

**BRIGHTON & HOVE CITY COUNCIL**

**AUDIT COMMITTEE**

**4.00pm 20 DECEMBER 2011**

**COMMITTEE ROOM 1, HOVE TOWN HALL**

**MINUTES**

**Present:** Councillors Hamilton (Chair), Follett (Deputy Chair), Jarrett, A Norman, Pissaridou, Smith, Sykes, Wakefield and K Norman

**PART ONE**

**36. PROCEDURAL BUSINESS**

**36a Declaration of Substitutes**

34.1 Councillor Ken Norman declared that he was substituting for Councillor Wealls.

**36b Declarations of Interest**

34.2 There were none.

**36c Exclusion of the Press and Public**

34.3 In accordance with section 100A of the Local Government Act 1972 ('the Act'), the 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).

34.4 **RESOLVED** - That the press and public be excluded from the meeting during consideration of Item 52 onwards.

**37. MINUTES OF THE PREVIOUS MEETING**

35.1 **RESOLVED-** That the minutes of the previous meeting held on 27 September 2011 be approved and signed as the correct record.

**38. CHAIR'S COMMUNICATIONS**

- 37.1 The Chairman invited Members to a brief end of year function to be held after the meetings conclusion.
- 37.2 The Chairman informed Members of the circulation of any additional document for Item 53.
- 37.3 The Chairman noted the recent resignation of Councillor Oxley who had been a member of the Audit Committee from its inception until recently. The Chairman praised the work Councillor Oxley had undertaken on the Committee and observed that his valuable input would be sorely missed.

**39. PETITIONS**

- 38.1 There were none.

**40. PUBLIC QUESTIONS**

- 39.1 There were none.

**41. DEPUTATIONS**

- 40.1 There were none.

**42. LETTERS FROM COUNCILLORS**

- 41.1 There were none.

**43. WRITTEN QUESTIONS FROM COUNCILLORS**

- 42.1 There were none.

**44. TREASURY MANAGEMENT POLICY STATEMENT 2011/12 (INCLUDING ANNUAL INVESTMENT STRATEGY 2011/12) MID YEAR REVIEW- FOR INFORMATION**

- 43.1 The Committee considered a report of the Director of Finance that provided a Mid-Year Review of the Treasury Management Policy Statement 2011/12 (including the Annual Investment Strategy 2011/12).
- 43.2 The Director of Finance added that the report was provided to the Committee for information as the body charged with governance.
- 43.3 Councillor Follett noted lender options on loan agreements and enquired how the Authority would respond to a change in the interest rates on loans.

43.4 The Director of Finance replied that this was not pre-determined and a decision would be made on the merits of the individual case governed by the requirement to spread risk and minimise exposure to the Authority.

43.5 The Chairman noted that the Loans and Technical Manager had attended previous meetings. He suggested he be invited back if it would be of benefit to the Committee.

43.6 **RESOLVED-** That the Audit Committee notes the report.

#### **45. TARGETED BUDGET MANAGEMENT (TBM) MONTH 7- FOR INFORMATION**

44.1 The Committee considered a report of the Director of Finance that set out the revenue and capital forecast outturn position for 2011/12 as at Month 7. The report was presented to the Committee for information.

44.2 Councillor Pissaridou asked if there was need for concern regarding the budget underspend.

44.3 The Director of Finance replied that an underspend would be concerning in conjunction with a failing service delivery. However, the Authority was performing against the Corporate Priorities and delivering an effective service.

44.4 Councillor Norman noted her continuing concern regarding the underperformance of Human Resources (HR).

44.5 The Director of Finance clarified that there were areas in which the HR service was underachieving which was in part down to the significant savings it had to make to deliver new systems. She was confident that improvements would be realised in particular the extraction of savings from the new iTrent payroll system.

44.6 Councillor Follett commented that the TBM forecast variations had significantly improved from previous years. He asked if there was a particular reason for this.

44.7 The Director of Finance replied that as the budget papers had been published much earlier than in previous years the annual budgetary forecasts had been harder to predict particularly in the areas where demand or activity was difficult to predict with certainty. She believed the figures also reflected continuous focus on how savings can be maintained and the longevity of savings through the VfM programme.

44.8 **RESOLVED-** That the Audit Committee notes the report.

#### **46. AUDIT COMMISSION: 2011/12 PROGRESS REPORT AND BRIEFING**

45.1 The Committee considered a report of the Audit Commission that detailed progress made against the 2011/12 audit plan.

45.2 The Chairman re-iterated his and the Committee members continuing concern regarding control weaknesses in payroll processes.

45.3 The Audit Manager clarified that their work with payroll would be more extensive in this audit plan. They would conduct a substantive transaction test to test controls and the work would begin earlier in the year.

45.4 **RESOLVED-** That the Audit Committee notes the 2011/12 external audit progress report.

#### **47. AUDIT COMMISSION: ANNUAL AUDIT LETTER 2010/11**

46.1 The Committee considered a report of the Audit Commission that summarised their findings from the 2010/11 audit. This comprised of the audit of the financial statements and assessment of the Council's VfM arrangements as well as a summary of the current and future challenges facing the Council.

46.2 The Chairman noted his concern regarding the significant weaknesses identified in payroll system and the additional work necessary to gain assurance. He asked the District Auditor if their recommendations to improve internal financial control had been accepted.

46.3 The District Auditor replied that their recommendations were being followed up. The Director of Finance added that there would be increased internal audits carried out in this area.

46.4 **RESOLVED-** That the Audit Committee notes the 2010/11 Annual Audit Letter.

#### **48. REQUEST FOR ASSURANCES FROM THE AUDIT COMMITTEE TO SUPPORT THE AUDIT OF THE 2011/12 FINANCIAL STATEMENTS**

47.1 The Committee considered a report of the Audit Commission that requested a response from the Chair on behalf of the Committee to the specific questions set out in its letter of 20<sup>th</sup> December 2011 by 31<sup>st</sup> March 2012.

47.2 **RESOLVED-** That the Chair provides a response on behalf of the Audit Committee to the specific questions set out in the December 20th letter from the Audit Commission.

#### **49. INTERNAL AUDIT PROGRESS REPORT**

48.1 The Committee considered a report of the Director of Finance that summarised the progress made against the Internal Audit Plan 2011/12, including outcomes of specific audit reviews completed, action agreed, management actions and Internal Key Performance Indicators.

48.2 Councillor Jarrett requested more information on the two priority actions given to VFM Programme- Procurement.

- 48.3 The Director of Finance clarified that this related to the difficulties in capturing and counting the value of savings made and was not an issue of non-compliance.
- 48.4 Councillor Follett asked why limited assurance had been given to Income System- cash and cheques and asked if this was across all departments in the Authority.
- 48.5 The Director of Finance replied that this did apply across the council. Limited assurance had been given to the priorities on controls that were now being re-assessed.
- 48.6 The Committee Members requested further audit information on Payroll systems to be presented to the next meeting.
- 48.7 **RESOLVED-**
- 1) That the Audit Committee notes the progress made in delivering the Annual Internal Audit Plan 2011/12, outcomes achieved and current arrangements going forward to 31<sup>st</sup> March 2012.
  - 2) The Audit Committee requests an update on further audit work undertaken in payroll.

## **50. ANNUAL GOVERNANCE STATEMENT 2010/11 - ACTION PLAN PROGRESS UPDATE**

- 49.1 The Committee considered a report of the Director of Finance that provided an update on the Council's progress in implementing the actions agreed in the Annual Governance Statement for 2010/11.
- 49.2 The Chairman noted that there were two actions rated amber that were due for completion at the end of December 2011. He enquired as to their current status.
- 49.3 The Head of Internal Audit & Business Risk replied that he would check and provide an update.
- 49.4 **RESOLVED-** That the Audit Committee notes the Annual Governance Statement Action Plan at Appendix 1

## **51. STRATEGIC RISK REGISTER**

- 50.1 The Committee considered a report of the Director of Finance that detailed the current prioritised issues which affect the achievement of the Council's priorities. The Strategic

Risk Register was set by the Strategic Leadership Board and reviewed every six months. It was presented to the Audit Committee due to its role to monitor and form an opinion on the effectiveness of risk management and internal control.

- 50.2 Councillor Jarrett asked if the Council regularly monitored policies from Central Government as he understood that there was a significant increase in the use of Statutory Instruments.
- 50.3 The Lawyer replied that the Council's legal team continuously monitored policies from Central Government, in particular the Localism Act that had undergone significant changes since being passed. The legal team always alerted the Leader in the event of Secondary Orders.
- 50.4 **RESOLVED-** That the Audit Committee notes the revised Strategic Risk Register (Appendix 1).

## 52. REVIEW OF THE EFFECTIVENESS OF THE AUDIT COMMITTEE

- 51.1 The Committee considered a report of the Director of Finance that suggested as best practice that there be a regular review of the effectiveness of the Audit Committee by an open invitation Members workshop. This review would be undertaken against the National Audit Office publication "The Audit Committee Self-Assessment Checklist" and the findings reported back to the Audit Committee Members at the meeting of February 2012. The Director of Finance proposed that such a review could also inform discussions regarding the future governance arrangements with the introduction of a committee system expected in May 2012.
- 51.2 The Chair enquired as to the composition of the workshop.
- 51.3 The Director of Finance replied that this would be a decision for Members to decide however, she would recommend that it be open to all Members to attend.
- 51.4 The Chair suggested that the workshop be attended by Councillor Follett, Councillor Norman and himself with an open invitation to other Members who wished to attend.
- 51.5 The Lawyer noted that there was currently a Members Constitutional Working Group in progress discussing revisions to the Constitution ahead of the introduction of a committee system. He suggested that the findings and recommendations from the Audit Workshop be relayed to this group.
- 51.6 **RESOLVED-** That the Audit Committee
- 1) Notes the preliminary findings against "The Audit Committee Self-Assessment Checklist
  - 2) That a workshop of Audit Committee Members be set up to explore the key issues raised in more detail.

- 3) That a report be brought to the meeting of the Audit Committee on 21 February 2012 that feeds back from that workshop, concludes the review, and incorporates an action plan to enhance the effectiveness of the Audit Committee.
- 4) That the feedback from the workshop be passed to the Member Constitutional Working Group

**53. PART TWO MINUTES OF THE PREVIOUS MEETING (EXEMPT CATEGORY 3 & 7)**

- 52.1 **RESOLVED-** That the Part Two minutes of the previous meeting held on 20 December 2011 be approved and signed as the correct record.

**54. STRATEGIC RISK MANAGEMENT ACTION PLANS FOCUS- SAFEGUARDING VULNERABLE MEMBERS OF OUR COMMUNITY, INCLUDING LOOKED AFTER CHILDREN (SR6) & BECOMING A MORE SUSTAINABLE CITY (SR8) (EXEMPT CATEGORY 3)**

- 53.1 The Committee considered a verbal update from the Strategic Director, People on Strategic Risk 6 (SR6)- Safeguarding vulnerable members of our community including looked after children and the Strategic Director, Place on Strategic Risk 8 (SR8)- Becoming a more sustainable city.
- 53.2 **RESOLVED-** That the Audit Committee notes the updates provided by the Strategic Director, People and Strategic Director, Place on Strategic Risk 6 and Strategic Risk 8.

**55. PART TWO ITEMS**

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

The meeting concluded at 6.25pm

Signed

Chair

