

Hinckley & Bosworth Borough Council

Finance, Audit and Performance Committee

ANNUAL REPORT
2013/2014

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1. ROLE AND RESPONSIBILITY

- 1.1 The Finance, Audit and Performance Committee (FAP) operates as the Audit Committee for Hinckley and Bosworth Borough Council. The Chartered Institute of Public Finance and Accountancy (CIPFA) ¹states that “The purpose of an audit committee is to provide to those charged with governance independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of the financial reporting and annual governance processes.”
- 1.2 Finance, Audit and Performance Committee (the Committee) operates alongside the Scrutiny Commission to perform the Overview and Scrutiny function for the Authority in accordance with the Local Government Act 2000.
- 1.3 The Committee assists in addressing the Authority’s responsibilities with regard to financial reporting, external and Internal Audits and controls. This includes reviewing the Authority’s annual Statement of Accounts, together with the periodic financial reports, together with monitoring and reviewing the effectiveness of the Internal Audit activities and systems of risk management and internal controls. The ultimate responsibility for reviewing and approving the Statement of Accounts, Annual Governance Statement and Budget remains with Council.
- 1.4 The principal functions of the Finance, Audit and Performance Committee are outlined in the CIPFA guidance as follows:
 - Be satisfied that the Council’s assurance statements, including the Annual Governance Statement, properly reflect the risk environment and any actions required to improve it, and demonstrate how governance supports the achievements of the Council’s objectives (Assurance role)
 - In relation to the authority’s Internal Audit functions (Internal Audit Role):
 - oversee its independence, objectivity, performance and professionalism
 - support the effectiveness of the Internal Audit process
 - promote the effective use of Internal Audit within the assurance framework.
 - Consider the effectiveness of the authority’s risk management arrangements and the control environment. Review the risk profile of the organisation and assurances that action is being taken on risk-related issues, including partnerships with other organisations (Risk Management Role).
 - Monitor the effectiveness of the control environment, including arrangements for ensuring value for money and for managing the authority’s exposure to the risks of fraud and corruption (Value for Money Role/ Fraud and Corruption Role).
 - Consider the reports and recommendations of external audit and inspection agencies and their implications for governance, risk management or control (External Audit Role).
 - Support effective relationships between external audit and Internal Audit, inspection agencies and other relevant bodies, and encourage the active promotion of the value of the audit process (see both audit roles above).

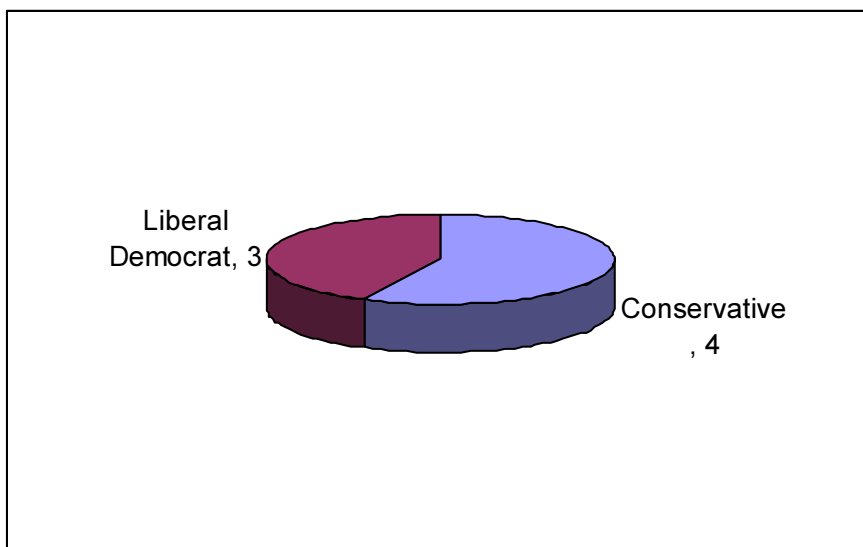
¹ “Audit Committees- Practical Guidance for Local Authorities and Police” (2013)

- Review the financial statements, external auditor's opinion and reports to members, and monitor management action in response to the issues raised by external audit (Financial Statement Role).

1.5 Further details of the role of the Committee and the terms of reference are contained in Part 2 Article 6 of the Council's Constitution.

2. MEMBERSHIP AND STRUCTURE

- 2.1 Requirements for the structure of the Finance, Audit and Performance Committee are set out in the Constitution. As per Part 2, Article 6, section 6.5 “Finance, Audit & Performance Committee [should consist] of seven members of Council and ...be politically proportionate. The Mayor and members of the Executive may not be a member... The Chairmanship of the Scrutiny Commission will be allocated to a Councillor who is not from the majority group, by decision of the Council, and two Vice-Chairmen appointed from each of the other two Groups. One of these Vice-Chairmen will be Chairman of the Finance, Audit & Performance Committee. Non-Council members may be co-opted to Overview & Scrutiny bodies in a non-voting capacity for specific areas of investigation, by agreement of the Scrutiny Commission.
- 2.2 Chapter 7 of the CIPFA guidance states that “good” Audit Committees are characterised by the following membership attributes:
- A membership that is balanced, objective, independent of mind, knowledgeable and properly trained to fulfil their role
 - A membership that is supportive of good governance principles and their practical application towards the achievement of organisational objectives
 - A strong independently minded chair – displaying a depth of knowledge, skills and interest.
 - Unbiased attitudes – treating auditors, the executive and management fairly
 - The ability to challenge the executive and senior managers when required
- 2.3 The membership of Finance, Audit and Performance Committee for 2013/2014 is detailed below, along with the political makeup
- Councillor Miss DM Taylor (Chairman)
 - Councillor R Mayne (Vice-Chairman)
 - Councillor JS Moore
 - Councillor PR Batty
 - Councillor Mrs R Camamile
 - Councillor PAS Hall
 - Councillor K Morrell



2.4 The functions of the Committee are supported by Internal Audit, External Audit and the Council's finance officers who attend meetings as required. The key contacts of these parties are detailed below:

Organisation	Name	Contact number
Hinckley and Bosworth Borough Council – Finance	Sanjiv Kohli – Deputy Chief Executive (Corporate Direction) and s151 Officer	01455 255 607 01455 255 609
	Katherine Plummer – Head of Finance and Deputy s151 officer	
PricewaterhouseCoopers LLP – External Audit	Alison Breadon – Engagement Leader	07740 894817
	Sophia Mouyais – Audit Manager	0751 554 1313
Coventry and Warwickshire Audit Services – Internal Audit	Tim Ridout – Chief Internal Auditor	07590 960639

3. 2013/2014 ACHIEVEMENTS

3.1 An outline of the reports discussed at each meeting of the committee in 2013/2014 is included in Appendix 1.

3.2 The following table highlights how the committee has achieved each of the functions outlined in 1.4

Role	Achievements
Assurance Role	<ul style="list-style-type: none"> • Reviewed the draft Annual Governance Statement ahead of submission to Council for approval • Monitored the implementation of the Housing Repairs Action Plan to ensure that actions had been taken to address a “significant control weakness” highlighted in the 2012/2013 Annual Governance Statement • Received, as requested an update on progress against control issues identified within car parking
Internal Audit Role	<ul style="list-style-type: none"> • Received and reviewed periodic Internal Audit reports which include recommendation tracking updates to ensure that any issues with internal control are identified • Received the Annual Internal Audit report and considered any impact on the Annual Governance Statement • Reviewed the Annual Internal Audit Satisfaction Survey, ensuring that the Council continues to achieve the required service from this outsourced function
Risk Management / Performance Role	<ul style="list-style-type: none"> • Considered quarterly Performance Management reports to identify any issues with the achievement of corporate objectives • Considered quarterly Risk Management reports
Value for Money Role	<ul style="list-style-type: none"> • Monitored the General Fund, capital and Housing Revenue Account outturn reports; ensuring the Council maintains a strong financial position • Reviewed quarterly Treasury Management reports; ensuring that the Council’s investment and borrowing activities are prudent and secure • Considered the financial position of Hinckley Club for Young People to ensure the ongoing stability of this organisation • Monitored the financial performance of the Local Council Tax Scheme and Business Rates Pool • Requested and received regular aged debt analysis, including information on recovery processes • Requested and received a report on the outcomes of housing repairs “Schedule of Rates” review. The Committee endorsed the increase in rates arising from this review • Requested an update on the introduction of a Tennant Recharge Policy, designed to recovery the cost of damage to Council properties

	<ul style="list-style-type: none"> • A joint meeting of Finance, Audit and Performance and the Scrutiny Commission was held on 16th January 2014 to consider the 2014/2015 budget ahead of submission to Council
Fraud and Corruption Role	<ul style="list-style-type: none"> • Received a presentation on the Audit Commissions “Protecting the Public Purse Survey” – an assessment against the checklist included in this report was requested by the Committee and was presented to members in the first meeting of 2014/2015 • Received the updated Anti-Fraud and Corruption Policy
External Audit Role	<ul style="list-style-type: none"> • Received the ISA(260) Report as “Those Charged with Governance” • Received the External Auditor’s Annual Report and Audit Plan • Received the External Auditors Annual Grants Certification Report
Financial Statements Role	<ul style="list-style-type: none"> • Received training on the Statement of Accounts • Reviewed the annual Statement of Accounts ahead of submission to Council for approval

4. LOOKING FORWARD

- 4.1 Looking forward, the Committee is keen to continue to develop its role as a key function of the Council's Scrutiny and assurance function. As such, a work programme will be developed to ensure that this is achieved
- 4.2 A work programme for is key to ensuring that the Committee's work is:
- Outcome focussed;
 - Prioritised accordingly;
 - Resourced properly; and
 - Project planned properly.
- 4.3 In devising the work programme for 2014/2015, the Committee should consider the following questions, many of which are highlighted by the CIPFA guidance:
- Is the Committee sufficiently trained to carry out its role? Is any further training required to support members?
 - Does the Committee robustly review the Annual Governance Statement and Statement of Accounts ahead of recommending these to Council for approval?
 - Does the Committee encourage ownership of the internal control and risk management framework by officers by requesting their attendance at meetings?
 - Is due attention given to ensuring that the Council obtains required support from both Internal and External Audit?
 - Does the Committee focus activity around risk?
 - Does the Committee review major projects and programmes to ensure that governance and assurance arrangements are in place?
 - How does the Committee ensure that fraud risks are identified and adequately addressed through both preventative and detective means?
 - Does the Committee ensure that assurance on value for money arrangements is included in the assurances received?
 - Does the Committee effectively challenge?

10th June 2013

- Internal Audit Progress Report
- Annual Internal Audit Report
- Annual Governance Statement
- Performance Management to 31 March 2013
- Prudential Code & Treasury Management Annual Report 2012/13
- Housing Repairs Review
- Hinckley Club for Young People.

16th September 2013

- Report to those charged with Governance (ISA260)
- Internal Audit Progress Report
- Internal Audit Annual Satisfaction Survey
- Revenue & Capital Outturn – 1st Quarter 2013/14
- Statement of Accounts 2012/13
- Annual Governance Statement 2012/13
- Performance & Risk Management Framework
- Local Council Tax Report & Business Rate Retention Quarter 1 2013/14
- Sundry Debts Update Report

11th November 2013

- Annual Audit Letter (External Audit)
- 2nd Quarter Treasury Management Report
- Housing Repairs Update
- Sundry Debts Update

6th January 2014

- Internal Audit Progress Report
- Draft Capital Programme
- 2nd Quarter Budget Monitoring
- Risk Management Framework
- Local Council Tax Support & Business Rates
- Sundry Debts Update
- Tenant Recharge Policy
- Hinckley Club for Young People

31st March 2014

- Protecting the Public Purse
- Anti Fraud and Corruption Policy
- Annual External Audit Plan
- Annual Grants Certification Report
- Internal Audit Progress Report
- Internal Annual Audit Plan
- 3rd Budget Monitoring
- 3rd Quarter Treasury Management

- Aged Debt Report
- Council Tax Report and Business Rates Update
- Housing Repairs Update – Schedule of Rates Review
- Car Parking Update
- Hinckley Club for Young People Update (Verbal Report)