

BRIGHTON & HOVE CITY COUNCIL

AUDIT COMMITTEE

4.00pm 18 MAY 2010

COMMITTEE ROOM 1, HOVE TOWN HALL

MINUTES

Present: Councillors Hamilton (Chairman), Watkins (Deputy Chairman), Kitcat, Oxley, Simpson, Smith and Randall

PART ONE

76. PROCEDURAL BUSINESS

76a Declarations of Substitutes

76.1 There were none.

76b Declarations of Interest

76.2 Councillors Simpson and Randall declared a personal but not prejudicial interest in Item 91: Corporate Risk Management Action Plan Focus- Housing for the reason that they sat on the Board for the Local Delivery Vehicle (LDV).

76c Exclusion of the Press and Public

76.3 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).

76.4 **RESOLVED** - That the press and public be excluded from the meeting during consideration of item 90, Non-Public Minutes of the Previous Meeting, and item 91, Corporate Risk Management Action Plans Focus- Housing 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).

77. MINUTES OF THE PREVIOUS MEETING

- 77.1 **RESOLVED-** That the minutes of the previous meeting held on 30 March 2010 be approved and signed as the correct record pending the following amendment: 'After the meeting it was decided that an abridged version of the outcomes should be released. The subsequent report will be available at the next meeting on 18 May'.

78. CHAIRMAN'S COMMUNICATIONS

- 78.1 The Chairman notified the Committee that there were two documents available at the meeting. These documents were The Chartered Institute of Public Finance and Accountancy Audit Committee Update and the abridged version of the National Fraud Initiative 2008/09 Outcomes that had been an exempt item at the last meeting.
- 78.2 The Chairman wished it noted that the absence of Councillors Harmer-Strange, Drake and Norman was in all likelihood down to the lack of notification after the recent changes in Council Committee duties. He asked that their absence be recorded but not as an apology and that all documents be circulated to them after the meeting's conclusion.

79. PETITIONS

- 79.1 There were none.

80. PUBLIC QUESTIONS

- 80.1 There were none.

81. DEPUTATIONS

- 81.1 There were none.

82. WRITTEN QUESTIONS FROM COUNCILLORS

- 82.1 There were none.

83. LETTERS FROM COUNCILLORS

- 83.1 There were none.

84. UPDATE ON INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) AND CODE OF PRACTICE ON LOCAL AUTHORITY ACCOUNTING - STATEMENT OF RECOMMENDED PRACTICE (SORP)

- 84.1 The Committee considered a report in the form of a presentation of the Financial Services Division that provided an update on the International Financial Reporting Standards (IFRS) and the Statement of Recommended Practice (SORP).

The report covered:

- Changes in the accountancy of Private Finance Initiatives (PFI) whereby a new test based on who controls the services and the residual value of the assets would be introduced.
- Changes to Council Tax accountancy
- Disclosures of Executive Remuneration
- Preparation work for and implications of the adoption of IFRS

- 84.2 Councillor Randall asked where the payments of PFI's were realised. The report author informed him that payments would be accounted for under expenditure.
- 84.3 Councillors Simpson and Randall asked if these changes would occur at national level and furthermore become a part of national borrowing. The report author confirmed that the changes would be adopted by central government and other bodies and would be accounted for as part of national borrowing.
- 84.4 Councillor Kitkat enquired if the changes to SORP would inform and impact future PFI negotiations. The Director of Finance replied that it would make a difference to the risk and balancing procedures in negotiations of future PFI contracts.
- 84.5 Councillor Randall asked that under the new test on who controls the service and the residual value of the assets, what the impact might be on bodies that work closely with the Council such as Housing Associations. Councillor Simpson similarly enquired about the impact on the LDV of the test.
- 84.6 The Director of Finance and Resources responded that the lease terms for the LDV had been a long-running issue. She was unsure of the impact of the test on bodies such as these and would investigate the issue and report back to the Audit Committee in the near future.
- 84.7 Councillor Oxley asked if this might also be the case for voluntary and third sector bodies. The Director of Finance and Resources clarified that if the payments the Council are making enables the body concerned to have the asset in question then it could do and might well impact ownership if the Council reciprocates the high majority of the asset. However, there was a distinct difference between ownership and accounting treatments.
- 84.8 The Committee discussed the implications of the far-reaching examination of leases and the organisations that would have to do it and the notion of ownership under the new test. It was agreed by Members of the Committee that the matter was one of urgency and that a thorough examination of the issue should be carried out as soon as possible.
- 84.9 Councillor Kitkat asked if other European States would be adopting IFRS. The Director of Finance and Resources informed him that they would but not necessarily to the same timetable.

84.10 The Committee further discussed the advantages and disadvantages of the scheme including the work involved for council departments such as Human Resources and Estates and the perceived benefit to the council tax payer.

84.11 **RESOLVED-** That the Update on IFRS and code of practice and Statement of Recommended Practice is noted.

85. AUDIT COMMISSION: PROGRESS REPORT 2009/10

85.1. The Committee considered a verbal update that supplemented the report in the agenda from the Audit Commission.

85.2 **RESOLVED-** that the Progress Report from the Audit Commission be noted.

86. ASSURANCES FROM THE AUDIT COMMITTEE AS THE BODY CHARGED WITH GOVERNANCE 2009/10

86.1 In reference to letter as per agenda, Councillor Hamilton responded that answers to the questions posed would be provided at the next meeting on 29 June 2010.

87. INTERNAL AUDIT STRATEGY AND ANNUAL PLAN 2010/2011

87.1 The Committee considered a report and a supplementary presentation by the Audit Manager on the Internal Audit Strategy and Annual Plan 2010/11.

87.2 In reference to 'Partnership Governance' on page thirteen of the report, Councillor Randall asked on the nature of partnerships currently in existence.

87.3 The Audit Manager gave the example of South Coast Audit which operated with the National Health Service in that region. The issue of partnership working would be further explored as part of the Internal Audit Review.

87.4 **RESOLVED-** That the Committee agree to the proposals in the Internal Audit Plan 2010/11 and to the Terms of Reference.

88. RISK AND OPPORTUNITY MANAGEMENT (ROM)

88.1 The Committee considered a verbal report giving an update on developments in Risk and Opportunity Management. The Committee were informed that there would be a report on the updated Corporate Risk Register at the next meeting on 29 June 2010.

88.2 **RESOLVED-** That the verbal update on Risk and Opportunity Management be noted.

89. REVIEW OF THE EFFECTIVENESS OF INTERNAL AUDIT

89.1 Councillor Hamilton asked if there were any fellow Members with an interest in involvement in the Internal Audit Review carried out by Officers. Councillor Kitkat expressed his wish to be involved with the Review. Councillor Oxley responded that he would liaise with his absent colleagues before providing a nomination.

90. PART TWO MINUTES- EXEMPT CATEGORY 3

90.1. **RESOLVED-** That the non-public minutes of the meeting on 30 March 2010 be approved and signed as the correct record.

91. CORPORATE RISK MANAGEMENT ACTION PLAN FOCUS - COUNCIL HOUSING STOCK CONDITION- EXEMPT CATEGORY 3

The meeting concluded at 5.48pm

Signed

Chair

Dated this

day of

