



**Brighton & Hove
City Council**

AUDIT COMMITTEE ADDENDUM

4.00PM, TUESDAY, 16 DECEMBER 2008

COMMITTEE ROOM 1, HOVE TOWN HALL

ADDENDUM

ITEM	Page
63. AUDIT AND ASSURANCE SERVICES PROGRESS REPORT REFERENCE	1 - 6
64. ANNUAL GOVERNANCE STATEMENT ACTION PLAN	7 - 16

AUDIT COMMITTEE

Agenda Item 63

Brighton & Hove City Council

Subject: Audit & Assurance Services Progress Report

Date of Meeting: 16th December 2008

Report of: Director of Finance & Resources

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 This report details the outcome of internal audit work completed since the last meeting of the Audit Committee in November 2008. The report further shows the position regarding the delivery of the Internal Audit Plan for 2008/09.
- 1.2 The Accounts and Audit Regulations 2006 require every local authority to maintain an adequate and effective system of internal audit. Audit & Assurance Services carries out the work to satisfy this legislative requirement and part of its reporting on the outcome is to the Audit Committee.
- 1.3 The terms of reference of the Audit Committee include the requirement to consider the outcomes of work of both internal and external audit.
- 1.4 This report does not include counter fraud activities. This will be the subject of a separate report on outcomes and activities, to the February meeting.
- 1.5 It has been agreed that a report will be provided to the February meeting on the status of agreed management actions arising from finalised audit reports issued in 2008/09 and 2007/08.

2. Recommendations

That the Audit Committee notes the contents of this report, in particular the status of internal audit work since the last meeting.

3. Background Information

- 3.1 The audits contained in the Internal Audit Plan 2008/09 are based on an assessment of risk for each system or operational area. The assessment of risk includes elements such as the level of corporate importance, materiality, service delivery/importance and sensitivity.

- 3.2 The outcome of all audit work is discussed and agreed with the lead service managers. The final reports that include agreed actions to audit recommendations made, are issued to the responsible Director.
- 3.3 The Annual Internal Audit Plan is sufficiently flexible to meet the changing needs and emerging risks of the Council. This is reflected in the level of contingency made for unplanned audit work.

4. Progress against the Internal Audit Plan 2008-09

- 4.1 A full analysis of progress against the agreed Internal Audit Plan 2008-09 is shown at Appendix 1. This is summarised in Table 1.

Table 1: Summary of progress against Internal Audit Plan 2008-09

Audit Stage	Explanation	No.	%
Not Started	Planned but not started	31	30%
Planning	Planning of audit and agreement of Terms of Reference with client	7	7%
Fieldwork	In progress (Interviews, documenting, evaluating and testing of risks and controls)	24	24%
Draft Report	Draft audit report issued and being agreed with client	16	15%
Final Report	Final agreed audit issued and audit complete	25	24%

- 4.2 The achievement of the Annual Internal Audit Plan is based on the issue of final reports i.e. audits completed. The current projection for completion of the plan by the end of year is 88% against a target of 95%. A substantial number of audits are in progress. Other unplanned work is however impacting on the achievement of the plan, in particular Equal Pay, Concessionary Fares and Information Security. All are however considered to be high risk to the council.
- 4.3 So far for 2008/09 the team has experienced a high vacancy level due to recruitment difficulties for the first half year. Although this has improved recently with two new members of staff commencing, there still remains two further recent vacancies and we will be seeking to backfill these as far as possible during the final four months of the year with contractors and agency staff.

5. Final Audit Reports Issued

- 5.1 Since the last Audit Committee meeting, twelve audits have been completed to final report stage. Audit reports are issued as final where their contents have been agreed with client management, in particular management actions with responsibility and timescale. The audit is then effectively closed except for the scheduled implementation review of agreed actions.

No major issues have arising from the final audit reports issued.

The twelve final audit reports issued are shown in table 2 below which includes the assurance levels given and number of agreed actions under assigned priority level.

Table 2: Final Reports Issued

Audit	Report Status	Assurance Level	Agreed Actions and Priority		
			High	Medium	Low
Home to School Transport	Final	Substantial	0	11	3
Members Code of Conduct – Locally Managed Framework	Final	Substantial	0	3	0
Portslade Community College	Final	Substantial	0	1	1
Corporate Debt Recovery	Final	Reasonable	0	7	0
Schools Procurement	Final	Substantial	0	8	3
Internet and Email	Final	Reasonable	0	14	4
Adult Social Care Residential Contracts	Final	Reasonable	0	17	1
Partnership Governance	Final	Substantial	0	6	1
Creditors – Duplicate Payments	Final	Reasonable	0	2	0

The statement on the level of assurance on the effectiveness of internal controls and mitigation of risks, for each audit is a best practice requirement. Members should also note that the assurance levels assigned and agreed are subjective and based on materiality and significance. They often therefore have no direct relationship with the number of agreed actions to recommendations made.

There are currently five levels of audit assurance used and these are summarised as follow:

FULL	There is a sound system of internal control designed to achieve system and service objectives. All major risks have been identified and managed effectively.
SUBSTANTIAL	Whilst there is basically a sound system of internal control, there are weaknesses that put system objectives at risk.
REASONABLE	Controls are in place but there are gaps in the process. There is therefore a need to introduce additional controls.
LIMITED	Weaknesses in the system of control and /or level of compliance are such to put the system objectives at risk.
NO	Control is significantly weak or non existent leaving the system open to high level of risk from abuse, fraud and error.

6. Advice and Support to Directorates

- 6.1 We have continued to be pragmatic in providing professional proactive advice and this element of our work is seen as invaluable by directorates, particularly in areas of change management. By taking this proactive approach, often problems and risks can be avoided. Specific areas include Procurement, Equal Pay, Concessionary Fares, Information Security and Codes of Conduct.

7. Performance of Audit & Assurance Services

- 7.1 To achieve planned coverage and deliver a high quality service we have well established performance indicators, agreed annually as part of the Internal Audit Plan. Table 3 provides members with an overview of the performance of Audit & Assurance Services against the key targets set.

Table 3: Performance against targets

Performance Indicators	Target	Actual
Effectiveness		
% of agreed recommendations	98%	99%
% implementation of agreed management actions	85%	82%
CPA/CAA Use of Resources Score for Internal Control	Level 4	N/A
Efficiency		
% of planned days delivered	100%	54%
% of productive time	71%	75%
Achievement of Annual Internal Audit Plan	95%	24%
% of draft reports issued within 10 days of fieldwork completion	90%	96%
% response by client to draft reports within 15 days	90%	92%
% of issue of final reports within 10 days of agreement	95%	98%
Quality of Service		
% of customer satisfaction feedback in very good or good	90%	96%

8. FINANCIAL & OTHER IMPLICATIONS:

8.1 Financial Implications:

The Internal Audit Plan for 2008/09 will be delivered within existing budgetary resources.

Finance Officer Consulted: Patrick Rice

Date: 9th December 2008

8.2 Legal Implications:

Regulation 6 of The Accounts & Audit Regulations 2003 (as amended by the Accounts and Audit Regulations (Amendment) (England) Regulations 2006) require the Council to 'maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control in accordance

Lawyer Consulted: Oliver Dixon

Date: 8th December 2008

8.3 Equalities Implications:

There are no direct equalities implications arising directly from this report

8.4 Sustainability Implications:

There are no direct sustainability implications arising from this report.

8.5 Crime & Disorder Implications:

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

8.6 Risk and Opportunity Management Implications:

The Internal Audit Plan and its outcome is a key part of the Council's risk management process. The internal audit planning methodology is based on risk assessments that include the use of the council's risk registers.

8.7 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

Background Documents

1. Internal Audit Plan 2008/09
2. Code of Practice for Internal Audit in Local Government (CIPFA) 2006
3. Accounts & Audit Regulations 2003 (Amended 2006)

AUDIT COMMITTEE

Agenda Item 64

Brighton & Hove City Council

Subject:	Annual Governance Statement Action Plan		
Date of Meeting:	16th December 2008		
Report of:	Director of Finance & Resources		
Contact Officer:	Name:	Ian Withers	Tel: 29-1323
	E-mail:	lan.withers@brighton-hove.gov.uk	
Wards Affected:	All		

FOR GENERAL RELEASE

1. SUMMARY AND POLICY CONTEXT:

- 1.1 The City Council has a statutory duty under the Accounts and Audit Regulations 2003 (amended 2006), to publish an Annual Governance Statement. For 2007/08 this was reviewed and approved by the Audit Committee in June 2008.
- 1.2 The actions for improvement to the council's governance framework are a key part of the Annual Governance Statement. The Audit Committee should receive regular progress reports, to satisfy itself that actions identified for improvement have been or are being implemented.
- 1.3 The purpose of this report is to update members on the progress that has been made in implementing actions arising from the Annual Governance Statement.

2. RECOMMENDATION:

That members note the progress made and are satisfied with the implementation of actions for improvement to the council's governance framework, identified in the Annual Governance Statement 2007/08.

3. BACKGROUND INFORMATION

- 3.1 The Annual Governance Statement is a core element of the council's corporate governance arrangements. Ensuring that the actions identified for improvement have been implemented will further strengthen the council's corporate governance arrangements and contribute to the delivery of its objectives.
- 3.2 Section 10 of the Annual Governance Statement, details the actions identified for improvement to the council's governance framework. These include actions completed, in progress and those to commence. A total of 17 were identified as being in progress or to commence.

- 3.3 The action plan attached at Appendix A summarises the progress made against the 17 actions identified. The action plan details who is responsible for each individual action, what progress has been made (shown as a percentage) and target date of completion.
- 3.4 It is considered that good progress has been made during 2008/09 in implementing the action plan, in total 60% complete. The council is also considered to be target for completing 15 of the individual actions by the end of March 2009.
- 3.5 In addition to the action plan being received by the Audit Committee, it is also regularly received by the Officer's Governance Board.

4. FINANCIAL & OTHER IMPLICATIONS:

4.1 Financial Implications:

The improvements to the council's governance arrangements as specified within the action plan are being implemented within existing financial resources

Finance Officer Consulted: Patrick Rice

Date: 9th December 2008

4.2 Legal Implications:

None directly relating to the Action Plan but the production of the statement meets the requirements of Regulation 4 of the Accounts and Audit Regulations 2003 (as amended by the Accounts and Audit (Amendment) (England) Regulations 2006) .

Lawyer Consulted: Oliver Dixon

Date: 8th December 2008

4.3 Equalities Implications:

There are no direct equalities implications arising directly from this report

4.4 Sustainability Implications:

There are no direct sustainability implications arising from this report.

4.5 Crime & Disorder Implications:

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

4.6 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. It is important to ensure implementation of the actions for improvement, to mitigate risks.

4.7 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 2007-08 Action Plan for Improvements to the City Council's Governance Framework

Background Documents

1. Annual Governance Statement 2007-08

No	Area	Action	% Complete	By When/Progress	Lead Officer
1.	City Council Constitution	Introduction of a new council constitution	100%	Completed May 2008	Head of Law
2.	Corporate Plan 2008-11	Approval and publication of updated Medium Term Financial Strategy.	100%	Completed. Approved by Cabinet in June 2008 and published.	Assistant Director, Improvement & Organisational Development
3.	Medium Term Financial Strategy 2008-11	Approval and publication of updated Medium Term Financial Strategy	100%	Completed. Approved by Cabinet in June 2008 and published (with Corporate Plan). A more extensive review is planned for 2009.	Head of Strategic Finance & Procurement
4.	Asset Management Plan and Corporate Property Strategy 2008-11	Update and publish	100%	Completed. Approved by Cabinet in October 2008 and published.	Assistant Director, Property & Design
5.	Corporate Procurement Strategy 2008-11	Update and publish	100%	Completed	Head of Procurement Strategy
6.	Contract Management - Improved Value for Money	Development and introduction of training module for Value for Money in Contract Management.	80%	The training module has been developed that includes whole life costing. Currently planning roll-out across the council for February 2009.	Procurement Strategy Manager

No	Area	Action	% Complete	By When/Progress	Lead Officer
7.	Business Planning	To implement new business planning process replacing Team Planning Framework.	80%	The new business planning framework has gone live that includes all related guidance, tools and information. Many services have altered their business planning to encompass the new framework. Full implementation will be by the end of March 2009 for Service Business Plans 2009/10.	Assistant Director, Improvement & Organisational Development
8.	Anti Fraud & Corruption Strategy	Update the Anti Fraud Strategy to meet the requirements of the Government's Fraud Review.	10%	March 2009. Update has been delayed due to related guidance from CIPFA being issued late.	Head of Audit & Assurance

No	Area	Action	% Complete	By When/Progress	Lead Officer
9.	City Council Constitution	Post implementation review of new constitution arrangements. (Two part review, after 6 months and then after 12 months from new constitution arrangements).	0%	The first review (6 month after go live) is to commence in December 08 with feedback gathering with a current target for completion of March/April 2009. The second more detailed review was planned to commence in April 2009 but likely to be delayed to allow any changes from the first review to be actioned.	Head of Law
10.	Business Continuity Management	Review in relation to partnerships, significant contractors and specifically relating to ICT resilience.	60%	March 2009. Currently reviewing in relation to partnerships and significant contractors. ICT resilience will be reviewed in early 2009.	Head of Audit & Assurance

No	Area	Action	% Complete	By When/Progress	Lead Officer
11.	Financial Management – Improved access to tools and training	Financial skills training, improved support delivery through intranet, further developments of Financial Information System.	80%	March 2009. Corporate financial training course introduced managing budgets. Induction training includes increased financial management element. The Intranet pages are at testing stage.	Assistant Director, Financial Services
12.	Workforce Strategy	Review, update and approve.	100%	Completed	Assistant Director, Improvement & Organisational Development
13.	HR System - Improved quality of management information	Acquisition and implementation of new IT system to improve control and effectiveness of employees.		The system live date is 1 st April 2010.	Assistant Director, Human Resources
14.	People Strategy	Development, approval and implementation.	N/A	Action no longer applicable as major part incorporated into the Workforce Strategy.	Assistant Director, Human Resources
15.	Partnership Agreements	Review of Section 75 agreement with Sussex Partnership Trust following move to NHS Foundation	0%	March 2009	Head of Audit & Assurance

No	Area	Action	% Complete	By When/Progress	Lead Officer
		Trust status.			
16.	Community Engagement Framework	Review of the corporate consultation and communications policies.	100%	Community Engagement Framework agreed by LSP.	2020 Community Partnership Officer
17.	Key Governance Policies	Review of awareness and compliance across the council.	0%	March 2009	Head of Audit & Assurance

