

BRIGHTON & HOVE CITY COUNCIL**AUDIT COMMITTEE****4.00pm 16 DECEMBER 2008****COMMITTEE ROOM 1, HOVE TOWN HALL****MINUTES**

Present: Councillors Hamilton (Chairman), Alford, Kitcat, Mrs A Norman, Pidgeon, Oxley, Randall, Simpson, Simson and Watkins (Deputy Chairman).

50. PROCEDURAL BUSINESS**50A. Declarations of Substitutes**

50.1 Councillors Simson, Mrs A Norman and Pidgeon attended in substitution for Councillors Lainchbury, Smith and G Theobald respectively.

50B. Declarations of Interest

50.2 There were none.

50C. Declarations of Interest

50.3 The Committee considered whether the press and public should be excluded from the meeting during consideration of any items contained in the agenda, having regard to the nature of the business to be transacted and the nature of the proceedings and the likelihood as to whether, if members of the press and public were present, there would be disclosure to them of confidential or exempt information as defined in Schedule 12A, part 5, Section 100A(4) or 100(1) of the Local Government Act 1972 (as amended).

50.4 **RESOLVED** - That the press and public be excluded from the meeting during consideration of Items 66, Non-Public Minutes of the Previous meeting, 67, Payroll Audit 2008 and Corporate Risk Management Action Plans : Focus – Exempt under Paragraph 3.

51. MINUTES OF THE PREVIOUS MEETING

51.1 It was noted that the minutes should record that Councillor Mrs Ann Norman had been present at the previous meeting of the Committee.

51.2 **RESOLVED** – That subject to the amendment set out above the minutes of the meeting held on 4 November 2008 be approved and signed by the Chairman as a correct record.

52. CHAIRMAN'S COMMUNICATIONS**Review of Effectiveness of Internal Audit Panel**

- 52.1 The Chairman explained that following the last meeting of the Committee it had been agreed that Councillor Alford would serve as the Conservative Group Member for the first year. Representatives from other groups would rotate. Councillor Watkins had been appointed to serve for 2009/10. A Member from the Green Group would be appointed for 2010 /11.
- 52.3 **RESOLVED** –That the position be noted.

53. PETITIONS

- 53.1 There were none.

54. PUBLIC QUESTIONS

- 54.1 There were none.

55. DEPUTATIONS

- 55.1 There were none.

56. LETTERS FROM COUNCILLORS

- 56.1 There were none.

57. WRITTEN QUESTIONS FROM COUNCILLORS

- 57.1 There were none.

58. AUDIT COMMISSION UPDATE REPORT OF THE AUDIT COMMISSION

- 58.1 The Committee considered a report of the District Auditor referring to the audit and inspection plan 2008/09 which had been presented to Committee at its meeting in June 2008. The report provided a summary of progress to date on the plan as this work was nearing completion (for copy see minute book).
- 58.2 Councillor Hamilton, the Chairman noted that a scored assessment on the use of resources for the 2007/08 financial year had been completed and that the Commission's detailed framework which focused on the Council's arrangements to ensure that resources were available to support the Council's achievement of its priorities and ability to improve its services had been used. It was anticipated that the scores would be published by the Commission in December 2008. A draft report had been presented to Officers and it was anticipated that this would form the subject of further report to the meeting of the Committee

58.3 Councillor Watkins considered that it was important to note that significant progress had been made since the last update and that therefore by its very nature the report represented a snapshot at a given moment in time rather than the most up to date position.

58.4 **RESOLVED**– That the contents of the report summarising progress to date was noted. Work carried out on the 2007 /08 audit and inspection plan which was nearing completion was also noted.

59. AUDIT COMMISSION AUDIT AND INSPECTION PLAN 2008-09 - UPDATE

59.1 Mr Brown of the Audit Commission explained that at the time the agenda had been put together it had been anticipated that this matter would form the subject of a separate report to Committee. It had however been possible to encompass that information within the report referred to at Item 58 above. This item was therefore withdrawn.

59.2 **RESOLVED** – That the position be noted.

60. AUDIT COMMISSION WORKFORCE PLANNING REVIEW OF PROGRESS

60.1 The Committee considered a report of the Audit Commission setting out the review of progress made against recommendations made within the Audit Commission's Workforce Planning Report 2005/06(for copy see minute book).

60.2 Ms Shergill of the Audit Commission gave a presentation in respect of the main areas for improvement identified and referred to strategies being devised in concert with the relevant departmental heads in order to address them.

60.3 It was noted that the main conclusions were set out at Paragraph 8 onwards. Overall it was considered that the Council was putting in place the right building blocks to enable it to meet both present and future challenges. This work had taken some time and had yet to make an impact, but would mean that the Council would be in a stronger position to bridge identified skills gaps or shortages in a strategic way.

60.4 The Assistant Director Improvement and Organisation stated that work was already in train to effect changes across a number of areas with in consultation with Human Resources and that this work was significantly advanced .In addition further areas for improvement had been identified and structures were being put into place to make the necessary changes.

60.5 **RESOLVED**- That the content of the report be noted.

61. CAA/CPA USE OF RESOURCES UPDATE AND ACTIONS REPORT

61.1 The Committee considered a report of the Director of Finance and Resources which provided information concerning the arrangements for external assessment of the Council's use of resources together with details of planned actions to improve the use of resources (for copy see minute book).

- 61.2 The Assistant Director, Financial Services explained that the level of progress made reflected that that Council had made significant improvements in its assessment procedures across a number of service areas. The Chairman stated that the improvements in respect of accounting procedures overall was encouraging. These comments were echoed by the Deputy Chairman, Councillor Watkins.
- 61.3 Councillor Randall whilst supporting the review considered that it was and would continue to become increasingly difficult to achieve further rationalisation of Value for money (VFM) targets year on year without this having a potential impact on service delivery. Councillor Kitcat enquired whether in view of the current financial down turn the authority would be able to meet its targets and the consequences should it be unable to do so. It was explained that the Council was able to meet its targets. In answer to questions regarding the Icelandic Bank crisis it was confirmed that the Council had removed its investments some months before the bank's recent difficulties and that the Council had not therefore been exposed to risk. Councillor Mrs Norman considered that the skill of the Council's financial services team in identifying and dealing with this matter should be fully acknowledged.
- 61.4 **RESOLVED** –That the actions undertaken during 2007/08 and 2008/09 to improve use of the Council's resources be noted.

62. TARGETED BUDGET MANAGEMENT

- 62.1 The Committee received the report submitted to the meeting of Cabinet on 20 November 2008 by the Director of Finance and Resources setting out the forecast outturn position on the revenue and capital budgets at month 6 (for copy see minute book)
- 62.2 Councillor Randall referred to the fact that the Council's capital receipts had fallen and might fall further and asked what measures were being taken to monitor this and to mitigate against this potential risk. The Risk and Opportunity Manager explained that this had been reflected in the refreshed Corporate Risk Register which was referred to at Item 65 later in the agenda. The Assistant Director, Financial Services stated that notwithstanding the on-going improvements made. It was anticipated that the Council's budgets would become more difficult to manage and that constant re-evaluation would be necessary to maximise interest on its investments. The Council's projected position for the current financial year remained unaffected. Measures were in place to seek to manage the developing situation during the next and subsequent financial years.
- 62.3 Councillor Kitcat sought confirmation regarding the targeted budget savings as set out. Councillor Alford sought clarification regarding why it had been decided that Hanover Housing Association would provide their own independent heating source at Patching Lodge. It was agreed that information would be provided to Councillor Alford.
- 62.4 **RESOLVED**– That the forecast outturn for the General Fund, Section 75 Partnerships and Housing Revenue Account (HRA) for 2008 /09 as at month 6 be noted .The recommendations approved by the Cabinet at their meeting of 20 November 2008 also be noted.

63. AUDIT AND ASSURANCE SERVICES PROGRESS REPORT

- 63.1 The Committee considered a report of the Director of Finance and Resources detailing the outcome of internal audit work completed since the last meeting of the Audit Committee in November 2008. The report also set out the position regarding delivery of the Internal Audit Plan for 2008/09 (for copy see minute book).
- 63.2 The Assistant Director, Audit and Assurance explained that the Accounts and Audit Regulations 2006 required every local authority to maintain an adequate and effective system of internal audit. Audit and Assurance Services carried out the work to satisfy this legislative requirement.
- 63.3 The Chairman referred to the level of staff shortages and enquired whether this would affect the department's ability to meet its target. In response the Head of Audit and Assurance explained that it was still anticipated that a level of at least 80% against a target figure would be reached. Councillor Watkins the Deputy Chairman enquired whether the Audit Commission would regard this as a failure or whether current staff vacancy levels would be taken account of. Mr Brown of the Audit Commission stated that he was aware that provisions had been made for unplanned work. It was recognised that there were staffing issues outside the authority's control. Assessments also took account of the quality of work produced. The Head of Audit and Assurance informed the Committee that the Annual Internal Audit Plan was in the process of being reviewed in terms of priorities and it was anticipated that a more comprehensive report would be made to the at its February meeting.
- 63.4 The Chairman enquired whether the Audit Commission required a requisite number of audits to be carried out within a specified period and whether if fewer were completed this would be criticised. The Head of Audit and Assurance responded that this would depend upon whether or not a reduction had been agreed with the Audit Commission.
- 63.5 In answer to questions by Councillors Alford and Randall it was explained that issues relating to difficulties in filling key posts identified were to be addressed as part of resources planning.
- 63.6 **RESOLVED-** That the contents of the report, in particular the status of internal audit work carried out since the last meeting of the Committee be noted.

64. ANNUAL GOVERNANCE STATEMENT ACTION PLAN

- 64.1 The Committee considered a report of the Director of Finance and Resources setting out progress made in implementation of actions identified in the Annual Governance Statement 2007/08 (for copy see minute book).
- 64.2 It was noted that the Council had a statutory duty under the Accounts and Audit Regulations 2003 (amended 2006), to publish an Annual Governance Statement. For 2007/08 this had been reviewed and approved by the Committee at its meeting held in June 2008. Good progress had been made during 2008/09 in implementing the action plan which was 60% complete. The Council was considered to be on target to complete 15 of the individual actions by the end of March 2009.

64.3 Councillor Oxley stated that it he was pleased to note the level of progress achieved.

64.4 **RESOLVED-** That the progress made is noted and the Committee has indicated that it is satisfied with the implementation of actions taken and proposed to improvement the Council's governance framework as identified in the Annual Governance Statement 2007/08.

65. RISK AND OPPORTUNITY MANAGEMENT (ROM) UPDATE

65.1 The Committee considered a report of the Director of Finance and Resources detailing the six monthly update of the Corporate Risk Register, agreed by the Council's Management Team (TMT), on 12 November 2008 (for copy see minute book).

65.2 The Risk and Opportunity Manager explained the TMT reviewed the Corporate Risk Register every six months, in May and November each year and that each time the Corporate Risk Register altered it would be reported to the next scheduled meeting of the Committee. Where two previously reported risks had been merged, the relevant risk maps had also been merged.

65.3 The Risk and Opportunity Manager detailed each of the individual risks indicating either that the level of risk remained unaltered at present or the rationale for any change. It was noted that two risks had been removed and that Corporate Risk 15 "Improving Contract Management and Compliance" had reduced from a "red" risk to "amber".

65.4 Councillor Simpson referred to the condition survey carried in respect of the Council's housing stock and works required to meet the Decent Homes Standard (DHS) and whether the Audit Commission's earlier comment relating to concern over accuracy of the data of houses which had not met the DHS could warrant a change in the Risk Score as set out in the Corporate Risk Register.

65.5 Councillor Randall enquired regarding the timetable for implementation of equal pay and whether money had been set aside for that purpose The Assistant Director, Financial Services explained that the financial implications had been reflected in the offer which had been made.

65.6 Councillor Randall also referred to major projects to be undertaken and stating that he considered that it was important to seek to ensure that empty properties e.g., the nurses home at Brighton General Hospital, were re-utilised as far as was practicable. Councillor Watkins referred to the current financial downturn enquiring whether that could have a significant impact on the Council's finances. It was explained that there was a long term strategy in place to address these changes .Generally a "red" financial risk related to a matter where the risk could not be quantified or was unknown .The Risk and Opportunity Manager stated that it was impossible to remove all risks the key issue was that department's were risk aware and that specified actions were in place in order to manage that risk

65.7 **RESOLVED** That the Committee note the Corporate Risk Register 2008/09 as updated by The Council's Management Team (TMT) on 12 November 2008 and contained in Appendix 1 to the report.

NON-PUBLIC SUMMARY

66. Non-Public Minutes of the Meeting held on 4 November 2008- Exempt Category 3

The Chairman was authorised to sign the non-public minutes of the meeting held on 4 November 2008 as a correct record..

67. PAYROLL AUDIT

The Committee received a report for information relative to payroll. audit.

68. Corporate Risk Management Action Plans Focus

The Committee considered further areas identified as representing most significant areas of risk and procedures / structures in place to manage that risk.

The meeting concluded at 6.30pm

Signed

Chair

Dated this

day of

