

**BRIGHTON & HOVE CITY COUNCIL**

**AUDIT COMMITTEE**

**4.00pm 30 MARCH 2010**

**COUNCIL CHAMBER, HOVE TOWN HALL**

**MINUTES**

**Present:** Councillors Watkins (Chairman), Alford, Cobb, Kitcat, Oxley, Pidgeon, Simpson, Smart and Taylor

**PART ONE**

**56. PROCEDURAL BUSINESS**

**56a Declaration of Substitutes**

- 56.1 Councillor Cobb declared that she was substituting for Councillor Smith.
- 56.2 Councillor Smart declared that he was substituting for Councillor Fallon-Khan.
- 56.3 Councillor Pidgeon declared that he was substituting for Councillor Theobald.

**56b Declarations of Interests**

- 56.4 Councillor Simpson declared a personal but not prejudicial interest in item 65: Comprehensive Area Assessment and item 70: Targeted Budget Management (TBM) Month 9 for the reason that she was a Board Member for the Local Delivery Vehicle: Brighton and Hove Seaside Delivery Homes.

**56c Exclusion of the Press and Public**

- 56.5 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).
- 56.6 **RESOLVED** - That the press and public be excluded from the meeting during consideration of item 72, Non-Public Minutes of the Previous Meeting, item 73, Corporate Risk Management Action Plans Focus, and item 74, National Fraud Initiative 2008/2009 Outcomes 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).

**Note:** The Deputy Chairman, Councillor David Watkins, took the Chair for the entirety of the meeting.

**57. MINUTES OF THE PREVIOUS MEETING**

57.1 **RESOLVED** – That the minutes of the meeting of the previous meeting held on 15 December 2009 are approved and signed by the Chairman as a correct record.

**58. CHAIRMAN'S COMMUNICATIONS**

58.1 There were none.

**59. PETITIONS**

59.1 There were none.

**60. PUBLIC QUESTIONS**

60.1 There were none.

**61. DEPUTATIONS**

61.1 There were none.

**62. WRITTEN QUESTIONS FROM COUNCILLORS**

62.1 There were none.

**63. LETTERS FROM COUNCILLORS**

63.1 There were none.

**64. TREASURY MANAGEMENT POLICY STATEMENT**

64.1 The Committee considered a report from the Director of Finance & Resources regarding the Treasury Management Policy Statement.

64.2 Councillor Oxley noted the reference to a consultation document regarding housing finance and asked if there were any further updates of this. Councillor Simpson responded that an announcement was shortly to be made from the Housing Minister and that it was expected that the housing finance allocation system would be revised.

64.3 The Director of Finance & Resources, Ms Vaughan, noted it was too early to assume any financial implications, but welcomed this as a positive step and stated that a consultation document would be released shortly.

65.4 **RESOLVED** – That the Treasury Management Police Statement is noted.

**64 .1 ANNUAL INVESTMENT STRATEGY 2010-2011**

64a.1 The Committee considered a report from the Director of Finance & Resources regarding the Annual Investment Strategy 2010-2011.

64a.2 **RESOLVED** – That the Annual Investment Strategy 2010-2011 report is noted.

**65. COMPREHENSIVE AREA ASSESSMENT**

65.1 The Committee considered a report from the Director of Finance & Resources on the Comprehensive Area Assessment.

65.2 Ms Thompson, District Auditor for the Audit Commission, introduced the report and stated that the Audit Commission were required to see output reporting from the Council and the Comprehensive Area Assessment took into account work done on Use of Resources and Managing Performance. The Assessment was published on the One Place website in December.

65.3 Councillor Taylor noted concerns around sustainable transport provision in the report and felt there was a need to refresh the sustainable transport strategy. Councillor Oxley replied that the position of the administration had been clearly set out at the last Full Council meeting when this issue had been discussed. The Chairman stated that the Audit Committee was not the appropriate forum to discuss this issue further.

65.4 **RESOLVED** - That the Comprehensive Area Assessment report is noted.

**66. AUDIT COMMISSION: THE ROLE OF THE AUDIT COMMISSION**

66.1 The Committee considered a presentation from the Audit Commission regarding the Role of the Audit Commission.

66.2 Ms Thompson and Mr Mathers, Audit Manager for the Audit Commission, made the presentation and noted the emerging wider role of the Audit Commission, the new International Standards on Auditing, which were being more important for local authorities, the role of the Comprehensive Area Assessment and the roles of Audit and Governance Committees.

66.3 Councillor Smart noted that Brighton & Hove City Council Housing Service had received the only red flag and asked what was taken into consideration when issuing a red flag. Ms Thompson replied that all factors were taken into consideration, but ultimately confidence was needed in plans for improvement of a service, and the likely pace of change to that service.

66.4 Councillor Kitcat asked if it would be beneficial to merge both the Audit and Governance Committees, as this appeared to be normal practice for other authorities. Ms Thompson replied that it was not the place of the Audit Commission to comment on how an authority structured its governance arrangements, but she recognised that the Council's arrangement was fairly uncommon.

- 66.5 Councillor Kitcat felt that if the Audit and Governance Committees were combined it would give the committee more authority to deal more in-depth with complex issues. Ms Thompson replied that there was always an opportunity for committees to ask challenging questions and to examine officer's actions, however they were arranged. Ms Vaughan, Director of Finance and Resources added that there was a challenge in understanding the breadth of responsibility over the assurances the committee was required to give, but stated that Councillors needed to rely on officer advice to a certain extent. The over-arching responsibility of the Audit Committee was to shape and influence the internal audit plan and to give assurances on the state of the audit function within the Council.
- 66.6 Councillor Oxley responded that the issue of separate committees had been dealt with in the last constitutional review. He recognised there was some overlap between the committees, but the Governance Committee was concerned with more than just audit issues. He felt the system was working well and recognised some important achievements of the Audit Committee in terms of the Corporate Risk Register developments.
- 66.7 The Chairman agreed that the Governance Committee had a greater remit than the Audit Committee, but felt that the Audit Committee did not have a great enough scrutiny of reports, which concerned him. He recognised that the arrangements had been reviewed in two constitutional reviews however and felt the system was progressing well since set-up. He felt the Audit Committee needed more continuity in terms of membership and dedication of Members.
- 66.8 Councillor Smart stated that scrutiny was often performed by officers before a report was submitted to Committee and felt that officer's judgements needed to be trusted.
- 66.9 Ms Vaughan stated that it was important to distinguish between scrutiny and effectiveness of controls. Scrutiny was ultimately a political judgement and an assessment on progress of policy statements. Audit was a narrower scope, focussed on the need for assurance around the discharge of functions. She believed the Committee was an extremely useful tool to ensure her responsibilities to the Council were carried out effectively, and she believed the Audit Committee was currently working very well.
- 66.10 **RESOLVED** - That the Role of the Audit Commission oral report is noted.

## **67. AUDIT COMMISSION: AUDIT PROGRESS REPORT 2009/2010**

- 67.1 The Committee considered a report from the Audit Commission on the Audit Commission Progress Report.
- 67.2 Ms Thompson asked if the Committee would like this to become a standing item for each meeting and the Chairman agreed.
- 67.3 **RESOLVED** – That the Audit Progress Report 2009/2010 is noted.

**68. AUDIT COMMISSION: CERTIFICATION OF CLAIMS AND RETURNS - ANNUAL REPORT**

- 68.1 The Committee considered a report from the Audit Commission regarding the Certification of Claims and Returns - Annual Report.
- 68.2 Mr Mathers stated that this report was a new requirement and that the fee for grant claims is billed outside of the main audit fee, with the amount of time charged depending on the amount of work involved. It had been discharged quickly for the Council as there was a good control environment at Brighton & Hove.
- 68.3 Ms Vaughan stressed the importance of good systems in this area which was responsible for £250 million in Council expenditure.
- 68.4 **RESOLVED** – That the Certification of Claims and Returns – Annual Report is noted.

**69. AUDIT COMMISSION: FEE LETTERS 2010/2011**

- 69.1 The Committee considered a report from the Audit Commission regarding the Fee Letters 2010/2011.
- 69.2 Ms Thompson introduced the report and stated that there were two elements to the audit fee: the audit fee and the Comprehensive Area Assessment fee. There had been a year on year increase and was increased had last year increased by just under the amount set by the Audit Commission. New audit standards had necessitated this increase, but the Audit Commission had announced a refund of part of the fee which would be decided on in June. There were good arrangements at Brighton & Hove City Council, and so it was felt that the standard fee could be reduced slightly. A consultation process would take place around the Use of Resources regime for 2010/11 would take place. This document proposed a best estimate for the work needed for 2010/11, but if this was changed it would come back to the Audit Committee for information. She noted that the financial statements of the Council would look very different in a year's time under the new International Financial Reporting Standards (IFRS) requirements.
- 69.3 Councillor Alford asked for more information around the schedule of rebates and Ms Thompson replied that the scale fee was calculated in a certain way and for Brighton & Hove City Council this year it was calculated as the fixed element, the extra auditing work which was negotiated with the Council and a south east premium charge. There was also an inflationary element taken into account each year, and an increase due to the extra work around the new IFRS requirements. This was felt to be an unfairly large fee increase for Brighton and Hove City Council however, and so a rebate would be given for a proportion of the fee.
- 69.4 Ms Vaughan added that the increase for Brighton & Hove City Council was set below the normal scale fee. There was scope for investigating the quality of work under Use of Resources fee as the Council needed to ensure it received high quality work from the Audit Commission and better clarity around the work they performed.

- 69.5 The Chairman asked if there was anything else the Council could do to reduce the fee. Ms Thompson relied that the Audit Commission regime determined what type of work needed to be conducted for a Council the size and type of Brighton & Hove. If this varied by 5% or more, the Auditors for this region would be challenged on this. The variance for Brighton & Hove would be 5.8% for this year, but the Auditors believed they had very good reasons for proposing this.
- 69.6 Councillor Oxley asked if Members had seen the letter written to the Chief Executive regarding the rebate and Ms Thompson replied that the letter could be distributed to the Committee.
- 69.7 Councillor Kitcat stated that the Once Place website was a very positive improvement for value for money, but felt that the work of the Audit Commission needed to be submitted in a more timely manner.
- 69.8 Councillor Smart asked if the Audit Commission were only consultants regarding issues such as the Local Delivery Vehicle and Ms Thompson replied that the Audit Commission provided a watching brief and would comment on the entire process and supporting Officers by offering a "friendly challenge".
- 69.9 **RESOLVED** - That the Fee Letters 2010/2011 are noted.

#### **70. TARGETED BUDGET MANAGEMENT (TBM) MONTH 9**

- 70.1 The Committee considered a report from the Director of Finance & Resources regarding the Targeted Budget Management: Month 9.
- 70.2 **RESOLVED** - That the Targeted Budget Management: Month 9 report is noted.

#### **71. RISK AND OPPORTUNITY MANAGEMENT (ROM): UPDATE**

- 71.1 The Committee considered a report from the Director of Finance & Resources regarding the Corporate Risk and Opportunity Management Update.
- 71.2 The Risk and Opportunity Manager stated that this item stemmed from the December 2009 Audit Committee meeting and that the six monthly Corporate Register Review was now underway. The Corporate Risk Register was now much clearer on roles, responsibilities and timescales regarding issues.
- 71.3 **RESOLVED** - That the Risk and Opportunity Management Update is noted.

#### **72. NON-PUBLIC MINUTES OF THE PREVIOUS MEETING - EXEMPT PARAGRAPH 3**

- 72.1 **RESOLVED** – That the non-public minutes of the meeting held on 15 December 2009 are approved and signed by the Chairman as a correct record.

#### **73. CORPORATE RISK MANAGEMENT ACTION PLAN FOCUS - EXEMPT PARAGRAPH 3**

73.1 The Committee considered an oral report from the Risk and Opportunity Manager and the Schools Futures Project Director regarding the Corporate Risk Management Action Plan Focus.

73.2 **RESOLVED** – That the Corporate Risk Management Action Plan Focus oral report and Corporate Risk Management Action Plan for CR3 is noted.

**74. NATIONAL FRAUD INITIATIVE 2008/2009 OUTCOMES - EXEMPT PARAGRAPH 3**

74.1 The Committee considered a report from the Director of Finance & Resources regarding the National Fraud Initiative.

74.2 **RESOLVED** – That the Audit Committee noted the current status and outcomes so far for the Council from the National Fraud Initiative 2008-09 as contained in Appendix 1.

**After the meeting it was decided that a sanitised version of the outcomes should be released. The subsequent report will be available at the next meeting on 18 May 2010.**

**75. PART TWO ITEMS**

75.1 **RESOLVED** – That the items and decisions listed as exempt categories above should remain exempt from disclosure to the press and public.

The meeting concluded at 6.50pm

Signed

Chair

Dated this

day of

