

**BRIGHTON & HOVE CITY COUNCIL**

**AUDIT COMMITTEE**

**4.00pm 29 JUNE 2010**

**COMMITTEE ROOM 1, HOVE TOWN HALL**

**MINUTES**

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

**PART ONE**

**1. PROCEDURAL BUSINESS**

**1a Declarations of Substitutes**

1.1 There were none.

**1b Declarations of Interest**

1.2 Councillors Randall and Simpson declared a personal interest but not prejudicial interest on any matter regarding the Local Delivery Vehicle (LDV) due to their capacity as Board Members.

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

1.3 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).

1.4 **RESOLVED-** That the press and public be excluded from the meeting during consideration of items 18, Non-Public Minutes of the Previous Meeting, item 19, Corporate Risk Management Action Plans Focus and item 20, Internal Audit Annual Report & Opinion- Audit Reviews Giving Limited Assurance 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 18 May 2010 are approved and signed as the correct record.

**3. CHAIRMAN'S COMMUNICATIONS**

- 3.1 The Chairman welcomed the new Members to the Committee Councillor Drake and Norman and conveyed his apologies to relating to the unfortunate situation arising at the previous meeting whereby they received no notification of the meeting date.
- 3.2 The Chairman noted that apologies had been received from Paula Black, Catherine Vaughan and Councillor Harmer-Strange.
- 3.3 The Chairman informed the Committee that that the Addendum on the 'Review of the Effectiveness of the System of Internal Audit' would be considered as Item 15a and Item 14 'Audit Commission: Supplementary Opinion Audit Plan would be considered after Item 10 due to the similarity in the subject matter of the reports.

**4. PUBLIC QUESTIONS**

- 4.1 There were none.

**5. WRITTEN QUESTIONS FROM COUNCILLORS**

- 5.1 There were none.

**6. DEPUTATIONS**

- 6.1 There were none.

**7. PETITIONS**

- 7.1 There were none.

**8. LETTERS FROM COUNCILLORS**

- 8.1 There were none.

**9. AUDIT COMMISSION: PROGRESS REPORT 2009/10**

- 9.1 The Committee considered the Audit Commission's Progress Report. The purpose of the report was to update the Audit Committee on its progress as the Council's external auditor.
- 9.2 Councillor Kitcat conveyed his sadness on the decision of central government to finalise the work of the Comprehensive Area Assessment (CAA) which he believed to be a valuable tool of local government. He enquired if this decision would impact the audit fee set by the Audit Commission, if there was a contingency plan for the loss of the CAA and if its website would be continued in spite of this.
- 9.3 The District Auditor explained that there were three parts to the fee paid to the Audit Commission. The Area Assessment (1) which was grant funded, the Managing Performance Assessment (2) which had a set fee which would involve a payment. There was also the Organisation Assessment (3) for which some of the work had been completed but this element would be subject to consultation from central government to all local authorities which the District Auditor recommended the council produce feedback for. The District Auditor continued that despite the success of the CAA website, its future would depend upon the impending discussions on further discussion with central government.
- 9.4 **RESOLVED-** That the Audit Commission Progress Report be noted by the Committee.

## 10. AUDIT COMMITTEE ANNUAL REPORT

- 10.1 The Committee considered an annual report from Councillor Hamilton detailing the success, role and overall contribution to the council's governance of the Audit Committee for 2009/10. The report also detailed the future objectives and aims of the Audit Committee. Councillor Hamilton supplemented that he hoped this would be a good guide for Members not on the Committee.
- 10.2 Members noted several spelling and grammatical errors in the draft report.
- 10.3 The Lawyer suggested that 'to approve the annual governance statement and statement of accounts' be added to the Terms of Reference.
- 10.4 **RESOLVED-** That the Audit Committee Annual Report be agreed by the Committee subject to the noted amendments.

## 11. STATEMENT OF ACCOUNTS 2009/2010

- 11.1 The Committee considered a report of the Director of Finance and Resources on the Statement of Accounts for 2009/10. The report was introduced by the Acting Assistant of Financial Services who explained that the main changes in comparison with last years accounts had been explained at the previous Committee. He went on to elaborate that

the £9 million general fund contingency and the £3.5m Housing Revenue Account (HRA) reserve had been maintained and that overall council finances were stable.

- 11.2 The Chairman asked the Audit Commission if they would like to note their verdict of the Statement of Accounts. The Audit Commission responded that their initial verdict, before the audit process was that the accounts were of good quality.
- 11.3 Councillor Randall noted the increase in pension liability in item 8.3.9 and asked if this indicated there was a hole in the council's pension fund.
- 11.4 The Audit Commission stated that these figures were consistent with figures published by other public bodies.
- 11.5 Councillor Oxley and Watkins asked if a further report on this matter could be brought to a future meeting. The Chairman noted that the figures produced were twice the size of previous deficits and re-iterated the need for a future report to address this.
- 11.6 Councillor Oxley asked how employee pension contributions were managed.
- 11.7 The Acting Assistant Director of Financial Services responded that contributions from employees were relatively stable although there had been a recent 1% increase in contributions.
- 11.8 Councillor Randall asked how the employer contribution was funded. The Acting Assistant Director of Financial Services responded that there was no specific grant for pension contributions.
- 11.9 Councillor Kitcat and Watkins noted the changes underway in central government in particular proposals on the increase in the age of pension eligibility.
- 11.10 The Chairman asked for a report on the net affect on the council budget to be supplied at the next meeting.
- 11.11 **RESOLVED-** That the Statement of Accounts for 2009/10 be approved by the Committee.

## 12. ANNUAL GOVERNANCE STATEMENT

- 12.1 The Committee considered a report of the Director of Finance and Resources on the Annual Governance Statement for 2009/10. The report detailed a comprehensive assessment of the governance arrangements and the internal control environment across all activities of the council.

- 12.2 Councillor Oxley brought the Committee's attention to the good work carried out by Dignity at Work in reference to whistle blowing policy. He added that he had overseen a lot of work with the Governance Committee and felt this had resulted in a better policy.
- 12.3 Councillor Randall highlighted that the report recommended significant changes to procurement and contract management and asked for further information.
- 12.4 The Head of Audit & Business Risk responded that this risk was highlighted due to the introduction of a corporate procurement team and the proposed operational changes made under Intelligent Commissioning.
- 12.5 Members noted their concern with the assuredness of item five 'Review of Effectiveness'. They felt that some of the processes had not been fully achieved. Councillor Kitcat added that Citynews was not yet distributed to all residents.
- 12.6 Members highlighted spelling and grammatical errors in the document and the tight deadline for amendments with the report to be approved the next day. The District Auditor informed the Committee that some other councils table their Annual Governance Statement earlier in foresight of the need for changes to the draft.
- 12.7 **RESOLVED-** That the Annual Governance Statement is approved by the Committee.

### **13. ASSURANCE FROM THOSE CHARGED WITH GOVERNANCE**

- 13.1 The Committee considered a letter to the Audit Commission from the Chairman of the Audit Committee in response to their letter of 18 May. The response set out the relevant assurances from those charged with governance required by external auditors under the International Auditing Standards.
- 13.2 **RESOVLED-** That the letter of assurance be noted.

### **14. AUDIT COMMISSION: SUPPLEMENTARY OPINION AUDIT PLAN 2009/10**

- 14.1 The Committee considered a report of the Audit Commission informing the Committee on specific financial risks, the controls undertaken and their success and an update on the financial statements.
- 14.2 Councillor Randall asked why the accounting treatment for the waste management Private Finance Initiative (PFI) was identified as a "significant risk" in the 2010/11 opinion on the financial statements.
- 14.3 The Acting Assistant Director of Financial Services responded that specific information on this case could be found on pg37 item iv) of the agenda.
- 14.4 **RESOLVED-** That the Audit Commission Supplementary Opinion Audit Plan 2009/10 be noted by the Committee.

**15. INTERNAL AUDIT ANNUAL REPORT AND OPINION 2009/10**

- 15.1 The Committee considered a report of the Director of Finance and Resources on the Internal Audit and Opinion Annual Report 2009/10. The report included opinion on the adequacy and effectiveness of the council's internal control environment, internal audit coverage and output for 2009/10 and internal audit performance 2009/10.
- 15.2 The Head of Internal Audit added that the number of limited assurances had increased and that the overall opinion was that of assurance.
- 15.3 **RESOLVED-** That the Internal Audit Annual Report and Opinion 2009/10 be noted by the Committee.

**15 .1 REVIEW OF THE EFFECTIVENESS OF THE SYSTEM OF INTERNAL AUDIT**

- 15a.1 The Committee considered a report of the Director of Finance and Resources on the Review of the Effectiveness of the System of Internal Audit 2009/10.
- 15a.2 The Head of Audit & Business Risk noted that the Members nominated for the 2010/11 Review were Councillors Harmer-Strange and Kitcat.
- 15a.3 Councillor Randall asked if staff levels were still short in Internal Audit. The Head of Audit & Business Risk responded that they were but two posts were currently available; Audit Manager and Principal Auditor.
- 15a.4 **RESOLVED-** That the report on the Review of the Effectiveness of the system of Internal Audit be noted by the Committee.

**16. TARGETED BUDGET MANAGEMENT PROVISIONAL OUTTURN 2009/10**

- 16.1 The Committee considered a report of the Director of Finance and Resources on the provisional outturn position on the revenue and capital budgets for the financial year 2009/10.
- 16.2 **RESOVLED-** That the report on Targeted Budget Management Provisional Outturn 2009/10 is noted by the Committee.

**17. RISK AND OPPORTUNITY MANAGEMENT (ROM) UPDATE- CORPORATE RISK REGISTER UPDATED MAY 2010**

- 17.1 The Committee considered a report of the Director of Finance and Resources on the Risk and Opportunity Management (ROM) Update- Corporate Risk Register May 2010.
- 17.2 The Risk & Opportunity Manager informed the Committee that there were two new Risks: CR19 (Effectively Managing Transformation) and CR20 (Information Governance). There were also two Risks removed: CR11 (A Deserved Reputation for Excellence and a Staff Culture to Deliver) and CR14 (Equal Pay). The reasons for their withdrawal were outlined on page eleven of the appendix.
- 17.3 Councillor Kitcat asked how ownership of Risks would change under the proposals for Intelligent Commissioning. The Risk & Opportunity Manager responded that it was her understanding that there would be reports submitted to Governance Committee addressing this matter which would detail the roles and responsibilities based upon the new council constitution to be proposed.
- 17.4 Councillor Kitcat asked why CR20 (Information Governance) was now identified on the Corporate Risk Register. The Risk & Opportunity Manager clarified that it was important that Governance be continually monitored and assumed more importance during the period of structural change.
- 17.5 **RESOLVED-** That the Risk and Opportunity Management Update- Corporate Risk Register Update May 2010 be noted by the Committee.
- 18. NON-PUBLIC MINUTES OF THE PREVIOUS MEETING- EXEMPT CATEGORY 3**
- 18.1 **RESOLVED-** That the Part Two minutes of the previous meeting held on 18 May 2010 be approved and signed as the correct record.
- 19. CORPORATE RISK MANAGEMENT ACTION PLANS FOCUS-EXEMPT CATEGORY 3**
- 19.8 **RESOLVED-** That the Corporate Risk Management Action Plans Focus and the matters arising be noted by the Committee.
- 20. INTERNAL AUDIT ANNUAL REPORT & OPINION 2009/10- AUDIT REVIEWS GIVING LIMITED ASSURANCE- EXEMPT CATEGORY 3**
- 20.1 **RESOLVED-** That the Internal Audit Report and Opinion 2009/10- Audit Reviews Giving Limited Assurance be noted by the Committee.
- 21. PART TWO ITEMS**

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

The meeting concluded at 5.52pm

Signed

Chair

Dated this

day of