

FAREHAM

BOROUGH COUNCIL

Report to Audit and Governance Committee

Date: 15 March 2021

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 2020/21 and proposes the programme of work for 2021/22.

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 2021/22, as shown in [Appendix C](#), to Council for endorsement.

INTRODUCTION

1. This annual report summarises how this Committee has performed during 2020/21 in relation to the purpose and functions set out in the constitution. It should be noted that 2020/21 was the year of the Covid-19 pandemic which had an impact on the operation of the Committee at the start of the year whilst the Council operated under emergency measures.

COMMITTEE ORGANISATION 2020/21

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 was comprised of seven members who reflect the political balance of the Council. As the planned elections for 2020/21 did not take place there was no change in the members assigned to sit on the Committee.
4. The committee was supported in its work by the Deputy Chief Executive Officer and Section 151 Officer. The Committee reported directly to the Council.
5. The Committee met three times in the year. All meetings were held virtually using video conferencing. The first meeting held in October was held after the previous two scheduled dates (March and July) were cancelled due to the pandemic. This meeting plus the following one were therefore extended to catch up on items scheduled for the year.

COMMITTEE ACTIVITY IN 2020-21

6. 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](#).
7. 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) There were no requests from the Committee for further information to be provided.
8. The majority of the reports contained in the revised work programme approved at the October 2020 meeting have been presented to the Committee. It should be noted that since the programme was compiled, the country has been placed in further periods of lockdown and the Council has undertaken additional responsibilities to support the local community. The table below shows the reports missed and the proposals on how to

address the work missed:

| Original Meeting Scheduled | Subject | Proposal |
|----------------------------|--|--|
| March 2021 | Internal Audit Annual Plan | Cover in the July 2021 committee |
| March 2021 | External Audit Annual Plan | Cover in the July 2021 committee |
| March 2021 | Risk Management Monitoring Report | Assurance for the year derived from the risk management work undertaken in relation to the response plan and recovery plans relating to the pandemic. Provisional inclusion for a report to be covered in the September 2021 committee. |

TRAINING EVENTS

9. There were no specific training events for the Members of the Committee during 2020/21. However, the full programme of planned and delivered training for members will be presented as a separate report to the March Committee.

WORK PROGRAMME 2021/221

10. The proposed work plan for the Committee for 2021/22 is attached as [Appendix C](#). The following should also be noted:
- **Prevention of the Facilitation of Tax Evasion** – It is proposed that a new area of work is covered in the year to review the Council's policy and procedures to prevent the facilitation of tax evasion. These procedures are designed to give a proportionate response to obligations placed upon organisations by the Criminal Finances Act 2017. These obligations had been given greater prominence under the Coronavirus Job Retention Scheme (furlough).
 - **Counter Fraud Policy and Strategy** – It is proposed to postpone the review of the Policy and Strategy for a further year until the 2022-23 work programme to make way for this new area of work.

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.

Appendices:

[Appendix A](#) – Work carried out in 2020/21 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 2021/22

Background Papers: None

Reference Papers: Minutes of and reports to Audit and Governance Committee for the Municipal Year 2020/21

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 2020/21 in support of the Functions of the Committee

| Function | Work Completed |
|--|--|
| Overall Purpose and Accountability | Regular reviews of the work programme Annual Report of the Committee for 2020/21 |
| Corporate Governance and Annual Governance Statement | Review of Annual Governance Statement 2019/20 |
| Risk Management and Internal Control | Member briefings on the Council's actions to manage the risks posed by the Covid 19 pandemic during the response phase. Member awareness of the action being taken in the Council's framework of recovery plans presented to the Executive. Committee review of the Narrative Report and Going Concern Note in the Council's Statement of Accounts 2019/20 |
| Value for Money | <i>No work completed</i> |
| Counter Fraud | Counter Fraud Annual Report 2019/20 |
| Partnerships | Partnership Governance Report 2019/20 |
| Internal Audit | Internal Audit Annual Plan 2020/21 (The 2021/22 plan was postponed to July 2021) Head of Audit's Annual Opinion Report 2019/20 Regular Internal Audit Progress Reports |
| External Audit | Annual External Audit Letter 2019/20 Annual Certification Reports 2018/19 & 2019/20 External Audit Annual Plan and Fee 2019/20 |
| Financial Reporting | Review of the Statement of Accounts 2019/20 External Audit – Audit Results Report 2019/20 |
| Standards and Ethics | Annual Ombudsman Reports and Overview of Complaints against members Review of Members Training and Development Programme |
| Treasury Management | Treasury Management Progress Report 2020/21 Treasury Management Strategy and Indicators 2021/22 |
| Key Policy Review | Annual review of the Constitution First Year Review of the New Procurement and Contract Procedure Rules |
| 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

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

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

APPENDIX C

WORK PROGRAMME FOR 2021/22

| Committee Function and Report Subject | | Frequency | Last Covered | July 2021 | Sept 2021 | Nov 2021 | March 2022 |
|--|---|-----------|-----------------------------------|-----------------------------|-----------|----------|------------------------------------|
| OVERALL PURPOSE AND ACCOUNTABILITY | | | | | | | |
| Review of Work Programme and training plan | | Quarterly | 2020-21 | YES | YES | YES | YES, and Annual Report for 2020/21 |
| Review of the Functions of the Committee | | 3 yearly | 2019-20 | | | | |
| GOVERNANCE, RISK AND CONTROL | | | | | | | |
| Corporate Governance & AGS | Local Code of Corporate Governance | As needed | 2016-17 | | | | |
| | Annual Governance Statement | Annual | 2020-21 | YES | | | |
| Risk Management | Policy | As needed | 2016-17 | | | | |
| | Risk Management Monitoring Reports | 6 monthly | 2019-20 | | YES | | 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 | | | YES | |
| | Sanctions and Redress Policy | As needed | 2016-17 | | | | |
| | Counter Fraud Annual Report | Annually | 2020-21 | YES | | | |
| Partnerships | Partnership Governance Report | As needed | 2020-21 | | YES | | |
| AUDIT | | | | | | | |
| Internal Audit | Internal Audit Strategy | 3 yearly | 2018-19 | | | | |
| | Internal Audit Annual Plan | Annual | 2020-21 | YES (delayed from March) | | | YES |

| Committee Function and Report Subject | | Frequency | Last Covered | July 2021 | Sept 2021 | Nov 2021 | March 2022 |
|--|--|--------------|----------------|-----------|-----------|----------|-----------------------------|
| | Internal Audit Progress Report | Quarterly | 2020-21 | YES | YES | YES | YES |
| | Head of Audit's Annual Opinion | Annual | 2020-21 | YES | | | |
| External Audit | Arrangements for Appointment of External Auditors | As needed | 2018-19 | | | | |
| | Annual Plan and Fee | Annual | 2020-21 | YES | | | YES |
| | Annual Audit Letter / Annual report | Annual | 2020-21 | | YES | | |
| | Annual Certification Report | Annual | 2020-21 | | | | YES |
| | Specific reports from inspection agencies | As needed | 2018-19 (RIPA) | | YES | | |
| FINANCIAL REPORTING | | | | | | | |
| Statement of Accounts | | Annual | 2020-21 | YES | | | |
| External Audit – Audit Results Report | | Annual | 2020-21 | YES | | | |
| WIDER FUNCTIONS OF THE COMMITTEE | | | | | | | |
| Standards and Ethics | Review of Code of Conduct for Members | As needed | 2015-16 | | | | |
| | Review of member / officer protocol | As needed | 2008-09 | | | | |
| | Annual Ombudsman Reports and Overview of Complaints against members | Annual | 2020-21 | | YES | | |
| | Review of Members Training and Development Programme | Annual (New) | 2020-21 | | | | YES |
| Treasury Management | Treasury Management Strategy and Indicators | Annual | 2020-21 | | | YES | YES - Policy and indicators |
| Key Policy Review | Annual Review of the Constitution | Annual | 2020-21 | | | YES | |
| | Review of Financial Regulations | 3 yearly | 2019-20 | | | | |
| | Review of Procurement and Contract Procedure Rules | 3 yearly | 2020-21 | | YES | | |
| | Prevention of the Facilitation of Tax Evasion | As needed | NEW | | | 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 | | | | 9 | 8 | 6 | 8 |