



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

Date: **11 March 2013**

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

Subject: **REVIEW OF WORK PROGRAMME AND ANNUAL REPORT**

### **SUMMARY**

This report summarises the work carried out by the Audit and Governance Committee during 2012/13 and proposes the programme of work for 2013/14.

### **RECOMMENDATION**

- (a) The Council is recommended to note the report;
- (b) That the Committee work programme for 2013/14, as shown in Appendix C, be approved.

## **INTRODUCTION**

1. The Audit Committee has been in operation at the Council since December 2005. Its purpose is to oversee the Council's risk management, control and corporate governance arrangements and to provide independent advice on the adequacy and effectiveness of these arrangements.
2. From June 2012 the Committee merged with the Standards Committee and became the Audit and Governance Committee.
3. Good practice recommends that the Committee reports to the Council each year on its performance in relation to its purpose and functions set out in the constitution, as given in [Appendix A](#). This is the fifth annual report of the Committee and relates to its activity during 2012/13.

## **COMMITTEE ORGANISATION 2012/13**

4. The Committee continued to operate this year in accordance with best practice as detailed in the Chartered Institute of Public Finance and Accountancy (CIPFA) publication "Audit Committees – Practical Guidance for Local Authorities" with a high level of compliance with the 2006 CIPFA publication "A Toolkit for Local Authority Audit Committees".
5. The Committee met four times in the year and reported directly to the Council. It was originally comprised of five members but this was expanded to seven members after the merger; the members of the Committee still reflect the political balance of the Council. The chairman of the Committee for the year had no Executive responsibilities and only attended the Scrutiny Board when required to deputise. The committee was supported in its work by the Director of Finance and Resources.

## **COMMITTEE ACTIVITY IN 2012/13**

6. A summary of the work carried out by the Committee in fulfilment of its functions for the year is given in [Appendix B](#). The following points should be noted:
  - (a) The Committee was not requested to review any issues by the Chief Executive, any director or Council body during the year.
  - (b) The Committee obtained assurance that actions were being taken on risk related issues identified by auditors, inspectors or risk managers by the following methods:
    - levels of recommendation implementation reviewed for each completed audit reported in the quarterly audit reports, along with grade movements and the results of specific follow up work;
    - review of Head of Audit's report in June giving the annual measures of audit recommendation implementation (audit findings only);
    - reviewed progress made on the 2010/11 Annual Governance Statement action plan in the review of evidence to support the Annual Governance Statement 2011/12.
  - (c) The Committee requested further information from managers three times as follows:
    - The problems with the benefits system which temporarily meant that we could

not provide details of the total of council tax benefit where abuse had been found in 2011/12.

- Confirmation that the Council is correctly accounting for PAYE in relation to the private use of Council vehicles.
- The key controls relied on to prevent losses of council fuel due to misuse of fuel keys.

(d) There were no issues arising from the review of the Statement of Accounts and subsequent external audit report that the Committee felt needed to be brought to the attention of the Council.

7. Apart from the new responsibilities arising from the merger with the Standards Committee, there were three additional pieces of work carried out by the committee in addition to the original work programme set which covered the following:

- (a) The impact of the Protection of Freedoms Act 2012 on the Council's use of covert investigation methods.
- (b) Additional update of the Council's Local Code of Corporate Governance in response to CIPFA's "*Statement on the Role of the Chief Financial Officer in Local Government*".
- (c) The External audit annual certification report 2011/12.

8. In the November meeting of the Committee a number of changes to the work programme were approved in order to lighten the workload of the Committee given the wider remit arising from the merger with the Standards Committee. In addition to these, it has been considered that a separate report to the Committee on the whistle-blowing arrangements, due in March, is no longer warranted. Instead the work being done to strengthen arrangements will now be included in the Counter Fraud Strategy progress report, and the data on the number of whistle-blowing incidents will be included in the Counter Fraud Investigation progress report.

9. There have also been three reports in the original work programme for the year not presented to the committee for the reasons summarised below.

Report Title	When Due	Reason for Non Completion
3 yearly review of the Audit Strategy	September 2012	This item has been on hold for a while whilst arrangements with the new audit contractor have embedded and the CIPFA new Statement on the role of the Chief Internal Auditor and new standards were published. Work has continued on parts of the Strategy with the aim of bringing it to the Committee when ready.
3 yearly review of the Counter Fraud Policy and Strategy	November 2012	This work has been postponed to allow resources to be focused on carrying out more detailed assessments on the top fraud risk themes identified by the Audit Commission. However, the policy will be reviewed to confirm that no updates are required.
3 yearly review of the Sanctions and Redress Policy	March 2013	This was considered a low priority piece of work and has been deferred to next year.

## TRAINING EVENTS

10. The Committee had three training events before or during its meetings in the year as summarised in the table below:

<b>Date</b>	<b>Subject</b>	<b>Provider</b>
<b>November 2012</b>	Counter Fraud awareness	Deloittes and Touche Public Sector Audit Ltd
<b>November 2012</b>	Members Code of Conduct and arrangements for dealing with complaints	Director of Regulatory and Democratic Services, FBC
<b>March 2013 (Due)</b>	Vehicle Risk Management	Director of Street Scene and Transport Manager, FBC

11. The following topics are currently flagged for possible delivery in 2013/14:
- (a) Risk Financing and Insurance
  - (b) Annual briefing on Treasury Management
12. However, the training plan will now be reviewed in light of the new member training and development programme and will be a standing item on the agenda.

## WORK PROGRAMME FOR 2012-13

13. The proposed annual work plan for the Committee based on coverage in past years and the revised list of functions for the Committee is attached as [Appendix C](#). This has been updated for the changes to the work programme agreed at the last meeting. There are no further changes to highlight.

## RISK ASSESSMENT

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

## CONCLUSION

15. The annual report demonstrates a high level of compliance with best practice in the way that the Audit and Governance Committee operates and summarises the achievements for the year.

**Appendix A** - Functions of the Audit Committee (extract from the constitution)

**Appendix B** - Summary of Work Carried out by the Committee in 2012/13

**Appendix C** - Work Programme for 2013/14

## Background Papers:

None

## Reference Papers:

Minutes of and reports to Audit and Governance Committee for the Municipal Year 2012/13

## Enquiries:

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

## **Constitution Part 2: Chapter 8 (last reviewed June 2012)**

### **Functions of the Audit and Governance Committee**

1. The purpose of the Audit and Governance Committee is to:
  - a. Oversee and assess the Council's risk management control and corporate governance arrangements and to provide independent advice on the adequacy and effectiveness of these arrangements;
  - b. 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
  - c. To promote, maintain and strengthen high standards of conduct by members and co-opted members of the Council.
2. The general functions and areas of responsibility of the Audit and Governance Committee are:

#### **General**

- a) To review any issue referred to it by the Chief Executive or a director or any council body.
- b) To seek assurance that action is being taken on risk related issues identified by auditors, inspectors or risk managers.
- c) To lead on the Council's duties under Chapter 7 of the Localism Act 2011 and oversee, maintain and strengthen high standards of conduct in public office.

#### **Governance Framework**

- a) To oversee the Council's arrangements for corporate governance and agree necessary actions to ensure compliance with best practice.
- b) To review and make recommendations to Council on its Financial Regulations and Contract Procurement Rules.
- c) To consider the effectiveness of the Authority's risk management arrangements and the systems of internal control.
- d) To review the adequacy of the Council's corporate risk registers.
- e) To review the policies and measures in place to prevent fraud and corruption.
- f) To oversee the production of the Council's annual governance statement and to recommend its adoption.

- g) To oversee the implementation of the Council's Treasury Management Strategy and Policy

### **Audit Activity**

- a) To review Internal Audit's strategy, plans and performance.
- b) To review summary internal audit reports and the main issues arising and seek assurance that action has been taken where necessary.
- c) To consider the Head of Audit and Assurance's annual report and opinion and a summary of internal audit activity (actual and proposed) and review the level of assurance it can give over the Council's corporate governance arrangements.
- d) To consider the findings of the review of effectiveness of the systems of internal audit.

### **External Audit and Inspection**

- a) To comment on the scope and depth of external audit work and to ensure it gives value for money.
- b) To consider the external auditor's annual audit letter, the annual governance report and any other specific reports of external audit and inspection agencies as deemed appropriate to the committee role and responsibilities.
- c) To monitor the arrangements for effective co-operation between internal audit, external audit and other review bodies.

### **Accounts**

- a) To approve the Authority's Statement of Accounts, income and expenditure and balance sheet or record of receipts and payments (as the case may be), in accordance with The Accounts and Audit Regulations 1996 (SI 1996/590).
- b) To consider whether appropriate accounting practices have been followed and whether there are concerns arising from the financial statement or from the audit that need to be brought to the attention of the Council
- c) To consider the External Auditor's report on issues arising from the audit of accounts.

### **Standards**

- 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) Monitor and review members' training and development.
- l) To establish a Standards Sub-Committee to investigate and determine appropriate actions in respect of alleged breaches of the Members' Code of Conduct.

SUMMARY OF WORK CARRIED OUT BY THE AUDIT AND GOVERNANCE COMMITTEE IN 2012/13

Committee Function	Topic	Committee Activity			
		June 2012	Sept 2012	Nov 2012	March 2013 (due)
<b>COMMITTEE WORKING ARRANGEMENTS</b>					
Functions of the Committee	Noted report on new arrangements for Standards Committee				
Work Programme of the Committee			Reviewed content of work programme and training needs		To note annual report and review work programme for 2013/14
<b>ETHICAL FRAMEWORK AND STANDARDS</b>					
Standards of Conduct			Noted complaints to the Local Government Ombudsman and allegations to the former Standards Committee of breaches of the Code of Conduct for Members for 2011/12		
Member Training and Development					To review members training and development programme for 2013/14
<b>GOVERNANCE FRAMEWORK</b>					
Framework	Noted level of compliance with Local Code of Corporate Governance Recommended changes to Local Code Endorsed areas for improvement	Reviewed sources of evidence supporting the Annual Governance Statement. Approved the Annual Governance Statement and recommended it for signature.		Recommended changes to Local Code of Corporate Governance	
Key Policies	Recommended to Council the changes to Regulations 5,6, and 7 (Financial Planning and reporting)	Recommended to Council the changes to Regulations 4, * and 9 (Authorisation Limits, Revenue and Capital Budgets)		Recommended to Council the changes to Regulation 16 (Ordering and payment for purchases) Recommended to Council the changes to Contract Procedure Rules Noted report on the implementation of Treasury Management Strategy & Policy	To recommend to Council the changes to Regulation 13, 17 and 20. (Physical Assets, Petty Cash and Tax administration)
Risk Management		Approved adoption of new Risk Management Policy			To note new Corporate Risk Register and proposals for managing the risks
Anti Fraud and Corruption	Noted progress on Counter Fraud Strategy Noted progress on counter Fraud investigations			Noted progress on Counter Fraud Strategy Noted progress on counter Fraud investigations	



Committee Function	Topic	Committee Activity			
		June 2012	Sept 2012	Nov 2012	March 2013 (due)
<b>INTERNAL AUDIT ASSURANCE</b>					
Internal audit strategy and plans			Noted outcome of review by the Section 151 Officer on the effectiveness of audit		Contractor Plan 2013/14 presented for approval
Findings from internal Audit work	Noted Annual Report of the Head of Audit 2011/12 as a source of evidence for the Annual Governance Statement Noted findings from completed audits from Contractor Plan (Quarterly Reports)		Noted findings from completed audits from Contractor Plan (Quarterly Reports)	Noted findings from completed audits from Contractor Plan (Quarterly Reports)	To be Noted
<b>EXTERNAL ASSURANCE</b>					
External Audit strategy and plans	Noted update to the External Audit Plan.				To approve the fees for external audit work for 2012/13 accounts
Findings from External Audit work				Reviewed and noted Annual Audit Letter to Members arising from work carried out in respect of 2011/12.	To consider external audit annual certification report 2011/12
<b>STATEMENT OF ACCOUNTS</b>					
Statement of Accounts			Approved Statement of Accounts 2011/12 to be published  Noted External Audit Annual Governance Report 2011/12  Approved signing of Letter of Representation		
<b>OTHER</b>					
Updates on legal issues			Noted contents of reports on the impact of the Protection of Freedoms Act 2012 on the Council's use of covert investigation methods. Endorsed a report being presented to the Executive updating the existing Corporate RIPA policy.		

**AUDIT AND GOVERNANCE COMMITTEE PROPOSED WORK PROGRAMME 2013/14**

Committee Function and Report Subject		Frequency	Last Reviewed	June 2013	September 2013	November 2013	March 2014
<b>COMMITTEE WORKING ARRANGEMENTS</b>							
Review of Work Programme and training plan		Quarterly	2012-13	YES	YES	YES	YES and Annual Report
Review of the Functions of the Committee		3 yearly	2012-13				
<b>ETHICAL FRAMEWORK AND STANDARDS (NEW)</b>							
Standards of Conduct	Review of Code of Conduct for Members	As needed	2012-13				
	Review of member / officer protocol	As needed	2008-09				
	<b>Overview of Complaints against the Council</b>	Annual	2012-13	YES			
Member Training and Development	<b>Review of Members Training and Development and Determination of Programme</b>	Annual	2012-13				YES
<b>GOVERNANCE FRAMEWORK</b>							
Framework	Local Code of Corporate Governance	2 yearly	2012-13				
	<b>Annual Governance Statement</b>	Annual	2012-13		YES		
Key Policy	<b>Review of Financial Regulations</b>	3 yearly	2012-13	YES	YES	YES	YES
	<b>Review of Contract Procedure Rules</b>	3 yearly	2012-13			YES	
	<b>Implementation of Treasury Management Policy and Strategy</b>	Annual	2011-12			YES	
Risk Management	Policy and Strategy	3 yearly	2012-13				
	<b>Risk Management Progress Reports</b>	6 monthly	2009-10		YES		YES
	<b>Business Continuity</b>	2 yearly	2011-12		YES		
	Specific Risk Management topics	As needed	None				
Counter Fraud	Benefits Anti-Fraud and Corruption Policy	As needed	2011-12				
	<b>Counter Fraud Policy and Strategy</b>	3 yearly	2009-10			YES – Policy only	
	Anti-Bribery Policy	As needed	2011-12				
	<b>Sanctions and Redress Policy</b>	3 yearly	2008-09				YES

<b>Committee Function and Report Subject</b>		<b>Frequency</b>	<b>Last Reviewed</b>	<b>June 2013</b>	<b>September 2013</b>	<b>November 2013</b>	<b>March 2014</b>
	<b>Counter Fraud Strategy Progress</b>	6 monthly	2012-13	YES		YES	
	<b>Counter Fraud Investigation Progress</b>	6 monthly	2012-13	YES		YES	
<b>INTERNAL AUDIT ASSURANCE</b>							
	<b>Internal Audit Strategy</b>	3 yearly	2006-07	YES			
	<b>Contractor Internal Audit Annual Plan</b>	Annual	2012-13				YES
	<b>Contractor Quarterly Audit Reports</b>	Quarterly	2012-13	YES	YES	YES	YES
	<b>Head of Audit's Annual Opinion</b>	Annual	2012-13	YES			
<b>EXTERNAL ASSURANCE</b>							
	<b>Annual External Audit Plan and Fee</b>	Annual	2012-13				YES
	<b>External Audit Annual Inspection Letter</b>	Annual	2012-13			YES	
	<b>Annual Certification Report</b>	Annual	2012-13				YES
	Specific reports from external audit and inspection agencies	As needed	2011-12 (RIPA)				
<b>STATEMENT OF ACCOUNTS</b>							
	<b>Statement of Accounts</b>	Annual	2012-13		YES		
	<b>External Audit Annual Governance Report</b>	Annual	2012-13		YES		
<b>OTHER</b>							
	Updates on legal issues	As needed	2012-13				
	Issues referred from the Chief Executive Officer, Directors and Other Council Bodies	As needed	None				