



**Brighton & Hove  
City Council**

# **AUDIT COMMITTEE ADDENDUM**

**4.00PM, TUESDAY, 31 MARCH 2009**

**COMMITTEE ROOM 1, HOVE TOWN HALL**



## **ADDENDUM**

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<b>Subject:</b>	<b>Annual Audit &amp; Inspection Letter</b>		
<b>Date of Meeting:</b>	<b>31<sup>st</sup> March 2009</b>		
<b>Report of:</b>	<b>Director of Finance &amp; Resources</b>		
<b>Contact Officers:</b>	<b>Name:</b>	<b>Nigel Manvell</b>	<b>Tel: 29-1333</b>
		<b>Ian Withers</b>	<b>Tel: 29-1323</b>
	<b>E-mail:</b>	Nigel.Manvell@brighton-hove.gov.uk	
		ian.withers@brighton-hove.gov.uk	
<b>Wards Affected:</b>	All		

### FOR GENERAL RELEASE

The special circumstances for non-compliance with Council Procedure Rule 23, Access to Information Rule 5 and Section 100B(4) of the Local Government Act 1972 as amended (items not considered unless the agenda is open to inspection at least five days in advance of the meeting) are that the final Annual Audit & Inspection Letter was received in accordance with the Audit Commission's timetable but too late to comment on in order to meet the committee deadline.

#### 1. SUMMARY AND POLICY CONTEXT

- 1.1 The purpose of this report is to present the Audit Commission's Annual Audit & Inspection Letter in respect of their overall assessment of the council.
- 1.2 The Audit Committee requires it to provide assurance to the Council that appropriate action is being taken on risk and internal control related issues identified by the external auditors.
- 1.3 The Annual Audit & Inspection Letter, as attached, has been discussed and agreed with the appropriate officers.

#### 2. RECOMMENDATIONS

- 2.1 That the Audit Committee notes the Annual Audit & Inspection Letter at Appendix A.

#### 3. BACKGROUND INFORMATION

- 3.1 The Annual Audit & Inspection letter attached at Appendix A provides an overall assessment of the council for the 2007/08 statutory audit, Use of Resources 2008 as well as other external inspections.
- 3.2 The Annual Audit & Inspection Letter confirms that under the Comprehensive Performance Assessment (CPA) framework the council is judged by the Audit Commission to be "improving well" and the council's classification has increased to four stars, being the highest classification.

3.3 A separate, more detailed report has been issued by the Audit Commission on the Use of Resources Assessment and this is attached for information at Appendix B.

3.4 The Use of Resources report highlights the scores for each of the five themes. All themes have scored 3 out of 4, with scores for Financial Reporting, Financial Standing and, critically, Value for Money all improving from 2 to 3. Scores for Financial Management and Internal Control have been maintained at level 3. Comments and responses to issues raised by auditors in respect of the five themes are detailed below:

3.5 **Financial Reporting (Improved from 2 to 3)**

The report notes a marked improvement in the presentation and accuracy of the annual accounts and working papers, particularly given the complex changes arising from the 2008 Statement of Recommended Practice (SORP) which determines the format of local authority accounts. This has resulted from improved planning for the closure of the accounts together with a greater degree of analytical and senior officer review of the accounts prior to submission for audit.

Going forward, the auditors have noted that further improvements could avoid the small number of remaining technical errors and have noted plans to improve fixed asset accounting further. The council's response to these issues will be to tightly control the closure of the accounts process to enable more time for a detailed review of the accounts prior to submission. The council has also procured a new asset management system (Asset 4000) which should further improve fixed asset accounting and ensure improved compliance with the SORP.

3.6 **Financial Management (Maintained score 3)**

The report notes the improvements to the council's medium term planning and that there is proper consideration of business risks. As the report suggests, the Medium Term Financial Strategy (MTFS) does not currently include forecasts of earmarked reserves. These reserves are generally based on best estimates but can change significantly at any time, primarily due to changes in levels of associated risk. However, these reserves, along with all other balances, are rigorously reviewed as part of the budget process and closure of accounts process each year. Consideration will be given to including more detailed information in future MTFS' where practicable.

The report also notes the improved reporting and corrective action being undertaken in respect of forecast overspends and the collective approach to managing financial performance. The report comments on the council's management of its asset base and council housing stock. There are separate plans being developed to address both areas including a corporate Accommodation Strategy and various initiatives in relation to council housing including a major procurement exercise and consideration of a Local Delivery Vehicle to secure additional investment.

### 3.7 **Financial Standing (Improved from 2 to 3)**

The report notes the efforts being made to improve income collection which are continuing through both the work of the Corporate Debt Management Group and improvement plans developed by the four collection units within the council.

### 3.8 **Internal Control (Maintained at level 3)**

The report notes that the council continues to embed risk management processes, knowledge and skills across the organisation and has an effective escalation process. The council will continue its commitment to training staff and members in this respect and consider further opportunities for reaching wider audiences to further embed the risk management framework.

The report highlights issues with controls surrounding the council's payroll system which have previously been reported to this committee. Although the Final Accounts Audit Report confirms that identified weaknesses in controls have not given rise to material errors, the committee will receive further updates in respect of actions to improve controls.

### 3.9 **Value for Money (Improved from 2 to 3)**

The report notes that council spending is in line with stated priorities and that council services represent good value for money. The report highlights the challenge of addressing high spending areas where the desired service improvements have not yet come through but recognises the council's successful record of investing in service improvement. The Audit Commission considers that the councils increased commitment to VFM and the corporate processes and reviews that it has put in place will enable measurable service improvements in the longer term.

The report also notes that a culture of comparison (e.g. with other authorities) is becoming embedded across the council and that managers are regularly reviewing cost and performance. There is also an effective approach to procurement which has contributed to the achievement of significant efficiency savings.

The council is continuing to develop its approach to Value for Money for "Phase II" of the review programme and continues to improve links between Value for Money reviews and improvement plans to its business and financial planning (MTFS) frameworks.

## 4. **FINANCIAL & OTHER IMPLICATIONS:**

### 4.1 Financial Implications:

The Annual Audit & Inspection Letter and Use of Resources assessments are of reputational importance to the council. As a 4 star authority, elected members, citizens, partners and other stakeholders are assured that the authority is achieving good value for money, financial performance and service outcomes. A Use of Resources score of 3 (out of 4) further assures all stakeholders that the council consistently performs well in respect of its arrangements for the management and control of resources and for securing value for money in the use of its resources. This can provide further

opportunities for partnership working and/or attracting external interest or funding.

*Finance Officer Consulted: Patrick Rice  
Head of Financial Services – Corporate & Environment*

*Date: 25 March 2009*

4.2 Legal Implications:

In relation to the carrying out of inspections of and issuing reports to local authorities in England, the duties and powers of auditors appointed by the Audit Commission are set out in the Local Government Act 1999. There is a reference to these in paragraph 12 of Audit Commission's Annual Audit and Inspection Letter.

There are no human rights implications arising from this report.

*Lawyer Consulted: Oliver Dixon, Lawyer*

*Date: 26 March 2009*

4.3 Equalities Implications:

The Comprehensive Performance Assessment framework and Use of Resources assessment incorporate judgements about the council's arrangements for embedding equality and diversity within all aspects of its business.

4.4 Sustainability Implications:

The performance assessment framework includes judgements about the sustainability of the council's medium term financial planning and use of other resources such as assets, energy and people.

4.5 Crime & Disorder Implications:

There no direct implications for the prevention of crime and disorder arising from this report.

4.6 Risk and Opportunity Management Implications:

The management of performance is important and contributes to avoiding the risk that the council's improvement priorities will not be delivered. The Audit Commission's assessment of our performance and governance helps to inform our risk and opportunity management assessments.

4.7 Corporate / Citywide Implications:

Assessment of all aspects of the councils performance and governance arrangements are an important element of public scrutiny and the reported results for 2008 provide assurance that the council is well placed to manage and improve services across the city.



## **SUPPORTING DOCUMENTATION**

### **Appendices**

- A     Audit Commission - Annual Audit & Inspection Letter 2007/08
- B     Audit Commission - Use of Resources 2008

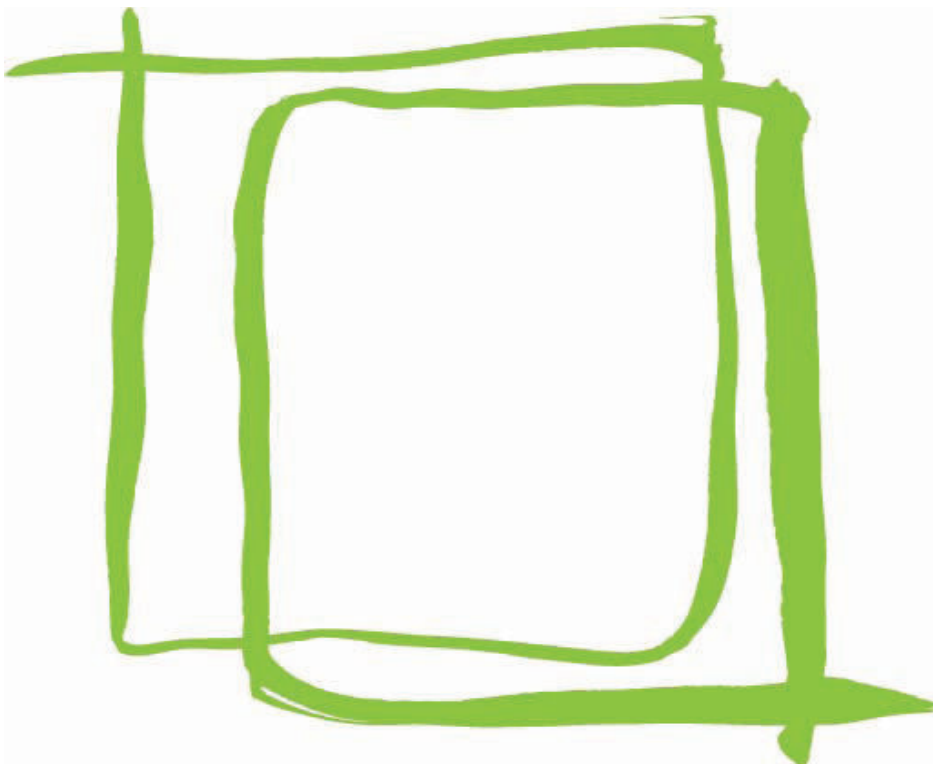


# Use of Resources 2008

Brighton and Hove City Council

Audit 2007/08

December 2008



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## Status of our reports

The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission explains the respective responsibilities of auditors and of the audited body. Reports prepared by appointed auditors are addressed to non-executive directors/members or officers. They are prepared for the sole use of the audited body. Auditors accept no responsibility to:

- any director/member or officer in their individual capacity; or
  - any third party.
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# Introduction

- 1 The Use of Resources assessment evaluates how well councils manage and use their resources. This is the fourth assessment carried out at the council and is the last under the CPA framework. Next year there will be a new assessment which will form part of the Comprehensive Area Assessment. The assessment Use of Resources focuses on the importance of having strategic financial management, sound governance and effective financial reporting arrangements. These should support your Council in the achievement of its priorities and improving services, whilst delivering value for money.
- 2 This assessment relates to the financial year 2007/08 and is based on the key lines of enquiry for 2008. Changes to the criteria underpinning the key lines of enquiry were consulted on in April 2007 and the final key lines of enquiry were published in August 2007. These changes were made to:
  - reflect developments in professional guidance, legislative requirements and best practice; and
  - signal some of the changes proposed for the new use of resources under CAA, smoothing the transition to CAA.
- 3 The overall use of resources assessment is made up of five themes. Judgements have been made for each theme using the Audit Commission's scale, see Table 1 below. This scale is used across its inspection and performance assessment frameworks.

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**Table 1 Standard scale used for assessments and inspections**

1	Below minimum requirements – inadequate performance
2	Only at minimum requirements – adequate performance
3	Consistently above minimum requirements – performing well
4	Well above minimum requirements – performing strongly

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- 4 In forming our assessment, we have used the methodology set out in the Use of Resources Guidance for Councils 2008, which can be found on the Commission's website. We have also taken account of our findings and conclusions from previous years' assessments and updated these for any changes and improvements to the Council's arrangements.

- 5** The five theme scores for Brighton and Hove City Council are outlined overleaf. These scores are still subject to confirmation by our national quality control process. This seeks to ensure consistency across all suppliers and on a national basis. Consequently we are informing you that the scores reported here may change as a result of national quality control and should not be taken to be final. Following completion of national quality control, the Commission will notify you of your Council's overall score for use of resources and the supporting theme scores. This is scheduled for 8 December 2008.
- 6** Table 2 sets out our key findings in relation to each theme and key areas for improvement.

# Use of resources judgements

**Table 2 Summary of scores at theme and KLOE level**

<b>Key lines of enquiry (KLOE)</b>	<b>Score 2008</b>	<b>Score 2007</b>
<b>Financial reporting</b>	<b>3</b>	<b>2</b>
1.1 The Council produces annual accounts in accordance with relevant standards and timetables, supported by comprehensive working papers.	3	1
1.2 The Council promotes external accountability.	3	3
<b>Financial management</b>	<b>3</b>	<b>3</b>
2.1 The Council's medium-term financial strategy, budgets and capital programme are soundly based and designed to deliver its strategic priorities.	3	3
2.2 The Council manages performance against budgets.	3	3
2.3 The Council manages its asset base.	3	3
<b>Financial standing</b>	<b>3</b>	<b>2</b>
3.1 The Council manages its spending within the available resources.	3	2
<b>Internal control</b>	<b>3</b>	<b>3</b>
4.1 The Council manages its significant business risks.	3	3
4.2 The Council has arrangements in place to maintain a sound system of internal control.	3	3
4.3 The Council has arrangements in place that are designed to promote and ensure probity and propriety in the conduct of its business.	3	3
<b>Value for money</b>	<b>3</b>	<b>2</b>
5.1 The Council currently achieves good value for money.	3	2
5.2 The Council manages and improves value for money.	3	3

# Theme summaries

- 7 The key findings and conclusions for each of the five themes are summarised in the following tables.

## Financial reporting

<b>Theme score - 3</b>	
<b>Key findings and conclusions</b>	
An unqualified opinion was given on the Council's financial statements for 2007/08 in September 2008. The Council dealt well with changes in accounting requirements particularly those related to financial instruments and publishes key financial reporting information on its website.	
KLOE 1.1 The Council produces annual accounts in accordance with relevant standards and timetables, supported by comprehensive working papers.	There has been a marked improvement in 2007/08 in the presentation and accuracy of the accounts and working papers, the responses of staff to queries and the willingness to tackle the more difficult issues arising from SoRP changes. The avoidance of a small number of technical errors would consolidate this improvement. There are improvements needed in accounting for fixed assets but the Council has laid the foundations for addressing this in the future.
KLOE 1.2 The Council promotes external accountability.	The Council has clearly demonstrated its willingness to communicate with stakeholders in a meaningful and accessible way. We were unable to obtain agreement that the published annual report constituted notable practice on the grounds of insufficient evidence of consultation with the public.



Financial management

<b>Theme score - 3</b>	
<b>Key findings and conclusions</b>	
<p>The Council continues to perform well in terms of the linkage between its medium term financial strategy and its priorities, setting soundly based, balanced budgets and managing its performance against those budgets.</p> <p>Management of the Council's asset base continues to show improvement and we noted instances where the Council considers the most effective use of its property in consultation with its partners.</p>	
<p>KLOE 2.1 The Council's medium-term financial strategy (MTFS), budgets and capital programme are soundly based and designed to deliver its strategic priorities.</p>	<p>The Council continues to make improvements in its medium term strategy which is clearly based on detailed directorate plans. It can also demonstrate that business risks are considered in this process. Both the 2006-2009 and 2008-2011 MTFS contain three-year budget figures but they are not comprehensive in their financial forecasting and do not cover earmarked reserves and other balances. Whilst we acknowledge that performance against all PIs is monitored, there is no clear evidence that the Council is linking these specifically to their corporate objectives.</p> <p>The Council has demonstrated an understanding of the need for equality impact assessments and has provided directorates with comprehensive guidance and a template for completion of these. They have been able to provide examples of assessments completed within 2007/08 and this work should be continued.</p>

Theme score - 3	
KLOE 2.2 The Council manages performance against budgets.	The Council has improved its performance in this area significantly with much more detailed budget reporting and a greater appreciation of the causes of forecast overspends. When these occur action plans are developed at directorate and corporate level to bring spending back in line with budgets and directorates are indicating a collective responsibility for the overall budget. The Council completed its self assessment against the CIPFA Financial Management guidelines and has been very honest about developing a plan which was approved by members in 2007 with a timetable for dealing with the weaknesses that the assessment revealed. The Council's response to the significant overspend on concessionary fares in 2007/08 is a good example of action plans and collective responsibility working well to bring total expenditure back in line with overall budgets.
KLOE 2.3 The Council manages its asset base.	Whilst the council has improved its performance in this area, demonstrating an appreciation of how a proactive asset management policy can lead to service improvements and evaluating its property assets against a number of indicators, there is insufficient evidence of action to improve performance where it is poor or where benchmarking information suggests that improvements could be made. There are good examples of joint strategies for property assets involving health partners and other areas where the Council is performing well but 56 per cent of the Housing Revenue Account does not meet the decent homes standard and this will continue to limit the Council's ability to improve its score for this KLOE.

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Financial standing

<b>Theme score - 3</b>	
<b>Key findings and conclusions</b>	
The Council continues to adhere to its budgets and maintain its desired level of reserves demonstrating its ability to identify its overall resource position and manage its performance within that limit.	
KLOE 3.1 The Council manages its spending within the available resources.	The council is demonstrating considerable improvements generally across the financial standing criteria and is particularly seeing the benefit of the arrangements that are now in place regarding income collection. There is a clear understanding of the use of different collection methods for different income streams and the foundations for future improvements in income management have now been laid.

Internal control

<b>Theme score - 3</b>	
<b>Key findings and conclusions</b>	
The Council continues to perform well in the associated areas of risk management, internal control and member and officer conduct.	
KLOE 4.1 The Council manages its significant business risks.	The Council has improved its performance in all areas of risk management and has demonstrated that it is embedded in normal business processes. There has been effort put into ensuring that officers are aware of the importance of identifying and managing risks and there is a process for ensuring that they are escalated when necessary. There is also evidence of business plans altering to account for the re-prioritising of risk within directorates. Whilst there was a variety of Risk Management training courses provided as part of the Member's Induction Programme May - September 2007, there was less delivery of training from October 2007 as the new Constitution and Members' roles became established. There is a need for continual commitment by all members to Risk Management and for increased attendance by Members at training courses, at One-to-One sessions with the Risk and Opportunity Management or by accessing the e-learning programmes available on this topic.
KLOE 4.2 The Council has arrangements in place to maintain a sound system of internal control.	The Council continues to improve its arrangements in this area and has dealt satisfactorily with the new requirement for a Governance Statement. We highlighted in the Annual Governance Report, two areas of weakness in internal control; one related to payroll and one to an increasing use of budgetary control as a key control despite it being untested for operational robustness. Instances of internal control weakness reported in the AGR inevitably limit the Council's ability to achieve a higher score for this KLOE.

## Theme summaries

<b>Theme score - 3</b>	
<p>KLOE 4.3 The Council has arrangements in place that are designed to promote and ensure probity and propriety in the conduct of its business.</p>	<p>The Council has continued to improve its arrangements across all areas related to the conduct of its officers and members through workshops designed to embed an anti fraud culture and the foundations are now laid for further improvements in the future. There was, however, a specific instance of the leaking of information to the press related to a high profile and highly sensitive issue regarding the Council's waste PFI and this has limited the Council's ability to improve on last year's score.</p>

Value for money

<b>Theme score - 3</b>	
<b>Key findings and conclusions</b>	
The Council has demonstrated significant improvements in value for money in 2007/08 which is reflected in the improved score.	
<p>KLOE 5.1 The Council currently achieves good value for money.</p>	<p>Council services represent good value for money. The Council’s areas of high spending are in line with the stated priorities and in some key areas such as homelessness and intensive home care services for adults investment is resulting in improved services, service redesign to ensure services are fit for purpose and an improved service offer. The Council has also started to take appropriate action to improve VFM in services, where high spend has not yet been reflected in significant improvements in service delivery and performance, for example, in housing management. The Council has a successful track record of investing in services to secure improvement, for example planning and waste and recycling, and has a good understanding of the local contextual impact on the demand for certain services such as street cleaning and refuse services and mental health services. The Council is also effectively targeting specific services that have a history of high spending and/or high unit costs, for example, children’s social care where improvements are being made in the commissioning of placements and, the management and control of demand and costs. The Council has a systematic approach for managing, monitoring and addressing its high spending services through its ‘corporate critical budgets’ process, VFM improvement programme and service review processes.</p> <p>The Council has a well managed capital programme linked to priorities with most projects completed on time and within budget. In 2007/08, the capital programme budget was under spent and the low level of programme slippage at 3.48 per cent surpassed the council target of 5 per cent.</p>

Theme score - 3	
<p>KLOE 5.2 The Council manages and improves value for money.</p>	<p>The Council is effectively managing and making some improvements to VFM within its services. The Council's administration is fully committed to securing VFM with 'better use of public money' being one of the Council's corporate priorities and it has a consistent and comprehensive corporate process for improving VFM through its VFM review programme started in July 2007. The VFM improvement programme has begun to generate some tangible outcomes and improvements in service delivery, for example, reduced unit costs in day care services for older people and some small reductions in looked after children numbers. However, many of the VFM review recommendations, such as the redirecting of SEN funding from specialist provision into mainstream schools and the income generation projects across cultural services will secure measurable improvements in the medium to longer term. The Council also continues to focus on 'corporate critical budgets', such as adult learning disabilities, SEN provision and the costs of services for Looked After Children. Cost drivers in these areas are scrutinised and reviewed by members and officers and there have been some measurable improvements in cost and performance for example, £0.7m efficiencies in learning disabilities in 2007/08 and a slight reduction in the number of SEN placements out of the Council's geographic area. The Council has, through these mechanisms, targeted service areas that have mixed cost and performance outcomes, and it has made significant progress in 2007/08 embedding a VFM culture within the directorates. In addition, the introduction of clear frameworks and processes has ensured a systematic and consistent approach to VFM is now followed across the Council.</p>

## Theme score - 3

A culture of comparison is becoming embedded within the Council. Senior managers are regularly reviewing relative costs to performance and have a clear understanding about their local context and the needs of the community. Comprehensive needs analysis like the 'Reducing Inequality Review (RIR)' has strengthened the Council's and its partners' understanding of local need and is being used to shape and redesign services. Benchmarking and unit cost comparisons are used and comparative cost and resource benchmarking is widely applied with Libraries, Adults and CYPT being well-established members of CIPFA and South East benchmarking clubs. There is a business case approach to investment and procurement decisions and the Council has good data quality arrangements in place. The Council is able to demonstrate that it systematically compares itself with other authorities through the use of well-founded benchmarking.

The Council has developed an effective approach to procurement. It has made significant efficiency gains, through its Gershon programme, exceeding its overall efficiency target by £4.5m and its cashable element target by £9.15m in 2007/08. It has also improved purchasing arrangements such as procuring stationery through the Sussex stationery consortium and improved contract letting mechanisms for home to schools transport which will deliver respective savings of £97,000 and £132,000. It also has an established Waste PFI with East Sussex County Council and is embarking, in partnership with health, on the development of an extra care housing scheme for disabled adults in the City. The Council is further developing its approach to framework contracts and more effective procurement in partnership with others, most notably through the Sussex Procurement Group and the Sussex Improvement Partnership, where in partnership with the Sussex County Councils, it is looking at shared service solutions, improved performance management and leadership development.



Theme score - 3	
	<p>The Council has not yet mapped costs across the partnership to determine total spend, but is undertaking an exercise to determine what the multi-agency spend for particular functions in a specific area are. This however, is at the embryonic stage.</p> <p>The new planning frameworks, policy setting processes, business case approaches and options appraisals now incorporate equality impact assessments to ensure that savings or changes to service delivery are not made without due regard to outcomes, equality of access and community need. The Council has embarked on an equality impact assessment programme that will review all service areas over the next three years. The revised Council procurement strategy 2008-2011 requires procurement practices to deliver both quality and benefits not only for the organisation, but the local economy and taxpayer while protecting the environment. This means that policy frameworks, business and procurement processes are seeking improved service delivery and quality within a clear ethical framework.</p> <p>The Council has a strategic approach in seeking external funding and is using it to deliver required outcomes and increased value for local people. Significant examples include the investment in the Hollingdean waste facility to reduce waste collection and disposal costs and the Waste PFI. The Council has also invested in information technology to improve efficiency and access to services, for example through the deployment of virtual technologies to reduce the number of physical servers and improved data lines to meet user demand in the libraries and museums.</p> <p>The Council needs to ensure future outcomes in improving value for money by continuing to tackle high cost services (where this is not demonstrable due to local factors or high priority) and the redesign of services to improve efficiency and the customer experience.</p>

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# Conclusion

- 8** The Council's performance demonstrates a commitment to improvement across most areas of its undertaking and progress is clearly being made. Overall the Council is performing consistently above minimum standards. In particular we acknowledge that it is now operating at this level for value for money.

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## Use of resources 2008/09

- 9** From 2008/09, the auditors' assessment of use of resources will be based on new key lines of enquiry and will form part of the new performance assessment framework for local government and its partners, known as Comprehensive Area Assessment (CAA).
- 10** Key lines of enquiry for use of resources were published in May 2008 following consultation. These reflect the needs of CAA and incorporate a number of improvements including: a clearer focus on value for money achievements and further emphasis on commissioning of services, outcomes for local people and partnership working.
- 11** The assessment is structured into three themes:
- managing finances: sound and strategic financial management;
  - governing the business: strategic commissioning and good governance; and
  - managing resources: effective management of natural resources, assets and people.
- 12** The approach to use of resources will continue to be risk based and proportionate, drawing on evidence from previous years where relevant. Not all key lines of enquiry in the managing resources theme will be assessed each year. For single tier and county councils auditors will assess natural resources and strategic asset management (where there is continuity with 2008). For district councils, auditors will assess work force planning.
- 13** The Commission will specify each year in its annual work programme and fees document which key lines of enquiry will be assessed in that year.

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# The Audit Commission

The Audit Commission is an independent watchdog, driving economy, efficiency and effectiveness in local public services to deliver better outcomes for everyone.

Our work across local government, health, housing, community safety and fire and rescue services means that we have a unique perspective. We promote value for money for taxpayers, auditing the £200 billion spent by 11,000 local public bodies.

As a force for improvement, we work in partnership to assess local public services and make practical recommendations for promoting a better quality of life for local people.

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Audit Commission, 1st Floor, Millbank Tower, Millbank, London SW1P 4HQ

Tel: 0844 798 1212 Fax: 0844 798 2945 Textphone (minicom): 0844 798 2946

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<b>Subject:</b>	<b>Counter Fraud Strategy</b>		
<b>Date of Meeting:</b>	<b>31<sup>st</sup> March 2009</b>		
<b>Report of:</b>	<b>Director of Finance &amp; Resources</b>		
<b>Contact Officer:</b>	<b>Name:</b>	<b>Ian Withers</b>	<b>Tel:</b> <b>29-1323</b>
	<b>E-mail:</b>	<b>ian.withers@brighton-hove.gov.uk</b>	
<b>Wards Affected:</b>	<b>All</b>		

**FOR GENERAL RELEASE**

The special circumstances for non-compliance with Council Procedure Rule 23, Access to Information Rule 5 and Section 100B(4) of the Local Government Act 1972 as amended (items not considered unless the agenda is open to inspection at least five days in advance of the meeting) are that the revised Counter Fraud Strategy was due to be considered and agreed by the Officer's Governance Board on 24<sup>th</sup> March prior to the Audit Committee.

**1. SUMMARY AND POLICY CONTEXT**

- 1.1 This report presents the revised Counter Fraud Strategy for the Audit Committee's consideration as part of the council's corporate governance arrangements.

**2. RECOMMENDATIONS**

That the Audit Committee notes the contents of the Counter Fraud Strategy and recommends its approval by the Governance Committee.

**3. BACKGROUND INFORMATION**

- 3.1 The council has a Counter Fraud Programme part of which is the continual review of the Counter Fraud Strategy to ensure effective in meeting its purpose and assist in minimising the risk of fraud and corruption.
- 3.2 The last Counter Fraud Strategy (then called the Anti Fraud & Corruption Strategy) was approved by full council in January 2006
- 3.3 Whilst there is no evidence that fraud and corruption is a major problem in Brighton & Hove City Council, it is important not to be complacent, given that the incentives and opportunities for fraud and corruption are increasing e.g. associated with the economic downturn. Accordingly the revised strategy will strengthen the council's counter fraud arrangements in providing a comprehensive, integrated, systematic and strategic organisational response to the challenges of combating fraud and corruption.

#### **4. FINANCIAL & OTHER IMPLICATIONS:**

##### **4.1 Financial Implications:**

There are no financial implications arising directly from this report. A robust Counter Fraud Strategy is an essential part of the Council's counter fraud framework and assist in minimising financial losses due to fraud and corruption.

*Finance Officer Consulted: Patrick Rice*

*Date: 26<sup>th</sup> March 2009*

*Head of Financial Services – Corporate & Environment*

##### **4.2 Legal Implications:**

There are no direct financial implications arising from this report but individual actions in the strategy may require legal support and advice.

*Lawyer Consulted: Oliver Dixon, Lawyer*

*Date: 26<sup>th</sup> March 2009*

##### **4.3 Equalities Implications:**

There are no direct equalities implications arising directly from this report.

##### **4.4 Sustainability Implications:**

There are no direct sustainability implications arising from this report.

##### **4.5 Crime & Disorder Implications:**

There no direct implications for the prevention of crime and disorder arising from this report.

##### **4.6 Risk and Opportunity Management Implications:**

The Risk and Opportunity Management Strategy consider the risk of fraud and corruption in assessments.

##### **4.7 Corporate / Citywide Implications:**

Robust corporate governance arrangements including counter fraud and corruption are essential to the sound management of the City Council and the achievement of its objectives as set out in the Corporate Plan.

## **SUPPORTING DOCUMENTATION**

### **Background Documents**

1. Internal Audit Plan 2008/09 (Containing Counter Fraud Programme)
2. Code of Practice for Internal Audit in Local Government (CIPFA) 2006
3. Accounts & Audit Regulations 2003 (Amended 2006)
4. Managing the Risk of Fraud  
– Actions to counter fraud and corruption (CIPFA) 2008







**Brighton & Hove  
City Council**

# **“Stamping Out Fraud”**

## **Counter Fraud Strategy**

**March 2009**

## 1. Introduction

- 1.1 Brighton & Hove City Council (the Council) is committed to protecting the public funds that it administers. As with other large organisations, the size and nature of its services puts the Council at risk from loss due to fraud and corruption both internal and external to it.
- 1.2 Far from being a victimless crime, fraud and corruption deprives vital services of the resources that they need.
- 1.3 The Council does not tolerate fraud and corruption and is committed to reducing the opportunity to the lowest possible risk. It will ensure that:
  - Everyone within the organisation or within partner organisations take responsibility for the prevention and detection of fraud and corruption.
  - Key policies and procedures are up to date, effective and there is compliance.
  - A full Fraud Risk Assessment is maintained and an Annual Counter Fraud Programme is compiled, agreed and executed.
  - All suspected cases of fraud and corruption are reported to the Head of Audit & Business Risk, the exception being housing benefit related (non employees) that are reported to the Housing Benefit Investigation Team.
  - All suspected cases of fraud and corruption are risk assessed, investigated fairly and objectively within a clear ethical framework and where found to be present, appropriate action will be taken including disciplinary, criminal, civil or regulatory and any losses recovered.
  - Cases of fraud and corruption are referred to other agencies as appropriate and work jointly including the use of fraud intelligence.
  - Any decision to refer a case (except housing benefits) to the Police will be made by the Head of Audit & Business Risk in consultation, as appropriate.
  - Officers, members and partners receive proper guidance regarding anti fraud and corruption issues.
  - High standards of internal control are achieved and promoted.

- There is a safe environment to report suspected cases of fraud and corruption.
- Individuals and organisations, e.g. suppliers, contractors and service providers with whom it deals, will act towards the Council with integrity and without thought or actions involving fraud and corruption.

1.4 An important part of the Council's approach is the Counter Fraud Strategy, which is aimed primarily to guide members and employees on the Council's approach to the serious issues of fraud and corruption. It is also published on the Council's website so that residents, businesses and Council partners are fully aware of the commitment to the prevention and detection of fraud and corruption.

## **2. What is Fraud and Corruption?**

2.1 The Fraud Act 2006 created a new general offence of fraud which may be committed in three ways:

- Fraud by false representation (e.g. using a false identity to gain benefits, job or tenancy)
- Fraud by failing to disclose information (e.g. failing to disclose income when making a claim for benefits)
- Fraud by abusing a position of trust (e.g. misusing clients funds)

2.2 It also created new offences of:

- Obtaining services dishonestly.
- Possessing, making and supplying articles for use in frauds.
- Fraudulent trading applicable to non-traders,

2.3 Corruption is defined as "the offering, giving, soliciting or acceptance of an inducement or reward that may influence the actions taken by the body, its members or officers." It may encompass a variety of wrongful acts, such as bribes, kickbacks and abuse of public office. Like fraud corruption is a criminal offence.

2.4 Theft is defined by Section 1 of the Theft Act 1968 as "dishonestly appropriating property belonging to another with the intention of permanently depriving the other of it." It therefore includes stealing any property belonging to the Council or which has been entrusted to it including equipment, cash, data, client funds.

### **3. Corporate Framework and Culture**

3.1 The Council has a range of interrelated policies that provide a corporate framework to counter fraudulent activities. These have been formulated in line with appropriate legislative requirements and include:

- Standing Orders and Financial Regulations
- Codes of Conduct for members and employees
- Surveillance Policy
- Sound internal control systems
- Effective Internal Audit
- Disciplinary Procedure
- Fraud & Corruption Response Plan
- Whistleblowing Policy (Confidential Reporting), Anti Fraud hotlines to enable the raising of genuine concerns and suspicions
- Code of Data Matching Practice
- Counter Fraud Prosecution and Sanction Policies

3.2 The Council believes that a culture of honesty and openness is a key element in tackling fraud and mobilises the honest majority to create a strong counter fraud and corruption culture. Council's members, employees, partners, contractors and the public should be in no doubt about its zero tolerance approach and efforts against the dishonest minority.

### **4. Prevention**

The Council recognises that fraud and corruption are costly and is therefore proactive in seeking to design fraud and corruption out of existing and new systems. The Council has robust internal controls covering its assets, people, finances and data.

### **5. Deterrence**

The Council has a counter fraud programme of work to create strong disincentives to those who may be tempted to breach its defence. For example the Council seeks maximum publicity for a successful prosecution where the resulting sentence is considered to be a deterrent to others.

In cases where financial loss to the Council has occurred, it will take appropriate action to recover the loss and costs associated with the action.

## **6. Detection and Investigation**

It is the responsibility of management to maintain an effective internal control environment aimed at preventing and detecting fraud and corruption.

The Council's Financial Regulations require all suspected cases of fraud and corruption (except housing benefits) to be reported to the Head of Audit & Business Risk (verbally or in writing).

The Council will seek to apply appropriate criminal, civil and disciplinary sanctions to all cases of proven fraud and corruption.

## **7. Awareness and Training**

The Council recognises the need for effective fraud and corruption awareness training and responsiveness of members and employees. The Council will ensure that training is provided to all members and employees.

The investigation of fraud corruption centres on the Council's Internal Audit Team for corporate and Housing Benefit Investigation Team for Housing Benefit specific. Learning and Development Plans of staff involved in this work will reflect the need for appropriate current and future training requirements.

## **8. Conclusion**

- 8.1 This strategy is aimed at reducing the Council's losses due to fraud and corruption to make more resources available for the delivery of its services. The strategy fully supports the Council's desire to maintain a culture of openness, fairness, trust and dignity.
- 8.2 The Council has in place a clear framework of systems and procedures to deter and investigate fraud and corruption. It will ensure that these arrangements are fair, monitored and updated to keep pace with future developments in preventative, deterrent and detection techniques.



**Subject:** Code of Corporate Governance  
**Date of Meeting:** 31<sup>st</sup> March 2009  
**Report of:** Director of Finance & Resources  
**Contact Officer:** Name: Ian Withers Tel: 29-1323  
E-mail: [ian.withers@brighton-hove.gov.uk](mailto:ian.withers@brighton-hove.gov.uk)  
**Wards Affected:** All

### FOR GENERAL RELEASE

The special circumstances for non-compliance with Council Procedure Rule 23, Access to Information Rule 5 and Section 100B(4) of the Local Government Act 1972 as amended (items not considered unless the agenda is open to inspection at least five days in advance of the meeting) are that the revised Code of Corporate Governance was due to be considered and agreed by the Officer's Governance Board on 24<sup>th</sup> March prior to the Audit Committee.

#### 1. SUMMARY AND POLICY CONTEXT

1.1 This report presents the revised Local Code of Corporate Governance for the Audit Committee's consideration as part of the council's corporate governance framework.

#### 2. RECOMMENDATIONS

2.1 That the Audit Committee recommends the approval of the Code of Corporate Governance by the Council.

#### 3. BACKGROUND INFORMATION

3.1 Local authorities should be open and transparent about their governance arrangements. Therefore the first Code of Corporate Governance was produced in 2007/08.

3.2 Due to high profile failures in governance arrangements in other areas, the Chartered Institute of Public Finance & Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE) produced a framework document in 2007, "Delivering Good Governance in Local Government."

#### **4. FINANCIAL & OTHER IMPLICATIONS:**

##### **4.1 Financial Implications:**

There are no direct financial considerations relating to the recommendations in this report.

*Finance Officer Consulted: Patrick Rice*

*Date: 26<sup>th</sup> March 2009*

*Head of Financial Services – Corporate & Environment*

##### **4.2 Legal Implications:**

There are no direct legal implications arising from this report.

*Lawyer Consulted: Oliver Dixon, Lawyer*

*Date: 26<sup>th</sup> March 2009*

##### **4.3 Equalities Implications:**

There are no direct equalities implications arising directly from this report

##### **4.4 Sustainability Implications:**

There are no direct sustainability implications arising from this report.

##### **4.5 Crime & Disorder Implications:**

There no direct implications for the prevention of crime and disorder arising from this report.

##### **4.6 Risk and Opportunity Management Implications:**

The Risk and Opportunity Management Process is a key part of the council's corporate governance arrangements.

##### **4.7 Corporate / Citywide Implications:**

Robust corporate governance arrangements are essential to the sound management of the City Council and the achievement of its objectives as set out in the Corporate Plan.



## **SUPPORTING DOCUMENTATION**

### **Background Documents**

1. CIPFA/SOLACE “Delivering good governance” (2007)
2. The Good Governance Standard for the Public Sector 2006
3. Brighton & Hove City Council Constitution





## **Introduction**

Corporate governance is about how the Council directs and controls what it does. Good corporate governance requires the Council to carry out its functions in a way that demonstrates accountability, transparency, effectiveness, integrity and inclusively. It also includes how the Council relates to the communities that it serves.

The council is committed to being at the forefront of those local authorities that are able to demonstrate that they have the necessary corporate governance to excel in the public sector. The Code is a statement that sets out the way the council will meet that commitment.

The Corporate Governance framework consists of six core principles and the following sets out the actions taken by the council in relation to each core principle.

### **Principle 1: The council will focus on its purpose, on outcomes for the community and creating and implementing a vision for the local area.**

The council will do this by:

- Exercising strategic leadership by developing and clearly communicating its purpose and vision and its intended outcomes for the City's citizens, partners and service users.
- Developing and promoting its purpose and vision.
- Reviewing on a regular basis its vision for the local area and its implications for governance arrangements.
- Ensuring service users receive a high quality of service whether directly, in partnership, or by commissioning.
- There is effective performance management and mechanisms for driving improvement.
- Making best use of its resources so that the taxpayers and service users receive excellent value for money.

- Considering the environmental impact of policies, plans and decisions.
- Reducing inequalities by increasing opportunities throughout the city.

**Principle 2: The council's members and officers will work together to achieve a common purpose with clearly defined functions and roles.**

The council will do this by:

- Ensuring effective leadership throughout and being clear about executive and non-executive functions and of the roles and responsibilities of the scrutiny function.
- Ensuring that a constructive working relationship exists between its members and officers. The role and responsibilities of members and officers will be clearly set out and carried out to a high standard.
- Having clear relationships between the council, its partners and the public are clear so that each knows what to expect of the other.
- Ensuring its values are promoted and effective for Brighton & Hove stakeholders and partners.

**Principle 3: The council will promote its values and demonstrate the value of good governance through upholding high standards of conduct and behaviour.**

The council will do this by:

- Ensuring its members and officers exercise leadership by behaving in ways that exemplify high standards of conduct and effective governance in order to create a climate of openness, support and respect.
- Ensuring its leadership sets a tone for the authority by creating a climate of opening, support and respect.

**Principle 4: The council will take informed and transparent decisions that promote value for money and are subject to effective scrutiny and managing risk.**

The council will do this by:

- Being rigorous and transparent about how decisions are taken and listening and acting on the outcome of constructive scrutiny
- Having good quality information, advice and support to ensure that services are delivered effectively and are what the community wants/needs.
- Ensuring that an effective risk management system is in place, with members and officers at all levels recognising that risk management is part of their job.
- Using its legal powers to the full benefit of the citizens and communities in its area to meet specific legislative requirements and general responsibilities required by general law and are within the limits of lawful activity.

**Principle 5: The council will develop the capacity and capability of members and officers to be effective.**

The council will do this by:

- Making sure that members and officers have the skills, knowledge, experience and resources they need to perform well in their roles.
- Developing the capability of people with governance responsibilities and evaluate their performance, as individuals and as a group.
- Encouraging the local community to be active participants in the democratic process through the provision of information and accessible systems and procedures.

**Principle 6: The council will engage with local people and other stakeholders to ensure robust public accountability.**

The council will do this by:

- Exercising leadership through a robust scrutiny function which effectively engages local people and all local institutional stakeholders, including partnerships, and develops constructive accountability relationships.

- Taking an active and planned approach to dialogues with and accountability to the public to ensure effective and appropriate service delivery whether directly, in partnership or by commissioning.
- Making best use of human resources by taking an active and planned approach to meet responsibilities to its staff

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**Code of Corporate Governance – Evidence**

<b>CORPORATE GOVERNANCE FRAMEWORK</b>		
<b>Corpora rate Governance comprises the systems and processes, cultures and values, by which the council is directed and controlled and through which it accounts to, engages with and where appropriate, lead the community</b>		
1. The council will focus on its purpose, on outcomes for the community and creating and implementing a vision for the local area.	2. The council's members and officers will work together to achieve a common purpose with clearly defined functions and roles.	3. The council will promote its values and demonstrate the value of good governance through upholding high standards of conduct and behaviour.
4. The council will take informed and transparent decisions that promote value for money and are subject to effective scrutiny and managing risk.	5. The council will develop the capacity and capability of members and officers to be effective.	6. The council will engage with local people and other stakeholders to ensure robust public accountability.

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<b>(A) Key Documents: Regular/Annual Review or Production</b>	<b>(B) Key Documents: Ad hoc Review or Production</b>	<b>(C) Contributory Processes / Regulatory Monitoring</b>	
<ul style="list-style-type: none"> <li>▪ Community Strategy</li> <li>▪ Medium Term Financial Strategy</li> <li>▪ Directorate Plans</li> <li>▪ Service Business Plans</li> <li>▪ Corporate Risk Register</li> <li>▪ External Audit Annual Governance Report</li> <li>▪ TBM Budget Monitoring Reports</li> <li>▪ Annual Internal Audit Report</li> <li>▪ Statement of Accounts</li> <li>▪ Local Area Agreement</li> </ul>	<ul style="list-style-type: none"> <li>▪ Constitution including Standing Orders</li> <li>▪ Communications Strategy</li> <li>▪ Financial Procedures</li> <li>▪ Workforce Strategy</li> <li>▪ Freedom of Information Publication Scheme</li> <li>▪ Health and Safety Policy</li> <li>▪ ICT Strategy</li> <li>▪ Risk and Opportunity Management Strategy</li> <li>▪ Members Code of Conduct</li> <li>▪ Officers Code of Conduct</li> <li>▪ Partnership Working Guidelines</li> <li>▪ Published Agendas, Reports and Minutes of Committees</li> </ul>	<ul style="list-style-type: none"> <li>▪ Audit Committees</li> <li>▪ Standards Committees</li> <li>▪ Overview and Scrutiny Committees</li> <li>▪ Independent Remuneration Panel for Members Allowances</li> <li>▪ Officers Governance Board</li> <li>▪ Risk Management Steering Group</li> <li>▪ Section 151 Officer</li> <li>▪ Head of Paid Service</li> <li>▪ Customer complaints process</li> <li>▪ The Management Team</li> <li>▪ Value for Money Steering Group</li> </ul>	<ul style="list-style-type: none"> <li>▪ Job Evaluation Process</li> <li>▪ Employee Induction</li> <li>▪ Employee Surveys</li> <li>▪ PDPS Scheme</li> <li>▪ Health &amp; Safety</li> <li>▪ Internal Audit</li> <li>▪ External Audit</li> <li>▪ Gifts &amp; Hospitality Registers</li> <li>▪ Annual Review of Internal Audit</li> <li>▪ Business Continuity</li> <li>▪ Investors in People</li> </ul>

- Codes of Conducts
- Whistleblowing Policy
- Counter Fraud Strategy
- Equality & Diversity Policy

- Budget consultation
- Job Descriptions and Person Specifications

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## **Review of Corporate Governance Arrangements**

The council will conduct an annual review of its corporate governance arrangements, in particular against the six core principles. The purpose of the annual review will be to provide assurance from a number of sources that corporate governance arrangements are adequate and operating effectively. Where appropriate, actions will be agreed for improvements.

The outcome of the annual review of corporate governance arrangement will be published in the Annual Governance Statement.

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