

BRIGHTON & HOVE CITY COUNCIL

AUDIT COMMITTEE

4.00pm 28 SEPTEMBER 2010

COMMITTEE ROOM 1, HOVE TOWN HALL

MINUTES

Present: Councillors Hamilton (Chairman), Watkins (Deputy Chairman), Drake, Harmer-Strange, A Norman, Oxley, Randall, Simpson, Smith and Phillips

PART ONE

22. PROCEDURAL BUSINESS

22a Declaration of Substitutes

22.1 Councillor Phillips declared that she was substituting for Councillor Kitcat

22b Declarations of Interest

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

22c Exclusion of the Press and Public

22.4 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).

22.5 **RESOLVED** - That the press and public be excluded from the meeting during consideration of item 36 Non-Public Minutes of the Previous Meeting, and item 37, 38 and 39 Risk Management Action Plans Focus 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).

23. MINUTES OF THE PREVIOUS MEETING

23.1 **RESOLVED-** That the minutes of the previous meeting held on 29 June 2010 be approved and signed as the correct record.

24. CHAIRMAN'S COMMUNICATIONS

24.1 In reference to Item 35: Abolition of the Audit Commission, the Chairman asked for the Committee to be tactful with their enquiries due to the sensitivity of the topic.

25. PETITIONS

25.1 There were none.

26. PUBLIC QUESTIONS

26.1 There were none.

27. DEPUTATIONS

27.1 There were none.

28. WRITTEN QUESTIONS FROM COUNCILLORS

28.1 There were none.

29. LETTERS FROM COUNCILLORS

29.1 There were none.

30. INTERNAL AUDIT PROGRESS REPORT 2010/11

30.1 The Audit Committee considered the report which summarised the progress made in the Internal Audit Plan for 2010/11, provided the results from completed reviews and reported the achievement against Internal Audit Key Performance Indicators.

30.2 The Chairman asked if the outsourcing of some reviews noted in 5.3 and 8.2 of the report would have any significant budgetary impact.

30.3 The Head of Internal Audit and Business Risk responded that he was very confident that the reviews would be delivered within the resources.

30.4 Councillor Randall requested more information on the matter of Housing Tenancy Verification.

- 30.5 The Head of Internal Audit and Business Risk clarified that several issues on tenancy checks had been identified and in co-operation with Housing Management, these issues would be addressed in a new scheme. An update to Members on the changes would be scheduled as soon as possible.
- 30.6 Councillor Simpson asked why limited assurance had been given to 'Records Management'.
- 30.7 The Head of Internal Audit and Business Risk responded that subsequent to investigation, it was felt that not enough information was displayed on the Council's internal web page.
- 30.8 Councillor Randall asked if staffing levels within Internal Audit and Business Risk had improved and if it was usual to use contractors to assist the audit process.
- 30.9 The Head of Internal Audit and Business Risk replied that it was not uncommon to use contractors and these had been used in recent years. There were still vacant posts in the department but these were gradually being filled.
- 30.10 **RESOLVED-** That the Audit Committee notes the contents of the progress report.

31. TARGETED BUDGET MANAGEMENT (TBM): MONTH 4 FOR INFORMATION

- 31.1 The Committee considered a report of the Director of Finance and Resources that set out the revenue and capital forecast outturn position as of month 4.
- 31.2 On behalf of the trade union organisations, Councillor Randall asked why the Council could not use its reserve funds to provide ongoing funding for the Connexions Service that was proposed to be discontinued.
- 31.3 The Chairman reminded Members that the responsibility for the budgetary allocation was not within the remit of the Committee.
- 31.4 The Director of Finance and Resources commented that general reserves were held to deal specifically with crises or significant overspends and on occasion can be earmarked for specific matters which council or cabinet could decide. The level of each individual reserve was detailed in full in the Statement of Accounts.
- 31.5 Councillor Simpson sought clarification with respect to restructures and vacancies.
- 31.6 The Director of Finance and Resources responded that a detailed analysis was carried out when a post became available to determine if the service was essential. If classified as such, internal recruitment is used in the first instance which gave consideration for those in other areas of the council whose skills may correspond to the post.
- 31.7 Councillor Randall asked how the use of agency staff was determined.

31.8 The Director of Finance and Resources clarified that in areas where agency staff had been used for long periods, detailed reviews are undertaken to ascertain the most practical and affordable long term staffing solution. She supplemented that in the short-term, agency staff could be a very useful service device.

31.9 **RESOLVED-** That the Audit Committee note the report on Targeted Budget Management for Month 4.

32. RISK AND OPPORTUNITY MANAGEMENT ANNUAL REPORT 2009/10 AND PROGRAMME 2010/11

32.1 The Committee considered a report of the Director of Finance and Resources that provided an annual report of progress against the approved annual Risk & Opportunity Management Programme 2009/10 to inform the Audit Committee's opinion on the effectiveness of risk management and internal control. This report was submitted for approval.

32.2 The Chairman noted that 'Officer Time' was identified as a required resource. He asked if this would pose the programme problems concerning completion.

32.3 The Risk & Opportunity Manager responded that she did not believe this would be a problem and it would be mostly her time and through working with others, as in previous years, which would enable the programme to be achieved.

32.4 **RESOLVED-** That the Audit Committee note the progress against the Risk & Opportunity Management programme 2009/10 and approve the Risk & Opportunity programme 2010/11.

33. AUDIT COMMISSION ANNUAL GOVERNANCE REPORT 2009/10

33.1. The Committee considered a report of the Audit Commission that summarised the key findings of their 2009/10 audit. The District Auditor introduced the report and stated that she was in a position to give an unqualified audit opinion, that subject to investigation into a matter that had arisen that day, the financial statements were free from material error, there was an adequate internal control environment and that there were adequate arrangements to secure value for money. She added that two misstatements had been identified and recommended to the Committee that these be amended.

33.2. **RESOLVED-** That the Audit Committee:

- 1) The Director of Finance & Resources, as the Section 151 Officer, is authorised to sign the financial statements on behalf of the Committee.
- 2) Note the adjustments to the financial statements set out in the report
- 3) Decline to amend the errors identified by the Audit Commission
- 4) The Committee agrees to set out in the Letter of Representation the reasons for not adjusting the errors in the financial statements.
- 5) Approves the letter of representation to the Council

6) Agree the proposed action plan

34. AUDIT OF ACCOUNTS ENDED 31ST MARCH 2010: LETTER OF REPRESENTATION & STATEMENT OF ACCOUNTS UPDATE

- 34.1. The Committee considered a report from the Director of Finance & Resources regarding the Statement of Accounts 2009/10 Update.
- 34.2 The Acting Assistant Director of Financial Services presented the report and noted that the Audit Commission had identified two unadjusted misstatements. The first highlighted the fact that no partners in the pooled budgets in which the council participates are accounting for pooled budgets as joint arrangements that are not entities which did not comply with the requirements of FRS9 and will not comply with the International Accounting Standard 31 for 2010/11. The report recommended that the changes were not material to the accounts and was in keeping with previous years and was the same accounting treatment used by the council's partners. The suggested adjustment should be rejected with the accounting treatment to be revised for 2010/11 to comply with the new accounting standards. A second adjustment recommended by the Audit Commission was income and expenditure related to investment properties which was currently accounted for within the Council's net cost of services disclosed in the Income & Expenditure Account. It was suggested that income and expenditure should be classified as relating to trading operation and be disclosed as part of the Council's net operating expenditure. The Acting Assistant Director of Financial Services explained that the council would be undertaking a full review of its investment properties and related income and expenditure as part of the implementation of IFRS. The adjustments were not material to the accounts and it was therefore not recommended to make the changes stipulated. In addition, an action plan had been put into place that would address the uncertainties in the financial statements the priorities being the payroll system and pensions liability.
- 34.3 Councillor Smith asked if pension contributions would at any stage be reviewed.
- 34.4 The Acting Assistant Director of Financial Services responded that employer pension contributions are set for a three year period following each actuarial triannual review. He stated that it was likely that there would be further stepped increases in the employer's contribution rate due to the ongoing deficit in the pension fund. . The Director of Finance and Resources supplemented that employee pension contribution could only be changed at national government level.
- 34.5 Councillor Randall asked what proportion of council tax income was used for pension contribution.
- 34.6 The Director of Finance and Resources replied that she did not have that figure to hand but would be able to supply details after the meeting.
- 34.7 **RESOLVED-** That the Audit Committee:
- 1) Note the adjusted misstatements to the 2009/10 Statement of Accounts
 - 2) Approve the advice given on the unadjusted misstatements and that they should not be adjusted

- 3) Note the position statement regarding the Annual Report and Summary of Accounts
- 4) Note the results of the Public Inspection of the Accounts
- 5) Approve the letter of representation on behalf of the Council.

35. AUDIT COMMISSION: ABOLITION OF THE AUDIT COMMISSION (VERBAL UPDATE)

- 35.1 The District Auditor provided an update to the Committee providing more information on the decision of central government to disband the Audit Commission. She informed the Committee that although there was still a lot of uncertainty from all sides on the matter, she was of the opinion that the Audit Commission might continue as a mutual co-operative. The Audit Commission would continue to audit the Council until December 2012. Unfortunately, she was not in a position at that time to give further information on matters surrounding the payment of fees.
- 35.2 The Chairman asked if the announcement would have any short-term impact on staffing levels.
- 35.3 The District Auditor elaborated they had up until the point of disbandment to develop a framework for mutuality if this was decided as viable which she hoped many staff may want to be a part of. Although the staff were valued, knowledgeable and well-thought of, there was a risk some may decided to leave or be approached by other private audit services.
- 35.4 **RESOLVED-** That the verbal update from the District Auditor on the abolition of the Audit Commission be noted by the Committee.

36. NON-PUBLIC MINUTES OF THE PREVIOUS MEETING- EXEMPT CATEGORY 3

- 36.1 **RESOLVED-** That the Part Two minutes of the previous meeting held on the 29 June 2010 be approved and signed as the correct record.

37. CORPORATE RISK MANAGEMENT ACTION PLANS: CR15 EFFECTIVE PROCUREMENT PROCESS AND CO-ORDINATED ORGANISATIONAL COMPLIANCE (VERBAL UPDATE)- EXEMPT CATEGORY 3

- 37.2 **RESOLVED-** That the verbal update from the Head of Strategic Finance and Procurement on CR15 (Effective Procurement and Co-ordinated Organisational Compliance) be noted by the Committee.

38. CORPORATE RISK MANAGEMENT ACTION PLANS: CR1- HOUSING STOCK CONDITION (VERBAL UPDATE)- EXEMPT CATEGORY 3

38.2 **RESOLVED-** That the verbal update from the Assistant Director of Housing Management on the Corporate Risk Management Action Plans: CR1- Housing Stock Condition be noted by the Committee.

39. CORPORATE RISK MANAGEMENT ACTION PLANS: CR19- EFFECTIVELY MANAGING TRANSFORMATION & CR20- INFORMATION GOVERNANCE- EXEMPT CATEGORY 3

39.5 **RESOLVED-** That the Corporate Risk Management Action Plans: CR19- Effectively Managing Transformation and CR20- Information Governance are noted by the Committee.

40. PART TWO ITEMS

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

The meeting concluded at 6.05pm

Signed

Chair

Dated this

day of