

BRIGHTON & HOVE CITY COUNCIL

AUDIT COMMITTEE

4.00pm 31 MARCH 2009

COMMITTEE ROOM 1, HOVE TOWN HALL

MINUTES

Present: Councillors Hamilton (Chairman), Alford, Kitcat, Oxley, Pidgeon, Randall, Simpson, Smith, Watkins (Deputy Chairman) and Wells

PART ONE

84. PROCEDURAL BUSINESS

84a Declaration of Substitute Members

84.1 Councillor Wells declared that he was substituting for Councillor Lainchbury.

84.2 Councillor Pidgeon declared that he was substituting for Councillor G Theobald.

84b Declarations of Interest

84.3 Councillor Simpson declared a personal interest in item 94 arising from being involved in the Local Delivery Vehicle.

84.4 Councillor Wells declared a personal interest in item 94 arising from being involved with the Local Delivery Vehicle.

84.5 Councillor Randall declared a personal interest in item 102 arising from being a school governor.

84.6 Councillor Kitcat declared a personal interest in item 102 arising from being a school governor.

84.7 Councillor Hamilton declared a personal interest in item 102 arising from being a school governor.

84c Exclusion of the Press and Public

84.8 In accordance with section 100A of the Local Government Act 1972 ('the Act'), the Audit Committee considered whether the press and public should be excluded from the meeting during an item of business on the grounds that it was likely, in view of the nature of the business to be transacted or the nature of the proceedings, that if members of the press or public were present during that item, there would be disclosure

to them of confidential information (as defined in section 100A(3) of the Act) or exempt information (as defined in section 100I of the Act).

- 84.9 **RESOLVED** - That the press and public be excluded from the meeting during consideration of item 99, Non-Public Minutes of the previous meeting, item 100, Corporate Risk Management Action Plans Focus, item 101, Payroll Audit and item 102, Schools Financial Management Audit Report as these items were exempt under Paragraph 3 of Schedule 12A of the 1972 Act (information relating to the financial or business affairs of the authority).

85. MINUTES OF THE PREVIOUS MEETING

- 85.1 **RESOLVED** – That the minutes of the meeting held on 24 February 2009 be approved and signed by the Chairman as a correct record.

86. CHAIRMAN'S COMMUNICATIONS

- 86.1 The Chairman addressed Members and stated that the future start times of the Committee would remain at 16:00.
- 86.2 The Chairman welcomed Senior Performance Analyst, Andy Edwards, Performance Analyst, Richards Miles and Sandra Prail from the Audit Commission, to the meeting.

87. PUBLIC QUESTIONS

- 87.1 There were none.

88. WRITTEN QUESTIONS FROM COUNCILLORS

- 88.1 There were none.

89. DEPUTATIONS

- 89.1 There were none.

90. PETITIONS

- 90.1 There were none.

91. LETTERS FROM COUNCILLORS

- 91.1 There were none.

92. CAA USE OF RESOURCES AND AUDIT COMMITTEE ROLE

- 92.1 The Performance Analyst gave a presentation to the Committee Members on the Comprehensive Area Assessment and the role of the Audit Committee. It was highlighted that the new Comprehensive Area Assessment would begin in April 2009

and would be comprised of two elements: the first an area assessment on the outcomes of the Local Area Agreement and Community Strategy; and the second an organisational assessment examining the performance of the Authority and the Use of Resources statement. A strong element of the CAA would be in helping people to understand whether they are getting value for money from their local services.

- 92.2 Councillor Smith noted that the authority was limited in some regard by financial regulations and asked how they would marry with the expectations of the public. The Performance Analyst agreed and stated that the Use of Resources statement would be a key document in helping people to understand the finances of the Council, but also there would also have to be an element of managing the expectations of the public.
- 92.3 Councillor Oxley asked whether the 'Reducing Inequality' review would be fed into the CAA process and the Performance Analyst stated that it would, but an updated review would have to be conducted to reflect the requirements of the process.
- 92.4 Councillor Randall asked what the cost implications were to the Council in the new system and the Performance Analyst stated that it was predicted to be a reduced cost burden as it was a rolling process that would be continually updated once set into motion.
- 92.5 Councillor Randall noted that a new 'flag' system was going to be used to indicate good and bad areas of assessment and asked for a further explanation of this. The Performance Analyst stated that not every outcome would receive a flag and that only those that needed highlighting, for either good or bad reasons, would be flagged up by the Audit Commission. This would provide members of the public with an easy way to assess the performance of the authority against its stated aims.
- Councillor Randall asked what was indicated for outcomes without flags and the Performance Analyst stated that a detailed written assessment would accompany each outcome to enable people to judge how well the authority had performed in that area.
- 92.6 Councillor Randall asked what level of customer involvement there would be in the CAA and the Performance Analyst stated that Satisfaction Surveys and Place Surveys would feed into the process. Information gathering from groups of interest in how well the authority was performing would also be conducted and fed in.
- 92.7 Sandra Prail addressed the Committee and stated that the CAA was primarily a narrative for a public audience and would involve the input of several difference agencies. It would be an outcome focussed analysis and those areas where outcomes needed to be looked at would take priority and receive a higher level of assessment detail. The 2020 Partnership was already starting to identify groups who could have a positive input into the process, and this would be an ongoing process to ensure co-operation between all interested parties.
- 92.8 Councillor Kitcat asked for clarification that the star rating system would be gone and felt that the new system was not a very clear way of indicating to residents how well the authority was performing. The Performance Analyst stated that it should be a more realistic appraisal of the authority, and that one of the criticisms of the star rating system had been that it was not truly representative of how well an authority was doing. The

new system was seeking to address this criticism and the first cycle would give a clearer indication of how well it was working.

- 92.9 Ms Prail noted there were two elements to the CAA; the area assessment and the organisational assessment. The organisational assessment would still be scored in a similar way to previously.
- 92.10 Councillor Watkins asked when the first report was due and Ms Prail stated that the organisational assessment would come to the Audit Committee in November 2009 and the area assessment would go to the Local Strategic Partnership.
- 92.11 Councillor Watkins asked who would be responsible for ensuring the recommendations of the area assessment were followed through and Ms Prail stated that it would be delivered to the LSP, of which the Council was a partner, but the Council would be responsible for ensuring the recommendations relating to its services were acted on.
- 92.12 **RESOLVED** – That the report on the Comprehensive Area Assessment and Audit Committee Role is noted.

93. AUDIT COMMISSION UPDATE REPORT

- 93.1 Grahame Brown from the Audit Commission presented an oral update to the Committee on the work of the Audit Commission. He noted that the Commission had been very busy lately and a formal report would be brought to the Committee in May 2009. They were currently working on the Governance review, which had been deferred for further discussions with Officers to take place, and discussions had taken place with Officers regarding the Local Delivery Vehicle and the Building Schools for the Future programme. Advice and assistance had been given to the Housing Management Teams regarding their processes and an action plan with recommendations would be brought to the Audit Committee in due course.
- 93.2 **RESOLVED** – That the Committee notes the Audit Commission Update report.

94. ANNUAL AUDIT & INSPECTION LETTER

- 94.1 Ms Prail addressed the Committee and presented a report of the Audit Commission on the Annual Audit and Inspection Letter (for copy see minute book).

Ms Prail stated that this was the last retrospective Annual Audit and Inspection Letter that the Committee would receive under this regime. The content had been agreed by Officers for the Council and by Cabinet and it was noted that the authority had received a four star rating with significant improvements being seen for the Use of Resources Statement. It was noted that the Local Delivery Vehicle was still under performing but recommendations for this had been given in the report, which reinforced actions that the authority was already initiating.

- 94.2 Councillor Hamilton asked about the score rating and Ms Prail stated that an authority would need to gain at least three stars in every area to achieve a four star rating.

94.3 Councillor Randall asked if the areas for assessment were weighted differently and Ms Prail confirmed this was the case.

94.4 **RESOLVED** – That the Committee agrees the Annual Audit and Inspection Letter.

95. COUNTER FRAUD STRATEGY UPDATE

95.1 The Head of Audit and Business Risk presented an update to the Committee on the Counter Fraud Strategy and stated that this was part of the key arrangements which laid out the Council's response to potential high risks.

There had been no evidence so far that fraud had been a major problem within the Council but vigilance was needed as instances of fraud commonly rise during times of recession. An update to the fraud loss measurement was being carried out to assess potential losses.

95.2 The Chairman asked if Brighton & Hove City Council had many 'whistleblowers' over the years, and the Head of Audit and Business Risk that they had received a fair number of referrals of investigation over the hotline and a proportion were passed on to the Police for criminal investigation.

95.3 Councillor Oxley asked whether the protocols on publicity for fraud cases had been changed and the Head of Audit and Business Risk stated that the Council would seek to publicise any positive results from investigation cases as appropriate. He noted that most had been due to housing benefit fraud and the department would work closely with the communications department to any fraud case.

95.4 Councillor Watkins asked whether the Council had many instances of corruption. The Head of Audit and Business Risk stated that potential instances of corruption had been investigated but no actual findings identified at the Council. There was training available on fraud awareness for staff and members.

95.5 Councillor Smith raised concern that unintentional corruption could take place for members if the circumstances had occurred several years ago. The Head of Audit and Business Risk stated that all interests should be declared of the register of interests which was available for the entire time the member served.

95.6 **RESOLVED TO RECOMMEND** – That Counter Fraud Strategy is approved by the Governance Committee.

96. CODE OF CORPORATE GOVERNANCE

96.1 The Head of Audit and Business Risk presented a report on the Code of Corporate Governance and stated that this formed part of the Council's constitution, which was a best practise procedure at local authorities. The Code states six key principles that form a statement of intent for the Council, with following points for each principle to ensure their full achievement by the Council.

96.2 Councillor Kitcat asked why the Committee was receiving the report when there were no financial or other implications given, and the Head of Audit and Business Risk stated

that the Committee was being asked to recommend the adoption of the Code by Full Council and it was part of good governance procedures to bring the draft Code to the Audit Committee.

- 96.3 Mr Browne from the Audit Commission added that the Code would underpin much of the audit assessment work being done for the Comprehensive Area Assessment and it was implicitly required to achieve a good CAA rating.
- 96.4 Councillor Randall asked what the key revisions of the Code were and the Head of Audit and Business Risk stated that it had been simplified to encourage understanding, but no radical changes had been made.
- 96.5 **RESOLVED TO RECOMMEND** – That the Code of Corporate Governance be adopted.

97. INTERNAL AUDIT CHARTER

- 97.1 The Committee considered a report of the Interim Director of Strategy & Governance on the Internal Audit Charter (for copy see minute book).
- 97.2 The Head of Audit and Business Risk stated that the charter formed the terms of reference for the Audit and Business Risk function, as recommended by the Chartered Institute of Public Finance & Accountancy's Code of Best Practice for Internal Audit in Local Government, and was required to be annually agreed by the Audit Committee. Key features of the Charter were ensuring the independence of the audit function and maintaining audit reporting lines within the Council. Changes to the Charter for this year were minor, but recognised that business risk was back under the remit of the audit function.
- 97.3 **RESOLVED** – That the Committee approves the Internal Audit Charter for 2009.

98. RISK & OPPORTUNITY MANAGEMENT UPDATE

- 98.1 The Committee considered an oral report from the Risk and Opportunity Manager on the Risk & Opportunity Management update. She stated that she had met with project managers to improve risk registers and offer assistance to project groups and boards for the Local Delivery Vehicle, the Personalisation Agenda and the Fleet Project.

The Risk and Opportunity Manager had been working with the Children's and Young Person's Trust on an assurance framework similar to the ROM strategy and the CYPT Risk Register had been refreshed. Regular meetings were to take place with the Southdowns NHS Trust and the CYPT risk leads to share risk registers and good practice.

A pilot software programme for risk and opportunity management was being developed that linked in with business planning and personnel management, and an e-learning programme was almost complete. The ROM Strategy Update and progress reporting on the annual ROM programme 2009/10 would provide further information to Committee in summer 2009.

98.2 **RESOLVED** – That the Committee notes the Risk and Opportunity Management update.

99. PART TWO MINUTES - EXEMPT CATEGORY 3

99.1 The Chairman was requested to approve and sign the non-public minutes of the meeting held on 24 February 2009.

100. CORPORATE RISK MANAGEMENT ACTION PLANS FOCUS - EXEMPT CATEGORY 3

100.1 **RESOLVED** – That the Committee notes the Corporate Risk Management Action Plans Focus.

101. PAYROLL AUDIT - EXEMPT CATEGORY 3

101.1 **RESOLVED** – That the Committee notes the Payroll Audit update.

102. SCHOOLS FINANCIAL MANAGEMENT AUDIT REPORT - EXEMPT CATEGORY 3

102.1 **RESOLVED** – That the Committee notes the Schools Financial Management Audit Report.

The meeting concluded at 6.00pm

Signed

Chair

Dated this

day of