

**BRIGHTON & HOVE CITY COUNCIL**

**AUDIT COMMITTEE**

**4.00pm 24 APRIL 2012**

**COMMITTEE ROOM 1, HOVE TOWN HALL**

**MINUTES**

**Present:** Councillors Hamilton (Chair) Jarrett, Mitchell, A Norman, Smith, Sykes, Wakefield, Wealls and Robins

**PART ONE**

**74. PROCEDURAL BUSINESS**

**74a Declaration of Substitutes**

75.1 Councillor Robins declared that he was substituting for Councillor Pissaridou.

**74b Declarations of Interest**

75.2 Councillor Wakefield declared a personal but not prejudicial interest in Item 83, a report of the Audit Commission concerning Brighton & Hove Seaside Community Homes.

**74c Exclusion of the Press and Public**

75.3 In accordance with section 100A of the Local Government Act 1972 ('the Act'), the 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).

75.4 **RESOLVED** - That the press and public be excluded from the meeting during consideration of Item 88 onwards.

**75. MINUTES OF THE PREVIOUS MEETING**

75.1 **RESOLVED-** That the minutes of the previous meeting held on 21 February 2012 be approved and signed as the correct record.

**76. CHAIR'S COMMUNICATIONS**

76.1 The Chair informed the meeting that this would be the last meeting of the Audit Committee in its current format before it became the Audit & Standards Committee due to the new governance arrangements agreed by Members. The Chair thanked Officers for their hard work throughout the year and the other Members of the Committee for their support and advice.

**77. PETITIONS**

77.1 There were none.

**78. PUBLIC QUESTIONS**

78.1 There were none

**79. DEPUTATIONS**

79.1 There were none

**80. LETTERS FROM COUNCILLORS**

80.1 There were none.

**81. WRITTEN QUESTIONS FROM COUNCILLORS**

81.1 There were none

**82. AUDIT COMMISSION: PROGRESS REPORT 2011/12**

82.1 The Committee considered a report of the Audit Commission that provided a summary of the progress made and any significant issues arising against the 2011/12 external audit. The Audit Manager provided a verbal supplement stating that their audit had again identified a number of payroll transaction errors however; these were not found to be of material impact and there was no indication of fraudulent activity. The audit had also established that documentation could not be accessed quickly and easily.

82.2 The Chair noted that Ernst & Young were successful in procuring the contract for the outsourcing of work currently undertaken by the Audit Practice in the South East region. He asked if representatives from Ernst & Young would be meeting with council officers in the near future.

82.3 The Audit Manager replied that although the consultation process was still in progress, it was likely that there would be a meeting on Wednesday 2 May and this issue would be discussed with the new external audit providers and resolved.

- 82.4 Councillor Wealls noted that there would be a 40 per cent reduction in the fee charged by the Audit Commission under the outsourcing measures. He enquired how much of the saving was due to outsourcing.
- 82.5 The Audit Manager replied that he could not give an accurate figure. Although an element of the reduced fee would be due to outsourcing, the majority was due to a reduction in resources which were now 50 per cent less than at the time of the 2010 announcement by central government that the Commission would be outsourced.
- 82.6 Councillor Sykes noted that 75 per cent of the scoring system for the outsourcing of the Audit Commission was based on service cost. He asked if the work undertaken by the firm would be as comprehensive as the current operation.
- 82.7 The Audit Manager answered that the scope of the incoming firms work would be similar but tightly specified and he would predict that additional work would be charged for.
- 82.8 The Director of Finance supplemented that the majority of the work undertaken by the Audit Practice concerned the financial statements. She believed that the Finance Department would need to continue to deliver information on time and to a high standard to avoid additional work. The Director of Finance stated that her main concern was the discontinuation of the data provided by the Commission on other authorities Value for Money (VFM) work which was very useful for benchmarking performance. She added that there was a possibility that the savings made by the Council arising from abolishing the Audit Commission would need to be spent on methods to continue this.
- 82.9 Councillor Ann Norman stated her belief that the work undertaken by the current Audit Manager and District Auditor was of the highest standard. She asked if the same personnel would continue to service the Council for the incoming firm.
- 82.10 The Audit Manager replied that the current personnel would certainly remain in place for 2011/12. Although he was aware that Ernst & Young were reluctant to make changes in the short-term, he did not know of their intentions for after this period.
- 82.11 The Chair agreed that the work undertaken by the Audit Commission had been very beneficial to the Audit Committee. He asked if Officers could communicate the sentiments of the Committee to Ernst & Young at their proposed meeting.
- 82.12 Councillor Ann Norman asked what work had been done towards new methods of benchmarking with other authorities on VFM methods.
- 82.13 The Director of Finance answered that dialogue was underway between the authorities in the South East region on this matter however, as Brighton & Hove was a unitary authority, it would be problematic gathering comparative data locally. Accordingly, the Council would liaise with other authorities nationally and nearby unitary councils such as Southampton.
- 82.14 **RESOLVED-** That the Audit Committee notes the report and progress made.

**83. AUDIT COMMISSION: OPINION AUDIT PLAN 2011/12**

- 83.1 The Committee considered a report of the Audit Commission the provided the 2011/12 audit plan for the audit of the financial statements and VFM conclusion.
- 83.2 **RESOLVED-** That the Committee notes the 2011/12 audit plan for the audit of the financial statements and value for money (VFM) conclusion.
- 84. ASSURANCES FROM THE AUDIT COMMITTEE AS THE BODY CHARGED WITH GOVERNANCE 2011/12**
- 84.1 The Committee considered a report of the Director of Finance that presented the response to the Audit Commission's letter to those charged with governance issued at the 20 December 2011 Audit Committee meeting.
- 84.2 **RESOLVED-** That the Audit Committee notes the response to the Audit Commission's letter to those charged with governance which was sent on the 29<sup>th</sup> March 2012.
- 85. INTERNAL AUDIT STRATEGY AND ANNUAL AUDIT PLAN 2012/13**
- 85.1 The Committee considered a report of the Director of Finance that presented the Council's Internal Audit Strategy and Annual Audit Plan for 2012/13. This included both the operational internal audit and counter fraud work programmes together with updated Internal Audit Terms of Reference.
- 85.2 Councillor Sykes asked if there would be any change in emphasis in the 2012/13 Audit Plan compared to previous years.
- 85.3 The Director of Finance replied that there would be more focus on basic controls in cash and collections, the audit team would be visiting more remote establishments and more work would be done in line with the significant changes in Public Health and localised support for Council Tax.
- 85.4 **RESOLVED-** That the Audit Committee approves the Internal Audit Strategy and Annual Audit Plan for 2012/13.
- 86. BRIGHTON & HOVE CITY COUNCIL COUNTER FRAUD STRATEGY**
- 86.1 The Committee considered a report of the Director of Finance that presented the Council's updated draft Counter Fraud Strategy.
- 86.2 The Director of Finance added that there had been significant delay in the publication by central government of the Local Government Fraud Strategy "Fighting Fraud Locally" that had hampered the progress of the authority. Accordingly, the report presented provided an overview and the detail of the authorities Counter Fraud Strategy, based upon the Local Fraud Strategy, would be presented to a future Audit & Standards Committee meeting.
- 86.3 **RESOLVED-** That the Audit Committee notes the Council's updated draft Counter Fraud Strategy and recommends its approval by the relevant committee under the new system of council governance.

**87. 2011/12 STATEMENTS OF ACCOUNTS PREPARATION**

87.1 The Committee considered a report of the Director of Finance that provided information on the changes for the 2011/12 Statement of Accounts.

87.2 **RESOLVED-** That the Audit Committee notes the changes for the 2011/12 Statement of Accounts.

**88. PART TWO MINUTES OF THE PREVIOUS MEETING (EXEMPT- CATEGORY 3)**

88.1 **RESOLVED-** That the Part Two minutes of the previous meeting held on 21 February 2012 be approved and signed as the correct record.

**89. PAYROLL- UPDATE FROM STRATEGIC DIRECTOR, RESOURCES (EXEMPT CATEGORY 3)**

As detailed in the Part 2 confidential report.

**90. STRATEGIC RISK MANAGEMENT ACTION PLAN FOCUS - SR3 PACE AND VOLUME OF PUBLIC SECTOR CHANGE (EXEMPT CATEGORY 3)**

As detailed in the Part 2 confidential report.

**91. STRATEGIC RISK MANAGEMENT ACTION PLAN - SR9 CHANGES TO LOCAL GOVERNMENT FINANCE (EXEMPT CATEGORY 3)**

As detailed in the Part 2 confidential report.

**92. PART TWO ITEMS**

92.1 **RESOLVED-** That the above items remain exempt from disclosure from the press and public.

The meeting concluded at 6.25pm

Signed

Chair

Dated this

day of