

# FAREHAM

## BOROUGH COUNCIL

### Report to Audit and Governance Committee

**Date**                    **10 March 2014**

**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 2013/14 and proposes the programme of work for 2014/15.

#### **RECOMMENDATION**

- (a) The Council is recommended to note the report;
- (b) That the Committee work programme for 2014/15, as shown in [Appendix B](#), 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. This is the sixth annual report of the Committee and relates to its activity during 2013/14.

## **COMMITTEE ORGANISATION 2013/14**

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 comprised of seven members who reflect the political balance of the Council. The chairman of the Committee for the year had no Executive responsibilities and was not required to deputise at the Scrutiny Board during the year. The committee was supported in its work by the Director of Finance and Resources.

## **COMMITTEE ACTIVITY IN 2013/14**

6. A summary of the work carried out by the Committee in fulfilment of its functions for the year is given in [Appendix A](#). 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) The Committee obtained assurance that actions were being taken on risks 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;
    - reviewed progress made on the 2011/12 Annual Governance Statement action plan in the review of evidence to support the Annual Governance Statement 2012/13.
  - (c) The Committee requested further information three times in respect of:
    - the Council's use of powers to freeze the assets of a benefits claimant suspected of non-disclosure of capital;
    - the use made of reward schemes at other councils to encourage fraud referrals from the public;

- the action being taken by managers in relation to the issues raised in the Ferneham Hall follow up audit.

(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. There were five additional pieces of work carried out by the Committee in addition to the original work programme set which are highlighted in [Appendix A](#).
8. There have been four 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 the impact of the new audit standards has been ascertained. Work has continued on parts of the Strategy with the aim of bringing it to the Committee when ready The updated Charter was presented to the Committee in November 2013.
2 yearly annual progress report on Business Continuity	September 2013	This report has had to be deferred to the next year work programme and may need to become a 3 yearly report or restricted to coverage in the Corporate Risk Register only.
3 yearly review of the Sanctions and Redress Policy	March 2014	This was considered a low priority piece of work and has been deferred to next year.
Members training and development programme for 2014/15	March 2014	This has been postponed to the next year after the elections when new member's requirements can be included in the programme. This will be rescheduled as an annual report for the June meeting.

## TRAINING EVENTS

9. The Committee had one training events in the year before the November meeting, covering the Annual update on Treasury Management.

## WORK PROGRAMME FOR 2014/15

10. The proposed annual work plan for the Committee based on coverage in past years and the functions for the Committee is attached as [Appendix B](#). It should be noted that the review of Compliance with the Local Code of Corporate Governance is now being moved to an "as needed" report as it is considered that the themes are adequately covered elsewhere by the reviews leading up to the Annual Governance Statement.

## RISK ASSESSMENT

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

## **CONCLUSION**

12. There has been a high level of compliance with best practice in the way that the Audit and Governance Committee operates and the reports received.

### **Appendices:**

[Appendix A](#) – Summary of the work carried out by the Committee in 2013/14

[Appendix B](#) – Work Programme for 2014/15

**Background Papers:** None

**Reference Papers:** Minutes of and reports to Audit and Governance Committee for the Municipal Year 2013/14

### **Enquiries:**

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

## SUMMARY OF WORK CARRIED OUT BY THE AUDIT AND GOVERNANCE COMMITTEE - 2013/14

Committee Function	Topic	Committee Activity			
		June 2013	Sept 2013	Nov 2013	March 2014 (due)
<b>COMMITTEE WORKING ARRANGEMENTS</b>					
<b>Work Programme of the Committee</b>		Reviewed content of work programme	Reviewed content of work programme	Reviewed content of work programme	To note annual report and review work programme for 2014/15
<b>Review of the Constitution</b>				<b>EXTRA</b> -Review and comment on the updated Standing Orders for meetings	
<b>Functions of the Committee</b>					<b>EXTRA</b> -To approve latest content of constitution on the functions of Audit and Governance Committee
<b>ETHICAL FRAMEWORK AND STANDARDS</b>					
<b>Standards of Conduct</b>			Noted complaints made to the Local Government Ombudsman and allegations of breaches of the Code of Conduct for Members for 2012/13		<b>EXTRA</b> -To review how the revised member code of conduct has operated in its first year.
<b>Member Training and Development</b>					
<b>GOVERNANCE FRAMEWORK</b>					
<b>Framework</b>			Reviewed sources of evidence supporting the Annual Governance Statement. Approved the Annual Governance Statement and recommended it for signature.		
<b>Key Policies</b>		Recommended to Council the changes to Financial Regulations 10, 11, and 14 (Risk Management, Audit Arrangements and Other Council Assets)		Recommended to Council the changes to Financial Regulation 19 (Income and Banking) Recommended to Council a change to Contract Procedure Rules Noted report on the implementation of Treasury Management Strategy & Policy	To recommend to Council the changes to Financial Regulation 1 and 2. (Responsibilities of Members and Statutory Officers)
<b>Risk Management</b>			To note the content of version 2 of the Corporate Risk Register		To note the content of version 3 of the Corporate Risk Register.

Committee Function	Topic	Committee Activity			
		June 2013	Sept 2013	Nov 2013	March 2014 (due)
<b>Anti Fraud and Corruption</b>	<p><b>EXTRA</b> – Recommended to Council to approve and adopt an updated Benefits Anti-Fraud Policy</p> <p>Noted progress on Counter Fraud Strategy</p> <p>Noted progress on Counter Fraud investigations</p>			<p>Recommended to Council to adopt a revised Corporate Anti-Fraud and Corruption Policy</p> <p>Noted progress on Counter Fraud Strategy</p> <p>Noted progress on counter Fraud investigations</p>	
<b>INTERNAL AUDIT ASSURANCE</b>					
<b>Internal audit strategy and plans</b>				<b>EXTRA</b> - Approved revised Internal Audit Charter	Contractor Plan 2014/15 (Quarter 1) presented for approval
<b>Findings from internal Audit work</b>	<p>Noted Annual Report of the Head of Audit 2011/12 as a source of evidence for the Annual Governance Statement</p> <p>Noted findings from completed audits from Contractor Plan (Quarterly Reports)</p>	Noted findings from completed audits from Contractor Plan (Quarterly Reports)		Noted findings from completed audits from Contractor Plan (Quarterly Reports)	Next quarterly report to be noted.
<b>EXTERNAL ASSURANCE</b>					
<b>External Audit strategy and plans</b>	Approved external audit plan for the 2012/13 accounts				To approve the external audit plan and fees for the 2013/14 accounts
<b>Findings from External Audit work</b>				Reviewed and noted Annual Audit Letter to Members arising from work carried out in respect of 2012/13.	To consider the external audit annual certification report 2013/14
<b>STATEMENT OF ACCOUNTS</b>					
<b>Statement of Accounts</b>		<p>Approved Statement of Accounts 2012/13 to be published</p> <p>Noted External Audit Annual Governance Report 2012/13</p> <p>Approved signing of Letter of Representation</p>			
<b>OTHER</b>					
<b>Updates on legal issues (none)</b>					

## AUDIT AND GOVERNANCE COMMITTEE - PROPOSED WORK PROGRAMME - 2014/15

Committee Function and Report Subject		Frequency	Last Reviewed	June 2014	September 2014	November 2014	March 2015
<b>COMMITTEE WORKING ARRANGEMENTS</b>							
Review of Work Programme and training plan		Quarterly	2013-14	YES	YES	YES	YES and Annual Report
Review of the Functions of the Committee		3 yearly	2013-14				
Review of the Constitution		As needed	2013-14				
<b>ETHICAL FRAMEWORK AND STANDARDS (NEW)</b>							
Standards of Conduct	Review of Code of Conduct for Members	As needed	2013-14				
	Review of member / officer protocol	As needed	2008-09				
	<b>Overview of Complaints against the Council</b>	Annual	2013-14		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	As needed	2012-13				
	<b>Annual Governance Statement</b>	Annual	2013-14		YES		
Key Policy	<b>Review of Financial Regulations</b>	3 yearly	2013-14	YES	YES		
	<b>Review of Contract Procedure Rules</b>	3 yearly	2013-14		YES		
	<b>Implementation of Treasury Management Policy and Strategy</b>	Annual	2013-14			YES	
Risk Management	Policy and Strategy	As needed	2012-13				
	<b>Risk Management Progress Reports</b>	6 monthly	2013-14		YES		YES
	<b>Business Continuity</b>	3 yearly	2011-12			YES	
	Specific Risk Management topics	As needed	None				
Counter Fraud	Benefits Anti-Fraud and Corruption Policy	As needed	2013-14				
	Counter Fraud Policy and Strategy	3 yearly	2013-14				
	Anti-Bribery Policy	As needed	2011-12				

<b>Committee Function and Report Subject</b>	<b>Frequency</b>	<b>Last Reviewed</b>	<b>June 2014</b>	<b>September 2014</b>	<b>November 2014</b>	<b>March 2015</b>
<b>Sanctions and Redress Policy</b>	3 yearly	2008-09		YES		
<b>Counter Fraud Strategy Progress</b>	6 monthly	2013-14	YES		YES	
<b>Counter Fraud Investigation Progress</b>	6 monthly	2013-14	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	2013-14				YES
<b>Contractor Quarterly Audit Reports</b>	Quarterly	2013-14	YES	YES	YES	YES
<b>Head of Audit's Annual Opinion</b>	Annual	2013-14	YES			
<b>EXTERNAL ASSURANCE</b>						
<b>External Audit Annual Plan and Fee</b>	Annual	2013-14				YES
<b>External Audit Annual Inspection Letter</b>	Annual	2013-14			YES	
<b>Annual Certification Report</b>	Annual	2013-14				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	2013-14		YES		
<b>External Audit Annual Governance Report</b>	Annual	2013-14		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				