

# FAREHAM

## BOROUGH COUNCIL

### Report to Audit and Governance Committee

**Date:** 19 October 2020

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

**Subject:** ANNUAL REPORT OF THE AUDIT AND GOVERNANCE  
COMMITTEE

#### SUMMARY

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

#### RECOMMENDATION

It is RECOMMENDED that the Audit and Governance Committee: -

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

## **INTRODUCTION**

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

## **COMMITTEE ORGANISATION 2019/20**

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

## **COMMITTEE ACTIVITY IN 2019/20**

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

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

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

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

## TRAINING EVENTS

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

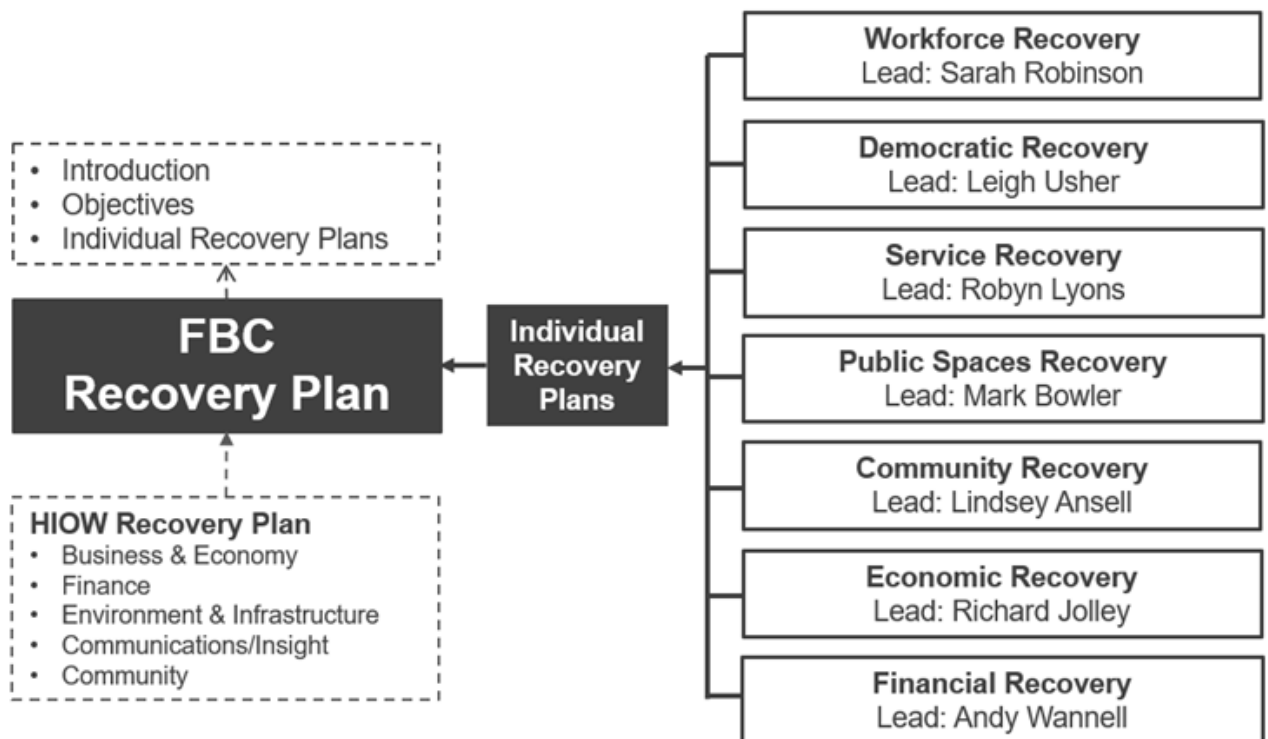
thereafter.

## WORK PROGRAMME 2020/21

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

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

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



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

## RISK ASSESSMENT

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

## CONCLUSION

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

### Appendices:

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

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

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

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

**Background Papers:** None

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

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

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

### Enquiries:

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

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

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

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

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

<b>Value for Money</b>
To consider the council's arrangements to secure value for money and review assurances and assessments on the effectiveness of these arrangements.
<b>Counter Fraud</b>
The Audit and Governance Committee's areas of responsibility for counter fraud are: - a) To review the policies and measures in place to prevent fraud and corruption. b) To review the assessment of fraud risks and potential harm to the council from fraud and corruption. c) To monitor the counter-fraud strategy, actions and resources.
<b>Partnerships</b>
The Audit and Governance Committee's areas of responsibility for partnerships are to review the governance and assurance arrangements for significant partnerships or collaborations.
<b>AUDIT</b>
<b>Internal Audit</b>
The Audit and Governance Committee's areas of responsibility for Internal Audit are:- a) To approve the internal audit charter. b) To review proposals made in relation to the appointment of external providers of internal audit services and to make recommendations. c) To approve the risk-based internal audit plan, including internal audit's resource requirements and the approach to using other sources of assurance and any work required to place reliance upon those other sources. d) To approve significant interim changes to internal audit plan and resource requirements. e) To make appropriate enquiries of both management and the head of internal audit to determine if there are any inappropriate scope or resource limitations. f) To consider any impairments to independence or objectivity arising from additional roles or responsibilities outside of internal auditing of the head of internal audit. To approve and periodically review safeguards to limit such impairments. g) To consider reports from the head of internal audit on internal audit's performance, including the performance of external providers of internal audit services. These will include: <ul style="list-style-type: none"> <li>• updates on the work of internal audit including key findings, issues of concern and action in hand as a result of internal audit work.</li> <li>• Reports on the results of the Quality Assurance and Improvement Plan (QAIP)</li> <li>• 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.</li> </ul> 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.
<b>External Audit</b>
The Audit and Governance Committee's areas of responsibility for External Audit are:- a) To support the independence of external audit through consideration of the external auditor's annual assessment of its independence and review of any issues raised by Public Sector Audit Appointments (PSAA).



- b) To comment on the scope and depth of external audit work and to ensure it gives value for money.
- c) To consider the external auditor's annual letter, relevant reports, and the report to those charged with governance (**the Full Council**).
- d) To advise and recommend on the effectiveness of relationships between external and internal audit and other inspection agencies or relevant bodies

## FINANCIAL REPORTING

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 (the Full Council) on issues arising from the audit of the accounts.

## WIDER FUNCTIONS OF THE AUDIT AND GOVERNANCE COMMITTEE

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

The Audit and Governance Committee's purpose is also to:

- 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.

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

#### Treasury Management

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

#### Key Policy Review

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

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

#### Considering Other Matters Referred to the Committee

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

## WORK PROGRAMME FOR 2020/21

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

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