

**BRIGHTON & HOVE CITY COUNCIL**

**AUDIT & STANDARDS COMMITTEE**

**4.00pm 16 APRIL 2013**

**COUNCIL CHAMBER, HOVE TOWN HALL**

**MINUTES**

**Present:** Councillors Hamilton (Chair), A Norman (Opposition Spokesperson), Lepper, Smith, Sykes and Wealls

**Independent Persons & Co-opted Members:** Dr David Horne

**PART ONE**

**82. PROCEDURAL BUSINESS**

**82a Declarations of substitutes**

82.1 There were none.

**82b Declarations of interests**

82.2 There were none

**82c Exclusion of the press and public**

82.3 In accordance with Section 100A of the Local Government Act 1972 (“the Act”), the Committee considered whether the public should be excluded from the meeting during consideration of any item of business on the grounds that it is likely in view of the business to be transacted or the nature of the proceedings, that if members of the public were present during it, there would be disclosure to them of confidential information as defined in Section 100A (3) of the Act.

**83. MINUTES**

83.1 **RESOLVED** – That the Chair be authorised to sign the minutes of the meeting held on 22 January 2013 as a correct record.

**84. CHAIR'S COMMUNICATIONS**

84.1 The Chair noted that the letter forming the substantive part of the item at 89 had been redrafted and circulated at the Committee to address some typographical errors.

**85. PUBLIC INVOLVEMENT**

85.1 There were none.

**86. MEMBER INVOLVEMENT**

86.1 There were none.

**87. STRATEGIC RISK MANAGEMENT ACTION PLAN FOCUS SR1 READINESS FOR OPPORTUNITIES AND IMPACTS OF LOCALISM; SR3 PACE VOLUME OF PUBLIC SECTOR**

87.1 The Committee considered a report of the Executive Director of Finance & Resources in relation to the Strategic Risk Management Plan Focus *SR1 Readiness for opportunities and Impacts of localism; SR3 Pace Volume of Public Sector*. The Committee had a role to monitor the effectiveness of risk management and internal control and this included an oversight of the Strategic Risk Register which was reviewed every 6 months by the Executive Leadership Team (ELT). Each Strategic Risk had a Risk Management Action Plan to deliver action to address the risk by a Risk Owner from ELT; the risk owner for both SR1 and SR3 was the Chief Executive, Penelope Thompson.

87.2 The Chief Executive provided an introduction in relation to SR1 and explained that when issues in relation to the localism agenda were first added to the Strategic Risk Register there was a greater level of uncertainty in relation to the opportunity and risk, and this was why this risk had been assigned to the Chief Executive in the interim. There had been an internal audit report which had advocated good governance, and it was felt that this risk would be more appropriately assigned to the Assistant Chief Executive in future as part of the wider review of the register in early May.

87.3 Councillor Wealls asked questions in relation to *Community Right to Challenge*, and *Community Right to Bid*. In response Officers explained that no bids had been received, and the period for *Community Right to Challenge* would run from 1 April 2013 to 30 June 2013; however, *Community Right to Bid* had no beginning or closing restrictions. The Council was ready to process applications and deal with queries. It was also noted there had been a recent report to the Policy & Resources Committee about shared services, and one of the action points had been to look at options – of which alternative delivery could play a role. The Head of Law and Monitoring Officer also highlighted some of the other areas of localism that had already been implemented including: general power of competence; governance; pre-determination; the new Code of Conduct; pay accountability and a review of the pay statement. There was also a procedure in place for *Community Right to Challenge*.

87.4 Councillor Wealls went on to ask about the future service delivery and where this was being discussed; in response it was explained that the report to the Policy & Resources Committee had suggested the creation of an Officer group – with the Chief Executive – to look at modernisation; this group would be able to highlight issues and themes as they emerged.

87.5 The Chief Executive then went on to provide an introduction in relation to SR3 and noted that Council had recently approved the budget and the Corporate Plan as well as

a purpose statement for the local authority with ambitions. The Council was already in a strong position, and involved in some very significant partnership arrangements; as well as the Brighton & Hove Strategic Partnership. It had been agreed that the Public Service Board would become a City Management Board and be attended by the Chief Executive and the Chief Officers from the other key public service bodies. There was a huge willingness to co-operate and work together on delivery, and look at new ways to share assets – for example Hove Town Hall had recently become a base for Sussex Police. Since the beginning of April public health functions were now under the remit of the local authority, and this synergy was welcomed. The Director of Public had also taken on additional duties in relation to community safety and emergency planning – which linked in appropriately to key local public health risks associated with alcohol and illegal drugs in the city. It was also noted that the joint strategic needs assessment would be fully integrated across the whole city, and in was also now the appropriate time to review the Strategic Risk Register.

87.6 Councillor Sykes asked for more information in relation to specific risks and potential consequences, and how these could impact across different departments. In response it was highlighted that the Council's arrangements put the authority in a strong position, and work was being undertaken to respond to external factors. Services were being modernised, and it was felt an effective approach was being delivered by working with partners. It was also suggested that some of the phrasing in the register should be amended to provide greater assurance.

87.7 **RESOLVED –**

- i. That the Committee has a role to monitor the effectiveness of risk management and internal control. This includes oversight of the Strategic Risk Register which is set and reviewed every six months by the ELT. Each Strategic Risk has a Risk Management Action Plan (a “risk MAP”) to deliver action to address the risk by a Risk Owner, a member of ELT.
- ii. That the Committee previously agreed an annual schedule of focus sessions on strategic risks, generally two at each of its meetings. For each meeting, strategic risk MAPs are updated and “risk owners” attend to provide further verbal explanation, update and receive questions from Members as necessary.

88. **VERBAL UPDATE ON PAYROLL SYSTEM**

88.1 The Committee was given a verbal update of the Payroll System from the Head of HR Strategy, Policy & Projects, Katie Ogden, and it was explained that the latest internal audit findings had moved the service up to ‘reasonable assurance.’ A great deal of work had been undertaken to improve processes; as well as joint working with ICT on control. Online processes and changes to contracts had helped create additional controls in relation to the payroll system as well as some restructuring of staff. All this work had been completed within the agreed timescales. Self-service for additional time and expenses claims had gone live at the beginning of March 2013, and it was envisaged the bulk of this work would be completed by September 2013; under this system all additional payments would be input by staff and approved by service managers.

- 88.2 Work had been undertaken to comply with the auto-enrolment requirement (the statutory requirement to enrol qualifying staff into a pension scheme) and systems had been set up to manage this. All staff had now been migrated to monthly payments, and thanks were given to staff for embracing these changes. Overall, there was still considerable work to be undertaken before the desired position was achieved but it was confirmed that all of the original 14 actions from internal audit had now been completed, and the service was working to achieve a set of 7 new, but lesser, actions from the latest review.
- 88.3 Councillor Ann Norman noted there had been concern in relation to payroll for a number of years, but there was an understanding that these problems were not easy to address. The verbal update was reassuring, and it was vital that this work was completed properly. A written update was agreed for the September Committee, and for these to follow twice a year.
- 88.4 Dr Horne asked if there were any issues of concern – in relation to the 2012/13 audits – that should be reported to the Committee. In response, the Head of HR Strategy, Policy & Projects noted that there were none at this stage, and the External Auditor, Simon Mathers, added that although payroll was a defined risk in the audit plan, however, the significant improvement had been recognised and information could be reported to a later meeting about control and the efficiency of operations.
- 88.5 **RESOLVED** – That the Committee note the verbal update, and receive 6 monthly written updates.
- 89. LETTER FROM CHAIR OF AUDIT & STANDARDS COMMITTEE RE: B&HCC - RISK OF MATERIAL MISSTATEMENT OF THE 2012/13 ACCOUNTS DUE TO FRAUD**
- 89.1 The Committee considered a report of the Executive Director of Finance & Resources presenting the response from the Chair of the Audit & Standards Committee to the request made by the external auditors (Ernst & Young) to those charged with governance.
- 89.2 **RESOLVED** - That the Committee note the response by the Chair contained in the letter at Appendix A, to the request made by Ernst & Young.
- 90. INTERNAL AUDIT STRATEGY AND ANNUAL AUDIT PLAN 2013/14**
- 90.1 The Committee considered a report of the Executive Director of Finance & Resources, presenting the Draft Internal Audit Strategy & Annual Audit Plan 2013/14. This included both the operational internal audit and counter fraud work programmes together with an Audit Charter replacing the former Internal Audit Terms of Reference. The report outlined the principles upon which the plan had been prepared as well as setting the outcomes that the plan would seek to achieve.
- 90.2 Councillor Hamilton asked questions about the 800 days allocated to counter fraud. The Head of Audit & Business Risk explained that the current Housing Benefit Fraud Team was merging with corporate fraud increasing the number of days and there is a note in the document to explain this.

- 90.3 Councillor Wealls asked about any key thematic changes compared with last year, and The Head of Audit & Business risk explained that there were no major differences only where there had been large areas of change – such as the inclusion of Public Health. There was a process to maintain to determine audit needs based on a continuous risk assessment. Some of the audit reviews were cyclical; whilst others related to follow-up audit reviews.
- 90.4 Councillor Wealls asked about the number of days allocated for gifts and hospitality; Officers explained that a different directorate was audited each year; the testing often required a survey of managers. Councillor Wealls went on to ask about the ‘Workstyles’ programme and how this linked with TBM. The Head of Financial Services, Nigel Manvell, explained that Workstyles were reported through TBM as one of the core VFM programmes, and added that the TBM process would pick up any financial problems including any potential under-achievement of savings, It was explained that the Workstyles Project Board also kept the programme under review because there were wider benefits of the programme to be monitored than just financial savings; these included expected office space and carbon reductions; monitoring customer satisfaction for visitors to new Customer Service Centres, monitoring flexible working; reducing storage through rolling out electronic document management and other matters.
- 90.5 Councillor Smith asked why the i360 was still a high risk, and in response the Head of & Business Risk explained that this was just one example of major projects audit review and had been rated as high risk.
- 90.6 Councillor Sykes asked about ‘deliverables’ and in particular the implication of undertaking the statutory minimum. In response the Head of Audit & Business Risk explained that the Council was not far above what is classed as the ‘minimum audit cover’ and the focus of the work was on adding value.
- 90.7 Councillor Ann Norman asked about concessionary fares and evidence of fraud in this area; The Head of Audit & Business Risk explained that there were national indicators that suggested this was on the increase, and it was important that the Council ensured its own scheme was robust.
- 90.8 Dr Horne asked if it would be useful for the plan to set out the role of the Committee and the Executive Leadership Team in reviewing these audits, and also suggested that it could be highlighted how the Audit Plan had shifted to change the risk profile; finally he noted that in relation to the costs of the function it would be helpful to clarify the split between in-house and external. The Head of Audit & Business Risk explained that when planning coverage of the Audit Plan there would be close liaison work with the external auditors and that the split of costs was therefore variable but focused on making best use of available skills to ensure value for money. Dr Horne went on to ask about the protocol and the Head of Audit & Business risk explained it would change for the forthcoming year as the new Internal Audit Standards had just been issued, and more time would need to be given to the interpretation of these.
- 90.9 Councillor Hamilton noted that audit reviews giving limited or no assurance, should be reported to the appropriate Committee Chair in the same way they had been reported to the Lead Cabinet Member in the past.

90.10 **RESOLVED** –

- i. That the Audit & Standards Committee provides any comments and highlights any of significant concern it wishes included if possible, in the draft Internal Audit Strategy and Annual Audit Plan for 2013/14.
- ii. That the Audit & Standards Committee approves the draft Internal Audit Strategy and Annual Audit Plan for 2013/14 attached at Appendix 1.

**91. ERNST & YOUNG: EXTERNAL AUDIT PLAN 2012/13**

- 91.1 The Committee considered a report of the Executive Director of Finance & Resources in relation to the Ernst & Young 2012/13 Audit Plan. The report set out how the external auditors intended to undertake their responsibilities. The report summarised the progress to date; an assessment of the key risks and an outline of the strategy in response to those risks.
- 91.2 Councillor Wealls asked questions in relation to ‘Journals processed in the general ledger’, and in response the External Auditor, explained that a journal was an entry onto the financial ledger that shifted expenditure or income from one account code to another; this was sensitive as although journals cannot impact on cash directly, incorrectly coding expenditure or income could lead to a misreport in the authority’s financial position and the potential for fraud. The value of the journal should be reflected in the level of seniority of the Officer who was able to sign this off, and evidence would need to also accompany it. The external auditors would expect to see effective controls to prevent fraud before it could happen rather than look at this retrospectively.
- 91.3 Councillor Ann Norman noted that the fee scale for the audited accounts was lower than the Council had been charged in previous years, and she asked if there was less work being carried out. In response the External Auditor clarified that their responsibilities and duties remained the same.
- 91.4 **RESOLVED** – That the Committee consider the 2012/13 Audit Plan and ask questions as necessary on our proposed audit approach, progress to date and audit scope.

**92. ERNST & YOUNG: 2013/14 AUDIT FEE LETTER**

- 92.1 The Committee considered a report of the Executive Director of Finance & Resources in relation to the Ernst & Young: 2013/14 Audit Fee Letter. The report outlined the audit work the external auditors proposed to undertake for the 2013/14 financial year at the Council. The fee reflected the risk-based approach to audit planning set out in the Code of Audit Practice and the work mandated by the Audit Commission for 2013/14. The fee had been set by the Audit Commission as part of the recent 5 year procurement exercise and consequently was not liable to increase in that period without a change in scope.
- 92.2 **RESOLVED** – That the Committee note the 2013/14 audit fee letter.

**93. RISK MANAGEMENT STRATEGY 2013**

- 93.1 The Committee considered a report of the Executive Director of Finance & Resources in relation to the Risk Management Strategy 2013. The Policy & Resources Committee had responsibility for the formal approval of the strategy; however, the Audit & Standards Committee had a key role in monitoring the delivery.
- 93.2 Councillor Wealls asked a series of questions in relation to the ranking of risks, and how they were addressed in the Strategy; in response it was explained that the ranking was assessed against how they would affect the achievements of the Council's objectives – there was also a red/amber/green system (commonly known as 'RAG rating') used which was similar to that in other public sector bodies such as the NHS. Councillor Wealls went on to ask about how resources would be allocated against risks and it was highlighted that the Strategy was used to prioritise risks, and ensure they were managed in the best possible way. There were three stages in the risk register format, and the action plans on the register would consider mitigating controls to give a better view on the realistic position.
- 93.3 **RESOLVED** – That the Committee note the Risk Management Strategy 2013 at Appendix 1 as approved by Policy & Resources Committee on 14 February 2013.

**94. PUBLIC SECTOR INTERNAL AUDIT STANDARDS**

- 94.1 The Committee considered a report of the Executive Director of Finance & Resources in relation to Public Sector Internal Audit Standards. The report informed the Committee of the new Public Sector Internal Audit Standards (PSIAS) which came into effect on 1 April 2013. The report also set out the key changes highlighting areas where these differ from the previous Code of Practice for Internal Audit in Local Government (produced by Chartered Institute of Public Finance Accountants "CIPFA").
- 94.2 Councillor Hamilton noted there were several new aspects involved in the report, and it would take some time to determine the full extent of the impact of the new Standards.
- 94.3 **RESOLVED:**
- i. That the Committee note the key changes associated with the Public Sector Internal Audit Standards effective from 1 April 2013; and
  - ii. That the Committee note that action will be taken to implement the requirements of the new standards, as required.

**95. COMPLAINTS UPDATE**

- 95.1 The Committee considered a report of the Head of Legal & Democratic Services in relation to the Complaints Update. The report updated the Committee on allegations about member conduct following the last report to the Committee on 22 January 2013. The decision notices for complaints that had been closed were set out at Appendix 1 to the report.

95.2 Councillor Sykes asked about the reference numbering applied to each case, and it was confirmed the same sequence was used that also recorded corporate complaints; this accounted for the disparity between reference numbers.

95.3 **RESOLVED** – That the Committee note the report.

## **96. AMENDMENTS TO THE CODE OF CONDUCT FOR MEMBERS**

96.1 The Committee considered a report of the Head of Legal & Democratic Services in relation to Amendments to the Code of Conduct for Members. The report reviewed the code of Conduct following the adoption of a new code in July 2012. The report proposed some changes: to include the corporate values; to simplify the declaration of interests rules and to require co-operation with investigations into unauthorised disclosure of information.

96.2 Councillor Wealls asked specific questions in relation to Members' declaration of interests at Budget Council and whether the amended code changed the position. In response, the Head of Law & Monitoring Officer explained that interests in relation to land were part of the statutory requirement as they constituted 'disclosable pecuniary interests'. The Council therefore did not have the ability to override the requirement in the statutory instrument using the local code.

96.3 Dr Horne noted that he welcomed the comments in relation to the changes to the Code of Conduct.

96.4 **RESOLVED:**

- i. That the Committee approve in principle the proposed amendments to the Code of Conduct for Members
- ii. That the Committee recommends Council to agree the amendments to the Code of Conduct for Members as set out in Appendix 1 to this report.

## **97. REVIEW OF PROCEDURE FOR INVESTIGATING ALLEGED BREACHES OF CODE OF CONDUCT**

97.1 The Committee considered a report of Head of Legal & Democratic Services in relation to a review of the procedure for investigating alleged breaches of Members' Code of Conduct. The report highlighted that, following the adoption of new procedures in September 2012, a number of suggestions for improvement had been made, and the report sought approval for the proposed amendments.

97.2 Councillor Sykes noted this was a welcomed update of the procedure, and highlighted he had sat on two Panels; he added that 'breakpoints' in the procedure would be good to stop complaints going to the Panels when it was clear this course of action was no longer necessary. Officers added that there was now a step in the process to allow the Monitoring Officer – in consultation with the Independent Person – to streamline or fast-track the process.



- 97.3 The Head of Law & Monitoring Officer also added that it was important to highlight that the complaints procedure was not a court of law, and there may still be cases where it would be in the public interest to continue an investigation; such cases would be subject to discussion with the Independent Person.
- 97.4 Dr Horne noted he was pleased to be part of the working group, and felt that the changes were both sensible and proportionate; they also did not diminish accountability or public interest.
- 97.5 **RESOLVED** - That the Committee approve the proposed amendments to the procedure for investigating alleged breaches of the Members' Code of Conduct, as set out in the body of the report and as illustrated in the flow chart at Appendix 1.
- 98. SOCIAL MEDIA PROTOCOL FOR MEMBERS & SOCIAL NETWORKING POLICY FOR EMPLOYEES**
- 98.1 The Committee considered a report of the Head of Legal & Democratic Services in relation to a social media protocol for members and social networking policy for employees. The report brought these two documents to the Committee which had been drafted following decisions the Committee took in January 2013.
- 98.2 Councillor Lepper welcomed the report, and noted that she had raised this issue at previous meeting after becoming increasingly concerned about Members and Officers use of Twitter. Most large private and public employers had social media and networking policies, and the role of a Councillor was also slightly different as it took in the political dimension. She also went on to highlight that Members needed to remember that when using social media they are under the same obligation to maintain standards of conduct as if they were writing a letter or email, and it was important to take a common sense approach to this issue.
- 98.3 Councillor Sykes noted that if the use of social media was 'common sense' then it might not be necessary to have it set out in a protocol or policy. He went on to note that advice against 'friending' people on Facebook might actually constrain activities for some Members. The Head of Law & Monitoring Officer added that the intention was to ensure Officers were not seen to be too close to a specific Member or party. Following a further question it was confirmed the policy for employees had been consulted on internally.
- 98.4 Councillor Wealls asked if similar literature had been drafted from bodies such as the LGA, and in response it was confirmed that the policy for employees had already been drafted by the Social Media Officer, and some benchmarking work had been undertaken to see how other local authorities had approached this matter.
- 98.5 Councillor Norman noted that she also welcomed the documents, and she hoped it could be used to enforce standards of conduct for Members.
- 98.6 Councillor Sykes noted that a common sense approach should also be taken to the interpretation of the document.

**98.7 RESOLVED:**

- i. That the Committee approve the Social Media Protocol for Members at Appendix 1.1 to this report.
- ii. That the Committee approve the Social Networking Policy for Employees at Appendix 1.2 to this report.

**99. CODE OF CONDUCT FOR MEMBER/OFFICER RELATIONS & CODE OF CONDUCT FOR EMPLOYEES**

99.1 The Committee considered a report of the Head of Legal & Democratic Services in relation to the code of conduct for member/officer relations and code of conduct for employees. The report sought approval for minor amendments to these documents following new arrangements for the handling of confidential information; the Council's revised corporate values and the latest senior management structure.

**99.2 RESOLVED:**

- i. That the Committee agree the council's Code of Conduct for Member/Officer Relations as amended and set out at Appendix 1.
- ii. That the Committee agree the council's Code of Conduct for Employees as amended and set out at Appendix 2.
- iii. That the Committee recommend each of these codes to Full Council for approval.

**100. GUIDANCE FOR MEMBERS AND OFFICERS REGARDING CONFIDENTIAL INFORMATION**

100.1 The Committee considered a report of the Head of Legal & Democratic Services in relation to the guidance for Members and Officers on confidential information. The report bought an updated guidance document which had been drafted following the decisions the Committee took at its meeting on 22 January 2013.

100.2 Councillor Sykes highlighted document marking, and asked if this would be introduced. In response Officers explained that there would an officer information governance meeting and a new ITC policy which would cover the proper marking of documents and the categories of subscription.

100.3 Dr Horne asked how this information would be distributed to Officers, and Officers explained that this would be discussed by the Executive Leadership Team (ELT) and there would be a blog from the Chief Executive to introduce this in conjunction with the internal Communications Team. Dr Horne also added that the Information Commissioners Office had good examples that might assist Officers.

**100.4 RESOLVED:**

- i. That the committee approves the Guidance for Members and Officers on Confidential Information appended to this report.

- ii. That a copy of the revised guidance be circulated to all Members following approval by the Committee.

**101. ITEMS REFERRED FOR COUNCIL**

- 101.1 It was agreed that items 96 Amendments to the Code of Conduct for Members and 99 Code of Conduct for Member/Officer Relations & Code of Conduct for Employees would be referred to Council on 9 May 2013.

The meeting concluded at 6.33pm

Signed

Chair

Dated this

day of