



AUDIT & STANDARDS COMMITTEE

ANNUAL REPORT 2014/15

Councillor A. Norman, Chair

Foreword by the Chair of the Audit & Standards Committee



I am pleased to present the Audit & Standards Committee's Annual Report for the 2014/15 financial year. The report demonstrates how the Audit & Standards Committee has achieved its objectives, continued to develop its role and has made a significant contribution to the council's governance and control arrangements over the last year.

The Committee has a wide remit including advising and reviewing the council's arrangements for internal audit, internal control, risk management, financial management, standards and corporate governance. It has an important role in ensuring public money is spent wisely and used effectively to meet council priorities.

A key part of our agenda to review and scrutinise the work the work and performance of internal audit and external audit. These reports 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. These reports also provide a focus to the communication of control weaknesses and provide assurance that these are being promptly addressed.

I would like to take this opportunity to thank both the Committee Members and the officers that support the Committee's work for their contributions during the year. I am pleased to note that the Members of the Committee have been supportive and provided constructive challenge to ensure the council's processes are effective and transparent. I would like to specially acknowledge the contribution of the two independent persons on this Committee.

I would also like to thank Ernst & Young, the council's external auditors, for their support and regular attendance at meetings.

I am looking forward to my first year of chairing this Committee and that it continues to enhance its role in championing good governance in the council.

Cllr Ann Norman

Introduction

1. This report provides an overview of the Audit & Standards Committee's work during the financial year 2014/15.
2. The Committee is a key component of the council's governance processes by providing independent challenge and assurance. Its remit includes the adequacy and effectiveness 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. This panel determines allegations of breaches of the Members' Code of Conduct.
4. A copy of the Committee's Terms of Reference for the 2014/15 financial year is shown at Appendix A.

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.

Committee Work Programme and Membership

5. Five meetings of this Committee were held during the 2014/15 financial year. The reports considered at these meetings are summarised in Appendix B.
6. The Committee membership consists of eight Members and two independent persons. All members of the Committee during 2014/15 are detailed in the table below.

Membership of the Audit & Standards Committee during 2014/15

Membership	Role
Councillor Les Hamilton	Member - Chair
Councillor Ann Norman	Member - Opposition Spokesperson
Councillor Tony Janio	Member
Councillor Leo Littman	Member
Councillor Lizzie Deane	Member
Councillor Ollie Sykes	Member
Councillor Alex Phillips	Member
Councillor Jeane Lepper	Member
Councillor David Smith	Member
Councillor Andrew Wealls	Member
Councillor Christina Summers	Member
Dr David Horne	Non-Voting Co-Optee

Training & Development

7. 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.

Core Activities 2013/14

8. The Committee's Terms of Reference contain a number of responsibilities and these can be summarised into seven core activity areas.

Internal Audit Assurance

9. 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
- Received regular Internal Audit progress reports which highlight significant control issues particularly with Limited Assurance Reports
- Considered the Head of Internal Audit's Annual Report and Opinion
- Reviewed and considered a report on the effectiveness 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

10. 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.
11. 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 Annual Audit Letter for 2013/14.

Risk Management

12. 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 undertaken detailed scrutiny of risk maps relating to specific strategic risks.

Governance Framework

13. 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.
14. During the year the Committee;
- Reviewed the 2013/14 Annual Governance Statement
 - 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 2013/14 Annual Governance Statement actions
 - Reviewed proposed issues for inclusion in the 2014/15 Annual Governance Statement.

Counter Fraud

15. A separate Corporate Fraud Team has been in place through 2014/15 and the Committee has received and considered updates on its performance and outcomes during the year. These have 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 2013/14
 - Updates on the results of the latest National Fraud Initiative (NFI) data matching exercise
 - The outcomes of the Audit Commission's national study "Protecting the Public Purse".

Financial Management and Reporting

16. During the year the Committee;
- Considered and approved the Annual Statement of Accounts
 - Considered the External Auditor's report on the accounts and council's response to comments
 - 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

- 17 During the year,:
- The Standards Working group, chaired by Dr David Horne, reviewed the code of conduct for Members, simplifying and rationalising the procedure for declaration of interests. Its recommendations were approved by full Council;
 - A number of standards related policies and procedures were reviewed;
 - We had fewer complaints than in previous years all of which were resolved informally
 - Diane Bushell was appointed as the second Independent Person

Looking Forward

18. The Committee will continue to develop its role and build on current status. For 2015/16 it will;
- Review the council's governance and control arrangements and seek assurance that recommendations to ensure improvement are being implemented
 - Ensure that the council's strategic risks are being managed effectively managed and assurance is obtained from risk owners
 - Support the work of Internal and External Audit
 - Ensure the council maintains and further improves the standards in relation to the production of accounts
 - Ensure the council effectively manages the risk of fraud and corruption
 - Support new and existing Members to fulfil their responsibilities by providing training, briefings and good practice guidance.

Audit & Standards Committee Terms of Reference

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.

To support and advise the Chief Finance Officer and the Monitoring Officer in their statutory roles.

Delegated Audit Functions

To carry out independent scrutiny and examination of the Council's financial and non-financial processes, procedures and practices to the extent that they affect the Council's control environment and exposure to risk, with a view to providing assurance on the adequacy and effectiveness of:

- the work of internal and external audit;
- the governance arrangements of the council and its services;
- the risk management and performance management frameworks and the associated control environment;
- the financial management process;
- arrangements for the prevention and detection of fraud and corruption

To meet the requirements of the Accounts and Audit Regulations Act 2011 in respect of:

- conducting an annual review of the effectiveness of the system of internal control;
- conducting an annual review of the effectiveness of internal audit;
- reviewing the outcome of annual review of governance arrangements and approving the Annual Governance Statement, ensuring it contains any actions for improvement; and
- considering and approving the Council's annual Statement of Accounts.

To consider the External Auditor's Annual Audit and Inspection Plan, Annual Governance Report, Annual Audit Letter and other relevant reports. Consider and agree the Internal Strategy and Annual Audit Plan, Head of Audit & Business Risk's Annual Internal Audit Report including Opinion, periodic progress reports and other relevant internal audit reports.

To consider and agree the Head of Audit & Business Risk's Annual Fraud & Corruption Report and consider and approve the Council's Counter Fraud Strategy.

Delegated Standards Functions

To advise the Council on the adoption, revision or replacement of Codes of Conduct for (a) Members and Co-opted Members and (b) Officers;

To exercise all other functions of the Council in relation to ethical standards, in particular those under Chapter 7 of the Localism Act, including the following:

- promoting and maintaining high standards of conduct within the Council and monitoring the operations of the Council's Codes of Conduct and registers of interests;
- in relation to allegations that a Member or Co-opted Member has failed to comply with the Code of Conduct, putting in place arrangements to investigate and make decisions;

- supporting the Monitoring Officer in the exercise of that Officer's ethical standards functions, in particular the duty to establish & maintain registers of interests for the Council and for Rottingdean Parish Council;
- in relation to Members or Co-opted Members with pecuniary interests, putting in place arrangements to grant dispensations, in appropriate cases, from the restrictions on speaking and/or voting.

NOTE: With the exception of the adoption, revision or replacement of the Codes of Conduct referred to above, the Audit and Standards Committee may develop and adopt its own procedures and protocols.

(Source: B&HCC Constitution)

Appendix B

Meeting Date	Report	Area
24 June 2014	Audit & Standards Committee Annual report 2014/15	Other
	Audit & Standards Committee Work Programme 2014/15	Other
	Complaints update – Members & Corporate (June 2014)	Standards
	Standards Panel Training	Standards
	Governance of Value for Money Phase 4	Governance
	Targeted Budget Management (TMB) provisional out-turn 2013/2014	Financial Management and Reporting
	Human Resources & Organisational Development Annual Report	Other Items
	Review of the Effectiveness of the System of Internal Audit.	Internal Audit
	Internal Audit Annual Report & Opinion 2013/14	Internal Audit
	Annual Governance Statement 2013/2014	Governance
	EY – 2014/2015 Audit Fee Letter	External Audit
	EY – Audit progress report and sector update	External Audit
	Strategic Risk Register Review 2014 -15 & Risk Management Action Plans – Updated May 2014	Risk Management
	Strategic Risk Management Action Plan Focus: SR2 Financial Outlook; and SR18 Effective Use of Technology.	Risk Management
	Statement of Account 2013/14	Financial Management and Reporting
23 September 2014	Member Complaints Update	Standards
	Strategic Risk MAP Focus review Dates; and RISK MAP Focus on SR19 Implementation of the Care Act; SR20 Better Care Fund; and SR13 Safeguarding Vulnerable Adults	Risk Management
	Corporate Fraud Update and Risks	Counter Fraud
	Internal Audit Progress Report 2014/15	Internal Audit
	EY 2013/14 Audit Results Report	External Audit
	Statement of Accounts 2013/14	Financial Management and Reporting
	Targeted Budget Management (TBM) 2014/15 Month 2	Financial Management and Reporting
	Treasury Management Policy Statement (incorporating the Annual Investment Strategy) End of Year review 2013/14	Financial Management and Reporting
18 November 2014	Member Complaints Update	Standards
	Targeted Budget Management (TBM) 2014/15 Month 5	Financial Management and Reporting
	Strategic Risk MAP focus: SR10 - Information	Risk Management

Meeting Date	Report	Area
	Governance Management; SR21 Housing Pressures; and SR8 Becoming a more sustainable city	
	Review of Code of Conduct for Members	Standards
	Council's Performance Development Plans	Other
	Information Management Risk Update (SR10)	Risk Management
	EY: Progress Report 2014/15	External Audit
	EY: Annual Audit Letter 2013/14	External Audit
	Internal Audit Progress Report	Internal Audit
13 January 2015	Member Complaints Update, Audit & Standards Committee, 13 January 2015	Standards
	Code of Conduct for Members - Granting of Dispensation	Standards
	Corporate Modernisation Governance Arrangements	Governance
	Strategic Risk Register Review & Risk MAP updates	Risk Management
	Strategic Risk MAP focus: SR22 Modernising the Council; and SR23 Developing an Investment Strategy to Refurbish and Develop the City's Major Asset of the Seafront	Risk Management
	Annual Governance Statement 2013/14 - Action Plan Progress Update	Governance
	Internal Audit Progress Report	Internal Audit
	Audit Commission - Protecting the Public Purse Fraud Briefing 2014	Counter Fraud
	EY - 2014/15 Progress Report and Sector Briefing	External Audit
	EY - 2013/14 Annual Certification Report	External Audit
	Treasury Management Policy Statement 2014/15 (Mid. Year Report)	Financial Management and Reporting
	Targeted Budget Management (TBM) 2014/15 Month 7	Financial Management and Reporting
10 March 2015	Governance: Whistleblowing Update	Governance
	Internal Audit Progress Report	Internal Audit
	Annual Governance Statement 2013/14: Further Action Plan Progress Update	Governance
	Risk Management Strategy Annual Progress Report 2014	Risk Management
	Strategic Risk MAP Focus: SR17 School Places Planning; and SR15 Keeping Children safe from harm and abuse	Risk Management
	Internal Audit and Corporate Fraud: Strategy and Plan 2015/16	Internal Audit
	EY - Audit Plan 2014/15	External Audit
	EY - Audit Progress Report and Sector Update	External Audit
	Targeted Budget Management (TBM) 2014/15 Month 9	Financial Management and Reporting