

BRIGHTON & HOVE CITY COUNCIL

AUDIT COMMITTEE

4.00pm 30 SEPTEMBER 2008

COMMITTEE ROOM 1, HOVE TOWN HALL

MINUTES

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

PART ONE

19. PROCEDURAL BUSINESS

19A. Declarations of Substitutes

19.1	<u>Substitute Councillor</u> Mrs A Norman K Norman Pidgeon	<u>For Councillor</u> Smith Lainchbury G Theobald
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19B. Declarations of Interest

19.2 There were none.

19C. Exclusion of Press and Public

19.3 The Committee considered whether the press and public should be excluded from the meeting during the 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 5A, Section 100(4) or 100(1) of the Local Government Act 1972 (as amended).

19.4 **RESOLVED** - That the press and public be excluded from the meeting during consideration of Item 35, relative to "Risk and Opportunity Management" Co 3.

20. MINUTES OF THE PREVIOUS MEETING

20.1 **RESOLVED** - That the minutes of the meeting held on 26 June 2008 be approved and signed by the Chairman as a correct record.

21. CHAIRMAN'S COMMUNICATIONS

21.1 The Chairman welcomed all Members to the meeting and referred to the training sessions which had been arranged by the Council's Risk and Opportunity Manager. Those who had attended had found these to be valuable. Any Members who had been unable to attend were encouraged to arrange to be briefed in respect of this matter as it was integral to the role of the Committee to seek to ensure that the processes within the Council to identify, manage and mitigate against or address potential risk were sufficiently robust and were effectively monitored.

21B. CALLOVER

21.2 It was agreed that all items set out on the agenda would be discussed.

22. PUBLIC QUESTIONS

22.1 There were none.

23. WRITTEN QUESTIONS FROM COUNCILLORS

23.1 There were none.

24. PETITIONS

24.1 There were none.

25. DEPUTATIONS

25.1 There were none.

26. LETTERS FROM COUNCILLORS

26.1 There were none.

27. AUDIT COMMISSION: ANNUAL GOVERNANCE REPORT

27.1 The Committee considered a report of the Council's appointed external auditor, The Audit Commission explaining that their audit for 2007/08 was substantially complete this was put together in the form of their Annual Governance Report. This formally reported the outcome of the audit of the Council's financial statements (for copy see minute book).

27.2 Following a brief introduction by the Assistant Director, Financial Services and Acting Section 151 Officer, Mrs Thompson, the District auditor referred to the report and it was noted that it was intended that further update reports would be submitted to successive meetings of the Committee as appropriate relative to the on-going audit of the Council's financial activity.

27.3 **RESOLVED** - That the contents of the report issued by the Council's external auditor, The Audit Commission be noted, in particular the findings and recommendations made.

28. AUDIT OF ACCOUNTS YEAR ENDED 31 MARCH 2008: LETTER OF REPRESENTATION

- 28.1 The Committee considered a report of the Director of Finance and Resources and the letter of the District Auditor in respect thereof (for copy see minute book).
- 28.2 It was noted that the Committee had approved the un-audited Statement of accounts in accordance with the relevant regulations at its meeting on 26 June 2008 and that since that date the Audit Commission had conducted its audit and recommended a small number of amendments prior to issuing their opinion and to publication of the accounts; these were set out in the report.
- 28.3 The District Auditor referred to her Letter representation subsequently circulated as an appendix to the report and explained in answer to questions that there were no major concerns relative to the control of the Council's financial systems. In answer to further questions it was explained that the Committees' role lay in seeking to monitor and ensure that robust processes were in place to ensure that effective mechanisms were in place for monitoring and control.
- 28.4 **RESOLVED** – (1) that the amendments to the 2007/ 08 Statement of Accounts be noted.
- (2)The position statement regarding the Annual Report and Statement of Accounts is noted;
- (3)The results of the Public Inspection of Accounts be noted; and
- (4) That the “draft” letter of representation (appended to the report) be signed on the Council's behalf by the Chairman of the Audit Committee and the Council's Section 151 Officer.

29. AUDIT PROGRESS REPORT 2008/09

- 29.1 The Committee considered a report of the Audit Commission summarising the work to be carried out by the external auditor for the 2008/09 audit year (for copy see minute book).
- 29.2 In answer to questions it was explained that further update reports would be provided as appropriate to subsequent meetings.
- 29.3 **RESOLVED** – That the contents of the report be noted.

30. DRAFT HIGH LEVEL EXTERNAL AUDIT PLAN

- 30.1 The District Auditor explained that the “draft” high level external audit plan was draw up as a result of on-going dialogue between the Audit Commission and the relevant professional officers of the Council and would form the subject of further update reports to the Committee during the course of the financial year.

- 30.2 Councillor Watkins enquired whether it would be possible for some of the regular update information provided to officers to be provided to Members for their information. The District Auditor responded that such information was provided to their Members by some authorities but that this was a matter for individual authorities.
- 30.3 The Assistant Director, Financial Services and Acting Section 151 Officer explained that whilst consideration could be given to this, it would however be more appropriate for such information to be accompanied by a brief covering report as much of the information contained therein could be of a very technical nature and or contain unfamiliar terminology. It was also likely that such reports would need to be considered in confidential session by virtue of the information contained in them.
- 30.4 **RESOLVED** - That the content of the report be noted.

31. TARGETED BUDGET MANAGEMENT (TBM) : MONTH 4

- 31.1 The Committee considered a report of the Director of Finance and Resources setting out the forecast outturn position on the revenue and capital budgets as at the end of July 2008 (Month 4) (for copy see minute book).
- 31.2 It was explained in answer to questions that although it did not rest with the Committee to approve these reports, they were provided in order to inform its monitoring role. The Chairman stated that as he understood it, it would be appropriate for the Committee to request additional information relative to any areas of activity referred to in order to facilitate that process. He stated that given that the Committees' role was continuing to develop, he would write to the Director of Strategy and Governance following the meeting in order to obtain clear guidance regarding its remit and relative to information which could legitimately be requested.
- 30.3 **RESOLVED** – That the contents of the report be noted.

32. AUDIT AND ASSURANCE SERVICES PROGRESS REPORT

- 32.1 The Committee considered a report of the Director of Finance and Resources detailing the outcome of the internal audit work completed for the first five Months (April – August) of 2008/09 including the position as against the Internal Audit Plan for 2008/09 (for copy see minute book)
- 32.2 The Head of Internal Audit explained that the Accounts and Audit Regulations 2008 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. The "Terms of Reference" of the Committee included the requirement to consider the outcomes of audit that the report did not include fraud irregularities, as this would form the subject of a separate report (anticipated for consideration at the scheduled November 2008 meeting of the Committee).
- 32.3 The audits contained in the Internal Audit plan 2008/09 were based on an assessment of risk including an assessment of risk for each system or operational area. The

assessment of risk included such elements as the level of corporate importance and materiality. In answer to questions it was explained that reports would come forward to Members where significant risks had been identified as would details of actions taken to address/remedy them. Notwithstanding that there had been a high staff vacancy level within this team which had impacted on progress against the plan “back-filling” work was currently being undertaken and two Principal Auditors had been recruited and were due to commence in post in September.

32.4 Councillors Randall and Watkins enquired as to the scope of the Committee, the level of detail that members could request and the extent of its remit. The Chairman reiterated that he would seek confirmation and guidance from the Director of Strategy and Governance, but considered that one of the primary roles of the Committee was to seek to ensure that the Council had appropriate measures in place to monitor, quantify and take action as appropriate to address the level of risk attendant across various areas of its activities. It was also important that this could be demonstrated effectively to the Audit Commission.

32.5 **RESOLVED** – That the content of the report be noted.

33. ANNUAL GOVERNANCE STATEMENT UPDATE

33.1 The Committee considered a report of the Director of Finance and Resources setting out the Annual Governance Statement update (for copy see minute book).

33.2 It was noted that since approval of the statement, it had been reviewed further by the Audit Commission as part of their external audit work. The statement had then undergone further subsequent amendments to include two minor suggestions arising from this process and, one further amendment relating to an action on partnerships in order to improve clarity. None of these amendments were considered to be significant and did not impact on the previous approval.

33.3 **RESOLVED** – That the amendments made to the annual Governance Statement be noted.

34. RISK MANAGEMENT AND OPPORTUNITY MANAGEMENT: CORPORATE RISK REGISTER AND ANNUAL PROGRAMME 2008/09

34.1 The Committee considered a report of the Director of Strategy and Governance relative to the corporate risk register and annual Programme for 2008/09 (for copy see minute book).

34.2 It was explained that the Cabinet had approved the Risk and Opportunity Management (ROM) Strategy 2008-2011 at their meeting held on 10 July 2008. The ROM Strategy included a defined role for the Audit Committee whereby it received the Corporate Risk Register and ROM Programme, appendices 1 and 2 to the report respectively, annually.

34.3 **RESOLVED** – (1) That the Committee note the Corporate Risk Register 2008/09 as set out in Appendix 1 to the report; and

(2)The content of the ROM Programme 2008/09 as set out in Appendix 2 to the report be noted.

**35. RISK AND OPPORTUNITY MANAGEMENT : CORPORATE RISK MANAGEMENT
ACTION PLANS 2008 / 09**

The Committee considered the above report which was considered whilst the public were excluded from the meeting as it contained exempt information as defined in Paragraph (3) of Schedule 12A to the Local Government Act 1972 (as amended).

The meeting concluded at 5.50pm

Signed

Chair

Dated this

day of