

**BRIGHTON & HOVE CITY COUNCIL**

**AUDIT & STANDARDS COMMITTEE**

**4.00pm 22 SEPTEMBER 2015**

**THE RONUK HALL, PORTSLADE TOWN HALL**

**MINUTES**

**Present:** Councillors A Norman (Chair), Chapman, Cobb, Druitt, Morris, Robins (Group Spokesperson), Sykes (Group Spokesperson) and Taylor

**Independent Persons & Co-opted Members:** Diane Bushell

**PART ONE**

**24 PROCEDURAL BUSINESS**

**24a Declarations of substitutes**

24.1 There were none.

**24b Declarations of interests**

24.2 There were none

**24c Exclusion of the press and public**

24.3 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.

24.4 **RESOLVED** - That the press and public not be excluded from the meeting.

**25 MINUTES**

25.1 **RESOLVED** – That the minutes of the previous meeting held on 5 June 2015 be approved and signed as a correct record.

**26 CHAIR'S COMMUNICATIONS**

26.1 The Chair expressed her thanks to legal and finance officers for arranging training session for Members of the committee. The Chair noted that the council's legal team had held standards training that afternoon however, only two members of the committee had attended. The Chair stated that she acknowledged that the meeting had been convened at short-notice and requested that in future, Members provide notification if they were unable to attend training sessions in order for a more suitable time to be arranged.

**27 CALL OVER**

27.1 All items on the agenda were reserved for discussion.

**28 PUBLIC INVOLVEMENT**

28.1 No items from members of the public were received.

**29 MEMBER INVOLVEMENT**

29.1 No items from Members were received.

**30 STANDARDS UPDATE**

30.1 The Committee considered a report of the Monitoring Officer that updated Members on the complaints received regarding Members and other Standards related activity.

30.2 Councillor Cobb asked why a specific councillor was named in the report and not in the other cases.

30.3 The Head of Legal & Democratic Services stated that there was no specific reason and was simply an oversight.

30.4 Councillor Druitt asked if disabled accessibility to Brighton Town Hall was not a legal issue.

30.5 The Head of Legal & Democratic Services clarified that this was a legal issue and the council were looking closely at the matter in relation to the Disability Discrimination Act (DDA). Alternatives and adjustments to Brighton Town Hall were also being pursued and the council were actively discussing the matter with the interested parties to find a solution.

30.6 Councillor Taylor commented that his group had raised the matter of accessibility to Brighton Town Hall a number of times and he was pleased progress was being made. Councillor Taylor asked if further clarification could be made on the nature of the 'derisory comments' claimed to have been made at the Full Council meeting on 16 July 2015.

30.7 The Head of Legal & Democratic Services stated that an investigation of the council webcast had found that no derisory comments had been made and the exchange was not based on the subject matter.

30.8 Councillor Robins stated that he recalled the incident in question and whilst he agreed the comments made could not be interpreted as derisory, he felt that the respective political groups should reiterate the importance of civil perception to their Members.

30.9 **RESOLVED-** That Members note the report.

### **31 ERNST & YOUNG AUDIT RESULTS REPORT 2014/15**

31.1 The Committee considered a report of Ernst & Young that summarised the findings of the 2014/15 audit that included key messages arising from the audit of the financial statements and the results of work undertaken to assess the council's arrangements to secure value for money on its use of resources. Representatives from Ernst & Young stated that they were in a position to give an unqualified opinion of the council's financial statements. A unqualified opinion would be issued for the council's value for money arrangements as Ernst & Young were satisfied that the council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources however, sufficient progress had not been made in identifying the savings required to demonstrate its ability to secure a stable financial position over the medium term.

31.2 Councillor Morris noted that the report highlighted that £2.2 million as the sum owed to the council in relation to Coin Co International PLC entering administration. Councillor Morris stated that this figure had been reported as higher in other documents and asked the reasons behind that.

31.3 Simon Mathers clarified that this figure was reported as £2.2 million in this report as it exclusively covered the 2014/15 financial year.

31.4 Diane Bushell stated that whilst she was generally satisfied in the actions and progress taken by the council on ensuring value for money, she asked Ernst & Young if they were of the view that there was room for improvement.

31.5 Paul King clarified that stated that Ernst & Young's opinion that the council was taking reasonable action and making reasonable progress was a general statement and there would always be areas for improvement. Simon Mathers added that whilst Ernst & Young could not give absolute assurance, their audit had found nothing of specific concern and there was always scope for improvement in any financial practices and arrangements.

31.6 Councillor Sykes noted that Brighton & Hove City Council was a statistical outlier in terms of high demand in a number of areas of work, for example mental health services and planning applications, and asked if unit costs for service provision were used in benchmarking as well as per-capita costs.

31.7 Paul King confirmed that Ernst & Young used a range of indicators including unit cost and all determined that Brighton & Hove Council were high value in terms of cost in these areas.

31.8 Councillor Druitt asked for clarification on the acknowledgement that the council delivered to budget but that there had also been a reduction in its reserve funds.

- 31.9 Simon Mathers stated that the council had delivered to budget and that £2.4 million of reserves had been earmarked for the General Fund to support budgetary pressures. The overall level of usable reserves available to support spending was reducing and had done so by £10 million between 2013/14 and 2014/15.
- 31.10 Councillor Taylor expressed his disappointment that the council had not reached its value for money targets and his concern at the current £8.7m budget deficit. Councillor Taylor asked if there were any lessons the council could learn to improve in the future.
- 31.11 Paul King stated that councils were taking a range of options to meet the challenges of budget reductions. For example, some were examining methods of high returns, some were considering increases to their fees and charges, and others were adopting shared service agreements.
- 31.12 The Interim Executive Director of Finance and Resources stated the council were mindful of effective financial planning and one measure put into place was for a four year budget strategy agreed at Policy & Resources Committee in July 2015.
- 31.13 The Chair stated that the £8.7m budget deficit was a matter the Committee took very seriously although she had been assured that the measures put into place would go some way to resolve the issue.
- 31.14 Councillor Sykes noted that there was a continued increase in demand upon services alongside severe central government budget reductions and the council needed a clearer, more coherent response to those issues.
- 31.15 Diane Bushell requested assurance on the measures the council were undertaken to reduce the current budget deficit.
- 31.16 The Interim Executive Director of Finance and Resources stated that the matter was ongoing and the council were continually reviewing measures to reduce the deficit. Strong financial controls had recently been put into place and a cross-party budget review group had been put into place providing oversight.

31.17 **RESOLVED-**

- 1) That Members note the findings set out in the 2014/15 Audit Results Report.

**32 2014/15 FINANCIAL STATEMENTS AND ANNUAL GOVERNANCE STATEMENT**

- 32.1 The Committee considered a report of the Interim Executive Director of Finance & Resources that provided information about the audit of the council's 2014/15 Statement of Accounts and recommended approval of the 2014/15 audited accounts and the Letter of Representation on behalf of the council. The report also provided information about additional disclosure in the Annual Governance Statement.

32.2 **RESOLVED-**

That the Audit & Standards Committee:

- 1) Notes the findings of EY in their Audit Results Report (ARR). The ARR is a separate item on this agenda.
- 2) Notes the outcome of the asset revaluation audit issue and any related misstatement or adjustment to the 2014/15 accounts (paragraph 6.3 and Appendix 4).
- 3) Notes the results of the public inspection of the accounts (Section 9).
- 4) Approves the Letter of Representation on behalf of the council (Appendix 1).
- 5) Approves the audited accounts for 2014/15.
- 6) Notes the updated Annual Governance Statement.

**33 STRATEGIC RISK MAP FOCUS: SR19 IMPLEMENTATION OF THE CARE ACT; SR 20 BETTER CARE FUND; AND SR13 KEEPING VULNERABLE ADULTS SAFE FROM HARM & ABUSE**

- 33.1 The Committee considered a report of the Interim Executive Director of Finance & Resources which informed Members that the Committee had a role to monitor the effectiveness of risk management and internal control. This included oversight of the Strategic Risk Register which was set and reviewed every six months by the Executive Leadership Team (ELT). Each Strategic Risk had a Risk Management Action Plan (a risk MAP) to deliver action to address the risk by a Risk Owner, a member of the ELT. The meeting was attended by the Executive Director, Adult Social Services who was the Risk Owner for SR19: Implementation of the Care Act, SR20: Better Care Fund and SR13: Keeping Vulnerable Adults Safe from Harm & Abuse. The Executive Director, Adult Social Services provided a comprehensive verbal update to the Committee on each of the three Strategic Risks.
- 33.2 Councillor Sykes enquired as to how Brighton & Hove compared with neighbouring authorities in terms of the number of vulnerable adults requiring safeguarding.
- 33.3 The Executive Director, Adult Social Services clarified that Brighton & Hove had a high number of safeguarding enquires compared to its neighbouring authorities.
- 33.4 Diane Bushell asked how the Committee could receive assurance that costs would be controlled.
- 33.5 The Chair stated that Brighton & Hove handled a considerable number of adult social care cases and understanding was needed about how that could be effectively managed. The Chair added that she was aware that methods of delivery were being examined.
- 33.6 The Executive Director, Adult Social Services stated that an effective balance had to be struck between demand and how that demand was met and going forward this may be an option not considered as a course of action before.

33.7 Councillor Druitt asked if the council was considering moving from supported care to residential accommodation care.

33.8 The Executive Director, Adult Social Services stated that there would not be a prescriptive approach to how care was provided but a different dialogue with patients and their relatives about what provision was most suitable on an individual basis.

**33.9 RESOLVED-**

1) That Members note the information provided in the Strategic Risk MAPS in Appendix 1 (Strategic Risk Assessment Report).

**34 INTERNAL AUDIT AND CORPORATE FRAUD PROGRESS REPORT**

34.1 The Committee considered a report of the Interim Executive Director of Finance & Resources that summarised the progress made against the Internal Audit and Corporate Fraud Plan 2015/16. It summarised the key issues identified by Internal Audit and the Corporate Fraud Team and the progress made by management in implementing audit recommendations.

34.2 The Head of Parking and Network Operations attended the meeting to provide a verbal update on Blue Badge fraud and Parking Permits. In relation to both these items, the Head of Parking and Network Operations apologised for having missed the deadline but assured Members that both issues were in hand. Identify proofs had been increased for the issuing of Blue Badges and reconciliation was now in place between permits issued, income received, the amount banked and that posted to the ledger.

34.3 Councillor Sykes asked if the Head of Internal Audit was satisfied with progress made.

34.4 The Head of Internal Audit stated that he had been provided assurance with the information outlined and now received.

34.5 Diane Bushell enquired as to how issues were followed up by managers. Furthermore, Diane noted the comments made on the future of Internal Audit and asked if the Committee would be able to provide their opinion on any proposals.

34.6 The Interim Executive Director of Finance & Resources clarified that the implementation of audit recommendations were the relevant manager's duty from the point they were identified. Progress against the recommendations was monitored by ELT. The Interim Executive Director of Finance & Resources added that discussions with the committee would be held on the future of the Internal Audit team.

34.7 Councillor Taylor expressed his concern that one fifth of the audit recommendations due to be implemented by 31 July 2015 still remained as a high priority and had not been implemented.

34.8 Councillor Robins noted that £67,508 had been identified and recovered in overpayments to employees and contractors and asked if the council relied on those concerned notifying the council of underpayments.

34.9 The Head of Internal Audit stated that whilst underpayments were not often reported to the council, it had key controls in place to ensure these were identified and recovered as quickly as possible.

34.10 **RESOLVED-** That the Audit and Standards Committee note the report.

### **35 INFORMATION GOVERNANCE**

35.1 The Committee considered a report of the Monitoring Officer and Senior Information Risk Officer that updated the Committee on various issues relating to information governance and, in particular, data protection breaches connected with Freedom of Information (FOI) responses and the measures taken to minimise future breaches.

35.2 Diane Bushell asked if the council provided support and/or training for staff in relation to the sharing of information.

35.3 The Head of Legal & Democratic Services confirmed that digital training for all staff was in place and the authority were considering extending that training to become service specific. Furthermore, data protection training was mandatory for all new staff.

35.4 Councillor Taylor stated that he hoped the council would continue to use the 'What Do They Know' (WDTK) website as it was extremely popular.

35.5 The Head of Legal & Democratic Services stated that where the council held FOI requests and responses locally, it had complete control and could rectify any errors immediately which ensured compliance. The Head of Legal & Democratic Services clarified that there was the option of re-joining the WDTK site in the future.

35.6 **RESOLVED-**That Members note the report

### **36 CASH COLLECTION CONTRACT**

36.1 The Committee considered a report of the Head of Internal Audit that summarised the lessons for the council following the cash collector contractor Coin Co International Plc (CCI) entering administration owing the council £3.243 million.

36.2 Councillor Chapman noted that at the previous meeting, Members had been informed that other parties had used the company and had incurred losses. Councillor Chapman asked if information could be given on who these were.

36.3 The Head of Financial Services clarified that five other local authorities had incurred losses and similar to Brighton & Hove City Council, this had been discovered at the point of CCI entering administration.

36.4 Councillor Robins stated that he found it odd that the money collected by CCI had completely disappeared as it was physical currency.

36.5 The Head of Internal Audit stated that this specific case was very unusual and it was difficult to speculate on detailed proceedings particularly as the matter was subject to criminal investigation.

- 36.6 The Head of Financial Services added that any new provider would be mandated to use a bullion centre, ensuring that any money collected could not be mixed with the contractor's business accounts.
- 36.7 The Interim Executive Director of Finance and Resources brought Members attention to paragraph 4.4 of the report that set out normal accounting procedures and that criminal investigation was underway.
- 36.8 Councillor Druitt commented that whilst he appreciated that CCI appeared a viable operation, it concerned him that the council took so long to discover improper practices by the company.
- 36.9 The Head of Internal Audit stated that a risk management assessment was made at the procurement stage and periodic risk assessment and monitoring was also undertaken during operation.
- 36.10 The Head of Legal & Democratic Services added that the council's contract standing orders had been amended and there was now a mandatory obligation that a proper financial appraisal be conducted before the award of any contract.
- 36.11 Councillor Taylor asked if the council had consulted with other local authorities that had been affected.
- 36.12 The Head of Financial Services clarified that there had been two meetings with the Administrators and creditors amongst whom were other local authorities and outside creditors. The course of action would not be established until the process of liquidation of CCI had formally begun.
- 36.13 Councillor Druitt noted that the council's previous collection company had also entered administration and asked if there was a connection between that incident and this.
- 36.14 The Head of Internal Audit clarified that there was no connection between the two companies and it was his understanding that cash held by the previous company had been fully recovered as it was held in a separate bullion account.
- 36.15 **RESOLVED-** The Audit & Standards Committee note the report.

**37 TARGETTED BUDGET MANAGEMENT (TBM) 2015/16 MONTH 2**

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

**38 TREASURY MANAGEMENT POLICY STATEMENT 2014/15 - END OF YEAR REVIEW**

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

**39 ITEMS REFERRED FOR COUNCIL**



- 39.1 **RESOLVED-** That the report in relation to Item 31 on the agenda, Ernst & Young Audit Results Report 2014/15 be referred to the next Council meeting for information.

The meeting concluded at 6.30pm

Signed

Chair

Dated this

day of