

**BRIGHTON & HOVE CITY COUNCIL**

**AUDIT & STANDARDS COMMITTEE**

**4.00pm 24 JUNE 2014**

**COUNCIL CHAMBER, HOVE TOWN HALL**

**MINUTES**

**Present:** Councillors Hamilton (Chair), Littman (Opposition Spokesperson), Janio, Lepper, Smith, Summers, Phillips and Simson

**Independent Persons & Co-opted Members:** Dr David Horne and Dr Lel Meleyal

**PART ONE**

**1. PROCEDURAL BUSINESS**

**1.a Declarations of substitutes**

1.1 Councillor Simson declared she was substituting for Councillor A Norman

**1.b Declarations of interests**

1.2 There were none

**1.c Exclusion of the press and public**

1.3 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.

1.4 **RESOLVED** - That the public are not excluded from the meeting.

**2. MINUTES**

2.1 **RESOLVED** – That the Chair be authorised to sign the minutes of the meeting held on 25 March 2014 as a correct record.

**3. CHAIR'S COMMUNICATIONS**

- 3.1 The Chair welcomed the new members of the Committee, Councillors Janio, Littman and Phillips to the meeting.

**4. PUBLIC INVOLVEMENT**

- 4.1 There were no Petitions, Written Questions or Deputations

**5. MEMBER INVOLVEMENT**

- 5.1 There were no Petitions, Written Questions, Letters or Notices of Motion

**6. AUDIT AND STANDARDS COMMITTEE ANNUAL REPORT**

- 6.1 The Committee considered the report of the Executive Director of Finance and Resources, which was presented by the Acting Head of Internal Audit. The report provided a summary of the Audit & Standards Committee's work, performance and achievements during 2013/14.

- 6.2 Dr Horne thanked officers for the report. He referred to paragraph 30 of the report and asked if the review of the Code of Conduct and forthcoming training for members of the Committee could be added. Officers agreed.

- 6.3 Councillor Simson referred to paragraph 21, and requested that consideration be given to providing additional resources for fraud prevention. The Executive Director of Finance and Resources said that the amount of resources available to address fraud were within the internal audit plan. However some of the work of the Corporate Fraud Team was being transferred to the Department for Works and Pension (DWP), and therefore the funding would need to be reviewed.

**6.4 RESOLVED:**

- (1) That the Committee had considered the report
- (2) That the finalised report be referred to Full Council for Information.

**7. AUDIT & STANDARDS COMMITTEE WORK PROGRAMME 2014/15**

- 7.1 The Committee considered the report of the Executive Director of Finance and Resources, which was presented by the Acting Head of Internal Audit. The report presented the proposed Audit & Standards Committee work programme for 2014/15 consideration.

- 7.2 The Head of Law suggested that the review of the Code of Conduct be added to the list of items for the meeting due to be held on 18 November 2014.

**7.3 RESOLVED:**

- (1) That the Committee noted the proposed work programme for 2014/15 as set out in Appendix 1 to the report.

(2) That the Committee noted that the acting Head of Internal Audit would update the work programme as new items and changes were identified.

## 8. COMPLAINTS UPDATE – MEMBERS AND CORPORATE (JUNE 2014)

8.1 The Committee considered the report of the Monitoring Officer, which was presented by the Standards and Complaints Manager. The report provided an update on allegations about Member conduct since March 2014, a breakdown of complaints received and any service improvement which had arisen following customer feedback, and commented on the processes being introduced to share customer feedback across the organisation. The Monitoring Officer said that the Localism Act 2011 had put a mandatory responsibility on Local Authorities to investigate complaints, and the majority of complaints were resolved informally.

8.2 Councillor Simson asked if there was a situation where a complaint was made by a member of the public against a councillor and it was unclear who was at fault, that there was an expectation that the councillor should have a higher standard of conduct. Officers said there was.

8.3 Councillor Janio asked what triggered contact from a resident being logged as a formal complaint. Officers said the decision was with the person who raised the complaint, but generally if the complainant wanted a resolution to an issue it would be listed as a complaint.

8.4 **RESOLVED:** That the Committee note the report.

## 9. STANDARDS PANEL TRAINING

9.1 The Committee considered the report of the Monitoring Officer, which was presented by a Senior Lawyer. The report informed the Committee about proposed training to enable members of the Committee to serve on Standards Panels, and to seek the Committee's approval to establish a cross-party working group to review the Council's Code of Conduct for Members.

9.2 The Chair suggested that the working group comprise of one member from each political group plus the two independent persons.

9.1 Councillor Simson asked what the legal position was of having a substitute member on the Committee and/or a Standards Panel. Officers advised that any Member could sit as a substitute on the Committee, but only substantive members of Audit & Standards Committee who had undergone the necessary training were permitted to sit on a Standards Panel. Any proposal to widen the pool of members qualified to sit on a Standards Panel, following suitable training, would require consideration and approval by Audit & Standards Committee at a future meeting.

9.3 **RESOLVED:**

(1) That the Committee noted the Standards Panel training scheduled for July 2014.

(2) That the Committee grant delegated authority to the Monitoring Officer to establish a cross-party member working group to review the Council's Code of Conduct

for Members and to submit recommendations to a subsequent meeting of the Committee.

#### **10. GOVERNANCE OF VALUE FOR MONEY PHASE 4**

- 10.1 The Committee considered the report of the Head of Law, which provided a copy of a report on Governance of Value for Money Phase 4, which had been to the Policy & Resources Committee and was being provided for information. The item was introduced by the Executive Director Finance & Resources.
- 10.2 Councillor Simson noted that the report suggested that £2-4m be invested in IT to produce savings through improved service provision, but proposed that that figure should be increased to £3-9m.
- 10.3 Councillor Janio asked what the incentive was for staff to make savings. Officers said that it could be demoralising for departments if their budget was reduced, but staff understood the need to make savings across the organisation and it was important for the Authority to discuss the budget for the whole of the Council.
- 10.4 **RESOLVED:** That the report be noted.

#### **11. TARGETED BUDGET MANAGEMENT (TBM) PROVISIONAL OUT-TURN 2013/14**

- 11.1 The Committee considered the report of the Head of Law, which provided a copy of a report on Targeted Budget Management (TBM) Provisional Out-turn 2013/14, which had been to the Policy & Resources Committee and was provided for information. The item was introduced by the Executive Director Finance & Resources.
- 11.2 Councillor Summers asked whether the Adult Social Care budget was now under the control of the Health and Wellbeing Board. Officers advised that Full Council decided on how the Adult Social Care budget was spent. The Health and Wellbeing Board looked to see how the Council worked with other local health providers
- 11.3 **RESOLVED:** That the report be noted.

#### **12. HUMAN RESOURCES AND ORGANISATIONAL DEVELOPMENT ANNUAL REPORT**

- 12.1 The Committee considered the report of the Executive Director of Finance and Resources, which was presented by the Head of Human Resources and Organisational Development (HROD). The report highlighted the contribution the HROD service had made in supporting the organisation over the last 12 months and set out the focus of the service's activity in supporting the Council in delivering the Corporate Plan.
- 12.2 Councillor Janio noted that it appeared that the number of staff had increased by 1500 in the last few years and asked if that was correct. Officers said that the report noted headcount not full time equivalent staff. The figure provided in the report was the overall number of individuals working for the organisation and those staff working on a part time basis would increase headcount. Councillor Janio asked if the number of full time employees could be provided. Officers agreed.

- 12.3 Councillor Simson thanked officers for the report and asked if a regular report could be provided to the Committee. The Chair agreed.
- 12.4 Councillor Littman referred to the Staff Survey and asked if the responses regarding equalities had been broken down. Officers advised that they would be.
- 12.5 Dr Horne noted that there was no reference in the report to staff savings. Officers advised that Human Resources and Organisational Development were ensuring that savings were being implemented; staffing numbers had been reduced and some work was being carried jointly with other local authorities to produce savings.
- 12.6 **RESOLVED:**
- (1) That the Committee noted the report
  - (2) That the Committee agreed that key performance updates from HROD would be welcome on a regular basis.

### **13. REVIEW OF THE EFFECTIVENESS OF THE SYSTEM OF INTERNAL AUDIT**

- 13.1 The Committee considered the report of the Executive Director of Finance and Resources, which was presented by the Acting Head of Internal Audit. The report detailed the results of a self assessment of the system of Internal Audit against the UK Public Sector Internal Audit Standards.
- 13.2 Dr Horne noted that the report stated that the service had been self assessed as being 99% compliant but a later report stated that the only 82% of services had been delivered, and asked for clarification on the discrepancy. The Acting Head of Internal Audit advised that the self assessment looked at compliance with the provision of the service rather than the quality of the service. For example the self assessment could ask whether the Authority had a plan for a particular service and whether that plan had been audited, but didn't ask whether that service had been completed/provided.
- 13.3 **RESOLVED:**
- (1) That the Committee considered the findings of the review of the effectiveness of Internal Audit
  - (2) That the Committee noted the conclusion of the review that the system of internal audit for the Council continued to be effective and operated in accordance with proper professional practice, and that the council could place reliance on the system of internal audit for the purpose of its Annual Governance Statement.

### **14. INTERNAL AUDIT ANNUAL REPORT AND OPINION**

- 14.1 The Committee considered the report of the Executive Director of Finance and Resources, which was presented by the Acting Head of Internal Audit. The report presented the Internal Audit Report and Opinion for 2013/14, and summarised the work of the Internal Audit Team for the financial year 2013/14 as well as the work of the Corporate Fraud Team. The report incorporated the Acting Head of Internal Audit's opinion on the system of internal control.

- 14.2 The Chair asked whether staffing issues had impacted on the work of the Internal Audit Team. Officers advised it had; the previous Head of Audit & Business Risk was absent for part of the year, and there had been a number of staff away from the office due to long-term sickness.
- 14.3 Councillor Simson noted that despite the absence of key members of staff that a huge amount of work had been undertaken. She suggested that the message to the city that the Council would not accept fraud was important as any sum recovered.
- 14.4 Dr Horne asked whether the changes to the funding for the Corporate Fraud Team were identified on the Financial Risk Register. Officers advised they were. Although most of the existing Corporate Fraud Team were likely to transfer to the Department of Work and Pensions (DWP), some funding would remain and the DWP would not remove any funding during this financial year. Dr Horne asked if the Committee could be kept up to date on any changes. Officers advised that a further report would be brought to the Committee later in the year.
- 14.5 **RESOLVED:** That the Committee note the report.

## 15. ANNUAL GOVERNANCE STATEMENT 2013/14

- 15.1 The Committee considered the report of the Executive Director of Finance and Resources and the Monitoring Officer, which was presented by the Executive Director of Finance and Resources. The report presented the Annual Governance Statement for 2013/14.
- 15.2 The Monitoring Officer said that a report providing an update on Corporate Governance would be brought to the Committee later in the year. One of the issues to be reviewed was the webcast of certain meetings. The Chair noted that the report listed the meetings which would be webcast and asked if that should be removed and was advised that it should.
- 15.3 Councillor Summers referred to paragraph 51 of The Statement and asked why those two principles had been selected and was advised that they underpinned the Authority's strategy.
- 15.4 **RESOLVED:** That the Committee approve the Annual Governance Statement subject to the amendment referred to above in paragraph 15.2

## 16. EY - 2014/15 AUDIT FEE LETTER

- 16.1 The Committee considered the report of the external auditors. The report was presented by Simon Mathers of EY.
- 16.2 The Committee were advised that his colleague Helen Thompson had been involved with the audit for Brighton & Hove City Council for seven years, and so would be replaced later in the year by Mr P King.
- 16.3 **RESOLVED:** That the Committee noted the 2014/15 Audit Fee Letter.

**17. EY - AUDIT PROGRESS REPORT AND SECTOR UPDATE**

17.1 The Committee considered the report of the external auditors. The report was presented by Simon Mathers of EY.

17.2 **RESOLVED:** The Committee noted the report.

**18. STRATEGIC RISK REGISTER REVIEW 2014 -15 & RISK MANAGEMENT ACTION PLANS – UPDATED MAY 2014**

18.1 The Committee considered the report of the Executive Director of Finance and Resources, which was presented by the Risk Manager. The report provided the Strategic Risk Register Review 2014/15 and details of the actions taken and the planned actions to manage each strategic risk.

**18.2 RESOLVED:**

(1) That the Committee noted the revised Strategic Risk Register

(2) That the Committee noted the Risk Management Action Plans contained in the Strategic Risk Assessment Report May 2014.

**19. STRATEGIC RISK MANAGEMENT ACTION PLAN FOCUS: SR2 FINANCIAL OUTLOOK; AND SR18 EFFECTIVE USE OF TECHNOLOGY**

19.1 The Committee considered the report of the Executive Director of Finance and Resources, in relation to the Strategic Risk Management Action Plans (MAPs) for the Strategic Risk 2 Financial Outlook; and Strategic Risk 18 Effective Use of Technology. The Committee had a role to monitor the effectiveness of risk management and internal control by oversight of the Strategic Risk Register and a Risk Management Action Plan (MAP) for each risk which was owned by a member of the Executive Leadership Team. The Committee had agreed to focus on two strategic risks at each meeting so that over the course of a year all the strategic risk MAPs received attention.

19.2 Dr Horne said that ensuring the future of service provision was a key part of the risk management strategy and asked what the Committee could do to make certain the services were delivered adequately. The Executive Director of Finance & Resources advised that the Committee should monitor the quality of the service provided. The scale of the challenges ahead were not yet fully understood. The Authority would look at which services needed to be provided and ensure that there was a sustainable budget to provide them. Dr Horne asked if a further report could be brought to the Committee in November. The Chair said the Authority would not know until December what the level of Council Tax would be. Central Government could allow Council Tax levels to rise above the 2% threshold, but that would not be known until later in the year. Executive Director of Finance & Resources said that the Institute of Fiscal Studies believed that even if there were a change in central Government next year there would not be any change to local government funding and so savings level requirements would be likely to continue.

19.3 Councillor Janio noted that the Corporate Accounts showed 250 members of staff were paid over £50k pa, and suggested that whilst salaries were so high, the Government

would continue to cut the Authority's budget. The Executive Director of Finance & Resources responded and said that for certain skill sets, such as ICT provision, the Authority currently paid well below the market rate.

- 19.4 With regard to the Effective Use of Technology the Executive Director of Finance and Resources introduced the Chief Technology Officer and continued to state that additional funding had been identified to bring the Council's ICT up to standard, and there had been a substantial investment this year. There were demands from all areas of the Authority for better and more efficient use of technology.
- 19.5 Councillor Summers said that the public asked why so much was invested in ICT. The Chief Technology Officer said the Authority was always looking to improve efficiency, for example enabling members of staff to access the Council's database remotely would allow those who worked predominantly away from the office to spend more time on their role and less time travelling to and from the office and simple things such as ensuring computers ran quickly would save a large amount of lost time.
- 19.6 Councillor Summers asked whether looking at efficiency was a means to mitigate the cuts or whether the Authority was always looking to improve efficiency. Officers said that the Authority was always looking at ways in which customer service and efficiency could be improved.
- 19.7 Councillor Simson said that efficiency was the key word. ICT had not kept up with technology and the Authority should be looking long term on how to embrace changes which in turn would provide a better service and improved efficiency. It would need a big investment, but there was a demand from the public to deal with issues electronically.
- 19.8 Councillor Janio asked that officers look at improving ICT service by service and not to take the approach which had been taken by some organisations, that one solution would suit all. The Chief Technology Officer assured Councillor Janio that that would not be the case.
- 19.9 The Chair referred to Citrix, which was software used by many officers and Members to access the Council's system remotely, and said that it was not reliable. Officers accepted that and said that Citrix had been used for a number of years and was now coming to the end of its life. Further investment in this type of software was needed. People's expectations had changed and as well as the reliance on and access levels expected from this type of software, ICT support was now needed out of traditional office hours
- 19.10 **RESOLVED:** That the report be noted.

## 20. STATEMENT OF ACCOUNTS 2013/14

20.1 The Committee considered the report of the Executive Director of Finance and Resources.

20.2 **RESOLVED:** That the report be noted.

**21. ITEMS REFERRED FOR COUNCIL**

21.1 There were no items referred to Council.

The meeting concluded at 7.00pm

Signed

Chair

Dated this

day of