpose of internal audit:

Internal audit role:

'an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes'.

Internal audit purpose:

'Fareham Borough Council is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements.

Internal Audit plays a vital role in assisting officers and members in the effective discharge of their responsibilities, by advising the Council whether these arrangements are in place and operating effectively. '

This is achieved through the Internal Audit service providing a combination of assurance and consulting activities. Assurance work involves assessing how well the systems and processes are designed and working, with consulting activities available to help to improve those systems and processes where necessary.

The Council's response to internal audit activity should lead to a strengthening of the control environment and, therefore contribute to the achievement of the organisation's objectives.

4. At the meeting in March 2019, the Audit and Governance Committee also approved the latest Internal Audit Strategy which set out the principles to be used to set the Annual Plan of Internal Audit work and how the purposes set out in the Charter will be met.
5. A draft plan of Internal Audit work for 2020/21 was therefore collated using these principles and giving consideration to the following:
 - (a) The Council's Corporate Strategy and key priorities, and internal policy changes and initiatives; including the objective to adopt a Vanguard approach to the delivery of services.
 - (b) Initiatives, changes and risks being highlighted through the Risk Management process and Medium-Term Financial Strategy; including the budgets proposed for 2020/21.
 - (c) Governance, fraud or risk issues identified through the year from work carried out by the internal audit or finance teams; including horizon scanning for emerging local

or national risks and themes.

- (d) Trends and outstanding recommendations identified on the audit recommendation database.
- (e) On-going liaison with the senior and service managers of the Council.

DRAFT ANNUAL AUDIT PLAN FOR 2020/21

- 6. The draft plan prepared for 2020/21 is shown in [Appendix A](#).
- 7. The format of the plan has been changed this year to specify the list of audits that will be monitored for delivery to support the 2020/21 Head of Audit's opinion, which is supplemented with a list of "reserve" work which will be covered if time allows. This is to allow some capacity in the team to be reserved for unplanned work and the impact of other governance work identified for the year such as individual risk assessments of the Local Plan and Solent Airport projects, which do not feature in the plan.
- 8. The following should be noted:
 - (a) **Level of Opinion Audit:** There is provision in the plan for 171 days of individual audit opinion work plus 15 days for the in-house team to support these audits. This meets the Strategy minimum of 180 days.
 - (b) **Number of Assignments:** There are 20 discrete pieces of work included in the plan, plus 5 in the reserve list, covering a variety of departments in the Council. The subjects covered represent approximately 15% (25/167) of the Audit Universe. There will also be reactive pieces of work completed in the year which will be used to support the Annual Audit Opinion. This meets the Strategy minimum of 20 audits.
 - (c) **Type of Audits:** The plan includes the breakdown of the types of audit set out in the Strategy including 3 Fundamental Systems and 5 High Risk Audits.

RESOURCING THE PLAN

- 9. Resources available through the partnership with Portsmouth City Council will be used to deliver the majority of the Opinion work to ensure independence and will also be used for assist with at least one of the Wider pieces of work (Targeted Assistance with recommendation implementation). There are no audits in the plan this year that are appropriate for sharing coverage with Gosport Borough Council.
- 10. The rest of the wider work will be delivered by a mixture of in-house audit and finance resources and by collaborative working with other teams in the Council.
- 11. However, it should be noted that since the plan was initially set, the Covid-19 pandemic has impacted on the resources available to the service due to: a) reduced productivity from the audit team arising from changes in working arrangements during lock down; b) time lost due to the need to allow auditees to prioritise their pandemic responses over audits and; c) the need to divert auditor resources to assist with the Council responses to the pandemic at both Fareham BC and Portsmouth CC.
- 12. The use of the Reserve list of work will help us to manage the reduction in resources for the year, and the service has been reviewing "non-plan" work to identify what can be

stopped / slipped to help the service catch upon the delivery of the plan. Some of these proposals are covered in the Annual Report of the Committee.

RISK ASSESSMENT

13. The Council has a statutory requirement to carry out internal audits of services and systems, with sufficient coverage to allow an annual Head of Audit's Opinion to be produced. Delivery of this plan will therefore mitigate the risk of non-compliance.

Appendices

Appendix A – Draft Audit Plan 2020/21

Background Papers: None

Reference Papers:

Chartered Institute of Public Finance and Accountancy (CIPFA) 2017 – Public Sector Internal Audit Standards.

Report to Audit and Governance Committee on the Internal Audit Strategy and Internal Audit Charter March 2019

Enquiries:

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

APPENDIX A - Draft Internal Audit Plan 2020/21

	Type	Title	Dept-Lead Service	Days	Reason for Inclusion in Plan
	OPINION WORK				
1	Fundamental Systems	Benefits	H-Housing	15	Fundamental system - last opinion given 2017/18
2	Fundamental Systems	Income Management	H-Operational Finance	15	Fundamental system - last opinion given 2017/18
3	Fundamental Systems	Accounts Receivable	H-Operational Finance	15	Fundamental system - last opinion given 2017/18
4	Services and Systems - High Risk	Democratic Representation and Management (including members allowances and expenses)	F-Democratic Services	12	New high risk audit based on Gross Expenditure - last opinion given 2013/14
5	Services and Systems - High Risk	Household waste collection	T-Street Scene	10	High risk audit - last opinion given 2015/16
6	Services and Systems - High Risk	Recycling	T-Street Scene	8	High risk audit - last opinion given 2015/16
7	Services and Systems - High Risk	Parking Enforcement	L-Environmental Health and Parking	10	High risk audit - last opinion given 2015/16
8	Services and Systems - High Risk	Daedalus Operating Contracts	P-Property	15	High risk audit - opinion outstanding from 2015/16 - refreshed audit needed with the additional testing
9	Computer - fundamental system	Benefits and local tax computer systems	H-Housing / F-ICT	15	IT systems supporting a fundamental system - last opinion given 2010/11
10	Computer - key system	Internet and Email access	F-ICT	12	Key IT systems - last opinion given 2008/9
11	Services and Systems - Other	Service charges and recharges - council tenants	H-Housing	15	New rolling programme of testing to ensure that the Council is complying with the latest relevant legislation in relation to services charges, and that other recharge processes are robust.
12	Corporate, Specialist, Governance & Risk	Construction Industry Tax Scheme (CIS)	H-Operational Finance	5	Specialist audit - last opinion given in 2008/9

13	Limited Opinion Follow Up	Cloud	F-ICT	8	Follow up of limited opinion audit 2018/19
14	Limited Opinion Follow Up	Tenancy Management	H-Housing	5	Follow up of limited opinion audit 2019/20
15	Limited Opinion Follow Up	Safeguarding	L-Environmental Health and Parking	5	Follow up of limited opinion audit 2019/20
16	Limited Opinion Follow Up	Housing Rents	H-Housing	6	Follow up of limited opinion audit 2019/20
	In-house support			15	
Total Opinion Work				186	
WIDER WORK					
17	Corporate Assurance Work	Targeted Assistance with Recommendation Implementation	Cross Cutting		To assist services with implementation of recommendations each year. Subjects for 2020/21 likely to focus on contract deeds management and asset disposal.
18	Corporate / Contract - joint working	Contract Management	F-Democratic Services		Audit brought forward from 2018/19 to assist with the review of contract management arrangements and the requirements in the Procurement and Contract Procedure Rules
19	Certification	Disabled Facilities Grants - grant certification 2019/20	L-Environmental Health		Possible certification request from Ministry of Housing, Communities and Local Government
20	Thematic review	Social Media Monitoring by services	Cross Cutting		Proactive discussions with services and testing to ensure that the Council complies with the Chief Surveillance Commissioners recommendation in 2016
RESERVE WORK IF TIME ALLOWS					
1	Fundamental Systems (OPINION)	Vehicle Maintenance ordering, invoice management and stock control	T-Street Scene	15	Fundamental Process in High Risk service - a large number of previous recommendations still to be closed down
2	Services and Systems - Other (OPINION)	Car loans	H-Operational Finance	5	Minor system last opinion given 2002/03 (for apprentice to lead)
3	Limited Opinion Follow Up	Housing Voids	H-Housing	5	Follow up of limited opinion audit given late in 2019/20

4	Corporate Assurance Work (WIDER)	Pre-application advice cost comparison to income	P-Development Management	5	To assist service in verifying the costs associated with providing pre-planning application advice compared to the charges made.
5	Corporate Assurance Work (WIDER)	Annual Testing of Procurement Decisions	Cross Cutting		New requirement in the Procurement and Contract Procedure Rules to carry out testing on spend above and below the significant value threshold to feed into the annual assurance to the Chief Executives Assurance Group. Will also include invoice testing.
	Non specified PCC contingency			10	

FAREHAM

BOROUGH COUNCIL

Report to Audit and Governance Committee

Date: 19 October 2020

Report of: Head of Finance and Audit

Subject: INTERNAL AUDIT PROGRESS REPORT

SUMMARY

This report provides the assurances arising from the latest internal audit work and gives an update on the progress being made with delivering the audit plans.

The Audit and Governance Committee's areas of responsibility for Internal Audit include: -

- d) to approve significant interim changes to the internal audit plan and resource requirements;*
- e) to make appropriate enquiries of both management and the head of internal audit to determine if there are any inappropriate scope or resource limitations;*
- g) to consider reports from the head of internal audit on internal audit's performance, including the performance of external providers of internal audit services. These will include:*
 - updates on the work of internal audit including key findings, issues of concern and action in hand as a result of internal audit work.*
- i) to receive reports outlining the action taken where the head of internal audit has concluded that management has accepted a level of risk that may be unacceptable to the authority or there are concerns about progress with the implementation of agreed actions.*

RECOMMENDATION

It is RECOMMENDED that the Audit and Governance Committee: -

- (a) notes the progress and findings arising from Internal Audit work; and
- (b) approves the close down of the older audits of Contract Completion and Leaseholder Charges with the issues to be picked up in other areas of 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.
2. It should be noted that since February 2020 which is traditionally the busiest period of the audit year, the Covid-19 pandemic has impacted on the resources available to the service due to:
 - a) reduced productivity from the audit team arising from changes in working arrangements during lock down;
 - b) time lost due to the need to allow auditees to prioritise their pandemic responses over audits and;
 - c) the need to divert auditor resources to assist with the Council responses to the pandemic at both Fareham BC and Portsmouth CC.

The completion of the plans has therefore been impacted; although the team is now making strides to achieve the required coverage. The plans have also been reviewed to identify audits which can be postponed to future audit years.

DELIVERY OF THE 2019/20 AUDIT PLAN

3. Due to the work that was carried out supporting the roll out of the new Procurement and Contract Procedure Rules last year, it has not been possible to progress the next stage of the work which is to look at contract management. This work will therefore roll over to the next audit plan. A decision has also been taken to remove the Anti-Bribery Policy audit due to the loss of resources at the end of the year.
4. This leaves 22 audits in the 2019/20 plan as detailed in Appendix Two. 21/22 audits have been finalised in this internal audit plan. The remaining audit (Recording of Sickness through the HR system) to be completed has reached **Stage 5**, *“A first draft of the report has been received by the Support Officer to be reviewed”*.

PROGRESS OF 2020/21 AUDIT PLAN

5. Work has started to deliver the 2020/21, as noted in Appendix Three, such that 6 audits have been started including 4 which have reached **Stage 4**, *“the Auditor has started to deliver the agreed scope of work”*.

FINALISING PREVIOUS AUDIT PLANS

6. The 10 remaining audits from the previous Audit Plans are detailed in Appendix One. As requested by members, the plan of how to finalise these audits is provided in the table. Considerable work has been carried out to progress 2 audits (Housing Options and Risk Inspections) which should have reached the final stage by the next meeting.
7. It is also proposed that 2 audits (leaseholder charges and contract completion) are now closed down and picked up as parts of other reviews.
8. It should also be noted that we are not expecting any of the audits from the

2019/20 plan to take time to finalise.

FINDINGS FROM COMPLETED AUDITS

9. The 16 final reports that have been issued since the last report are 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
Treasury Management	Strong	-	-	1
Planning Advice	Strong	-	-	-
Parks and Open Spaces	Strong	-	2	-
Street Cleansing	Reasonable	-	1	-
Banking	Reasonable	-	2	1
Dog Control Follow up	Reasonable	-	1	2
BACS Processing	Reasonable	-	3	-
Tenancy Management	Limited	-	4	3
Housing Rents	Limited	2	-	4
Property Maintenance – Council House Voids	Limited	3	5	-
Assurance on Partnership Governance	N/A	-	3	-
CCTV	N/A	-	-	-
Annual Testing of Procurement Decisions	N/A	-	11	-
Deceased Persons List follow up	N/A	-	5	-
Disabled Facilities Grants- Grant certification	N/A	2	1	2
Recommendation Follow Up	N/A			11

10. Detail of the areas covered, recommendations made and the actions to be taken is provided in Appendix Four.

RISK ASSESSMENT

11. There are a few risk considerations in relation to this report, arising from the Housing Rents, Tenancy Management and Property Maintenance – Council House Voids audits that have only been given limited assurance. Details of the

risks are given in Appendix Four.

Appendices:

Appendix One - Update on Outstanding Audits from Previous Plans

Appendix Two - Audits in the 2019/20 Audit Plan

Appendix Three – Audits in the 2020/21 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 Head of Finance and Audit to the Audit and Governance Committee on 14 March 2016 on the Internal Audit Plan 2016/17

Report by the Head of Finance and Audit to the Audit and Governance Committee on 17 March 2017 on the Internal Audit Plan 2017/18

Report by the Head of Finance and Audit to the Audit and Governance Committee on 18 March 2018 on the Internal Audit Plan 2018/19

Report by the Head of Finance and Audit to the Audit and Governance Committee on 11 March 2019 on the Internal Audit Plan 2019/20

Report by the Head of Finance and Audit to the Audit and Governance Committee on 19 October 2020 on the Internal Audit Plan 2020/21

Enquiries:

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

Update on Outstanding Audits from Previous Plans

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	Stage reached of 10*	Original Days in Plan	Proposals to Conclude this work
2014/15			
Information Governance Opinion (Wider piece of work)	5	-	<p>Audit relying on completion of other Audit Work – Targeted for July 2021 This audit will be able to be closed down once the review of all outstanding audit recommendations is commenced and the extract relating to ICT audit recommendations can be produced to feed into the final summary. As this will now be delayed until the 2021/22 plan it is unlikely that we can complete this report until next July.</p>
Contract Completion (Opinion audit)	5	10	<p>Proposed Close Down of Audit at this point This audit involved testing a number of key controls against 17 contracts that had been completed. The draft report received on this in 2015 highlighted the following exceptions found during testing:</p> <ul style="list-style-type: none"> • Issues with managing contract variations and verifying the final contract sums (on 2 contracts) • Reporting of contract overspends to members in accordance with Financial Regulations (on 3 contracts) • Missing health and safety documentation as part of the hand over at the end of the contract in contravention of The Construction (Design and Management) Regulations 2015 (1 contract) • Missing Certificates of practical completion (1 contract) • Retention sums not released in accordance with the terms and conditions of the contract (2 contracts) • Contract documents not finalised (1 contract) <p>The in-house and external auditors who were involved in this review have since left their respective organisations, as has one of the key service managers who was audited at the time. The requirements under the Council's Financial Regulations and the Procurement and Contract Procedure Rules have also changed. It is therefore proposed that this audit is shut down at this point and the issues are covered by the proposed review of contract management.</p>
2016/17			
Daedalus Operating Contracts (Opinion audit)	5	12	<p>Proposed Audit for 2020/21 to supersede this audit The draft audit report in 2016/17 generally gave strong assurance in relation to these contracts, although there were a few minor areas of testing that needed finalising and feeding into the report. Some of these have since been picked up by the finance team. In the meantime, the nature of the operations at Daedalus have been expanded, and there have been changes in the FBC officers involved in estate management and financial support. A new audit has been included in the 2020/21 audit plan which will allow this audit to be closed. The work on this audit has started.</p>
Leaseholder Charges (Wider piece of work)	5	-	<p>Proposed Close Down of Audit at this point This audit involved a collaborative review of the process, led by the relevant accountant who has since left the authority. A number of the issues arising have since been addressed as part of other pieces of work, and many have fed into the business case for the new housing system which is currently being implemented. It is therefore proposed that this audit</p>

Audit Title	Stage reached of 10*	Original Days in Plan	Proposals to Conclude this work
			is shut down at this point and the issues are reviewed in an opinion audit of the system post implementation as part of a future internal audit plan.
Building Health and Safety Risks (Wider piece of work)	5	-	Audit Targeted for Completion using Apprentice Resources - November The draft audit report in 2016/17 generally gave strong assurance in relation to the management of these risks, although there were a few minor areas of testing that needed finalising and feeding into the report. It therefore proposed that the additional apprentice resources will be used to refresh the testing and fill in the gaps to allow the report to be finalised by the November Committee.
2017/18			
Commercial Estates (Opinion audit)	8	15	Audit Targeted for Completion – March 2021 The draft audit report in 2017/18 generally gave reasonable assurance in relation to the management of these risks, although there were a few minor areas of testing that needed finalising and feeding into the report, and some inaccuracies needed correcting. In the meantime, some of the issues have been addressed by the Finance Service. It is therefore proposed that a revised draft report is still produced and discussed with the new manager of the service to allow the report to be finalised by the March Committee.
Risk Inspections of Public Areas (Wider piece of work)	4	-	Audit Targeted for Completion - November This is a large collaborative piece of work involving the insurance and audit teams which will culminate in a presentation to senior managers. A considerable amount of work has been carried out this year, including in recent months, to bring this work to conclusion and the resulting report and presentation are nearly completed. The team is now just refreshing the analysis to bring it up to date and then will be reporting back on their findings. We are targeting the report to be finalised by the November Committee
2018/19			
Write Offs History Analysis & Interest charges (Wider piece of work)	5	-	Audit Targeted for Completion - March 2021 A considerable amount of work has been carried out on this audit which was fed into the changes proposed to Financial Regulations at the September Committee. There are some parts of the analysis that need completing and all the findings discussed at a manager's workshop before this work can be finalised.
Housing Options Debtors (Wider piece of work)	8	-	Audit Targeted for Completion - November This second draft of this report has now been produced and is just waiting review and discussion with the service to allow the final report to be produced.
Review of all other outstanding audit recommendations (Wider piece of work)	1	-	Audit Targeted for Completion – September 2021 Little progress has been made on this large piece of work that has been outstanding for a number of years, although in the meantime some targeted follow up work has commenced and more has been built into the 2020/21 plan. Given the impact on the resources from the pandemic we are now proposed to suspend this work until 2021/22.

* A KEY TO THE INFORMATION IN THIS COLUMN IS GIVEN IN APPENDIX FIVE

Audit Title	Stage reached of 10*	Days in Plan	Assurance Opinion	Direction of Travel	Errors Found? Y/N	New Recommendations			Previous Recs. (E and I only)			
						Essential	Important	Advisory	Implemented	Cancelled	In Progress	Not Implemented
FOLLOW UP												
Dog Control (NEW)	10	8	Reasonable	↑	N	-	1	-	4	1	1	1
Recommendation Follow Up (PCC) EXTRA (NEW)	10	15	N/A	N/A	-	-	-	-	20	-	7	4
WIDER WORK												
Annual Testing of Procurement decisions (NEW)	10	10	N/A	N/A	-	-	11	-	-	-	-	-
Contract Management	Postponed	-	-	-	-	-	-	-	-	-	-	-
Disabled Facilities Grants – Grant Certification 2018/19 (NEW)	10	-	N/A	N/A	-	2	1	-	-	-	-	2
Deceased Persons List – Follow up (NEW)	10	-	N/A	N/A	-	-	5	-	-	-	-	-
Assurance on Partnership Governance (NEW)	10	15	N/A	N/A	-	-	3	-	-	-	-	-
Anti-Bribery Policy	Postponed	-	-	-	-	-	-	-	-	-	-	-
Totals						9	44	12	48	6	12	13

APPENDIX THREE

Audits in the 2020/21 Plan

Audit Title	Stage reached of 10*	Days in Plan	Assurance Opinion	Direction of Travel	Errors Found? Y/N	New Recommendations			Previous Recs. (E and I only)			
						Essential	Important	Advisory	Implemented	Cancelled	In Progress	Not Implemented
FUNDAMENTAL SYSTEM AUDITS												
Benefits	Not Started	15										
Income Management	1	15										
Accounts Receivable	Not Started	15										
SERVICES & SYSTEMS – HIGH RISK												
Democratic Representation and Management (including members allowances and expenses)	1	12										
Household waste collection	4	10										
Recycling	4	8										
Parking Enforcement	Not Started	10										
Daedalus Operating Contracts	4	15										
SERVICES & SYSTEMS – Other												
Service charges and recharges - council tenants	4	15										
CORPORATE, SPECIALIST GOVERNANCE & RISK (OPINION)												
Construction Industry Tax Scheme (CIS)	1	5										
COMPUTER AUDITS												
Benefits and local tax computer systems	Not Started	15										
Internet and Email access	Not started	12										
FOLLOW UP												

Audit Title	Stage reached of 10*	Days in Plan	Assurance Opinion	Direction of Travel	Errors Found? Y/N	New Recommendations			Previous Recs. (E and I only)			
						Essential	Important	Advisory	Implemented	Cancelled	In Progress	Not Implemented
Cloud	Not Started	8										
Tenancy Management	1	5										
Safeguarding	4	5										
Housing rents	1	6										
WIDER WORK												
Social Media Monitoring by Services	4	-										
Targeted Assistance with recommendation Implementation	2	-										
Contract Management	Not Started	-										
Disabled Facility Grants – Grant certification 2019/20	Not started	-										
Totals		171										
RESERVE AUDITS												
Vehicle Maintenance ordering, invoice management and stock control	Not Started	15										
Car Loans	Not Started	5										
Housing Voids - Follow Up	Not Started	5										
Pre-application advice cost comparison to income	Not Started	5										
Annual Testing of Procurement Decisions	Not Started	-										

Findings from the Latest Completed Audits

Audit Title	Treasury Management Audit	Overview of Subject: Treasury Management is the management of the organisation's cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks. Each year a Treasury Management strategy, compliant with the Chartered Institute of Public Finance and Accountancy's Code of Practice, is produced, which outlines the Authority's approach to Treasury Management. In addition, mid-year and end of year reports are produced for Councillors. Cash flow monitoring is maintained to forecast cash in and outflows. This helps the Treasury Management service make informed investment and borrowing decisions.
Report Number	1173	
Year of Audit	2019/20	
Type of Work	Fundamental System	
Assurance Opinion Given	Strong	
Direction of Travel	↔2016/17	
Errors Found	No	

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
Policy & Strategy			-	-	-	1	-	-
Compliance with Strategy			-	-	-	-	-	-
Authorisations			-	-	-	-	-	1
Interest Reconciliation			-	-	-	-	-	-
Monitoring & Reporting			-	-	-	-	-	-
Cash Flow Monitoring			-	-	-	-	-	-
System Access			-	-	-	-	-	-
Treasury Reconciliations			-	-	-	-	-	-
Advisor's Contract			-	-	-	1	-	-

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

Previous	Counterparty Decision Documents for Borrowing - Testing in the audit last highlighted that where new borrowing was undertaken by the Authority there was no record detailing the decision making and authorisation process. This has not been implemented at the time of the audit
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Weaknesses identified during the audit and the proposed action (Essential and Important only)	
Important	but is now in place.

Audit Title	Planning Advice	<p>Overview of Subject: The Planning Advice service was introduced in 2009 and provides residents and organisations with pre-application services; it is a discretionary service that can be provided by Local Authorities, and it is not a legislative requirement. Advice given is a mixture of free and chargeable services depending upon the request; a drop-in service is also available where residents can get informal advice on possible applications. This assists the customer, as well as the Authority, in providing guidance prior to a planning application being submitted as it can provide an indication of whether an application will be rejected or approved.</p> <p>The planning service reviewed and revised the charging schedule for planning advice with new charges implemented from April 2020. The reason for the new charges was to increase the recovery of costs for the Authority providing this service and ensure they can continue to provide it for the residents of the Borough and developers looking to construct in the area.</p>
Report Number	1183	
Year of Audit	2019/20	
Type of Work	Services and Systems- Other	
Assurance Opinion Given	Strong	
Direction of Travel	↔2011/12	
Errors Found	No	

Areas of Scope	Adequacy & Effectiveness of Controls		New Recommendations raised			Previous Rec Implementation (E & I only)			
			Essential (🔴)	Important (🟡)	Advisory (🟢)	Implemented	Cancelled	In Progress	Not Implemented
Fees and Charges			-	-	-	-	-	-	-
Calculation of new charges			-	-	-	-	-	-	-
Decision Timescales			-	-	1	-	-	-	-

Audit Title	Parks and Open Spaces	<p>Overview of Subject: The Council is responsible for the management and maintenance of parks and open spaces within the Borough.</p> <p>The area covered extends from Warsash/Park Gate in the West to Portchester in the East, and Portsdown in the North to Hill Head in the South. Within this area there are 47 play areas that are inspected on a weekly basis, and other open spaces across the Borough ranging from community gardens to countryside parks.</p>
Report Number	1175	
Year of Audit	2019/20	
Type of Work	Services and Systems- High Risk	
Assurance Opinion Given	Strong	
Direction of Travel	↔	
Errors Found	No	

Areas of Scope	Adequacy & Effectiveness of Controls		New Recommendations raised			Previous Rec Implementation (E & I only)			
			Essential (★)	Important (▲)	Advisory (℞)	Implemented	Cancelled	In Progress	Not Implemented
Processes and Procedures			-	-	-	-	-	-	-
Play areas			-	-	-	-	-	-	-
Slips and Trips			-	1	-	-	-	-	-
Undergrowth			-	1	-	-	-	-	-
Budgeted Income			-	-	-	-	-	-	-

Weaknesses identified during the audit and the proposed action (Essential and Important only)	
Important	Slip and Trips - It was established that there were some weaknesses in the inspection regime for slip and trip hazards relating to open spaces. However, the Parks and Open Spaces Team are in the process of identifying and mapping all the paths within the Borough and strengthening the inspection schedules.
Important	Undergrowth - There are no set schedules for the inspection of areas where FBC undergrowth is likely to encroach on private property. It was agreed that such areas would be identified, where possible, and an inspection schedule would be drawn up.

Audit Title	Street Cleansing	<p>Overview of Subject: Local authorities have a statutory duty under the Environmental Protection Act (EPA)1990 to ensure public spaces and highways are kept free from litter and refuse as far as is reasonably practicable as detailed in the Code of Practice on Litter & Refuse 2013 – (updated 2019).</p> <p>The Street Cleansing Service maintains the cleanliness of all areas of the Borough, including dealing with litter, dog waste, graffiti, abandoned vehicles, and bulky waste. Where any issues are reported by staff or residents relating to the clearance of waste by the regular rounds, the details are reviewed and if necessary, a more frequent visit is scheduled.</p>
Report Number	1176	
Year of Audit	2019/20	
Type of Work	Services and Systems – High Risk	
Assurance Opinion Given	Reasonable	
Direction of Travel	↔2007/08	
Errors Found	No	

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
Review of Street Cleansing Service Compliance			-	-	1	-	-	-
Review of processes for specific operations.			-	-	-	-	-	-
Review of regular tasks - litter and dog waste			-	-	-	-	-	-
Comments and Complaints			-	-	-	-	-	-
Budgets			-	-	-	-	-	-
Recharging of costs			-	1	-	-	-	-

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

Important	<p>Recharging of Costs to other Departments – Requests are received by the Street Cleansing Service from other Departments within the Council on a regular basis for the clearance of waste. There are also regular street cleansing rounds of Council properties. However, no evidence of recharging costs was found for the services provided. A new system has been devised for the recharges which needs to be actioned at the end of the financial year.</p>
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Audit Title	Banking	<p>Overview of Subject: The Council has two main accounts - the BP account (income) and the No 1 account (expenditure) and three other accounts.</p> <p>The Council utilises an online banking system which requires at least two authorised officers to make changes to user rights. Users use a smartcard, Card reader and passwords to log onto online banking.</p>
Report Number	1172	
Year of Audit	2019/20	
Type of Work	OPINION- Fundamental System	
Assurance Opinion Given	Reasonable	
Direction of Travel	↔ 2016/17	
Errors Found	No	

Areas of Scope	Adequacy and Effectiveness of controls		New Recommendations raised			Previous Rec Implementation (E & I only)			
			Essential (🔴)	Important (🟡)	Advisory (🟢)	Implemented	Cancelled	In Progress	Not Implemented
Reconciliations			-	-	-	-	-	-	1
Bank Mandates			-	1	-	-	-	-	-
Service Level Agreements			-	-	-	1	-	-	-
Payment Authorisation			-	-	-	-	-	-	-
Due Diligence Checks			-	-	-	-	-	-	-
Online Banking Access Controls			-	-	-	-	-	-	-
Recurring Transactions			-	1	-	-	-	-	-

Weaknesses identified during the audit and the proposed action (Essential and Important only)	
Important	Bank Mandates - Two ex-employees were detailed as authorised signatories on the bank mandate. The mandate will be updated and notified to the bank.
Important	Recurring Transactions - Testing found that that were aged transactions in the No1 account reconciliations, they were small in value however they still represented erroneous transactions meaning the account could not be fully reconciled. A monthly management process will be implemented to identify and resolve aged transactions.
Previous Important	Reconciliations - It was previously recommended that reconciliations should be reviewed and signed off by an independent officer. This had not been implemented due to an oversight.

Audit Title	Dog Control Follow Up	<p>Overview of Subject: The Environmental Health Partnership provides the Dog Control Service for both Fareham Borough Council and Gosport Borough Council. Weaknesses were found with the controls in the processes used by the service and this audit followed up progress in implementing the agreed action plan.</p> <p>5/7 of the original important recommendations have now been signed off as implemented or no longer needed. In particular improvements were found in relation to:</p> <ul style="list-style-type: none"> • The fee structure has been changed to make collection easier and to reflect the costs being incurred. • Records were found to be created on the day that the report of a stray dog was received with the exception of reports made during an out of hours period; these had been recorded on the next working day. • Invoices had been raised to recover costs from dog owners relating to statutory fees and kennelling costs where applicable. • Fees, including method of payment and receipt numbers, were clearly recorded in the management system for all transactions checked. • Invoices received from kennels were being checked and cross referenced to dogs recorded on the system.
Report Number	1185	
Year of Audit	2019/20	
Type of Work	Limited Opinion Follow Up	
Assurance Opinion Given	Reasonable	
Direction of Travel	↑2018/19	
Errors Found	No	

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

Previous Important	Procedure Notes – The Dog Control procedure notes had been partially updated since the previous audit, however, further work is required to document the Out of Hours procedures and amend the section relating to kennelling fees.
Previous Important	Reconciliation of fees – It was previously recommended that a monthly report for payments received and invoice numbers issued should be sent to the Environmental Health Partnership to enable them to carry out a full reconciliation of Kennelling fees. However, it has been agreed that the reconciliation will now be carried out by the Finance Department.
Important	Account Query – A local establishment used by the authority for the Kennelling of Stray dogs has not regularly invoiced the Authority regarding a number of strays. Further information is to be obtained to confirm the accuracy of the outstanding transactions before payment is made. Work is currently in progress to bring this to a satisfactory conclusion.

Audit Title	BACS Processing	<p>Overview of Subject: The Councils makes the majority of its outwards payments (payroll, accounts payable and housing benefits) via BACS transfer, and also uses the same platform to collect direct debit payments due to the council. In average there are 47,000 of these types of transaction a month. The IT platform that we use for these transfers has been redefined in the last 3 years which has allowed the services to take a greater role in managing the transfer process. This audit was therefore reviewing the controls in place for the new arrangements.</p>
Report Number	1180	
Year of Audit	2019/20	
Type of Work	Computer audit	
Assurance Opinion Given	Reasonable	
Direction of Travel	No previous audit	
Errors Found	No	

Areas of Scope	Adequacy & Effectiveness of controls		New Recommendations raised			Previous Rec Implementation (E & I only)			
			Essential (🔴)	Important (🟡)	Advisory (🟢)	Implemented	Cancelled	In Progress	Not Implemented
BACS Transfer Procedures			-	-	-	-	-	-	-
Separation of Duties			-	1	-	-	-	-	-
ICT Platform Controls			-	-	-	-	-	-	-
BACS Data storage/deletion			-	1	-	-	-	-	-
Transaction numbers			-	-	-	-	-	-	-
Comparison of actual costs			-	1	-	-	-	-	-
Agreement			-	-	-	-	-	-	-

Weaknesses identified during the audit and the proposed action (Essential and Important only)	
Important	BACS File Deletion – A process to allow timely deletion of the original data files created for the BACS transfer needs to be developed.
Important	Access to BACS Limits Tables – Current accesses allow a single member of the systems team to make a change to the BACS transfer limit. Dual person changes are available but this would affect all the BACS transfer functions and would not be practical in the small team. Compensating controls are therefore being used to manage the risk associated with this weakness.
Important	Budget provision for the IT service costs - Budget provision needs to be built in each year for additional costs arising from annual rate increases allowable under the agreement with the IT service provider.

Audit Title	Tenancy Management	Overview of Subject: Local Authorities have a statutory obligation under the Housing Act 2004 to provide housing to those in need, giving priority to the homeless and other vulnerable parties. The Authority currently manage over 2,000 tenancies. New applicants go through a needs assessment to be allocated a priority of which there are 4: low, medium, high and urgent.
Report Number	1174	
Year of Audit	2019/20	
Type of Work	Services and Systems – High Risk	
Assurance Opinion Given	Limited	
Direction of Travel	↘2014/15	
Errors Found	No	

Areas of Scope	Adequacy and Effectiveness of Controls		New Recommendations Raised			Previous Rec Implementation (E and I only)			
			Essential (🔴)	Important (🟡)	Advisory (🟢)	Implemented	Cancelled	In Progress	Not Implemented
New Tenants			-	1	-	-	-	-	-
Tenancy Terminations			-	-	-	-	-	-	-
Monitoring of Tenancies			-	1	-	-	-	-	-
Maintenance of Housing List			-	-	-	-	-	-	-
Joint Tenancy			-	-	-	-	-	-	-
Tenancy Complaints			-	-	-	-	-	-	-
Transfer of Tenants			-	1	-	-	-	-	-
Debt Monitoring			-	-	-	1	-	-	-
Write Offs			-	-	-	1	-	-	-
Photo Identification			-	-	-	-	-	2	-
Void Properties			-	-	-	-	1	-	-
Mutual Exchanges			-	-	-	1	-	-	-
Tenancy Changes			-	1	-	-	-	-	-
Transfer Incentive			-	-	-	-	-	-	1
General Debtor Checks			-	-	-	1	-	-	-

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

Important	Allocation Decisions - During testing of new tenants it was highlighted that, although there was evidence to support the reason for
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Weaknesses identified during the audit and the proposed action (Essential and Important only)	
	allocating an applicant a property, there was a lack of evidence to support the consideration of all eligible applicants. Subsequently, if placed under scrutiny, the decisions may be difficult to justify. This issue was risk accepted by management on the basis that they are very rarely challenged on the housing allocation decisions they make and feel they could justify their decision if questioned.
Important	Monitoring of Tenancies - New tenants should be visited periodically in the first year of their tenancies. The observations made on these visits will help determine whether the tenant should become a secure tenant at the end of their first year. Testing found inconsistencies with the recording of visitations to introductory tenancies. A decision will be made to determine how visits to tenants are recorded, ensuring the process of monitoring tenancies is consistent and that there is evidence to support these visits.
Important x 2	Tenancy Transfers and Changes - When a transfer of tenancy takes place a transfer form should be signed by a manager. Testing found that a process was in place, but the management transfer form was not evident in some of the sample tested. When a joint tenancy becomes a single secure tenancy there should be a tenancy changes sheet stored in the tenant's file. Testing found limited evidence that a tenancy change sheet had been signed by a Manager to indicate a separation of duties. It will be reiterated that signed management transfer forms and tenancy change sheets are required to be stored on the tenants' files.
Previous Important	Transfer Incentive - The Authority operate a cash incentive to tenants who offer to downsize their property in order to make larger properties available to families in need. In the previous audit, it was recommended that information regarding this be published on the Authority's website to raise awareness. At the time of testing this had not been done but is due to be completed as part of a project, due to start in 2020.
Previous Important x 2	Photo Identification - The previous audit recommended that a copy of tenant's photo identification is scanned and stored on the file to confirm the tenant's identity and reduce the risk of tenancy fraud. Discussions found that the process had been implemented and that forms of ID are requested, as standard practice, during the sign-up process. This is subsequently scanned onto the electronic file. However, testing found that 3/10 introductory tenancies had no evidence of a Photo ID stored on the file. Further guidance will be communicated to ensure the process is followed fully going forward.

Audit Title	Housing Rents	Overview of Subject: The Housing Rents is a large source of income for the Housing Revenue Account which receives payments for rent directly from tenants who reside in the Authority's properties. Payment is also received from Housing Benefit on behalf of those tenants that are eligible to receive it. Housing has had two restructures since the previous audit and works are currently underway to source a replacement IT system to manage tenancies.
Report Number	1171	
Year of Audit	2019/20	
Type of Work	Fundamental System	
Assurance Opinion Given	Limited	
Direction of Travel	↓2016/17	
Errors Found	Yes	

Areas of Scope	Adequacy and Effectiveness of Controls		New Recommendations Raised			Previous Rec Implementation (E and I only)			
			Essential (🔴)	Important (🟡)	Advisory (🟢)	Implemented	Cancelled	In Progress	Not Implemented
Calculation of Rent			-	-	-	-	-	-	-
Current Rent Arrears			-	-	-	-	-	-	-
Billing			-	-	-	-	-	-	-
Record Management			-	-	1	-	-	-	-
Refunds			-	-	-	1	-	-	-
Write Offs			1	-	-	1	-	-	-
Former Tenant Arrears			1	-	-	-	-	-	-
Credit Balances			-	-	-	-	-	-	1
Debt Monitoring			-	-	-	-	-	-	1
Separation of Duties			-	-	-	1	-	-	-
Transfers to Sundry Debt			-	-	-	1	-	-	-
Recommended Action Override			-	-	-	-	-	1	-
Balance Transfer between Tenancies			-	-	-	-	-	1	-

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

Essential	Write Offs - Testing highlighted that some write offs processed on the Housing Rents computer system were not recorded on the corporate authorisation write off document. It was determined that these errors occurred as a result of work completed by
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Weaknesses identified during the audit and the proposed action (Essential and Important only)	
	temporary staff in 2018, which had been inadvertently duplicated. These errors have now been resolved. A reconciliation process will be introduced, with immediate effect, to regularly compare the Write Off report from the computer system with the Corporate process, currently in place, to ensure all write offs are following the authorisation procedures.
Essential	Former Tenant Arrears - Discussions with officers and analysis of former tenant arrears data found that there was a misunderstanding between teams as to who should be leading on pursuing these debts since July 2018. Discussions have now taken place to establish responsibility and a process for pursuing debts to ensure that they are regularly reviewed. Work has also been carried out to review all the older debts and start the appropriate recovery action.
Previous Important	Credit Balances – Credit balances were tested to ascertain what action had been taken and whether these credit balances were subject to regular review. It was found that these credit balances were only reviewed when there was capacity to do so. Testing found that some of the balances had been stagnant since the tenancies terminated. The reasons for the credits were a mixture of the tenant overpaying their rent and prematurely ending their tenancy; or failure to cancel their direct debit once their tenancy had ended. Consideration will be given to expanding what type of accounts are reviewed along with the appropriate frequency of review. The service completed a review of the full list of accounts with credit balances at the time of the audit.
Previous Important	Debt Monitoring - No process had been made to redesign the debt monitoring process to better track the level of debts at each stage of the process. This is now scheduled for 2020 when the new Housing system is implemented.
Previous Important	Recommended Action Override – The Housing system recommends actions to carry out when a tenant falls into arrears. If this action is ignored by the Housing Officer a note should be made on the account explaining why. Testing found that 4/10 had been overridden by an officer without providing clarity on why the recommendation was ignored.
Previous Important	Balance Transfer between Tenancies - Where a tenant moves properties, any outstanding rent or associated debts should be transferred with the tenant and included in the new tenancy agreement. Testing found that 3/5 new tenancies selected did not include details of previous arrears.

Audit Title	Property Maintenance – Council Housing Voids	Overview of Subject: A new contract was awarded in May 2019 for the Voids Property Repairs and Refurbishment works. This covers works required for any of the Council's housing stock, plus some non-Housing Revenue Account housing stock, when they become empty. Fareham Housing are responsible for the monitoring of the contract.
Report Number	1177	
Year of Audit	2019/20	
Type of Work	Services and Systems- High Risk/Contract Audit	
Assurance Opinion Given	Limited	
Direction of Travel	↓	
Errors Found	No	

Areas of Scope	Adequacy & Effectiveness of Controls		New Recommendations raised			Previous Rec Implementation (E & I only)			
			Essential (⚡)	Important (▲)	Advisory (Ⓜ)	Implemented	Cancelled	In Progress	Not Implemented
Procurement of new contractor			-	-	-	-	-	-	-
Monitoring of compliance of contract			1	-	-	-	-	-	-
Quality of contractor work			-	-	-	-	-	-	-
Turnaround of properties			-	1	-	-	-	-	-
Pre void inspections			-	1	-	-	-	-	-
Personal effects found in Voids			-	2	-	-	-	-	-
Gas and Electric safety checks			1	1	-	-	-	-	-
Tenants welfare			1	-	-	-	-	-	-
Security of Void properties			-	-	-	-	-	-	-
Recharge of void repairs			-	-	-	1	-	-	-
Debtor monitoring			-	-	-	1	-	-	-
Write offs			-	-	-	-	1	-	-
Void inspector job description			-	-	-	1	-	-	-

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

Weaknesses identified during the audit and the proposed action (Essential and Important only)	
Essential	Compliance with the Contract - There have been a number of queries raised on the quality and timing of the contractor invoices which has led to a delay in payment and an increase in officer time being spent resolving the discrepancies. It has been agreed that the Contract Manager will check the job valuations against the scope of works on a weekly basis to ensure the Schedule of Rates has been correctly applied. Other improvements to the invoice process include the timely notification of job completion and written confirmation of any variations to the scope of works.
Essential	Tenants Welfare – Testing highlighted two properties where access had been obstructed by the tenant over a period of time thus preventing remedial works and important safety checks from being carried out. It was agreed that when access cannot be gained to a property it will be escalated to the Department Head for appropriate action.
Important	Turn-around of Void Properties – Void statistics are not regularly maintained. Therefore, the number of voids and the length of time they have remained void cannot easily be quantified. It was agreed that Void properties will now be monitored more closely, and a database will be maintained to provide accurate status of the Council’s housing properties.
Important	Personal effects found in Voids – From time to time when a void property is cleared personal effects remain in the property. Officers are aware that these need to be reported so that an attempt can be made to return the item(s) to the outgoing tenant. However, there is no documented procedure of what should happen when an item of value is found at a void property clearance. A procedure note has been drawn up regarding the emptying of void properties and the treatment of valuable items left in the property will be made available to the officers involved.
Important	Storage of Items in a Void Garage – A small number of void garages are used to store unwanted items of furniture that can be passed on to tenants in need. On inspection of one of the garages, during the course of the audit, it was noted that a number of partially used pots of paint and decorating sundries were being stored temporarily in the garage by the Contractor. Concerns were raised that this could present a fire risk and it was agreed that a check of the contents would be made to remove any items that were perceived to be a potential fire risk.
Important	Pre-Void Inspections – Ideally it is considered that all pre-void inspections should be carried out by two officers for safety and protection purposes. However, at certain times, due to demand on resources only one officer is able to attend the inspection. It was agreed that periodic toolbox talks will be given to officers about using their professional judgement as to whether a property is safe to enter or not.

Other weaknesses identified as a result of tests carried out during the audit and the proposed action (Essential and Important only)

Essential	Gas Safety Checks – There is a legislative requirement that gas checks are carried out annually. During the audit it came to
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Other weaknesses identified as a result of tests carried out during the audit and the proposed action (Essential and Important only)	
	light that when the gas supplies were discontinued some properties had an isolation valve fitted and these should also be checked annually. It was agreed that an audit of the housing stock would be undertaken to ascertain which properties have an isolation valve and to add these properties to the Southern Gas Network database for annual gas checks.
Important	Electric checks - Electric checks are carried out within the guideline timescale of one to five years. A check of the electrical safety inspection database found that a small percentage of checks were outside of the recommended timescale. It was agreed that the accuracy of the database would be reviewed and the confirmed outstanding electric checks would be carried out as a matter of urgency.

Audit Title	Assurance on Partnership Governance	Overview of Subject: In 2018/19 a review was carried out of how well the council was complying with the latest CIPFA Guidance on the Effectiveness of the Audit Committee. One important recommendation was made which was to strengthen how the committee receives assurances on partnership governance as this was new requirement under the guidance.
Year of Audit	2019/20	
Type of Work	Corporate Assurance work	

This review was therefore added to address this recommendation. The purpose of the work was to review the current assurance flows on partnership governance and design a proposal of how assurance could be provided to the Audit and Governance Committee.

Understanding the current arrangements and information flows

The review of current arrangements identified the following processes were in place at the Council to provide assurance on the governance arrangements of partnerships. The following 3 main processes were identified:

- Partnership Specific Arrangements including member oversight for most significant partnership by a partnership board or via direct reporting to Council Committees.
- Annual Partnership Report to the Chief Executive's Management Team
- External Assurances on partnerships collated for the Annual Governance Statement

Proposing a form of information flow/report to the Audit and Governance Committee to meet the CIPFA requirements

As the current processes do not flow automatically to the Audit and Governance Committee, 3 important actions have therefore been agreed to provide a similar annual partnership report to the Committee. Information from the audit was used to produce a base report for the committee which will then be supplemented with annual updates. This report is scheduled to be presented to the committee in November 2020.

Audit Title	CCTV Control Centre	Overview of Subject: A review of CCTV operations which fall within the remit of Gosport Borough Council (GBC) has been carried out as part of the GBC 2019/20 Audit Plan. As the CCTV Control Centre (Public Open Spaces Network) is delivered in partnership with Fareham Borough Council (FBC), the conclusions from the audit provide some assurances for FBC too.
Report Number	1186	
Year of Audit	2019/20	
Type of Work	Systems review by partner's audit service	
Assurance Opinion Given	None Given	
Direction of Travel	Not applicable	
Errors Found	No	

Areas of Scope	Adequacy and Effectiveness of Controls		New Recommendations Raised			Previous Rec Implementation (E and I only)		
			Essential (🚨)	Important (▲)	Advisory (ℹ️)	Implemented	Cancelled	Not Implemented
Public Open Spaces Fixed Network partnership arrangements			-	-	-	-	-	-
Inspection by Investigatory Powers Commissioner			-	-	-	-	-	-
CCTV signage for control room cameras			-	-	-	-	-	-
Roles, responsibilities and processes (including that privacy will be respected and appropriate access control arrangements)			-	-	-	-	-	-
Control room staff training and Security Industry Authority (SIA) Licensing			-	-	-	-	-	-
Data Protection Impact Assessment for Control Room			-	-	-	-	-	-
Police use of CCTV Images			-	-	-	-	-	-
Retention period for CCTV images			-	-	-	-	-	-
Secure Storage of CCTV Images			-	-	-	-	-	-

Audit Title	Procurement Decisions	<p>Overview of Subject: The Authority has introduced new Procurement and Contract Procedure Rules with effect from October 2019. This audit was carried out in accordance with the Rules which require that the Internal Audit team test a sample of suppliers above and below the prescribed significant value threshold on an annual basis. The findings were then reviewed in a wider context, along with the Procurement Team, examining the roll out and impact of the new rules. A presentation on the full review will be provided at the committee meeting.</p>
Report Number	1187	
Year of Audit	2019/20	
Type of Work	Corporate Assurance Work (Wider Work)	
Assurance Opinion Given	N/A	
Errors Found	No	

Weaknesses identified during the audit and the proposed action (Essential and Important only)	
Important	Financial tool - A new financial application tool has been introduced in order that all services can view the spend with their suppliers more easily. The training is being undertaken throughout the Authority. A small number of services had not received full training at the time of this audit. The training is programmed to be completed in the near future.
Important	Budget Monitoring - Budgets are monitored during the year by the Finance Department and Budget Holders should have regular meeting to discuss budget levels and provisions. Some Managers did not meet regularly with their Finance Business Partner. Where a Manager has the responsibility for an area of spend meetings will be held regularly based on the frequency and level of the spend.
Important	Cost Centre Responsibility – The responsibility for specific areas of spend are allocated to Directors, Heads of Service, and Managers. Some Officers have queried some of the budgets allocated to them. A review of these exceptions will be carried out.
Important	Authorisation of Spend – As part of the audit a number of Officers who authorise spend were asked to verify that they were supplied with the appropriate information to justify the spend. Two instances were highlighted where inadequate information had been supplied. Authorisers will be reminded that they should obtain adequate documentation to support the spend before they authorise any requests.
Important	Market Testing – Where a supplier has been used for a number of years a degree of market testing should be carried out to ensure that the Authority is still obtaining value for money. Also, the Procurement Rules detail that local suppliers should be considered where possible. There were some instances where a supplier had been used for a period of time as the Department was receiving a

Weaknesses identified during the audit and the proposed action (Essential and Important only)	
	service that they perceived to be good value for money and appropriate for their needs. Services should test the market on a regular basis to verify whether an alternative supplier has appeared on the market that could be used resulting in further financial savings for the Authority.
Important	Local SME classification - A decision will be taken as to whether new supplier set up should be capturing the Head Office or a local satellite of the company when assessing whether it is a local small or medium enterprise (SME). It has since been agreed that it will be the local satellite of the company.
Important	Procurement Log – The database of procurement purchases should be expanded to capture whether a local SME was invited to tender as well as if the winning supplier was a local SME.
Important	Supplier Categorisation – A review of the supplier categories currently used on the finance system will be undertaken to allow easier analysis of the type of suppliers which are relevant to the local SME review. These categories will then be made available in the financial analysis tool.
Important	Capturing New supplier information – A review of the new supplier form process will be carried out to make sure that information is always being captured accurately, including when a supplier moves from temporary to permanent supplier status. This will be carried out as part of the implementation of the new finance system.
Important	Value for Money versus Risk and budget constraints – Further guidance is to be produced on how value for money of a purchase should be balanced against the budget available and the risk associated with that type of supply.
Important	Training – The next stage of training should be rolled out and focus on contract management and negotiation skills.

Audit Title	Deceased Persons List Follow Up	<p>Overview of Subject: The Council is informed of deceased residents via various sources, including the Department of Work and Pensions 'Tell Us Once' service; Hampshire County Council; members of the public; relatives; and solicitors. In a review carried out in 2015 it was found that the different departments, within the council, dealing with deceased notifications were following a manually intensive system, which on occasion resulted in duplicated efforts, and some notifications that were not shared with other departments.</p> <p>This audit looked at ways of streamlining the processes and reducing the risk that Council correspondence is sent out in the name of a deceased person. Although only 1 of the original proposals were found to have been implemented, the review identified a revised approach that would still address the issues.</p>
Report Number	1190	
Year of Audit	2019/20	
Type of Work	Thematic Review	
Assurance Opinion Given	None Given	
Direction of Travel	N/A	
Errors Found	N/A	

Weaknesses identified during the audit and the proposed action (Essential and Important only)	
Important x 2	Internal Database and Notifications – The on-line notification database will be amended to capture all changes that have been notified to the council and used as the source to notify other departments of the deceased person. The requested amendments will be made to the notification form and a summary of the revised process will be published on the staff intranet, along with a link to the new form. Any team that receives a notification of death from any method, other than the automatically generated notification, will now complete the online form in order to notify all other departments and to record the death on the database.
Important	Sources of Information - There are other sources of information coming into the Council which do not get fed into the database listing that is sent to other departments, including the Hampshire County Council list of Fareham notifications, which is considered a more robust list. Therefore, the Hampshire County Council list of Fareham notifications will now be added to the online form that will be auto emailed to each of the required departments, as per the list of generic emails currently stored for every necessary department. The lead service nominated to carry out this task has been agreed such that other services no longer need to duplicate the task.
Important	Training - Managers will train their relevant teams on the new notification process if they are considered to be a main recipient of the notifications of a deceased person.
Important	Change in Circumstances Form – A similar process to the notification of deaths will be implemented for the change in circumstances, using a second online form, that covers any other change in detail for a customer, for example a change of address or name.

Audit Title	Disabled Facilities Grants- Grant certification 18/19	<p>Overview of Subject: Funding for Disability Facility Grants is paid by the Ministry of Housing, Communities and Local Government (MHCLG) to Hampshire County Council under the Better Care Fund. Hampshire County Council pass this over to the district councils as an annual grant allocation. The Government also allocated additional Disabled Facility Grant funding directly to District Councils. The total amount awarded during 18/19 was approximately £780,000. The purpose of the grant is to enable vulnerable individuals to stay living independently within their own home, preventing homelessness or moving unnecessarily.</p> <p>The Fareham BC Disability Facilities Grant Service is now part of the Environmental Health Partnership with Gosport Borough Council and is administered by Portsmouth City Council. Portsmouth receive approve and complete all applications on behalf of Fareham and invoice quarterly for the cost of Grants paid out plus an administration fee.</p> <p>This audit involved carrying out the necessary checks to allow the grant allocation certificate to be returned to the MHCLG and following up any recommendations made in the 2018/19 systems review.</p>
Report Number	1189	
Year of Audit	2019/20	
Type of Work	Certification (wider work)	
Assurance Opinion Given	None Given	
Direction of Travel	N/A	
Errors Found	N/A	

Weaknesses identified during the audit and the proposed action (Essential and Important only)	
Essential	Transfer and Retention of Files – Grant files are transported from Portsmouth City Council to Gosport Borough Council for scanning. There is a no checklist provided to ensure that all the files sent are received and scanned. A checklist is going to be introduced as a matter of priority to enhance the security of the transfer of data from one Authority to the other.
Essential	Budgetary Control and Monitoring - At the time of the audit the figures supplied by Portsmouth City Council did not agree to the reconciliation figures supplied to Fareham Borough Council. Further enquiries found that prepayments and accruals had not been included in the Portsmouth figures. A new approach has now been agreed to include the regular reconciliation and monitoring of the Disabled Facility Grant.

Weaknesses identified during the audit and the proposed action (Essential and Important only)	
Important	Repayments – The audit reviewed the Fareham Borough Council Policy to not place a charge on any property subject to a Disabled Facility Grant; this means that if the property was sold within a ten year period following the issue of the grant the council would not be able to claim back any of the monies. This policy has now been changed and a system has been put in place and as from 01/01/2020 Disabled Facility Grants will be logged on the Land Charges Register.
Previous Essential	Disabled Facility Grant Agreement – The previous audit noted that there was no formal contract between Fareham and Portsmouth City Council; this remains outstanding. This is being followed up by the Environmental Health Partnership.
Previous Important	Scanning and storage of Documentation – It was previously recommended that all Disabled Facility Grant files should be scanned and stored at the earliest opportunity. Two files out of a sample of 10 were not found to have been scanned to the appropriate location on the Authority’s computer system. One file was subsequently found awaiting to be scanned, and had been so for several months. New procedures are to be introduced to ensure that files are recorded and scanned promptly.

Audit Title	Recommendation Follow up	<p>Overview of Subject: This audit covers the follow up of a sample of selected recommendations made in previous years which have not yet been signed off by the audit service. As at 21st February 2020 there were 528 (out of 3,398) on the audit recommendation database (RAM), which were awaiting sign off by internal audit. An audit was therefore added to the 2019/20 audit plan to obtain an updated status for a proportion of these.</p> <p>38 (26 essential and 12 important) were selected for the audit based on the following reasons:</p> <ul style="list-style-type: none"> a) Related to essential recommendations where an updated opinion was needed (and other recommendations within the same report) b) Related to topics which lend themselves to other components of the annual head of audits opinion (e.g. IT, information security, ethics) c) There was limited knowledge from other work, as to the status of these recommendations d) Recommendations for services/processes which have had / will have limited other coverage this year <p>This represented 7% of the recommendations that need reviewing. However, we did not fully follow up 7 of these due to the pressures being experienced by services during the COVID-19 pandemic.</p>
Year of Audit	2019/20	
Type of Work	Follow Up	

The recommendations that were reviewed covered the following services and systems:

<i>Audit</i>	<i>Year of Audit</i>	<i>Report No.</i>	<i>Number of Actions Followed Up</i>
ICT Cost analysis	2017/18	1129	14
Database Administration	2014/15	1040	1
Data Protection (Council Tax)	2017/18	1107	6
Property Maintenance and Inspections – Council Building (Non Housing)	2017/18	1013	4
Leisure Centre Contracts	2017/18	1121	4
Express Computer System	2015/16	1055	1
Payroll	2015/16	1066	1
			31

Implementation of Previous Recommendations

The table below summarises the level of implementation found. 20/31 of the original recommendations are fully completed, and a further 3 are nearly complete.

Summary of Implementation of Previous Recommendations				
Status	Essential (●*)	Important (▲)	Unspecified	TOTAL
Fully Complete	15	5	-	20
No Longer Needed	-	-	-	-
Nearly Complete	3	-	-	3
In Progress	3	1	-	4
Not Started	3	1	-	4
TOTAL	24	7	0	31

Weaknesses identified during the audit and the proposed action (Essential and Important only)
Fire Risk Assessment (FRA) for Bowls Club - There are 4 bowls clubs currently occupying council owned buildings and not all have submitted an up to date FRA. The remaining bowling clubs have now been chased.
Fire Risk Assessment (FRA) for Sports Pavilions – A process needs to be put in place to give FBC assurance that the tenants are meeting their contractual obligations in relation to undertaking Fire Risk Assessments.
Management information on ICT costs incurred directly by services – A report has yet to be introduced which informs the ICT managers of ICT expenditure being created by other departments.
Apportionment of ICT systems costs – There are a number of services using one ICT system. The proportion of costs charged to each of the services needs to be updated.
ICT Coding Reference Sheet – There are a still a high number of ICT cost miscodings that the Finance Business partner is needing to correct. It has now been agreed that two codes will be merged and the full coding sheet will be posted on the internet and services outside of the ICT team will be briefed on which codes to use when.
Allowances paid through the Payroll System - A formalised process for the regular review of allowances is needed to identify instances where allowances are no longer required and should be removed where necessary.
Council Tax – Data Protection: A cost benefit analysis is currently being undertaken comparing the current disposal methods of confidential waste bins

Weaknesses identified during the audit and the proposed action (Essential and Important only)
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against purchasing robust office shredders.

Reference Tables

1. Scale of Assurance Opinions

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

2. Scale of Recommendation Priorities

Essential	A fundamental weakness in the control system which presents immediate risk to the service or system of a significant nature. Requires urgent attention by management. Reported to the A&G Committee and implementation of proposed actions are monitored.
Important	A significant control weakness 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.
Advisory	A weakness or opportunity for improvement where the risk poses no great threat and is relatively minor. Consideration should be given to addressing the weakness if there is the appetite and/or capacity to implement the improvements. Actions are not tracked.

3. Stages of An Audit Assignment

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