

**BRIGHTON & HOVE CITY COUNCIL**

**AUDIT & STANDARDS COMMITTEE**

**4.00pm 20 NOVEMBER 2012**

**COUNCIL CHAMBER, HOVE TOWN HALL**

**MINUTES**

**Present:** Councillors Hamilton (Chair) A Norman (Opposition Spokesperson), K Norman, Duncan, Follett, Lepper, Smith and Sykes.

**Independent Persons & Co-Opted Members:** Dr Horne and Dr Meleyal.

**PART ONE**

**44. PROCEDURAL BUSINESS**

**44a Declarations of substitutes**

44.1 There were none.

**44b Declarations of interests**

44.2 There were none

**44c Exclusion of the press and public**

44.3 In accordance with Section 100A of the Local Government Act 1972 (“the Act”), the Committee considered whether the public should be excluded from the meeting during consideration of any item of business on the grounds that it is likely in view of the business to be transacted or the nature of the proceedings, that if members of the public were present during it, there would be disclosure to them of confidential information as defined in Section 100A (3) of the Act.

44.4 **RESOLVED** - That the public are excluded from the meeting from items listed on Part 2 of the agenda.

**45. MINUTES**

45.1 It was noted that at page 1, paragraph 25.3 the word ‘Planning’ should be omitted.

45.2 **RESOLVED** – That, with the above amendment, the Chair be authorised to sign the minutes of the meeting held on 25 September 2012 as a correct record.

**46. CHAIR'S COMMUNICATIONS**

- 46.1 The Chair welcomed the newly appointed Independent Persons and Co-opted Members.
- 46.2 The Chair noted the recent by-election at Rottingdean Parish Council after the resignation of four Members. Officers confirmed that the new Members would have to complete and sign a Declaration of Interest Form as part of the agreed Code of Conduct shared by both the City Council and the Parish Council.
- 46.3 The Chair also noted the date of the next pre-meeting; which was agreed by attendees.

**47. PUBLIC INVOLVEMENT**

- 47.1 There were none.

**48. MEMBER INVOLVEMENT**

- 48.1 The Chair noted a deputation that had been referred to the Committee from the Council meeting on 25 October in relation to 'Exercise of Power by Elected Officials' from Mr Campbell. The deputation contained allegations in relation to potential breaches of the Code of Conduct which had now lodged with the complaints team and would be dealt with by the Monitoring Officer through Complaints Procedure.

**49. COMPLAINTS UPDATE**

- 49.1 The Committee considered a report of the Monitoring Officer with an update on allegations about Member conduct following the last report to the Committee on 25 September 2012; a summary of closed cases was listed at Appendix 1. The Complaints Manager also verbally updated the Committee on the Standards Panel that had been held since the publication of the agenda in relation to an allegation of a potential breach of the code by Councillor Lynda Hyde; the outcome of the Panel was that there had no breach of the code of Conduct and the reasons for this decision were outlined to the Committee. It was also highlighted that there was a right of appeal, but this had not been exercised and was due to expire at the end of the week.
- 49.2 **RESOLVED** – That the Committee note the report.

**50. HR/PAYROLL SYSTEM**

- 50.1 The Head of HR Strategy and Projects, Katie Ogden, gave a verbal update to the Committee and explained that there two outstanding recommendations which would be implemented by the end of the month. All the high priority recommendations had been implemented. One aspect of the complexity of the payroll at the Council had been addressed; over 800 staff had been moved from weekly to monthly payment; work had been undertaken with staff and provision had been put in place to help individuals manage this transition. There is currently a pilot on electronic entry by employees and their managers regarding monthly claims for overtime, mileage and working patterns. and the service was preparing for the roll out of auto-enrolment into the Pension Scheme and Real Time Information to HMRC.

- 50.2 Councillor Ann Norman asked what changes had been made to address problems in relation to missed deadlines by managers for payments claims. In response it was explained that in each case a judgement would be made weighing up the amount and the potential affect on the employee; measures were also in place to issue warnings to managers and potentially charge them for late claims.
- 50.3 Dr Horne asked if there were any audit issues in relation to Payroll, and in response the Auditors highlighted that they could not comment until they commenced work on the 2012/13 accounts.
- 50.4 The Chair noted he was pleased to hear that the situation was progressing and understood the level of work that had been undertaken.

**51. EXTERNAL AUDIT REPORT**

- 51.1 The External Auditors, Helen Thompson and Simon Mathers, provided a verbal update and highlighted they had now transferred to Ernst & Young who would now provide the external auditing service to the Council. It was noted that they had been in post since 1 November 2012 and were pleased to report that the broad scope of their work would largely remain the same. They noted that the planning of audit risk would continue to focus on the financial resilience and finance planning of the authority. It was also noted that there would be no break in service, and some of the potential data sampling and fraud protection tools were highlighted. Members were reassured that such functionalities would form part of the agreed service.

**52. AUDIT COMMISSION: ANNUAL AUDIT LETTER 2011/12**

- 52.2 The Acting Director of Finance, Nigel Manvell, introduced the letter and explained it was the annual letter from the external Auditors confirming the completion of the 2011/12 audit, and the Auditors were keen that this letter be shared with the Committee.
- 52.3 **RESOLVED** – That the Committee note the contents of the letter.

**53. INTERNAL AUDIT PROGRESS REPORT 2012/13**

- 53.1 The Committee considered a report of the Acting Director of Finance. The report informed Members of the progress made against the Internal Audit Plan 2012/13 including the outcomes of specific audit reviews completed, agreed management actions, and Internal Audit Key Performance Indicators. It was noted that good progress was continuing to be made in the delivery of the Internal audit Plan 2012/13.
- 53.2 Councillor Sykes referenced paragraph 4.2 in the report and asked if there were any budget implications through potential out-sourcing of audit reviews, and in response the Head of Audit & Business Risk explained that this statement was designed to give assurance that any shortfall in internal resources could be met through the framework contract on a call off basis. In response to a query from the Chair, the Head of Audit & Business Risk stated that he was confident that the plan could be completed without the need to use additional resources.

- 53.3 Following a further query from Councillor Sykes it was explained that the Council would be focusing on fraudulent subletting of council housing in the future which may also result in financial benefit to support further fraud investigation.
- 53.4 Dr Horne asked questions in relation to paragraph 8.2 on counter fraud work, and it was explained that as the Council did not explicitly budget for any level of fraud loss it was difficult to directly identify ongoing budget savings, but effective fraud prevention and detection ensures that the Council did not incur additional costs and could ultimately result in ongoing savings.
- 53.5 Councillor Ann Norman pointed to paragraph 9.3 and expressed concern that the service was 'juggling' several areas of work and asked for assurance that this would not be to the detriment of the quality of work. In response the Head of Audit & Business Risk explained that all the work was absorbed as part of the normal workload. Following a query from Councillor Ken Norman it was highlighted that any critical work would be given a higher priority.
- 53.6 **RESOLVED** - That the Committee notes the progress made in delivering the Annual Internal Audit Plan 2012/13, outcomes achieved and current arrangements going forward to 31 March 2013.

#### **54. TARGETED BUDGET MANAGEMENT (TBM) 2012/13 MONTH 5**

- 54.1 The Committee considered a report of the Acting Director of Finance on the Targeted Budget Monitoring (TBM), a key component of the Council's overall performance monitoring and control framework. The forecast outturn position was set out as of Month 5 on the Council's revenue and capital budgets for the financial year 2012/13.
- 54.2 Dr Horne noted that the report set out the position to the end of August 2012, and asked if there was any update or change on the position. The Acting Director of Finance said that he could not pre-empt the next report, but the general trend was good and the authority was expecting further improvement in the forecast over the remainder of the year.
- 54.3 Councillor Ken Norman asked for more information in relation to temporary accommodation in paragraph 3.6 of the report; in response it was explained that this was a known pressure area and there would be discussion around the 2013/14 budget setting for new framework contracts to procure lower cost accommodation.
- 54.4 **RESOLVED** – That the Committee note the report.

#### **55. STRATEGIC RISK REGISTER UPDATE**

- 55.1 The Committee considered a report of the Acting Director of Finance in relation to the Council's Strategic Risk Register. The report provided information, for the Committee to review on the Strategic Risk register which was updated by the Strategic Leadership Team on 3 October 2012.

55.2 Councillor Sykes drew attention Strategic Risk (SR) 8 'Becoming a More Sustainable City' and noted there were some controls that were highlighted in the appendix. The Risk Manager agreed to take this to risk owner for further discussion.

55.3 Councillor Duncan highlighted the risk to welfare reform and stated that he believed some mitigating measures were now in place that were not reflected in the report; in response it was explained that the document was presented as approved on 3 October and some of these measures may not have been enacted at this point, and consequently were not recorded as mitigating controls and actions (representing those that are already in place and operating to reduce/mitigate the likelihood and/or impact of the risk scenario and potential consequences).

55.4 **RESOLVED** – That the Committee note the report and the Strategic Risk Register.

**56. ITEMS REFERRED FOR COUNCIL**

56.1 There were none.

**57. PART TWO MINUTES - EXEMPT CATEGORY 3**

57.1 **RESOLVED** – That the Chair be authorised to sign the Part 2 minutes of the meeting held on 25 September 2012 as a correct record.

**58. STRATEGIC RISK MANAGEMENT ACTION PLAN REPORT - EXEMPT CATEGORY 3**

58.1 **RESOLVED** – That the recommendation in the Part 2 report be agreed.

**59. STRATEGIC RISK MAP FOCUS – SR2 FINANCIAL OUTLOOK - EXEMPT CATEGORY 3**

59.1 **RESOLVED** – That the Committee note the update.

**60. PART TWO PROCEEDINGS**

60.1 **RESOLVED** – That the Part 2 Items remain exempt from disclosure from the press and public.

The meeting concluded at 17.11

Signed

Chair

