

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 Committees 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 Committees 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 Committees functions.
4. As this is the first meeting of the municipal year, this report will cover each area of the functions briefly explaining the Committees 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 Committees 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

