



**Brighton & Hove
City Council**

AUDIT & STANDARDS COMMITTEE ADDENDUM

4.00PM, TUESDAY, 26 JUNE 2012

COUNCIL CHAMBER, HOVE TOWN HALL

ADDENDUM

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AUDIT AND STANDARDS COMMITTEE

Agenda Item 10

Brighton & Hove City Council

Subject:	Standards Update	
Date of Meeting:	26 th June 2012	
Report of:	Monitoring Officer	
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Ward(s) affected:	All	

FOR GENERAL RELEASE

The special circumstances for non-compliance with Council Procedure Rule 3, Access to Information Procedure Rule 5 and Section 100B(4) of the Local Government Act 1972 (items not considered unless the agenda is open to inspection at least five days in advance of the meeting) was the short timescale since conclusion of negotiations and receipt of proposals to allow Officers to undertake additional consultation.

1. SUMMARY AND POLICY CONTEXT:

- 1.1 The Localism Act 2011 makes fundamental changes to the regulation of standards of conduct for elected Members. The date for these changes to come into force is 1st July 2012. Regulations in relation to the commencement of the new arrangements and the registration of interests for Members and co-opted Members were not made until 8th June 2012, presenting local authorities with a difficult timetable for implementation.
- 1.2 This report updates the Audit and Standards Committee on the requirements of the new regime and the work of the Cross Party Working Group on Standards. The report proposes a new code of conduct for Members and a new complaints procedure, based on the requirements of the Localism Act and the new Regulations.

2. Recommendations

That the Audit and Standards Committee:-

- 2.1 Recommends to Council the adoption of the new Code of Conduct for Members as set out at **Appendix One**;
- 2.2 Recommends to Council the adoption of a simplified Complaints Procedure as set out at **Appendix Three**;

- 2.3 Instructs the Monitoring Officer to advertise a vacancy for the appointment of two Independent Persons in accordance with statutory requirements and to convene an appointment Panel of Members in accordance with the proposals in paragraphs 3.20 and 3.21 of the report;
- 2.4 Instructs the Monitoring Officer to put in place arrangements for training for Members on the new Code and arrangements for the register of Members' interests;
- 2.5 Instructs the Monitoring Officer to consult with the Parish Council and to report to the next meeting of the Audit and Standards Committee with details of the Code of Conduct to be adopted by the Parish Council and the arrangements for the register of Parish Council interests.

3. Background

3.1 Audit and Standards Committee

3.2 The Localism Act 2011 (the Act) repeals the statutory requirement for Councils to have a Standards Committee. Current co-opted Independent Members will cease to hold office from 1st July 2012 and a new category of Independent Persons, who are to be consulted at various stages, must be appointed.

3.3 The Council remains under a duty to promote and maintain high standards of conduct for its elected and co-opted Members. The Council must also adopt a system to investigate and assess standards issues. For this reason, the Council has agreed to operate an Audit and Standards Committee which, whilst not a statutory requirement, will enable the Council to fully meet its responsibilities in relation to standards matters.

3.4 The new arrangements for the standards regime are due to take effect from 1st July 2012. The interim arrangements in Brighton & Hove (applicable to the first meeting of the Audit and Standards Committee on 26th June 2012) were approved by Council on 26th April 2012 and are set out below for ease of reference:-

a) the merger of the Audit and Standards Committee takes effect immediately following Annual Council on 17th May 2012;

b) the Committee, as an interim measure, adopts a two part agenda starting with standards followed by audit;

c) the Independent Member chairs the Committee when sitting as a Standards Committee and a Councillor chairs the meeting when the Committee acts as an Audit Committee;

d) the existing Independent Members (3) and Parish Council representatives (2) continue as members of the committee with voting rights on standards matters;

e) the above arrangements cease to operate once the provision of the Localism Act relating to standards come into force;

f) Once the new regime is in force, the Audit and Standards Committee is authorised to adopt such arrangements (including chairing) as are consistent with the requirements of the law and having regard to the advice of the Monitoring Officer and the Director of Finance.

3.5 Code of Conduct

3.6 The current ten General Principles and Model Code of Conduct are repealed under the Act and the Council is required to adopt a new Code of Conduct governing elected Members and co-opted Members when acting in that capacity. The Council's new Code of Conduct must, when viewed as a whole, be consistent with the following seven principles:-

- Selflessness
- Integrity
- Objectivity
- Accountability
- Openness
- Honesty
- Leadership

3.7 The Council has a wide discretion as to what it includes within its new Code of Conduct, provided that it is consistent with the above principles and meets the statutory requirements regarding disclosable pecuniary interests.

3.8 A Cross Party Working Group was set up to consider the best approach for the Councillor Code of Conduct in Brighton & Hove. The Working Group met on three occasions, most recently on 12th June 2012, to consider the range of model Codes being promoted by different organisations and the new interest provisions.

The model Codes considered were:-

- The LGA draft Code of Conduct;
- The CLG draft Code of Conduct;
- The East Sussex Authorities draft Code of Conduct.

3.9 The Working Group did not consider that the draft LGA and CLG Codes (included at **Appendix Two** for information) provided adequate guidance for Members or for officers in applying the Code. The model worked up by the East Sussex Authorities was considered by the Working Group to be more helpful, providing clear guidance to Members regarding their obligations, rather than statements of general principle.

3.10 A draft Code of Conduct for Brighton & Hove, incorporating the views and comments of the Cross Party Working Group, is attached at **Appendix One**. The key change from the current Code that all Members will need to be aware of relates to the disclosure of interests in Part 2 of the Code. The concepts of personal and prejudicial interests are replaced with 'Disclosable Pecuniary Interests' (DPIs) and 'Other Disclosable Interests'. DPI's are defined in the Disclosable Pecuniary Interests Regulations 2012 and a Member's failure to comply with the requirements is a criminal offence. A DPI must be registered or declared at the meeting and a Member may not participate in any discussion on that matter at a meeting. In order to ensure that there are no allegations of bias or undue influence, the draft Code also proposes that the Council's Standing Orders require a Member with a DPI to leave the room for that item. The categories of DPI that are included in the draft Brighton & Hove Code (at Part 2

Section 8) are taken directly from the new Regulations to ensure clarity for Members in relation to their legal obligations.

- 3.11 In addition to DPI's, the draft Code for Brighton & Hove includes a category of 'Other Disclosable Interests'. These are interests that are not Disclosable Pecuniary Interests as defined in the new Regulations and do not therefore carry criminal sanctions. This category broadly picks up what was covered by the old category of personal interests, but with a narrower scope to be consistent with the new approach to the Code. Other disclosable interests must be disclosed at the meeting but there is no requirement not to participate or to leave the meeting.
- 3.12 Throughout the new disclosure of interests provisions, the definition of a 'relevant person' is much narrower than in the previous Code and applies only to a spouse or civil partner or someone a Member is living with as if they are a spouse or civil partner. (The previous provisions applied to any family member or 'close associate' and their employers).
- 3.13 Audit and Standards Committee is asked to note the work of the cross party Working Group and to recommend the draft Code at **Appendix One** to full Council for approval at its 19th July 2012 meeting.

3.14 Dealing with misconduct complaints

- 3.15 The Act requires the Council to adopt arrangements for dealing with complaints about a breach of the Code of Conduct by both Council and Parish Council Members. The arrangements must set out the process for dealing with complaints of misconduct and the actions which may be taken against a Member who is found to have failed to comply with the Code of Conduct.
- 3.16 The Council currently has very detailed procedures for assessing complaints and, under the new regime, it will be possible to simplify and shorten them. There will no longer be a requirement for separate Referrals, Review and Hearings Sub-Committees. A key new flexibility is the option of delegating to the Monitoring Officer, in consultation with the Independent Member, the initial consideration as to whether a complaint requires investigation.
- 3.17 Officers have considered the current cumbersome investigation and assessment process and have produced a streamlined process, with general principles, as set out at **Appendix Three**. This reflects the limited sanctions that are now available to Standards Committees in relation to breaches of the Code.
- 3.18 Where a failure is found, the range of actions the authority can take is limited and must be directed at securing the continuing ability of the authority to discharge its functions effectively. In practice, this can include the following:-
- Reporting the findings to Council for information;
 - Recommending to Group Leaders removal from Committees/Sub-Committees;
 - Formal letter to the Councillor found to have breached the Code;
 - Press release/other publicity.

3.19 A failure to register or declare, without reasonable excuse, Disclosable Pecuniary Interests is a criminal offence under the Act and a matter for police investigation rather than for the Council's Complaints Procedure. The Magistrates Court is empowered, on conviction to impose a maximum level 5 fine (currently £5,000) and an order disqualifying the person from being a Member of the relevant authority for up to five years.

3.20 The proposed complaints process was considered by the Cross Party Working Group on 12th June. The Working Group agreed the proposals, subject to the addition of an appeal process in cases of a finding of a breach. The appeal would be a review of the process followed rather than a re-hearing. Audit and Standards Committee is asked to recommend the Complaints Procedure and General Principles at **Appendix Three** to full Council for approval at its 19th July 2012 meeting.

3.21 Independent Person

3.22 The arrangements adopted by the Council must include provision for the appointment of at least one Independent Person. The Independent Person(s) must be appointed through a process of public advertisement, application and appointment by a positive vote of a majority of all Members of the Council. The Act excludes existing Independent Members from becoming an Independent Person and therefore the Council will be required to advertise and appoint to the new posts. The Independent Person can be a co-optee on the Audit and Standards Committee but cannot vote.

3.23 It is recommended that the Monitoring Officer be instructed to advertise a vacancy for two new positions of Independent Person and that a Panel comprising the Chair of the Audit and Standards Committee and three other elected Members of the Committee be set up to shortlist and interview candidates, and to make a recommendation to Council for appointment. In view of the scope and focus of the new Audit and Standards Committee it is proposed that applicants are sought who will have an interest and ability to develop expertise in both Audit and Standards matters.

3.24 Parish Councils

3.25 Under the Act, Parish Councils are required to adopt their own Code of Conduct relating to their Members and co-opted Members. The Parish Council has the option of adopting the same Code of Conduct as its principal authority or its own Code. NALC (the National Association of Local Councils) has produced its own draft Code for local councils to consider.

3.26 If a complaint is made about an alleged breach of the Code by a Member or co-opted Member of the Parish Council, it is the responsibility of the principal authority to investigate and determine the complaint. Where a breach is determined to have occurred it is for the Parish Council to decide whether to take action and what action to take. A register of interests must also be maintained by the Monitoring Officer in relation to Parish Council Members and co-opted Members and must be available on the Council's website.

- 3.27 In view of the ongoing involvement of the Council in investigating and determining Parish Council complaints and in maintaining the register of interests for the Parish Council, it is proposed that the Monitoring Officer work with the Chair of the Parish Council to establish which Code they will be adopting and to make arrangements for the register of Parish Council interests and to report those arrangements to the next meeting of the Audit and Standards Committee.

4. COMMUNITY ENGAGEMENT AND CONSULTATION

- 4.1 The Cross Party Working Group on Standards has been consulted on this report, including both elected and Independent Members.

5. FINANCIAL & OTHER IMPLICATIONS:

Financial Implications:

- 5.1 The costs associated with the advertising for independent members and associated expenses can be met within the allocated budget

Finance Officer Consulted: Anne Silley

Date: 31/05/12

Legal Implications:

- 5.2 These are set out in the body of the report

Lawyer Consulted: Elizabeth Culbert

Date: 19/06/12

Equalities Implications:

- 5.3 None

Sustainability Implications:

- 5.4 None

Crime & Disorder Implications:

- 5.5 None

Risk and Opportunity Management Implications:

- 5.6 The delay by Government in producing the Regulations to enable the Council to adopt a Code of Conduct which incorporates the necessary arrangements for disclosure of interests means that the Council has been unable to adopt a new Code by 1st July 2012. However, full Council will meet on 10th July 2012 to consider the approval of the new Code and Complaints procedure. In the time available, it has not been possible to arrange a Special Council Meeting prior to the 19th July meeting.

Public Health Implications:

- 5.7 None

Corporate / Citywide Implications:

- 5.8 None

SUPPORTING DOCUMENTATION

Appendices:

1. Draft Code of Conduct Brighton & Hove Council
2. Model Codes of Conduct from LGA and CLG
3. Draft Complaints Procedure Brighton & Hove Council

Documents in Members' Rooms

1. None

Background Documents

1. None

BRIGHTON & HOVE COUNCIL DRAFT MEMBER CODE OF CONDUCT

Code of Conduct for Members

On their election or co-option to Brighton & Hove City Council, members are required to sign an undertaking to comply with the authority’s Code of Conduct.

Part 1 – General provisions

Introduction and interpretation

1. (1) This Code applies to **you** as a member of the authority, when acting in that capacity.

(2) This Code is based upon seven principles fundamental to public service - set out below. You should have regard to these principles as they will help you to comply with the Code.

Principles fundamental to Public Service
<p>Selflessness 1. Members should serve only the public interest and should never improperly confer an advantage or disadvantage on any person.</p>
<p>Integrity 2. Members should not place themselves in situations where integrity may be questioned, should not behave improperly and should on all occasions avoid the appearance of such behaviour. Members should show integrity by consistently treating other people with respect, regardless of their race, age, religion, gender, sexual orientation, disability or position, for example as an officer or employee of the authority.</p>
<p>Objectivity 3. Members should make decisions in accordance with the law and on merit, including when making appointments, awarding contracts, or recommending individuals for rewards or benefits.</p>
<p>Accountability 4. Members should be accountable to the public for their actions and the manner in which they carry out their responsibilities, and should co-operate fully and honestly with any scrutiny appropriate to their particular office.</p>
<p>Openness 5. Members should be as open as possible about their actions and those of their authority, and should be prepared to give reasons for those actions.</p>
<p>Honesty 6. Members should declare any private interests relating to their public duties and take steps to resolve any conflicts arising in a way that protects the public interest.</p>
<p>Leadership 7. Members should promote and support these principles by leadership, and by example, and should act in a way that secures or preserves public confidence.</p>

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(3) If you need guidance on any matter under this Code you should seek it from the authority's monitoring officer or your own legal adviser – but it is entirely your responsibility to comply with the provisions of this Code.

(4) It is a criminal offence to fail to notify the authority's monitoring officer of a disclosable pecuniary interest, to take part in discussions or votes at meetings, or to take a decision where you have disclosable pecuniary interest, without reasonable excuse. It is also an offence to knowingly or recklessly provide false or misleading information to the authority's monitoring officer.

(5) Any written allegation received by the authority that you have failed to comply with this Code will be dealt with by the authority under the arrangements which it has adopted for such purposes. If it is found that you have failed to comply with the Code, the authority has the right to have regard to this failure in deciding:-

- (a) whether to take action in relation to you; and
- (b) what action to take.

(6) In this Code—

'authority' means Brighton & Hove City Council

'Code' means this Code of Conduct

'co-opted member' means a person who is not a member of the authority but who:-

- (a) is a member of any committee or sub-committee of the authority; **or**
- (b) is a member of, and represents the authority on, any joint committee or joint sub-committee of the authority; **and**
- (c) who is entitled to vote on any question that falls to be decided at any meeting of that committee or sub-committee.

'meeting' means any meeting of -

- (a) the authority;
- (b) any of the authority's or its committees, sub-committees, joint committees, joint sub-committees, or area committees;

'member' includes a co-opted member.

'register of members' interests' means the authority's register of members' pecuniary and other interests established and maintained by the authority's monitoring officer under section 29 of the Localism Act 2011.

Scope

2. (1) Subject to sub-paragraph (2), you must comply with this Code whenever you act in your capacity as a member or co-opted member of the authority.

(2) Where you act as a representative of your authority—

- (a) on another relevant authority, you must, when acting for that other authority, comply with that other authority's code of conduct; or

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(b) on any other body, you must, when acting for that other body, comply with your authority's code of conduct, except and insofar as it conflicts with any other lawful obligations to which that other body may be subject.

General obligations

3. (1) You must treat others with respect.

(2) You must not—

(a) do anything which may cause your authority to breach any of its the equality duties (in particular as set out in the Equality Act 2010);

(b) bully any person;

(c) intimidate or attempt to intimidate any person who is or is likely to be—

(i) a complainant,

(ii) a witness, or

(iii) involved in the administration of any investigation or proceedings, in relation to an allegation that a member (including yourself) has failed to comply with his or her authority's code of conduct; or

(d) do anything which compromises or is likely to compromise the impartiality of those who work for, or on behalf of, your authority.

4. You must not—

(a) disclose information given to you in confidence by anyone, or information acquired by you which you believe, or ought reasonably to be aware, is of a confidential nature, except where—

(i) you have the consent of a person authorised to give it;

(ii) you are required by law to do so;

(iii) the disclosure is made to a third party for the purpose of obtaining professional advice provided that the third party agrees not to disclose the information to any other person; or

(iv) the disclosure is -

(aa) reasonable and in the public interest; and

(bb) made in good faith and in compliance with the reasonable requirements of the authority; or

(b) prevent another person from gaining access to information to which that person is entitled by law.

5. You must not conduct yourself in a manner which could reasonably be regarded as bringing your office or authority into disrepute.

6. You—

(a) must not use or attempt to use your position as a member improperly to confer on or secure for yourself or any other person, an advantage or disadvantage;

(b) must, when using or authorising the use by others of the resources of your authority—

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- (i) act in accordance with your authority's reasonable requirements;
- (ii) ensure that such resources are not used improperly for political purposes (including party political purposes); and
- (iii) champion the needs of all residents.

(c) must have regard to any applicable Local Authority Code of Publicity made under the Local Government Act 1986.

7. (1) When reaching decisions on any matter you must have regard to any relevant advice provided to you by—

- (a) your authority's chief finance officer; or
- (b) your authority's monitoring officer,

where that officer is acting pursuant to his or her statutory duties.

(2) You must give reasons for all decisions in accordance with any statutory requirements and any reasonable additional requirements imposed by your authority.

Part 2 – Interests

Disclosable pecuniary interests

8. Notification of disclosable pecuniary interests

(1) Within 28 days of becoming a member or co-opted member, you must notify the Monitoring Officer of any 'disclosable pecuniary interests'.

(2) A 'disclosable pecuniary interest' is an interest of yourself or your partner (which means spouse or civil partner, a person with whom you are living as husband or wife, or a person with whom you are living as if you are civil partners) within the following descriptions:

<i>Interest</i>	<i>description</i>
Employment, office, trade, profession or vacation	Any employment, office, trade, profession or vocation carried on for profit or gain.
Sponsorship	Any payment or provision of any other financial benefit (other than from the relevant authority) made or provided within the relevant period in respect of any expenses incurred by M in carrying out duties as a member, or towards the election expenses of M. This includes any payment or financial benefit from a trade union within the meaning of the Trade Union and Labour Relations

APPENDIX ONE

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(Consolidation) Act 1992.

Contracts	<p>Any contract which is made between the relevant person (or a body in which the relevant person has a beneficial interest) and the relevant authority—</p> <p>(a) under which goods or services are to be provided or works are to be executed; and</p> <p>(b) which has not been fully discharged.</p>
Land	<p>Any beneficial interest in land which is within the area of the relevant authority.</p>
Licences	<p>Any licence (alone or jointly with others) to occupy land in the area of the relevant authority for a month or longer.</p>
Corporate tenancies	<p>Any tenancy where (to M's knowledge)—</p> <p>(a) the landlord is the relevant authority; and</p> <p>(b) the tenant is a body in which the relevant person has a beneficial interest.</p>
Securities	<p>Any beneficial interest in securities of a body where—</p> <p>(a) that body (to M's knowledge) has a place of business or land in the area of the relevant authority; and</p> <p>(b) either—</p> <p>(i) the total nominal value of the securities exceeds £25,000 or one hundredth of the total issued share capital of that body; or</p> <p>(ii) if the share capital of that body is of more than one class, the total nominal value of the shares of any one class in which the relevant person has a beneficial interest exceeds one hundredth of the total issued share capital of that class.</p>

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These descriptions on interests are subject to the following definitions;

‘the Act’ means the Localism Act 2011;

‘body in which the relevant person has a beneficial interest’ means a firm in which the relevant person is a partner or a body corporate of which the relevant person is a director, or in the securities of which the relevant person has a beneficial interest;

‘director’ includes a member of the committee of management of an industrial and provident society;

‘land’ includes an easement, servitude, interest or right in or over land which does not carry with it a right for the relevant person (alone or jointly with another) to occupy the land or to receive income;

‘M’ means the person M referred to in section 30 of the Act;

‘member’ includes a co-opted member;

‘relevant authority’ means the authority of which M is a member;

‘relevant period’ means the period of 12 months ending with the day on which M gives a notification for the purposes of section 30(1) of the Act;

‘relevant person’ means M or any other person referred to in section 30(3)(b) of the Act;

‘securities’ means shares, debentures, debenture stock, loan stock, bonds, units of a collective investment scheme within the meaning of the Financial Services and Markets Act 2000() and other securities of any description, other than money deposited with a building society.

9. Register of interests

(1) Any interests notified to the Monitoring Officer will be included in the register of interests.

(2) A copy of the register will be available for public inspection and will be published on the authority’s website.

10. Non participation in case of disclosable pecuniary interest

(1) If you are present at a meeting of the authority, or any committee, sub-committee, joint committee or joint sub-committee of the authority, and you have a disclosable pecuniary interest in any matter to be considered or being considered at the meeting:-

- (a) you may not participate in any discussion of the matter at the meeting;
- (b) you may not participate in any vote taken on the matter at the meeting;
- (c) if the interest is not registered, you must disclose the interest to the meeting;
- (d) if the interest is registered, you may choose to disclose the interest to the meeting
- (e) if the interest is not registered and is not the subject of a pending notification, you must notify the Monitoring Officer of the interest within 28 days.

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Note: In addition, Standing Order [] requires you to leave the room where the meeting is held while any discussion or voting takes place.

11. Offences

(1) It is a criminal offence to:-

- (a) Fail to notify the Monitoring Officer of any disclosable pecuniary interest within 28 days of election;
- (b) Fail to disclose a disclosable pecuniary interest at a meeting if it is not on the register;
- (c) Fail to notify the Monitoring Officer within 28 days of a disclosable pecuniary interest that is not on the register that you have disclosed to a meeting;
- (d) Participate in any discussion or vote on a matter in which you have a disclosable pecuniary interest;
- (e) Knowingly or recklessly providing information that is false or misleading in notifying the Monitoring Officer of a disclosable pecuniary interest or in disclosing such interest to a meeting.

(2) The criminal penalties available to a court are to impose a fine not exceeding level 5 on the standard scale and disqualification from being a councillor for up to 5 years.

12. Other disclosable interests

(1) In addition to the disclosable pecuniary interests defined above, you must, within 28 days of—

- (a) this Code being adopted by or applied to your authority; or
- (b) your election or appointment to office (where that is later),

notify the Monitoring Officer in writing of the details of:-

(i) any body, organisation or association

- (a) exercising functions of a public nature; or
- (b) directed to charitable purposes; or
- (c) one of whose principal purposes includes the influence of public opinion or policy (including any political party or trade union),

and of which you are a member or in a position of general control or management;

(ii) any gift, benefit or hospitality with a value in excess of £50 which you have accepted as a member from any person or body other than the authority.

(2) Where:

- (a) you have a disclosable interest of a type described at sub-paragraph 12(1) above in any business of your authority; or

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(b) a decision in relation to a business of your authority might reasonably be regarded as affecting your well-being or the well-being or financial position of a relevant person to a greater extent than the majority of other council tax payers, ratepayers or inhabitants of the electoral division or ward, as the case may be, affected by the decision; and

(c) you attend a meeting of your authority at which the business is considered;

(i) you must disclose to that meeting the existence and nature of that interest at the commencement of that consideration, or when the interest becomes apparent; and

(ii) you may choose to leave the room where the meeting is held while any discussion or voting takes place.

(3) In sub-paragraph (2)(b), a relevant person is—

(a) your spouse or civil partner;

(b) a person with whom you are living as husband and wife; or

(c) a person with whom you are living as if you are civil partners.

(4) Sub-paragraph (2) only applies where you are aware or ought reasonably to be aware of the existence of the personal interest.

(5) Where you have a disclosable interest but, by virtue of paragraph 14 below, sensitive information relating to it is not registered in the public version of your authority's register of Members' interests, you must indicate to the meeting that you have a disclosable interest, but need not disclose the sensitive information to the meeting.

13. Interests arising in relation to overview and scrutiny

In any business before an overview and scrutiny committee of your authority (or of a sub-committee of such a committee) where:-

(a) that business relates to a decision made (whether implemented or not) or action taken by another of your authority's committees, sub-committees joint committees or joint sub-committees; and

(b) at the time the decision was made or action was taken, you were a member of the committee, sub-committee, joint committee or joint sub-committee mentioned in paragraph (a) and you were present when that decision was made or action was taken,

You may only attend a meeting of the overview and scrutiny committee for the purpose of answering questions or giving evidence relating to the business, and you must leave the room where the meeting is held immediately after making representations, answering questions or giving evidence.

14. Sensitive information

(1) Where you consider that the information relating to any of your disclosable interests is sensitive information, and your authority's monitoring officer agrees, the monitoring officer shall not include details of the interest on any copies of

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the register of members' interests which are made available for inspection or any published version of the register, but may include a statement that you have an interest, the details of which are withheld under this paragraph.

(2) You must, within 28 days of becoming aware of any change of circumstances which means that information excluded under paragraph (1) is no longer sensitive information, notify your authority's monitoring officer asking that the information be included in the register of members' interests.

(3) In this Code, "sensitive information" means information, the details of which, if disclosed, could lead to you or a person connected with you being subject to violence or intimidation.

15. Dispensations

(1) The Audit and Standards committee, or any sub-committee of the Audit and Standards committee, or the monitoring officer, after consulting the Chair of the Audit and Standards Committee and the Independent Person may, on a written request made to the monitoring officer of the authority by a member, grant a dispensation relieving the member from either or both of the restrictions on participating in discussions and in voting, in cases described in the dispensation. Before requesting a dispensation, members should first seek a suitable substitute member to attend the meeting in his/her place.

(2) A dispensation may be granted only if, after having had regard to all relevant circumstances, the standards committee, its sub-committee, or the monitoring officer—

(a) considers that without the dispensation the number of persons prohibited by paragraphs 10 and/or 12 from participating in any particular business would be so great a proportion of the body transacting the business as to impede the transaction of the business;

(b) considers that without the dispensation the representation of different political groups on the body transacting any particular business would be so upset as to alter the likely outcome of any vote relating to the business;

(c) considers that granting the dispensation is in the interests of persons living in the authority's area; or

(d) considers that it is otherwise appropriate to grant a dispensation.

(3) A dispensation must specify the period for which it has effect, and the period specified may not exceed four years.

16. Voluntary Registration of Membership of Private Clubs

You may provide written notification to the authority's monitoring officer of your membership of any private club and of any subsequent change or addition to your membership.

LGA Template Code of Conduct

As a member or co-opted member of *[X authority]* I have a responsibility to represent the community and work constructively with our staff and partner organisations to secure better social, economic and environmental outcomes for all.

In accordance with the Localism Act provisions, when acting in this capacity I am committed to behaving in a manner that is consistent with the following principles to achieve best value for our residents and maintain public confidence in this authority.

SELFLESSNESS: Holders of public office should act solely in terms of the public interest. They should not do so in order to gain financial or other material benefits for themselves, their family, or their friends.

INTEGRITY: Holders of public office should not place themselves under any financial or other obligation to outside individuals or organisations that might seek to influence them in the performance of their official duties.

OBJECTIVITY: In carrying out public business, including making public appointments, awarding contracts, or recommending individuals for rewards and benefits, holders of public office should make choices on merit.

ACCOUNTABILITY: Holders of public office are accountable for their decisions and actions to the public and must submit themselves to whatever scrutiny is appropriate to their office.

OPENNESS: Holders of public office should be as open as possible about all the decisions and actions that they take. They should give reasons for their decisions and restrict information only when the wider public interest clearly demands.

HONESTY: Holders of public office have a duty to declare any private interests relating to their public duties and to take steps to resolve any conflicts arising in a way that protects the public interest.

LEADERSHIP: Holders of public office should promote and support these principles by leadership and example.

The Act further provides for registration and disclosure of interests and in *[X authority]* this will be done as follows: *[to be completed by individual authorities]*

APPENDIX TWO

As a Member of [*X authority*], my conduct will in particular address the statutory principles of the code of conduct by:

- Championing the needs of residents – the whole community and in a special way my constituents, including those who did not vote for me - and putting their interests first.
- Dealing with representations or enquiries from residents, members of our communities and visitors fairly, appropriately and impartially.
- Not allowing other pressures, including the financial interests of myself or others connected to me, to deter me from pursuing constituents' casework, the interests of the [*county*][*borough*][*Authority's area*] or the good governance of the authority in a proper manner.
- Exercising independent judgement and not compromising my position by placing myself under obligations to outside individuals or organisations who might seek to influence the way I perform my duties as a member/co-opted member of this authority.
- Listening to the interests of all parties, including relevant advice from statutory and other professional officers, taking all relevant information into consideration, remaining objective and making decisions on merit.
- Being accountable for my decisions and co-operating when scrutinised internally and externally, including by local residents.
- Contributing to making this authority's decision-making processes as open and transparent as possible to enable residents to understand the reasoning behind those decisions and to be informed when holding me and other members to account but restricting access to information when the wider public interest or the law requires it
- Behaving in accordance with all our legal obligations, alongside any requirements contained within this authority's policies, protocols and procedures, including on the use of the Authority's resources.
- Valuing my colleagues and staff and engaging with them in an appropriate manner and one that underpins the mutual respect between us that is essential to good local government.
- Always treating people with respect, including the organisations and public I engage with and those I work alongside.
- Providing leadership through behaving in accordance with these principles when championing the interests of the community with other organisations as well as within this authority.

CLG Illustrative text for code dealing with the conduct expected of members and co-opted members of the authority when acting in that capacity

You are a member or co-opted member of the [name] council and hence you shall have regard to the following principles – selflessness, integrity, objectivity, accountability, openness, honesty and leadership.

Accordingly, when acting in your capacity as a member or co-opted member -

You must act solely in the public interest and should never improperly confer an advantage or disadvantage on any person or act to gain financial or other material benefits for yourself, your family, a friend or close associate.

You must not place yourself under a financial or other obligation to outside individuals or organisations that might seek to influence you in the performance of your official duties.

When carrying out your public duties you must make all choices, such as making public appointments, awarding contracts or recommending individuals for rewards or benefits, on merit.

You are accountable for your decisions to the public and you must co-operate fully with whatever scrutiny is appropriate to your office.

You must be as open as possible about your decisions and actions and the decisions and actions of your authority and should be prepared to give reasons for those decisions and actions.

You must declare any private interests, both pecuniary and non-pecuniary, that relate to your public duties and must take steps to resolve any conflicts arising in a way that protects the public interest, including registering and declaring interests in a manner conforming with the procedures set out in the box below.

You must, when using or authorising the use by others of the resources of your authority, ensure that such resources are not used improperly for political purposes (including party political purposes) and you must have regard to any applicable Local Authority Code of Publicity made under the Local Government Act 1986.

You must promote and support high standards of conduct when serving in your public post, in particular as characterised by the above requirements, by leadership and example.

Registering and declaring pecuniary and non-pecuniary interests

You must, within 28 days of taking office as a member or co-opted member, notify your authority's monitoring officer of any disclosable pecuniary interest as defined by regulations made by the Secretary of State, where the pecuniary interest is yours, your spouse's or civil partner's, or is the pecuniary interest of somebody with whom you are living with as a husband or wife, or as if you were civil partners.

APPENDIX TWO

In addition, you must, within 28 days of taking office as a member or co-opted member, notify your authority's monitoring officer of any disclosable pecuniary or non-pecuniary interest which your authority has decided should be included in the register.

If an interest has not been entered onto the authority's register, then the member must disclose the interest to any meeting of the authority at which they are present, where they have a disclosable interest in any matter being considered and where the matter is not a 'sensitive interest'.¹

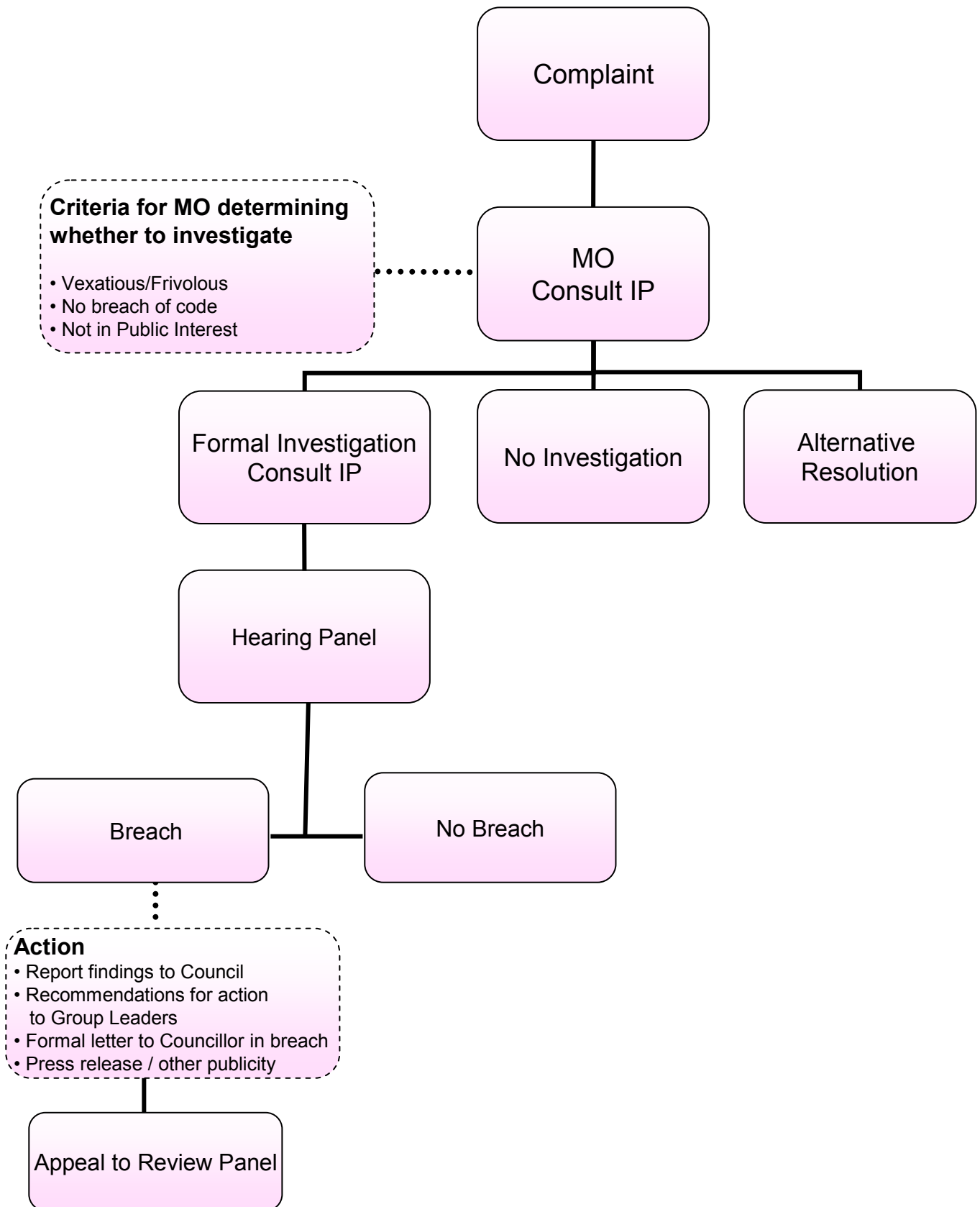
Following any disclosure of an interest not on the authority's register or the subject of pending notification, you must notify the monitoring officer of the interest within 28 days beginning with the date of disclosure.

Unless dispensation has been granted, you may not participate in any discussion of, vote on, or discharge any function related to any matter in which you have a pecuniary interest as defined by regulations made by the Secretary of State.

Additionally, you must observe the restrictions your authority places on your involvement in matters where you have a pecuniary or non pecuniary interest as defined by your authority.

¹ A 'sensitive interest' is described in the Localism Act 2011 as a member or co-opted member of an authority having an interest, and the nature of the interest being such that the member or co-opted member, and the authority's monitoring officer, consider that disclosure of the details of the interest could lead to the member or co-opted member, or a person connected with the member or co-opted member, being subject to violence or intimidation.

Draft Standards Complaints Procedure



GENERAL PRINCIPLES REGARDING THE COMPLAINTS PROCESS

Any complaints submitted shall be investigated and dealt with having regard to the following principles:

- All complaints shall be dealt with as speedily as is reasonably practicable and, in any case, within a maximum of three months;
- The complaints shall be dealt with having regard to the need to uphold high standards of conduct among members as well as enhancing public confidence in the authority and the office of Councillors;
- In considering whether to investigate a complaint, the Monitoring Officer shall consult the Independent Person/s and may consult the Chair and the Audit and Standards Committee;
- The complaint will be put to the Member complained of to ensure that all relevant information obtained;
- Any action or sanction imposed by the Hearing Panel shall be proportionate;
- The Hearing Panel and any Review (Appeal) Panel will be held in public;
- All Members, co-opted Members and Political Groups within the Council shall co-operate in facilitating any investigations and in actioning any sanctions or recommendation of the Hearing Panel;
- All complaints received and a summary of the findings shall be reported to the Audit and Standards Committee in part II or, if the findings have been published, in Part I;
- The Monitoring Officer may issue such guidance, advisory or procedural notes regarding the operation of the complaints process as he considers appropriate.

Subject:	Extract from the Proceedings of the Policy & Resources Committee Meeting held on the 14 June 2012		
Date of Meeting:	2012		
Report of:	Directors of Public Health and Adult Social Care, Strategic Director, People		
Contact Officer:	Name: Mark Wall	Tel: 29-1006	
	E-mail: mark.wall@brighton-hove.gov.uk		
Wards Affected:	All		

The special circumstances for non-compliance with Council Procedure Rule 3, Access to Information Procedure Rule 5 and Section 100B(4) of the Local Government Act 1972 (items not considered unless the agenda is open to inspection at least five days in advance of the meeting) was the short timescale between the meeting of Policy & Resources Committee on 14 June and the publication of the agenda for the Audit & Standards Committee on 18 June 2012.

POLICY & RESOURCES COMMITTEE

4.00 pm 14 June 2012

COUNCIL CHAMBER, HOVE TOWN HALL

DRAFT MINUTES

Present: Councillor J Kitcat (Chair) Councillors Littman (Deputy Chair), Davey, Hamilton, Mitchell, A Norman, Peltzer Dunn, Shanks, G Theobald (Opposition Spokesperson) and West.

PART ONE

7. TARGETED BUDGET MANAGEMENT (TBM) PROVISIONAL OUT-TURN 2011/12

- 7.1 The Director of Finance introduced the report which set out the provisional out-turn position for month 12 on the revenue and capital budgets for the financial year 2011/12. She noted that the final out-turn position was subject to an external audit review and that the financial statements had to be signed off by the 30th June, 2012. She noted that the Budget Council had already identified and committed £3.780m of the underspend of £4.370m and that the success of the value for money programme and been a contributory factor.

- 7.2 Councillor Littman stated that he wished to commend the report to the Committee which showed the practical management of council funds over the last year and having achieved an underspend it meant that the council could fund important projects.
- 7.3 Councillor A. Norman noted that a £1.2m underspend greater than that which had been identified at Budget Council had been achieved and suggested that it could have been used to offset the increase in parking charges that had been applied to local businesses and for the promotion of the city during the summer. She queried whether the £250k identified in the report for sustainability was simply a means of putting back in the funding that had been removed at Budget Council and why the figure for the Play bus was so high. She also queried whether the capital receipts included the sale of CD1 and why the work in relation to improving empty properties had been delayed.
- 7.4 The Director of Finance stated that the £250k related to the council's priority for One Planet Living initiative.
- 7.5 Councillor Shanks stated that in regard to the Play bus, the budget figure was simply because it had been decided to allocate funding within the budget process for this service, which previously had not had its own budget entry.
- 7.6 Councillor West stated that the gains from investing in One Planet Living for the city and the council should not be overlooked and the savings that would be achieved would enable future investment in other areas.
- 7.7 The Chair welcomed the report and noted that CD1 had not been sold to date, but that the registration number was with agents who were actively looking to generate a sale.
- 7.8 Councillor Mitchell stated that she wished to thank the officers for the report, which demonstrated a good level of monitoring of expenditure and noted the balance of underspend that had been carried over from Budget Council and meant that other proposals could be supported. She therefore suggested that the Administration had an opportunity to re-prioritise its commitments and fund areas that were in need of support currently.
- 7.9 Councillor G. Theobald suggested that supporting bus services had to be a priority rather than losing them and that the underspend identified could be used to do this. He noted that a £162k had been spent on a food waste trial and that the travellers budget was overspent, all of which could have been used more effectively to support the bus services. He agreed with the Labour amendment in that the funding identified for sustainability could be better used for the bus services and stated that it had to be a question of priorities.
- 7.10 Councillor West stated that the overspend on the travellers budget was partly because there had not been a budget identified previously and noted that it had been reduced by £12k compared with previous years.
- 7.11 Councillor Hamilton questioned the costs of improving the Regency Car Park being charged to the revenue budget rather than capital, and why £14m could be found through borrowing for the i-360 and yet unsupported borrowing could not be used to support the bus services.

7.12 Councillor Mitchell then moved an amendment on behalf of the Labour & Co-operative Group, which sought to provide funding to maintain the supported bus services as follows:

“In having regard to the use of unallocated reserves as detailed in the TBM report the following points should be considered and changes made to the recommendations:

- (i) Appendix 2, Unallocated reserves - to transfer the sum of £226,000 identified for One Planet Living new projects to instead support the council subsidised bus transport budget thus keeping those routes open that are currently threatened with closure or a reduced service for a further year to allow for a complete review of the patronage for the routes planned to be cut or reduced and allow for continuing negotiations with the bus companies with a view to their investing in the services.
- (ii) That the balance of the £250,000 could then be used to support the continued provision of a mobile library service.

To add an additional two recommendations 2.3 and 2.4 as shown in bold italics and re-number the remaining recommendations 2.5 to 2.9 as shown below:

2. RECOMMENDATIONS:

- 2.1 That the Committee note the provisional outturn position for the General Fund, which is an underspend of £4.370m. This includes £3.831m for the council controlled budgets (compared to £3.187m assumed at budget setting time) and £0.539m on the NHS managed S75 budgets.
- 2.2 That the Committee note the provisional outturn for the Housing Revenue Account (HRA) for 2011/12;
- 2.3 ***That the sum of £226,000 identified in Appendix 2, unallocated reserves for One Planet Living new projects be transferred to support the council subsidised bus transport budget;***
- 2.4 ***That the remaining £24k from the unallocated reserves identified for One Planet Living new projects be transferred to the Mobile Library to help achieve a sustainable solution for the service;***
- 2.5 That the Committee approve the carry forward requests totalling £5.602m as detailed in Appendix 2 ***(as amended by 2.3 and 2.4 above)***;
- 2.6 That the Committee approve the changes to provisions and reserves set out under Corporate Budgets in Appendix 1;
- 2.7 That the Committee agree to fund initiatives totalling £0.662m from unallocated reserves in 2012/13 as detailed in Appendix 2 ***(as amended by 2.3 and 2.4 above)***;
- 2.8 That the Committee note the provisional outturn position on the capital programme;
- 2.9 That the Committee approve the following changes to the capital programme

- (i) The budget re-profiling as set out in Appendix 1;
- (ii) The carry forward of slippage into the 2012/13 capital programme, to meet on-going commitments on these schemes as set out in Appendix 1.”

7.13 Councillor Hamilton formally seconded the amendment and stated that he was amazed to find the Administration seeking to cut public transport provision and fund a number of other items as one-off measures when it was likely that they would require further funding and support in future years. Instead of looking at new initiatives the available under-spend could be used to support areas that were under threat. The loss of the No.96 bus service for example would have a direct impact on school children who would have to extend their journey time in order to get to and from school each day.

7.14 The Strategic Director; Communities stated that following Budget Council officers had held a number of discussions with partner agencies about supporting the mobile library, however they had not been in a position to fund the service. It meant that consideration needed to be given to how to progress matters and a report would be taken to the Economic Development & Culture Committee in the autumn.

7.15 Councillor G. Theobald stated that the Conservative Group supported the amendment.

7.16 The Chair noted the comments and stated that every Administration sought to support various projects and a procurement process had been followed in regard to the bus services, which was not helped by the cuts from the government to the bus company and in grant formula to the council. The use of the under-spend as outlined in the report provided support across the city and should enable further funding to be made available to support other areas in the future. He noted that an amendment had been moved and put it to the vote which was tied at 5 for and 5 against and therefore in not having a majority in favour was lost.

7.17 The Chair then put the recommendations as listed in the report to the vote, which was tied at 5 for and 5 against. He therefore used his second and casting vote in order to carry the recommendations 6 – 5.

7.18 **RESOLVED:**

- (1) That the provisional outturn position for the General Fund, which had an underspend of £4.370m be noted. This included £3.831m for the council controlled budgets (compared to £3.187m assumed at budget setting time) and £0.539m on the NHS managed S75 budgets;
- (2) That the provisional outturn for the Housing Revenue Account (HRA) for 2011/12 be noted;
- (3) That the carry forward requests totalling £5.602m as detailed in Appendix 2 to the report be approved;
- (4) That the changes to provisions and reserves set out under Corporate Budgets in Appendix 1 to the report be approved;

- (5) That the funding of initiatives totalling £0.662m from unallocated reserves in 2012/13 as detailed in Appendix 2 to the report be agreed;
- (6) That t the provisional outturn position on the capital programme be noted; and
- (7) That the following changes to the capital programme be approved:
 - (i) The budget re-profiling as set out in Appendix 1 to the report;
 - (ii) The carry forward of slippage into the 2012/13 capital programme, to meet on-going commitments on these schemes as set out in Appendix 1 to the report.

Audit & Standards Committee

Agenda Item 14

Brighton & Hove City Council

Subject:	2011/12 Progress Report and Briefing		
Date of Meeting:	26 June 2012		
Report of:	Audit Commission		
Contact Officer:	Name:	Helen Thompson	Tel: 0844 798 1790
	Email:	helen-thompson@audit-commission.gov.uk	
Wards affected:	All		

FOR GENERAL RELEASE

1. SUMMARY AND POLICY CONTEXT:

- 1.1 We would like the Committee to review the 2011/12 external audit progress report and briefing.

2. RECOMMENDATIONS:

- 2.1 To receive the 2011/12 external audit progress report and briefing and note the progress made.

3. RELEVANT BACKGROUND INFORMATION/CHRONOLOGY OF KEY EVENTS:

- 3.1 This progress report for the 2011/12 audit has been issued regularly to the previous Audit Committee that has been recently decommissioned. We intend to continue to present this report to each meeting of the new Audit & Standards Committee to provide a summary of progress made and details of any significant issues arising.
- 3.2 We welcome feedback from the Audit & Standards Committee on any improvements it would like to either the format or content of the report.

Progress report and briefing

June 2012

Brighton and Hove City Council

Audit 2011/12

The Audit Commission is a public corporation set up in 1983 to protect the public purse.

The Commission appoints auditors to councils, NHS bodies (excluding NHS Foundation trusts), police authorities and other local public services in England, and oversees their work. The auditors we appoint are either Audit Commission employees (our in-house Audit Practice) or one of the private audit firms. Our Audit Practice also audits NHS foundation trusts under separate arrangements.

We also help public bodies manage the financial challenges they face by providing authoritative, unbiased, evidence-based analysis and advice.

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Audit progress

Introduction

- 1 The purpose of this paper is to provide the Audit & Standards Committee with a report on progress in delivering my responsibilities as the Council's external auditor.
- 2 If you require any more information about the issues included within this briefing, please feel free to contact me as your District Auditor or a member of the local audit team. Contact details are set out at the end of this update.

2011/12 audit

Financial statements

- 3 The proposed timing for my audit work is set out in table 1.

Table 1: **Audit time line**

Work flow	Date of completion	Reports/Progress
Documentation and walkthrough of key financial systems	January 2012	Complete. I will report weaknesses in internal control and any associated recommendations for improvement in my 2011/12 annual governance report.

Work flow	Date of completion	Reports/Progress
<p>Audit Commission controls testing. Review of Internal Audit controls testing.</p>	<p>Mainly complete by April 2012. Final controls testing completed by the end of June 2012.</p>	<p>I have liaised with Internal Audit to plan my detailed testing of controls in your key financial systems. Work has been undertaken by Internal Audit which I am able to rely on. A small amount of controls testing work remains in progress.</p> <p>I will report weaknesses in internal control and any associated recommendations for improvement in my 2011/12 annual governance report.</p>
<p>Post statement audit and financial statements opinion.</p>	<p>By 30 September 2012</p>	<p>As in 2010/11, I intend to deliver my work in a shorter period of time using a larger audit team. I intend that most of my post-statement work will be delivered during July 2012. This approach in general worked well last year and has benefits both for officers and my team.</p> <p>The main delay in delivering my post-statement audit last year was caused by difficulties in testing detailed transactions produced by your payroll system. In light of this I planned to undertake this work early in the audit cycle and before you produced your 2011/12 financial statements. This work is now complete subject to the potential need to undertake a small amount of testing as part of my work on your financial statements.</p> <p>The results of my work on the 2011/12 financial statements will be reported in my annual</p>

Work flow	Date of completion	Reports/Progress
		governance report which I will present to the September 2012 Audit & Standards Committee meeting.
Value for money (VFM) work.	By 30 September 2012	I will report the results of my detailed work to inform the 2011/12 VFM conclusion in my 2011/12 annual governance report. The statutory deadline for the 2010/11 VFM conclusion is 30 September 2012. My aim is to complete this work ahead of that deadline and present key findings and recommendations to management and the Audit & Standards Committee.

VFM conclusion

- 4 I assess whether the Council has put in place adequate corporate arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the value for money conclusion.
- 5 From 2010/11, the Commission introduced new requirements for VFM audit work at local authorities. Auditors give their statutory VFM conclusion based on the following two criteria specified by the Commission.

Table 2: Specified criteria for the auditor's VFM conclusion

Criteria 1	Criteria 2
The organisation has proper arrangements in place for securing financial resilience.	The organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness.
Focus of criteria for 2011/12	
The organisation has robust systems and processes to manage effectively financial risks and opportunities, and to secure a stable financial position that enables it to continue to operate for the foreseeable future.	The organisation is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.

6 The main risk that is relevant to my value for money conclusion continues to arise from funding reductions in the comprehensive spending review and the resulting need to continue to secure significant efficiencies to achieve your medium term financial plans. In light of this I intend to undertake the following work to inform my 2011/12 value for money conclusion:

- I will use the Audit Commission's VFM profile database, and other available information on cost, to consider your costs relative to your statistical nearest neighbours;
- I will consider your arrangements to compare costs and outcomes against others to form a view on the level of understanding you have on the value for money delivered. In particular I will consider your arrangements to ensure that commissioners have adequate information on costs and outcomes to make properly informed decisions; and
- I will consider how you use comparative information on costs and outcomes to inform budgeting and gain assurance that your pattern of spending matches your priorities.

Other matters

Update on outsourcing the work of the Audit Practice

7 Following the award of geographical contracts for the audit of principal local authorities and NHS bodies, the Audit Commission has held meetings in each contract area to introduce the winning firms to audited bodies.

8 It has in parallel commenced consultation on the appointment of auditors to individual bodies with a view to making those appointments at its Board meeting on 26 July 2012. Firms will take up audit appointments for

the 2012/13 audit year from 1 September 2012 when the interim appointment of the current auditor will come to an end.

9 Following consultation with audit suppliers, the Audit Commission has put in place arrangements to facilitate the smooth transfer of any part-completed 2011/12 work from the Audit Practice to incoming audit firms so that they can maximise reliance on the work of the Audit Practice and complete the work as quickly as possible.

Update on the residual Audit Commission

10 The Commission is reducing and reshaping its workforce so that it can deliver its remaining core functions of audit regulation, contract management and sector support.

11 The Department of Communities and Local Government has advertised for a new Chairman of the Audit Commission to lead through the period of transition and downsizing, in advance of its proposed abolition. The new Chairman will take up post following the end of the term of office of the current Chairman in September 2012.

2012/13 audit fees

12 Following a consultation exercise, the Audit Commission has agreed the work programme and fee scales for 2012/13 audits of local government and NHS bodies. It sent out letters notifying organisations of the new fees on Wednesday 11 April 2012.

13 As previously advised, the outsourcing of the Audit Commission's in-house Audit Practice means that these fees will be fixed for a five-year period, irrespective of the rate of inflation. Lists of fees by audited body, the work programme and scale of fees can be found at:

<http://intranet.audit-commission.gov.uk/ContentDisplay.aspx?nodeId=12956&guid=867f7c2e-91be-4c9b-94cb-f864fa398932>.

14 The Audit Commission's consultation on its proposals for the 2012/13 National Fraud Initiative (NFI) work programme and scale of fees ended in March 2012 and the results of this exercise were published on 30 May 2012.

15 The Commission did not propose to introduce any new mandatory data matches in the NFI for 2012/13, so the main work programme will remain unchanged from 2010/11.

16 In recognition of the financial pressures that public bodies are facing in the current economic climate, the scale of fees for mandatory participants will also remain the same as for NFI 2010/11. Further information on NFI fees can be found at:

<http://www.audit-commission.gov.uk/fraud/nfi/public-sector/Pages/fees.aspx>.

2010/11 National Fraud Initiative results

17 In May 2012 the Audit Commission published the results of the NFI for 2010/11. The full report can be found at:

<http://www.audit-commission.gov.uk/fraud/nfi/reports/Pages/default.aspx>.

18 The NFI is a data matching exercise which is hosted on a secure website. It compares information held by around 1,300 organisations including councils, the police, hospitals and 77 private companies. This helps to identify potentially fraudulent claims, errors and overpayments.

19 When there is a 'match', there may be something that warrants investigation and examples of the data matches the NFI undertakes are set out in the Table below.

Table 3: **Examples of data matches covered by the NFI**

Data Match	Possible fraud or error
Pension payments to records of deceased people.	Obtaining the pension payments of a deceased person.
Housing benefit payments to payroll records.	Claiming housing benefit by failing to declare an income.
Council tax records to electoral register.	A council taxpayer gets single person discount whilst living with other countable adults and thus being ineligible.
Payroll records to other payroll records.	An employee is working for one organisation while being on long-term sick leave at another.

Public sector internal audit standards

20 The Chartered Institute of Public Finance and Accountancy (CIPFA) and the Chartered Institute of Internal Auditors (IIA) announced a formal collaboration in May 2011.

21 This collaboration has recently led to the formation of the UK Internal Audit Standards Advisory Board, which will provide oversight and challenge to the development of UK-wide Public Sector Internal Audit Standards.

22 The new unified set of internal audit standards will be based on the mandatory elements of the IIA's International Professional Practices Framework and it is proposed that they will apply across the UK to central and local government and the NHS (excluding foundation trusts). Some further information can be found at:

http://www.cipfa.org.uk/press/press_show.cfm?news_id=61685.

Payment by results

23 The Audit Commission published Local payment by results on 5 April 2012. This is a briefing paper which considers potential issues arising from local authorities using payment by results (PbR) as a method of commissioning and paying for services. A copy of the full report can be found at:

<http://www.audit-commission.gov.uk/nationalstudies/localgov/Pages/localpbr.aspx>.

24 PbR is a new approach, where commissioners pay service providers according to how well they achieve specified outcomes, rather than by outputs or volumes of service. These outcomes may be social, economic, financial, or a combination of all three. PbR is not the only contract type that rewards good performance, and commissioners should always consider other options alongside PbR to choose the most suitable approach.

25 What sets PbR apart from other contract types is that a significant amount of payment is withheld until the results are delivered. The payment is directly related to the level of success.

26 National PbR schemes are developing quickly. Some early schemes include reducing reoffending; diverting young offenders from custodial sentences; helping the unemployed to find work; preventing children from being taken into care; keeping frail older people in their own homes; and improving the management of chronic health conditions.

27 The briefing sets out to help councils understand what PbR might entail. As most schemes are at an early stage, the Audit Commission has identified a range of issues that local commissioners should consider if they are to use PbR successfully, drawing on some national and international examples.

28 The briefing suggests that there are five principles that any PbR scheme needs to meet if it is likely to succeed:

- a clear purpose;
- a full understanding of the risks;
- a well-designed payment and reward structure;
- sound financing; and
- effective management and evaluation.

29 The Audit Commission has sent the briefing to council chief executives and other key stakeholders.

The rights of local electors

30 The Audit Commission has published an updated version of Council accounts: a guide to your rights. The publication aims to help local electors by explaining their rights and how to engage with auditors in relation to the accounts. It also points electors to other sources of advice and more information where they have concerns that are not about the accounts.

31 The publication is accompanied by a Notice of an Objection form designed to assist electors wishing to present their objection to an item or items of accounts to the auditor.

32 Members of the Audit Committee may find it helpful to familiarise themselves with the document which can be found on the Audit Commission's website at:

<http://www.audit-commission.gov.uk/audit-regime/support-guidance/Pages/councilsaccountsyourrights03072006.aspx>

National Audit Office role in local VFM studies

33 The NAO currently carries out around 60 VFM studies on central government initiatives and programmes each year. From next year, it will produce an increasing number of studies focusing on the local government sector.

34 A new Local Government Reference Panel has been set up to give councils an input to the NAO's programme of local government value for money studies. The panel, which will meet twice a year, includes representatives from nine local authorities as well as from CIPFA, Community Service Volunteers and the University of Birmingham.

35 The programme comprises three studies in 2012/13, the first being communication between central and local government, rising to four in 2013/14 and six in 2014/15.

36 Subject to Parliamentary approval, the NAO eventually expects to assume the Audit Commission's role in setting the framework for local audit, through a code of audit practice.

CIPFA's brief guide to local government finance reforms

37 As the Local Government Finance Bill enters its concluding stages in the House of Commons, CIPFA has published a guide to some of the proposed changes. A copy of the guide can be found at:

http://www.cipfa.org.uk/panels/lgpp/download/Brief_guide_to_local_government_finance_reform.doc.

38 CIPFA's Brief Guide to Local Government Finance Reforms seeks to answer some common questions that local government officers and elected members may have surrounding the localisation of support for council tax and business rate retention.

39 The guide explains the purpose of the proposals and their impact. It includes simplified examples of the proposed changes. At the time of writing, all the legislation and guidance has yet to be published, so the guide represents the latest known position. CIPFA will publish additional guidance once the detail becomes known.

Contacts

40 The key members of the audit team for the 2011/12 are set out below.

Table 4: **Audit team contacts**

Role	Name	Contact Details
District Auditor	Helen Thompson	Tel: 0844 798 1790 e-mail: helen-thompson@audit-commission.gov.uk
Audit Manager	Simon Mathers	Tel: 0844 798 1776 e-mail: s-mathers@audit-commission.gov.uk
Co-Team Leader	Jeremy Jacobs	Tel: 0844 798 6121 e-mail: j-jacobs@audit-commission.gov.uk
Co-Team Leader	Jessica Grange	Tel: 0844 798 6116 e-mail: j-grange@audit-commission.gov.uk

AUDIT & STANDARDS COMMITTEE

Agenda Item 17

Brighton & Hove City Council

Subject: Internal Audit Annual Report and Opinion 2011/12

Date of Meeting: 26th June 2012

Report of: Director of Finance

Contact Officer: Name: Ian Withers Tel: 29-1323

E-mail: ian.withers@brighton-hove.gov.uk

Wards Affected: All

Note: The special circumstances for non-compliance with Council Procedure Rule 7, Access to Information Rule 5 and Section 100B (4) of the Local Government Act as amended (items not considered unless the agenda is open to inspection at least five days in advance of the meeting) were that the Internal Audit Annual Report and Opinion 2011/12 was not fully completed due to outstanding queries.

1. SUMMARY AND POLICY CONTEXT:

- 1.1 This report presents the Internal Audit & Opinion Annual Report 2011/12 to Members of the Audit Committee at Appendix 1. The Head of Audit & Business Risk is required to prepare an annual assurance report on the Council's control environment. The report includes details of the audit work achieved against the Annual Audit Plan for 2011/12.
- 1.2 The purpose of this report is to provide an opinion on the effectiveness of the Council's control environment comprising governance, risk management and internal control as a contribution to the economic, efficient and effective use of resources. The internal audit work programme and annual opinion is a key source of evidence for annual review of governance arrangement and the Annual Governance Statement that is presented to this Committee.
- 1.2 The Audit & Standards Committee has a responsibility for reviewing the assurance framework for the Council which includes the Annual Internal Audit & Opinion Annual Report.

2. ASSURANCE FROM THE WORK OF AUDIT & BUSINESS RISK FOR 2011/12

- 2.1 During the year Audit & Business Risk completed 81 planned audit review (achieving the target of 95% of the revised Annual Audit Plan. The remaining 5% are at fieldwork stage.

- 2.2 Overall 73% of audit reviews undertaken gave either reasonable or substantial assurance, representation a decrease from the previous year of 9%.
- 2.3 On the basis of the audit work undertaken and management responses received, the Head of Audit & Business Risk is able to deliver a positive end of year opinion that **reasonable assurance** can be provided that an effective control environment is operating.

3. **RECOMMENDATIONS:**

It is recommended that the Audit Committee:

- Note the contents of the report at Appendix 1 including the Head of Audit & Business Risk's Opinion for 2011/12 on the adequacy and effectiveness of the Council's control environment; and
- Note the internal audit coverage and any significant issues emerging.

4. **BACKGROUND INFORMATION**

The role of internal audit is to provide management with an objective assessment of the adequacy and effectiveness of the council's internal control, risk management and governance arrangements. This includes identifying any actions or improvements for the effective use of resources. Internal audit is therefore a key part of the council's internal control system and integral to the framework of assurance that the Audit Committee can place reliance on to assess its internal control system.

The Accounts and Audit Regulations 2011 require the Council '*to undertake an adequate and effective internal audit of its accounting records and system of internal control in accordance with proper practices*'.

Within the Council the internal audit function sits within the Audit & Business Risk Service, carries out the work to satisfy the legislative requirement and reports its findings, conclusions and recommendations/agreed actions to Senior Managers and the Audit Committee.

Proper practice under the above regulations is defined by the Chartered Institute of Public Finance & Accountancy (CIPFA) 'Code of Practice for Internal Audit in Local Authorities' and has been adopted by the Council. This requires the Head of Audit & Business Risk to provide a written report to those charged with governance timed to support the review of corporate governance arrangements and the Annual Governance Statement. The report at Appendix 1:

- Provides an opinion on the overall adequacy and effectiveness of the organisation's control environment;
- Discloses any qualifications to that opinion, together with reasons;
- Presents a summary of the audit work from which the opinion is derived;

- Draws attention to any issues of particular relevance;
- Compares the audit work actually undertaken against that planned and summarise the performance of the Internal Audit function against its performance measures and targets.

The Annual Internal Audit Plan for 2011/12 was presented and approved by the Audit Committee in April 2011. The Annual Report and Opinion therefore provides details of the outturn against the planned and unplanned work that arose during the year.

Audit performance is demonstrated achievement of the Annual Audit Plan, ensuring compliance with CIPFA Code of Practice and benchmarking the service against others in the sector. The effectiveness of Internal Audit is also further considered by the Audit Committee as part of their responsibilities under the Accounts & Audit Regulations 2011.

5.. FINANCIAL & OTHER IMPLICATIONS:

5.1 Financial Implications:

The Internal Audit & Opinion Annual Report 2011/12 outlines how resources were applied, the internal control recommendations, savings through counter fraud and other issues. The Internal Audit Plan for 2011/12 was delivered within budgetary resources for the year.

Anne Silley
Business Engagement Manager
Financial Services

17th June 2012

5.2 Legal Implications:

The Internal Audit Annual Report and Opinion complies with Regulation 6 of The Accounts & Audit Regulations 2011 which requires the council to 'undertake an adequate and effective internal audit of its accounting records and of its systems of internal control in accordance with the proper practices in relation to internal control'.

The report is for noting only.

Oliver Dixon
Acting Senior Lawyer

17th June 2012

5.3 Equalities Implications:

Effective systems of internal control and corporate governance provide assurance on the effective allocation of resources and quality of service provision for the benefit of the community.

5.4 Sustainability Implications:

There are no direct sustainability implications arising from this report.

5.5 Crime & Disorder Implications:

There no direct implications for the prevention of crime and disorder arising from this report.

5.6 Risk and Opportunity Management Implications:

Internal audit work/coverage is directed toward giving assurance about controls to mitigate risks identified through its audit risk assessment. This includes assurance around the design of those controls and the operating effectiveness.

Internal audit work contributes significantly to increasing awareness and understanding risk, controls and value for money amongst managers and thus leads to improving processes for securing more effective risk management.

5.7 Corporate / Citywide Implications:

Robust corporate governance arrangements are essential to the sound management of the City Council and the achievement of its objectives as set out in the Corporate Plan.

SUPPORTING DOCUMENTATION

Appendices:

1. Annual Internal Audit Report and Opinion 2011/12

Background Documents

1. Accounts & Audit Regulations 2011 (amended)
2. Code of Practice for Internal Audit in Local Government 2006 (CIPFA)
3. Internal Audit Plan 2011/12
4. Individual Internal Audit Reports issued in 2011/12

Audit & Business Risk

Internal Audit Annual Report and Opinion 2011/12

Ian Withers

Head of Audit & Business Risk



**Brighton & Hove
City Council**

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Acknowledgements:

We are grateful for the continued co-operation and support we have received from all those engaged with the audit process during 2011/12

Introduction

Purpose of the report

1. This report summarises the internal audit work undertaken by Audit & Business Risk during the financial year 2011/12, in particular the outcomes of audit reviews, management actions and counter fraud activities. The report includes the Head of Audit & Business Risk's Annual Opinion on the Council's control environment.

Role of Internal Audit

2. The Council's Internal Audit function is provided by Audit & Business Risk, part of the Finance Unit, together with Deloitte & Touche Public Sector Internal Audit Lt under a co-sourced arrangement.
3. Our role is to provide independent and objective assurance on the adequacy of the council's internal control environment, comprising risk management, internal control and governance by evaluating its effectiveness as a contribution to the proper economic, efficient and effective use of resources.
4. Internal Audit is a statutory requirement for local authorities under the Accounts & Audit Regulations 2011, which states that *a local authority shall maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control in accordance with proper practices*. The Council has recognised this statutory requirement in its financial regulations.
5. We continually seek to adapt and enhance our approach in order to take account of the Council's risk profile and emerging issues, to ensure our work remains focussed on the areas of highest risk and providing value added to services.
6. Internal audit work also assists the Director of Finance in the discharge of her responsibilities as the Council's Section 151 Officer.

Head of Audit & Business Risk's Annual Audit Opinion

7. The level of assurance that the Head of Audit & Business Risk provides is based on the internal audit work carried out during the year. In assessing the level of assurance given, the following have been taken into account:
 - Internal audit work completed during 2011/12, planned and unplanned;
 - Management responses to audit reviews including effective actions to audit recommendations made;
 - Follow-up action taken following agreement and issue of final audit reports in 2011/12 and previous years;

- Assurance from individual audit reviews in the form of audit opinions;
- Other assurance work undertaken both from internal and external sources;
- Impact of significant changes to the Council's systems and operations; and
- The quality and performance of internal audit work and extent of compliance with the CIPFA Code of Practice for Internal Audit.

Annual Audit Opinion

No assurance can ever be absolute, however based upon the internal audit work undertaken it is the Head of Audit & Business opinion that **reasonable assurance can be provided on the adequacy and effectiveness of the Council's control environment operating for the year ended 31st March 2012.** The Council's control environment comprises internal control, risk management and governance arrangements.

8. Our audit work during the year has identified weaknesses and specific control improvements required in a number of key system areas. We will continue to work closely with management in successfully implementing actions within reasonable timescales.

Internal Audit Activity

Annual Audit Plan

9. The Internal Annual Audit Plan for 2011/12 was agreed by the Audit Committee in April 2011 and included a total of 91 specific risk based audit reviews. The Internal Audit Plan is flexible to emerging issues and risks throughout the year and subject to change through liaison with management to ensure the best use of our audit resources. Some audit reviews have been added or deleted from the Plan, others consolidated or split into separate elements. Consequently the total number of audits undertaken during 2011/12 was 86 compared with 91 planned.
10. The total audit reviews of the final amended Annual Audit Plan were 86. A full listing of internal audit reviews is shown at Appendix A, including amendments to planned and summarised as follows:
- Deleted audit reviews from Annual Audit Plan (-4)
 - Deferred audit reviews to 2011/12 (-5)
 - Merged audit reviews with other planned (-5)
 - Additional unplanned audit reviews (+9)
11. At the time of preparing this report the position on these were as follows:
- 86 – Total number of audits per amended Annual Audit Plan
 - 58 – Final Internal Audit Reports

- 24 – Draft Internal Audit Reports (awaiting responses and agreement)
 - 4 – Audit fieldwork stage, still in progress
12. The number of audits at draft report and fieldwork stage is higher than the previous year when by June, 18 audit reviews remained at draft and 4 fieldwork. We are working with managers and giving priority to progressing all to final.
13. Audit review remaining at fieldwork stage are nearing audit report stage but have been delayed due a number of reasons including service pressures and availability of key managers.
14. For 2011/12 the actual direct audit days was 1,693 against planned of 1,840.
15. During the year, we have had staff vacancies and have backfilled as far as possible, obtaining some staff resources from an external internal audit provider through a framework contract. A substantial amount of our audit time has been spent on the income systems and payroll following system control problems.

Outcomes from Audit Reviews

16. Table 1 below contains of summary of assurance levels given in audit reports, including a comparison with the previous year 2010/11. Those not included (2) are where an assurance level is not relevant and therefore not provided.

Table 1 – Internal Audit Reports and Assurance Levels Given

Assurance Opinion	No. of Audit Reviews			
	2011/12		2010/11	
Full	0	0%	0	0%
Substantial	28	34%	23	25%
Reasonable	32	39%	53	57%
Limited	20	24%	15	16%
No	0	0%	0	0%
Not Included	2	3%	2	2%
Totals	82	100%	93	100%

17. The number of audit reviews giving limited assurance has increased from 16% in 2010/11 to 24% in 2011/12 and reflects a number of system control problems and issues. Specific audit reviews at final report stage, giving limited assurance are as follows:
- Staff Overtime and Allowances
 - Income System – Cash and Cheques
 - Imprest and Petty Cash Accounts
 - Payroll/HR
 - VFM – Procurement
 - Recruitment System
 - OHMS Housing Management System Application
 - Council Transport Fuel
 - Development Control Income
 - Blue Badges
 - Residential Parking Permits

18. As part of our follow-up work we will be focussing on those audits giving limited assurance and working with management to ensure agreed actions for improvements in internal controls are implemented.
19. Table 2 below contains a summary of audit recommendations for improvements in internal controls, contained in audit reports issued for the year. Where audit recommendations are contained in final audit reports, actions will have been agreed with management for implementation. A comparison is again made with 2010/11.

Table 2 - Audit Recommendations (Actions) Made

No. of Audit Recommendations/Actions	2011/12		2010/11	
	No.	%	No.	%
High	40	8%	42	17%
Medium	377	76%	495	78%
Low	79	16%	96	15%
Totals	496	100%	633	100%

Counter Fraud

20. Our work covers all corporate internal fraud and corruption which includes reactive investigations but also increasingly proactive in managing the risk of fraud.
21. During the year we received and investigated 180 fraud referrals of suspected fraud and irregularities and of these currently 81 have been closed with 91 remaining as still in progress. The number of referrals has increased from 112 in 2010/11 demonstrating a national trend of increased fraud together with greater awareness amongst staff and the general public.
22. Of the closed cases sanctions applied during 2011/12 included:
- 2 employees suspended on the grounds of suspected gross misconduct;
 - 1 employee dismissed for theft;
 - 1 employee resigning whilst under investigation;
 - 1 application to succeed a housing tenancy being refused;
 - 1 potentially illegal housing tenancy housing property being abandoned;
 - 1 potentially illegal housing property being returned to the Council for re-letting
23. The Council participates in the Audit Commission's National Fraud Initiative (NFI) a data matching exercises to identify fraud and error. We have the lead role for the Council for co-ordinating and investigating matches. During the year investigations of matches carried out resulted in savings from principally overpayments of housing benefits of £433k. This savings figure is expected to rise further during as investigations of matches are completed. Significant investigations of NFI matches included:
- 25 cases identified of housing benefit overpayment incurred by employees of the Council.
 - 2 housing benefit administration penalty sanctions being issued.

- 4 blue badges cancelled as it was found that the holders had more than one issued in the UK;
24. Proactive counter fraud work undertaken during the year included:
- Continuing the close liaison with other public sector organisations for a “partnership” approach to fighting fraud examples including the UK Borders Agency, Sussex Police, NHS Counter Fraud Service, Audit Commission, National Fraud Authority and various Local Authorities.
 - Close cross council working with officers from key services to combat fraud including Adult Social Care, Housing Management and Procurement.
 - Further development of INCASE Intelligence software
 - Further raising fraud awareness amongst staff and Members through training and briefings.
 - Updating the Council’s Counter Fraud Strategy including response to the Bribery Act requirements
25. The staff resources used in respect of counter fraud for 2011/12 was 270 days an increase from 255 days in 2010/11.
26. During 2011/12 the Local Government Fraud Strategy, ‘Fighting Fraud Locally’ was developed and published by the National Fraud Authority in April of this year. The Head of Audit and Business Risk had direct input to the development as part of an expert advisory group. The Strategy contained 59 recommended actions, many are already in place but during 2012/13 we will continue to implement those appropriate.
27. The National Fraud Authority also published the latest Annual Fraud Indicator and estimated that the loss to fraud to the UK economy per annum is £73 billion of which £2.2 billion in respect specifically of local government.

Council’s Annual Governance Statement

28. Our assurance work and the Head of Audit & Business Risk’s Annual Opinion above is a key part of the council’s Annual Review of Governance Arrangements and production of the Annual Governance Statement. Key issues from audit reviews, in particular those providing limited assurance have been considered and where appropriate included in the Annual Governance Statement.

Corporate Support

29. We have continued to be pragmatic in providing professional support to management through proactive advice and information. This element of our work is seen as invaluable by services, particularly in areas of change management. By taking this proactive approach, often problems and risks can be avoided. Areas included projects and programme management, HR processes, Adult social care, information governance and data quality.

Other Direct Audit Activity

30. Other direct audit activity also includes follow-up reviews on management action to implement agreed audit recommendations. These reviews are usually carried out within six months of action agreed and issue of the final report. From follow-up reviews carried out during 2011/12, the overall level of implementation of agreed actions is 86% of which 98% relates specifically to high priority recommendations.
31. We will continue to focus our resources on high and certain medium priority audit recommendations. To monitor all agreed actions, we will be reviewing the feasibility of giving access by managers to our action management software, specifically to the action tracking module.

Performance of Internal Audit

32. The key indicator for Internal Audit performance is achievement against the Annual Audit Plan, demonstrated earlier in this report. There are however other local performance indicators used based on professional best practices and included in the agreed Annual Internal Audit Plan and our Service Business Plan. These are monitored and reported throughout the year.

Summary of 2011/12 performance data

33. Performance against effectiveness targets remains positive and reflects the quality of our work. The performance against agreed targets for 2011/12 is shown in Table 3 below. For comparison purposes, 2011/12 actuals are included.

Table 3 – Actual Performance Against Targets

Completion of planned audits (to final or draft report)for 2011/12

Purpose of the performance indicator: to ensure that Audit & Business Risk provides sufficient coverage to provide an adequate and effective internal service, to provide sufficient assurance to management on the council's control environment and meet the requirements of the Section 151 Officer and External Audit.	
Target: 95%	Achieved: 95% (2010/11 96%)

(Note: Completion of planned audits for 2011/12 is at June. It is expected that all will be finalised.)

Turnaround times of audit reports

Purpose of the performance indicator: to ensure effectiveness of audit work in terms of timeliness and service delivery to clients.	
Target: Issue 100% of draft reports within 10 working days of completion of audit fieldwork	Achieved: 94% (2010/11 97%)
Target: Receive 100% of client responses within 15 days of issue of draft reports.	Achieved: 91% (2010/11 89%)
Target: Issue of 100% of final audit reports within 10 days of agreement with clients	Achieved: 89% (2010/11 94%)

Client satisfaction levels of at least good or very good

Purpose of the performance indicator: to ensure Audit & Business Risk provides a sufficient level of service in terms of quality and impact through adding value as required by its clients.	
Target: 92% of client satisfaction responses at least good or very good.	Achieved: 93% (2010/11 94%)

Reliance by External Audit on the work of Audit & Business Risk

Purpose of the performance indicator: to ensure the audit coverage and quality is sufficient to meet the statutory requirements of external audit, including the International Standards of Auditing and beneficial in terms of reducing external audit fees to the City Council. Reliance is reflected in low level of external audit fees for the Council.	
Target: Reliance	Achieved: Reliance (2010/11 Reliance)

Service Benchmarking

34. Benchmarking is accepted as a key method of comparing performance with other unitary local authorities. We continued to participate in an annual benchmarking exercise carried out by the Chartered Institute of Public Finance & Accountancy (CIPFA). The information it provides is seen as invaluable in assisting us to demonstrate value against our peers

35. Information from annual exercises has demonstrated the value of our service and we have remained consistently in the upper performance quartile. The draft report for 2011/12 was recently received and contained the following key comparisons relating to service performance and costs::

- Audit cost per £1M gross turnover for the council, £680 against an average of £984;
- Audit days per £1m gross turnover for the council 2.17 against an average of 3.4; and
- Direct days¹ per auditor 182 against an average of 175.

Service Review

36. The Accounts and Audit Regulations 2011 (R6) requires an annual review to be carried out on the effectiveness of the system Internal Audit. This was carried out as a self assessment against the CIPFA Code of Practice for Internal Audit in Local Government. The outcome of the review against the criteria (106) contained in the Code was:

- Full Compliance 101 (95%)
- Partial Compliance 4 (4%)
- No Compliance 0 (0%)
- Not applicable 1 (1%)

37. The overall conclusion is that the system of internal audit remains effective.

Service Restructure

38. During the second half of 2011/12, an internal restructure of the service was completed to reduce costs whilst changing the staff skills mix to meet future needs and challenges facing the Council. The restructure is currently being implemented.

39. The Accounts and Audit Regulations 2011 (R6) requires an annual review to be carried out on the effectiveness of Internal Audit. This is primarily against the CIPFA Code of Practice for Internal Audit in Local Government. The outcome of the review against the criteria (106) contained in the Code was:

Service Developments

40. The following are key service developments planned for 2012/13:

- Further implementation of New Audit Management System that will increase productivity, management information (e.g. direct Audit Committee Reports) and tracking of actions from audit reviews;
- Greater use of flexible working to increase productivity and satisfaction of staff;

¹ Direct days are total days available less all leave, training and administration; therefore productive time spent carrying out audit work.

- Further developing the use of analytical software tools across the council's systems to focus audit resources on high risk areas e.g. data mining and continuous auditing
- Ensure effective quality assurance processes are in place;

- Review of stakeholder feedback to individual audit reviews and full survey; and
- Introduce e-learning fraud awareness training across the council to promote i fraud awareness.

Appendix B**Definitions of Internal | Audit Assurance Levels**

Level of Assurance	Definitions
Full	There is a sound system of control designed to achieve the system and service objectives. Compliance with the controls is considered to be good. All major risks have been identified and are managed effectively.
Substantial	Whilst there is a basically sound system of control (i.e. key controls), there are weaknesses, which put some of the system/service objectives at risk, and/or there is evidence that the level on non-compliance with some of the controls may put some of the system objectives at risk and result in possible loss or material error. Opportunities to strengthen control still exist.
Reasonable	Controls are in place and to varying degrees are complied with but there are gaps in the control process, which weaken the system and result in residual risk. There is therefore a need to introduce additional controls and/or improve compliance with existing controls to reduce the risk to the Council.
Limited	Weaknesses in the system of control and/or the level of compliance are such as to put the system objectives at risk. Controls are considered to be insufficient with the absence of at least one critical or key control. Failure to improve control or compliance will lead to an increased risk of loss or damage to the Council. Not all major risks are identified and/or being managed effectively.
No	Control is generally very weak or non-existent, leaving the system open to significant error or abuse and high level of residual risk to the Council. A high number of key risks remain unidentified and/or unmanaged.

Definitions of Priorities for Audit Recommendations

Priority	Assessment	Timescale for Implementation
High	<p>Fundamental There is a weakness in control that represents immediate material risk to the City Council or a service and requires urgent attention by management.</p> <p>These issues generally merit the attention of senior management.</p>	Actions to address recommendations should in a number of cases be immediate and at least within three months.
Medium	<p>Significant There is weakness in control and a risk of material inaccuracy/loss to the City Council or a service area and requires corrective action/attention by local management within a reasonable period.</p>	Should be implemented within 6 months
Low	<p>Merits Attention Minor matters where there is a weakness or opportunity for improvement, which does not expose the service/system under review to any significant risk, but management should consider taking action.</p>	No set time period.

Terms of Reference for the provision of Internal Audit Services

1. Purpose

- 1.1 The Terms of Reference is for the provision of Internal Audit Service within Brighton & Hove City Council. It is reviewed and approved on an annual basis to ensure that current needs are met.

2. Role and Function

- 2.1 Internal audit is an assurance function that primarily provides an independent and objective opinion and adds value to the council on the control environment by evaluating its effectiveness in achieving the organisation's objectives. It objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources. The service is delivered by Audit & Business Risk within the Finance Unit.
- 2.2 The control environment comprises the systems of governance, risk management and internal control.

3. Reporting Lines & Relationships

- 3.1 Audit & Business Risk provide the council's internal audit function and are part of the Finance Unit. The Head of Audit & Business Risk reports functionally to the Chief Executive, Director of Finance (Section 151 Officer), other Strategic Directors and members of the Audit Committee. Administratively the Head of Audit & Business Risk also reports to the Director of Finance.
- 3.1 The Audit Committee is responsible for approving the Internal Audit Strategy and Annual Audit Plan. The Head of Audit & Business Risk reports regularly to the Audit Committee on progress against the Annual Audit Plan and key issues arising.

4. Independence and Accountability

- 4.1 Internal Audit will remain sufficiently independent of the activities that it audits to enable auditors to perform their duties in a manner, which facilitates impartial and effective professional judgements and recommendations. Internal auditors have no operational responsibility.

- 4.2 Internal Audit is involved in the determination of its priorities in consultation with those charged with governance. Internal Audit has unrestricted access to officers, members, council records and to report in its own name.
- 4.3 The existence of an internal audit function within the council does not diminish the responsibility of management to establish systems of internal control to ensure that activities are conducted in a secure, efficient and well ordered manner.

5. Statutory Role

- 5.1 Internal auditing is provided as a statutory service in the context of the Accounts & Audit Regulations 2003, as amended 2006, which states that a relevant body shall maintain an adequate and effective system of internal audit of its accounting systems and its system of internal control in accordance with the proper Internal audit practices.
- 5.2 The statutory role is recognised and endorsed within the council's Financial Regulations, which provides the authority for unlimited access to officers, Members, documents and records and to require information and explanation necessary.

6. Consultancy and Advisory Role

- 6.1 Audit & Business Risk also perform a consultancy or advisory role on an ad hoc basis or as part of the Annual Audit Plan, as commissioned by management. Reports from this type of work contain findings and recommendations particularly to add value to the council's services in achieving value for money in its use of resources. Any consultancy and advisory work carried out shall not jeopardise the Internal Audit independence.

7. Internal Audit Standards

- 7.1 There is a statutory requirement for Audit & Business Risk to work in accordance with the 'proper audit practices'. These are effectively the CIPFA Code of Practice for Internal Audit in Local Government that accompanies the Accounts & Audit Regulations 2003 (as amended 2006).

8. Internal audit Scope

- 8.1 The scope for Audit & Business Risk is 'the control environment comprising risk management, control and governance'. This means that the scope of Audit & Business Risk includes all of the council's operations, resources, services and responsibilities in relation to associated partner organisations. The priorities for Audit & Business Risk will be determined by a process of risk assessment.

9 Internal Audit Skills and Resources

- 9.1 Audit & Business Risk will ensure as far as possible that it appropriately staffed in terms of numbers, skills and experience. The Head of Audit & Business Risk is responsible for appointing of staff and will ensure these are made in order to achieve the appropriate mix of qualifications, experience and skills.
- 9.2 The Head of Audit & Business Risk is responsible for ensuring that the resources of Audit & Business Risk are sufficient to meet its responsibilities and achieve its objectives. If a situation arose whereby he concluded that resources were insufficient, he must formally report this to the Director of Finance (Section 151 Officer) and the Audit Committee.
- 9.3 Where necessary to provide an adequate, effective and professional service the Head of Audit & Business Risk will outsource internal audit work to supplement internal resources but will ensure quality is not compromised.
- 9.4 If Internal auditors are appointed from operational roles elsewhere within the council, they do not undertake an audit in that area directly within one year unless by prior agreement.
- 9.5 In line with the CIPFA Statement on the Role of the Head of Internal Audit (2010), the Head of Audit & Business Risk is a professional qualified CIPFA Accountant. In addition there is a high mix of professionally qualified staff throughout the Internal Audit Team to meet delivery requirements of the service.

10. Fraud and Corruption

- 10.1 Managing the risk of fraud and corruption is the responsibility of management. Internal audit reviews alone, even when performed with due professional care, cannot guarantee that fraud or corruption will be detected. Audit & Business Risk will, however be alert in all their work to risks and exposures that could allow fraud or corruption.
- 10.2 The Head of Audit & Business Risk has lead responsibility for corporate counter fraud activities including proactive initiatives, maintaining and developing an effective framework, and advising management.

11. Reporting Accountabilities

- 11.1 The majority of audit reviews include a formal audit report being produced and issued to management. The primary purpose of the audit report is:
- To provide an opinion on the effectiveness of the control framework operating for the mitigation of risks;
 - To make practical audit recommendations and agree management actions;
 - To prompt management action to implement audit recommendations for change leading to improvements in control and where applicable value for money and performance and;
 - To provide a formal record of points arising from an audit review and agreement with management.
- 11.2 Management are expected to implement all agreed recommendations within a reasonable timeframe. Each internal audit will be followed up normally within six months of issue, in order to ascertain whether agreed actions have been implemented effectively.
- 11.3 The Head of Audit & Business Risk reports regularly to the Audit Committee on progress made against the Annual Audit Plan and the summarised outcomes of individual audits.
- 11.4 The Head of Audit & Business Risk provides an Annual Internal Audit Report to the Audit Committee that includes an opinion on the adequacy and effectiveness of the control environment.

12. Responsibilities

- 12.1 In meeting its responsibilities, the activities of Audit & Business Risk will be conducted in accordance with the council's objectives, established policies and procedures. In addition, internal auditors comply with the Code of Practice for Internal Audit in Local Government (CIPFA).
- 12.2 Audit & Business Risk will co-ordinate effectively with the Audit Commission (as the council's appointed external auditors) for optimal audit coverage and to ensure that appropriate reliance can be placed on internal audit work.
- 12.3 Audit & Business Risk will work the internal audit functions of the council's partner organisations to ensure the robustness of controls and risk management arrangements, to protect the council's interests.

AUDIT & STANDARDS COMMITTEE

Agenda Item 23

Brighton & Hove City Council

Subject: Annual Governance Statement 2011/12
Date of Meeting: 26th June 2012
Report of: Director of Finance
Contact Officer: Name: Ian Withers Tel: 29-1323
E-mail: ian.withers@brighton-hove.gov.uk
Wards Affected: All

FOR GENERAL RELEASE

1. SUMMARY AND POLICY CONTEXT:

- 1.1 The purpose of this report is to present the Council's Annual Governance Statement 2011/12 for consideration and approval.
- 1.2 The Annual Governance Statement provides a comprehensive assessment of the governance arrangements and the internal control environment across all activities of the council. Once approved it will be signed by the Chief Executive and Leader.
- 1.3 The Accounts and Audit Regulations 2011 now require the Annual Governance Statement to 'accompany' the Statement of Accounts. The change in wording from the previous regulations emphasises the statement is separate from the accounts. Following approval the Annual Governance Statement will also be published as a separate stand alone document.

2. RECOMMENDATIONS:

It is recommended that the Committee:

- 2.1 Consider the Annual Governance Statement, comment accordingly and approve for publication.

- 2.2 Note in particular the actions to further improve governance arrangements. The Audit & Standards Committee will be updated during 2011/12 on the progress made.

3. BACKGROUND INFORMATION:

- 3.1 Governance comprises the systems, processes, culture and values by which Councils are directed and controlled and through which they account to, engage with, and where appropriate, lead their communities. Every Council has a governance framework which brings together an underlying set of legislative requirements, governance principles and management processes.
- 3.2 The Accounts and Audit Regulations 2011 imposes a statutory requirement on all local authorities to conduct a review of the effectiveness of its governance arrangements and to publish the results in an Annual Governance Statement. The Annual Governance Statement is signed by the Leader and the Chief Executive.
- 3.3 The Annual Governance Statement must be prepared in accordance with the Accounts & Audit Regulations and the CIPFA/SOLACE framework '*Delivering Good Governance in Local Government 2007*'.
- 3.4 The Annual Governance Statement gives the Council the mechanism to demonstrate its positive governance culture and achievements to its stakeholders.

4. REVIEW OF GOVERNANCE ARRANGEMENTS

- 4.1 The annual review of the effectiveness of the council's governance arrangements and preparation of the Annual Governance Statement has been carried out by the Head of Audit & Business Risk with input from key officers. It was considered by the Officers' Governance Board on 11th June 2012.
- 4.2 The outcome of the annual review was that the Council has generally sound governance arrangements in place.
- 4.3 The Officers' Governance Board will continually review the governance arrangements throughout the year, as well as focussing on specific areas identified in the Annual Governance Statement. An update report on actions contained in the Annual Governance Statement will be made to the Audit & Standards Committee on 20th November 2012.

5 DRAFT ANNUAL GOVERNANCE STATEMENT

5.1 The draft Annual Governance Statement for 2011/12 is shown at Appendix 1. It has been prepared generally in line with the CIPFA/SOLACE best practice guidance and comprises the following:

- The purpose of the governance framework
- The council's governance framework
- Review of effectiveness
- Governance Issues and actions for improvement

5.2 Implementation of actions will be monitored by Audit & Business Risk and reported back to the Officers' Governance Board and Audit & Standards Committee.

6. CONSULTATION

6.1 Internal consultation has been carried out with key officers and members of the Officers' Governance Board.

7. FINANCIAL & OTHER IMPLICATIONS:

7.1 Financial

Sound corporate governance and proper systems of internal control are essential to the financial health and reputation of the council. The resources required to implement the actions outlined to strengthen the governance arrangements are provided for in the agreed 2012/13 budget..

Anne Silley
Business Engagement Manager
Financial Services

15th June 2012

7.2 Legal Implications:

The statutory basis for this report is regulation 4 of the Accounts and Audit (England) Regulations 2011, which requires the council (among other matters):

- to conduct a review at least once a year of the effectiveness of its system of internal control

- to ensure the findings of the review are considered by Full Council or one of its committees; and

- following the review, to ensure that Full Council or one of its committees to approves an annual governance statement
- to ensure the annual governance statement accompanies the council's statement of accounts for that year

The Audit & Standards Committee is fulfilling these requirements as a committee of the Council designated for this purpose.

Oliver Dixon
Acting Senior Lawyer

14th June 2012

7.3 Equalities Implications:

There are no direct equalities implications arising directly from this report

7.4 Sustainability Implications:

There are no direct sustainability implications arising from this report.

7.5 Crime & Disorder Implications:

There no direct implications for the prevention of crime and disorder arising from this report.

7.6 Risk and Opportunity Management Implications:

The preparation of the Annual Governance Statement has been explicitly linked to the risk management framework of the City Council. One of three principles of good governance is "taking informed, transparent decisions and managing risk".

7.7 Corporate / Citywide Implications:

Robust corporate governance arrangements are essential to the sound management of the City Council and the achievement of its objectives as set out in the Corporate Plan.

SUPPORTING DOCUMENTATION

Appendices:

1. Annual Governance Statement 2011/12

Background Documents

1. Brighton & Hove City Council's Code of Corporate Governance
2. CIPFA/SOLACE Delivering Good Governance in Local Government – (Framework 2007)
3. Delivering Good Governance in Local Government – Guidance notes for English Authorities (CIPFA/SOLACE 2007)
4. Accounts & Audit Regulations 2011 (Amended)
5. Local Government Governance Review, (June 2012 Consultation Paper), Grant Thornton



Annual Governance Statement 2011/12

Scope of Responsibility

1. Brighton & Hove City Council (the Council) is responsible for ensuring that its business is conducted in accordance with the law and proper practice standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised having regard to a combination of efficiency, effectiveness and economy.
2. In discharging this accountability, the Council is responsible for putting in place and maintaining proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions, including arrangements for the management of risk.
3. The Council has approved and adopted a Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE framework *Delivering Good Governance in Local Government* and is included in the Constitution of the Council.
4. This Annual Governance Statement outlines the Council's governance arrangements and achievements during 2011/12 and highlights area to further strengthen governance. It explains how the Council has complied with the Code and also meets the requirements of regulation 4(2) of the Accounts & Audit Regulations 2011 in relation to conducting an annual review of the Council's governance framework and the publication of this statement.

The Purpose of the Governance Framework

5. Governance is about how the Council ensures that it is doing the right things, in the right way, for the right people, in a timely, open, honest and accountable manner.
6. The governance framework comprises the systems and processes, and culture and values by which the Council is directed and controlled and its activities through which it is accountable to, engages with, and leads the community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.

7. The governance framework is designed to manage risk to a reasonable level, rather than to eliminate all risk. It can therefore only provide reasonable and not absolute assurance of effectiveness.

The Governance Framework

8. The governance framework has been in place at the Council for the year ended 31st March 2012, up to the date of approval of the Statement of Accounts.
9. Maintaining the governance framework is an on-going process, and one to which the Council is committed in order to ensure continual improvement and organisational learning.
10. The key elements of the systems and processes that comprise the Council's governance arrangements are shown below together with explanations of how they are embedded.

Council's Purpose, Vision and Performance Management

11. The Council has a leading role in the 2020 Community Partnership, the Local Strategic Partnership for the City and developed with its partners, a Sustainable Community Strategy. This is regularly reviewed and refreshed to ensure it reflects changes and to maintain effectiveness.
12. The latest Corporate Plan 2011-15, approved by Full Council in October 2011, sets out the Council's direction and five priorities:
 - Tackling inequality
 - Creating a more sustainable city
 - Engaging people who live and work in the city
 - A responsible and empowering employer
 - A Council the City deserves
13. During 2011/12 the Brighton & Hove Strategic Partnership continued to develop an action plan to support the Community Engagement Framework for the City. This sets out the strategic aims and guiding principles for community engagement within Brighton & Hove and priority actions that need to be taken to improve practice. The framework aims to achieve:
 - Investment in the development of people in both communities and organisations;

- Improvements in information and communication, particularly providing feedback;
 - Better co-ordination and use of resources;
 - Long-term, resourced, commitment to improving community engagement;
 - Creation of opportunities to influence the outcome of decisions and tackle issues in communities; and
 - Developing more creative ways to engage with people and communities that ensure everyone has a voice not just those that 'know how'.
14. The Council uses a variety of mechanisms within its overall approach to performance management and service improvement to measure quality of service to users, ensuring service delivery is in accordance with its objectives, and for ensuring the best use of resources. These include national and local performance indicators, residents' perceptions, measurable improvements in value for money, benchmarking, identification and management of key risks. These are incorporated into the Council's Performance and Risk Management Framework.
15. Performance management processes are embedded throughout the Council and regularly reported in accordance with agreed timescales. During 2011/12, Organisational Health Reports were introduced as a set of key measures around finance and general organisational management, workforce and meeting the needs of the customer. Periodic reports are produced to compare actual performance against targets to aid decision making.

Members and Officers Capacity and Development

16. The success of the Council services relies substantially on the contribution of officers to the planning, development and delivery of services. The Council recognises that the value of staff contributions will be enhanced through clear communication of the Council's expectations, developing staff skills and abilities, providing a safe, healthy, supportive and inclusive working environment.
17. To support this, during 2011/12 the Council implemented a People Strategy with twenty overlapping themes under five headings:
- Culture and Communication
 - Leadership and Management
 - Resourcing
 - Learning and Development
 - Quality of our Working Lives
18. The Council has achieved the highest level of the Equality Framework for Local Government – 'Excellent'. The Council was also re-assessed during 2011/12 for Investors in People (IIP) with success and continued accreditation.

19. The council is committed to developing the capacity of officers through its Performance Development and Planning Scheme. A complete programme of learning and development is available to officers and Members from the Learning and Development Team. Where applicable, officers are also expected to undertake continuing professional development (CPD) of their professions. There are corporate induction processes including governance for both members and officers starting with the Council.
20. The Council has a generic programme of training and development for members based in part on a self-assessment of needs against the Improvement and Development Agency (IDeA) Political Skills Framework. There is further more specific training for those with lead roles in, for example, the Executive and Scrutiny functions.

Roles, Responsibilities and Behaviour

21. To ensure effective leadership throughout the Council, members and officers work together to deliver a common purpose with clearly defined functions and roles through the following:
 - The Council's Constitution, includes details of the roles and responsibilities of the Executive Committees, the full Council and Chief Officers and the rules under which they operate including protocols.
 - The Council's political structure including roles and responsibilities are detailed on the Council's website.
 - The Council's Head of Legal Services is the designated Monitoring Officer with responsibilities for ensuring the lawfulness of decisions taken by the Council, its Committees and officers, providing support and advice on the maintenance of ethical standards and advising the Council's Standards Committee.
22. During 2011/12 Executive decisions were made by the Executive Body being the Leader and Cabinet, within the overall policy and budgetary framework approved by full Council. Any decisions the Executive wished to take outside of the framework must be referred to the full Council to decide. Scrutiny committees monitored the work of the Executive Body. The council will be changing its constitution for 2012/13 to introduce a committee system.
23. The Officers Strategic Leadership Board (SLB) includes the Director of Finance, and supports Members in the policy and decision making process.

24. The Council has adopted a number of codes and protocols that govern the standards of behaviour expected of Members and officers. These are communicated as part of the induction process, ongoing awareness training and made available via the Council's intranet. These include codes of conduct covering conflicts of interest and gifts and hospitality.
25. The Standards Committee remit includes promoting and maintaining high standards of conduct and ethical governance. In response to the Localism Act 2011, the Council is considering arrangements for the future to manage conduct.

Communication and Consultation

26. The Community Engagement Framework for the City, introduced by the Brighton & Hove Strategic Partnership, aimed to improve the ways in which citizens and communities can influence and shape services through improved communication.
27. Clear channels of communication have been established with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation. These include the Council's publication City News distributed quarterly to nearly 100,000 households, the Council Tax leaflet containing budget details, the Council's website and social media. A particular emphasis was placed during 2011/12 on more open and transparent budget consultation including the use of the Delib on-line budget simulator, early publication of two year budget proposals and a thorough scrutiny process.
28. There are a wide range of access channels and opportunities for all parts of the community and key stakeholders to engage in dialogue and consultation. This includes tenants and residents forums through consultation events and surveys. The Council's Corporate Plan, Annual Statement of Accounts are again made available via the Council's website and distributed to certain key points across the City, ensuring that residents have numerous access channels.
29. As part of its openness and transparency of decision making, advance notices, agendas, minutes and web-casts are available for Council meetings. The Council makes available a large amount of information through several means and is also committed to meeting its obligations to give rights of public access to information held, through the Freedom of Information Act 2000.
30. Parts of the Council achieved the Customer Service Excellence award during 2011/12, being the Government's national standard for excellence and demonstrating that the Council has recognised the importance of consulting and developing an in-depth understanding of its customer needs.

31. The Council has a Corporate Complaints Policy and Procedures which are in line with Ombudsman guidelines. A centrally managed process ensures consistency of receipt, investigation, responding, monitoring and reporting.

Control Framework, Risk Management and Audit Committee

32. The Council's high-level policies and procedures are updated and regularly communicated to officers and Members.
33. The principle documents include the Council's Financial Regulations and Contract Standing Orders both of which were reviewed and updated during the 2011/12. There are other corporate policies on key governance topics, including Business Planning, Counter Fraud, Information Security, Equalities & Diversity, Health & Safety and Whistleblowing.
34. Risk management is embedded throughout the Council and in its partnership working arrangements. The Council's Risk Management Strategy is refreshed annually and shows the alignment of strategic risks and priorities. During 2011/12, the Council and its partners worked together to develop the first City Wide Risk Register.
35. The Council's internal audit arrangements are reviewed annually and considered to be effective, conforming to the governance requirements of the CIPFA Code of Practice for Internal Audit in Local Government. The Head of Audit & Business Risk works with key members of the Corporate Management Team to give assurance, advice and promote good governance throughout the Council.
36. The Council has a corporate fraud function within the Audit & Business Risk service with a Counter Fraud Programme for both reactive and increasing proactive activity. During 2011/12 the Head of Audit & Business Risk contributed to the Local Government Fraud Strategy, 'Fighting Fraud Locally' produced by the National Fraud Authority and published in April 2012. Best practice recommendations are operating or will be introduced.
37. The Council's Whistleblowing Policy for raising a confidential concern aims to encourage officers, contractors and agency workers to report any instances of unlawful conduct, health and safety risks, damage to the environment, possible fraud and irregularities and unauthorised use of Council funds. The Policy is available on the Council's internet and website, and provides the mechanisms to raise concerns and receive appropriate feedback without the fear of victimisation.

38. For 2011/12, the Audit Committee is independent of the executive and scrutiny functions and now embedded as a key part of the Council's overall governance framework. Its terms of reference are aligned to CIPFA's best practice guidance for Audit Committees. The membership is politically proportionate and the Chair is an opposition Member. A review of the effectiveness of the Audit Committee was carried out during 2011/12.

Compliance with Established Policies, Procedures, Laws and Regulations

39. All officers of the Council have a responsibility to ensure compliance with established policies, procedures, laws and regulations. Training and awareness sessions are provided as necessary and appropriate induction sessions are carried out.
40. Compliance assessments are carried out by management, auditors and through the work of statutory inspectors, including the Care Quality Commission and Ofsted.
41. The Head of Law & Democratic Services (the Monitoring Officer) has overall responsibility for ensuring the Council acts lawfully and without maladministration. This includes reporting on any proposal, decision or omission by the Council likely to contravene any enactment or rule of law or any maladministration. No such reports were necessary during 2011/12.

Economic, Effective and Efficient Use of Resources

42. As part of the Council's transformation agenda the Council has a four year Value for Money Programme, the main objective of which is to achieve financial savings. Other objectives include delivering services in new and better ways to increase user satisfaction.
43. Actual value for money savings achieved under the Programme for 2011/12 was £7.529m against an ambitious planned target of £7.752m. That programme covers a wide range of service related and cross-cutting initiatives including better procurement, and management and administration savings.

Financial Management and Reporting

44. The Council's financial arrangements fully conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010). As Chief Financial Officer (CFO), the Director of Finance is a key member of the Strategic Leadership Board and Corporate Management Team and is responsible of the proper administration of the Council's financial arrangements and leads a suitably qualified and experienced Finance Function.
45. The Director of Finance (as Section 151 Officer) has overall statutory responsibility for the proper administration of the Council's financial affairs, including preparation of the Statement of Accounts and making arrangements for the appropriate systems of financial control. No reports were made during 2011/12 on any case of unlawful expenditure, loss or deficiency.
46. The Council's Medium Term Financial Strategy (MTFS) sets out the resource projections for the forthcoming three years, the financial challenges and opportunities that it faces and the approach planned to meet the priorities set out in the Corporate Plan.
47. The Council published a detailed budget book for 2011/12 to enable a greater understanding of how the council spends its money. It also continues to publish all payments to suppliers over £500.

Partnership Working and Governance Arrangements

48. The governance arrangements in respect of partnerships and other group working as identified by the Audit Commission's report *Governing Partnerships: Bridging the Accountability Gap (2005)*, are defined in the Council's Financial Regulations. During 2011/12 the Council worked with significant partnerships for example the Children and Young People's Trust, in terms of helping to achieve its objectives through ensuring appropriate agreements and robust governance arrangement are in place. Regular audit reviews are carried out on the overall governance arrangements within the Council's key partnerships.
49. The City's Local Strategic Partnership (LSP) is managed by a Board and the Council is the lead agency for the LSP. During 2011/12 the Council distributed, a Brighton & Hove Strategic Partners' Members Pack to LSP Board Members that included governance responsibilities.

50. Agreements have been developed between the Brighton & Hove Strategic Partnership and the other members of the family of partnerships to bring a focus on service delivery. The Council's Overview and Scrutiny Commission provides an independent role in examining service delivery.
51. The Public Services Board is accountable to the LSP and is chaired by the Council's Leader. This has a role in the City's leadership, ensuring the quality and effectiveness of public service in the City.

Review of Effectiveness

52. The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The Officers Governance Board oversees the review of effectiveness including monitoring actions arising.
53. The process that has been applied in maintaining and reviewing the effectiveness of the governance framework 2011/12 includes the following:
 - Review and maintenance of the Constitution by the Monitoring Officer;
 - An assessment of the corporate governance arrangements against the CIPFA/SOLACE Framework for Good Governance, which helped develop the Council's Code of Corporate Governance;
 - The provision of an effective Internal Audit Service including a risk based approach, individual audit reports providing assurance on the adequacy of individual internal controls and weaknesses to be addressed and an Annual Internal Audit & Opinion Report on the overall adequacy of the Councils control environment which has reached a reasonable assurance judgement,.
 - The Council's counter fraud arrangements including strategy, programme of reactive and proactive work;
 - Effective risk management arrangements including strategic and operational risk registers
 - The assurance of senior managers through the development of strategic and operational (service level) risk registers;
 - Findings and comments made by the External Auditors and other review agencies and inspectorates such as the Care Quality Commission and Ofsted; and

- The review of performance management and financial reporting.

Governance Issues

54. The annual effectiveness review of governance arrangements referred to above has not identified any significant weaknesses except for improvements which are required to the HR/Payroll control environment.

55. In considering the governance issues contained in the Annual Governance Statement for 2009/10, the following enhancements have **been achieved** during 2011/12:

- A more centralised and compliant approach to procurement and contract management including category management and contract management information system;
- Implementation of a new Performance and Risk Management Framework that will include regular 'Organisational Health Reports';
- Implement a new Business Planning process ;
- Introduction of a new People Strategy for effective workforce planning;
- Introduction of a new Corporate Plan and Medium Term Financial Strategy for new priorities and response to financial pressures; and
- Implementation of a new approach to budget consultation and stakeholder engagement;

56. In addition to the above, a number of actions referred to in the Annual Governance Statement for the year 2011/12, **are ongoing** supported by detailed plans and timetables:

- Review partnership and governance arrangements with Health in particular supporting the implementation of the shadow Health and Wellbeing Board, preparing for the transfer of public health functions to local government and responding to structural change in the NHS which will affect existing Section 75 agreements.

57. In response to the significant financial challenges facing the Council and the move to a new intelligent commissioning operating model, **new actions** have been identified to improve the governance arrangements:

- Implement the council's new constitution which includes a committee system.

- Following issues raised by Internal and External Audit in relation to the Payroll System, improve controls and efficiency of processes;
- Implement improvements to information governance arrangements in accordance with recommendations from Information Commissioner's inspection;
- Following changes to the national remit of external audit and inspection, to review processes for benchmarking performance and ensuring value for money across the Council;
- Introduce effective arrangements for Neighbourhood/Community Governance in the two pilot areas identified;
- Update Code of Corporate Governance to encompass changes to the Council's governance arrangements, legislation and updates to the CIPFA/SOLACE Framework and good governance guidance;
- In response to Fighting Fraud Locally, review the resourcing of the Council's counter fraud response, including the capacity and skills mix in both the Housing Benefits Fraud Team and the Corporate Fraud Team;
- To make changes to the Council's governance arrangements under the Localism Act 2011 for example introducing a local ethical standards regime from 1st July 2012; and
- Local Government Funding Reform (i.e. Council Tax Support and Business Rates).

58. All new and actions in progress will be monitored by the Officers' Governance Board and Audit & Standards Committee during 2011/12.

59. We are satisfied that the actions required, when fully completed will address the need for improvements that were identified in the review of effectiveness. We will monitor their implementation and operation as part of the next annual review.

Signed

Signed

John Barradell
Chief Executive

Councillor Jason Kitcat
Leader of the Council

Dated:

Dated:

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