

FAREHAM

BOROUGH COUNCIL

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

Date: Thursday, 18 July 2024

Venue: Collingwood Room - Civic Offices

PRESENT:

Councillor R N Bird (Chairman)

Councillor Miss T Harper (Vice-Chairman)

Councillors: F L Burgess, Mrs T L Ellis, D G Foot, D J Hamilton and P W Whittle

**Also
Present:**



1. APOLOGIES

There were no apologies received at the meeting.

2. MINUTES

RESOLVED that the Minutes of the Audit and Governance Committee meeting held on the 11 March 2024 be signed and agreed as a correct record.

3. CHAIRMAN'S ANNOUNCEMENTS

The Chairman welcomed the new Members to the Committee and passed on his thanks to the previous Chairman.

The Chairman added that he had recently met with the new external audit managers, Simon Mathers and Tom Wilkins, from Ernst and Young LLP (EY) in order to establish a working relationship in line with the action plan set for the Committee in March 2024.

The Chairman then went on to make the following announcement: -

'Members will recall that Ben Lazarus from Ernst and Young gave us an update in March on what was happening with the delayed sign off of the 2022/23 accounts.

He explained that a national consultation had been launched from the Department of Levelling Up, Housing and Communities recommending some backstop dates to clear the backlog and a review process to prevent a similar problem happening again. Ben also advised on the approach being taken by Ernst and Young which was to concentrate on the 2023/4 accounts this year and complete this audit before the required backstop date. They were not, however, intending to fully complete the 2022/23 audit other than the work already completed and would need to issue a disclaimer to their opinion.

I understand that the national consultation process did not have time to be completed before the election was called which means the first backstop date is likely to change. Tom (Senior Manager from EY) are you able to provide the committee with any further update on what is happening in this regard?'

Tom Wilkins from EY addressed the Committee to confirm that the consultation has now completed, and that the legislation is in a position to be considered by the new government. EY are continuing to work to the timetable they had set. Members challenged that if the backstop date is to change, why can this time not be used to complete the 2022/23 audit. Tom explained that this time will be used to ensure that the 2023/24 audit is completed on time.

4. DECLARATIONS OF INTEREST AND DISCLOSURES OF ADVICE OR DIRECTIONS

Councillor P Whittle declared a non-pecuniary interest for item 6 – External Audit Annual Plan 2023/24, as he previously had a professional relationship with the Council’s external auditors Ernst & Young LLP.

5. DEPUTATIONS

No deputations were received at the meeting.

6. EXTERNAL AUDIT ANNUAL PLAN 2023/24

The Committee received the External Audit Plan from the Council's external auditors, Ernst & Young (EY). The plan, attached as Appendix A to the report, provided the Committee with a basis to review the proposed audit approach and scope of work for the 2023/24 audit (carried out in 2024/25). Tom Wilkins from EY was in attendance at the meeting to present the report to the Committee.

Councillor P Whittle declared a non-pecuniary interest for at this item, as he previously had a professional relationship with the Council’s external auditors Ernst & Young LLP.

Members asked for clarification if the ‘increase in risk’ highlighted on page 18 of the agenda pack should be a concern for the Council. Tom explained that the increase in risk does not mean that there is a concern, just that there are unusual items within the Council’s asset portfolio that will need extra work to audit, especially as they were not covered in 2022/23.

RESOLVED that the Audit and Governance Committee:

- a) approves the 2023/24 Audit Plan, attached as Appendix A to this report; and
- b) confirms its understanding of, and agreement to, the materiality and reporting levels set out on page 25 of Appendix A.

7. COUNTER FRAUD ANNUAL REPORT

The Committee received the Counter Fraud Annual Report from the Assistant Director (Finance & ICT) which updated the Committee on the counter fraud work carried out in the last 12 months including the numbers and outcomes of fraud cases.

Members of the Committee enquired about the four whistleblowing cases that had been reported within the last twelve months, asking if this was a typical amount compared to previous years. Officers advised that the four cases were an increase on previous years, but this was partly due to a change in the definitions used for whistleblowing rather than an increase in cases and therefore should not be a concern. Officers also advised that was a sign of good governance if concerns are being raised and acted on. Members agreed that this will be something to watch in future reporting.

RESOLVED that the Audit and Governance Committee: -

- a) note the contents of the report; and
- b) passed comment and approve the new Anti-Bribery Policy, at Appendix D.

8. CHIEF INTERNAL AUDITOR'S ANNUAL OPINION

The Committee received the Chief Internal Auditor's Annual Opinion report from the Assistant Director (Finance & ICT) which set out the Internal Audit coverage, findings and performance for 2023/24 and provided an overall assurance opinion on the adequacy and effectiveness of the Council's framework of governance, risk management and control.

As part of the assurance coverage the report included an overview of the effectiveness of the various partnership governance arrangements that the Council has. Members, although generally satisfied with the agreements and contracts in place, enquired about the issues with Project Integra and asked if this was an issue specific to Fareham Borough Council. Officers explained that the issues with the partnership are across all districts and stressed that a project team had been established to work through some of the challenges.

Members of the Committee asked several questions for clarification in order to better understand the internal audit processes that have led to the positive opinion from the internal audit team. During discussions questions were asked about the scope of the audits and how these are determined, especially in relation to audits where no opinion is given. The Assistant Director (Finance & ICT) explained what coverage is needed for an audit opinion to have a meaning and how some audits are at a manager's request and have a narrower focus. The Committee asked that Officers consider the training given to Officers to support them in their role in suggesting internal audit coverage during the audit plan or audit scoping discussions. Officers need to understand the internal audit process and how this relates to each service area.

RESOLVED that the Audit and Governance Committee: -

- a) ask Officers to consider training be given to those Officers whose input is relied upon as part of the internal audit planning and scoping to ensure that they understand the internal audit process and how this relates to each service area; and
- b) note the contents of the report as a source of evidence for the 2023/24 Annual Governance Statement.

9. ANNUAL GOVERNANCE STATEMENT

The Committee received the 2023/24 Annual Governance Statement (AGS) from the Assistant Director (Finance & ICT) for member approval before publishing with the Statement of Accounts.

Members enquired about the section of the AGS which provides information on the Council's Whistleblowing Policy. Members discussed the contents at length and asked if Officers, in consultation with the Chairman, could look to reword this section to provide greater clarity with regards to the type of whistleblowing that had been reported and if publishing the number of reports was appropriate. Members also asked that Officers look to remove the reference to the 2017/18 focus groups as Members did not consider this to be relevant current information.

RESOLVED that the Audit and Governance Committee:-

- a) Request that Officers, in consultation with the Chairman, look to reword the section on whistleblowing to provide greater clarity with regards to the type of whistleblowing that has been reported and if publishing the number of reports is appropriate, and also ask that Officers look to remove the reference to the 2017/18 focus groups; and
- b) with the changes at a) approves the Annual Governance Statement for 2023/24, as attached at Appendix C of the report.

10. CHIEF INTERNAL AUDITOR'S QUARTERLY REPORT

The Committee received the Chief Internal Auditor's Quarterly report which 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.

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

11. COMMITTEE REPORT

The Committee received the new style Committee Report from the Assistant Director (Finance & ICT) which updated Members on a variety of assurances which are within the functions of the Audit and Governance Committee, but do not require a full report in their own right. Included in this report were; the Committees Work Programme, and updates to the Council's Financial Regulations.

The Assistant Director (Finance & ICT) explained that a new item needed adding to the work programme to reflect the new complaints standards that have been adopted. The first annual report will be brought to members in September and will include an introduction to the new arrangements.

The Chairman addressed the Committee to formally propose that an additional item be added to the Committee Work Programme to provide a platform for the Committee to publish a statement, the purpose of which would be to clarify the rationale for the disclaimer which will be published for the 2022/23 incomplete external audit. The proposal was seconded and the Committee then discussed the proposal at length before it was withdrawn by the Chairman pending further clarity on the proposed wording of the disclaimer by Government.

RESOLVED that the Audit and Governance Committee: -

- a) note the contents of the report at Part One; and
- b) ask that Council endorse the updated Financial Regulations as set out at Appendix B.

(The meeting started at 6.00 pm
and ended at 7.50 pm).

..... Chairman

..... Date