

BRIGHTON & HOVE CITY COUNCIL

AUDIT COMMITTEE

4.00pm 21 FEBRUARY 2012

COMMITTEE ROOM 1, HOVE TOWN HALL

MINUTES

Present: Councillors Hamilton (Chair), Follett (Deputy Chair), Jarrett, A Norman, Pissaridou, Sykes, Wakefield, K Norman and Wealls

PART ONE

56. PROCEDURAL BUSINESS

56a Declaration of Substitutes

56.1 Councillor Ken Norman declared that he was substituting for Councillor Smith.

56b Declarations of Interest

56.2 There were none.

56c Exclusion of the Press and Public

56.3 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).

56.4 **RESOLVED** - That the press and public be excluded from the meeting during consideration of Item 71 onwards.

57. MINUTES OF THE PREVIOUS MEETING

57.1 **RESOLVED**- That the minutes of the previous meeting held on 20 December 2011 be approved and signed as the correct record.

58. CHAIR'S COMMUNICATIONS

58.1 The Chairman drew Members attention to an additional document relating to the consideration of Item 72 that had been circulated at the meeting.

59. PETITIONS

59.1 There were none.

60. PUBLIC QUESTIONS

60.1 There were none.

61. DEPUTATIONS

61.1 There were none.

62. LETTERS FROM COUNCILLORS

62.1 There were none.

63. WRITTEN QUESTIONS FROM COUNCILLORS

63.1 There were none.

64. TARGETED BUDGET MANAGEMENT (TBM) MONTH 9 - FOR INFORMATION

64.1 The Committee considered a report of the Director of Finance that set out the revenue and capital forecast outturn position for 2011/12 as at Month 9. The report was presented to the Committee for information.

64.2 The Director of Finance introduced the report noting in particular the £3.187 million underspend and the related issues of changeable budgetary activity and incorporating long-term trends into budget allocation.

64.3 Councillor Sykes enquired as to how trends were measured if budget demands were volatile.

64.4 The Director of Finance clarified that there were particular areas that required budget allocations regardless of demand such as` secure placements for children. Genuine trends were assessed over a long-term period and where it was clear that spending was decreasing or increasing consistently, it was reasonable to factor these in to the budget allocations.

64.5 **RESOLVED-** That the Committee notes the report.

65. REVIEW OF THE EFFECTIVENESS OF THE AUDIT COMMITTEE

65.1 The Committee considered a report of the Director of Finance that presented the findings against "The Audit Committee Self-Assessment Checklist" identified from a cross-party workshop held in January 2012.

65.2 The Chairman relayed that Members had spent a lot of time devising actions to be undertaken. He thanked Councillor Jarrett for attending the workshop in January.

65.3 Councillor Ken Norman asked if the audit training would be similar to that provided to Members for Planning Committee and if there would be selected Members used as substitutes on the basis that they had similarly undertaken the mandatory training.

65.4 The Director of Finance replied that the audit training would be similar to that provided for Planning Committee. This training would not be compulsory for Members not on the Audit Committee but there would be an open invitation to attend. The Director of Finance added that the mandatory training would not be required of substitutes due to constraints upon availability of Members.

65.5 Councillor Ann Norman stated her support for mandatory training as it would be beneficial for all Members. Additionally, she believed that the same Members should sit on any future Standards/Audit Committee to prevent disruption.

65.6 RESOLVED-

- 1) That the Audit Committee notes the findings against "The Audit Committee Self-Assessment Checklist".
- 2) That the recommended actions set out in Appendix 1 be agreed.

66. AUDIT COMMISSION: PROGRESS REPORT 2011/12

66.1 The Committee considered a report of the Audit Commission that presented the progress made against the 2011/12 external audit.

66.2 **RESOLVED-** That the Committee notes the report.

67. AUDIT COMMISSION: CERTIFICATION OF CLAIMS AND RETURNS - ANNUAL REPORT 2010/11

67.1 The Committee considered a report of the Audit Commission that presented the 2010/11 annual report on the certification of claims and returns.

67.2 The Chairman noted his concern regarding the weaknesses in arrangements identified particularly teachers' pensions return.

67.3 The Director of Finance concurred with this view stating that this was a part of the increasing concerns with payroll controls which would be addressed in depth under item 73. The Director of Finance added that the recommendations from the Audit Commission had been accepted and implemented.

67.4 **RESOLVED-** That the Committee notes the report.

68. INTERNAL AUDIT PROGRESS REPORT 2011/12

68.1 The Committee considered a report of the Director of Finance that summarised the progress made against the 2011/12 Audit Plan including the outcomes of specific audit reviews, agreed management actions and Internal Audit Key Performance Indicators.

68.2 The Chairman enquired as to when management actions were agreed and implemented subsequent to audit reviews given limited assurance.

68.3 The Head of Audit & Business Risk clarified that management actions were agreed by the end of audit reviews. If they were high priority agreed actions, implemented immediately or soon after the completion of the audit review.

68.4 The Director of Finance supplemented that audit work had been re-directed as part of the counter fraud programme instigated subsequent to losses at Hove Town Hall drop safe in particular on income and petty cash imprest accounts. Whilst these areas were not potentially high financial loss areas there were significant benefits to focusing attitudes in this area as was demonstrated in the audit reviews undertaken.

68.5 Councillor Follett praised the counter-fraud work undertaken and the benefits of awareness raising. He asked if Members should concern themselves with this area as a priority.

68.6 The Head of Audit & Business Risk replied that whilst fraud was increasing so too was awareness which was encouraging. One particular advantage was the closer working relations between Internal Audit and Sussex Police.

68.7 The Chairman asked if schools were subject to audit reviews.

68.8 The Director of Finance clarified that they did adding that under the conditions of the International Financial Reporting Standard (IFRS), Audit could use much more initiative in its work than under the Financial Management Standard which was very prescribed as to what could be audited.

68.9 **RESOLVED-** That Members note the progress made in delivering the Annual Internal Audit Plan 2011/12, outcomes achieved and current arrangements going forward to 31st March 2012.

69. RISK MANAGEMENT STRATEGY 2012

69.1 The Committee considered a report of the Director of Finance that set out the new Risk Management Strategy 2012 which would provide for the next three years and would replace the Risk & Opportunity Management Strategy 2008-2011.

69.2 **RESOLVED-**

- 1) That the Audit Committee note the approved Risk Management Strategy 2012.
- 2) That the Audit Committee note that Cabinet have delegated authority to the Director of Finance to alter the Risk Management methodology as necessary so that the Risk Management Strategy is kept up to date with changing requirements and best practice.

70. CURRENT FRAUD RISKS AND BRIGHTON & HOVE CITY COUNCIL COUNTER FRAUD PROGRAMME (VERBAL PRESENTATION)

- 70.1 The Committee considered a verbal presentation detailing current fraud risks and the Brighton and Hove City Council Fraud Programme.
- 70.2 Councillor Wealls enquired how information on incidents of fraud was shared between local authorities.
- 70.3 The Head of Internal Audit clarified that incidents were shared via the National Fraud Network (NAFN) alert system. Furthermore, the NAFN (South) was hosted by the Council.
- 70.4 The Chairman noted that many of the city's most vulnerable residents lived in social housing. He asked if intention or a lack of awareness was accounted for in investigating housing tenancy fraud.
- 70.5 The Principal Auditor replied that intention was essential in determining prosecution in cases of housing tenancy fraud and each case was assessed on this basis. If intention was not apparent, then criminal prosecution was not pursued.
- 70.6 Councillor Pissaridou asked if the local authority had used the Fraud Recovery Process.
- 70.7 The Director of Finance answered that this had been used in instances of large claims.
- 70.8 Councillor Follett enquired if systematic controls had been put in place to prevent fraud losses.
- 70.9 The Director of Finance clarified that measures had been put in place specifically with regard to housing tenancy fraud and false claims for single person council tax discounts to prevent losses.
- 70.10 **RESOLVED-** That the Committee notes the report.

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

71.1 **RESOLVED-** That the Part Two minutes of the previous meeting held on 20 December 2011 be approved and signed as the correct record.

**72. STRATEGIC RISK MANAGEMENT ACTION PLAN FOCUS- STRATEGIC RISK 1
READINESS FOR OPPORTUNITIES & IMPACTS OF LOCALISM (SR1) (EXEMPT-
CATEGORY 3)**

72.1 As detailed in the Part 2 confidential report.

73. INTERNAL AUDIT REVIEW OF PAYROLL (EXEMPT CATEGORY 3)

73.1 As detailed in the Part 2 confidential report.

74. PART TWO ITEMS

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

The meeting concluded at 6.05pm

Signed

Chair

Dated this

day of