



AUDIT & STANDARDS COMMITTEE

ANNUAL REPORT 2013/14

Councillor L. Hamilton, Chairman

Foreword by the Chair of the Audit & Standards Committee



This is the second year of the Audit & Standards Committee, merged from the former Audit Committee and Standards Committee.

I am pleased to present the Audit & Standards Committee's Annual Report for the 2013/14 financial year. The report demonstrates how the Audit & Standards Committee has successfully achieved its objectives contained in its terms of reference, developed its role and continued to make a positive contribution to the Council's governance and control environment.

Our terms of reference give us a wide remit including advising and reviewing all the Council's arrangements for internal audit, internal control, risk management, financial management, standards and corporate governance. The Committee has an important role in ensuring public money is spent wisely and in accordance with the Council's priorities.

The Committee has a role in reviewing the work and performance of internal audit and external audit. These reports provide information to provide assurance to the public that the council is complying with the law, that the council has an effective control framework in place and it provides quality services in line with corporate priorities.

I would like to take the opportunity to thank both the Committee members listed and the officers that support the Committee's work for their contributions. Again the members of the Committee have been both supportive and provided constructive challenge to ensure our governance processes are effective and transparent. This has been assisted by our two independent persons on the Committee.

I would also like to thank EY the Council's external auditors, for their support and regular attendance at meetings.

I have continued to enjoy leading the Committee and working with officers to further enhance the Council's governance arrangements. I am looking forward to 2014/15. With the ongoing financial pressures on the Council for this year the need for an effective Audit & Standards Committee remains.

Cllr Les Hamilton

Introduction

1. This report provides an overview of the Audit & Standards Committee's (the Committee) activity during the financial year 2013/14. It is produced in accordance with latest best practice and details the work and outcomes of the Committee in 2013/14 and that the Council is committed to working effectively, delivering quality services and operating to the highest standards of governance.
2. The Committee's role underpins the Council's governance processes by providing independent challenge and assurance of over the adequacy of risk management, internal control (including Internal Audit, External Audit and counter fraud), ethical standards, and financial reporting frameworks.
3. The Council's Standards Panel is a sub-committee of the Audit & Standards Committee, and determines allegations of breaches of the Members' Code of Conduct, on a reference from the Monitoring Officer.
4. A copy of the Committee's Terms of Reference for the 2013/14 financial year is shown at Appendix A.
5. Meetings are held in public and papers are available on the Council's website. The meetings are generally scheduled around the key dates for council business such as the statement of accounts, audit planning process and the annual governance statement.
6. To meet statutory requirements for Standards and to give the Committee additional expertise, two independent persons were appointed during the year with a financial and inspection background.

Committee Work Programme and Membership

7. During the 2013/14 financial year there were five meetings of the Committee. All had full agendas and in total considered 59 reports.
8. The work programme covers the Committee's main areas of activity which is continually reviewed and amended to reflect changes in policies, priorities and risks. A summary of the work undertaken during 2013/14 is shown in Appendix B.
9. The Committee membership consists of eight Members and two independent persons, as follows:

Membership of the Audit & Standards Committee 2013/14

Membership	Role
Councillor Les Hamilton	Member - Chair
Councillor Ann Norman	Member - Opposition Spokesperson
Councillor Lizzie Deane	Member
Councillor Ollie Sykes	Member
Councillor Jeane Lepper	Member
Councillor David Smith	Member
Councillor Andrew Wealls	Member
Councillor Christina Summers	Member
Dr David Horne	Non-Voting Co-Optee
Dr Lel Meleyal	Non-Voting Co-Optee

10. A work programme was agreed in June 2013 for the Committee's main areas of activities.

Training & Development

11. In order to be effective members of the Committee should have a clear understanding of their role in relation to standards, internal control and governance issues, Internal and External Audit, risk and opportunity management and the operation of these frameworks across the council.
12. In April there was a briefing session for Committee Members on the Audit Commission's "Protecting the Public Purse" fraud analysis and a second session on the Better Care Fund. A Statement of Accounts training workshop for members was also held.
13. During the year the Committee specifically requested reports on Whistleblowing, Member Complaints and Settlement Agreements.

Core Activities 2013/14

14. The Committee's Terms of Reference contain a number of functional responsibilities and these have been summarised into seven core activity areas. The Committee's work and outcomes in each of these areas are shown below:

Internal Audit Assurance

15. Internal Audit is a key component of the Council's governance framework and to provide assurance on the council's control environment. This Committee has a responsibility for ensuring that Internal Audit is effective in the provision of that assurance role.

During the year the Committee has:

- Reviewed and approved the Internal Audit Strategy & Annual Plan for 2013/14;
- Received regular Internal Audit progress reports from the Acting Head of Audit which detail work undertaken highlighting significant control issues particularly with Limited Assurance Reports.
- Considered the Acting Head of Audit's Annual Report and Opinion.
- Reviewed and considered the annual review of the system of Internal Audit.
- Reviewed the alignment between Internal Audit and External Audit as well as to risk management work;
- Supported the Internal Audit service with regard to the escalation of control concerns and to ensure management is responsive to recommendations made and agreed.

External Audit Assurance

16. The External Audit function is provided by EY. The provision of effective External Audit is an essential part of accountability for public funds, providing an independent opinion on the financial statements as well as arrangements for securing value for money across the council.
17. During the year the Committee has:
 - Considered EY's Annual Audit Plan;
 - Considered progress reports against the audit plan and sector information updates;
 - Considered and reviewed the audit fee and Audit Fee Letters;
 - Received and considered the Annual Governance Report;
 - Received the Annual Grant Certification Letter and
 - Received and considered the Annual Audit Letter for 2012/13.

Risk Management

18. During the year the Committee:
 - Received and considered the Strategic Risk Register updates;
 - Considered the outcomes of the Risk Management Programme;
 - Received the Annual Risk Management Report and
 - Received and undertook detailed scrutiny of risk maps relating to specific strategic risks.

Governance Framework

19. A key role of the Committee is its work in supporting an effective governance framework for the management of the council. This includes supporting corporate policies and frameworks that promote good governance, as well as the control assurance work carried out by Internal Audit.

20. During the year the Committee:

- Reviewed the 2012/13 Annual Governance Statement.
- Received and considered reports on the following areas of corporate governance
 - Settlement agreements
 - Whistleblowing policy (2 reports)
- Promoted and communicated the importance of effective internal control and governance across the council and of the need to ensure audit recommendations for improvement are implemented.
- Considered updates on the 2012/13 Annual Governance Statement actions.
- Reviewed proposed issues for inclusion in the 2013/14 Annual Governance Statement

Counter Fraud

21. During 2013/14 a Corporate Fraud Team was established and this Committee received and considered updates on its performance and outcomes during the year. These updates were incorporated in the Internal Audit progress reports and included:

- Regular updates on fraud investigations, including Housing Benefit and Tenancy fraud;
- Considered the outcome of counter fraud activity as part of the Annual Internal audit Report and Opinion 2012/13;
- Monitored and supported the actions of officers in particular those by Audit & Business Risk to counter fraud;
- Updates on the results of the latest National Fraud Initiative (NFI) data matching exercise ;
- A workshop of the outcomes of the Audits Commission's national study "Protecting the Public Purse" that included details of national trends and comparative data about potential fraud risks to the Council;
- A presentation on the role and contribution of the NAFN (National Anti Fraud Network) service that is hosted by the Council.

Financial Management and Reporting

22. During the year the Committee:

- Considered and approved the Annual Statement of Accounts, asking a number of questions on the content;
- Considered the External Auditor's report on the accounts and Council's response to comments; and
- Received periodic reports for information, on the Council's budget performance (TBM) asked questions and helped to inform the approval of end of year Statement of Accounts.
- Considered Treasury Management Mid and Year End review reports.

Standards

23. In January 2014 the Committee resolved, having reviewed the effectiveness of its own functions, to set up a cross-party working group to consider the procedure for dealing with member complaints. The procedure had by then been in force for over 12 months and, although fine-tuned in the meantime, was in need of a more comprehensive review to ensure fitness for purpose. Further, a Standards Panel hearing in December 2013 had highlighted certain difficulties with the procedure, for which corrective action was needed.
24. The Standards Procedure working group, comprising 4 Members and both Independent Persons (one of whom was Chair), met three times and reported back to the Committee in March 2014. The group reaffirmed the overriding principles of the procedure were:
 - (i) To engender public confidence in the process and outcome
 - (ii) For panels to reach findings fairly and independently
 - (iii) A presumption of openness in panel hearings
25. The group's key recommendations can be summarised as:
 - (i) All parties to a complaint to be discouraged from seeking to publicise the matter before the Monitoring Officer has formally considered the complaint.
 - (ii) Members to co-operate with informal resolution where this method of settlement has been agreed.
 - (iii) Status of Standards Panel to change from sub-committee to panel.
 - (iv) Independent Person to Chair the Panel
 - (v) Panel decision to be owned collectively by all its members
 - (vi) All members of Audit & Standards Committee to be trained on Standards Panel procedure at least once a year.

The Committee agreed all these recommendations. Policy & Resources Committee approved the change of Panel status in May 2014. The revised procedure came into effect immediately.

26. A review of the Code of Conduct for Members was outside the working group's terms of reference. They did, however, recommend that a review be undertaken later in 2014. The Committee agreed, and a review has been scheduled for the autumn.

Other Activities

27. During the year the Committee also undertook a review of its own effectiveness, the outcomes of which were reported at the January and March meetings in 2014. The review included a workshop and self-assessment against best practice.

28. The results of the review were discussed and included the following actions to be considered during 2014/15.
- Review approach to assessing satisfactory performance by the committee;
 - Review committee's approach to Value for Money;
 - An annual review of Members training needs.
29. The Committee also considered a report on the ICT Code of Connection.

Looking Forward

30. The Committee will continue to develop its role and build on current status. For 2014/15 it will:
- Continue to review governance arrangements and improvements; ensuring they are robust with a focus on change and the challenges facing the council;
 - Ensure the effectiveness of the council's response to existing and key risks emerging including financial pressures and transformation;
 - Support the work of Internal and External Audit and ensure appropriate management responses to recommendations made;
 - Ensure the council maintains and further improves the standards in relation to the production of accounts;
 - Ensure the council continues to manage the risk of fraud and corruption;
 - Equip existing and new Members to fulfil responsibilities by providing training, briefings and good practice guidance;
 - Provide effective oversight of the arrangements for addressing identified shortfalls in the council's control environment
 - Keep up to date with developments and respond as required to changes in the Public Audit Agenda.

Audit & Standards Committee Terms of Reference**Explanatory Note**

The Audit functions of this Committee relate to the Council's arrangements for the discharge of its powers and duties in connection with financial governance and stewardship, risk management and audit. The Committee makes recommendations to the Council, Policy & Resources Committee, Officers or other relevant body within the Council.

The Standards functions of this Committee seek to ensure that the Members, Co-opted Members and Officers of the Council observe high ethical standards in performing their duties. These functions include advising the Council on its Codes of Conduct and administering related complaints and dispensation procedures. In addition to the Councillors who serve on the Audit and Standards Committee, the Committee includes at least two independent persons who are not Councillors. They are appointed under Chapter 7 of the Localism Act, or otherwise co-opted, and act in an advisory capacity with no voting powers.

In the terms of reference of this Committee a "Member" is an elected Councillor and a "Co-opted Member" is a person co-opted by the Council, for example to advise or assist a Committee or Sub-Committee of the Council.

General Audit and Standards Delegated Functions

To review such parts of the constitution as may be referred to the Committee by the Policy and Resources Committee and to make recommendations to the Policy Resources Committee and the Council.

To appoint, co-opt or (in any case where only the Council has power) to recommend the appointment or co-option of a minimum of two independent persons: to give general assistance to the Committee in the exercise of its functions; and to give views on allegations of failure to comply with a Code of Conduct as required by Chapter 7 of the Localism Act.

To have an overview of: the Council's Whistleblowing Policy

Complaints handling and Local Ombudsman investigations

To deal with any audit or ethical standards issues which may arise in relation to partnership working, joint committees and other local authorities or bodies.
To ensure arrangements are made for the training and development of Members, Co-opted Members and Officers on audit, ethical and probity matters, including Code of Conduct issues. 11/09/12

(Source: B&HCC Constitution)

Summary of the Audit & Standards Committee work in 2013/14

Meeting Date	Report	Area
26 th June 2013	Audit & Standards Committee work programme 2013/14	Other Items
	Audit & Standards Committee Annual report 2012/13	Other Items
	Substitution on Audit & Standards Committee	Other Items
	Complaints update	Standards
	Unaudited Statement of Accounts 2012/13	Financial Management and Reporting
	Annual Governance Statement 2012/13	Governance
	EY: progress report 2012/13	External Audit
	Targeted Budget Management provisional outturn 2012/13	Financial Management and Reporting
	Strategic risk review 2013-14 & risk management action plans– updated May 2013	Risk Management
	Strategic risk management action plan focus SR2 Financial Outlook; SR11 Welfare Reform	Risk Management
	Internal Audit Annual Report & Opinion 2012/13	Internal Audit
	Review of the effectiveness of Internal Audit 2013	Internal Audit
24 th September 2013	Settlement Agreements	Governance
	Whistleblowing policy	Governance
	Implementation of member recommendations	Standards
	Complaints update September 2013	Standards
	EY: audit results report 2014	External Audit
	Statement of Accounts 2012/13	Financial Management and Reporting
	Internal Audit Progress Report 2013/14	Internal Audit
	HR and Payroll audit issues update	Internal Audit
	Targeted Budget Management (TBM 2)	Financial Management and Reporting
	Treasury management policy statement 2012/13 - end of year review	Financial Management
	Strategic risk map focus: SR12 Maintaining the Seafront; and SR14 Pay & Allowances Modernisation - Exempt Category 3	Risk Management
	ICT Code Of Connections - Exempt Category 3	Other Items
	Internal audit progress report 2013/14 - Exempt Category 3	Internal Audit
19th November 2013	Complaints update - November 2013	Standards
	The new standards regime - one year on	Standards
	Presentation - the role of the National Anti Fraud Network)	Counter Fraud
	Internal audit progress report	Internal Audit
	EY: annual audit letter 2012/13	External Audit
	EY - audit progress report and sector update	External Audit
	Targeted Budget Management (TBM 5)	Financial Management and Reporting
	Strategic risk register review - October 2013	Risk Management
	Strategic risk map focus: SR 4 Economic Resilience and sustainable economic growth, and sr8 becoming	Risk Management

Meeting Date	Report	Area
	a more sustainable city	
21st January 2014	Review of the effectiveness of the Audit & Standards Committee	Standards
	Complaints update - January 2014	Standards
	EY: annual certification report 2012/13	External Audit
	EY: progress report 2013/14	External Audit
	Internal Audit progress report	Internal Audit
	Annual governance statement 2012/13 - action plan progress update	Governance
	Strategic risk management action plan focus SR16 Wider modernisation of social care; and SR13 Keeping vulnerable adults safe from harm and abuse	Risk Management
	Targeted budget management (TBM 7)	Financial Management and Reporting
	Treasury management policy statement 2013/14 - mid year review	Financial Management and Reporting
	Internal audit progress report - exempt category 3	Internal Audit
25th March 2014	Review of the effectiveness of the audit & standards committee - final report	Other item
	Whistleblowing policy	Governance
	Member complaints update	Standards
	Review of code of conduct complaints procedure	Standards
	EY - 2013/14 audit plan	External Audit
	EY - audit progress report and sector update	External Audit
	EY: housing & council tax benefit claim certification - final confirmation of audit fee	External Audit
	Presentation - Annual Governance Statement 2013/14	External Audit
	Strategic risk map focus: SR15 Keeping children safe from harm and abuse; and SR17 school places planning	Risk Management
	Internal audit progress report 2013/14	Internal Audit
	Internal audit strategy and plan 2014/15	Internal Audit
	Risk management strategy 2014 - 2017	Risk Management
	Targeted budget management (TBM 9)	Financial Management and Reporting
	Presentation: Annual Governance Statement 2013/14 (Exempt Items)	Governance