

# FAREHAM

BOROUGH COUNCIL

## AGENDA

### AUDIT AND GOVERNANCE COMMITTEE

**Date:** Thursday, 7 July 2022

**Time:** 6.00 pm

**Venue:** Collingwood Room - Civic Offices

**Members:**

Councillor Ms F Burgess (Chairman)

Councillor R Bird (Vice-Chairman)

Councillors Mrs T L Ellis  
J M Englefield  
N R Gregory  
D J Hamilton  
S D Martin

**Deputies:** Ms C Bainbridge  
M R Daniells



**1. Apologies**

**2. Minutes (Pages 5 - 10)**

To confirm as a correct record the Minutes of the Audit and Governance Committee meeting held on the 14 March 2022.

**3. Chairman's Announcements**

**4. Declarations of Interest and Disclosures of Advice or Directions**

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

**5. Deputations**

To receive any deputations of which notice has been lodged.

**6. Monitoring Officer Report (Pages 11 - 38)**

To consider a report by the Monitoring Officer on items which require reporting but do not justify full report to be brought to the Committee for consideration.

**7. External Audit - Annual Report & Value for Money Commentary (Pages 39 - 74)**

To consider a report from the Deputy Chief Executive Officer on the External Auditors Annual Report.

**8. Counter Fraud Annual Report (Pages 75 - 86)**

To consider the Counter Fraud annual report by the Head of Finance and Audit.

**9. Head of Audits Report (Pages 87 - 108)**

To consider a report by the Head of Finance and Audit on the Internal audit work since the last meeting.



P GRIMWOOD  
Chief Executive Officer

Civic Offices  
[www.fareham.gov.uk](http://www.fareham.gov.uk)  
29 June 2022

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# FAREHAM

BOROUGH COUNCIL

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

**Date:** Monday, 14 March 2022

**Venue:** Council Chamber - Civic Offices

**PRESENT:**

**Councillor** T Davies (Chairman)

**Councillor** S D Martin (Vice-Chairman)

**Councillors:** P J Davies, Mrs T L Ellis, N R Gregory and L Keeble (deputising for G Fazackarley)

**Also  
Present:**



**1. APOLOGIES**

Apologies of absence were received from Councillors, G Fazackarley and G Kelly.

**2. MINUTES**

RESOLVED that the Minutes from the Audit and Governance Committee held on the 22 November 2022 be signed and agreed as a correct record.

**3. CHAIRMAN'S ANNOUNCEMENTS**

The Chairman made the following announcements –

**Arrangements for Appointment of External Auditors**

The Committee will remember that at our last meeting we discussed the options open to us for the appointment of the external auditors for the next contract term commencing on 1 April 2023.

I can confirm that our recommendation to accept Public Sector Audit Appointments (PSAA) invitation to 'opt in' to the sector led option, was endorsed by Full Council in December. Officers have therefore now informed PSAA of this decision.

**Inspection by the Investigatory Powers Commissioner's Office (IPCO)**

During 2021/22 IPCO have been carrying out an inspection of the Council's use of powers available to them for fraud investigations under the Regulation of Investigatory Powers Act 2000 (RIPA). This was a routine inspection which is carried out every 3 years. The inspection has now been completed and the Council have received the final report from the Investigatory Powers Commissioner. The report has concluded the level of compliance demonstrated by the Council does not require IPCO to carry out a physical visit, and there were no recommendations arising.

The Committee will be aware from the information it receives each year in the Annual Counter Fraud Report that the Council mainly uses these powers for the prevention and detection of fraud in relation to Council Tax Support claims and the provision of Council Housing. The inspection process can give the Committee assurance that whilst the Council is not shying away from using these powers to combat fraud they are only used sparingly and in a legal and proportionate way.

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

There were no declarations of interest made at the meeting.

**5. DEPUTATIONS**

There were no deputations received at this meeting.

## **6. EXTERNAL AUDITOR'S AUDIT RESULTS REPORT**

The Committee received a report by the Deputy Chief Executive Officer asking Members to consider the External Auditor's Audit Results which summarises the findings from the audit of the 2020/21 accounts.

Kevin Suter from Ernst and Young addressed the Panel to advise that although the Council's audit is on schedule to be completed within weeks, he will not be in a position to certify his opinion until July 2022. The National Audit Office is in the process of finalising the current procedures around the whole government accounts and until this is complete auditors nationally are not able to complete their opinions. It was explained that this is a national delay and will affect all Local Authorities.

Members of the Committee asked for clarification that the date on the first line of page 16 of the agenda pack is incorrect as it reads 31 March 2020. Ernst and Young confirmed that this was an error, and the date should in fact read 31 March 2021.

RESOLVED that: -

- (a) the Audit and Governance Committee notes the contents of the Audit Results Report (Appendix A); and
- (b) the Deputy Chief Executive Officer and the Chairman of the Audit and Governance Committee signed the Letter of Representation, subject to the external auditors completing their outstanding procedures and any further amendments to the accounts, or the Letter of Representation, being agreed by the Deputy Chief Executive Officer in consultation with the Chairman of the Audit and Governance Committee.

## **7. ANNUAL CERTIFICATION REPORT**

The Committee received a report from the Head of Housing and Benefits which presents the findings from the Housing and Benefits Subsidy Certification work carried out by External Auditors KPMG LLP for 2020/21.

RESOLVED that the Audit and Governance Committee: -

- a) consider the findings of the Annual Certification Report 2020/21 submitted to the Department for Work and Pensions by the Council's external auditors; and
- b) comment on the findings as appropriate.

## **8. RISK MANAGEMENT MONITORING REPORT**

The Committee received the six-monthly report from the Head of Finance and Audit on Risk Management monitoring.

RESOLVED that the Audit and Governance Committee reviewed the report as a source of evidence that the current Risk Management Policy is operating in practice

## **9. TREASURY MANAGEMENT STRATEGY AND INDICATORS**

The Committee received a report by the Deputy Chief Executive Officer on the annual Treasury Management Strategy.

*Councillor S Martin left the meeting during discussions on this item.*

RESOLVED that the Committee note the Treasury Management Strategy and Prudential Indicators for 2022/23, attached as Appendix A to the report.

## **10. INTERNAL AUDIT PROGRESS REPORT**

The Committee received a report by the Head of Finance and Audit updating Members on the delivery and findings from the Internal Audit Plan of work.

The Head of Finance and Audit explained to Members that the Audit Plan had been affected by the additional work required to support the Covid business grants processes and some staff vacancies and sickness. This additional work has provided challenges but she and the internal audit colleagues at Portsmouth City Council are happy with the progress being made and are both confident that enough work will have been completed to support the annual Head of Audit's opinion.

RESOLVED that the Committee notes the progress and findings arising from Internal Audit work.

## **11. REVIEW OF MEMBERS TRAINING AND DEVELOPMENT PROGRAMME**

The Committee received a report by the Head of Democratic Services on the Review of Members' Training and Development Programme.

Members of the Committee asked that an additional training session be added to the schedule for the 2022/23 municipal year, specifically for the Audit and Governance Committee. Both the Planning and Licensing & Regulatory Affairs Committees have specific training sessions and both Officers and Members agreed that this Committee would benefit from a training session before the first meeting of the municipal year due to the complex nature of some of the items on the work programme.

The Committee asked if Officers could explore the option of recording training sessions and these being made available to Members and it was confirmed that Officers will explore how this could be achieved.

RESOLVED that the Audit and Governance Committee-

- (a) notes the Schedule of Training and Development for 2020/21 at Appendix A;
- (b) notes the contents of the member's training and development schedule for 2021/22, at Appendix B;



- (c) asked that a training session for the Audit and Governance Committee be added to the draft training programme for the municipal year 2022/23, at Appendix C; and
- (d) notes the draft New Members' Induction Booklet 2022 as set out in Appendix D.

## **12. ANNUAL REPORT OF THE AUDIT AND GOVERNANCE COMMITTEE**

The Committee received an annual report by the Monitoring Officer on the work of the Audit and Governance Committee.

RESOLVED that the Audit and Governance Committee: -

- a) notes the contents of the report;
- b) confirms that there are no issues arising from the review of the Statement of Accounts and subsequent external audit report, at the same meeting, that the Committee feel need to be brought to the attention of the Council; and
- c) submits the revised work programme for 2022/23, as shown in Appendix C, to Council for endorsement.

(The meeting started at 6.00 pm  
and ended at 7.02 pm).



# FAREHAM

## BOROUGH COUNCIL

### Report to Audit and Governance Committee

**Date:** 07 July 2022  
**Report of:** Monitoring Officer  
**Subject:** MONITORING OFFICER REPORT

#### SUMMARY

As this is the first meeting of the municipal year, this report seeks to highlight to Members the purpose of the Audit and Governance Committee in line with the Committee's functions. It will also confirm the Committee's work programme and ask Members to approve updates to the Council's Constitution. This report is set out in two parts. Part One provides details of items for noting and Part Two sets out those items for approval or endorsement.

Moving forward this report will be a standard item on every agenda and will allow officers to bring areas of work to the Committee to provide assurances replacing the need for a full report in its own right.

#### RECOMMENDATION

It is RECOMMENDED that the Committee: -

- a) note the contents of Part One of the report; and
- b) recommend that Council approve the updates to the constitution set out in Part Two.

## **INTRODUCTION**

1. The Audit and Governance Committee is a key component of the Council's corporate governance. It provides an independent and high-level focus on the audit, assurances and reporting arrangements that underpin good governance and financial standards. The Committee's role is to seek assurance and provide a strategic overview to ensure efficient and effective reporting, control and assurance arrangements are in place. Although questions can be asked for clarity, it is not the Committee's responsibility to examine operational matters or question service delivery.
2. This report seeks to bring a new way of reporting to the Audit and Governance Committee through the Monitoring Officer on items which are significant but do not justify a full report in their own right.
3. The Committee has a busy work programme with historically an average of 8 items on each agenda. This report will provide a regular mechanism of reporting to the Committee without the need for extensive reports, reducing the size of the agenda and potentially bringing more topics to the Committee and providing greater assurances within the Committee's functions.
4. As this is the first meeting of the municipal year, this report will cover each area of the functions briefly explaining the Committee's purpose and highlighting what areas of work Members can expect throughout the municipal year. Moving forward it is anticipated that; Accountability and Key Policy Review will be included at every meeting as these areas will include the Committee's work programme and updates to the Constitution. The Monitoring Officer will determine the content of this report alongside the work at the time.
5. The Committee's work programme comprises of a number of statutory reports which have approval and monitoring processes set out in legislation. To support these governance arrangements the Council's Constitution sets out the functions of the Audit and Governance Committee which is attached to this report at Appendix A.
6. Moving forward officers are proposing to remove the Work Programme Review from the agenda and include a simpler list of agenda items at each meeting via this report. Annually the work programme via the Annual Review of the Committee report to allow the Committee to approve the work programme for the following year and refer to Council for endorsement.

## **Part One**

### **PURPOSE OF THE COMMITTEE**

#### **ACCOUNTABILITY**

7. The Audit and Governance Committee publishes an annual report on its activities which provides details of the work that has been completed by the Committee against its functions. This report also sets out the proposed work programme items which will be brought to Committee within this municipal year. This work programme was endorsed by Council on the 21 April 2022. Appendix

B to this report sets out the list of work for the 2022/23 municipal year.

Appendix B also highlights to the Committee the areas of work against the Audit and Governance functions. At each meeting the Monitoring Officer will determine which items will be brought as full reports in their own right and those which will be included in this report.

## **GOVERNANCE, RISK AND CONTROL**

8. The Committee is responsible for reviewing the Councils arrangements for corporate governance against the governance framework via its review of the Annual Governance Statement and Local code of governance. Members are also responsible for monitoring the Councils Risk Management arrangements, Business Continuity and their associated Policies and Strategies.
9. The Committee can ask for specific risk management topics to be brought as agenda items in order to provide greater assurances if required. An example of this was in 2019, when a Cyber Security Item was brought to the Committee following questions from Members on the specific risks to the Council from cybercrime.
10. A Counter Fraud report is brought to Committee annually to allow the Committee to review and assess fraud risks and the potential harm to the Council from fraud and corruption. Again, Members are also responsible for monitoring the associated Policies and Strategies linked to the Councils Counter Fraud.
11. The Council has a number of Partnerships for which the Committee is responsible for reviewing the governance and assurance arrangements. An annual report provides Members with the opportunity to review these partnerships and gain assurances that they are effective.
12. The Committee also has a responsibility for Value for Money to consider that the Council's arrangements to secure value for money are effective. This will be achieved through specific Value for Money studies which will be brought to the Audit and Governance Committee as required and through the Council's external audit reports.

## **AUDIT**

13. The Committee Audit responsibilities are for both Internal Audit and External Audit. These areas of work account for a significant amount of the Committees work programme.
14. The internal audit work will be brought to the Committee to approve via the internal audit plan each year. The Committee will then be required to monitor that plan throughout the year at each meeting. The Head of Internal Audits report is a standard agenda item which will provide updates on the internal audit work and the progress against the internal audit plan.
15. The Head of Audit will also provide annually an opinion report providing details on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control together with a summary of the work

supporting the opinion.

16. The Council's External Auditors, Ernst and Young LLP bring a number of reports to the Audit and Governance Committee each year. The Committees role is to support the independence of the external audit. Members of the Ernst and Young team attend the meetings in person, which allows the Committee to ask questions and comment directly on the content of reports and raise any issues as required.

## **FINANCIAL REPORTING**

17. The Committees overarching responsibility for financial reporting is to review the annual Statement of Accounts (SoA). It is a statutory requirement for the Council to publish its SoA in accordance with the requirements of the Chartered Institute of Public Finance and Accountancy (CIPFA). The Audit and Governance Committee plays an important role in considering whether appropriate accounting policies have been followed and whether there are concerns arising from the SoA.
18. The Committee must also consider the external auditors findings in relation to the SoA. Once the Committee has reviewed the SoA it is put before Council for endorsement and published to the Council's website.

## **WIDER FUNCTIONS OF THE AUDIT AND GOVERNANCE COMMITTEE**

19. It is anticipated that this section of the functions of the Audit and Governance Committee is likely to form most of the topics which are brought to the Committee via this report moving forward. This section includes: -
  - i. Standards and ethics
  - ii. Treasury Management
  - iii. Key policy review

## **Standards and Ethics**

20. The Audit and Governance Committee responsibility for Standards and Ethic are to lead on the Council's duties under Chapter 7 of the Localism Act 2011, to design, implement, monitor, approve and review the standards of ethics and integrity of the Council both for councillors and employees and also to promote, maintain and strengthen high standards of conduct by members and co-opted members.
21. The key reports that will be brought to the Committee regularly to consider are likely to be Codes of Conduct, Member Training Review and Complaints. As Members can see from the details in Appendix A this is a large section of responsibly thus an important part of the Committees remit.
22. The Committee is also responsible for convening an Audit and Governance Sub-Committee to discharge its functions relating to complaints about member conduct. Namely, when a member or co-opted member of the Council has failed or may have failed to comply with the Members' Code of Conduct. The Sub-

Committee will comprise three members of the Audit and Governance Committee. There has not been sub-committee meeting since 2016 but it is important that Members are aware of function should the need arise to convene a meeting.

### **Treasury Management**

23. The Committees responsibility for Treasury Management is to ensure effective scrutiny of the Council's Treasury Management Strategy and Policy. The Strategy is endorsed by the Executive and Approved by Council each year and the Audit and Governance Committee plays a key role in reviewing the document as part of this decision-making process.

### **Key Policy Review**

24. This section relates to the Committees responsibility to review the Councils Constitution including Financial Regulation and the Procurement and Contract Procedure Rules. These topics are likely to be a key part of this report moving forward.
25. The Financial Regulations and Procurement and Contract Procedure Rules are reviewed every three years. This document forms part of the Constitution so minor changes are anticipated through the Constitution updates, but if determined by the Monitoring Officer larger changes may require a separate report to the Committee. Updates for both of these documents must be approved by Council.

## **Part Two**

### **Constitution Review**

26. In 2018 the Audit and Governance Committee agreed that an annual report to review the Council's Constitution to be brought to the Committee. This has proved a useful mechanism in providing the Committee with assurances that good governance is in place.
27. With the creation of this report, which will replace the Constitution Review Report, it is hoped that Officers can increase these assurances by providing updates regularly to the Committee and also assist officers in managing updates to the Constitution document throughout the year. The Constitution document is over 480 pages long so ensuring its effectiveness is an endless task for Officers. A Constitution log is kept as a working document to monitor changes and the review work.
28. The Monitoring Officer has delegated authority to update the Constitution arising from decisions of the Council, Executive or where legislation requires a change in wording, terminology. The table below lists those updates made via the decision-making process since November 2020: -

Date	Part of the Constitution Updated	Reason for Change	Decision maker & Report Title
20 May 2021	Various	To allow the removal of the Appeals Committee and creation of two new scrutiny panels to take effect.	Council - Appointments to Committees and Allocation of Seats
07 June 2021	Part Four – Scheme of Delegation to individual Executive Members	to grant the Executive Member for Health and Public Protection the delegated authority to determine future Traffic Regulation Orders	Executive – Traffic Regulation Order for Coastal Car Parks
16 May 2022	Part One – Chapter 16 Code of Conduct – Appendix 5 (annexe) – Executive Portfolios including Specific Service responsibilities	To allow changes to the Executive Portfolios to take effect.	Executive Leader – Amendments to the Areas of Executive Member Responsibility

29. Members are required to note that the changes above have been made in accordance with the decision-making process. Democratic Services Officers make these changes as required as delegated to the Monitoring Officer and the Constitution log is updated accordingly.
30. The report also asks the Committee to consider a number of updates to the Constitution which once agreed will be brought before Council for endorsement:
- i. Firstly, a small update is required to Part Five - Code of Conduct for Members. In consultation with the Head of Legal Services a correction has been identified to allow the document to remain accurate. These updates are identified at Appendix C via track changes. In order for this update to take effect a minor amendment is also required to Part Four - Standing Orders in Respect of Meeting as paragraph 7.6 to be removed from Part Five - Code of Conduct for Members, is referenced within this document. The changes are set out in this report at Appendix C.
  - ii. Secondly, through the ongoing review work of the Constitution a duplication of documents was identified. Part 5 - Chapter 6 - Code of Practice for ensuring Equal Opportunity in Employment is incorporated within the Code of Practice for ensuring Dignity at Work, so can therefore be removed. The Code of Practice for ensuring Dignity at Work has also now been updated and is attached at Appendix D for consideration by the Committee.
31. Members are asked to endorsement the updates above and recommend to Council for approval.
32. Officers will continue to review the Constitution document and ensure its effectiveness and it is anticipated that further updates will be brought to the Committee at the next meeting.

### **RISK ASSESSMENT**

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



**Appendices:**   **Appendix A** – Functions of the Audit and Governance Committee

**Appendix B** – Work Programme 2022/23

**Appendix C** – Members Code of Conduct – Pages 6 & 7

                                          Standing Orders in Respect to Meetings – Page 20

**Appendix D** – The Code of Practice for ensuring dignity at work

**Background Papers:**

The Councils Constitution

Audit and Governance Committee Agenda – 14 March 2022

Council Agenda – 21 April 2022

Annual Governance Statement

**Reference Papers: None**

**Enquiries:**

For further information on this report please contact Sarah Robinson. (Ext 4566)



## Chapter 8 - Functions of the Audit and Governance Committee

### Overall purpose

- 8.1 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.

The purpose of the Audit and Governance Committee is to:

- a) Provide independent assurance to those charged with governance (the Full Council) of the adequacy of the risk management framework and the internal control environment.
- b) Provide independent review of Fareham Borough Council's governance, risk management and control frameworks and oversee the financial reporting and annual governance processes.
- c) Oversee internal audit and external audit, helping to ensure efficient and effective assurance arrangements are in place.

### Accountability

- 8.2 The Audit and Governance Committee should report to those charged with governance (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.
- 8.3 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.

## Governance, Risk and Control

### Corporate Governance

- 8.4 The Audit and Governance Committee's areas of responsibility for Corporate Governance are:
- 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.

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- 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

- 8.5 The Audit and Governance Committee's area of responsibility for the Council's Annual Governance Statement is 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.

## Risk Management and Internal Control

- 8.6 The Audit and Governance Committee's areas of responsibility for Risk Management and Internal Control are:
  - 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

- 8.7 The Audit and Governance Committee's area of responsibility for Value for Money is to consider the Council's arrangements to secure value for money and review assurances and assessments on the effectiveness of these arrangements.

## Counter Fraud

- 8.8 To review the policies and measures in place to prevent fraud and corruption:
  - 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

- 8.9 The Audit and Governance Committee's areas of responsibility for partnerships are to review the governance and assurance arrangements for significant partnerships or collaborations.

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## Audit

### Internal Audit

- 8.10 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, 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:
    - 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

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

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- 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 (Council).  
To advise and recommend on the effectiveness of relationships between external and internal audit and other inspection agencies or relevant bodies.

## Financial Reporting

8.12 The Audit and Governance Committee's areas of responsibility for the Council's Financial Reporting are:

- 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.
- b) To consider the external auditor's report to those charged with governance (Council) on issues arising from the audit of the accounts.

## Wider Functions of the Audit and Governance Committee

8.13 The Audit and Governance Committee is responsible for carrying out wider functions for the Council in relation to:

- a) Standards and ethics
- b) Treasury management
- c) Key policy review
- d) Considering other matters

## Standards and Ethics

8.14 The Audit and Governance Committee's areas of purpose is also:

- 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
- b) To promote, maintain and strengthen high standards of conduct by members and co-opted members of the Council.

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- 8.15 The Audit and Governance Committee's areas of responsibility for Standards and Ethics are:
- a) Advise on an internal framework of probity and standards of conduct that should be followed by members and officers.
  - b) Formulate, monitor and revise, as necessary, Local Codes of Conduct for members and officers.
  - c) Formulate, monitor and revise, as necessary, a protocol for member/officer relationships.
  - d) Issue guidance and best practice advice with regard to probity and ethics including the following:
    - 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.
  - e) Advise on such other matters of a similar kind that may be referred to the Committee.
  - f) Issue advice and guidance to members representing the Council on outside bodies.
  - g) Receive, consider and, where necessary, act on reports, guidance and advice from the Council's Monitoring Officer and the Local Government Ombudsman.
  - h) Provide appropriate training for members and officers with regard to any of the above and the ethical governance of the Council generally.
  - 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) to determine appeals or objections against decisions of the Council's Executive, Committees or officers as set out in Part Two, Chapter 7 of this Constitution.

## Treasury Management

- 8.16 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

- 8.17 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.

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- 8.18 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

- 8.19 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 2022/23

Committee Function and Report Subject		Frequency	Last Covered	July 2022	Sept 2022	Nov 2022	March 2023
<b>OVERALL PURPOSE AND ACCOUNTABILITY</b>							
Review of Work Programme and training plan		Quarterly	2021-22	YES	YES	YES	YES, and Annual Report for 2021/22
Review of the Functions of the Committee		3 yearly	2019-20		YES		
<b>GOVERNANCE, RISK AND CONTROL</b>							
Corporate Governance & AGS	Local Code of Corporate Governance	As needed	2016-17				
	<b>Annual Governance Statement</b>	Annual	2021-22	YES			
Risk Management	Policy	As needed	2016-17				
	<b>Risk Management Monitoring Reports</b>	6 monthly	2021-22		YES		YES
	Business Continuity	3 yearly	2018-19			YES	
	Specific Risk Management topics	As needed	2019-20 (cyber security risks)				
Value for Money	Specific VFM studies	As needed	None				
Counter Fraud	<b>Counter Fraud Policy and Strategy</b>	3 yearly	2016-17			YES	
	<b>Anti-Bribery Policy</b>	As needed	2011-12			YES	
	Sanctions and Redress Policy	As needed	2016-17				
	<b>Counter Fraud Annual Report</b>	Annually	2021-22	YES			
Partnerships	<b>Partnership Governance Report</b>	Annually	2021-22		YES		
<b>AUDIT</b>							
Internal Audit	Internal Audit Strategy	3 yearly	2018-19				
	<b>Internal Audit Annual Plan</b>	Annual	2021-22	YES (from March)			YES
	<b>Internal Audit Progress Report</b>	Quarterly	2021-22	YES	YES	YES	YES

Committee Function and Report Subject		Frequency	Last Covered	July 2022	Sept 2022	Nov 2022	March 2023
	<b>Head of Audit's Annual Opinion</b>	Annual	2021-22	YES			
External Audit	<b>Arrangements for Appointment of External Auditors</b>	As needed	2021-22		YES		
	<b>Annual Plan and Fee</b>	Annual	2020-21	YES			YES
	<b>Annual Auditor's Report and VFM commentary</b>	Annual	2020-21	YES			
	<b>Annual Certification Report</b>	Annual	2021-22				YES
	Specific reports from inspection agencies	As needed	2018-19 (RIPA)				
<b>FINANCIAL REPORTING</b>							
<b>Statement of Accounts</b>		Annual	2021-22	YES			
<b>External Audit – Audit Results Report</b>		Annual	2021-22		YES		
<b>WIDER FUNCTIONS OF THE COMMITTEE</b>							
Standards and Ethics	Review of Code of Conduct for Members	As needed	2015-16				
	Review of member / officer protocol	As needed	2008-09				
	<b>Annual Ombudsman Reports and Overview of Complaints against members</b>	Annual	2021-22		YES		
	<b>Review of Members Training and Development Programme</b>	Annual	2021-22				YES
Treasury Management	<b>Treasury Management Strategy and Indicators</b>	Annual	2021-22			YES	YES - Policy and indicators
Key Policy Review	<b>Annual Review of the Constitution</b>	Annual	2020-21			YES	
	<b>Review of Financial Regulations</b>	3 yearly	2019-20				YES
	Review of Procurement and Contract Procedure Rules	3 yearly	2021-22				
	Prevention of the Facilitation of Tax Evasion	As needed	2021-22				
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				9	8	7	9

## Part 3: Registration and Disclosure of Disclosable Pecuniary Interests

### 7. Obligations

- 7.1 You must, within 28 days of taking office as a Member or Co-opted Member of the Council, notify the Council's Monitoring Officer of any 'disclosable pecuniary interests' as defined by regulations made by the Secretary of State (as set out at Part 2 of this Code), where the pecuniary interest is yours, your spouse's or civil partner's, or is the pecuniary interest of somebody with whom you are living with as a husband or wife, or as if you were civil partners.
- 7.2 You must also, within 28 days of becoming aware of any new disclosable pecuniary interest, or change thereto, notify the Council's Monitoring Officer of such new or changed interest.
- 7.3 If you have disclosable pecuniary interest included on the Register of Members' Interests, you must disclose this interest at any meeting of the Council, its Committees or the Executive at which you are present and participating in the business. Such interest should be disclosed at the commencement of consideration of the business or when the interest becomes apparent. You do not need to disclose details of the interest itself.
- 7.4 If a disclosable pecuniary interest has not been entered onto the Council's Register of Interests, then you must also disclose the interest to any meeting of the Council, its Committees or the Executive at which you are present where you have such an interest in any matter being considered. Such interest should be disclosed at the commencement of consideration of the business or when the interest becomes apparent. You do not need to disclose details of the interest itself. Following disclosure of a disclosable pecuniary interest not on the Council's Register or the subject of pending notification, you must notify the Monitoring Officer of such interest within 28 days, beginning with the date of disclosure.
- 7.5 Unless a dispensation has been granted by the Council, you may not participate in any discussion of, vote on, or discharge of any function related to any matter in which you have a disclosable pecuniary interest. You must as soon as it becomes apparent that you have such an interest (~~save for in circumstances set out at paragraph 7.6 below~~) withdraw from the chamber or room where the meeting considering the business is being held, and must not seek improperly to influence a decision about that business. If acting as a single Executive member you may not take any further steps in relation to the matter other than for the purpose of arranging for the matter to be dealt with otherwise than by yourself.
- ~~7.6 Without prejudice to paragraph 7.5 above, where you have a disclosable pecuniary interest in any business of the Council you may, notwithstanding such disclosable pecuniary interest attend such meeting for the purpose of making representations, answering questions or giving evidence relating to~~

~~such business provided members of the public are also allowed to attend the meeting for the same purpose, whether under a statutory right or otherwise.~~

## **Part 4: Registration of Gifts and Hospitality**

8.1 You must, within 28 days of receipt, notify the Council's Monitoring Officer of any gift or hospitality you receive, if such gift or hospitality has an estimated value of at least £50.

## **Part 5: Registration and Disclosure of Personal Interests**

- 9.1 Without prejudice to requirements contained at Part 3 of this Code in respect of the Registration and Disclosure of Pecuniary Interests, you may in addition notify the Council's Monitoring Officer of any Personal Interests you consider it appropriate to be entered on the Register of Members' Interests.
- 9.2 You have a "personal interest" in an item of business where it relates to or is likely to affect any of the following bodies of which you are a member: a public or charitable body, any body to which you have been appointed by the authority, any political party, trade union or other body one of whose principal purposes is to influence public opinion or policy.
- 9.3 You also have a "personal interest" in an item of business where a decision in relation to it might reasonably be regarded as affecting the well-being or financial position of yourself, a member of your family or person with whom you have a close association, more than other council tax payers, ratepayers or inhabitants of the authority's area.
- 9.4 You shall disclose a "personal interest" at a meeting of the Council, its Committees or the Executive, where you consider that interest to be relevant to an item of business being considered at that meeting. The disclosure shall be made at the commencement of the meeting, or when the interest becomes apparent, and shall be recorded in the minutes of the meeting.
- 9.5 Disclosure of a personal interest does not affect your ability to participate in discussion or vote on the relevant item, provided it is not also a disclosable pecuniary interest. If you consider, having taken advice in appropriate circumstances, you should not participate in the business being considered, you should leave the chamber or room where the business is being considered, after exercising any right to speak which a member of the public would have.



### 2.28.5 General Disturbance

2.28.6 In the event of general disturbance which in the opinion of the Mayor renders the due and orderly dispatch of business impossible, in addition to any other power vested in him/her, the Mayor may, without question put, adjourn the meeting of the Council for such period as he/she in his/her discretion considers expedient.

## 2.29 DISTURBANCE BY MEMBERS OF THE PUBLIC

2.29.1 If a member of the public interrupts the proceedings at any meeting the Mayor shall warn him/her/them. If he/she/they continue(s) the interruption, the Mayor shall order his/her/their removal from the Council Chamber. In the case of general disturbance in any part of the Chamber open to the public, the Mayor shall order that part to be cleared and/or the meeting to be adjourned.

## 2.30 DURATION OF COUNCIL MEETINGS

2.30.1 After a meeting has lasted three hours, the Mayor may direct that only unopposed or formal business shall be proceeded with and any remaining motions shall stand adjourned to a subsequent meeting.

## 2.31 INTERESTS OF MEMBERS IN CONTRACTS AND OTHER MATTERS

### 2.31.1 Disclosable Pecuniary Interests and Pecuniary Interests

2.31.2 If any member of the Council has any disclosable pecuniary interest or a pecuniary interest within the meaning of the Council's Code of Conduct for Members in any contract, proposed contract, or other financial matter, that member must:

(a) disclose the existence and nature of that interest in accordance with the Council's Code of Conduct for Members; and

~~(b) withdraw from the meeting while the contract, proposed contract, or other matter, is under consideration by the Council unless he/she has obtained a dispensation from the Monitoring Officer or can attend in accordance with paragraph 7.5 and/or 7.6 of the Code (i.e. making representations).~~

### 2.31.3 Non-pecuniary Interests

2.31.4 If any member of the Council has a non-pecuniary interest, within the meaning of the Council's Code of Conduct for Members, in any contract, proposed contract, or other matter, that member must disclose the existence and nature of that interest in accordance with the Council's Code of Conduct for Members.

### 2.31.5 General

2.31.6 Any interest under the Council's Code of Conduct for Members must be declared at or as near as possible to the start of a meeting.

2.31.7 Reference in this Standing Order to the Council shall include the Executive, Scrutiny Panels, a Committee, Sub-Committee of the Council.

# FAREHAM

## BOROUGH COUNCIL

### FAREHAM BOROUGH COUNCIL CODE OF CONDUCT AND DISCIPLINARY RULES

Updated June 2022

## SECTION ONE – CODE OF CONDUCT

These rules aim to make clear the standards necessary for ensuring a safe and efficient workplace and for maintaining good employment relations. While minor shortcomings in your conduct should be dealt with informally, the formal procedure may be implemented at any stage if your alleged misconduct warrants such action. Minor shortcomings may be an isolated example of misconduct that falls short of the standards expected at Fareham Borough Council and generally does not have a severe impact on other people or services. The Investigating Officer and HR representative reserve the right to decide whether conduct will be defined as a minor shortcoming or a more serious breach, which includes gross misconduct.

### 1. CONDUCT TOWARDS OTHERS

While carrying out your duties and/or representing the Council, you must not abuse your position within the Council for personal gain or behave in a way that could be perceived as threatening or abusive to another person. Discrimination on any grounds will not be tolerated and could be reason for dismissal. You must not be involved in the recruitment or any other management action of an individual where there is an existing personal relationship.

### 2. CONDUCT OF THE COUNCIL'S BUSINESS

#### 2.1 Working Arrangements

You must comply with the agreed working arrangements for your role, including hours of work, breaks, sickness absence and leave requests. Further information can be provided by your line manager.

#### 2.2 Council Policies, Procedures, Rules and Regulations

You must comply with all Council policies, procedures, rules, regulations and the law as it relates to your job (hereafter referred to as 'the rules'). Policies can be found on the Intranet and the Hub or from your manager if you do not have IT access.

You will not:

- a) Act in an abusive manner or use language likely to cause offence;
- b) Be under the influence of alcohol or other substances while at work or on duty;
- c) Wilfully fail to adapt to change;
- d) Disobey or fail to carry out reasonable instruction;
- e) Inappropriately use the internet during working hours;
- f) Continually fail to report to work on time or be absent from work without prior authorisation;
- g) Breach the Council's smoking policy;
- h) Fail to comply with a health and safety requirement or breach safety or hygiene rules and instructions;



- i) Fail to carry out duties required by contract or statute;
- j) Use public funds in an irresponsible and unlawful way;
- k) Fail to report any matter that is required to be reported;
- l) Fail to allow the seizure of goods and space provided by the Council;
- m) Fail to wear Council issued uniform as required or follow the Council's dress code;
- n) Fail to properly wear safety clothing or footwear or properly use safety equipment or fail to have regard to health and safety requirements;
- o) Breach the trust that the public has placed in you;
- p) Act in a way that could result in action against the Council as a result of negligence or duty of care;
- q) Knowingly breach a third party copyright;
- r) Knowingly breach the Council's Information Management & Information & Communication Technology Guidelines & Compliance Statement.

### 2.3 Records and Documentation

You must take reasonable steps to ensure that all required information is provided accurately, in full and on time. The deliberate falsification or destruction of records may be reason for dismissal.

You will not:

- a) Make any false, misleading, or inaccurate oral or written statement or entry in any record or document;
- b) Change or erase any entry with the intention of deception or misrepresentation;
- c) Destroy or damage records for malicious purposes or without sufficient reason;
- d) Fail to make arrangements for the security of records;
- e) Fail to make records available in time for management and audit purposes;
- f) Fail to account for or promptly return money or property received during duties, create a shortage of cash or fail to pay cash at the right time or fail to comply with the Council's financial regulations;
- g) Make obscene, defamatory or unauthorised comments on records, reports or correspondence (both internal and external).

### 2.4 Care of Tools and Materials

You must take care of all tools, materials and any other property of Fareham Borough Council. Any loss or damage must be reported to your manager immediately. All property must be used correctly and only by individuals who are qualified to use it. Council property will not be removed from Council workspaces without prior authorisation.

You will not:

- a) Remove property from Council facilities without prior authorisation.

- b) Use or allow others to use any such items without prior authorisation;
- c) Use any such items for unauthorised purposes;
- d) Cause waste, loss or damage;
- e) Dispose of a Council asset without prior authorisation;
- f) Misuse the Council's telephone, radio, electronic or postal systems;
- g) Use external CD's, storage devices, memory cards without having it virus checked by ICT;
- h) Use the Council's facilities for personal reasons without your manager's approval;

### 2.5 Alcohol, Drugs and Other Substances

You must not report to work unfit or become unfit to carry out your duties during work hours as a result of drug or alcohol use. You must ensure that any alcohol consumed outside of working hours will not affect your work or conduct. If you have been prescribed drugs that may adversely affect you, you must inform your manager.

### 2.6 Political Neutrality

Employees in politically restricted posts are prevented from having any active political role either in or outside of work. You must not allow personal or political opinions interfere with your work. If your position requires you to advise Members, you must do so impartially and not compromise your political neutrality. Employees and Councillors will treat each other with mutual respect and professionalism. You should avoid personal familiarity with Councillors.

The Politically Restricted Posts policy can be found here.

## 3. CONFIDENTIALITY AND DISCLOSURE OF INFORMATION

Under the General Data Protection Regulations 2018 (GDPR), you must not give information to any person who does not have a right to receive it. All sensitive and confidential information used in day to day work must be kept secure and used for its appropriate purpose.

GDPR and data protection rules apply at all times; both in the office and working remotely. You must ensure that sensitive and confidential information is not seen or overheard by unauthorised persons. The spirit of the Council's clear desk policy applies regardless of where you are working.

## 4. TENDERING

If you are involved in a tendering process, you must comply with the Council's Standing Orders. Fairness and impartiality must be exercised during the tendering process and ensure that no special favour is shown to anyone.

You will comply with the [Procurement Contract Procedure and Rules](#) and the [Anti-Bribery Policy](#) during the tendering process.

### 5. GIFTS AND HOSPITALITY

The general rule is that you cannot accept gifts and hospitality other than insignificant gifts e.g. pens, diaries; one-off reward of money where the customer feels the service is 'above the call of duty' and is below £20 and you have your Head of Service's approval; and hospitality received at conferences, meetings or seminars where it is a corporate event.

All gifts and hospitality must be declared to your manager and HR using the [form](#) giving details of who provided the gift and what was done with it (e.g. donated to the Mayor's charity). This must be done within 28 days of receipt.

For further clarity about Gifts and Hospitality, contact HR.

### 6. OUTSIDE INTERESTS

Other paid employment and personal business interests must not interfere with your work for the Council. If you have, or are considering a second job, you should discuss it with your manager and will need their specific approval in writing. You should be clear about your contractual obligations and should not take outside employment that conflicts with the Council's interests.

You must declare any situation which could be perceived as providing an unfair advantage in the Council's Register of Gifts, Hospitality and Interests.

All relationships of a business or private nature with external contractors, or potential contractors, must be made known to the appropriate manager and declared in the Council's Register of Gifts, Hospitality and Interests.

### 7. SPONSORSHIP

Where an outside organisation wishes to sponsor or is seeking to sponsor a local government activity, the basic rules regarding acceptance of gifts or hospitality apply.

Where the Council wishes to sponsor any event or service you must not benefit directly without there being a full disclosure to the appropriate manager of any such interest.

### 8. OFF-DUTY HOURS

In general, what you do in your own time is your personal concern, but you must not allow your private interests to conflict with your job. Council-issued uniform is not to be worn during off-duty hours. Council vehicles and equipment will only be used while on duty unless you have express permission from your Head of Service.

Council vehicles will not be used for personal errands. The Council's Social Media Policy applies at all times.

### SECTION 2 – DISCIPLINARY RULES

#### 1. MISCONDUCT

In the event of misconduct, you will not be dismissed for a first breach of discipline. You may, after careful investigation of the alleged offence, have disciplinary action taken against you as a result of misconduct.

#### 2. GROSS MISCONDUCT

Acts resulting in a more serious breach of the Council's rules may, after proper investigation of the alleged offence, justify summary dismissal (dismissal without notice or previous warning). More serious breaches will generally impact other people or services; have the potential to cause damage; and/or be with intent.

Examples of conduct that may lead to disciplinary action and/or dismissal are listed in Appendix 1.

**NOTE:** Where an employee has failed to respond to previous disciplinary warnings for misconduct, the same conduct may be considered gross misconduct on an individual level.

#### 3. DEALING WITH POLICE INVESTIGATIONS, CRIMINAL ACTIVITY OR CONVICTION

The main consideration shall be whether the police investigation or offence is one that makes you unsuitable for your type of work. Criminal offences which may affect your suitability to do your job or make you unacceptable to others will be investigated.

The first stage shall be to determine after considering the facts whether the conduct is sufficiently serious to warrant a Disciplinary Hearing. This will be based on the outcome of the investigation. Awaiting the outcome of any criminal investigation may not delay a Disciplinary Hearing.

#### 4. AMENDMENT TO TIME LIMITS AND REVIEW

The parties involved in a disciplinary matter may, on occasion and by mutual agreement, modify the time limits referred to in this Procedure. The Code of Conduct and Disciplinary Rules will be reviewed from time to time. Any amendments needed in the light of developments in employment legislation or employee relations practice to ensure their continuing relevance and effectiveness will be made in consultation with the recognised trade unions.

## Appendix D

Any amendments and additional rules imposing new obligations will only be introduced after reasonable notice has been given to all employees.

### APPENDIX 1

Any of the below examples of conduct or similar may lead to dismissal (considered gross misconduct):

- a) Unlawful discrimination or harassment;
- b) Serious insubordination to a member of management including continual refusal to carry out reasonable instructions;
- c) Theft of Council property, fraud/dishonesty or deliberate falsification or destruction of records, actual or intended;
- d) Disorderly or indecent conduct, physical violence or bullying, actual or threatened;
- e) Serious breach of the Council's Policies, Procedures, Rules, Regulations and legislation relating to the job;
- f) Action or omission which may endanger the employee or another person or seriously damage the reputation of the Council and its services;
- g) Possession of illegal substances, or being under the influence of drugs or alcohol against a management instruction, or breaching a position of responsibility or trust or safety;
- h) Failure to respond to previous disciplinary warnings;

This is not an exhaustive list.

# FAREHAM

## BOROUGH COUNCIL

### Report to Audit and Governance Committee

**Date:** 07 July 2022

**Report of:** Deputy Chief Executive Officer

**Subject:** EXTERNAL AUDIT – ANNUAL REPORT & VALUE FOR MONEY COMMENTARY

#### SUMMARY

This report presents the External Auditor's Annual Audit Report which summarises the findings from the 2020/21 audit.

#### RECOMMENDATION

It is RECOMMENDED that the Committee notes the contents of the Annual Audit Report 2020/21 submitted by the Council's external auditors, attached as Appendix A.

**Appendices:** [Appendix A - Ernst and Young Annual Audit Report 2020/21](#)

**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 Andrew Wannell. (Ext 4620)







# Fareham Borough Council

Auditor's Annual Report  
Year ended 31 March 2021

28 March 2022



**EY**

Building a better  
working world

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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.psaa.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.

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

A close-up portrait of a woman's face, focusing on her eyes and nose. The image is partially obscured by a bright yellow rectangular overlay on the left side. The woman has light brown hair and green eyes.

Section 1

# Executive Summary

## Executive Summary: Key conclusions from our 2020/21 audit

Area of work	Conclusion
<b>Opinion on the Council's:</b>	
Financial statements	We issued an unqualified opinion – the financial statements give a true and fair view of the financial position of the Council as at 31 March 2021 and of its expenditure and income for the year then ended. The financial statements have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.
Going concern	We concluded that the Deputy Chief Executive Officer's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.
Consistency of the Statement of Accounts 2020/21 and other information published with the financial statements	We concluded that financial information in the Statement of Accounts 2020/21 and published with the financial statements was consistent with the audited accounts.

Area of work	Conclusion
<b>Reports by exception:</b>	
Value for money (VFM)	We had no matters to report by exception on the Council's VFM arrangements.  We have included our VFM commentary in Section 04.
Consistency of the annual governance statement	We concluded that we are satisfied that the annual governance statement was consistent with our understanding of the Council.
Public interest report and other auditor powers	We had no reason to use our auditor powers.

# Executive Summary: Key conclusions from our 2020/21 audit

As a result of the work we carried out we have also:

Outcomes	Conclusion
Issued a report to those charged with governance of the Council communicating significant findings resulting from our audit.	We issued an Audit Results Report dated 28 February 2022 to the Audit and Governance Committee on 14 March 2022.
Issued a certificate that we have completed the audit in accordance with the requirements of the Local Audit and Accountability Act 2014 and the National Audit Office's 2020 Code of Audit Practice.	We have not yet issued our certificate for 2020/21 as we have not yet performed the procedures required by the National Audit Office on the Whole of Government Accounts submission. The guidance for 2020/21 is delayed and has not yet been issued, We will liaise with the Council to complete this work as required

## Fees

We carried out our audit of the Council's financial statements in line with PSAA Ltd's "Statement of Responsibilities of auditors and audited bodies" and "Terms of Appointment and further guidance (updated April 2018)". As outlined in the Audit Results Report we were required to carry out additional audit procedures to address audit risks in a number of areas. As a result, we intend to agree an associated additional fee with the Deputy Chief Executive Officer. We include details of the audit fees in Appendix 1.

We would like to take this opportunity to thank the Council staff for their assistance during the course of our work.

Kevin Suter

Associate Partner  
For and on behalf of Ernst & Young LLP

Section 2

## Purpose and responsibilities

# Purpose and responsibilities

---

This report summarises our audit work on the 2020/21 financial statements.

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## **Purpose**

The purpose of the auditor's annual report is to bring together all of the auditor's work over the year. A core element of the report is the commentary on VFM arrangements, which aims to draw to the attention of the Council or the wider public relevant issues, any recommendations arising from the audit and follow-up of recommendations issued previously, along with the auditor's view as to whether they have been implemented satisfactorily.

## **Responsibilities of the appointed auditor**

We have undertaken our 2020/21 audit work in accordance with the Audit Plan that we presented to the Audit and Governance Committee on 12 July 2021. We have complied with the NAO's 2020 Code of Audit Practice, International Standards on Auditing (UK), and other guidance issued by the NAO.

As auditors we are responsible for:

Expressing an opinion on:

- The 2020/21 financial statements;
- Conclusions relating to going concern; and
- The consistency of other information published with the financial statements, including the annual report.

Reporting by exception:

- If the governance statement does not comply with relevant guidance or is not consistent with our understanding of the Council;
- If we identify a significant weakness in the Council's arrangements in place to secure economy, efficiency and effectiveness in its use of resources; and
- Any significant matters that are in the public interest.

## **Responsibilities of the Council**

The Council is responsible for preparing and publishing its financial statements, and governance statement. It is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Section 3

# Financial Statement Audit





# Financial Statement Audit – Fareham Borough Council

## Key issues

We issued an unqualified audit opinion on the Council's 2020/21 financial statements on 18 March 2022.

The Annual Report and Accounts is an important tool for the Council to show how it has used public money and how it can demonstrate its financial management and financial health.

We issued an unqualified opinion on the financial statements. We reported our Audit Results Report to the 14 March meeting of the Audit and Governance Committee. We outline below the key issues identified as part of our audit, reported against the significant risks and other areas of audit focus we included in our Audit Plan.

## Significant risk

## Conclusion

### **Misstatements due to fraud or error - management override of controls**

An ever present risk that management is in a unique position to commit 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 did not identify any:

- material weaknesses in controls or evidence of material management override;
- instances of inappropriate judgements being applied; or
- any other transactions during our audit which appear unusual or outside the Council's normal course of business.

### **Inappropriate capitalisation of revenue expenditure**

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 identified opportunity and incentive to capitalise expenditure under the accounting framework, to remove it from the general fund.

In response to the risk we tested capital additions to ensure that the expenditure incurred and capitalised was clearly capital in nature.

We identified no instances where expenditure had been inappropriately capitalised.

Continued over.

## Financial Statement Audit – Fareham Borough Council (continued)

Significant Risk	Conclusion
<p><b>Valuation of investment property</b> The fair value of Investment Properties represent a significant balance in the Authority's accounts and are subject to valuation changes and market fluctuations. Management is required to make material judgements and apply estimation techniques to calculate the year-end balance recorded in the balance sheet. 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. We made use of our own professionally qualified valuation specialists to support our work in this area.</p>	<p>We completed our work in this area with no significant findings.</p> <p>All properties reviewed fell within our expected ranges.</p> <p>One misstatement was identified and was adjusted for which is the misclassification of an item of other land and building as an investment property. This had a value of £1.3m and caused the in-year revaluation increase of £1m to be reclassified as Other Comprehensive Income.</p>

## Financial Statement Audit – Fareham Borough Council (continued)

Other area of audit focus	Conclusion
<p><b>Valuation of operational Land and Buildings</b></p> <p>The fair value of Property Plant and Equipment represents a significant balance in the Council's accounts and is subject to valuation changes, impairment reviews and depreciation charges. Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet.</p>	<p>We reviewed the work performed by a review of the Council's valuer, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work. We sample tested a selection of assets.</p> <p>Our work in this area identified two significant findings relating to the areas used for the calculation of the values of two properties. This resulted in a net increase of £2.3m to the valuation of operational land and buildings.</p>
<p><b>Pension liability valuation</b></p> <p>The Pension Fund liability is a material balance in the Balance Sheet. 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.</p>	<p>We obtained assurances from the auditors of Hampshire Pension Fund that the information supplied to the actuary in relation to Fareham Borough Council was accurate and complete.</p> <p>An adjustment of £2.5m was required as a result of our work to reflect the Council's share of the difference between the estimated value of Pension Fund assets the final audited value.</p> <p>We have reviewed the work of the actuaries. We challenged the actuarial valuation and found no indication of management bias in this estimate, and the assumptions were reasonable.</p>
<p><b>Going concern disclosures</b></p> <p>The Council is required to carry out an assessment of its ability to continue as a going concern for the foreseeable future, being at least 12 months after the date of the approval of the financial statements. There is a risk that the Council's financial statements do not adequately disclose the assessment made, the assumptions used and the relevant risks and challenges that have impacted the going concern period.</p>	<p>Our review of management's continued use of the going concern assumption concludes it remains appropriate. We reviewed the proposed going concern disclosures for inclusion in the financial statements and proposed relatively minor updates which management made. In our view no significant uncertainty exists that may cast doubt on the Council's ability to continue as a going concern, which would be required to be disclosed.</p> <p>The key issues we reflected on for our assessment relate to a combination of the Council's liquidity and its level of General Fund reserves. Management's assessment demonstrates that reserves should be maintained above the minimum level set by the s151 officer for the foreseeable future, and the Council will have access to sufficient working capital.</p>

# Financial Statement Audit – Fareham Borough Council (continued)

Other area of audit focus	Conclusion
<p><b>Accounting for Covid-19 related grant funding</b></p> <p>The Council has received a significant level of government funding in relation to Covid-19. Whilst there is no change in the CIPFA Code or accounting standard (IFRS 15) in respect of accounting for grant funding, the emergency nature of some of the grants received and in some cases the lack of clarity on any associated restrictions and conditions, means that the Council will need to apply a greater degree of assessment and judgement to determine the appropriate accounting treatment in the 2020/21 statements.</p>	<p>Where the Council acted as principal, because it has the control over the allocation of the funding to the beneficiaries of these grants then these should be processed through the Comprehensive Income and Expenditure Statement (CIES).</p> <p>For those grants received where the Council is acting as an agent – passing on the funds without any discretion - we would not expect these to be processed through the (CIES) but would expect to see the amounts received disclosed in the notes to the accounts.</p> <p>Based on the work performed we were not satisfied with the accounting treatment adopted for Covid-19 related government grants. The accounts held a number of the principal Covid-19 grants within creditors rather than income and expenditure. We worked with the Council to agree the final figures to be posted into the accounts, resulting in material corrections of £2.8m within income and expenditure and £1.9m between creditors and receipts in advance.</p>
<p><b>NNDR Appeals provision</b></p> <p>The Non Domestic Rates Appeals Provision is a material balance in the financial statements which requires a number of assumptions and judgements.</p> <p>In prior years we have identified errors above our audit differences threshold.</p>	<p>We have reviewed the calculation of the provision and confirmed that the calculation initially used the management specialist threat report to estimate the level of outstanding appeals.</p> <p>There was an incorrectly labelled column in this report which included the forecast losses from 21/22 and 22/23. This caused the provisions to be overstated by £2.4m, with Fareham's share amounting to a £989k overstatement.</p> <p>We reviewed the assumptions, methods and models used by management's specialist. We identified no issues other than the documentation issue noted above.</p> <p>Our post year-end review of appeals settled identified no issues.</p>

# Financial Statement Audit – Fareham Borough Council (continued)

## Audit differences

Other than the differences identified above and a relatively small number of errors and misstatements in disclosures which management corrected, we identified a payable of £959k incorrectly transferred from a cash control account. Upon investigation we identified that this was caused by a timing difference as to when the reconciliation was performed, we therefore agreed with the council that this should be adjusted to remove the amount from payables to the cash account.

## Our application of materiality

When establishing our overall audit strategy, we determined a magnitude of uncorrected misstatements that we judged would be material for the financial statements as a whole.

Item	Thresholds applied
<b>Planning materiality</b>	We determined planning materiality to be £1.319m as 2% of gross revenue expenditure reported in the accounts. We consider gross revenue expenditure to be one of the principal considerations for stakeholders in assessing the financial performance of the Council.
<b>Reporting threshold</b>	We agreed with the Audit and Governance Committee that we would report to the Committee all audit differences in excess of £0.066m.

Section 4

## Value for Money

# Value for Money (VFM)

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We did not identify any risks of significant weaknesses in the Council's VFM arrangements for 2020/21.

## Scope and risks

We have complied with the NAO's 2020 Code and the NAO's Auditor Guidance Note in respect of VFM. We presented our VFM risk assessment to the 12 July 2021 Audit and Governance Committee meeting which was based on a combination of our cumulative audit knowledge and experience, our review of Council and committee reports, meetings with senior officers and evaluation of associated documentation through our regular engagement with management and the finance team. We reported that we had not identified any risks of significant weaknesses in the Council's VFM arrangements for 2020/21.

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We had no matters to report by exception in the audit report.

## Reporting

We completed our planned VFM arrangements work in the week commencing 14 March 2022 and did not identify any significant weaknesses in the Council's VFM arrangements. As a result, we had no matters to report by exception in the audit report on the financial statements.

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Our VFM commentary highlights relevant issues for the Council and the wider public.

## VFM Commentary

In accordance with the NAO's 2020 Code, we are required to report a commentary against three specified reporting criteria:

- **Financial sustainability**  
How the Council plans and manages its resources to ensure it can continue to deliver its services.
- **Governance**  
How the Council ensures that it makes informed decisions and properly manages its risks.
- **Improving economy, efficiency and effectiveness:**  
How the Council uses information about its costs and performance to improve the way it manages and delivers its services.

## Introduction and context

The 2020 Code confirms that the focus of our work should be on the arrangements that the audited body is expected to have in place, based on the relevant governance framework for the type of public sector body being audited, together with any other relevant guidance or requirements. Audited bodies are required to maintain a system of internal control that secures value for money from the funds available to them whilst supporting the achievement of their policies, aims and objectives. They are required to comment on the operation of their governance framework during the reporting period, including arrangements for securing value for money from their use of resources, in a governance statement.

We have previously reported the VFM work we have undertaken during the year including our risk assessment. The commentary below aims to provide a clear narrative that explains our judgements in relation to our findings and any associated local context.

For 2020/21, the significant impact that the Covid-19 pandemic has had on the Council has shaped decisions made, how services have been delivered and financial plans have necessarily had to be reconsidered and revised.

We have reflected these national and local contexts in our VFM commentary.

## Financial sustainability

*How the body ensures that it identifies all significant financial pressures that are relevant to its short term and medium-term plans and builds these into them*

The Medium-Term Finance Strategy (MTFS) is reviewed annually and involves discussions with the Deputy Chief Executive, Head of Finance and Audit and two Finance Managers who should be aware of most the significant pressures arising. The Finance Managers are in regular discussion with the Finance Business Partners, at least once a month. All services are assigned a Finance Business Partner and their role is to be in regular discussion with their services to identify financial pressures arising.

Where there are significant changes occurring in the year which affect the MTFS assumptions, these will be built into the MTFS workings to see the effect. In 2020/21 this resulted in an emergency budget being taken to the Executive in September before the update of the MTFS was scheduled. This was then used to update the MTFS.

Regular Corporate Financial Forecasting meetings are held with the Deputy Chief Executive, Head of Finance and Audit and two Finance Managers to review the current financial position. These are usually held every two months or more frequently at times when the MTFS and outturn reports are being prepared. This is backed up by a "Good News/Bad News" update from each of the Finance Business Partners.

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The Council has had the arrangements we would expect to see to enable it to plan and manage its resources to ensure that it can continue to deliver its services.

Arrangements took into account the impact of the Covid-19 pandemic.

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## **Financial sustainability (continued)**

Further financial monitoring is introduced if needed. The finance team introduced a weekly covid monitoring dashboard which highlighted the financial impacts of the pandemic and was predicting further shortfalls arising which would need to be financed from reserves. This was done to take into account the first lockdown and then updated when the next lockdown occurred.

### How the body plans to bridge its funding gaps and identifies achievable savings

The MTFs contains a 5-year projection of net expenditure and funding sources and highlights any funding gaps arising.

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The Council has had the arrangements we would expect to see to enable it to plan and manage its resources to ensure that it can continue to deliver its services.

Funding gaps are addressed through an Opportunity Plan, which is well managed

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As a result of the gaps identified 2 years ago the organisation carried out an exercise to identify opportunities to save money or generate income. The ideas arising were moderated by the Chief Executive and Deputy Chief Executive to set a 2-year Opportunity Plan of projects to be delivered. This plan is updated and extended as further funding gaps are identified.

Reserves were then allocated to finance the establishment of an "Opportunities Plan project team" plus other associated costs which would be needed to achieve the implementation the projects identified.

Progress on delivery of the plan is reported to the Opportunities Board which consists of the Chief Executive, Deputy Chief Executive, Head of Finance and Audit, Director of Leisure and Community and the Project team lead.

Savings being achieved as projects are delivered are built into the budgets each year and highlighted in the Executive reports.

Larger projects are also subject to specific reports to the Executive supported by member briefings

Reserves are also maintained to solve short-term issues outside of the Opportunities Plan. Monitoring of the financial impacts of the pandemic was predicting further shortfalls arising which would need to be financed from reserves.

### How the body plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities

Formal budget setting is carried out in the summer / late autumn each year with updates during the year as appropriate. This involves discussions between service manager and their Finance Business Partners to ensure that funding in built in to deliver the statutory priorities.

The Council maintains a Corporate Strategy which sets out its strategic priorities. Service managers and Finance Business Partners are made aware of the content of the document and take this into account when setting the budgets each year.

## Financial sustainability (continued)

A formal support document is being developed to map the budget allocations against the corporate strategy headings, particular where capital funding will be required.

The funding will be monitored through the budgetary control process.

*How the body ensures that its financial plan is consistent with other plans such as workforce, capital, investment, and other operational planning which may include working with other local public bodies as part of a wider system*

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The Council has had the arrangements we would expect to see to enable it to plan and manage its resources to ensure that it can continue to deliver its services.

Finances link to the Corporate Strategy, and other organisational plans.

Operational changes are identified by Finance Business Partners during the year through discussion with their service managers; they are also involved in checking any reports going to the various decision-making committees which have financial implications. This will include specific plans for the organisation. Any significant changes are highlighted in the good news / bad news updates prepared by the Finance Business Partners.

The Council has a number of well-established partnerships which are built into the normal budgetary control processes. Any significant changes to the partnership will be subject to reports to the Executive Committee which will highlight the financial implications. Finance Business Partners will be involved in the production of these reports and can capture the implication for the financial plan.

There is an establishment monitoring process carried out by the finance team which feeds into the Corporate Financial Forecasting monitoring and the MTFS. Any changes in establishment is subject to the completion of a financial implication sheet which is prepared in consultation with the relevant Finance Business Partner.

Projects to be added to the Capital programme are subject to the completion of a capital evaluation form. The funding needs for the resulting capital programme are discussed between the two Finance Mangers and any need for Revenue contributions or use of reserves identified. This is monitored through the Corporate Financial Forecasting meetings.

*How the body identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans*

Regular Corporate Financial Forecasting meetings are held with Deputy Chief Executive, Head of Finance and Audit and the two Finance Managers to review the current financial position. This is backed up by a “Good News/Bad News” update from each of the Finance Business Partners, who will be picking up unplanned changes in demand from their budget meetings with service managers. Where there are significant changes occurring in the year which affect the MTFS assumptions, these will be built into the MTFS workings to see the effect.

## Financial sustainability (continued)

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The Council has had the arrangements we would expect to see to enable it to plan and manage its resources to ensure that it can continue to deliver its services.

Regular monitoring and reporting manages risks, including from the pandemic.

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In 2020/21 Fareham Borough Council supplemented this process by the introduction of weekly Covid dashboards to highlight the financial impact of the pandemic where assumptions underlying the current financial plans were significantly affected and needed revising. This resulted in an unplanned emergency budget being presented to members in September, along with a Financial Recovery plan (after lockdown 1).

In 2019/20 Fareham Borough Council introduced a “Living within our means” campaign to highlight to managers the predicted overspend for the year and the need to turn around the trend in spending. In 2020/21 this moved to a “Living below our means” campaign due to the financial forecasts arising from the Covid dashboard monitoring, which sought to minimise the level of reserves that would be needed to finance the council’s spending that year and in the following year.

Reserves are also available to solve short-term issues.

## Governance

### How the body monitors and assessed risk and how the body gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud

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The Council has had the arrangements we would expect to see to enable to make informed decisions and properly manage its risks.

Risk management is an integrated process with everyday management of the Council. Processes were amended during the pandemic, focusing on the Council's response and recovery.

Good arrangements are in place for Internal Audit, and to counter fraud.

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The council adopted a new approach to risk management in 2017, based on vanguard principles. This stresses that risk management is an integral part of everyday management and decision making and not as a separate corporate process and therefore do not maintain risk registers except for specific topics and projects. The policy sets out the 7 principles of good risk management at the Council. Meetings are held with Internal Audit, Finance Business Partners and Heads of Service to identify the risks to their services every year (in two 6 monthly batches) and examples are obtained of changes in their risks that they have been managing in the last 12 months. These feed into a report to the senior management team and the Audit and Governance Committee. In particular, the report highlights those risks where further actions are needed.

These six-monthly risk reports have been put in hold during pandemic and risk management activity has focused on the council's response and recovery, including a set of formal written recovery plans for the last report before being put on hold.

The Council maintains an internal audit service which is resourced in partnership with Portsmouth City Council. The Head of Audit, however, remains an employee of Fareham Borough Council. The internal audit service provided independent assurance on the effective operation of controls in accordance with the internal audit strategy and internal audit charter. A plan of work is set for the team each year per the Internal Audit Plan. Progress on delivering the plan and the latest findings arising are reported to each meeting of the Audit and Governance Committee. The results of all this work is used in the Annual Head of Audit's Opinion report along with other sources of assurances on internal control available that year, to provide the Audit and Governance Committee an annual assurance opinion. Highlights are also presented to the Chief Executives Assurance Group.

As well as the Internal Audit service, the Councils also maintains a Corporate Fraud Team and an Investigations Team, and their work is also used by management to gain assurance on arrangements to prevent and detect fraud.

The scope of the work carried out by internal audit includes testing the adequacy of controls to prevent or detect fraud or error. The reports include overall assurance opinions for each audit and highlight any weaknesses in controls designed to prevent and detect fraud and error. The Annual Head of Audit's report also highlights any income or expenditure errors (including the value) which have been identified from audit testing.

An Annual Counter Fraud Report is also produced and presented to the Audit and Governance Committee by the Head of Finance and Audit.

## **Governance (continued)**

The Section 151 Officer is also kept aware of any significant Corporate Fraud investigations, particularly where internal fraud is suspected and is often the Steering Officer for these cases so is aware of what is being found in these cases.

### How the body approaches and carries out its annual budget setting process

The approach has been the same for a number of years. The budget papers roll the base budget forward and the Finance Business Partners make known changes in line with the guidance from the MTFs and following discussions with the service managers. The Finance Manager is responsible for overseeing the whole process and will regularly monitor the budget position from an overall perspective including the financing of the budget from central government grants, retained business rates and council tax funding. The Finance Manager also leads on feeding in the amended establishment costs for the year. The other Finance Manager prepares the projections for the Capital programme to feed in any financing implications to the revenue budget preparation.

Once all the information has been collated the Finance Manager pulls together the overall budget proposed and updates the 5-year projections. The budget set and the council tax implications are presented to the Executive Committee.

The Council is currently implementing a new finance system which will include an integrated budget setting module.

### How the body ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information where appropriate); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed

Budget reports are produced electronically daily and are available to the budget managers. They are used and adapted by Finance Business Partners in their regular budgetary control monitoring meetings.

Regular Corporate Financial Forecasting meetings are held with the Deputy Chief Executive, Head of Finance and Audit and the two Finance Managers to review the current financial position. These are usually held every two months or more frequently at times when the MTFs and outturn reports are being prepared. This is backed up by a "Good News/Bad News" update from each of the Finance Business Partners, which highlights issues arising from their meetings with service managers.

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The Council has had the arrangements we would expect to see to enable to make informed decisions and properly manage its risks.

Annual budgeting processes are appropriate, and effective arrangements are in place to manage the budget through the year.

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## Governance (continued)

Formal budget monitoring information is presented to members as part of the next year's budget setting process at which points revised budgets will be set. A six-monthly position report is also presented to the Executive each autumn. An outturn position report is presented to members in July each year which includes a narrative of the financial activity in the year.

Monthly summary financial information is published online for all Members and the public. This can be found on the Council's website at:

[http://www.fareham.gov.uk/pdf/about\\_the\\_council/councilport.pdf](http://www.fareham.gov.uk/pdf/about_the_council/councilport.pdf)

A narrative report is included in the Statement of Accounts highlighting the financial and non-financial performance in the year. This is presented to the Audit and Governance Committee.

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The Council has had the arrangements we would expect to see to enable to make informed decisions and properly manage its risks.

Decisions are made following the Constitution, considering legal and financial responsibilities.

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*How the body ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance/Audit Committee*

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. Procedures include publishing committee reports on the Council's website in advance of meetings.

The committee structure follows the Executive Leader and cabinet model, which requires Fareham 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 normally 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 falls 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.

The Monitoring Officer and Chief Finance Officer maintain their legal responsibilities to ensure that the Council acts legally and within its financial means and are present at all the executive Committee meetings, along with a representative from the legal services partnership.

## Governance (continued)

The Notice of Key Decisions highlights any key decisions due to be made and these are published 28 days prior, 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.

The Audit and Governance Committee's role is not to challenge the decisions of the Executive, that is the role of the Scrutiny Panels. Their role is to review the adequacy of the governance arrangements including decision making which is covered when they review the Annual Governance Statement and review the changes being made to the Constitution. They also recently requested clarity on how to refer an item for consideration through the decision-making process.

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The Council has had the arrangements we would expect to see to enable to make informed decisions and properly manage its risks.

Appropriate arrangements are in place to ensure the Council meets appropriate standards in behaviours.

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*How the body monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of officer or member behaviour (such as gifts and hospitality or declarations/conflicts of interests)*

In accordance with the Localism Act 2011 Fareham Borough Council has a Code of Conduct which sets out the behaviours expected from our members, and arrangements in place to deal with any matters identifies of ethics, honesty and member conduct. This includes a formal member complaint procedure which is overseen by the Monitoring Officer. New members receive an induction session on the Code including how to declare interests in advance and at committee meetings.

A report is presented annually to the Audit and Governance Committee setting out the number of complaints received about member and any 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 Council's Code of Conduct and Disciplinary Rules and Procedure aim to maintain appropriate standards of conduct at work by employees. All new employees complete induction on the content of the Code. A revised policy on employee gifts, hospitality and interests has been drafted to meet the needs of the Bribery Act and will be finalised in 2021/22 along with a new platform for the Register of interests. The Council has an Anti-Bribery policy and a Whistleblowing policy and channels to allow concerns to be raised.

## **Improving economy, efficiency and effectiveness**

### *How financial and performance information has been used to assess performance to identify areas for improvement*

The budget monitoring report identifies areas that are of high demand or have a net budget of over £1m. The reporting of these services highlights where risks can be identified should these areas be overspent.

The Tree service budgets is an example of this. As this service continued to overspend year on year, the Council made a temporary increase in this budget in 2019/20 and evoked an opportunity plan project to look at the service provision and spend of the service. This review carried on throughout 2020/21 and was finalised in 2021/22 with a report to the Executive Committee. The proposals in the review of the Council's Trees Service review helps to ensure that the Council's growing tree stock continues to be managed in an effective way whilst minimising the risk of future budgetary pressures.

At the end of the year any areas which were overspent are discussed in the Finance Business Partners meeting and an action plan devised to work with the service to bring the spend under control.

Performance information is also collated, particularly in the form of the service level agreement report and discussed to identify areas for improvement.

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The Council has had the arrangements we would expect to see to enable it to use information about its costs and performance to improve the way it manages and delivers services.

Financial and performance information are used to assess services.

### *How the body evaluates the services it provides to assess performance and identify areas for improvement*

The Council uses a range of mechanisms, both formal and informal, to evaluate its performance in delivering services, and for identifying and delivering service improvement opportunities.

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It starts from the top, with a clear expectation that the services provided should be delivered in a way that puts the customer at the heart of the process. This has been embedded throughout the organisation through a formal roll-out of the Vanguard method of service improvement over recent years. Alongside this, a strong and clear message, enshrined within the Councils corporate objectives to be a "dynamic prudent and progressive council", has been cascaded throughout the organisation to ensure that services are highly effective and efficient.



## Improving economy, efficiency and effectiveness (continued)

Lines of responsibility in leading service delivery make it clear that Heads of Service are responsible and empowered to make continuous improvements to deliver services that meet customer expectations within affordable financial parameters. Documents such as the Chief Executive's "Expectations of a Director, and Head of Service" ensure that this approach is consistent across the organization.

Understanding actual performance is key, and this is measured across all front line services using "10/10" surveys where Heads of Service contact a sample of customers and first ask them to rate the Council's service out of 10, and then ask them what it would take for the Council to get a 9 or 10" This customer feedback helps the Council understand what it would take to achieve excellent customer service and (where appropriate) the processes within the service are adapted to reflect these suggestions.

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The Council has had the arrangements we would expect to see to enable it to use information about its costs and performance to improve the way it manages and delivers services.

Similarly, the Council produces a range of commitments and measures each year within its Local Service Agreements. This is a public document that helps to explain what customers can expect from the Council and reports how well it's doing. This is formally approved by the Executive and scrutinised by the Policy and Resources Scrutiny Panel.

All of these channels provide the leadership team with a rounded view of how well services are performing from the customer's perspective and enables the Council to focus on areas where improvement may be necessary.

The Council aims to put the customer at the heart of all services.

*How the body ensures it delivers its role within significant partnerships, engages with stakeholders it has identified, monitors performance against expectations, and ensures action is taken where necessary to improve*

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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.

Lead officers are assigned to each partnership. They are responsible for the day to day liaison with the stakeholders and customers of the partnership and for providing the Chief Executive's Management Team with details of any significant changes to the circumstances / membership of the partnership.

## **Improving economy, efficiency and effectiveness (continued)**

Senior Officers and/or Members sit on the board of the Council's significant partnerships and take an active part in discussions and decision making including the delivery of strategies and performance plans set for the partnership. The Council is the lead on the financial management for the Building Control Partnership (with Gosport Borough Council and Portsmouth City Council) and is also finance lead on the Environmental Health partnership with Gosport Borough Council so is in a good position to ensure the financial control and effectiveness of the partnerships. There are regular board meetings held and a representative of the finance team will provide an update on the financial position.

The Coastal Partnership is led by Havant Borough Council and regular monitoring meetings are held to discuss how the partnership is performing. An action arising this year has been to update the agreement and monitor the delivery of assurance arising from financial and internal audits.

The Legal Partnership with Southampton City Council is monitored closely to ensure that the hours worked is not breached or that work is carried out at a relevant level so as to make sure that the partnership is not overspent at the end of the year or any additional hours or cost will be agreed between the two parties.

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. As a result of the 2020/21 report three partnerships were removed from the list where they were no longer considered to be operating as a partnership. There is also now an annual Partnership governance report presented to the Audit and Governance Committee.

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The Council has had the arrangements we would expect to see to enable it to use information about its costs and performance to improve the way it manages and delivers services.

The Council has a range of partnership arrangements, which are annually reviewed.

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*Where the body commissions or procures services, how the body ensures that this is done in accordance with relevant legislation, professional standards and internal policies, and how the body assesses whether it is realising the expected benefits*

The Council employs a Procurement team to assist services when carrying out procurement processes. They are professionally trained and in constant contact with the Southampton Legal team to ensure that they keep up to date with changes in procurement law, and that their procedures meet the latest national and international requirements. They are also key parties along with the internal audit team to keeping the Council's Procurement and Contract Procedure Rules current and relevant to the organisation's needs. One of the key principles of the Rules are that a manager should be able to "Justify their Spend".

## Improving economy, efficiency and effectiveness (continued)

Services are required to liaise with the procurement team and their Finance Business Partner when carrying out significant purchasing decisions and the group have to all agree a procurement approach else there is an escalation process to be followed. This includes when the purchase is complex or organisational sensitive such as the procurement of a service provider. There are a set of key questions that are asked when a significant purchase is being made.

Once a contract is in place there is a named lead officer assigned to monitor the performance of the contract. This will usually involve regular meetings with the contractor and a review of any performance measures agreed as part of the contract.

For relevant services, such as housing, this will also include satisfaction monitoring with the customer. Where appropriate, rectifying actions are agreed and documented. Where performance does not meet expectations and the actions are not delivered, the Council may consider ending that contract relationship. This decision is usually taken in consultation with the contract manager, the director of that service and the procurement team.

There are some expectations of the manager during the contract management stage contained in the Procurement and Contract Procedure Rules but these are not extensive. They currently cover contract documentation and contract payments but are due to be expanded further, through a series of contract management workshops where the procurement team will be working with services to identify best practice in contract management.

The Council also recognises critical suppliers/businesses. Examples include the Leisure Centre Operators, the provider of the responsive housing repairs contract, the airport operator at Daedalus and tenants of investment properties. A member of the finance team is assigned to each supplier and tasked with carrying out monitoring of the financial stability of the supplier using the Council's on-line Dunn and Bradstreet tool.

The Internal audit service includes some coverage in their plan of work to look at purchasing decisions and whether the suppliers are providing value for money.

Purchasing officers for a sample of purchases are interviewed and questioned on their knowledge of their total spend trends with a supplier, how the supplier was chosen and whether the appropriate route to market had been taken. They are also questioned on how they can give assurance on how some of the items on a selected invoice provides value for money. Where possible, they are compared to the cost of similar purchases made or available by open source searching. Other areas examined include on-going contract monitoring, invoice verification and future planned market testing.

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The Council has had the arrangements we would expect to see to enable it to use information about its costs and performance to improve the way it manages and delivers services.

Procurement arrangements are appropriate, and contracts are managed after the procurement process,



Section 5

## Other Reporting Issues

## Other Reporting Issues

### **Governance Statement**

We are required to consider the completeness of disclosures in the Council's annual governance statement, identify any inconsistencies with the other information of which we are aware from our work, and consider whether it complies with relevant guidance.

We completed this work and did not identify any areas of concern.

### **Whole of Government Accounts**

We have not yet performed the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts consolidation pack submission. The guidance for 2020/21 is yet to be issued. We will liaise with the Council to complete this work as required.

### **Report in the Public Interest**

We have a duty under the Local Audit and Accountability Act 2014 to consider whether, in the public interest, to report on any matter that comes to our attention in the course of the audit in order for it to be considered by the Council or brought to the attention of the public.

We did not identify any issues which required us to issue a report in the public interest.

### **Other powers and duties**

We identified no issues to date during our audit that required us to use our additional powers under the Local Audit and Accountability Act 2014.

## Other Reporting Issues (cont'd)

### **Control Themes and Observations**

As part of our work, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. Although our audit was not designed to express an opinion on the effectiveness of internal control, we are required to communicate to you significant deficiencies in internal control identified during our audit.

We have adopted a fully substantive approach and have therefore not tested the operation of controls.

Our audit did not identify any control issues to bring to the attention of the Audit and Governance Committee.

Appendix A

## Audit Fees

## Audit Fees – Fareham Borough Council

The scale fee for 2020/21 is in line with the audit fee reported in our Audit Plan and Audit Results Report. Included below are details of the proposed additional fees for 2020/21.

We undertook no non-audit work.

Description	Final Fee 2020/21 £	Planned Fee 2020/21 £	Final Fee 2019/20 £
<b>PSAA Scale Fee</b>	<b>37,137</b>	<b>37,137</b>	<b>37,137</b>
Proposed scale fee rebasing (Note 1)	24,901	19,921	19,944
Other proposed fee variation (Note 3)	25,416	10,382	(Note 2)
<b>Total Fees</b>	<b>87,454</b>	<b>67,440</b>	<b>57,081</b>

Note 1 - In order to meet regulatory and compliance audit requirements not present in the market at the time of our most recent bid to PSAA, we assessed in 2019/20 that the recurrent cost of additional requirements to carry out our audit should increase by £19,921. We have continued to include this increase at the same audit inputs, but updated for PSAA's 25% increase in the scale fee variation fee rates for 2020/21.

Note 2 – together with the rebasing proposal, for 2019/20 we submitted a variation of £12,657. PSAA determined both together, for the total of £19,944.

Note 3 – we propose an in-year variation of £25,416 for issues encountered during the audit, as set out in this report including investment property and other land and buildings valuations, going concern disclosures, accounting for covid-19 related grant income and NNDR Appeals.

This incorporates PSAA's published 'Additional information for 2020/21 audit fees' in August 2021. PSAA commissioned external independent technical research for setting standardised fee variations to assess the expected impact on audit work programmes for requirements relating to the new VFM requirements under the NAO's 2020 Code of Audit Practice (£6k - £11k), and the revised auditing standard on estimates ISA540 (minimum £2.5k).



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# FAREHAM

## BOROUGH COUNCIL

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

**Date:** 07 July 2022  
**Report of:** Deputy Chief Executive Officer  
**Subject:** COUNTER FRAUD ANNUAL REPORT 2021/22

#### **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.

#### **RECOMMENDATION**

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. **Investigation of Housing Fraud/Council Tax/Council Tax Support:** Due to the continued impact of the pandemic, the fraud investigator continued to be largely seconded to the Finance team in 2021/22 to assist with the prevention of fraud from the Covid-19 Business Grants schemes.
3. **Joint working with the DWP:** The joint working arrangements ceased immediately upon lockdown in March 2020 and all Department of Works and Pensions (DWP) investigators were seconded to the Universal Credit team or to dealing with telephone interviews. Some DWP investigators have returned to normal duties so joint working has resumed, albeit rather slowly. It is anticipated that more joint working cases will be resolved during 2022.

### Specific Areas of Fraud

4. **Business Rates Grants:** As highlighted last year, 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 pandemic.
5. As at 31/03/2022 the Council has been involved in about 40 business grants and relief schemes and over £60million has been awarded or paid out.
6. 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
7. The Council has also been required to report frequently to the government on the due diligence work being carried out and the number of attempted and actual frauds being identified.
8. The updated fraud statistics for the Government grant schemes to 31/03/22 are summarised in the table below. The figures do not include the number of duplicate applications that were intercepted (approximately 300).

**Attempted Fraud and Fraudulent Business Grant claims as at 31/03/22**

Type of Grant	No. of Prevented Fraudulent Claims	Value of attempted fraud Claims (£)	No. of Successful Fraudulent Claims	Value of Fraudulent Claims (£)	No. of fraudulent claims recovered	Value of fraudulent claims recovered (£)
Small Business	8	80,000	2	20,000	2	19,278 <sup>1</sup>
Retail, Hospitality and Leisure	12	210,000	2	50,000	2	50,000
Local Authority Discretionary	2	10,000	0	0	0	0
Local Restriction Support	7	11,670	1	2,096	1	2,096
Restart	0	0	1	8,000	1	8,000
Omicron HLG	7	20,002	0	0	0	0
Additional Restrictions Grant	10	46,754	0	0	0	0
<b>Totals</b>	<b>46</b>	<b>378,426</b>	<b>6</b>	<b>80,096</b>	<b>6</b>	<b>79,374</b>

Note 1 – one business is continuing to pay back the balance in monthly amounts.

9. **Test and Trace Support Payment Scheme:** This was another new stream of work arising from the Covid pandemic. This scheme was administered by the Benefits team and provided a payment of £500 to applicants who lost employment income as a consequence of having to self-isolate.
10. This scheme ended on 24th February 2022. In total the Council received 1,479 applications and made payments on 617 (42%) of them totalling £308,500.
11. The Benefits team designed and employed a robust series of checks to validate claims including claimant interviews and contacting employers. Although rejected claims have not been classified as true fraud, 58% claims were considered to have failed the eligibility checks for reasons such as:
  - Not in employment
  - Able to work from home so no loss in income
  - Not in receipt of eligible benefits
12. **Energy Rebate Scheme:** This is a new stream of counter fraud work starting from April 2022. The Government has tasked the Council with making £150 energy rebate payments to households paying council tax in bands A-D who were resident in the borough on 1 April 2022.

13. There are approximately 37,000 households eligible for the payment. About 7,000 of these do not pay by Direct debit so bank account details are being requested using a secure portal in order to make the payments.
14. A team of officers, including all the counter fraud staff, are again being redeployed to the rebate project and a number of counter fraud measures are being employed in the processing of applications including:
  - Checks that the household meets the eligibility criteria and is the council tax bill payer
  - Checks that bank account details have been provided by the correct party and matches the unique identifier sent in the invite
  - Checks that the applicant has not already been paid and/or has made multiple applications (approximately 500 identified to date)
  - Checks, using the government Spotlight tool, that the bank account details are valid and match the details of the eligible party
15. **Council Tax Reviews:** In February 2020, a Single Resident Discount review was started as part of the annual billing process. Approximately 15,000 residents in receipt of the discount were asked to confirm their continued entitlement via an online portal or by returning the questionnaire in the post. Where the questionnaire is not returned, officers will ultimately remove the discount entitlement.
16. Many responses were received, but due to the COVID pandemic and resources continuing to be diverted to other priorities, officers have not been able to complete the canvass which will now need to be refreshed.

## **INVESTIGATION REFERRALS AND OUTCOMES**

17. The information provided in [Appendix B](#) 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.
18. There was a total of 237 cases investigated, leading to 54 cases of fraud or irregularity being found. These amounted to a total value of £383,209 of either attempted or actual fraud. The largest area of fraud found by value was for housing fraud (£253,800) which relates to the prevention of 3 Right to Buy discounts being awarded for fraudulent claims.
19. Data for the previous 3 years is provided for comparison and to show the impact of the pandemic on the investigation work.

### **Whistleblowing and Anti-Bribery**

20. There was 1 case raised by employees in the last 12 months which has been investigated and no employee has felt it necessary to raise concerns outside the organisation.

21. There were no cases of attempted bribery of a Council employee which was handled under the Council's Anti-Bribery policy.

### **Sanctions**

22. There have been no criminal sanctions awarded following any investigation where Fareham Borough Council was the lead investigating party because of the Covid pandemic preventing normal investigation work.
23. There have been no administrative penalties authorised by Fareham Borough Council, however, four civil penalties totalling £280 were issued for Council Tax related fraud.
24. One Portsmouth City Council property has been recovered in the year, following a Living Together investigation in Fareham, conducted in conjunction with Portsmouth City Council and a Fareham Borough Council property has been recovered following investigations into non-residency. Three Right to Buy properties were prevented meaning that these 3 properties remain available for future Fareham Borough Council residents.

### **NATIONAL FRAUD INITIATIVE**

25. 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 including the new Business Grants data set which consisted of over 4,000 data items.
26. There have been new releases of matches since the last report which fall into the 2021/22 financial year, resulting in an additional 5,124 matches to review. The majority of these relates to council tax single resident discount matches.
27. The table below shows the progress made on clearing all matches since the last report. Work in the year targeted the Business Grants work stream and little progress was made on the others during the year. Only **81** of the old and new matches in total were cleared leaving 6,937 still to review.

Progress made on clearance of NFI matches					
Fraud category	Number of Matches as at end of last year	Number of Matches now	Total closed as per last year	Total closed as per this year	Matches left to clear as at end of 2021/22
Matches from the 2020-21 2-Yearly Main Exercise (received from Jan 2021)					
Benefits	21	30	20	21	9
Council Tax Reduction	148	192	148	148	44
Housing Tenants	41	143	10	10	133
Waiting List	56	56	4	4	52
Right to Buy	1	1	-	-	1
Payroll	12	12	-	4	8
Procurement	3	3	-	-	3
Creditors	282	282	-	-	282
Business Grants	-	76	-	76	-
sub-total	564	795	182	263	532
Matches from the Recheck Annual Exercises					
Council Tax	756	5,649	-	-	6,405
<b>Total</b>	1,320	6,444	182	263	6,937

28. There have been no new fraud cases arising from the clearance of NFI matches in the last year. More detail of how much fraud and error has been identified from each NFI exercise in the last 10 years is provided in [Appendix A](#). Any frauds that were being pursued by FBC will also have been included in the overall statistics in [Appendix C](#).

## USE OF LEGAL POWERS

29. 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
30. 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 was conducted during January 2022 remotely as previous inspections demonstrated a level of compliance that removed the requirement for a physical visit. The report concluded that no recommendations were required.
  - f) The National Anti-Fraud Network (NAFN) is subject to periodic audits from the Driver & Vehicle Licensing Agency (DVLA) and Fareham was selected in 2021 for an audit. The audit was conducted via Microsoft Teams and evidence supplied to DVLA. A final assurance of green was awarded to Fareham BC meaning that no issues were observed.
  - g) The National Anti-Fraud Network (NAFN) is also 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.
  - h) 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.
31. 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 2021/22**

- 32. There have no authorisations granted under the Regulation of Investigatory Powers Act 2000 (RIPA) between 1 April 2021 and 31 March 2022 due to the investigating officer being seconded to assist with Business Rates Grant work.
- 33. There have been 119 uses of Authorised Officer powers during investigations in the last 12 months, as detailed in the table below. This compares to 278 last year.

Authorised Officer powers used 1 April 2021 and 31 March 2022	
Prevention of Social Housing Fraud Act	Council Tax Reduction Regulations & Data Protection Act exemptions
10	109

**RISK ASSESSMENT**

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

**Appendices:**

Appendix A – Cumulative Findings from National Fraud Initiative Exercises

Appendix B - Annual Fraud Case Figures 2021/22

**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
2021/22	Council Tax	5649	0	0	0
<b>2021/22</b>	<b>Full Exercise</b>	795	0	3	£3,707
2020/21	Council Tax	756	0	3	£4,680
<b>2020/21</b>	<b>Full Exercise</b>	<b>636</b>	<b>4</b>	<b>29</b>	<b>£33,075</b>
2019/20	Council Tax	4,302	2	15	£35,389
<b>2018/19</b>	<b>Full Exercise</b>	<b>1,628</b>	<b>4</b>	<b>29</b>	<b>£33,075</b>
<b>2017/18</b>	<b>Council Tax</b>	<b>3,577</b>	<b>16</b>	<b>8</b>	<b>£17,466</b>
<b>2016/17 &amp; 2017/18</b>	<b>Full Exercise &amp; Extra matches</b>	<b>1,624</b>	<b>1</b>	<b>8</b>	<b>£3,563</b>
<b>2016/17</b>	<b>Council Tax</b>	<b>669</b>	<b>25</b>	<b>32</b>	<b>£24,176</b>
<b>2015/16</b>	<b>Waiting List</b>	<b>42</b>	<b>0</b>	<b>7</b>	<b>0</b>
<b>2014/15+2015/16</b>	<b>Full Exercise</b>	<b>994</b>	<b>13</b>	<b>12</b>	<b>£15,901</b>
<b>2014/15+2015/16</b>	<b>Council Tax</b>	<b>1,054</b>	<b>6</b>	<b>0</b>	<b>£3,149</b>
<b>2014/15</b>	<b>Student Loans</b>	<b>19</b>	<b>1</b>	<b>0</b>	<b>£1,258</b>
<b>2013/14</b>	<b>Council Tax</b>	<b>553</b>	<b>34</b>	<b>4</b>	<b>£15,108</b>
<b>2012/13</b>	<b>Full Exercise</b>	<b>1,333</b>	<b>13</b>	<b>14</b>	<b>£49,562</b>
<b>2011/12</b>	<b>Council Tax</b>	<b>484</b>	<b>21</b>	<b>2</b>	<b>£13,034</b>

\*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.

## Annual Fraud Case Figures 2021/22 compared to previous 3 years

	2021/22			2020/21		
	Number of Fraud Cases			Number of Fraud Cases		
Type of Fraud	Investigated	Fraud Concluded	Value	Investigated	Fraud Concluded	Value
Housing Benefit and Council Tax Benefit	11	4	£24,027	120	3	£15,532
Council Tax Support	54	8	£8,045	304	3	£2,793
Council Tax	7	4	£2,701	8	5	£2,520
Business Grants	118	26	£88,522	64	27	£380,000
Housing	37	7	£253,800	233	7	£3,726
Procurement	1	1	£0	-	-	£0
Permits and Passes	-	-	£0	-	-	£0
Other	-	-	£0	-	-	£0
<b>SUB-TOTAL</b>	<b>228</b>	<b>50</b>	<b>£377,095</b>	<b>729</b>	<b>45</b>	<b>£404,571</b>
Other Irregularity	Investigated	Irreg Concluded	Value	Investigated	Irreg Concluded	Value
Employee and Payroll	9	4	£6,114	15	9	£0
Finance and Insurance	-	-	£0	2	2	£89,003
Other e.g. abuse of position	-	-	£0	-	-	£0
<b>SUB-TOTAL</b>	<b>9</b>	<b>4</b>	<b>£6,114</b>	<b>17</b>	<b>11</b>	<b>£89,003</b>
<b>TOTAL</b>	<b>237</b>	<b>54</b>	<b>£383,209</b>	<b>746</b>	<b>56</b>	<b>£493,574</b>
Sanctions and Redress						
Administrative Penalties levied			£0			£0
Council Tax Civil Penalties			£280			£140
Housing Benefit recovered			£21,869			£23,069
Business Grants Returned			£20,945			£58,429
Court costs awarded			£481			
POCA Confiscation						
<b>Total</b>			<b>£43,575</b>			<b>£81,638</b>
Housing properties recovered / prevented		4			2	
Homeless Assistance prevented		1			2	
Non FBC Fraud found (DWP benefits)		3	£12,485		1	£6,895

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	-	-
<b>SUB-TOTAL</b>	<b>1,364</b>	<b>74</b>	<b>£237,081</b>	<b>1,848</b>	<b>115</b>	<b>£306,296</b>
<b>Other Irregularity</b>	<b>Investigated</b>	<b>Irreg Concluded</b>	<b>Value</b>	<b>Investigated</b>	<b>Irreg Concluded</b>	<b>Value</b>
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	-
<b>SUB-TOTAL</b>	<b>23</b>	<b>21</b>	<b>£11,470</b>	<b>17</b>	<b>13</b>	<b>£5,755</b>
<b>TOTAL</b>	<b>1,387</b>	<b>95</b>	<b>£248,551</b>	<b>1,865</b>	<b>128</b>	<b>£312,051</b>
<b>Sanctions and Redress</b>						
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			
<b>Total</b>			<b>£60,951</b>			<b>£71,448</b>
<b>Housing properties recovered / prevented</b>		<b>3</b>			<b>3</b>	
<b>Non FBC Fraud found (DWP benefits)</b>		<b>4</b>	<b>£30,860</b>		<b>6</b>	<b>£53,689</b>



# FAREHAM

## BOROUGH COUNCIL

### Report to Audit and Governance Committee

**Date:** 07 July 2022

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

**Subject:** HEAD OF AUDIT'S REPORT

#### SUMMARY

This report is a standard item on the Audit and Governance Committee agenda with the aim of providing Members with the assurances arising from the latest internal audit work. It also gives an update on the progress being made with setting and delivering the audit plans.

#### RECOMMENDATION

It is RECOMMENDED that the Committee: -

- a) note the progress of the internal audit work; and
- b) approve the interim annual audit plan for 2022/23.

## INTRODUCTION

1. This is a new style report which provides the assurances arising from the latest internal audit work and gives an update on the progress being made with setting and delivering the audit plans.

## INTERNAL AUDIT PROGRESS

2. The service continues to be affected by some loss of resources due to sickness and the recent retirement of the Senior Audit and Fraud Analyst. Also, additional work arising from the Energy Rebate and Business Grants processes continue to have an impact on the delivery of the Internal Audit Plans. This is mainly affecting the in-house team. Good progress has been made by the partnership team which means we are on schedule to complete the work needed for the Annual Audit Opinion in time for the next meeting.

### Progress of the 2021/22 Audit Plan

3. A summary of completion of the 2021/22 audit plan and findings is given in Appendix One.
4. There are still 12 opinion audits in this year's plan. Work has commenced on all of the audits, 10 have been finalised (stage 10) and the scope of work is still being delivered on the remaining 2 (Stage 4).
5. There are also 9 wider pieces of work we still intend to use for this year's opinion, 6 of which have already been finalised and another 3 are in progress.

### Finalising Previous Audit Plans

6. There are still 6 outstanding audits from the previous Audit Plans. Progress has continued on finalising the Commercial Estates audit, and this is nearing completion.

### Findings from Completed Audits

7. Seven final reports have been issued since the last report as highlighted in the table below. There are no significant findings to highlight.

Audit	Assurance Opinion	Recommendations Made		
		New Essential	New Important	Outstanding Previous Essential or Important
Planning Applications – Nitrate Offsetting	Strong	-	-	-
Security and Use of DWP Data Services	Strong	-	2	-
Test and Trace Self Isolation Payments Grant Certification	Reasonable	-	1	-
Revenues System Migration to the Cloud	Not applicable	-	1	-



Audit	Assurance Opinion	Recommendations Made		
		New Essential	New Important	Outstanding Previous Essential or Important
Business Rates and Council Tax Refunds Data Matching	Not applicable	-	2	-
Procurement Transaction Testing	Not applicable	-	3	1
Targeted Audit Action follow Up (22 recs)	Not Applicable	-	-	5

### AUDIT PLAN 2022/23

8. The Annual Audit Plan provides a mechanism in which the Head of Finance and Audit utilises the available internal audit resources to produce the evidence needed to give an Annual Audit Opinion. The Annual Audit Opinion is a key source of evidence for the Annual Governance Statement.
9. Due to pressures on the team it has not yet been able to pull together and finalise a full plan of work for 2022/23. However, the work to update the Audit Universe, and risk assessment has been completed. This has been used along with horizon scanning and knowledge of local system changes to set an interim plan for the first part of the year as set out in Appendix Two.
10. The proposed plan includes a range of service and types of audit including computer audit, the cyclical audits of fundamental systems and high-risk services.
11. The full plan will be presented at the next meeting and will seek to expand coverage to meet the needs of the Internal Audit Strategy, as attached as Appendix Four, which requires the delivery of 20 pieces of work and coverage of the fundamental systems every 3 years and the high-risk systems every 5 years.

### RISK ASSESSMENT

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

#### Appendices:

**Appendix One** – Audits in the 2021/22 Plan

**Appendix Two** – Proposed Audit Plan for 2022/23

**Appendix Three** – Reference Tables

**Appendix Four** – Current Internal Audit Strategy (separate attachment)

**Background Papers:**

Report by the Head of Finance and Audit to the Audit and Governance Committee on 12 July 2021 on the Internal Audit Plan 2021/22

**Reference Papers:** None

**Enquiries:**

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

APPENDIX ONE

Audits in the 2021/22 Plan

Audit Title & Report Number	Stage reached of 10*	Days in Plan	Assurance Opinion	Direction of Travel & Date of last audit	Progress report where included	Errors Found? Y/N	New Recommendations		Previous Recs. (E and I only)			
							Essential	Important	Implemented	Cancelled	In Progress	Not Implemented
<b>FUNDAMENTAL SYSTEM AUDITS</b>												
Local Tax Collection (1221)	10	15	Strong	⇄ 18/19	March 2022	N	-	1	-	-	-	1
Accounts Payable (1222)	10	15	Strong	⇄ 18/19	November 2021	Y	-	1	-	-	-	-
Fixed Assets (1223)	10	10	Strong	⇄ 18/19	March 2022	N	-	-	-	-	-	1
Vehicle Maintenance ordering, invoice management and stock control (1224)	Postponed											
<b>SERVICES AND SYSTEMS – High Risk</b>												
Sheltered Housing (1225)	10	11	Reasonable	⇄ 16/17	March 2022	Y	-	7	2	-	1	-
Parking Charges (1226)	10	15	Reasonable	⇄ 18/19	March 2022	N	-	1	1	-	-	-
Trade Waste and Recycling (1227)	10	12	Strong	⇄ 16/17	November 2021	N	-	3	-	-	-	-
Planning Applications - Nitrate Offsetting (1228)	10	10	Strong	⇄ 18/19	July 2022	N	-	-	-	-	-	-
<b>SERVICES &amp; SYSTEMS – Other</b>												
Service charges and recharges – Leaseholders (1232)	Postponed											
Car loans (1233)	4	10										
<b>COMPUTER AUDITS</b>												
Security and Use of DWP data services (1229)	10	8	Strong	N/A	July 2022	N	-	2	-	-	-	-
Housing System - post implementation review (1230)	Postponed											



Audit Title & Report Number	Stage reached of 10*	Days in Plan	Assurance Opinion	Direction of Travel & Date of last audit	Progress report where included	Errors Found? Y/N	New Recommendations		Previous Recs. (E and I only)			
							Essential	Important	Implemented	Cancelled	In Progress	Not Implemented
Commercial rents and the Covid response	Not Planned		-	-	-	-	-	-	-	-	-	-
Information flow in the Business Rates team	Not Planned		-	-	-	-	-	-	-	-	-	-
Social Media Monitoring by services Follow Up	Not Planned		-	-	-	-	-	-	-	-	-	-
<b>Sheltered housing safe spot checks</b>	<b>4</b>	<b>6</b>	-	-	-	-	-	-	-	-	-	-
Pre-application advice cost comparison to income	Not Planned		-	-	-	-	-	-	-	-	-	-

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

## Proposed Interim 2022/23 Audit Plan

Interim Internal Audit Plan 2022/23					
	Type	Title	Dept-Lead Service	Days	Reason for Inclusion in Plan
	<b>OPINION WORK</b>				
1	Fundamental Systems	<b>Payroll key controls</b>	H-Operational Finance	5	Fundamental system - last opinion given 2019/20. Key control mapping to inform the payroll service review that is currently underway.
2	Fundamental Systems	<b>Finance System Data Analytics</b>	H-Operational Finance	15	Fundamental system and new IT system. Design and implementation of data analytic tests for the new finance system including targeted tests of control changes.
3	Fundamental Systems	<b>Bank Mandate Fraud</b>	H-Operational Finance	2	Review of current controls in place to prevent supplier and payroll bank mandate fraud.
4	Services and Systems - High Risk	<b>Building Control</b>	D-Building Control	N/A	High risk audit - last opinion given 2015/16. To be delivered as part of the Portsmouth CC audit plan as part of the governance agreement.
5	Services and Systems - High Risk	<b>Chargeable Garden Waste collection</b>	S-Refuse Collection	10	High risk audit - no previous audit opinion of major change to a service.
6	Computer - Fundamental System	<b>Microsoft 365</b>	F-ICT Services	10	Computer audit of implementation and controls used for the Microsoft 365 suite.
	<b>WIDER WORK</b>				
7	Corporate review	<b>Compliance with the Government Counter Fraud Professional Standard</b>	Cross Cutting	10	Review of the expectations on organisations of the new fraud investigation standard and current levels of compliance.

## APPENDIX THREE - Reference Tables

### Scale of Assurance Opinions

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

### 1. Scale of Recommendation Priorities

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

### 2. Stages of An Audit Assignment

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





# FAREHAM

## BOROUGH COUNCIL

# INTERNAL AUDIT STRATEGY

## 1. Introduction

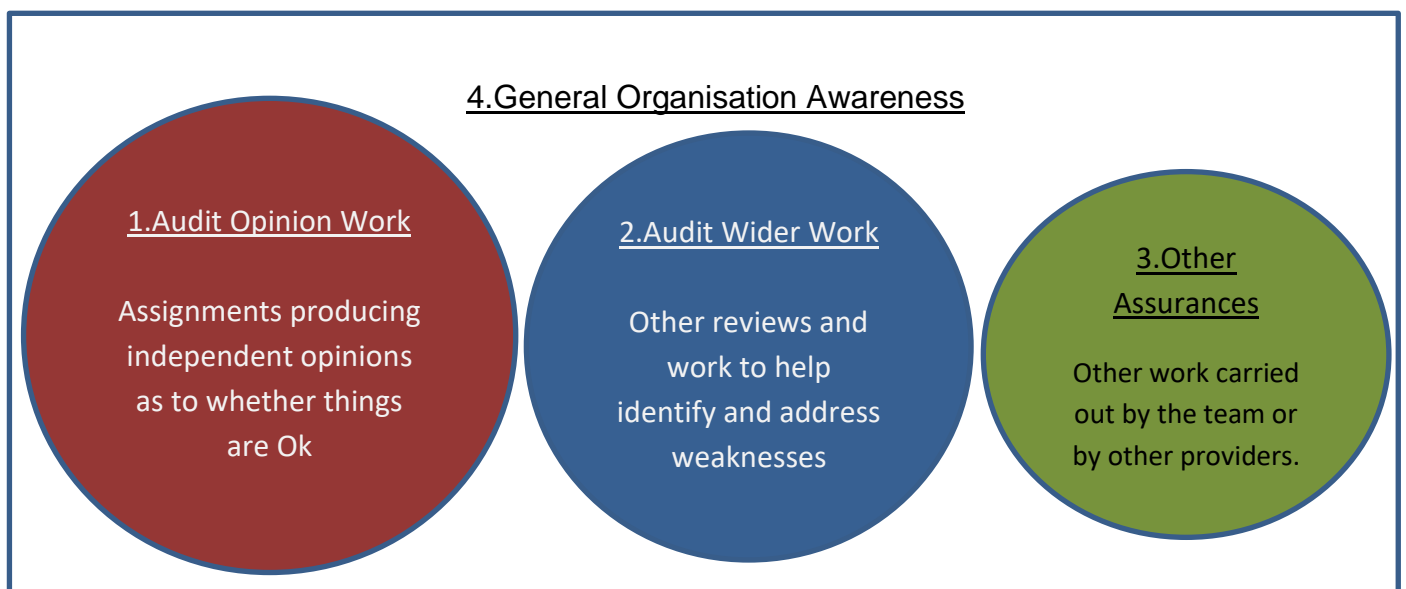
The Internal Audit Service, along with other assurance providers, forms the “third line of defence” for the Council after the controls and oversight processes established by management.

This is achieved by carrying out a programme of work which results in an Annual Audit Opinion providing a conclusion on the ‘*overall adequacy and effectiveness of the organisation’s framework of governance, risk management and control*’.

This Strategy sets out the nature and extent of work proposed for this Council to support the Annual Audit Opinion. It supplements the Internal Audit Charter, which sets out the purpose, authority and responsibilities of the service, and helps demonstrate how the service will be delivered to meet the requirements of the Charter.

## 2. Sources of Assurance

This Strategy recognises 4 sources of assurance which can be used to support the Annual Audit Opinion. These are summarised in the diagram below and further in [Appendix 1](#) which shows the work involved in these groups and how they support the provision of the different parts of the Annual Audit Opinion.



## Internal Audit Activity (1 and 2)

Two sources of assurance will come from the work carried out by the Internal Audit Service in delivering the planned list of assignments in the year, or completing assignments from previous years.

**Audit Opinion work** consists of fully independent risk based audits whose aim is to issue an “assurance opinion” on the adequacy of the system of internal control based using the 4-point scale set out in the Internal Audit Charter. These audits are selected from the Audit Universe.

**Audit Wider Work** is carried out for a specific purpose and the approach to the review is not risk based and an assurance opinion is NOT given at the end of the assignment. These reviews tend to be thematic, cross cutting or to help understand or address weaknesses.

## Other Assurances (3)

The third source of assurance utilises other activity carried out by the Internal Audit team outside of the approved plan of work. This could be counter fraud reviews, investigations, responding to control failures or advisory work.

This Strategy also seeks to maximise the use of the assurances which are available from other sources and avoid duplication where possible. In particular, where services are provided jointly with **other councils**, agreements will be sought with their internal audit teams to rotate and share internal audit coverage.

ISA610 makes it harder for **external audit** to place reliance on internal audit work to meet their responsibilities. Instead arrangements will be explored to maximise the use that can be made of their work as a source of assurance for the Annual Audit Opinion.

## General Organisation Awareness (4)

The other roles of the Head of Finance and Audit, outside of being the Chief Audit Executive, give the post-holder the opportunity to obtain other information to inform the Annual Audit Opinion. These roles and activities include:

- Financial information feeding into the Medium-Term Finance Strategy and Statement of Accounts.
- Facilitating discussions at the Chief Executive’s Assurance Group and development of the Annual Governance Statement.
- Leading on the collation and presentation of evidence for the 6 monthly risk management reports.
- Discussions with external auditors and inspectors.
- Work as a member or lead officer on corporate projects.

The size and culture of the Council also leads to a general good flow of information about governance, risks and controls, particularly across the wider management team, which includes the Head of Finance and Audit.

### 3. Quantity of Audit Work

The amount of work needed from the Internal Audit Activity to support the Annual Audit Opinion is left to the discretion of each organisation. In determining the level of work needed the following have been considered:

#### Assurances available from other sources

As outlined above other sources of assurance will be used to inform the Annual Audit Opinion on top of the work of the Internal Audit team.

#### Trends in the Profession

The CIPFA audit benchmarking club calculated that on average members were delivering 3 days of mainline audit per £m of Gross Expenditure in 2014/15. The analysis was based on 65 councils of all types. A similar level for this Council would be **180 days** of mainline audit work based on the Gross Expenditure for the General Fund and Housing Revenue Account in 2017/18.

An analysis has been carried out of the annual plans of 50 (25%) district council audit teams for 2018/19. The table below summarises how many pieces of work were used to support the Annual Audit Opinion.

Number of Pieces of work	No of Councils	
Up to 15	8	16%
16-20	8	16%
21-25	21	42%
26 to 30	6	12%
31 or more	7	14%
	<b>50</b>	

On average the Annual Audit Opinions were based on **21** individual audits assurances from **257** days of work. However, there was a significant variation on levels of coverage and the nature of the audit assignments and many councils no longer specific their audit plans in terms of the number of days.

#### Local Factors affecting the Level of Work needed

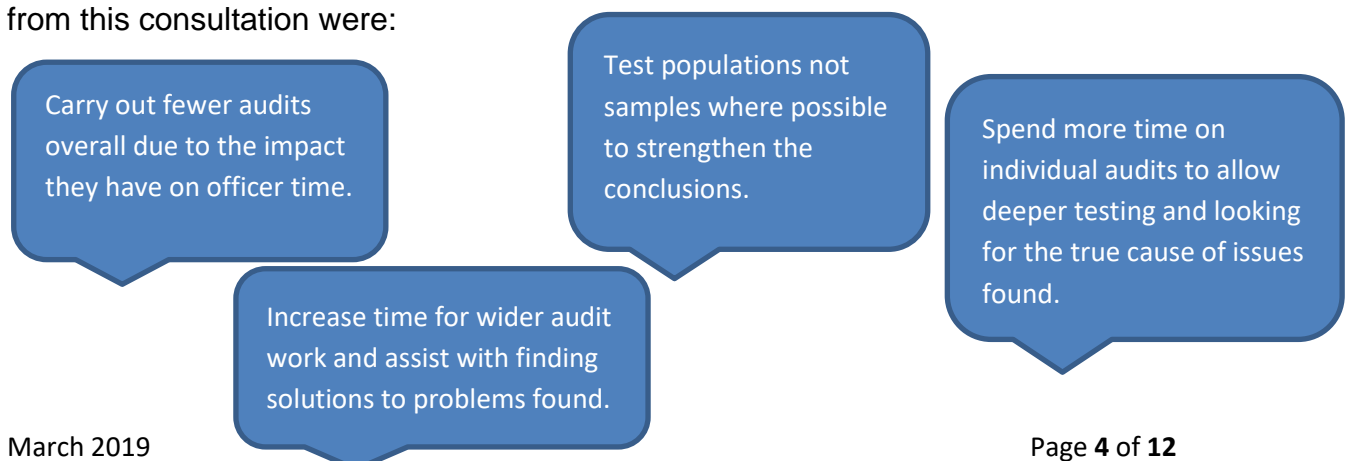
There are local factors which affect the level of audit work needed at any organisation. The South West Audit Partnership (SWAP) have piloted a model to allow Senior Managers to consider where their organisation sits within the model

and ultimately the effect on the level of audit work needed. The table below gives an assessment of where Fareham Borough Council sits in relation to these factors and other local factors.

	SWAP Model	Other factors
<b>FBC Factors decreasing the need for audit</b>	<p>There is a corporate plan which sets out clear aims and objectives. The council has a sustained track record of achieving its objectives, on time and within budget.</p> <p>There is a mature, council-wide, risk management framework in place.</p> <p>Financial management is strong with both internal and external audit finding nothing significant to report for at least three years. Financial challenges are met robustly, positively and effectively with a clear and achievable medium-term financial plan.</p> <p>The Counter fraud framework is strong with effective counter fraud measures in place. Action is taken where incidents of fraud occur.</p> <p>No significantly adverse report, by an outside agency has been received by the council in the last three years (e.g. external audit, local government ombudsman, information commissioner)</p> <p>Staff turnover is low to moderate, with most senior and middle managers remaining in post for at least three years.</p> <p>Internal audit rarely offer 'no' or 'very limited' assurance at the end of their reviews.</p>	<p>Structures and processes of the council had been undergoing a significant period of change (Vanguard reviews) but is now stabilising.</p>
<b>FBC Factors increasing the need for audit</b>	<p>The council is in a state of flux, with regular restructures and reorganisations taking place.</p>	<p>Funding of the Council has been significantly reduced and the risk appetite has had to increase as a consequence.</p>

### Consultation with Managers

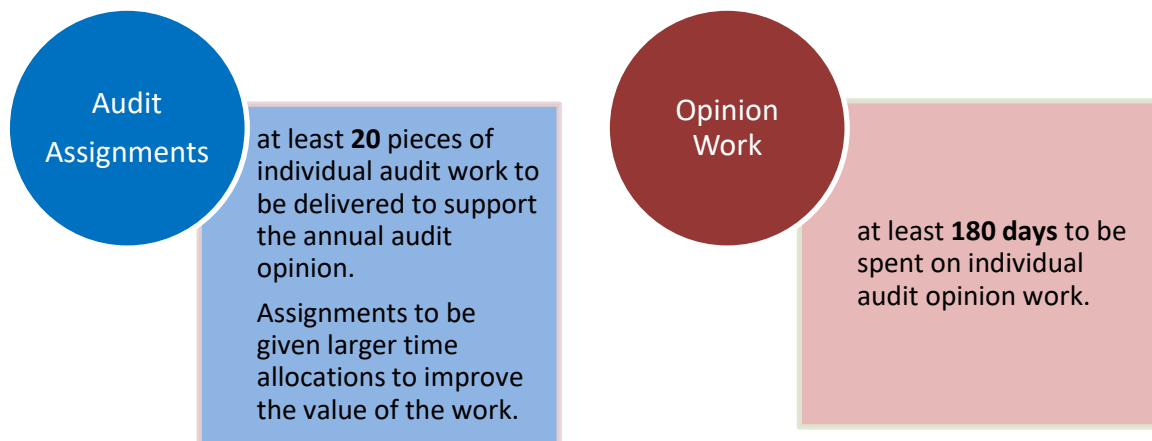
The views of the FBC Council managers were previously sought as to the nature and level of work they would like to see, and how the Audit Service fits into the “Vanguard” approach being adopted by the Council. The key messages arising from this consultation were:



## Proposed Quantity and Type of Audit Work

This Strategy therefore seeks to maximise the value of the Audit Service to the organisation by delivering a balance of **audit opinion work** and **wider audit work** and continuing to use other sources of assurance to support the Annual Audit Opinion.

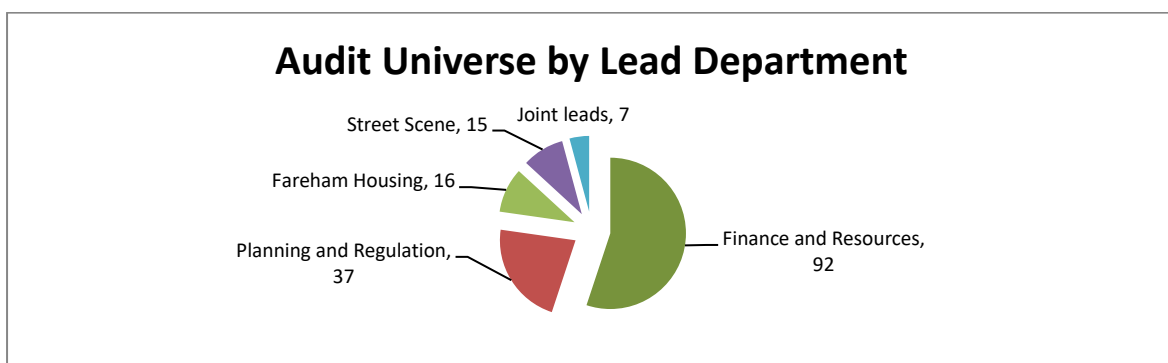
However, in setting the audit plan each year the following rules will be applied to ensure the plan is in line with trends in the profession, managers' requests and the factors affecting the local control framework:



## 4. Audit Opinion Work Priorities

Individual audit opinion work culminates in a service or system being assigned an audit assurance rating. This is based on the adequacy and effectiveness of controls found during the audit. The scale of opinions being used is set out in the Internal Audit Charter.

An **audit universe** is maintained of the services delivered by the Council plus the governance arrangements and systems in place which support the delivery of the services. The universe was last updated in January 2019 and captured **167** potential audit subjects. The split of these subjects by the lead department is shown below:



This Strategy requires a mix of audit types and departments to be included in the programme of work each year to support all the components of the Annual Audit Opinion. The table below shows a breakdown of the audit universe by type of audit and how these will feature in the programme of work.

<b>Treatment of Types of Audit when Setting the Annual Programme of Work</b>			
Type of Audit	Number in the FBC audit universe	Minimum Number to cover each year	Notes
<b>Fundamental Systems</b>	12	4	All to be covered in a 3-year cycle.
<b>Corporate, Specialist, Governance &amp; Risk</b>	29	1	One subject to be covered each year to support the governance opinion.
<b>Computer</b>	34	2	IT systems supporting a fundamental system to be reviewed on a cyclical basis, usually with one being covered each year. 14 of the computer audits are currently included in the cycle.
<b>Services and Systems – High Risk</b>	25	5	All subjects to be covered in a 5-year cycle.
<b>Services and Systems – Other</b>	67	2	Selected each year on the basis of: ~ When last looked at and previous assurance opinion ~ Whether the service has been subject to a vanguard intervention ~ Other recent changes or issues arising ~ Managers preferences
	<b>167</b>	<b>14</b>	

### **Fundamental Systems**

The fundamental systems are those which are critical to the expenditure and income controls of the council and therefore will have an impact on the reliability of the Council’s Statement of Accounts. Twelve of these have been identified, as listed in [Appendix 2](#). In agreement with External Audit these audits will be carried out on a 3-yearly cycle.

### **High Risk Audits**

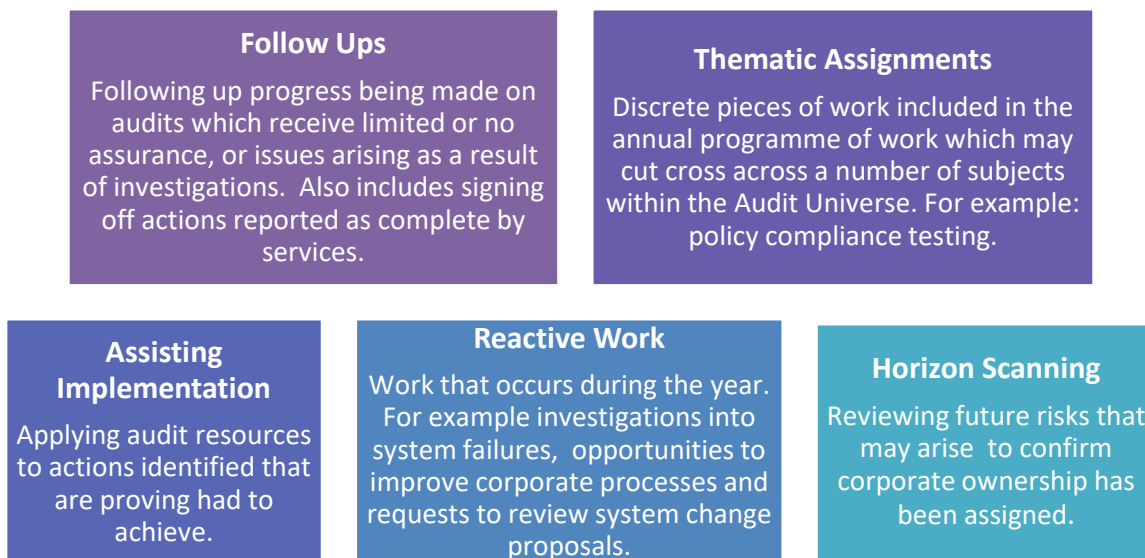
It is not possible with the current level of resources to audit all the subjects in the audit universe. Therefore, a risk assessment has been carried out to identify those subjects which are considered to be of high risk to the Council and therefore warrant a fresh audit opinion every 5 years.

Twenty-five of these have been identified as listed in [Appendix 2](#) along with the reason for them being considered high risk. It should be noted that this is based on *inherent risk* and is not a reflection of the control environment of those services. This list is reviewed annually considering budget and service changes and findings arising from thematic work.

## 5. Wider Work Priorities

This Strategy requires that time be included in the annual programme of work to complete work which is relevant to the overall Annual Audit Opinion but which will not itself result in an individual audit opinion.

The focus of this work in particular is to use the Internal Audit Service to assist with finding proportionate solutions to weaknesses identified and confirming these are in place. The diagram below gives a description of the types of activity that falls into this group of work.



## 6. Resourcing the Strategy

The Head of Finance and Audit will be responsible for setting a programme of work each year in accordance with this Strategy and reporting on the progress and findings on the programme to the Audit and Governance Committee. The programme will include contingency time which can be added to the allocation for individual assignments if issues are found during the audit.

Resources from the In-house Audit, Fraud and Assurance team will be used to deliver most of the **Audit Wider work** and **Other Assurances work**.

Bought in resources will mostly be used for the **Audit Opinion** work to provide an independent opinion on processes which the in-house team may have been involved in setting up. It will also help ensure delivery of this work if a major investigation occurs. However, the in-house team will provide day to day support for the delivery of this work including help determine any actions that are needed.

<b>Summary of how the Audit Work Activities will be Resourced</b>		
	Bought in Services	In-House Resources
<b>Audit Opinion Work</b>	Delivery of programme of assignments in consultation with Head of Finance and Audit	Support the programme of assignments including providing data extractions for testing, and liaising with service on appropriate action to be taken.
<b>Audit Wider Work</b>	Assist with Thematic reviews and follow ups when required.	Lead on recommendation management, horizon scanning and reactive work. Carry out thematic reviews and follow ups as time allows.
<b>Other Assurances</b>		Compile the other assurances



**Mapping of the Groupings of Audit Work to the Elements of the Annual Head of Audit’s Opinion**

	<b>Control Opinion</b>	<b>Governance Opinion</b> (including information technology governance and ethics objectives)	<b>Risk Management Opinion</b> (including fraud)
<b>Audit Opinion Work</b>	Fundamental System audits Services and Systems audits Computer system audits	Corporate and partnership audits Contract and specialist audits Governance audits Computer strategy / Information audits	Risk Management audits Fraud reviews
<b>Audit Wider Work</b>	Recommendation Surveys Assisting implementation Audit Follow Ups Investigation Follow Ups	Themed Assignments Joint / Collaborative reviews Grant certifications Annual assurances Horizon Scanning	
<b>Other Assurances</b>	Reactive work including investigations External audit testing outcomes	External Assurances Partnership coverage by neighbouring councils	Counter fraud reviews
<b>General Awareness</b>	Wider Management team discussions Section 151 Group Assurances	Annual Governance Statement assurances Medium Term Finance Strategy	External audit identification and assurance of risks Risk Management progress reports Project teams

The Standards requirements from Internal Audit Activity:

The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the organisation’s framework of **governance, risk management and control**. (2450)

The internal audit activity must assess whether the **information technology governance** of the organisation supports the organisation's strategies and objectives. (2110.A2)

The internal audit activity must evaluate the design, implementation and effectiveness of the organisation's **ethics-related** objectives, programmes and activities. (2110.A1)

The internal audit activity must evaluate the potential for the occurrence of **fraud** and how the organisation manages fraud risk. (2120.A2)

The Fundamental and High-Risk Audits

**Fundamental System Audits**

Payroll and Employee Expenses
Accounts Payable
Banking
Income Management
Accounts Receivable
Main Accounting System and Budgetary Control
Capital Expenditure & Accounting
Treasury Management
Fixed Assets
Housing Rents
Local Tax Collection
Benefits

**High Risk Audits**

	Reason Assessed as High Risk
Tenancy Management	Gross Expenditure budget for 2019/20 is over £1million
Homelessness	
Property Maintenance and Inspections - Council Housing	
Street Cleansing	
Household Waste Collection	
Recycling	
Parks and Open Spaces	
Ferneham Hall	
Parking Enforcement	
Daedalus	
Local Plan	
Building Control	
Planning Applications	
Trade waste and recycling	
Parking Strategic Management	
Commercial Estates	Higher Risk Spend is over £500,000
Housing Communal Services	
Housing Grants and Home Improvements	
Regeneration Projects	
Property Maintenance and Inspections - Non- Housing	

	Reason Assessed as High Risk
<b>Vehicle Management</b>	
<b>Sheltered Housing</b>	Higher Risk Income is over £250,000
<b>Holly Hill Leisure Centre</b>	
<b>Developers Contributions</b>	Potentially high-income process with high reputational risk and risk of penalties
<b>Welborne</b>	High Profile project

Classification of Higher Risk Spend - Gross Expenditure less employee costs, capital charges and support services costs.

Classification of Higher Risk Income - Gross income less government grants and other grants.