

### BRIGHTON & HOVE CITY COUNCIL

#### AUDIT COMMITTEE

4.00pm 30 JUNE 2009

COMMITTEE ROOM 1, HOVE TOWN HALL

#### MINUTES

**Present:** Councillors Hamilton (Chairman), Watkins (Deputy Chairman), Mrs Cobb, Fryer, Kitcat, Oxley, Pidgeon, Simpson and Smith

#### PART ONE

#### 1. PROCEDURAL BUSINESS

##### 1a Declarations of Substitutes

- 1.1 Councillor Cobb declared that she was substituting for Councillor Alford.
- 1.2 Councillor Pidgeon declared that he was substituting for Councillor Theobald.
- 1.3 Councillor Fryer declared that she was substituting for Councillor Randall.

##### 1b Declarations of Interests

- 1.4 Councillor Simpson declared a personal interest in item 18, Review of Corporate Management Action Plans (MAPS) 2009/10, arising from being involved with the Local Delivery Vehicle.

##### 1c Exclusion of the Press and Public

- 1.5 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).
- 1.6 **RESOLVED** - That the press and public be excluded from the meeting during consideration of item 17, Non-Public Minutes of the Previous Meeting, item 18, Review of Corporate Risk Management Action Plans (MAPS) 2009/10, and item 19, Audit and Business Risk Annual Report and Opinion 2008/09, 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).

## **2. MINUTES OF THE PREVIOUS MEETING**

- 2.1 **RESOLVED** – That the minutes of the previous meeting held on 19 May 2009 are approved and signed by the Chairman as a correct record of the meeting.

## **3. CHAIRMAN'S COMMUNICATIONS**

- 3.1 The Chairman updated Committee Members on the training that took place on 15 June 2009, which discussed issues around good practice for Audit Committees and future planning of work.

## **4. PETITIONS**

- 4.1 There were none.

## **5. PUBLIC QUESTIONS**

- 5.1 There were none.

## **6. DEPUTATIONS**

- 6.1 There were none.

## **7. WRITTEN QUESTIONS FROM COUNCILLORS**

- 7.1 There were none.

## **8. LETTERS FROM COUNCILLORS**

- 8.1 There were none.

## **9. AUDIT COMMISSION PROGRESS REPORT - JUNE 2009**

- 9.1 The Committee considered the Progress Report for 2008/09 at June 2009 from the Audit Commission (for copy see minute book).
- 9.2 The Audit Commission Manager began by highlighting that this report was a short summary of progress to date for their audit year 2008/09. The accompanying appendices set out the work programme for the previous year and this year, but it was noted that not all deadlines had been met.

Work on the Good Governance report had been completed to draft stage, and was currently with Officers of the Council for consideration. It was due to be finalised and submitted to the next Audit Committee meeting in September 2009. The Audit Commission Manager went on to note that the 2008/09 Key Lines of Enquiry for the Use of Resources (KLOEs) now formed part of the Comprehensive Area Assessment (CAA) and would also be reported informally to the Committee for the September 2009

meeting. Formal publication of the Comprehensive Area Assessment would be in November 2009.

Work on the Value for Money and Use of Resources assessment was progressing well and being reported back to Officers. At an earlier Committee meeting the Audit Commission Manager had initially indicated that he would bring a report to Committee on the Waste PFI Contract, but there was very little to action from this review and so it would now form part of the overall Annual Governance Report for September 2009. A report on the Health Inequalities Assessment was currently being discussed with the Primary Care Trust and would be submitted to the September 2009 meeting of the Audit Committee.

- 9.3 Councillor Oxley asked about ongoing actions for the Health Inequalities Assessment as the table with the meeting papers did not make this clear enough. The Audit Commission Manager apologised that there was some missing data from the report and stated that it referred to an action plan that was to be drawn up after consultation with partners. Councillor Oxley stated that this action plan would be useful for Members to see, and the Audit Commission Manager agreed to circulate it to Members when ready.

## **10. SUPPLEMENTARY FEE LETTER 2008/09 AUDIT**

- 10.1 The Committee considered the Supplementary Fee Letter 2008/09 from the Audit Commission (for copy see minute book).
- 10.2 The Audit Commission Manager began by stating that it was now a requirement for the Audit Commission to highlight to the Council any emerging risks from their audit processes.

Two risks had been highlighted this year: the Equal Pay Settlement and the valuation of the Council's buildings and land. The risks associated with the as yet unquantifiable cost of the Equal Pay Settlement, together with the complexity of the accounting practices needed to ensure this process was conducted properly, indicated that this was an emerging risk. The valuation of the Council's buildings and land was also deemed to be an emerging risk due to the current economic climate. These risks would be assessed and reviewed regularly by the Audit Commission to ensure the level of risk was in line with expectations. A report would be completed in September 2009 regarding their progress. Finally, the Audit Commission Manager stated that the Audit Fee, which had been set in 2008, would be likely to remain the same.

- 10.3 Councillor Kitcat asked if the emerging risk of the Equal Pay Settlement was associated with how the Council accounts for the payments rather than the actual cost of the risk. The Audit Commission Manager agreed that ensuring proper accounting practices was a large element of the risk, but also felt the Council needed to be aware of its financial status and to ensure good financial health. He added that it was not expected that Brighton & Hove City Council would be at a greater risk than other Councils in this regard.
- 10.4 Councillor Kitcat noted that the Audit Commission had not seen detailed accounting entries planned for the Equal Pay Settlement and asked if this should have been provided by the Council. The Audit Commission Manager replied that they would not

expect to see these in the normal course of events before the Statement of Accounts was completed.

- 10.5 Councillor Watkins expressed concern over the wording in the Audit Commission Supplementary Fee Letter that highlighted that detailed accounting entries had not been seen by the Audit Commission, and asked if this was a mistake on the part of Brighton & Hove City Council. The Audit Commission Manager stated that it was not, and that it was an unusual transaction, but being dealt with by Councils across the country in a similar way. Councillor Watkins felt the wording of the report could indicate to members of the public that Brighton & Hove City Council was intentionally withholding information from the Audit Commission. The Audit Commission Manager assured the Committee that this was not the case and that Brighton & Hove City Council was following the usual practice in this regard. He apologised for any ambiguity in the letter.
- 10.6 Councillor Oxley commented that it was good to hear that the Audit Fee was not expected to rise, and asked if Brighton & Hove City Council was treating the Equal Pay Settlement in a similar way to other authorities. The Audit Commission Manager stated that it was the Audit Commission's experience that this issue was being treated on a case by case basis, which was dependent on several factors including the financial position of the Council concerned and how they had elected to pay for it.
- 10.7 **RESOLVED** – That the Audit Committee notes the Supplementary Fee Letter 2008/09.

## 11. ICT RISKS - BUSINESS CONTINUITY

- 11.1 The Committee considered a minute extract from the Overview & Scrutiny Commission (OSC) held on 2 June 2009 regarding ICT Risks – Business Continuity (for copy see minute book).
- 11.2 The Chairman reminded members that this issue had been referred to the OSC by the Audit Committee for consideration on its work programme.

He noted the accompanying report at appendix 1, which dealt with the issues of ICT Risks to Business Continuity, but felt that the main issues over which the Audit Committee had originally expressed concern had not been dealt with properly, and suggested that the original referral to OSC had not been specific enough.

- 11.3 Councillor Kitcat asked if the referral to OSC had been the best course of action and felt it would have been helpful to Members to be provided with the ICT Business Continuity Plan referred to in the report, but not included with the accompanying documents. He was also unsure as to why ICT were investigating non-geographic numbering and felt further explanation was needed.
- 11.4 The Chairman agreed that many questions remained unresolved and suggested that the item be brought back to the next Committee meeting and for the ICT Officer responsible for the report to be requested to attend and answer questions.
- 11.5 Councillor Oxley felt the report was helpful but limited, and noted that minute 8.7 of the OSC minutes from 2 June 2009 suggested that a Members' Group to monitor progress

on ICT developments was to be set up. He felt that the Committee needed to know more information on this.

- 11.6 Councillor Watkins agreed that more information on the setting up of a Members' Group to monitor this would be useful, and noted that the Cabinet Member for Central Services had approached him recently in this regard. He felt strongly that those Members with detailed knowledge of ICT should sit on the group.
- 11.7 The Interim Director of Finance & Resources addressed Members and acknowledged that the Business Continuity Plan needed to be set out clearly, and the comments from OSC incorporated into the updated ICT strategy, which would be going to Cabinet, and hopefully seen at OSC beforehand. The strategy will look generally at ICT and the governance arrangements for this, and work to complete this would take place over the summer.

The Interim Director of Finance & Resources agreed that the Business Continuity Report that had been submitted to OSC had been brief, but the Officer responsible for the report had been available to answer questions at that meeting. He suggested that Committee Members from Audit Committee meet with the Assistant Director for ICT Services and go through the updated strategy in more detail.

- 11.8 Councillor Watkins agreed that Member input into development of the plan would be beneficial and the Chairman agreed, stating that the main concern was security. He felt there was continuing concern over the risk element of the plan, although recognised that some work had taken place to increase resilience.
- 11.9 Councillor Kitcat was still concerned that referring the item to OSC had not produced the desired effect and suggested that a referral to the Cabinet Member for Central Services would have been more beneficial.
- 11.10 The Chairman stated that when items came back to the Audit Committee, the Assistant Director/Head of ICT should be present to answer the Committee's questions.
- 11.11 Councillor Simpson believed that referring the item to OSC was the correct procedure, but agreed with the Chairman and felt the referral should have been more specific. She agreed that having an Officer present to answer questions at the next Audit Committee meeting would be useful to Members.
- 11.12 **RESOLVED** – That the Audit Committee notes the extract minute from the Overview & Scrutiny Commission, and that an item is added to the agenda for the next meeting to discuss ICT Risks – Business Continuity and a request made that the Assistant Director for ICT attend the next meeting.

## **12. TARGETED BUDGET MANAGEMENT PROVISIONAL OUT TURN TO 2008/2009**

- 12.1 The Committee considered a report from the Interim Director of Finance & Resources regarding Targeted Budget Management Provisional Outturn to 2008/09 (for copy see minute book).

- 12.2 Councillor Smith asked the Solicitor to the Committee for advice regarding whether he had a personal interest in this item as a Cabinet Member. The Solicitor confirmed that unless the Committee was being asked to make a decision on an item that he, as a Cabinet Member, had already made a decision on, he did not have either a personal or prejudicial interest.
- 12.3 The Assistant Director of Financial Services began by stating that this was the final report for the period 2008/09 and highlighted an under-spend of £2.4 million. The options considered by Cabinet for using this under-spend included increasing the Building Schools for the Future budget (BSF). Budgetary slippage was on target at below five per cent.
- 12.4 The Chairman noted that the National Concessionary Fare Scheme had been forecast at £9 million, but in fact had spent £5 million, and added that this was quite a significant windfall. He hoped that it would continue to be less of a burden than was originally expected.
- 12.5 Councillor Kitcat highlighted a thirty per cent increase in costs for the Policy Unit, and asked for an explanation of this. The Assistant Director for Financial Services stated that he would provide Committee Members with a detailed answer to the breakdown of this, but assumed it to be due to extra posts being created in the department.
- 12.6 Councillor Oxley stated it was reassuring to note that there were no long term under-spends in any department, and the Chairman agreed, stating that the slippage rate was regularly below five per cent.
- 12.7 **RESOLVED** – That the Audit Committee notes the content of the report on Targeted Budget Management Provisional Outturn to 2008/09.

### 13. STATEMENT OF ACCOUNTS 2008/2009

- 13.1 The Committee considered a report from the Interim Director of Finance & Resources regarding the Statement of Accounts 2008/09 (for copy see minute book).
- 13.2 The Chairman reminded Members that revised pages for the un-audited Statement of Accounts 2008/9 (circulated separately to Members, for a copy see minute book) had been tabled at the meeting.
- 13.3 The Assistant Director of Financial Services began by stating that the Audit Commission would be reporting back to the Council their opinion on the un-audited Statement of Accounts in September 2009. A Summary of Accounts would be produced in a more accessible format for members of the public, and published in City News in due course.
- 13.4 There had not been significant changes to accounting practices contained within the 2008 Statement of Recommended Practice (SORP) during the last financial year and therefore there were no significant changes to accounting policies to report. The accounts showed an improved revenue position with an increase in the underspend of £200,000 compared with the Provisional Outturn TBM report, while there were no changes to the Capital Outturn position. The Balance Sheet maintained a working balance of £9 million which is the level considered appropriate by the Chief Finance

Officer for a Council of this size and type. However, the Housing Revenue Account balance stood at £3.9 million, which was above the £2 million minimum recommended level. The Assistant Director for Financial Services confirmed that in financial health terms the Council therefore has the appropriate balances and reserves in place.

13.5 **RESOLVED** – That the Audit Committee:

1. Approves the Statement of Accounts for 2008/09 and notes that these are subject to audit;
2. Notes that actual revenue outturn for the Council for 2008/09 was an underspend of £3.308 million;
3. Notes the budget changes and future commitments totalling £2.500 million approved by Cabinet on 11 June 2009;
4. Notes that individual overspendings and underspendings will not be carried forward to 2008/09 and that the £3.308 million underspend has been transferred to General Reserves;
5. Notes that there was a deficit on the Housing Revenue Account for the year of £1.748 million; and
6. Notes the provisions and contingent liabilities included in the accounts.

14. **ANNUAL GOVERNANCE STATEMENT 2008/2009**

- 14.1 The Committee considered a report from the Interim Director of Finance & Resources regarding the Annual Governance Statement 2008/09 (for copy see minute book).
- 14.2 The Head of Audit & Business Risk began by stating that this was the second year that the Annual Governance Statement was presented in its current format, and that this was standard for this type of Statement. It followed a review of governance arrangements and he noted that although there were no significant issues arising, there are a number of actions for improvement. An updated action plan would be submitted to the Committee at a future point. The Annual Governance Statement would be signed by the Leader and the Chief Executive once adopted.
- 14.3 The Head of Audit & Business Risk referred to an Annual Report from the Audit Committee to Full Council. This is seen as good practice and carried out by a large number of Councils.
- 14.4 The Head of Audit and Business Risk stated that a self assessment toolkit to evaluate the effectiveness of the Audit Committee is available from CIPFA and it would be beneficial to use this for a review especially as the Audit Committee has been operating now for over a year.
- 14.5 **RESOLVED** – That the Audit Committee approves the Annual Governance Statement and that:
1. The Leader of the Council and Chief Executive are recommended to sign the approved Annual Governance Statement; and
  2. The actions arising from the review are noted.

**15. ASSURANCES FROM THOSE CHARGED WITH GOVERNANCE**

- 15.1 The Committee considered a letter to the Audit Commission regarding Assurance to Support the Financial Statements 2008/09, from the Chairman of the Audit Committee (for copy see minute book).
- 15.2 **RESOLVED** – That the letter of Assurance to Support the Financial Statements 2008/09 is noted.

**16. REPORT OF THE OUTCOME OF THE RISK AND OPPORTUNITY MANAGEMENT (ROM) PROGRAMME 2008/09 AND THE PROPOSED ROM PROGRAMME 2009/10**

- 16.1 The Committee considered a report from the Interim Director of Finance & Resources regarding the Outcome of the Risk and Opportunity Management (ROM) Programme 2008/09 and the proposed ROM Programme 2009/10 (for a copy see minute book).
- 16.2 The Risk & Opportunity Manager addressed the Committee and stated that Cabinet had approved a three year ROM strategy in July 2008, which provided for an annual ROM programme to be developed each year following reference to best practice guidelines, consultation, Audit Commission requirements and feedback from stakeholders. In particular, the Council had self-assessed and received critical friend analysis against BS 31100, and this had been incorporated into the ROM programme for 2009/10.

The 2008/09 programme had largely been achieved, with only Prize/Award, Contracts Guidance and LAA Risk Analysis not achieved. The Risk & Opportunity Manager noted that ROM guidance in business planning was still embedding, and so this had only been partially achieved. The 2009/10 programme included major changes to the ROM analysis software and overall improvements to the system.

- 16.3 The Chairman asked if the ROM training being offered to Members was for all Members of the Council, or just Audit Committee Members. The Risk & Opportunity Manager highlighted that this suggestion had come from the Member Development Working Group, where it was requested that training on risk and opportunity management would be made available to all Members at Group Meetings on a case-study basis.
- 16.4 Councillor Oxley asked if the new ROM software would make the risk analysis process less time consuming, and the Risk & Opportunity Manager agreed, stating that the current programme would be of benefit in this regard.
- 16.5 The Chairman suggested that the Audit Committee Members may need a more in-depth knowledge of how the new ROM software worked and the Risk & Opportunity Manager agreed to provide the Committee Members as soon as possible.
- 16.6 **RESOLVED** – That the Audit Committee:
1. Notes the outcome of the Annual ROM programme 2008/09; and
  2. Approves the future planned activity detailed in the Annual ROM programme 2009/10.

**17. PART TWO MINUTES - EXEMPT CATEGORY 3**

17.1 The Chairman was requested to approve and sign the non-public minutes of the meeting held on 19 May 2009.

**18. REVIEW OF CORPORATE RISK MANAGEMENT ACTION PLANS (MAPS) 2009/10 - EXEMPT CATEGORY 3**

18.1 The Committee considered a report from the Director of Finance & Resources regarding the Review of Corporate Risk Management Action Plans (MAPs) 2009/10 (for copy see minute book).

18.2 **RESOLVED** – That the Audit Committee notes the Corporate Risk Register and the Corporate Risk MAPs.

**19. AUDIT AND BUSINESS RISK ANNUAL REPORT AND OPINION 2008/2009 - EXEMPT CATEGORY 3**

19.1 The Committee considered a report from the Director of Finance & Resources regarding the Internal Audit Annual Report and Opinion 2008/09 (for copy see minute book).

19.2 **RESOLVED** – That the Audit Committee notes the overall opinion of the Head of Audit & Business Risk regarding the adequacy and effectiveness of the City Council's internal control environment for 2008/09.

The meeting concluded at 6.30pm

Signed

Chair

Dated this

day of

