



**Brighton & Hove
City Council**

AUDIT COMMITTEE ADDENDUM

4.00PM, TUESDAY, 30 JUNE 2009

COMMITTEE ROOM 1, HOVE TOWN HALL

ADDENDUM

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(A presentation will be given by the Head of Audit & Business Risk on Item 19, and the bound Audit and Business Risk Annual Report and Opinion 2008/09 will be tabled at the meeting.)

Our reference BR006/gb

22 June 2009

Richard Szadziwski
Acting Director of Finance & Resources
Brighton & Hove City Council
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Hove BN3 2SR

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Dear Richard

Supplementary opinion audit plan 2008/09

I issued the audit plan for 2008/09 in June 2008 which set out the work that was proposed to satisfy an appointed auditor's responsibilities under the Audit Commission's Code of Audit Practice.

As this plan was produced at the start of the financial year to give the Council an early indication of the proposed fee, it was not possible to establish if there were any detailed risks that would need to be considered as part of the audit opinion work to be done in Summer 2009. I have recently made an assessment of the risks.

Under International Standard on Auditing (United Kingdom and Ireland) 300, I am required to send you a supplementary opinion plan before the audit opinion work begins. As part of this I have:

- identified the risk of material misstatements in your accounts;
- planned audit procedures to address these risks; and
- sought to ensure that the audit complies with all relevant auditing standards.

Based on my assessment, I have identified two matters that I need to bring to your attention:

Risk	Audit response
<p>The Council's liability for equal/back pay is substantial and the Statement of Recommended Practice sets out the disclosure requirements within the accounts and the accounting treatment is potentially complex. There is a risk of incorrect disclosure which could lead to a material misstatement.</p> <p>The Council has obtained a substantial capitalisation directive, but will support the cost by the use of reserves earmarked for other purposes and there could be an impact on the Council's financial health.</p>	<p>We have been in discussion with the Council since January 2009 regarding this risk. As yet, we have not seen the detailed accounting entries planned nor the disclosure proposed. We will review this during our post statements visit.</p> <p>We have received a document detailing the financing of the payments to be made and this will be reviewed as part of our consideration of the Council's overall financial health.</p>
<p>The valuation of the Council's land and buildings is likely to have been adversely affected by the economic downturn. In these circumstances it will be necessary to consider the impact on the Council's accounts and the accounting treatment adopted.</p>	<p>We will review the basis on which the Council has conducted any impairment review and associated accounting entries.</p>

In the audit plan for 2008/09, the estimated fee for the opinion audit was agreed at £187,925 which was part of a total audit fee of £323,468. I am satisfied that the above fee remains appropriate but will keep the fee under review as the opinion audit progresses. If I need to amend the fee subsequently, I will first discuss it with you.

Yours sincerely

Helen Thompson
District Auditor

Subject: *Annual Governance Statement 2008/09*
Date of Meeting: 30th June 2009
Report of: *Director of Finance & Resources*
Contact Officer: Name: **Ian Withers** Tel: **29-1323**
E-mail: 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 due to officer's consultations and a very tight deadline.

1. SUMMARY AND POLICY CONTEXT:

- 1.1 The purpose of this report is to present the council's Annual Governance Statement 2008/09 for consideration and approval.

2. RECOMMENDATIONS:

Review and approve the Annual Governance Statement and recommend its signing by the Leader and Chief Executive.

Note the council's continuing strengthening of its governance arrangements including the actions arising from the review.

3. BACKGROUND INFORMATION:

- 3.1 Good governance arrangements are essential for the sound management of Brighton & Hove City Council and public confidence.
- 3.2 The Accounts and Audit Regulations 2003 (amended in 2006) requires the council to undertake a review at least once a year of the effectiveness of its governance arrangements and to publish the results in a Annual Governance Statement.

- 3.3 The Annual Governance Statement must be prepared in accordance with the Accounts & Audit Regulations and the CIPFA/SOLACE framework *Delivering Good Governance in Local Government*.

4. REVIEW OF GOVERNANCE ARRANGEMENTS:

The council conducts a continuous process of review of its governance arrangements through its ongoing management processes, internal audit and other reviews and inspections.

The council also has an Officer's Governance Group comprising the Director of Strategy & Governance, Director of Finance & Resources, Head of Organisational Development, Head of Legal Services, Head of Audit & Business Risk and Risk & Opportunity Manager. Other senior managers attend meetings as required. The role of the group is to keep the council's governance arrangements under review, to promote best practice and maintenance of the highest standards.

5. ANNUAL GOVERNANCE STATEMENT (DRAFT):

The draft Annual Governance Statement for 2008/09 is shown at Appendix 1. It has been prepared generally in line with the CIPFA/SOLACE guidance and comprises the following sections:

- Section 1 – Standards of Governance
- Section 2 – Scope of Responsibility
- Section 3 – The Purpose of the Governance Framework
- Section 4 - The Council's Governance Framework, i.e. description of the systems and processes that the council has in place to ensure good governance
- Section 5 – Review of Effectiveness, i.e. the results/outcomes of the council's review processes
- Section 6 – Significant Governance Issues, i.e. details of any significant areas and/or other actions planned to further strengthen governance arrangements

The Annual Governance Statement reflects the organisational changes and governance improvements actioned in 2008/09. It has been reviewed by members of the Officer's Governance Board and comments received have been reflected in the draft.

There are considered to be no 'significant governance issues' to be highlighted in section 5 of the Annual Governance Statement. However there are actions included to further strengthen the governance arrangements during 2009/10. The section also includes actions which are still in progress of being

implemented. Members will be familiar with these issues from monitoring reports.

Implementation of actions will be monitored by Audit & Business Risk and reported back the Officer's Governance Board and Audit Committee.

The Annual Governance Statement will be formally signed by the Leader and Chief Executive following consideration and approval by the Audit Committee.

6. CONSULTATION:

- 6.1 Internal consultation has been carried out with relevant officers and in particular the Officers Governance Board.

7. FINANCIAL & OTHER IMPLICATIONS:

7.1 Financial Implications:

Sound corporate governance and proper systems of internal control are essential to the financial health and reputation of the council. The actions outlined to strengthen the governance arrangements, can be delivered within existing financial resources.

Finance Officer Consulted: *Patrick Rice* *Date: 24th June 2009*
Head of Financial Services - Corporate & Environment

7.2 Legal Implications:

The production of the statement meets the requirements of the Accounts and Audit Regulations 2003 (Amended 2006).

Lawyer Consulted: Oliver Dixon *Date: 14th May 2009*

7.3 Equalities Implications:

There are no direct equalities implications arising directly from this report

7.4 Sustainability Implications:

There are no direct sustainability implications arising from this report.

7.5 Crime & Disorder Implications:

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

7.6 Risk and Opportunity Management Implications:

The preparation of the Annual Governance Statement has been explicitly linked to the risk management framework of the City Council. One of three principles of good governance is “taking informed, transparent decisions and managing risk”.

7.7 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.

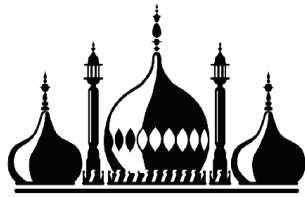
SUPPORTING DOCUMENTATION

Appendices:

1. Annual Governance Statement 2007/08

Background Documents

1. Brighton & Hove City Council’s Code of Corporate Governance
2. CIPFA/SOLACE Delivering Good Governance in Local Government – (Framework 2007)
3. Delivering Good Governance in Local Government – Guidance notes for English Authorities (CIPFA/SOLACE 2007)
4. Accounts & Audit Regulations 2003 (Amended 2006)
5. The Annual Governance Statement (CIPFA Finance Advisory Network)



**Brighton & Hove
City Council**

**ANNUAL GOVERNANCE STATEMENT
2008/09**

Annual Governance Statement 2008/09

1. Standards of Governance

Brighton and Hove City Council (the council) expects all of its members, officers and contractors to adhere to the highest standards of public service with particular reference to the formally adopted Constitution, Codes of Conduct and policies of the council as well as the applicable statutory requirements.

The council has approved and adopted a Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE framework *Delivering Good Governance in Local Government*. A copy of the code is available on the council's website www.brighton-hove.gov.uk.

This statement explains how the council has complied with the code and also meets the requirements of regulation 4(2) of the Accounts & Audit Regulations 2003 as amended by the Accounts and Audit Regulations 2006 (Amendment) (England) in relation to the publication of a statement on internal control.

2. Scope of Responsibility

The council is responsible for ensuring that its business is conducted in accordance with the law and proper practice standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

The council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised having regard to a combination of efficiency, effectiveness and economy.

In discharging this accountability, the council is responsible for putting in place and maintaining, proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions, including arrangements for the management of risk.

The council continues to review its arrangements against best practice and implement changes to improve its governance arrangements.

3. The Purpose of the Governance Framework

The governance framework comprises the systems and processes, and culture and values by which the council is directed and controlled and its activities through which it is accountable to, engages with, and leads the community. It enables the council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

4. The Council's Governance Framework

The governance framework has been in place at the council for the year ended 31st March 2009 and, up to the date of approval of the Statement of Accounts and accords with proper practice.

The key elements of the systems and processes that comprise the council's governance arrangements are shown below along with explanations of how they are embedded.

Identifying and communicating the council's vision

The council played a leading role in the creation and development of the 2020 Community Partnership, and has developed, together with our partners, a Sustainable Community Strategy for the City, "Creating a City of Opportunities".

The vision of Brighton & Hove is one of a dynamic city that improves and protects the environment, meets social needs and promotes sustainable economic success in an inclusive, just and harmonious way.

The strategy sets the direction and policies which other plans should help to deliver and has been agreed by the council and Local Strategic Partnership in consultation with other stakeholders who have an interest in effective public services in the City. It is used as a basis for both corporate and service planning and integrated with the Local

Area Agreement, a three year multi-agency delivery plan for the City's priorities.

The Community Strategy and Corporate Plan are published on the council's website and copies are available at certain key access points across the City (e.g. libraries).

Reviewing the council's vision and its governance implications

Since the publication of the Sustainable Community Strategy in 2006, the council's governance arrangements have been subject to ongoing review to meet the changing needs of the council.

Following the introduction of the new constitution early in the last year, a review was carried out after six months inviting responses from the public, partner organisations, officers and members. The responses provided views on the new constitution and recommendations were made for improvements.

The council's Code of Corporate Governance was reviewed and updated in the past year to ensure compliance with the principles and requirements for good governance.

Measuring the council's performance and quality of services ensuring they represent the best use of resources

The council uses a variety of mechanisms within its overall approach to performance management and service improvement to measure quality of service to users, ensuring service delivery is in accordance with its objectives, and for ensuring the best use of resources. These include national and local performance indicators, customer feedback, process analysis and re-engineering, service reviews, integrated financial management, benchmarking and independent audit and inspection.

Performance management processes are embedded throughout the council and regularly reported in accordance with agreed timescales. The performance management framework is based on a hierarchy of indicators, both national and local. Performance data for all national and local indicators is collected and reported to the Chief Officers Management Team (TMT) and the Executive on a quarterly basis.

The council's Corporate Plan includes clear performance targets for the next three years. The council's Performance Plan shows the

council's performance against targets for the past three years and is available on its website.

At a directorate level, directorate plans form the basis of monitoring. This ensures that performance, budget, risk and project delivery issues are all managed and reported.

Defining roles and responsibilities, delegation and arrangements for effective communication of these

The council has agreed a constitution which sets out how the council operates, member and officers roles, how decisions are made and the processes which are followed to ensure these are efficient, transparent and accountable to the community. Many of these processes are required by statute, while the council has determined others locally. The Constitution is divided into seventeen articles that set out the basic rules governing the council business.

Under the Constitution the Leader and Cabinet form the decision making Executive. Decisions must be in line with the council's overall policy and budgetary framework approved by the full council for delivering its priorities. Any decisions the Executive wishes to take outside of the framework must be referred to the full council to decide.

There is also an Overview and Scrutiny Commission and five scrutiny committees that support the work of the Executive, through scrutinising decisions made by the Executive and through examining services provided by the council.

The Constitution describes the roles of statutory officers: the Head of Paid Service (Chief Executive), the Monitoring Officer (Director of Strategy & Governance) and Section 151 Officer (Director of Finance & Resources). It also includes the Member and Officer Protocol, which sets out the principles and procedures to guide officers and members.

There is effective corporate and departmental support to members in policy and decision making, with report templates to help ensure members are presented with appropriate information to make decisions including key implications, for example finance, legal, equalities and risk.

Developing, communicating and embedding codes of conduct, defining the standards of behaviour for members and officers

The council has adopted a number of codes and protocols that govern the standards of behaviour expected of members and officers. These are communicated as part of the induction process, ongoing awareness training and made available via the council's intranet. These include codes of conduct covering conflicts of interest and gifts and hospitality.

The Standards Committee role is to promote high standards of conduct and ethical governance as well as investigating complaints regarding members. It considers reports and advice from the Standards Board for England and considers reports from the Monitoring Officer.

Reviewing and updating control framework documentaion which clearly define how decisions are taken and the processes and controls required to manage risks

The council's high-level policies and procedures are updated and regularly communicated to officers and members. There are corporate policies on key topics including Business Planning, Information Security, Freedom of Information Act, Environmental Sustainability, Counter Fraud & Corruption, Equalities & Diversity and Health & Safety.

The Director of Strategy & Governance (the Monitoring Officer) reviews and updates the Constitution which includes standing orders and the scheme of delegation.

The Director of Finance & Resources (the Section 151 Officer) likewise reviews and updates financial regulations and contract standing orders, which form part of the Constitution.

Risk and opportunity management is embedded throughout the council and its partnership working arrangements. The council's Risk and Opportunity Management Strategy was updated during the past year. The strategy explains how the council will manage its risks, and is supported by training and guidance. It is overseen by the Officer's Governance Board and approved by the Executive.

Undertaking the core functions of an audit committee, as identified in CIPFA's Audit Committees - Practical Guidance for Local Authorities

The Audit Committee (previously Audit Panel) has been in operation since May 2008 and is now embedded as part of the council's overall governance framework. Its terms of reference incorporate the core functions as identified in the CIPFA guidance. It is responsible for issues

relating to the councils system of internal control, risk management, financial reporting and counter fraud as well as providing a forum for reporting and discussion of issues raised by internal and external audit.

Ensuring compliance with established policies, procedures, laws and regulations

All officers have a responsibility to ensure compliance with established policies, procedures, laws and regulations. Training and awareness sessions are provided to officers as necessary and appropriate induction sessions are carried out for new staff.

The Director of Strategy & Governance (the Monitoring Officer) has overall responsibility for ensuring the council acts within its statutory powers, ensuring the lawfulness and fairness of council decision making, compliance with codes and protocols and promoting good governance and high ethical standards.

The Director of Finance & Resources (Section 151 Officer) is responsible for the effective administration of the council's financial affairs, preparing the council's Statement of Accounts in accordance with proper practices, maintaining accounting records and taking reasonable steps to prevent and detect fraud.

This is supported by a framework of management documents, including financial regulations, contract rules and a scheme of delegation to officers, which collectively control and co-ordinate the financial affairs of the council. These are all in place and available to staff on the Intranet and in paper format. Induction and ongoing awareness training is provided to staff.

Audit & Business Risk are responsible for conducting audits, using a risk based approach to provide assurance on compliance with council policy, procedures, legal rules and regulations.

Whistleblowing and receiving complaints from the public

The council is committed to the highest possible standards of openness, probity and accountability. The council's Whistleblowing Policy aims to encourage officers, contractors and agency workers to report any instances of unlawful conduct, health and safety risks, damage to the environment, possible fraud and irregularities and unauthorised use of council funds. The Policy is widely published on posters, internal newsletters the councils internet and website, and provides the mechanisms to raise concerns and receive appropriate feedback

without the fear of victimisation. All concerns raised under the Whistleblowing Policy are recorded by the Director of Strategy & Governance.

To ensure that concerns or complaints from the public can be raised, the council has a corporate complaints policy which sets out how complaints can be made, what should be expected and how to appeal. The application of the policy is overseen by the council's Standards Committee.

Developing the needs of members and senior officers in relation to their strategic roles

The council achieved the Investors in People (IIP) accreditation (corporate) during the past year and is committed to developing the capacity of its officers and members. The council's Performance Planning and Development Scheme aims to identify the learning and development needs of officers and this is supported by the council.

A complete programme of learning and development is available to officers and members from the Learning and Development Team. Where applicable, officers are also expected to undertake continuing professional development (CPD) of their professions. There are corporate induction processes for both members and officers starting with the council.

The council has a generic programme of training and development for members based in part on a self-assessment of needs against the Improvement and Development Agency (IDeA) Political Skills Framework. There is further more specific training for those with lead roles in for example the Executive and Scrutiny functions. The council achieved the South East Employer Charter for Elected Member Development during the past year.

Establishing clear channels of communication with the community and other stakeholders

Clear channels of communication have been established with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation. The council's publication City News is distributed to all residents as well being available on the council's website and at key access points across the City. It includes news and features about the council and its partners that assists in consulting residents on issues facing the city. In addition,

the Council Tax leaflet, containing details of the council's budget, is distributed annually with Council Tax bills.

There are a wide range of access channels and opportunities for all parts of the community and key stakeholders to engage in dialogue and consultation. This includes tenants and residents forums through consultation events and surveys.

The councils Corporate Plan, Annual Statement of Accounts and Annual Report are again made available via the council's website and distributed to certain key access points across the City, ensuring that residents have numerous access channels.

All meeting agendas and reports for consideration by members are published on the council's website in advance of meetings, which are held in public unless there are good reasons for confidentiality.

Incorporating good governance arrangements in respect of partnerships and reflecting these in the authority's overall governance arrangements

The governance arrangements in respect of partnerships and other group working as identified by the Audit Commission's report *Governing Partnerships: Bridging the Accountability Gap (2005)*, are defined in the council's Financial Regulations. The council is currently working with significant partnerships for example the Children and Young People's Trust, in terms of helping to achieve its objectives through ensuring appropriate agreements and robust governance arrangement are in place. Regular audit reviews are carried out on the overall governance arrangement within the council's key partnerships.

The City's Local Strategic Partnership (LSP) is managed by a board. The council is the lead agency for the LSP. During the past year a "2020 Community Member Pack" was developed and distributed to LSP board members that included governance responsibilities.

5. Review of Effectiveness

The council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The Officer's Governance Board oversees the review of effectiveness including monitoring actions arising.

The process that has been applied in maintaining and reviewing the effectiveness of the governance framework includes the following:

- Review and maintenance of the Constitution by the Monitoring Officer.
- An assessment of the corporate governance arrangements against the CIPFA/SOLACE Framework for Good Governance, which helped develop the council's Code of Corporate Governance.
- The council's internal audit coverage which is planned using a risk based approach and flexible enough to include emerging issues and risks. The Annual Internal Audit Report by the Head of Audit & Business Risk provides an overall opinion on the adequacy of the council's internal control environment and areas of weakness to be addressed
- The assurance of senior managers through the development of corporate and directorate risk registers.
- Findings and comments made by the External Auditors and other review agencies and inspectorates such as the Care Quality Commission and Ofsted.
- The review of performance management and financial reporting.

6. Significant Governance Issues

The council's governance framework is constantly evolving due to service and regulatory developments. There are not considered to be any significant governance issues arising from the review although there are a number of actions to further strengthen the governance framework. These are summarised as follows and include actions in progress from the previous year's review.

Actions in Progress

- Financial Skills Training - to improve service support delivery through the council's Intranet and further development of Financial Information System training.

- Human Resources Management Systems – implementation of new system and improvements to processes and control for the effective management of the council's workforce.

Actions for Improvement to the Governance Framework

- Value for Money - The ongoing transformation of the council through the Value for Money Programme Part 2, not just to reduce costs but where appropriate the redesign of services for improved delivery and meeting customer's expectations.
- Medium Term Financial Strategy – review and update of strategy to respond to the financial pressures on the council.
- Partnership Risk – Review of risks in relation to the Local Area Agreement in particular achievement of targets.
- Section 75 Agreement - A revised Section 75 agreement with the Sussex Partnership Trust.
- International Financial Reporting Standards (IFRS) – a programme is in place to ensure the council meets the deadlines for producing accounts that are compliant with the IFRS.
- Whistleblowing Policy and Process – updating to enhance the effectiveness of the policy, in particular awareness and confidential reporting arrangements.
- Audit Committee – to make an annual report to full council to provide independent assurance on the adequacy of the council's governance arrangements, including the risk management framework and the associated control environment.
- Audit Committee - to undertake a self assessment review of its role and effectiveness in meeting standards expected.
- Overview and Scrutiny – continuing to build the role of the Overview and Scrutiny Commission and Scrutiny Committees

We propose over the coming year to take steps to address the above matters to further enhance governance arrangements. We are satisfied that these steps will address the need for improvements that

were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed

Signed

Alex Bailey
Acting Chief Executive
Dated:

Councillor Mary Mears
Leader of the COUNCIL
Dated:

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