

# Audit, Standards & General Purposes Committee

Date: **25 June 2024**

Time: **4.00pm**

Venue **Council Chamber - Brighton Town Hall**

Members: **Councillors:** West (Chair), Guilmant (Group Spokesperson),  
Atkinson, Baghoth, Gauge, Grimshaw, Mackey and Meadows

**Co-optees:**

David Bradly (Independent Person), Barbara Beardwell  
(Independent Person) and David Gill (Independent Person)

Contact: **Grace Leonard**  
grace.leonard@brighton-hove.gov.uk  
01273 29 1065

Agendas and minutes are published on the council's website [www.brighton-hove.gov.uk](http://www.brighton-hove.gov.uk).  
Agendas are available to view five working days prior to the meeting date.

Electronic agendas can also be accessed through our meetings app available through  
ModernGov: [iOS](#)/[Windows](#)/[Android](#)

This agenda and all accompanying reports are printed on recycled paper

# AGENDA

## PART ONE

Page

### 1 PROCEDURAL BUSINESS

- (a) **Declarations of Substitutes:** Where councillors are unable to attend a meeting, a substitute Member from the same political group may attend, speak and vote in their place for that meeting.
- (b) **Declarations of Interest:**
  - (a) Disclosable pecuniary interests;
  - (b) Any other interests required to be registered under the local code;
  - (c) Any other general interest as a result of which a decision on the matter might reasonably be regarded as affecting you or a partner more than a majority of other people or businesses in the ward/s affected by the decision.

In each case, you need to declare

- (i) the item on the agenda the interest relates to;
- (ii) the nature of the interest; and
- (iii) whether it is a disclosable pecuniary interest or some other interest.

If unsure, Members should seek advice from the committee lawyer or administrator preferably before the meeting.

- (c) **Exclusion of Press and Public:** To consider whether, in view of the nature of the business to be transacted or the nature of the proceedings, the press and public should be excluded from the meeting when any of the following items are under consideration.

*Note: Any item appearing in Part Two of the agenda states in its heading the category under which the information disclosed in the report is exempt from disclosure and therefore not available to the press and public. A list and description of the exempt categories is available for public inspection at Brighton and Hove Town Halls and on-line in the Constitution at part 7.1.*

### 2 MINUTES

7 - 10

To consider the minutes of the meeting held on 16 April 2024.

Contact Officer: Grace Leonard

### 3 CHAIR'S COMMUNICATIONS

#### 4 CALL OVER

- (a) Items (7-12) will be read out at the meeting and Members invited to reserve the items for consideration.
- (b) Those items not reserved will be taken as having been received and the reports' recommendations agreed.

#### 5 PUBLIC INVOLVEMENT

To consider the following matters raised by members of the public:

- (a) **Petitions:** to receive any petitions presented to the full council or at the meeting itself;
- (b) **Written Questions:** to receive any questions submitted by the due date of 10 AM on the 13/06/2024;
- (c) **Deputations:** to receive any deputations submitted by the due date of 10 AM on the 13/06/2024.

#### 6 MEMBER INVOLVEMENT

To consider the following matters raised by councillors:

- (a) **Petitions:** to receive any petitions submitted to the full Council or at the meeting itself;
- (b) **Written Questions:** to consider any written questions;
- (c) **Letters:** to consider any letters;
- (d) **Notices of Motion:** to consider any Notices of Motion referred from Council or submitted directly to the Committee.

#### 7 CONSTITUTIONAL MATTERS

11 - 22

*Contact Officer:* Grace Leonard  
*Ward Affected:* All Wards

#### 8 EXTERNAL AUDIT PLAN AND INFORMING THE AUDIT RISK ASSESSMENT 2023/24

23 - 88

*Contact Officer:* Nigel Manvell *Tel:* 01273 293104  
*Ward Affected:* All Wards

#### 9 INTERNAL AUDIT ANNUAL REPORT AND OPINION 2023-24

89 - 120

*Contact Officer:* Carolyn Sheehan  
*Ward Affected:* All Wards

<b>10</b>	<b>COUNTER FRAUD ANNUAL REPORT 2023-24</b>	<b>121 - 132</b>
	<i>Contact Officer: Carolyn Sheehan</i> <i>Ward Affected: All Wards</i>	
<b>11</b>	<b>FORMAL APPROVAL OF THE ANNUAL GOVERNANCE STATEMENT 2023-2024</b>	<b>133 - 180</b>
	<i>Contact Officer: Luke Hamblin</i> <i>Ward Affected: All Wards</i>	<i>Tel: 01273 291496</i>
<b>12</b>	<b>STANDARDS UPDATE</b>	<b>181 - 188</b>
	<i>Contact Officer: Victoria Simpson</i>	<i>Tel: 01273 294687</i>
<b>13</b>	<b>ITEMS REFERRED FOR COUNCIL</b>	
	(1) To consider items to be submitted to a relevant Committee for information.	
	(2) To consider items to be submitted to full Council for information.	
	<i>In accordance with Procedure Rule 24.3a, the Committee may determine that any item is to be included in its report to Council. In addition, any Group may specify one further item to be included by notifying the Chief Executive no later than 10am on the eighth working day before the Council meeting at which the report is to be made, or if the Committee meeting take place after this deadline, immediately at the conclusion of the Committee meeting</i>	
<b>14</b>	<b>ITEMS FOR THE NEXT MEETING</b>	



The City Council actively welcomes members of the public and the press to attend its meetings and holds as many of its meetings as possible in public. Provision is also made on the agendas for public questions to committees and details of how questions can be raised can be found on the website and/or on agendas for the meetings.

The closing date for receipt of public questions and deputations for the next meeting is 10 AM on the eighth working day before the meeting.

Meeting papers can be provided, on request, in large print, in Braille, on audio tape or on disc, or translated into any other language as requested.

Infra-red hearing aids are available for use during the meeting. If you require any further information or assistance, please contact the receptionist on arrival.

### **FURTHER INFORMATION**

For further details and general enquiries about this meeting contact Grace Leonard, (01273 29 1065, email) or email [democratic.services@brighton-hove.gov.uk](mailto:democratic.services@brighton-hove.gov.uk)

### **WEBCASTING NOTICE**

This meeting may be filmed for live or subsequent broadcast via the Council's website. At the start of the meeting the Chair will confirm if all or part of the meeting is being filmed. You should be aware that the Council is a Data Controller under the Data Protection Act 1998. Data collected during this web cast will be retained in accordance with the Council's published policy.

Therefore, by entering the meeting room and using the seats in the chamber you are deemed to be consenting to being filmed and to the possible use of those images and sound recordings for the purpose of web casting and/or Member training. If members of the public do not wish to have their image captured, they should sit in the public gallery area.

### **ACCESS NOTICE**

The Public Gallery is situated on the first floor of the Town Hall and is limited in size but does have 2 spaces designated for wheelchair users. The lift cannot be used in an emergency. Evac Chairs are available for self-transfer and you are requested to inform Reception prior to going up to the Public Gallery. **For your own safety please do not go beyond the Ground Floor if you are unable to use the stairs.**

Please inform staff on Reception of this affects you so that you can be directed to the Council Chamber where you can watch the meeting or if you need to take part in the proceedings e.g. because you have submitted a public question.

### **FIRE / EMERGENCY EVACUATION PROCEDURE**

If the fire alarm sounds continuously, or if you are instructed to do so, you must leave the building by the nearest available exit. You will be directed to the nearest exit by council staff. It is vital that you follow their instructions:

- You should proceed calmly; do not run and do not use the lifts;
- Do not stop to collect personal belongings;
- Once you are outside, please do not wait immediately next to the building, but move some distance away and await further instructions; and
- Do not re-enter the building until told that it is safe to do so.



**Brighton & Hove City Council**

**Audit & Standards Committee**

**4.00pm 16 April 2024**

**Council Chamber, Hove Town Hall**

**Minutes**

**Present:** Councillor West (Chair) Robinson (Opposition Spokesperson), Atkinson, Czolak, Guilmant, Meadows, Miller and Alexander

**Other Members present:** Councillors

**Part One**

**40 PROCEDURAL BUSINESS**

**41a Declarations of substitutes**

41.1 Councillor Alexander was present as substitute for Councillor Daniel.

**41b Declarations of interests**

41.2 There were none

**41c Exclusion of the press and public**

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

41.4 **RESOLVED** - That the press and public not be excluded from the meeting.

**41 MINUTES**

42.1 **RESOLVED** – That the minutes of the previous meeting held on 30 January 2024 be approved and signed as the correct record.

**42 CHAIR'S COMMUNICATIONS**

41.1 The Chair provided the following communications:

“I would like to thank officers and members who attended the recent training session on the internal audit process and the committee's role in giving oversight of that. I think we all found this a very helpful and informative session. Which included a very good overview of how the process works and how valuable that is to the council, but also reminded us about the committee member's role in giving oversight to the process.”

#### **43 CALL OVER**

44.1 All items were reserved for discussion.

#### **44 PUBLIC INVOLVEMENT**

No public representations were received.

#### **45 MEMBER INVOLVEMENT**

No member representations were received.

#### **46 INTERNAL AUDIT AND COUNTER FRAUD QUARTER 3 PROGRESS REPORT 2023-24**

47.1 The Committee considered a report of the Executive Director, Governance, People & Resources that provided Members with an update on all internal audit and counter fraud activity completed during quarter 3 (2023/24), including a summary of all key audit findings. The report also includes an update on the performance of the Internal Audit Service during the period.

47.2 Councillors Atkinson, Meadows, Czolak, Guilmant, Alexander, Robinson, and Miller asked questions and contributed to the debate of the report.

#### **47.3 RESOLVED-**

1) That the Audit and Standards Committee note the report.

#### **47 INTERNAL AUDIT STRATEGY AND ANNUAL AUDIT PLAN 2024-25**

48.1 The Committee considered a report of the Executive Director, Governance, People & Resources that provided Members with the Internal Audit Strategy and Annual Audit Plan for 2024/25.

48.2 Councillors Miller, Atkinson, and Robinson asked questions and contributed to the debate of the report.

#### **48.3 RESOLVED-**

1) That the Audit and Standards Committee approves the Internal Audit Strategy and Annual Audit Plan for 2024/25 and notes the Internal Audit Charter.

#### **48 STANDARDS UPDATE**

49.1 The Committee considered a report of the Executive Director, Governance, People & Resources that provided an update on Standards-related matters, including regarding complaints received in alleging that Members have breached the Code of Conduct for Members.

49.2 Councillors Meadows and Robinson and David Bradly asked questions and contributed to the debate of the report.

49.3 **RESOLVED-**

1) That the Audit and Standards Committee notes the report.

**49 ITEMS REFERRED FOR COUNCIL**

50.1 No items were referred to Full Council for information.

**50 ITEMS FOR THE NEXT MEETING**

51.1 No items were requested for the next meeting.

The meeting concluded at Time Not Specified

Signed

Chair

Dated this

day of



# Brighton & Hove City Council

## Audit, Standards and General Purposes Committee

## Agenda Item 7

**Subject:** Constitutional Matters

**Date of meeting:** 25 June 2024

**Report of:** Corporate Director - Corporate Services

**Contact Officer:** Name: Grace Leonard  
Tel: 01273 291065  
Email: [grace.leonard@brighton-hove.gov.uk](mailto:grace.leonard@brighton-hove.gov.uk)

**Ward(s) affected:** All

### 1. Purpose of the report and policy context

- 1.1 To provide information on the Committee's terms of reference and related matters, and to seek this Committee's formal approval to the appointment of a Standards Hearings Sub-Committee, an Employment Sub-Committee and (until the specified date) the Personnel Appeals Panel Sub-Committee.

### 2. Recommendations

- 2.1 To note this Committee's terms of reference, as set out in Appendix 1 to this report;
- 2.2 To formally approve the establishment and membership of three Sub-Committees: the Standards Hearings Sub-Committee, the Employment Sub-Committee, and (until the specified date) the Personnel Appeals Sub-Committee, this in accordance with the terms of reference outlined in Appendix 1; and
- 2.3 To delegate authority to the Monitoring Officer to make any changes to the Procedure for Dealing with Allegations of Breaches of the Code of Conduct for Members and related documents considered necessary to enact recommendation 2.2 above.

### 3. Context and background information

- 3.1 [Part 2B of the Council's Constitution](#) incorporates a schedule of all of the Committees/Sub-Committees that have been appointed by the Council, together with a summary of their respective functions. This Report asks Committee to note the delegations made to this Committee.

#### **The Audit, Standards and General Purposes Committee – Terms of Reference**

- 3.2 A copy of the terms of reference for this Committee is attached in Appendix 1.

- 3.3 As outlined in the Report to [the meeting of full Council on 16.5.24](#) which approved the Council's adoption of its current constitutional arrangements, the Audit, Standards & General Purposes Committee's terms of reference include not just the audit and standards related functions performed by the predecessor Committee (the Audit and Standards Committee) but also some additional delegations.
- 3.4 Those additional delegations include responsibility for considering the recommendations of the Independent Remuneration Panel and advising the Council in relation to proposed changes to Members Allowances. The delegations also include responsibility for reviewing any proposals to update the Council's Constitution where this is not specifically delegated to other bodies, prior to formal approval by full Council.
- 3.5 In addition, the Committee has been charged with performing non-executive functions that are not specifically delegated to another Committee or Sub Committee of the Council. The delegation is framed in a purposefully general way so that this Committee may receive reports on a range of functions that may not be determined by the Executive, or Cabinet. This category of decision includes the adoption of HR policies and the determination of certain rights of way issues.
- 3.6 The 'General Purposes' element of the Committee's functions is likely to take up a low proportion of the Committee's time, and any matters of this type will be presented with appropriate information available to enable members to take decisions and otherwise discharge their duties in areas which have previously not been within their remit/ that of this Committee.

### **Membership**

- 3.7 The membership of the Committee is set at 8 Members of the council and at least 2 (non-voting) Independent Persons. In May 2024 the following three Independent Persons were appointed:-
- Barbara Beardwell;
  - David Bradley
  - David Gill.
- 3.8 The arrangements for substitute Members to attend meetings of Committees and Sub-Committees are set out in the Committee Procedure Rules at Part 3C of the Constitution.

### **Programme of Meetings**

- 3.5 Ordinary meetings of the Audit, Standards, and General Purposes Committee are scheduled to take place on the following dates during 2024/25:
- 25 June 2024  
24 September 2024  
28 January 2025



22 April 2025

- 3.6 Meetings of the Committee will normally be held at Hove Town Hall and will start at 4.00 p.m.

**Confirmation of the appointment of a Standards Hearings Sub-Committee, as well as an Employment Sub Committee and (as long as it continues to operate) a Personnel Appeals Sub Committee**

- 3.7 The terms of reference of the Audit, Standards and General Purposes Committee refer also to the establishment of three Sub Committees, including a Standards Hearings Sub-Committee. The Standards Hearings Sub-Committee is convened as and when required to determine allegations of misconduct by members and reflects political balance requirements and shall be comprised of between three and five elected members.
- 3.8 The Standards Hearing sub-committee members shall be drawn from a pool of members who have received Standards Hearings Sub-Committee training from or as directed by the Council's Monitoring Officer. While preference when appointing a Standards Hearings Sub-Committee is given to members appointed to the Audit, Standards and General Purposes Committee who have received the above training, members not appointed to this Committee may also form part of a Standards Hearings Sub-Committee, provided that they have undertaken the above training. The Standards Hearings Sub-Committee shall also include one of the Council's Independent Persons, who shall act as the Standards Hearings Sub-Committee's Chair on a non-voting basis.
- 3.9 Committee will note that approval is sought to establish in addition an Employment Sub Committee and (as long as it continues to operate, which shall be when all appeals relating to a dismissal decision taken up to 2<sup>nd</sup> August 2024 have been determined), a Personnel Appeals Panel. The Employment Sub Committee shall be convened should it be necessary to discharge specific personnel functions which by virtue of The Local Authorities (Standing Orders) (England) Regulations 2001 cannot be discharged by the Head of Paid Service. Those functions include the dismissal in certain circumstances of non-statutory Chief Officers as well as powers to make recommendations to full Council in any situation involving any of the Council's three statutory officers.

**4. Analysis and consideration of alternative options**

- 4.1 Not applicable

**5. Community engagement and consultation**

- 5.1 All Members considered and approved the allocation of seats to Committees and Sub-Committees and the Terms of Reference of the new Committees on 16<sup>th</sup> May 2024.

## **6. Conclusion**

- 6.1 The recommendations are being put forward in line with the requirements of the constitution.

## **7. Financial implications**

- 7.1 There are no direct financial implications arising from the recommendations of this report.

Name of finance officer consulted: James Hengeveld Date consulted: 12/06/2024

## **8. Legal implications**

- 8.1 No legal implications of an adverse nature have been identified. The Council's constitutional arrangements are considered to be compliant with the legal framework as set out in the Localism Act 2011, the Local Government Act 2000 and other relevant legislation.

Name of lawyer consulted: Victoria Simpson Date consulted: 12.06.2024

## **9. Equalities implications**

- 9.1 There are no equalities implications arising from the report.

## **10. Sustainability implications**

- 10.1 There are no sustainability implications arising from the report.

## **Supporting Documentation**

### **1. Appendices**

1. Audit, Standards and General Purposes Committee Terms of Reference, including the terms of reference of its Sub-committees.

## **PART 2 B COMMITTEES – TERMS OF REFERENCE**

### **AUDIT, STANDARDS & GENERAL PURPOSES COMMITTEE**

#### **Explanatory Note**

The audit functions of this Committee relate to the Council's arrangements for the discharge of its powers and duties in connection with financial governance and stewardship, risk management and audit. It plays a key role in acting as a critical friend to the Council and in helping to build trust in the Council's arrangements. The Committee receives referrals from and makes recommendations to the Council, from/to Cabinet, to Officers or to other relevant body within the Council.

The Standards functions of this Committee seek to ensure that the Members, Co-opted Members and Officers of the Council observe high ethical standards in performing their duties. These functions include advising the Council on its Codes of Conduct and administering related complaints and dispensation procedures.

The Committee is also empowered to act in relation to all non-executive functions which are not expressly delegated to another Committee or Sub-Committee.

The Committee through its Employment Sub-Committee discharges those personnel functions which by virtue of The Local Authorities (Standing Orders) (England) Regulations 2001 cannot be discharged by the Head of Paid Service.

In addition to the Members who serve on the Audit, Standards & General Purposes Committee, the Committee includes at least two independent persons who are not Members. They are appointed under Chapter 7 of the Localism Act, or otherwise co-opted, and act in an advisory capacity with no voting powers.

In the terms of reference of this Committee, a "Member" is an elected Member and a "Co-opted Member" is a person co-opted by the Council, for example to advise or assist a Committee or Sub-Committee of the Council.

#### **General Audit and Standards Delegated Functions**

- 1.1 To review such parts of the Constitution as may be referred to the Committee and to make recommendations to the Council.
- 1.2 To appoint, co-opt or (in any case where only the Council has power) to recommend the appointment or co-option of a minimum of two independent persons:

- to give general assistance to the Committee in the exercise of its functions; and
  - to give views on allegations of failure to comply with a Code of Conduct as required by Chapter 7 of the Localism Act 2011.
- 1.3 To review and agree the Council's whistleblowing policy;
  - 1.4 To have an overview of complaints handling and Local Ombudsman investigations;
  - 1.5 To review and agree activity, policy and guidance in relation to the Regulation of Investigatory Powers Act 2000.
  - 1.6 To deal with any audit or ethical standards issues which may arise in relation to partnership working, Joint Committees and other Local Authorities or bodies.
  - 1.7 To oversee the Council's information governance arrangements\*. This will include oversight of those of the Council's policies, procedures and processes which concern information governance and which operate across the Council's internal and external-facing activities.
  - 1.8 To ensure arrangements are made for the training and development of Members, Co-opted Members and Officers on audit, ethical and probity matters, including Code of Conduct issues.
  - 1.9 To support and advise the Chief Finance Officer and the Monitoring Officer in their statutory roles.

### **Delegated Audit Functions**

- 1.10 To carry out independent scrutiny and examination of the Council's financial and non-financial processes, procedures and practices to the extent that they affect the Council's control environment and exposure to risk, with a view to providing assurance on the adequacy and effectiveness of:
  - the work of internal and external audit;
  - the governance arrangements of the Council and its services;
  - the risk management and performance management frameworks and the associated control environment;
  - the arrangements to secure value for money;
  - the financial management process;
  - arrangements for the prevention and detection of fraud and corruption.
- 1.11 To meet the requirements of the Accounts and Audit Regulations 2015 in respect of:

- conducting an annual review of the effectiveness of the system of internal control;
  - conducting an annual review of the effectiveness of internal audit;
  - reviewing the outcome of annual review of governance arrangements and approving the Annual Governance Statement, ensuring it contains any actions for improvement; and
  - considering and approving the Council's annual Statement of Accounts.
- 1.12 To consider the External Auditor's Annual Audit Plan, Audit Results Report, Annual Audit Letter and other relevant reports.
- 1.13 To consider and agree the Internal Strategy and Annual Audit Plan, Head of Internal Audit's Annual Internal Audit Report including Opinion, periodic progress reports and other relevant internal audit reports.
- 1.14 To consider and agree the Head of Internal Audit's Annual Fraud & Corruption Report and consider and approve the Council's Counter Fraud Strategy.

#### **Delegated Standards Functions**

- 1.15 To advise the Council on the adoption, revision or replacement of Codes of Conduct for (a) Members and Co-opted Members and (b) Officers;
- 1.16 To exercise all other functions of the Council in relation to ethical standards, in particular those under Chapter 7 of the Localism Act, including the following:
- promoting and maintaining high standards of conduct within the Council and monitoring the operations of the Council's Codes of Conduct and registers of interests;
  - in relation to allegations that a Member or Co-opted Member has failed to comply with the Member's Code of Conduct, putting in place arrangements to investigate and make decisions;
  - supporting the Monitoring Officer in the exercise of the Monitoring Officer's ethical standards functions, in particular the duty to establish and maintain registers of interests for the Council and for Rottingdean Parish Council;
  - in relation to Members or Co-opted Members with pecuniary interests, putting in place arrangements to grant dispensations, in appropriate cases, from the restrictions on speaking and/or voting.

**NOTE:** With the exception of the adoption, revision or replacement of the Codes of Conduct referred to above, the Audit, Standards & General Purposes Committee may develop and adopt its own procedures and protocols.

### **Members' Allowances**

- 1.17 To consider the recommendations of the Independent Remuneration Panel and advise the Council as appropriate

### **Non-Executive Functions**

- 1.18 To exercise all non-executive functions that are not specifically delegated to another Committee or Sub-Committee of the Council.

## **STANDARDS HEARING SUB-COMMITTEE**

### **Explanatory Note**

The Standards Hearings Sub-Committee is a Sub-Committee of the Audit, Standards & General Purposes Committee. The main role of the Standards Hearing Sub-Committee is to carry out any functions delegated to it by the Audit, Standards & General Purposes Committee in relation to (a) allegations that Members or Co-opted Members have breached the Code of Conduct for Members and (b) the granting of dispensations to Members or Co-opted Members with pecuniary interests. Panel membership is determined in accordance with procedures approved by the Audit, Standards & General Purposes Committee.

### **Delegated Functions**

In accordance with procedures approved by the Audit, Standards & General Purposes Committee:-

- 1.1 To carry out any arrangements delegated to the Panel by the Audit, Standards & General Purposes Committee in connection with investigating and making decisions on allegations that a Member or Co-opted Member has failed to comply with the Code of Conduct.
- 1.2 To hear and determine applications from Members or Co-opted Members with pecuniary interests and in appropriate cases to grant dispensations from the restrictions on speaking and/or voting at meetings of the Council, the Cabinet, Committees, Sub-Committees, Joint Committees or Joint Sub-Committees.
- 1.3 To discharge any of other functions of the Audit, Standards and General Purposes Committee which the Committee delegates to the Standards Hearing Sub-Committee.

## **EMPLOYMENT SUB-COMMITTEE**

### **Explanatory Note**

The Audit, Standards and General Purposes Committee through its Employment Sub-Committee discharges those personnel functions which by virtue of The Local Authorities (Standing Orders) (England) Regulations 2001 cannot be discharged by the Head of Paid Service.

### **Delegated functions**

The Sub-Committee will comprise 3 Members of Audit, Standards and General Purposes Committee and 1 Cabinet Member, together with such other independent members as are required to satisfy the requirements of the 2001 Regulations.

To discharge the following functions:-

- 1.1 To determine the dismissal of any non-statutory Chief Officer except in cases of redundancy, permanent ill health or the expiry of a fixed term contract;
- 1.2 To consider whether to impose a disciplinary sanction on a non-statutory Chief Officer;
- 1.3 To make recommendations to the Council on matters relating to the dismissal of the chief finance officer, head of the authority's paid service or monitoring officer except in cases of redundancy, permanent ill health or the expiry of a fixed term contract;
- 1.4 To consider matters and take action as required or permitted under the Model Disciplinary Procedure for the Head of Paid Service, Chief Finance Officer and Monitoring Officer including:
  - to suspend such an officer and to review such suspension
  - to appoint an independent investigator, agree terms of remuneration and working methods
  - to appoint external advisers
  - to consider the report of an independent investigator and in relation to that report:
  - to hold a hearing if appropriate to consider the report
  - to impose action short of dismissal on an officer
  - to decide to take no further action
  - to recommend informal resolution or other appropriate procedures



- to refer back to the independent investigator for further investigation and report to propose dismissal of an officer to Council (in which case the matter should be referred to an Independent Panel prior to referral to Council)
- 1.5 To consider grievances by the Head of Paid Service, and appeals by a Chief Officer against decisions made by the Head of Paid Service in relation to a grievance made by the officer;
- 1.6 Such other functions as are required to be discharged by a Committee of the Authority pursuant to the 2001 Regulations.

## **PERSONNEL APPEALS PANEL**

**NOTE: THIS PANEL WILL CEASE TO OPERATE** pursuant to the decision of the [Strategy, Finance and City Regeneration Committee 25th January 2024](#). The Panel will cease to operate when all appeals relating to a dismissal decision taken up to 2<sup>nd</sup> August 2024 have been determined.

### **Explanatory Note**

This Panel has the status of a Sub-Committee of Audit, Standards & General Purposes Sub-Committee and will deal with appeals against dismissals, grading and other grievances in accordance with agreed personnel procedures.

### **Delegated Functions**

1. To exercise the function of the Council in relation to determining appeals against dismissals, grading and other personnel related grievances in accordance with corporate policies and procedures.

**NOTE:** a pool of trained Members will be maintained for this Sub-Committee and members of the pool will be called on in the first instance to form an appeals panel. However, any Member will be able to sit on the Personnel Appeals Panel and substitute for any designated member of the Sub-Committee.

# Brighton & Hove City Council

## Audit, Standards & General Purposes Committee

## Agenda Item 8

**Subject:** External Audit Plan and Informing the Audit Risk Assessment 2023/24

**Date of meeting:** 25 June 2024

**Report of:** External Auditor, Grant Thornton UK LLP

**Contact Officer:** Name: Nigel Manvell  
Tel: 01273 293104  
Email: nigel.manvell@brighton-hove.gov.uk

**Ward(s) affected:** All

**For general release**

### 1. Purpose of the report and policy context

#### External Audit Plan 2023/24

- 1.1 Grant Thornton's audit plan sets out an overview of the planning scope and timing of the council's statutory external audit for the financial year ending 31 March 2024. The audit plan ("Brighton and Hove City Council Audit Plan 2023-24") is attached at Appendix 1. The audit plan sets out, for example, the significant risks identified ahead of the main audit work (pages 7-11), levels of materiality for the financial statements (page 13- 15) and the proposed audit fees for 2023/24 (page 21)
- 1.2 The external auditors are responsible for forming and expressing an opinion on the council's financial statements and for considering whether there are sufficient arrangements in place at the council for securing economy, efficiency, and effectiveness in its use of resources (Value for Money arrangements).

#### Informing the Audit Risk Assessment 2023/24

- 1.3 Informing the audit risk assessment is an external audit related review (introduced by Grant Thornton last year as part of the 2022/23 audit in response to revised financial reporting standards) which is completed by the council's management ahead of the main audit. The completed document ("BHCC - Informing the Audit Risk Assessment 23-24") is attached at Appendix 2.
- 1.4 As set out on page 4, the purpose of the document is "to contribute towards the effective two-way communication between Brighton & Hove City Council's external auditors and the Audit, Standards & General Purposes Committee". The report sets out audit queries and the management

responses covering general enquires of management, fraud, laws and regulations, related parties, going concern and accounting estimates.

### **Increase in de-minimis level for capitalisation of plant, property, and equipment**

- 1.5 As set out below in paragraphs 3.2 to 3.5, the council's de-minimis level for capitalisation of property, plant and equipment has been in place for a significant period of time and has been reviewed for validity as required.

## **2. Recommendations**

That the Audit, Standards & General Purposes Committee:

- 2.1 Notes and considers the documents and notifies the external auditor if there are any additional matters that it considers may also impact on the planned audit work and context for the financial year ending 31 March 2024.
- 2.2 Notes both the external audit plan and informing the audit risk assessment for 2023/24.
- 2.3 Approves an increase of the existing accounting policy of a de minimis level of £20,000 for capitalisation of plant, property, and equipment up to £50,000, and authorises the Chief Finance Officer to make necessary changes to the council's accounting policies to reflect the increase.

## **3. Context and background information**

### **External Audit Plan 2023/24 and Informing the Audit Risk Assessment 2023/24**

- 3.1 This is set out in summary section 1 of this report and in detail in Appendices 1 and 2. External audit is a statutory requirement for local authorities.

### **Increase in de-minimis level for capitalisation of plant, property, and equipment**

- 3.2 The council has had in place a de minimis level of £20,000 for capitalisation (as set out in its detailed accounting policies below) for around 20 years (since at least the 2003/04 financial year).
- 3.3 Local authority capitalisation de minimis levels can be set locally providing they are reasonable and appropriate.
- 3.4 The council's current accounting policy for capitalisation is:

"The council has a de minimis level of £20,000 for land and buildings and vehicles, plant and equipment. Items of expenditure below this de minimis level are charged to the relevant service within the Comprehensive Income & Expenditure Statement (CIES) in the year they are incurred. In certain cases, the council capitalises particular items of expenditure that is below its de minimis level (e.g. expenditure funded by grant where the conditions state that the grant should only be applied to capital items of expenditure)."

- 3.5 Based on the Bank of England's inflation calculator, the purchasing power of £20,000 is c£35,000 at today's prices. However, research shows that most other local authorities of similar size and complexity have set capitalisation levels of £50,000. It is recommended that the council revises its capitalisation level to £50,000. This does not rule out (as the extract from the existing accounting policies clarifies) capitalising spending below this level if deemed appropriate.

#### **4. Analysis and consideration of alternative options**

- 4.1 Along with every other council in England, the council elected to join the sector-wide procurement of external audit and is therefore bound by the terms negotiated by Public Sector Audit Appointments Ltd (PSAA). Under this arrangement, Grant Thornton are the appointed external auditor for Brighton & Hove City Council. The authority has recourse to PSAA, who perform a contract monitoring role, if it is dissatisfied with the performance of the external auditor in the delivery of the contract.

#### **5. Community engagement and consultation**

- 5.1 Not applicable.

#### **6. Conclusion**

- 6.1 This report and appendices are primarily for noting unless the Committee has additional issues to raise (as set out under section 2 Recommendations).

#### **7. Financial implications**

- 7.1 The proposed audit fee (subject to the normal review and moderation by Public Sector Audit Appointments, PSAA) is £433,676, a substantial increase in the scale fee of 151% from 2022/23 as set out on page 21 of Appendix 1, and in accordance with the sector-wide re-procurement of external audit by Public Sector Audit Appointments Ltd, a public sector body set up by the Local Government Association to undertake the procurement on behalf of local government. This will need to be funded from the General Fund revenue budget and creates an in-year pressure of £0.220m in 2023/24 which has been recognised with the provisional outturn together with a similar in-year pressure in 2024/25 which will also need to be permanently recognised within the 2025/26 budget process. The current contract runs for 5 years.
- 7.2 The recommended change in the capitalisation level has no financial implications for the authority and is to bring the authority in line with common practice. The authority retains the option of capitalising expenses even if they fall below the de minimis level.

Finance officer consulted: Nigel Manvell      Date consulted: 12/06/24

#### **8. Legal implications**

- 8.1 The Local Audit and Accountability Act 2014 makes it a requirement that the council's external auditors consider whether the council has made proper arrangements for securing economy, efficiency and effectiveness in its use

of resources (securing value for money). This committee is the appropriate body for the consideration of this report by elected members of the council.

Name of lawyer consulted: Victoria Simpson      Date consulted: 12/06/2024

## **9.      Equalities implications**

9.1    There are none identified.

## **10.    Sustainability implications**

10.1   There are none identified.

## **Supporting Documentation**

### **Appendices**

1.      Brighton and Hove City Council Audit Plan 2023-24.
2.      BHCC - Informing the Audit Risk Assessment 2023-24

# Brighton and Hove City Council Indicative Audit Plan

Year ending 31 March 2024

Brighton and Hove City Council

13 June 2024

Note this is an indicative audit plan  
subject to further update as our  
risk assessment processes and  
work are still being completed.



# Contents



**Your key Grant Thornton team members are:**

**Paul Cuttle**

Key Audit Partner  
T 020 7728 2450  
E paul.cuttle@uk.gt.com

**Andy Conlan**

Audit Senior Manager  
T 0129 355 4045  
E andy.n.conlan@uk.gt.com

**Oliver Moore**

Audit Supervisor  
E oliver.gr.moore@uk.gt.com

**Section**

Key matters

Introduction and headlines

Significant risks identified

Other matters

Our approach to materiality

IT Audit Strategy

Value for Money Arrangements

Risks of significant VFM weaknesses

Audit logistics and team

Audit fees and updated auditing standards

IFRS 16 ‘Leases’ and related disclosures

Independence and non-audit services

Communication of audit matters with those charged with governance

Escalation policy

Page	
3	The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all the risks which may affect the Council or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.
5	
7	
12	
13	
16	
17	
18	
19	
20	
22	
23	
25	
27	

Grant Thornton UK LLP is a limited liability partnership registered in England and Wales: No.OC307742. Registered office: 30 Finsbury Square, London, EC2A 1AG. A list of members is available from our registered office. Grant Thornton UK LLP is authorised and regulated by the Financial Conduct Authority. Grant Thornton UK LLP is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. Services are delivered by the member firms. GTIL and its member firms are not agents of, and do not obligate, one another and are not liable for one another's acts or omissions.



# Key matters

## National context

The national economic context continues to present challenges to the local government sector. There are increasing cost pressures nationally, such as a growing population and increasing demand for local government services, especially in adult and children's social care. Combined with inflationary pressures, pay demands and energy price rises, the environment in which local authorities operate is highly challenging. Local Government funding continues to be stretched and there have been considerable reductions in the grants received by local authorities from government.

Recently, we have seen the additional strain on some councils from equal pay claims, and there has been a concerning rise in the number of councils issuing s.114 notices. These are issued when a council's Chief Financial Officer does not believe the council can meet its expenditure commitments from its income. Additionally, the levels of indebtedness at many councils is now highly concerning, and we have seen commissioners being sent in to oversee reforms at a number of entities.

Our recent value for money work has highlighted a growing number of governance and financial stability issues at a national level, which is a further indication of the mounting pressure on audited bodies to keep delivering services, whilst also managing transformation and making savings at the same time.

In planning our audit, we have taken account of this national context in designing a local audit programme which is tailored to your risks and circumstances.

## Audit Reporting Delays

As we have previously updated, the Government consulted in February 2024 on a proposal to introduce a series of statutory backstops to bring the local audit system back on track. The proposals also included a series of updates to the NAO's Code of Audit Practice. Our understanding was that the necessary regulations to enact the backstop legislation were due to be laid before Parliament prior to summer recess in July 2024. This would have enabled the legislative framework which would have enabled the 30 September 2024 backstop to be implemented.

The calling of a General Election on 5 July 2024 puts this timetable in considerable doubt. The Government elected will have to both decide if it wants to implement the backstop solution and if so, determine the timetable by which it happens. We signed the Brighton and Hove City Council (the Council) audit on 28 March 2024 and thus you are not impacted by the backstop.

As at the end of May, we had signed 140 Local Government audits for 2022/23, representing 67% of our local government population. We envisage achieving a 75% sign off rate by the end of September. This compares with a sign off rate for other firms at the end of May of 7% (18 audits). If the backstop is extended to the end of the year – we envisage this figure moving to 80% completion.

# Key matters

We had signed off 81% of our 2021/22 audits by the end of May. We envisage achieving an 85% sign off rate by the end of September. Other firms had signed off 48% of audits by the end of May 2024.

Audit year	Grant Thornton audits signed Position as at end of May 2024 (%)	Grant Thornton audits signed Forecast position end of Sep 2024 (%)	Other firms Position as at end of May 2024 (%)
2022-23	67	75	7
2021-22	81	85	48
2020-21	92	92	81

## Our Responses

- As a firm, we are absolutely committed to audit quality and financial reporting in the local government sector. Our proposed work and fee, as set out in this Audit Plan has been discussed with your Chief Finance Officer.
- We offer a private meeting with the Chief Executive twice a year, and with the Chief Finance Officer quarterly as part of our commitment to keep you fully informed on the progress of the audit.
- At an appropriate point within the audit, we would also like to meet informally with the Chair of your Audit, Standards and General Purposes Committee, to brief them on the status and progress of the audit work to date.
- We will consider your arrangements for managing and reporting your financial resources as part of our audit in completing our Value for Money work. Our Value for Money work will also consider your arrangements relating to governance and improving economy, efficiency and effectiveness.
- We will continue to provide you and your Audit, Standards and General Purposes Committee with sector updates providing our insight on issues from a range of sources and other sector commentators via our Audit and Standards Committee updates.
- We hold annual financial reporting workshops for our audited bodies to access the latest technical guidance and interpretations, to discuss issues with our experts and to facilitate networking links with other audited bodies to support consistent and accurate financial reporting across the sector.
- There is an increased incentive and opportunity for organisations in the public sector to manipulate their financial statements due to ongoing financial pressures. We are required to identify a significant risk with regard to management override of controls – refer to page 9.

# Introduction and headlines

## Purpose

This document provides an overview of the planned scope and timing of the statutory audit of Brighton and Hove City Council ('the Council') for those charged with governance.

## Respective responsibilities

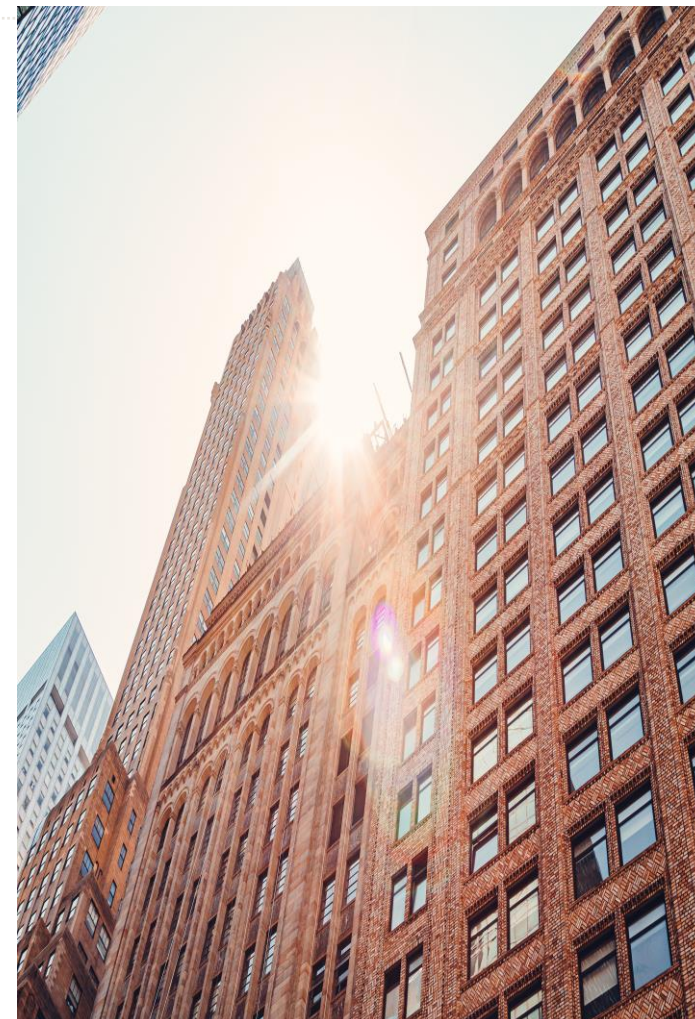
The National Audit Office ('the NAO') issues a document titled the Code of Audit Practice ('the Code'). This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. The NAO is in the process of updating the Code. Any revisions to the Code which affect the audit will be communicated to you. Our respective responsibilities are also set out in the Terms of Appointment and Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA), the body responsible for appointing us as auditor of the Council. We draw your attention to both of these documents.

## Scope of our audit

The scope of our audit is set in accordance with the Code and International Standards on Auditing (ISAs) (UK). We are responsible for forming and expressing an opinion on the Council's financial statements that have been prepared by management with the oversight of those charged with governance (the Audit, Standards and General Purposes Committee); and we consider whether there are sufficient arrangements in place at the Council for securing economy, efficiency and effectiveness in your use of resources. Value for money relates to ensuring that resources are used efficiently in order to maximise the outcomes that can be achieved.

The audit of the financial statements does not relieve management or the Audit, Standards and General Purposes Committee of your responsibilities. It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

Our audit approach is based on a thorough understanding of the Council's business and is risk based.



# Introduction and headlines

## Significant risks

Those risks requiring special audit consideration and procedures to address the likelihood of a material financial statement error have been identified as:

- Management override of controls
- Valuation of land and buildings, including heritage assets and investment properties
- Valuation of the net pension liability/asset

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings (ISA 260) Report.

## Materiality

We have determined planning materiality to be £13.6m (PY £13.44m) for the Council, which equates to 1.45% of your prior year gross operating costs. We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. Clearly trivial has been set at £0.68m (PY £0.672m).

## Value for Money arrangements

Our risk assessment regarding your arrangements to secure value for money has identified the following risks of significant weakness:

- Strategy to Secure Financial Sustainability

We will continue to update our risk assessment until we issue our Auditor's Annual Report.

## Audit logistics

Our planning visit took place in February and March 2024, and our final visit will take place from July to September 2024. Our key deliverables are this Audit Plan, our Audit Findings Report and our Auditor's Annual Report.

Our proposed fee for the audit will be £433,676 (PY: £212,039), subject to the Council delivering a good set of financial statements and working papers and no significant new financial reporting matters arising that require additional time and/or specialist input.

We have complied with the Financial Reporting Council's Ethical Standard (revised 2019) and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

# Significant risks identified

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
ISA240 fraudulent revenue recognition	<p>Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. We have considered all revenue streams of the Council and we have rebutted this risk for all revenue streams.</p> <p>For revenue streams that are derived from Council Tax, Business Rates and Grants we have rebutted this risk on the basis that they are primarily formula-based, determined by central government, and received from tax-payers. Opportunities to manipulate the recognition of these income streams is very limited.</p> <p>For other revenue streams, we have determined from our experience as your auditor for several years and our understanding of your processes around revenue recognition, that the risk of fraud arising from revenue recognition could be rebutted, because:</p> <ul style="list-style-type: none"><li>- there is little incentive to manipulate revenue recognition; and</li><li>- opportunities to manipulate revenue recognition are very limited.</li></ul>	Significant risk rebutted.

‘Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, due to either size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty.’ (ISA (UK) 315)



# Significant risks identified

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Fraudulent expenditure recognition	<p>In line with the Public Audit Forum Practice Note 10, in the public sector, auditors must also consider the risk material misstatements due to fraudulent financial reporting may arise from the manipulation of expenditure recognition (for instance by deferring expenditure).</p> <p>Having considered the risk factors relevant to the Council and the relevant expenditure streams, we determined that no separate risks relating to expenditure recognition is necessary, as the same rebuttal factors listed on page 7 relating to revenue recognition apply.</p> <p>Given the Council is facing financial pressures over multiple years, the risk of fraudulent expenditure recognition is not relevant or significant. Limited financial resources and the long-term nature of the financial challenges make it highly unlikely for there to be an incentive or opportunity to fraudulently recognise expenditure in any one particular year.</p> <p>In summary, we are satisfied that this did not present a significant risk of material misstatement in the 2023/24 accounts as:</p> <ul style="list-style-type: none"> <li>- The control environment around expenditure recognition (understood through our documented risk assessment understanding of your business processes) is considered to be strong;</li> <li>- We have not found significant issues, errors or fraud in expenditure recognition in the recent, previous audits;</li> <li>- Our view is that, similarly to revenues, there is little incentive to manipulate expenditure recognition.</li> </ul> <p>Furthermore, we considered that the risk relating to expenditure recognition would relate primarily to period-end journals and accruals which have been considered as part of the standard audit tests and our testing in relation to the significant risk of management override of controls as set out on page 9.</p>	Significant risk rebutted.

# Significant risks identified

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Management override of controls	<p>Under ISA 240 there is a non-rebuttable presumed risk that the risk of management override of controls is present in all entities. The Authority faces external scrutiny of its spending, and this could potentially place management under undue pressure in terms of how they report performance.</p> <p>We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>• Evaluate the design effectiveness of management controls over journals;</li> <li>• Analyse the journals listing and determine the criteria for selecting high risk unusual journals;</li> <li>• Test unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration;</li> <li>• Gain an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness with regard to corroborative evidence; and</li> <li>• Evaluate the rationale for any changes in accounting policies, estimates or significant unusual transactions.</li> </ul>

# Significant risks identified

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of land and buildings and investment properties	<p>The Council revalue operational land and buildings on a rolling five yearly basis and investment properties every year to ensure the carrying value in the financial statements is not materially different from the current value or the fair value at the financial statements date. The Council's heritage asset values are determined from insurance rebuild cost valuations.</p> <p>The valuations represents significant estimates by management in the financial statements due to the size of the numbers involved and the sensitivity of these estimates to changes in key assumptions. We therefore identified valuation of land and buildings, including investment properties, as a significant risk requiring special audit consideration.</p> <p>For assets which are not revalued by the external valuer in year, management will need to ensure that the carrying value in the Council's financial statements is not materially different from the current value or the fair value (for investment properties and surplus assets) at the financial statements date.</p>	<p>To address this risk, we will:</p> <ul style="list-style-type: none"> <li>• Evaluate management's processes and assumptions for the calculations of the estimates, the instructions issued to valuation experts and the scope of their work;</li> <li>• Evaluate the competence, capabilities and objectivity of the valuation experts;</li> <li>• Write to the valuers to confirm the basis on which the valuation was carried out to ensure that the requirements of the Code are met and discuss this basis where there are any departures from the Code;</li> <li>• Challenge the information and assumptions used by the valuer to assess completeness and consistency with our understanding;</li> <li>• Assess how management have challenged the valuations produced by the professional valuers to assure themselves that these represent the materially correct current value;</li> <li>• Test revaluations made during the year to see if they are input correctly into the Council's asset register;</li> <li>• Evaluate the assumptions made by management for any assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value; and</li> <li>• Engage an auditor's expert professional valuer to supplement our own auditor knowledge and expertise with qualified valuer expert insight and challenge into the valuation process, methods and assumptions used.</li> </ul>



# Significant risks identified

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of the pension fund net liability/asset	<p>The Council's pension fund net liability/asset, as reflected in its balance sheet as the "net liability/asset on defined pension scheme", represents a significant estimate in the financial statements.</p> <p>Regulation 62 of the Local Government Pension Scheme (LGPS) requires pension fund administering authorities to obtain a full triennial actuarial valuation of their defined benefit pension scheme every three years. Brighton and Hove City Council's net liability/asset was valued by Barnett Waddingham LLP.</p> <p>The pension fund net liability/asset is considered a significant estimate due to the size of the numbers involved and the sensitivity of the estimate to changes in key assumptions. Estimation of the net liability/asset depends on a number of complex assumptions such as the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages and mortality rates.</p> <p>We therefore have identified valuation of the Council's net pension liability/asset as a significant risk, which was one of the most significant assessed risks of material misstatement. We have pinpointed this significant risk to the assumptions applied by the professional actuary in their calculation of the net liability/asset.</p>	<p>To address this risk, we will:</p> <ul style="list-style-type: none"> <li>• Update our understanding of the processes and controls put in place by management to ensure that the Authority's pension fund net liability/asset is not materially misstated and evaluate the design of the associated controls;</li> <li>• Evaluate the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work;</li> <li>• Assess the competence, capabilities and objectivity of the actuary who carried out the Authority's pension fund valuation;</li> <li>• Assess the accuracy and completeness of the information provided by the Authority to the actuary to estimate the liability;</li> <li>• Test the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary;</li> <li>• Undertake procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report; and</li> <li>• Obtain assurances from the auditor of East Sussex Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements.</li> </ul>

# Other matters

## Other work

In addition to our responsibilities under the Code of Practice, we have a number of other audit responsibilities, as follows:

- We read your Narrative Report and Annual Governance Statement and any other information published alongside your financial statements to check that they are consistent with the financial statements on which we give an opinion and our knowledge of the Council.
- We carry out work to satisfy ourselves that disclosures made in your Annual Governance Statement are in line with requirements set by CIPFA.
- We carry out work on your consolidation schedules for the Whole of Government Accounts process in accordance with NAO group audit instructions.
- We consider our other duties under legislation and the Code, as and when required, including:
  - giving electors the opportunity to raise questions about your financial statements, consider and decide upon any objections received in relation to the financial statements;
  - issuing a report in the public interest or written recommendations to the Council under section 24 of the Local Audit and Accountability Act 2014 (the Act);
  - application to the court for a declaration that an item of account is contrary to law under section 28 or a judicial review under section 31 of the Act;
  - issuing an advisory notice under section 29 of the Act.
- We certify completion of our audit.

## Other material balances and transactions

Under International Standards on Auditing, 'irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure'. All other material balances and transaction streams will therefore be audited. However, the procedures will not be as extensive as the procedures adopted for the risks identified in this report.

# Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Description	Planned audit procedures
<p><b>Determination</b></p> <p>We have determined financial statement planning materiality based on a proportion of the gross expenditure of the Council for the previous financial year (2022/23). Materiality at the planning stage of our audit is £13.6m, which equates to 1.45% of your gross expenditure for the 2022/23 financial year.</p>	<p>We determine planning materiality in order to:</p> <ul style="list-style-type: none"> <li>– establish what level of misstatement could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements;</li> <li>– assist in establishing the scope of our audit engagement and audit tests; and</li> <li>– assist in evaluating the effect of known and likely misstatements in the financial statements.</li> </ul>
<p><b>Other factors</b></p> <p>An item does not necessarily have to be large to be considered to have a material effect on the financial statements.</p>	<p>An item may be considered to be material by nature where it may affect instances when greater precision is required.</p> <ul style="list-style-type: none"> <li>– We have identified cash and cash equivalents as a balance where we will apply a lower materiality level, as these are considered sensitive disclosures. We have set a materiality of £5.1m.</li> </ul>
<p><b>Reassessment of materiality</b></p> <p>Our assessment of materiality is kept under review throughout the audit process.</p>	<p>We will reconsider planning materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality.</p>

# Our approach to materiality

Description	Planned audit procedures
<p><b>Other communications relating to materiality we will report to the Audit, Standards and General Purposes Committee</b></p> <p>Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit, Standards and General Purposes Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. Under ISA 260 (UK) ‘Communication with those charged with governance’, we are obliged to report uncorrected omissions or misstatements other than those which are ‘clearly trivial’ to those charged with governance. ISA 260 (UK) defines ‘clearly trivial’ as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.</p>	<p>We report to the Audit, Standards and General Purposes Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work.</p> <p>In the context of the Council, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £0.68m (PY £0.672m). If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Audit, Standards and General Purposes Committee to assist it in fulfilling its governance responsibilities.</p>

40

# Our approach to materiality

Planning Thresholds	Amount (£)	Qualitative factors considered
<b>Materiality for the Council's financial statements</b>	£13,600,000	<p>In determining planning materiality, we have considered the following key factors:</p> <ul style="list-style-type: none"> <li>- Debt arrangements: the Council has a significant level of debt, but the majority of this is with PWLB and the CIPFA Prudential Code is followed with regard to managing the levels of debt. We are not aware of significant debt covenants or other factors that would indicate an enhanced risk.</li> <li>- Business environment: the Council operates in a generally stable, regulated environment, although in recent years government policies have reduced the funding available and this has increased the financial pressures on the Council.</li> <li>- Control environment – the audit of the 2022/23 financial statements did not identify any significant deficiencies in the control environment</li> <li>- Other sensitivities – there has been no change in key stakeholders, and no other sensitivities have been identified that would require materiality to be reduced.</li> </ul>
<b>Performance Materiality</b>	£10,200,000	Planning performance materiality is based on 75% of the overall materiality. This is consistent with the approach adopted in the prior-year on the basis that there were not a significant number adjustments or deficiencies identified in the 2022/23.
<b>Trivial matters</b>	£680,000	Triviality is set at 5% of the overall materiality.
<b>Materiality for cash and cash equivalents</b>	£5,100,000	Cash is sensitive so we have opted for a lower level of materiality (50% of our performance materiality)

# IT audit strategy

In accordance with ISA (UK) 315 Revised, we are required to obtain an understanding of the relevant IT and technical infrastructure and details of the processes that operate within the IT environment. We are also required to consider the information captured to identify any audit relevant risks and design appropriate audit procedures in response. As part of this we obtain an understanding of the controls operating over relevant Information Technology (IT) systems i.e., IT general controls (ITGCs). Our audit will include completing an assessment of the design and implementation of relevant ITGCs.

The following IT systems have been judged to be in scope for our audit and based on the planned financial statement audit approach we will perform the indicated level of assessment:

IT system	Audit area	Planned level IT audit assessment
Civica	Financial reporting	ITGC Design Assessment
NEC (formerly Northgate)	Council Tax, Business Rates, Benefits	ITGC Design Assessment
iTrent	Payroll	ITGC Design Assessment
Carefirst	Social Care Services	ITGC Design Assessment

# Value for Money arrangements

## Approach to Value for Money work for the period ended 31 March 2024.

The National Audit Office issued its latest Value for Money guidance to auditors in January 2023. The Code expects auditors to consider whether a body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are expected to report any significant weaknesses in the body's arrangements, should they come to their attention. In undertaking their work, auditors are expected to have regard to three specified reporting criteria. These are as set out below:



### Improving economy, efficiency and effectiveness

How the body uses information about its costs and performance to improve the way it manages and delivers its services.



### Financial Sustainability

How the body plans and manages its resources to ensure it can continue to deliver its services.



### Governance

How the body ensures that it makes informed decisions and properly manages its risks.

# Risks of significant VFM weaknesses

As part of our planning work, we considered whether there were any risks of significant weakness in the body's arrangements for securing economy, efficiency and effectiveness in its use of resources that we needed to perform further procedures on. The risks we have identified are detailed in the first table below, along with the further procedures we will perform. We may need to make recommendations following the completion of our work. The potential different types of recommendations we could make are set out in the second table below.

## Risks of significant weakness

Those risks requiring audit consideration and procedures to address the likelihood that proper arrangements are not in place at the body to deliver value for money.

## Potential types of recommendations

A range of different recommendations could be made following the completion of work on risks of significant weakness, as follows:

44



### Strategy to Secure Financial Sustainability

The Council finished 2022/23 with an overspend that was funded by reserves and was forecasting in the first half of the 2023/24 financial year to overspend by £14m. The Council has a £6m reserve balance (excluding earmarked reserves) and the cumulative position in the medium term financial plan is for large deficits over the full course of that period. If these forecast large deficits materialise, then the Council would deplete its reserves balance. The medium term plans include savings requirements which are treble the savings that the Council has been able to deliver in the past few years.

We concluded there was a significant weakness in arrangements in the 2022/23 year and made a key recommendation. And we consider there to still be a risk of significant weakness in the arrangements to secure financial sustainability for the 2023/24 period.

We will update our knowledge and understanding of actions taken since the last VFM review, including those specifically related to the key recommendation made for 2022/23.



### Statutory recommendation

Written recommendations to the body under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the body to discuss and respond publicly to the report.



### Key recommendation

The Code of Audit Practice requires that where auditors identify significant weaknesses in arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the body. We have defined these recommendations as 'key recommendations'.



### Improvement recommendation

These recommendations, if implemented should improve the arrangements in place at the body, but are not made as a result of identifying significant weaknesses in the body's arrangements.



# Audit logistics and team



## Paul Cuttle, Key Audit Partner

Paul will be the main point of contact for the Chair, the Chief Executive and Members. Paul will share his knowledge and experience across the sector providing challenge, sharing good practice, providing pragmatic solutions and acting as a sounding board with management and Audit, Standards and General Purposes Committee. Paul will ensure our audit is tailored specifically to you and is delivered efficiently. Paul will review all reports and the team's work focussing his time on the key risk areas to your audit.

## Andy Conlan, Audit Manager

Andy will work with the senior members of the finance team ensuring early delivery of testing and agreement of accounting issues on a timely basis. Andy will attend Audit, Standards and General Purposes Committee, undertake reviews of the team's work and draft reports, ensuring they remain clear, concise and understandable to all. Andy will work with Internal Audit to secure efficiencies and avoid duplication.

## Sthembile Nyide and Oliver Moore, Audit In-charges

Sthembile and Oliver will lead the onsite team and will be the day-to-day contacts for the audit. They will monitor the deliverables, manage the query log with your finance team and highlight any significant issues and adjustments to senior management. They will undertake the more technical aspects of the audit, coach the junior members of the team and review the team's work.

## Audited Entity responsibilities

Where audited bodies do not deliver to the timetable agreed, we need to ensure that this does not impact on audit quality or absorb a disproportionate amount of time, thereby disadvantaging other audited bodies. Where the elapsed time to complete an audit exceeds that agreed due to an entity not meeting its obligations, we will not be able to maintain a team on site. Similarly, where additional resources are needed to complete the audit due to an entity not meeting their obligations, we are not able to guarantee the delivery of the audit to the agreed timescales. In addition, delayed audits will incur additional audit fees.

## Our requirements

To minimise the risk of a delayed audit, you need to :

- ensure that you produce draft financial statements of good quality by the deadline you have agreed with us, including all notes, the Narrative Report and the Annual Governance Statement
- ensure that good quality working papers are available at the start of the audit, in accordance with the working paper requirements schedule that we have shared with you
- ensure that the agreed data reports are cleansed, are made available to us at the start of the audit and are reconciled to the values in the accounts, in order to facilitate our selection of samples for testing
- ensure that all appropriate staff are available on site throughout (or as otherwise agreed) the planned period of the audit
- respond promptly and adequately to audit queries.

# Audit fees and updated Auditing Standards

Audit fees are set by PSAA as part of their national procurement exercise. In 2017, PSAA awarded a contract of audit for Brighton and Hove City Council to begin with effect from 2018/19. This contract was re-tendered in 2023 and Grant Thornton have been re-appointed as your auditors. The scale fee set out in the PSAA contract for the 2023/24 audit is £418,126.

This contract sets out four contractual stage payments for this fee, with payment based on delivery of specified audit milestones:

- Production of the final auditor's annual report for the previous Audit Year (exception for new clients in 2023/24 only)
- Production of the draft audit planning report to Audited Body
- 50% of planned hours of an audit have been completed
- 75% of planned hours of an audit have been completed

Any variation to the scale fee will be determined by PSAA in accordance with their procedures as set out here <https://www.psaa.co.uk/appointing-auditors-and-fees/fee-variations-overview/>

## Assumptions

In setting these fees, we have assumed that the Council will:

- prepare a good quality set of accounts, supported by comprehensive and well-presented working papers which are ready at the start of the audit
- provide appropriate analysis, support and evidence to support all critical judgements and significant judgements made during the course of preparing the financial statements
- provide early notice of proposed complex or unusual transactions which could have a material impact on the financial statements
- maintain adequate business processes and IT controls, supported by an appropriate IT infrastructure and control environment.

## Updated Auditing Standards

The FRC has issued updated Auditing Standards in respect of Quality Management (ISQM 1 and ISQM 2). It has also issued an updated Standard on quality management for an audit of financial statements (ISA 220). We confirm we will comply with these standards.

# Audit fees

	Proposed fee 2023/24
Brighton and Hove City Council Audit – Scale Fee	£418,126
Additional audit risk assessment and business process documentation related to ISA315	12,550
Use of external audit valuation expert	3,000
Total audit fees (excluding VAT)	£433,676

## External valuer

Our testing of land and buildings requires input from an external valuer and the cost of this is not covered by the PSAA scale fee. This work be a minimum of £3,000 but there is also a potential variable element which relates to any further work the audit is considered necessary on individual property valuations. This is normally relevant to any asset valuations that use yields within the valuation methodology.

## IFRS 16

Local authorities will need to implement IFRS 16 Leases from 1 April 2024. The cost of this is not covered by the PSAA scale fee although we do not expect any work is required in relation to the 2023/24 audit although this will depend on the approach adopted by the Council.

## Previous year

In 2022/23 the scale fee set by PSAA was £139,584. The actual fee charged for the audit was £212,039.

## Relevant professional standards

In preparing our fees, we have had regard to all relevant professional standards, including paragraphs 4.1 and 4.2 of the FRC’s [Ethical Standard \[revised 2019\]](#) which stipulate that the Engagement Lead (Key Audit Partner) must set a fee sufficient to enable the resourcing of the audit with partners and staff with appropriate time and skill to deliver an audit to the required professional and Ethical standards.

# IFRS 16 'Leases' and related disclosures

IFRS 16 will need to be implemented by local authorities from 1 April 2024. This Standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and replaces IAS17. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity. As this is a shadow year for the implementation of IFRS 16, we will need to consider the work being undertaken by the Council to ensure a smooth adoption of the new standard.

## Introduction

IFRS 16 updates the definition of a lease to:

“a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration.”  
In the public sector the definition of a lease is expanded to include arrangements with nil consideration.

IFRS 16 requires all leases to be accounted for 'on balance sheet' by the lessee (subject to the exemptions below), a major departure from the requirements of IAS 17 in respect of operating leases.

IFRS 16 requires a lessee to recognise assets and liabilities for leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. There is a single accounting model for all leases (similar to that of finance leases under IAS 17), with the following exceptions:

- leases of low value assets
- short-term leases (less than 12 months).

Lessor accounting is substantially unchanged leading to asymmetry of approach for some leases (operating) although if an NHS body is the intermediary and subletting there is a change in that the judgement between operating and finance lease is made with reference to the right of use asset rather than the underlying asset

## Council's systems and processes

We believe that most local authorities will need to reflect the effect of IFRS 16 changes in the following areas:

- accounting policies and disclosures
- application of judgment and estimation
- related internal controls will require updating, or overhauling, to reflect changes in accounting policies and processes
- systems to capture the process and maintain new lease data and for ongoing maintenance

## Planning inquiries

As part of our planning risk assessment procedures, we have made inquiries to inform our risk assessment. These have been included as a separate paper to the Audit, Standards and General Purposes Committee. We would appreciate a prompt response to these inquiries in due course.

## Further information

Further details on the requirements of IFRS16 can be found in the HM Treasury Financial Reporting Manual. This is available on the following link.

[IFRS 16 Application Guidance December 2020.docx](#)  
([publishing.service.gov.uk](https://publishing.service.gov.uk))

# Independence and non-audit services

## Auditor independence

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant facts and matters that may bear upon the integrity, objectivity and independence of the firm or covered persons. relating to our independence. We encourage you to contact us to discuss these or any other independence issues with us. We will also discuss with you if we make additional significant judgements surrounding independence matters.

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.. Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

We confirm that we have implemented policies and procedures to meet the requirements of the Ethical Standard. For the purposes of our audit, we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council.

# Independence and non-audit services

## Other services

The following other services provided by Grant Thornton were identified.

The amounts detailed are fees agreed to-date for audit related and non-audit services to be undertaken by Grant Thornton UK LLP in the current financial year. These services are consistent with the Council’s policy on the allotment of non-audit work to your auditors. Any changes and full details of all fees charged for audit related and non-audit related services by Grant Thornton UK LLP and by Grant Thornton International Limited network member Firms will be included in our Audit Findings report at the conclusion of the audit.

None of the services provided are subject to contingent fees.

Service	Fees £	Threats	Safeguards
Audit related			
Certification of Housing Benefits	34,253 (proposed fee being discussed with management)	Self-Interest	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £34,253 (plus £1,500 day rate for any additional re-performance/other work necessary outside of the core agreed fee) in comparison to the total fee for the audit of £433,676 and in particular relative to Grant Thornton UK LLP’s turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
Teachers Pensions return certification	12,500 (proposed fee being discussed with management)	Self-Interest	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £12,500 in comparison to the total fee for the audit of £433,676 and in particular relative to Grant Thornton UK LLP’s turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
Homes England Compliance	12,000 (proposed fee being discussed with management)	Self-Interest	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £12,000 in comparison to the total fee for the audit of £433,676 and in particular relative to Grant Thornton UK LLP’s turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.

# Communication of audit matters with those charged with governance

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	•	
Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks and Key Audit Matters	•	
Confirmation of independence and objectivity of the firm, the engagement team members and all other indirectly covered persons	•	•
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	•	•
Significant matters in relation to going concern	•	•

ISA (UK) 260, as well as other ISAs (UK), prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table here.

This document, the Audit Plan, outlines our audit strategy and plan to deliver the audit, while the Audit Findings will be issued prior to approval of the financial statements and will present key issues, findings and other matters arising from the audit, together with an explanation as to how these have been resolved.

We will communicate any adverse or unexpected findings affecting the audit on a timely basis, either informally or via an audit progress memorandum.

# Communication of audit matters with those charged with governance

Our communication plan	Audit Plan	Audit Findings
Significant findings from the audit		•
Significant matters and issue arising during the audit and written representations that have been sought		•
Significant difficulties encountered during the audit		•
Significant deficiencies in internal control identified during the audit		•
Significant matters arising in connection with related parties		•
Identification or suspicion of fraud( deliberate manipulation) involving management and/or which results in material misstatement of the financial statements ( not typically council tax fraud)		•
Non-compliance with laws and regulations		•
Unadjusted misstatements and material disclosure omissions		•
Expected modifications to the auditor's report, or emphasis of matter		•

## Respective responsibilities

As auditor we are responsible for performing the audit in accordance with ISAs (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance.

The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.



# Escalation policy

The Department for Levelling Up, Housing and Communities are proposing to introduce an audit backstop date on a rolling basis to encourage timelier completion of local government audits in the future.

As your statutory auditor, we understand the importance of appropriately resourcing audits with qualified staff to ensure high quality standards that meet regulatory expectations and national deadlines. It is the Authority's responsibility to produce true and fair accounts in accordance with the CIPFA Code by the 31 May 2024 and respond to audit information requests and queries in a timely manner.

To help ensure that accounts audits can be completed on time in the future, we have introduced an escalation policy. This policy outlines the steps we will take to address any delays in draft accounts or responding to queries and information requests. If there are any delays, the following steps should be followed:

## Step 1 - Initial Communication with CFO (within one working day of statutory deadline for draft accounts or agreed deadline for working papers)

We will have a conversation with the CFO to identify reasons for the delay and review the Authority's plans to address it. We will set clear expectations for improvement.

## Step 2 - Further Reminder (within two weeks of deadline)

If the initial conversation does not lead to improvement, we will send a reminder explaining outstanding queries and information requests, the deadline for responding, and the consequences of not responding by the deadline.

## Step 3 - Escalation to Chief Executive (within one month of deadline)

If the delay persists, we will escalate the issue to the Chief Executive, including a detailed summary of the situation, steps taken to address the delay, and agreed deadline for responding..

## Step 4 - Escalation to the Audit, Standards and General Purposes Committee (at next available Audit, Standards and General Purposes Committee meeting or in writing to Audit, Standards and General Purposes Committee Chair within 6 weeks of deadline)

If senior management is unable to resolve the delay, we will escalate the issue to the Audit, Standards and General Purposes Committee, including a detailed summary of the situation, steps taken to address the delay, and recommendations for next steps.

## Step 5 – Consider use of wider powers (within two months of deadline)

If the delay persists despite all efforts, we will consider using wider powers, e.g. issuing a statutory recommendation. This decision will be made only after all other options have been exhausted. We will consult with an internal risk panel to ensure appropriateness.

By following these steps, we aim to ensure that delays in responding to queries and information requests are addressed in a timely and effective manner, and that we are able to provide timely assurance to key stakeholders including the public on the Authority's financial statements.



# Informing the audit risk assessment for Brighton and Hove City Council 2023/24



Andy Conlan

Audit Senior Manager

T 02077 282492

E [andy.n.conlan@uk.gt.com](mailto:andy.n.conlan@uk.gt.com)

The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect your business or any weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

# Table of Contents

Section	Page
Purpose	4
General Enquiries of Management	6
Fraud	9
Fraud Risk Assessment	10
Laws and Regulations	15
Impact of Laws and Regulations	16
Related Parties	18
Going Concern	20
Accounting Estimates	23
Accounting Estimates - General Enquiries of Management	24
Appendix A – Accounting Estimates	27

## Purpose

The purpose of this report is to contribute towards the effective two-way communication between Brighton and Hove City Council's external auditors and Brighton and Hove City Council's Audit Committee, as 'those charged with governance'. The report covers some important areas of the auditor risk assessment where we are required to make inquiries of the Audit Committee under auditing standards.

## Background

Under International Standards on Auditing (UK), (ISA(UK)) auditors have specific responsibilities to communicate with the Audit Committee. ISA(UK) emphasise the importance of two-way communication between the auditor and the Audit Committee and also specify matters that should be communicated.

This two-way communication assists both the auditor and the Audit Committee in understanding matters relating to the audit and developing a constructive working relationship. It also enables the auditor to obtain information relevant to the audit from the Audit Committee and supports the Audit Committee in fulfilling its responsibilities in relation to the financial reporting process.

## Communication

As part of our risk assessment procedures we are required to obtain an understanding of management processes and the Council's oversight of the following areas:

- General Enquiries of Management
- Fraud,
- Laws and Regulations,
- Related Parties,
- Going Concern, and
- Accounting Estimates.

## Purpose

This report includes a series of questions on each of these areas and the response we have received from Brighton and Hove City Council's management. The Audit Committee should consider whether these responses are consistent with its understanding and whether there are any further comments it wishes to make.

# General Enquiries of Management

Question	Management response
<p>1. What do you regard as the key events or issues that will have a significant impact on the financial statements for 2023/24?</p>	<p>The national economic position is the most significant factor for the 2023/24 financial statements (and its continuing funding shortfall issues for the local authority sector).</p> <p>The latest - internally reported - 2023/24 outturn forecast is currently a £2.268 million underspend (provisional outturn at 31 March 2024). Key quote <i>"The forecast is an improvement of £2.289m since Month 9 due to ongoing vacancy and spending controls introduced in July, continued improvements in forecasts on demand-led services, and a significant improvement to the Transport Service forecast due to the application of government grant funding for enhanced bus services"</i>.</p> <p>Please see also the 2024/25 budget report to Budget Council (22 February 2024) which sets out in detail the substantial financial challenges faced by the council.</p> <p>Key quote <i>"The combination of unprecedented cost pressures and an Autumn Statement that offered nothing above the 2-year announcement made in 2022, despite inflation continuing to be much higher than forecast by the Office of Budget Responsibility together with increased interest rates and an ongoing cost of living crisis, has, unsurprisingly, resulted in the biggest financial challenge this council has ever faced. A budget shortfall (gap) of over £30 million is estimated for 2024/25 and this inevitably results in some very difficult choices given that the council has no unallocated provisions or risk reserves to help the position in the short term". In the event, this resulted in a savings/cuts package of £24.367m for 2024/25 alongside other measures to address the shortfall.</i></p>
<p>2. Have you considered the appropriateness of the accounting policies adopted by Brighton and Hove City Council? Have there been any events or transactions that may cause you to change or adopt new accounting policies? If so, what are they?</p>	<p>Yes we have and we do not consider that any events or transactions indicate that a change of accounting policies is required at this time.</p>
<p>3. Is there any use of financial instruments, including derivatives? If so, please explain</p>	<p>The council has outstanding LOBO loans (simple structure and no high-risk aspects). Apart from this the council's debt is substantially with the PWLB and the council does not have any special purpose investment vehicles.</p>
<p>4. Are you aware of any significant transaction outside the normal course of business? If so, what are they?</p>	<p>There are no significant transactions outside the normal course of business of balance sheet materiality in 2023/24. During 2023/24 the council has fully reviewed its substantial loan to the Brighton i360 company. The revised Expected Credit Loss will be fully disclosed as part of the 2023/24 Statement of Accounts.</p>



# General Enquiries of Management

Question	Management response
5. Are you aware of any changes in circumstances that would lead to impairment of non-current assets? If so, what are they?	None directly identified although the economic environment and world events generally may have longer term implications for PPE valuations, i.e. depending on the economic position etc.; these cannot be known or estimated at this time. This may therefore have implications for the certainty of PPE valuations (as do all macro or global economic events).
6. Are you aware of any guarantee contracts? If so, please provide further details	<p>The council has a contract with Brighton &amp; Hove Seaside Community Homes ('Seaside Homes') that includes a rent guarantee clause which operates if the Local Housing Allowance (LHA) annual rate increase falls below +3.2%. LHA rates had been frozen since 2020/21 so this clause was active, however, for 2024/25 LHA rates will increase by 7% (this is likely to be a one off assuming inflation falls in line with OBR forecasts). At a joint meeting of the Policy &amp; Resources and Housing Committee on 27 February 2023, it was agreed that "...the Council should seek to end the current Local Delivery Vehicle arrangements and bring the temporary accommodation currently leased to Seaside Homes back into Council control."</p> <p><a href="https://www.brighton-hove.gov.uk/agenda-for-policy-resources-committee-on-monday-27th-february-2023-200pm">Brighton &amp; Hove City Council - Agenda for Policy &amp; Resources Committee on Monday, 27th February, 2023, 2.00pm (brighton-hove.gov.uk)</a></p>
7. Are you aware of the existence of loss contingencies and/or un-asserted claims that may affect the financial statements? If so, please provide further details	None that we are aware of. Contingent liabilities and assets will be disclosed as normal but none are expected to be material. Where litigation or contractual disputes are at an advanced stage and the council can estimate any loss with reasonable certainty (e.g. vento scale estimates) these are included as an accrual or a provision.
8. Other than in house solicitors, can you provide details of those solicitors utilised by Brighton and Hove City Council during the year. Please indicate where they are working on open litigation or contingencies from prior years?	<p>Solicitors used by BHCC during 2023/24</p> <p>Irwin Mitchell – leasehold debt claims (litigation), recovery of Community Infrastructure Levy on developments (planning enforcement)</p> <p>Bhatt Murphy – (litigation in relation to Unaccompanied Asylum Seeking Children - closed)</p> <p>Blake Morgan – construction dispute (litigation) Academy conversions (ongoing).</p> <p>Wilkin Chapman - pursuing Council Tax arrears (litigation)</p> <p>Sharpe Pritchard – various procurements and Highways matter (closed)</p> <p>Bevan Brittan – advice on Local Enterprise Partnerships (commercial), debt matters ( litigation).</p> <p>I360 – Osborne Clarke; advice on potential restructure</p> <p>Bevan Brittan - changes to legal agreements and Seaside Homes;</p> <p>Berwick Solicitors – construction matters ( litigation).</p> <p>Davitt Jones Bauld: enforcement of property lease covenants (litigation)</p>

# General Enquiries of Management

Question	Management response
<p>9. Have any of the Brighton and Hove City Council service providers reported any items of fraud, non-compliance with laws and regulations or uncorrected misstatements which would affect the financial statements? If so, please provide further details</p>	<p>The Council recognises the threat of fraud and has a strategy against fraud and corruption. The strategy:</p> <ul style="list-style-type: none"> <li>• acknowledges the threat of fraud;</li> <li>• encourages prevention;</li> <li>• promotes detection;</li> <li>• identifies a clear pathway for investigation; and</li> <li>• sets out the appropriate sanctions, including the recovery of losses.</li> </ul> <p>Key focus area remains housing tenancy fraud and council tax discounts. The other key areas where the service and the Council received allegations of fraud and investigates included Covid business grants, Adult Social Care payments, and parking permit fraud.</p> <p>We did not find evidence of to demonstrate that any other significant fraud have occurred during the year, but as is normal we investigated a number of allegations that were referred to ourselves through whistleblowing allegations.</p> <p>The Council is a Unitary Authority, so it potentially has a number of areas of fraud risk. However, the Council has appropriate controls over its key financial systems, good effective governance arrangements and has good fraud referral and whistleblowing arrangements in place. Fraud investigations are co-ordinated and managed within an Orbis wide counter-fraud team led by an Audit Manager.</p> <p>Internal Audit and Counter fraud adopt a wide range of techniques to detect fraud. These include the examination of counter fraud controls in individual audits, data analytics and data matching (Including the National Fraud Initiative).</p>
<p>10. Can you provide details of other advisors consulted during the year and the issue on which they were consulted?</p>	<p>None identified.</p>
<p>11. Have you considered and identified assets for which expected credit loss provisions may be required under IFRS 9, such as debtors (including loans) and investments? If so, please provide further details</p>	<p>The normal annual process will be undertaken for review of Expected Credit Losses including that for the i360 loan as part of closing the 2023/24. Full details and working papers will be provided with the 2023/24 Statement of Accounts.</p>

# Fraud

## Matters in relation to fraud

ISA (UK) 240 covers auditors responsibilities relating to fraud in an audit of financial statements.

The primary responsibility to prevent and detect fraud rests with both the Audit Committee and management. Management, with the oversight of the Audit Committee, needs to ensure a strong emphasis on fraud prevention and deterrence and encourage a culture of honest and ethical behaviour. As part of its oversight, the Audit Committee should consider the potential for override of controls and inappropriate influence over the financial reporting process.

As Brighton and Hove City Council's external auditor, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error. We are required to maintain professional scepticism throughout the audit, considering the potential for management override of controls.

3

As part of our audit risk assessment procedures we are required to consider risks of fraud. This includes considering the arrangements management has put in place with regard to fraud risks including:

- assessment that the financial statements could be materially misstated due to fraud,
- process for identifying and responding to risks of fraud, including any identified specific risks,
- communication with the Audit Committee regarding its processes for identifying and responding to risks of fraud, and
- communication to employees regarding business practices and ethical behaviour.

We need to understand how the Audit Committee oversees the above processes. We are also required to make inquiries of both management and the Audit Committee as to their knowledge of any actual, suspected or alleged fraud. These areas have been set out in the fraud risk assessment questions below together with responses from Brighton and Hove City Council's management.

# Fraud risk assessment

Question	Management response
<p>1. Has Brighton and Hove City Council assessed the risk of material misstatement in the financial statements due to fraud?</p> <p>How has the process of identifying and responding to the risk of fraud been undertaken and what are the results of this process?</p> <p>How do the Council's risk management processes link to financial reporting?</p>	<p>Fraud risk is considered as part of the annual audit planning process and through the fraud risk assessment. The Internal Audit Service contains a dedicated team responsible for Counter Fraud. As part of its work, the team maintains a counter fraud risk assessment and an associated proactive fraud work plan.</p> <p>Updates on the Counter Fraud Team's work are provided to key Governance Officers (Chief Exec, Monitoring Officer and Chief Finance Officer) together with the Audit &amp; Standards Committee on a regular basis.</p> <p>There is a detailed Risk Management Framework that includes Strategic Risks (reported to Audit &amp; Standards Committee), Directorate-level risks and project-level risks as well as other risk assessment processes. Strategic Risk 02 (SR02) concerns financial sustainability and sets out the First, Second and Third-line defences used to treat this risk under the council's Corporate Risk Assessment Framework. Essentially, this sets out that the council manages financial risk through its Targeted Budget Management (TBM) reporting framework, through maintaining an up-to-date MTFS, and through Internal Audit Reviews and oversight of a well-trained and appropriately qualified Finance Function. The Annual Budget Report also includes an assessment of MTFS risks and considers risk provisions, reserves and working balances to offset and mitigate identified general and specific financial, legal and contractual risks.</p>
<p>2. What have you determined to be the classes of accounts, transactions and disclosures most at risk to fraud?</p>	<p>Under the National Fraud Initiative, the Council provides data for a data matching exercise to compare records held by various bodies to identify potential error or fraud – these include those most at risk of fraud. This data includes payroll, pensions, creditors, residential care payments, concessionary travel passes, residents parking permits and clients in receipt of direct payments.</p>
<p>3. Are you aware of any instances of actual, suspected or alleged fraud, errors or other irregularities either within Brighton and Hove City Council as a whole, or within specific departments since 1 April 2023? If so, please provide details</p>	<p>As an Internal Audit Team we have been notified of a number of irregularities during the year. A high-level summary of these will be presented in our annual report on irregularity work to Audit &amp; Standards Committee in June 2024. Quarterly progress reports are reported to Audit &amp; Standards Committee informing members about irregularity investigations and fraud work undertaken by Internal Audit. Details of these can be found with the committee papers on the Council's website. Senior Governance Officers regularly consider the emerging fraud risk and caseload of Internal Audit &amp; Counter Fraud.</p>

# Fraud risk assessment

Question	Management response
4. As a management team, how do you communicate risk issues (including fraud) to those charged with governance?	Please see information contained in the response to General Inquiries of Management Question 9.
<p>5. Have you identified any specific fraud risks? If so, please provide details</p> <p>Do you have any concerns there are areas that are at risk of fraud?</p> <p>Are there particular locations within Brighton and Hove City Council where fraud is more likely to occur?</p>	<p>We acknowledge and understand our fraud risks, and we have a dedicated counter fraud team to respond to these risks. A risk assessment of potential fraud areas shows most as Low Impact and Low/Medium Likelihood.</p> <p>In line with key fraud risks highlighted nationally &amp; consideration of the Council's own fraud risk profile, we believe areas to focus on are:</p> <ul style="list-style-type: none"> <li>•Procurement</li> <li>•Contracts</li> <li>•Schools</li> <li>•Direct Payments</li> <li>•Grants</li> <li>•Payroll</li> <li>•Supplier Payments</li> <li>•PCI/DSS Banking Security Standards</li> <li>•Cyber Security</li> <li>•Off-Payroll Engagements</li> </ul> <p>No specific locations identified.</p>
6. What processes do Brighton and Hove City Council have in place to identify and respond to risks of fraud?	<p>Internal audit have a dedicated Counter Fraud team to prevent, detect and investigate fraud. The counter fraud strategy sets out our approach to tackling fraud. We undertake both proactive reactive work, and the proactive work seeks to prevent and identify fraud, and is targeted through a fraud risk assessment.</p> <p>We have in place a fraud reporting hotline in addition to a confidential reporting (whistleblowing) hotline to encourage the reporting of suspected fraud.</p>

# Fraud risk assessment

Question	Management response
<p>7. How do you assess the overall control environment for Brighton and Hove City Council, including:</p> <ul style="list-style-type: none"> <li>the existence of internal controls, including segregation of duties; and</li> <li>the process for reviewing the effectiveness the system of internal control?</li> </ul> <p>If internal controls are not in place or not effective where are the risk areas and what mitigating actions have been taken?</p> <p>What other controls are in place to help prevent, deter or detect fraud?</p> <p>Are there any areas where there is a potential for override of controls or inappropriate influence over the financial reporting process (for example because of undue pressure to achieve financial targets)? If so, please provide details</p>	<p>The council is a unitary authority providing a full range of local services, so it potentially has a number of areas of fraud risk. However, the council has appropriate controls over its key financial systems, effective governance arrangements and has good fraud referral and whistleblowing arrangements in place. Fraud investigations are co-ordinated and managed within an Orbis-wide counter-fraud team led by an Audit Manager. Key specific processes are:</p> <p>Internal Audit Plan – annual plan</p> <p>Financial Regulations</p> <p>Scheme of delegation</p> <p>Civica Financials and other systems control and reconciliations</p> <p>A balanced and flexible internal audit plan allows for sufficient coverage to provide assurance on the internal control environment, and improve any weaknesses identified.</p> <p>The council has a detailed Risk Management Framework that includes Strategic Risks (reported to Audit &amp; Standards Committee), Directorate-level risks and project-level risks as well as other risk assessment processes.</p> <p>To support the above, the Internal Audit and Counter Fraud service undertakes a wide range of reviews and utilises a broad set of techniques to detect fraud. These include the examination of counter fraud controls in individual audits, data analytics and data matching (Including the National Fraud Initiative). The service supports the council's whistleblowing process and provides fraud awareness e-learning to ensure all services are aware of fraud risks.</p> <p>We are not aware of any</p>
<p>8. Are there any areas where there is potential for misreporting? If so, please provide details</p>	<p>None known.</p>

# Fraud risk assessment

Question	Management response
<p>9. How does Brighton and Hove City Council communicate and encourage ethical behaviours and business processes of it's staff and contractors?</p> <p>How do you encourage staff to report their concerns about fraud?</p> <p>What concerns are staff expected to report about fraud? Have any significant issues been reported? If so, please provide details</p>	<p>The council's governance arrangements include codes of conduct for members and officers, a counter fraud strategy, and a whistleblowing policy. These are periodically updated to ensure they remain relevant e.g. providing advice on using social media. The council uses its PIER HR/Payroll system to capture and record disclosure of interests and related party transactions for members and officers, enabling more effective management review of declarations. The declaration process is updated and managed as part of the closure of accounts process. The council's intranet ('the Wave') contains copies of guidance and policies accessible to all managers and staff. The council's induction programme and Manager's Checklist includes all of these policies and practices and appropriate e-learning and training.</p> <p>The council promotes its Whistle Blowing Policy regularly. IT&amp;D provide regular corporate communications regarding potentially fraudulent email (phishing) and, for example, have introduced a simple reporting tool (via MS Outlook).</p>
<p>10. From a fraud and corruption perspective, what are considered to be high-risk posts?</p> <p>How are the risks relating to these posts identified, assessed and managed?</p>	<p>Staff who have Administrative access and/or development rights in respect of major systems. Segregation of duties, authorisation processes, audit trails (operator logs) and Internal Audit reviews are the primary defences. Managers responsible for procuring goods or services or negotiating property/land deals. The risk is both from undermining procurement processes and/or collusion with bidders/contractors. The council's Contract Standing Orders and Waiver Authorisation processes are designed to minimise these risks, particularly in relation to high value procurements where there is additional scrutiny and oversight from the Corporate Procurement Team. Staff working in income processing, treasury, banking or other areas present fraud risks, particularly through collusion but these are areas where Financial Procedures, Internal Controls, reconciliation processes and systems, and Authorisation/Privacy controls are designed with Internal Audit and subject to ongoing audit reviews.</p>
<p>11. Are you aware of any related party relationships or transactions that could give rise to instances of fraud? If so, please provide details</p> <p>How do you mitigate the risks associated with fraud related to related party relationships and transactions?</p>	<p>None identified. The council keeps a full record of member declarations and staff related party declarations and keeps these under review. The primary mitigation is through Contract Standing Orders. This precludes member involvement in any procurement and evaluation processes, except at the award stage. Similarly, officers are limited to maximum contract awards through Contract Standing Orders and Financial Regulations before needing to seek committee approval. For formal related parties, the mitigation is through contractual agreements which determine the governance and controls applicable.</p>

# Fraud risk assessment

Question	Management response
<p>12. What arrangements are in place to report fraud issues and risks to the Audit Committee?</p> <p>How does the Audit Committee exercise oversight over management's processes for identifying and responding to risks of fraud and breaches of internal control?</p> <p>What has been the outcome of these arrangements so far this year?</p>	<p>The Committee receive and review quarterly updates on the work of the Counter Fraud Team. A high level summary of these will be presented in our annual Counter Fraud report on irregularity work to Audit &amp; Standards Committee in June 2024.</p> <p>The progress reports capture the emerging risks of fraud (summary of investigations) for the council and any breaches of internal control. Details of these can be found with the committee papers on the Council's website. The Counter Fraud Strategy is reviewed and approved by Senior Officers and the Audit &amp; Standards Committee</p> <p>Details of any investigations and escalating fraud risks are reported to Audit &amp; Standards Committee as part of the regular audit update reports.</p>
<p>13. Are you aware of any whistle blowing potential or complaints by potential whistle blowers? If so, what has been your response?</p>	<p>There have been issues raised through the whistleblowing process. The council keeps a full log of issues/complaints and has well-defined investigation and review processes. The log is highly confidential but is available to view if required.</p>
<p>14. Have any reports been made under the Bribery Act? If so, please provide details</p>	<p>No reports were made in 2023/24.</p>



# Law and regulations

## Matters in relation to laws and regulations

ISA (UK) 250 requires us to consider the impact of laws and regulations in an audit of the financial statements.

Management, with the oversight of the Audit Committee, is responsible for ensuring that Brighton and Hove City Council's operations are conducted in accordance with laws and regulations, including those that determine amounts in the financial statements.

As auditor, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error, taking into account the appropriate legal and regulatory framework. As part of our risk assessment procedures we are required to make inquiries of management and the Audit Committee as to whether the body is in compliance with laws and regulations. Where we become aware of non-compliance or suspected non-compliance we need to gain an understanding of the non-compliance and the possible effect on the financial statements.

Risk assessment questions have been set out below together with responses from management.

# Impact of laws and regulations

Question	Management response
<p>1. How does management gain assurance that all relevant laws and regulations have been complied with?</p> <p>What arrangements does Brighton and Hove City Council have in place to prevent and detect non-compliance with laws and regulations?</p> <p>Are you aware of any changes to the Council's regulatory environment that may have a significant impact on the Council's financial statements?</p>	<p>The council's Constitution ensures that all relevant laws and regulations are followed in the conduct of the council's business. This has recently undergone a major review and revision as part of the decision to move to a Cabinet System from June 2024.</p> <p>The Constitution sets the framework for decision making, which includes a Cabinet structure for specified types of decision and delegations to Chief Officers in relation to other decisions. The Constitution includes Contract Standing Orders to ensure procurement regulations are complied with and Codes of Conduct to ensure high standards of conduct and governance. The council's Audit &amp; Standards Committee has oversight of key policies such as Whistleblowing and Code of Conduct complaints, which are monitored. Regular reporting to this Committee ensures that audit investigations are reviewed and trends identified. Two independent members are included on this Committee to provide additional expertise as well as external challenge. Every report to Cabinet/Committee includes legal and financial advice which must be taken into account prior to any decision being taken.</p> <p>We are not aware of any changes to the council's regulatory environment which would have a significant impact on the council's financial statements.</p>
<p>2. How is the Audit Committee provided with assurance that all relevant laws and regulations have been complied with?</p>	<p>The committee is advised by the Monitoring Officer and receives regular reports in relation to the audit activity undertaken by the council's audit team. Questions are raised and responded to at committee and if necessary member working groups are established to look more closely at any areas of concern. All reports to all committees are required to include legal implications from a nominated legal officer to provide the Audit &amp; Standards Committee and all other committees with assurance that decisions take into account relevant regulations and are legally compliant.</p>

# Impact of laws and regulations

Question	Management response
3. Have there been any instances of non-compliance or suspected non-compliance with laws and regulation since 1 April 2023 with an on-going impact on the 2023/24 financial statements? If so, please provide details	None have been identified.
4. Are there any actual or potential litigation or claims that would affect the financial statements? If so, please provide details	As set out the existing contingent liabilities disclosure, the council has some general legal claims or litigation cases which had not been resolved at the Balance Sheet date. None of these are quantifiable and nor are they material in value and the claims may be successfully defended. This will be reviewed and updated as part of the 2023/24 Statement of Accounts production.
5. What arrangements does Brighton and Hove City Council have in place to identify, evaluate and account for litigation or claims?	The council builds in a review process into its annual closure of accounts process. This includes a meeting with the Monitoring Officer and Contract Lawyers involved in litigation to undertake a financial risk assessment and consider the requirement for provision or other disclosure in the accounts.
6. Have there been any reports from other regulatory bodies, such as HM Revenues and Customs, which indicate non-compliance? If so, please provide details	There have been minor breaches in relation to VAT reporting that have been notified by HMRC and rectified accordingly without penalty.

# Related Parties

## Matters in relation to Related Parties

Brighton and Hove City Council are required to disclose transactions with bodies/individuals that would be classed as related parties. These may include:

- bodies that directly, or indirectly through one or more intermediaries, control, or are controlled by Brighton and Hove City Council;
- associates;
- joint ventures;
- a body that has an interest in the authority that gives it significant influence over the Council;
- key management personnel, and close members of the family of key management personnel, and
- post-employment benefit plans (pension fund) for the benefit of employees of the Council, or of any body that is a related party of the Council.

A disclosure is required if a transaction (or series of transactions) is material on either side, i.e. if a transaction is immaterial from the Council's perspective but material from a related party viewpoint then the Council must disclose it.

ISA (UK) 550 requires us to review your procedures for identifying related party transactions and obtain an understanding of the controls that you have established to identify such transactions. We will also carry out testing to ensure the related party transaction disclosures you make in the financial statements are complete and accurate.

# Related Parties

Question	Management response
<p>1. Have there been any changes in the related parties including those disclosed in Brighton and Hove City Council's 2023/24 financial statements? If so please summarise:</p> <ul style="list-style-type: none"> <li>the nature of the relationship between these related parties and Brighton and Hove City Council</li> <li>whether Brighton and Hove City Council has entered into or plans to enter into any transactions with these related parties</li> <li>the type and purpose of these transactions</li> </ul>	<p>There is nothing significant to date. This has been reviewed in detail as part of the work underpinning the 2023/24 Statement of Accounts related parties disclosure note and working papers.</p>
<p>2. What controls does Brighton and Hove City Council have in place to identify, account for and disclose related party transactions and relationships?</p>	<p>Identification and assessment of relationships is built into the annual closure of accounts timetable to ensure identification and consideration of implications for the accounts and disclosure notes.</p>
<p>3. What controls are in place to authorise and approve significant transactions and arrangements with related parties?</p>	<p>This will be controlled by the relevant contractual agreements and defined governance arrangements authorised by Policy &amp; Resources Committee. Where there are financial transactions, the council will have approved budget allocations for any contributions, grants or other payments it is expected to make to a related party. Budgets are approved by Budget Council or Policy &amp; Resources Committee.</p>
<p>4. What controls are in place to authorise and approve significant transactions outside of the normal course of business?</p>	<p>Standard Financial Procedures and the Scheme of Delegation to Officers regulate all transactions. Officers cannot undertake transactions outside the normal course of business without an approved budget.</p>

# Going Concern

## Matters in relation to Going Concern

The audit approach for going concern is based on the requirements of ISA (UK) 570, as interpreted by Practice Note 10: Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2020). It also takes into account the National Audit Office's Supplementary Guidance Note (SGN) 01: Going Concern – Auditors' responsibilities for local public bodies.

Practice Note 10 confirms that in many (but not all) public sector bodies, the use of the going concern basis of accounting is not a matter of significant focus of the auditor's time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the body's services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist.

For this reason, a straightforward and standardised approach to compliance with ISA (UK) 570 will often be appropriate for public sector bodies. This will be a proportionate approach to going concern based on the body's circumstances and the applicable financial reporting framework. In line with Practice Note 10, the auditor's assessment of going concern should take account of the statutory nature of the body and the fact that the financial reporting framework for local government bodies presume going concern in the event of anticipated continuation of provision of the services provided by the body. Therefore, the public sector auditor applies a 'continued provision of service approach', unless there is clear evidence to the contrary. This would also apply even where those services are planned to transfer to another body, as in such circumstances, the underlying services will continue.

For many public sector bodies, the financial sustainability of the body and the services it provides are more likely to be of significant public interest than the application of the going concern basis of accounting. Financial sustainability is a key component of value for money work and it is through such work that it will be considered.

# Going Concern

Question	Management response
<p>1. What processes and controls does management have in place to identify events and / or conditions which may indicate that the statutory services being provided by Brighton and Hove City Council will no longer continue?</p>	<p>Ensuring that statutory services provided by the council can continue is part of the normal financial and operational management processes/controls and the development of the annual budget.</p> <p>The statutory framework within which local government operates requires forward financial planning, prudent provision for repayment of debt and affordability tests for new debt and the setting of a balanced budget annually. Brighton &amp; Hove City Council operates appropriately within this framework and has not undertaken any high-risk investments or borrowing (an appropriate and prudent response to the current economic environment/uncertainties).</p>
<p>2. Are management aware of any factors which may mean for Brighton and Hove City Council that either statutory services will no longer be provided or that funding for statutory services will be discontinued? If so, what are they?</p>	<p>We are aware of none. However, as a general comment, any significant under-achievement of the planned savings proposals for 2024/25 and beyond has the potential to impact statutory provision if the council cannot mitigate any under-achievement through in-year financial management action and/or has insufficient reserves to manage overspending. Note, the savings package for 2024/25 of £23.367m is approximately 3 times the available unallocated reserves (Working Balance) held by the Authority.</p>
<p>3. With regard to the statutory services currently provided by Brighton and Hove City Council, does Brighton and Hove City Council expect to continue to deliver them for the foreseeable future, or will they be delivered by related public authorities if there are any plans for Brighton and Hove City Council to cease to exist?</p>	<p>No, there are no plans for Brighton &amp; City Council to cease to exist and the council expects to continue delivery of statutory services for the foreseeable future. Full details of the council's budget plans and savings gap/challenges are set out in the council's budget report to 22 February 2024 full Council. The council has set a balanced budget for 2024/25.</p>

# Going Concern

Question	Management response
<p>4. Are management satisfied that the financial reporting framework permits Brighton and Hove City Council to prepare its financial statements on a going concern basis?</p> <p>Are management satisfied that preparing financial statements on a going concern basis will provide a faithful representation of the items in the financial statements?</p>	<p>Yes, management are satisfied that preparing financial statements on a going concern basis will provide a faithful representation of the items in the financial statements.</p>



# Accounting estimates

## Matters in relation to accounting estimates

ISA (UK) 540 (Revised December 2018) requires auditors to understand and assess a body's internal controls over accounting estimates, including:

- The nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates;
- How management identifies the need for and applies specialised skills or knowledge related to accounting estimates;
- How the body's risk management process identifies and addresses risks relating to accounting estimates;
- The body's information system as it relates to accounting estimates;
- The body's control activities in relation to accounting estimates; and
- How management reviews the outcomes of previous accounting estimates.

As part of this process auditors also need to obtain an understanding of the role of those charged with governance, which is particularly important where the estimates have high estimation uncertainty, or require significant judgement.

Specifically do Audit Committee members:

- Understand the characteristics of the methods and models used to make the accounting estimates and the risks related to them;
- Oversee management's process for making accounting estimates, including the use of models, and the monitoring activities undertaken by management; and
- Evaluate how management made the accounting estimates?

We would ask the Audit Committee to satisfy itself that the arrangements for accounting estimates are adequate.

# Accounting Estimates - General Enquiries of Management

Question	Management response
<p>1. What are the classes of transactions, events and conditions, that are significant to the financial statements that give rise to the need for, or changes in, accounting estimate and related disclosures?</p>	<p>The council has property, plant and equipment (PPE) of a large value including council dwellings that need professional valuation.</p> <p>The council is an admitted body of the East Sussex Pension Fund and requires a professional actuarial valuation of its pension fund liabilities and assets.</p> <p>The council has provided loans to the i360 company that attract payments of interest and principal. There is an expected credit loss situation currently which needs to be reflected in the accounts and requires an assessment of the value of the credit loss.</p> <p>The council has a range of unexceptional financial Instruments and Investments that require valuation and disclosure in accordance with its accounting policies and the accounting code of practice.</p> <p>Some provisions and reserves may require judgements and estimates (e.g. PFI reserves, debt Impairments/bad debt provision) and these are reviewed at least annually to consider the accounting treatment and information required to inform estimates.</p>
<p>2. How does the Council's risk management process identify and address risks relating to accounting estimates?</p>	<p>Experienced and qualified accountants work with services to obtain appropriate financial information and develop estimates in accordance with the council's accounting policies. Where necessary, external expertise such as experienced Actuarial firms, Property Valuers or other financial advisers may be engaged directly or indirectly if the council considers it needs independent advice and/or does not have the expertise in-house.</p>
<p>3. How does management identify the methods, assumptions or source data, and the need for changes in them, in relation to key accounting estimates?</p>	<p>A structured closure of accounts process has been put in place, led by the Financial Accounting team, which is accompanied by guidelines as to information that managers/budget holders should consider and provide as part of the process. The process is subject to oversight by the S151 Chief Finance Officer. Questions are also put to the Corporate Leadership Team (CLT) and Tier 3 (Assistant Director) managers regarding potential liabilities and commitments as part of the process.</p>
<p>4. How do management review the outcomes of previous accounting estimates?</p>	<p>By analysing significant comparative movements annually to understand if any improvement in the valuation or estimation method is required, via the annual audit findings report and ongoing liaison with the external audit team to identify areas where improved methodology or information may be required to inform estimates and via review against updated best practice and accounting body (CIPFA) code and detailed guidance notes.</p>

# Accounting Estimates - General Enquiries of Management

Question	Management response
5. Were any changes made to the estimation processes in 2023/24 and, if so, what was the reason for these?	None identified to date.
6. How does management identify the need for and apply specialised skills or knowledge related to accounting estimates?	Through identification of areas that require estimation or valuation in the first instance and then making an assessment of the capacity and skills available to conduct this internally. Where the internal skills do not exist, external expertise is normally sought for non-trivial or material judgements.
7. How does the Council determine what control activities are needed for significant accounting estimates, including the controls at any service providers or management experts?	The council follows best practice guidance, CIPFA practitioner Code and explanatory guidance and Financial Reporting Standards and embeds these in instructions directly or through partners e.g. East Sussex Pension Fund, to specify the requirements that must be met to provide a valid estimation, judgement or valuation.
8. How does management monitor the operation of control activities related to accounting estimates, including the key controls at any service providers or management experts?	For external expertise, this will be through the procurement processes which will request evidence of the quality assurance processes to be provided by the supplier. Internally, this is through senior management oversight and S151 oversight of the process including reviews of all non-trivial and material estimates.

# Accounting Estimates - General Enquiries of Management

Question	Management response
<p>9. What is the nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates, including:</p> <ul style="list-style-type: none"> <li>- Management's process for making significant accounting estimates</li> <li>- The methods and models used</li> <li>- The resultant accounting estimates included in the financial statements.</li> </ul>	As above.
<p>10. Are management aware of any transactions, events, conditions (or changes in these) that may give rise to recognition or disclosure of significant accounting estimates that require significant judgement (other than those in Appendix A)? If so, what are they?</p>	There are no significant items identified in addition to those identified in Appendix A.
<p>11. Why are management satisfied that their arrangements for the accounting estimates, as detailed in Appendix A, are reasonable?</p>	See evidence above for the process of identifying, procuring and improving estimates and valuations. The council considers that these are reasonably robust processes that ensure that appropriately qualified expertise is utilised in the production of estimates, particularly significant and material judgements.
<p>12. How is the Audit Committee provided with assurance that the arrangements for accounting estimates are adequate ?</p>	The report accompanying the approval of the accounts sets out the council's quality assurance approach for the production of the financial statements including key judgements and estimates. In 2023/24 the Audit & Standards Committee (as was the case for 2022/23) will formally review this document in June 2024 (subject to external audit agreement and delivery).

## Appendix A Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Land and buildings valuations	The method of estimation is set out in detail the accounting policies under the section on Property, Plant and Equipment (PPE).	<p>Asset valuations are subject to quality control, detailed review and year-on-year analytical review as part of the processes underpinning the production of the Statement of Accounts and associated working papers.</p> <p>Property valuations are supported by a detailed valuation report setting out the assumptions and supporting evidence behind the valuations. The standard process is for a draft report to be reviewed by management (which allows for challenge of the valuer's assumptions and supporting evidence) prior to the final valuation report being issued/incorporated into the final accounts.</p>	Independent and appropriately RICS-qualified external valuers are used for the majority of valuations.	The medium to long term impact of the pandemic and other major world events on property valuations is uncertain. Reasonable interpretation of this will be provided by the appropriately qualified valuers employed by the council to provide "snapshot" balance sheet valuations. As the council has no assets that it is currently planning to sell to fund committed spending and, in line with the rest of local authority, does not borrow against the value of its balance sheet, its land and building valuations represent no financial risk.	No

## Appendix A Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Council dwelling valuations	The method of estimation is set out in detail the accounting policies under the section on Property, Plant and Equipment (PPE).	Please see above (as per "Land and building valuations").	Independent and appropriately qualified external valuers.	Please see above (as per "Land and building valuations").	No
Investment property valuations	The method of estimation is set out in detail the accounting policies under the section on Property, Plant and Equipment (PPE).	Please see above (as per "Land and building valuations").	Independent and appropriately qualified external valuers.	Please see above (as per "Land and building valuations").	No
Depreciation	The method of estimation is set out in detail the accounting policies under the section on Property, Plant and Equipment (PPE).	The controls include the council's asset register annually updated in line with the council's programme of capital investment, annual review of asset lives and analytical review of depreciation charges changes year-on-year.	No	There is limited scope for interpretation under the Code as acknowledged in the accounting policies.	No

## Appendix A Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Valuation of defined benefit net pension fund liabilities	This is set out in detail in the council's note to the Statement of Accounts "Defined Benefit Pension Schemes".	The defined benefit pension liability valuation estimate is produced by a firm of appropriately qualified and experienced actuaries (Barnett Waddingham LLP). Full details of the actuarial assumptions are set out in the annual IAS19 actuarial report and the valuation is carried out in line with the relevant professional standards.	Yes, professional actuarial valuation.	These are set out in detail in the note to the accounts and the relevant actuarial valuation. For example, assumed long term investment returns net of pay and price inflation, the life expectancy of existing and future pensioners.	No.
Level 2 investments	The is set out in detail in the council's accounting policies, for example, under "Fair Value Measurement". Please note that the council holds no level 2 investments (" <i>...that do not have regular market pricing, but whose fair value can be determined based on other data sources or market prices</i> ").	N/A	N/A	N/A	N/A

## Appendix A Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Level 3 investments	This is set out in detail in the council's accounting policies, for example, under "Fair Value Measurement". Please note the council only has £50k of assets (share equity in the Municipal Bond Agency) in this category.	The value is immaterial and has been devalued to 75% of £50k so only £37.5k in the balance sheet.	No	N/A (as immaterial).	No
Fair value estimates	This is set out in detail in the council's accounting policies under "Fair Value Measurement".	N/A	Yes, the council's treasury advisor values.	N/A	No
Provisions	The method of estimation is set out in detail in the council's accounting policies under "Provisions".	There is a comprehensive annual review of potential provisions as part of annual closing.	No.	The council provisions are fully detailed in the note to the Statement of Accounts and associated working papers. The value (included the business rates appeals provision) is currently below balance sheet materiality (c£4 million at 31 March 2022).	No



## Appendix A Accounting Estimates (Continued)

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Accruals	The method of estimation is set out in the closing guidance notes for both the finance team and the budget holders. As required by the accounting Code of Practice/IFRS, the council aims to account for income and spending in the year the effects of the transactions are experienced and not simply when the payments are made or received.	This is set out in detail in the closing instructions to finance teams and budget holders.	No (but all accruals are reviewed/checked by the finance team prior to posting in the ledger).	All accruals are either precise allocations between financial years based on services paid for and received as per the relevant invoices or, if the invoice for the service has yet to be received, based on informed judgement (either information from the supplier or historic patterns of spending/income).	No
Credit loss and impairment allowances	This is set out in detail in the council's accounting policies and in the note to the Statement of Accounts ("Financial Assets and Liabilities – Financial instruments").	This is set out in the working papers to the Financial Instruments note to the Statement of Accounts.	No.	The estimates are based on professional judgement.	No

## Appendix A Accounting Estimates (Continued)

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Finance lease liabilities	The method of estimation is set out in detail the accounting policies under the section on Lease and Lease type arrangements and the associated note in the Statement of Accounts.	The disclosures are based on annual and comprehensive reviews/updates of lease and lease type arrangements across the council's services.	No.	There is limited (or no) scope for interpretation under the Code as acknowledged/set out in the accounting policies.	No.
PFI Liabilities	This is set out in the council's accounting policies under "Private Finance Initiative (PFI)". As set out in the PFI accounting requirements set out in the code, all three of the council's PFI contracts are supported by long-standing Fair Value models which set out the long term liability to fund the PFI asset (at inception/variation) convert the payments due under the contract to the notional/book entry capital repayment and revenue elements.	The liabilities under the contract were documented/modelled at contract inception or (limited impact as the bulk of the liability arises in the calculations undertaken at inception) varied if required due to contract variations.	Yes, in the original development of the Fair Value models for each contract. All models are now maintained internally.	All three of the council's PFI contracts date from the early 2000's so the original assumptions and Fair Value models which established the book entry liabilities over the lifetime of the contract at contract inception have been subject to annual external audit and review over a substantial number of years. [The relevant PFI assets are revalued annually for the Statement of Accounts disclosure].	No.





# Brighton & Hove City Council

## Audit and Standards Committee

## Agenda Item 9

**Subject:** Internal Audit Annual Report and Opinion 2023/24

**Date of meeting:** 25<sup>th</sup> June 2024

**Report of:** Corporate Director, Corporate Services

**Contact Officer:** Carolyn Sheehan (Audit Manager)  
Tel: 07795 335692  
Email: carolyn.sheehan@brighton-hove.gov.uk

Russell Banks (Chief Internal Auditor)  
Tel: 07824 362739  
Email: russell.banks@eastsussex.gov.uk

**Ward(s) affected:** All

**For general release**

### **1. Purpose of the report and policy context**

- 1.1 The purpose of this report is to give an opinion on Brighton and Hove City Council's control environment for the year from the 1 April 2023 to 31 March 2024.
- 1.2 The report also provides members with an update on all internal audit and counter fraud activity completed during quarter 4 (2023/24) including a summary of all key audit findings.

### **2. Recommendations**

- 2.1 That the Committee note the work undertaken and the performance of Internal Audit in 2023/24 and the resultant annual opinion of the Chief Internal Auditor.
- 2.2 The Committee note any significant control issues that should be included in the Council's Annual Governance Statement.
- 2.3 The Committee consider whether the Council's arrangements for internal audit have proved effective during 2023/24.

### **3. Context and background information**

- 3.1 The purpose of this report is to give an opinion on the adequacy of Brighton and Hove City Council's control environment as a contribution to the proper economic, efficient, and effective use of resources. The report covers the audit work completed in the year from 1 April 2023 to 31 March 2024 in accordance with the Internal Audit Strategy 2023/24.

3.2 All local authorities must make proper provision for internal audit in line with the 1972 Local Government Act (S151) and the Accounts and Audit Regulations 2015. The latter states that authorities 'must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance'. Annually the Chief Internal Auditor is required to provide an overall opinion on the Council's internal control environment, risk management arrangements and governance framework to support the Annual Governance Statement.

3.3 It is a management responsibility to establish and maintain internal control systems and to ensure that resources are properly applied, risks appropriately managed and outcomes achieved.

#### **4. Analysis and consideration of alternative options**

4.1 No assurance can ever be absolute; however, based on the internal audit work completed, the Chief Internal Auditor can provide partial assurance that Brighton and Hove City Council has in place an adequate and effective framework of governance, risk management and internal control for the period 1 April 2023 to 31 March 2024.

4.2 This opinion and the evidence that underpins it, is further explained in the full Internal Audit Annual Report and Opinion, Appendix 1.

4.3 The report highlights key issues for the year, including a summary of all audit opinions provided, key financial systems and other internal audit activity.

4.4 There is a separate report of Counter Fraud activity to be presented alongside the report.

4.5 A summary of the major findings from audit reviews completed during quarter 4 of 2023/24 is included in Appendix 2. Major findings from previous quarters have already been reported to Audit and Standards Committee.

4.6 Finally, Appendix A of the annual report sets out details of internal audit performance for the year, including details of compliance against the relevant professional standards.

#### **5. Community engagement and consultation**

5.1 The annual report has been informed by internal audit and counter fraud work carried out during the year which has included extensive engagement with officers and members.

#### **6. Conclusion**

6.1 The Committee is recommended to note the report and Internal Audit Service's opinion on the Council's control environment, consider whether there are any significant issues that should be included in the Council's

annual governance statement for 2023/24 and consider whether the Council's system for internal audit has proved effective.

## **7. Financial implications**

- 7.1 There are no direct financial implications arising from this report. Sound corporate governance, risk management and control are essential to the financial health and reputation of the Council.
- 7.2 The audit opinion has reduced from reasonable assurance to partial assurance and requires prompt and robust action to the findings from audit activities. These actions may require redirecting resources or additional resources. Additional costs, if any, that are required to address issues will be reflected in Targeted Budget Management Reports throughout the financial year.

Name of finance officer consulted: James Hengeveld  
Date consulted: 31/05/24

## **8. Legal implications**

- 8.1 The Accounts and Audit Regulations 2015 require the Council to undertake an effective internal audit to evaluate the effectiveness of its risk management, control, and governance processes, taking into account Public Sector Internal Audit Standards. Reviewing the work planned and completed by the Council's internal audit function is a key part of the Audit and Standards Committee's delegated functions.

Name of lawyer consulted: Victoria Simpson      Date consulted 10.06.2024

## **9. Equalities implications**

- 9.1 There are no direct equalities implications.

## **10. Sustainability implications**

- 10.1 There are no sustainability implications.

## **11. Other Implications**

- 11.1 There are no other implications

## **Supporting Documentation**

### **1. Appendices**

- 1. Internal Audit Annual Report and Opinion 2023/24
- 2. Internal Audit and Counter Fraud Quarter 4 Progress Report 2023/24

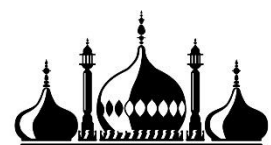






## Appendix 1

# INTERNAL AUDIT ANNUAL REPORT & OPINION 2023/2024



**Brighton & Hove  
City Council**

## **1. Internal Control and the Role of Internal Audit**

1.1 All local authorities must make proper provision for internal audit in line with the 1972 Local Government Act (S151) and the Accounts and Audit Regulations 2015. The full role and scope of the Council's Internal Audit Service is set out within our Internal Audit Charter.

1.2 It is a management responsibility to establish and maintain internal control systems and to ensure that resources are properly applied, risks appropriately managed and outcomes achieved.

1.3 Annually the Chief Internal Auditor is required to provide an overall opinion on the Council's internal control environment, risk management arrangements and governance framework to support the Annual Governance Statement.

## **2. Delivery of the Internal Audit Plan**

2.1 The Council's Internal Audit Strategy and Plan is updated each year based on a combination of management's assessment of risk (including that set out within the departmental and strategic risk registers) and our own risk assessment of the Council's major systems and other auditable areas. The process of producing the plan involves extensive consultation with a range of stakeholders to ensure that their views on risks and current issues, within individual departments and corporately, are identified and considered.

2.2 In accordance with the audit plan for 2023/24, a programme of audits was carried out covering all Council departments and, in accordance with best practice, this programme was reviewed during the year and revised to reflect changes in risk and priority. All adjustments to the audit plan were agreed with the relevant departments and reported throughout the year to the Executive Leadership Team (ELT) and the Audit and Standards Committee as part of our periodic internal audit progress reports. Full details of the adjustments to the plan can be found in Appendix D.

2.3 It should be noted that whilst there were some audit reports in progress or at draft report stage at year-end, outcomes from this work have been taken into account in forming our annual opinion. Full details of these audits will be reported to the Corporate Leadership Team (CLT) and the Audit, Standards and General Purposes Committee once each of the reports have been finalised with management.

## **3. Audit Opinion**

3.1 No assurance can ever be absolute; however, based on the internal audit work completed, the Chief Internal Auditor can provide partial (1) assurance that the Council has in place an adequate and effective framework of governance, risk management and internal control for the period 1 April 2023 to 31 March 2024.

3.2 Further information on the basis of this opinion is provided below. Although the majority of audit opinions issued in the year were generally positive, there was an increase in the number of partial assurance reports and internal audit activities have identified a number of key areas where the operation of internal controls has not been fully effective. A number of these relate to key financial or corporate systems and link to risks identified in the Council's strategic risk register. It should also be noted that in some of these cases the audits were delivered at the request of management in order to obtain assurance over areas where it felt there was the potential need for improvement. This demonstrates a positive organisational culture which utilises Internal Audit to help support service improvement.

---

<sup>1</sup> This opinion is based on the activities set out in the paragraphs below. It is therefore important to emphasise that it is not possible or practicable to audit all activities of the Council within a single year.

3.3 Given these issues, it is essential that management continue to recognise the need to take prompt and robust action in response to the findings arising from internal audit activities, in order to ensure an adequate control environment remains in place and that there is no future deterioration in the level of assurance. Regular liaison has taken place with management during the year with regard to these issues as they have emerged, and it is pleasing to report these have been taken extremely seriously, with a clear commitment being demonstrated by senior officers to strengthening the control environment.

3.4 Where improvements in controls are required as a result of any of our work, we have agreed appropriate remedial action with management.

#### 4. Basis of Opinion

4.1 The opinion and the level of assurance given takes into account:

- All audit work completed during 2023/24, planned and unplanned;
- Follow up of actions from previous audits;
- Management's response to the findings and recommendations;
- Ongoing advice and liaison with management, including regular attendance by the Chief Internal Auditor and Audit Managers at organisational meetings relating to risk, governance, and internal control matters;
- Effects of significant changes in the Council's systems;
- The extent of resources available to deliver the audit plan; and
- Quality of the Internal Audit service's performance.

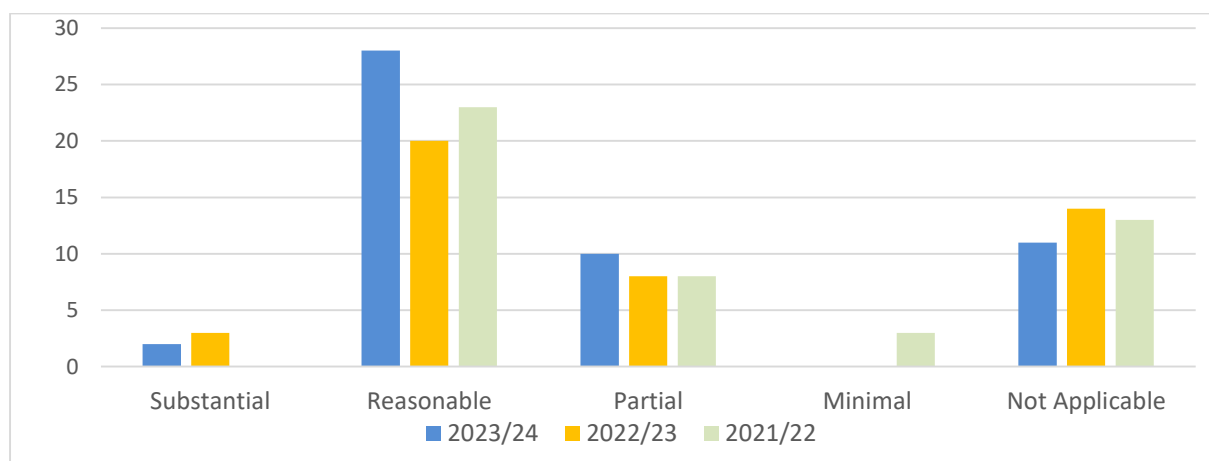
4.2 No limitations have been placed on the scope of Internal Audit during 2023/24.

#### 5. Key Internal Audit Issues for 2023/24

5.1 The overall audit opinion should be read in conjunction with the key issues set out in the following paragraphs. These issues, and the overall opinion, have been taken into account when preparing and approving the Council's Annual Governance Statement.

5.2 The internal audit plan is delivered each year through a combination of formal reviews with standard audit opinions, direct support for projects and new system initiatives, investigations, grant audits and ad hoc advice. The following graph provides a summary of the outcomes from all audits finalised over the past three years:

**Comparisons of Opinions 2021/22 through 2023/24**



*\*Not Applicable: Includes grant certifications and audit reports where we did not give a specific audit opinion. Typically, this tends to be proactive advice and support activity where, due to the advisory nature of the audit work, provision of formal assurance-based opinions is not appropriate.*

5.3 A full listing of all 2023/24 completed audits and opinions for the year is included at Appendix B, along with an explanation of each of the assurance levels. The status of all planned audits in progress but not completed to final report by year-end is shown in Appendix C.

5.4 We are pleased to report that no minimal assurance audit opinions were issued, however, ten audits received partial assurance (all of which have been reported on in our quarterly progress reports) as follows:

- Payroll;
- Housing Benefit and Council Tax Reduction;
- Budget Management – Effectiveness of Savings Targets;
- Payment Card Industry, Data Security Standards Governance Arrangements;
- Business Continuity Planning;
- Service Agreements (Residential and non-residential);
- Carelink;
- Housing Rents follow up;
- Contract Management; and
- Council Tax.

5.5 In addition to the above, as at March 2024 year-end, there were a further three draft reports, not yet finalised, with likely partial assurance opinions:

- Accounts Receivable;
- Corporate Governance Policy Framework and Associated Guidance; and
- Off Payroll Payments.

5.6 Actions arising from all of these reviews will be followed up by Internal Audit, either through specific reviews or via established action tracking arrangements, all of which will be reported to CLT and Audit & Standards Committee throughout the year ahead.

5.7 As a demonstration of its commitment to improve internal control, management were able to bring forward implementation of some actions and subsequently requested early follow up reviews of both the Council Tax and Contract Management audits, which both resulted in reasonable assurance opinions. An early follow up review of Service Agreements (residential and non-residential) was still in progress at year end but has subsequently resulted in an opinion of substantial assurance, as all actions have been implemented.

5.8 We would also like to highlight that during the course of our work, capacity challenges have been raised with us in several areas by management. Whilst this was also raised in the previous 2022/23 annual internal audit report, it is noticeable that during 2023/24 we saw the impact of this reflected in audit opinions. We understand that some of these issues have been further compounded by increased demand on services and by ongoing financial pressures. Finally, in some areas under review, it has, at times, been difficult to determine roles and responsibilities, which has presented further challenges in agreeing and implementing actions to mitigate the risks identified.

### **Key Financial Systems**

5.9 Given the substantial values involved, each year a significant proportion of our time is spent reviewing the Council's key financial systems, both corporate and departmental. Of

those completed during 2023/24, five of these have resulted in partial assurance being provided over the control environment, in some cases for the reasons referenced above.

5.10 We have noted a deterioration in controls within Payroll, Housing Benefit and Council Tax Reduction, Housing Rents and Accounts Receivable, all of which has impacted on the overall audit opinion.

5.11 With regard to Housing Rents, it is important to highlight that this review was a follow up of a previous partial opinion report, where we have therefore seen an inadequate improvement in controls. This has therefore been included in the 2024/25 audit plan as a full audit. It is of concern that insufficient activity has taken place in response to previously highlighted weaknesses in this area and something therefore that the organisation should closely monitor.

### Key Corporate Systems

5.12 As referenced above, partial assurance audit opinions were also issued in the year relating to some key corporate systems, including Business Continuity Planning and Budget Management - Effectiveness of Savings Targets, all of which are key areas underpinning the corporate control environment.

5.13 An audit on Contract Management in 2023/24, resulting in partial assurance, found that whilst a robust contract management framework had been developed, contract managers were not always using it and often appeared to be unaware of it. However, it is pleasing to report that an early follow up review in this area concluded reasonable assurance, with actions implemented to improve communication with contract managers and provide signposting and training on the framework. This follow up audit did not, however, test compliance with the framework across directorates and so additional audit work will be undertaken in 2024/25 to provide further assurance in this area.

### Other Internal Audit Activity

5.14 During 2023/24, Internal Audit has continued to provide advice, support, and independent challenge to the organisation on risk, governance, and internal control matters across a range of areas. These include:

- Modernisation of Data and Information Systems (Modis), formerly the Enterprise Resource Planning (ERP) Programme;
- Housing, Repairs Works Management System Replacement Programme.

And attendance at, and support to:

- Orbis Customer Board/Finance & Resources Lead Business Partners Meetings;
- Governance Assurance Meetings;
- Whistleblowing Co-ordination Meetings; and
- Leadership Network.

5.15 As well as actively contributing to, and advising these groups, we utilise the intelligence gained from the discussions to inform our own current and future work programmes to help ensure our work continues to focus on the most important risk areas.

### Anti-Fraud and Corruption

5.16 During 2023/24, the Internal Audit Counter Fraud Team continued to deliver both reactive and proactive fraud services across the organisation. Details of all counter fraud and investigatory activity for the year, both proactive and reactive, have been summarised within

a separate Counter Fraud Annual Report due to be presented alongside this Internal Audit Annual Report. Where relevant, the outcomes from this work have also been used to inform our annual internal audit opinion and future audit plans.

### Amendments to the Audit Plan

5.17 In accordance with professional practice, the Internal Audit plan for the year was kept under regular review to ensure that the service continued to focus its resources in the highest priority areas based on an assessment of risk. All audits added to and removed from the plan during the year are provided in Appendix D.

## 6. Internal Audit Performance

6.1 Public Sector Internal Audit Standards (PSIAS) require the Internal Audit service to be reviewed annually against the Standards, supplemented with a full and independent external assessment at least every five years. The following paragraphs provide a summary of our performance during 2023/24, including the results of our latest independent PSIAS assessment, an update on our Quality Assurance and Improvement Programme and the year end results against our agreed targets.

6.2 Over the course of the year we have received positive feedback on a range of completed audit assignments from management within services. The following 'word cloud' identifies some of the key, positive phrases used to describe our service and that contributed to a 100% satisfaction rate being recorded in year:



### PSIAS

6.3 The Standards cover the following aspects of internal audit, all of which were independently assessed during 2022 by the Institute of Internal Auditors (IIA):

- Purpose, authority, and responsibility;
- Independence and objectivity;
- Proficiency and due professional care;
- Quality assurance and improvement programme;
- Managing the internal audit activity;
- Nature of work;
- Engagement planning;

- Performing the engagement;
- Communicating results;
- Monitoring progress;
- Communicating the acceptance of risks.

6.4 As reported to Audit Committee in January 2023, Orbis Internal Audit has been assessed as achieving the highest level of conformance available against professional standards, with no areas of non-compliance identified. Our most recent self-assessment against the standards in 2023 found that this continued, with only minor areas for improvement identified.

### **Key Service Targets**

6.5 Performance against our previously agreed service targets is set out in Appendix A. Overall, client satisfaction levels remain high, demonstrated through the results of our post audit questionnaires, discussions with key stakeholders throughout the year and annual consultation meetings with Chief Officers.

6.6 Internal Audit will continue to liaise with the Council's external auditors (Grant Thornton) to ensure that the Council obtains maximum value from the combined audit resources available.

6.7 In addition to this annual summary, the Corporate Leadership Team and the Audit and Standards Committee will continue to receive performance information on Internal Audit throughout the year as part of our quarterly progress reports and corporate performance monitoring arrangements.

## Appendix A

### Internal Audit Performance Indicators 2023/24

Aspect of Service	Orbis IA Performance Indicator	Target	RAG Score	Actual Performance
Quality	Annual Audit Plan agreed by Audit Committee (2023/24)	By end April	G	2023/24 Internal Audit Strategy and Plan formally approved by Audit and Standards Committee 18th April 2023.
	Annual Audit Report and Opinion (2022/23)	By end July	G	2022/23 Annual Report and Opinion presented to Audit and Standards Committee 27th June 2023
	Customer Satisfaction Levels	90% satisfied.	G	100%
Productivity and Process Efficiency	Audit Plan – completion to draft report stage	90%	G	91.4%
Compliance with Professional Standards	Public Sector Internal Audit Standards	Conforms	G	Dec 2022 - External Quality Assurance completed by the Institute of Internal Auditors (IIA). Orbis Internal Audit assessed as achieving the highest level of conformance available against professional standards with no areas of non-compliance identified, and therefore no formal recommendations for improvement arising. In summary the service was assessed as: <ul style="list-style-type: none"> <li>• Excellent in: Reflection of the Standards Focus on performance, risk and adding value</li> <li>• Good in: Operating with efficiency Quality Assurance and Improvement Programme</li> <li>• Satisfactory in:</li> </ul>



Aspect of Service	Orbis IA Performance Indicator	Target	RAG Score	Actual Performance
				Coordinating and maximising assurance.  November 2023 - Updated self-assessment against the Public Sector Internal Audit Standards completed, the service was found to be fully complying with 319 of the standards and partially complying with 2 of the standards, in both cases proportionate arrangements remain in place.
	Relevant legislation such as the Police and Criminal Evidence Act, Criminal Procedures, and Investigations Act	Conforms	G	No evidence of non-compliance identified.
Outcome and degree of influence	Implementation of management actions agreed in response to audit findings	95% for high priority agreed actions	G	100%
Our staff	Professionally Qualified/Accredited	80%	G	94% <sup>2</sup>

<sup>2</sup> Includes part-qualified staff and those undertaking professional training.

## Appendix B

### Summary of Opinions for Internal Audit Reports Issued During 2023/24

#### **Substantial Assurance:**

*(Explanation of assurance levels provided at the bottom of this document)*

<b>Audit Title</b>	<b>Department</b>
Risk Management Actions – Implementation & Progress Reporting	GPR
Declaration of Interests, Gifts and Hospitality- Officers (follow up)	GPR

#### **Reasonable Assurance:**

<b>Audit Title</b>	<b>Department</b>
Accounts Payable	GPR
Procurement of IT Systems	GPR
Children's Data Handling	FCL
Business Rates	GPR
Carbon Reduction Programme	EEC
Housing Temporary Accommodation (follow up)	HNC
Housing Repairs Service (follow up)	HNC
Working Time Directive (follow up)	GPR
Cardinal Newman School	FCL
Carden Nursery & Primary School	FCL
Organisational Capacity Workforce Management	GPR
Homes for Ukraine	EEC
Hertford Junior School	FCL
Complex Care Placements for Children - Safeguarding	FCL
Adult Services Data Handling	HASC
School Meals (follow up)	FCL
Hill Park School	FCL
Robotic Process Automation	GPR
Unaccompanied Asylum Seekers - Children	FCL
Performance Development Plan's and 121's (follow up)	GPR
Eclipse Application Control	HASC
Parking Income	EEC
Life Events Income	HASC
Operational Accommodation Strategy and Workstyle Programme	GPR
Varndean Secondary School	FCL
Housing Allocations	HNC
Surveillance cameras (follow up)	EEC
Contract Management (follow up)	GPR
Council Tax (follow up)	GPR
Health and Safety (follow up) - draft report	GPR
Parking Enforcement - draft report	GPR

**Partial Assurance:**

<b>Audit Title</b>	<b>Department</b>
Payment Card Industry -Data Security Standards	GPR
Housing Benefits & Council Tax Reduction	GPR
Contract Management	GPR
Budget Management- Effectiveness of Savings Targets	GPR
Service Agreements (Residential & Non-residential)	HASC
Business Continuity Planning	HNC
Housing Rents (follow up)	HNC
Carelink	HASC
Payroll	GPR
Council Tax	GPR
Off Payroll Payments – draft report	GPR
Debtors/ Accounts Receivable – draft report	GPR
Corporate Governance Policy Framework and Associated Guidance – draft report	GPR

**Minimal Assurance:**

<b>Audit Title</b>	<b>Department</b>
None	

**Non-Opinion:**

<b>Audit Title</b>	<b>Department</b>
EU- Blueprint for a Circular Economy (claim 6) Grant Certification	EEC
EU- Blueprint for a Circular Economy (claim 7) Grant Certification	EEC
Bus Subsidy Revenue Grant Certification	EEC
Transport Capital Grant Certification	EEC
Supporting Families Grant Certification	FCL
Housing Repairs Works Management System Replacement Programme – advisory role on programme board	HNC
Modernisation of Data and Information Systems (Modis) formerly the Enterprise Resource Planning Programme – advisory role on programme board	GPR
CIPFA Financial Management Code 2022-23- advice and review of self-assessment	GPR
DLUHC Shared Prosperity Fund – advice on processes and documentation	EEC
Complex Care Placements for Children -SEN & Disability – Position Statement	FCL

## Audit Opinions and Definitions

Opinion	Definition
<b>Substantial Assurance</b>	Controls are in place and are operating as expected to manage key risks to the achievement of system or service objectives.
<b>Reasonable Assurance</b>	Most controls are in place and are operating as expected to manage key risks to the achievement of system or service objectives.
<b>Partial Assurance</b>	There are weaknesses in the system of control and/or the level of non-compliance is such as to put the achievement of the system or service objectives at risk.
<b>Minimal Assurance</b>	Controls are generally weak or non-existent, leaving the system open to the risk of significant error or fraud. There is a high risk to the ability of the system/service to meet its objectives.

## Appendix C

### 2023/24 Audit Plan – Audits in Progress at Year-End

<b>Audit Title</b>	<b>Department</b>	<b>Status</b>
Off Payroll Payments	GPR – Now Corporate Services	Draft Report
Health and Safety follow up	GPR – Now Corporate Services	Draft Report
Accounts Receivable (Debtors)	GPR – Now Corporate Services	Draft Report
Corporate Governance Framework	GPR – Now Corporate Services	Draft Report
Parking Enforcement	EEC – Now City Services	Draft Report
HASC Debt Management & Recovery	HASC – Now Housing Care and Wellbeing	Fieldwork
Recovery & Resilience (including Cyber security Arrangements)	GPR – Now Corporate Services	Fieldwork
System Change Control & Release Management (Patch Management)	GPR – Now Corporate Services	Fieldwork
Information Governance SAR & FOI	GPR – Now Corporate Services	Fieldwork
ASC Financial Assessments follow up	HASC – Now Housing Care and Wellbeing	Fieldwork
Commissioning of Supported Accommodation	HASC – Now Housing Care and Wellbeing	Fieldwork
Direct Payments	HASC – Now Housing Care and Wellbeing	Fieldwork
Service Agreements (Residential & Non-residential) follow up	HASC – Now Housing Care and Wellbeing	Fieldwork
Brunswick School	Families Children & Learning	Fieldwork
Digital City Clean Programme	EEC – Now City Services	Fieldwork

## Appendix D

### Audits added to and removed from the plan during 2023/24

#### **Audits Added:**

<b>Audit Title</b>
Direct Payments
Parking Income
Supporting Families Grant
General Ledger
Shared Prosperity Fund
Council Tax Follow Up
Contract Management Follow Up
Service Agreements (Residential & Non-residential) Follow Up
Digital City Clean Project

#### **Audits Removed/Deferred:**

<b>Audit Title</b>	
Seaside Homes Follow Up	The service has been reviewing future options and has been unable to progress agreed actions from the previous report due to current contractual arrangements.
Warmer Homes Programme	Cancelled following a review and cancellation of the programme.
Home Upgrade Grant	Audit certification is not required for this grant as the scheme is administered through Portsmouth City Council.
Business Rates (Revaluation)	An additional audit was scheduled anticipating that further review would be required in this area. However, we were able to adequately cover the controls and mitigation of risk in the main Business Rates audit.
Transition from Children to Adults	Work is ongoing to make improvements in this area and some responsibilities have transferred between Directorates. At the request of the service, we have agreed to defer the audit review to 2025/26.
Housing Major and Planned Works	Supply chain issues and delays in procurement have delayed this programme. At the request of the service, we have agreed to defer the audit review to 2024/25
Procurement Contract Standing Orders	The new regulations are expected to come into force from October 2024, in accordance with the 2023 Procurement Act. We have agreed to defer the audit review to 2024/25
Revenue Budget Management	This audit looks at the framework for the budget management process and would be better timed after a follow up review of the Budget Management Effectiveness of Savings Targets Audit.
General Ledger	At the request of management this audit was deferred from Q4 2023/24 to Q1 2024/25
Early Help Services	At the request of management this audit was deferred from Q4 2023/24 to Q1 2024/25

# Internal Audit and Counter Fraud Quarter 4 Progress Report 2023/24

## CONTENTS

1. Summary of Completed Audits
2. Counter Fraud and Investigation Activities
3. Action Tracking
4. Amendments to the Audit Plan
5. Internal Audit Performance

## 1. Summary of Completed Audits

### Risk Management Actions – Implementation and Progress Reporting

1.1 Risk management is the identification, evaluation and prioritisation of risk, followed by the application of resources to minimise, monitor, and control the probability, impact, or to maximise the realisation of opportunities. At the Council risks are recorded and managed both within directorates and at a strategic level and are subject to review by Directorate Management Teams, the Executive Leadership Team and Council Committees, as appropriate.

1.2 The risk management framework was audited in 2022/23 and we concluded Substantial Assurance. The purpose of this audit was to review compliance with the framework with regards to the documentation and progression of identified actions, and to provide assurance that controls are in place to meet the following objectives:

- Actions identified in response to the Council's strategic risks are implemented fully and timeously; and
- Strategic risk registers are updated regularly and provide clear communication to senior management, on the progress of actions. This would include where actions are implemented, in progress, have been delayed or need to be changed.

1.3 For this audit we focused on three of the Council's risks captured on the strategic risk register:

- SR15: Not keeping children safe from harm and abuse;
- SR24: The council is unable to provide an effective welfare support response to households facing financial hardship; and
- SR38: Not taking effective action to improve our city's resilience to the impacts of climate change and biodiversity loss.

1.4 We were able to provide an opinion of **Substantial Assurance** in this area as the narrative on the Strategic Risk Register of the progress of risk actions was found to be an accurate reflection of progress. Officers responsible for implementing actions understood their role and responsibilities in reviewing and updating progress of the risk action on a regular basis and in a timely manner, and they had oversight of this. Furthermore, the Executive Leadership Team (ELT) and Directorate Management Teams (DMTs) had oversight and could feed into this process in order to hold targeted discussions and to focus attention, for example, if the risk profile or identified risk action had changed.

1.5 We identified one area where further improvement could be made to help ensure risk actions are SMART (Specific, Measurable, Achievable, Relevant and Time-based) and aligned with Directorate Plans and an action has been agreed with management in this area.

### Declaration of Interests, Gifts and Hospitality (Officers) Follow-up

1.6 Local authority employees are expected to always act in the best interests of the Council and to do so with integrity and professionalism. Officers of the Council are required to follow the Code of Conduct, which includes declaring any potential conflicts of interest and declaring gifts or hospitality offered to them during the course of their employment. Any declared conflicts of interest should be managed, and gifts and hospitality declined so that the Council ensures decision making is free from bias and corruption.



1.7 An audit of the Declaration of Interests, Gifts & Hospitality (Officers) was completed in 2022/23 and we provided an audit opinion of Partial Assurance. Due to the opinion given, we undertook a follow-up review of this audit to ascertain progress made in implementing the agreed actions.

1.8 Our review found that considerable progress had been made since the last audit with seven of the ten agreed actions being implemented. A further two actions had been partially implemented and the risk associated with these has been reduced from a medium to low. Therefore, we are able to give an improved opinion of **Substantial Assurance**.

1.9 A formal action plan to address these remaining two low risk findings has been agreed with management.

### Unaccompanied Asylum Seekers (Children)

1.10 Unaccompanied Asylum-Seeking Children (UASC) are children and young people who are seeking asylum in the UK but have been separated from their parents or carers. The Home Office, under immigration laws, considers a UASC to be a person who is under 18 when the asylum application is submitted, is not being cared for by an adult who by law has responsibility to do so or has applied for asylum to the UK in their own right.

1.11 UASC are considered a Looked After Child and so are under the care of the local authority. The Authority receives children either as a 'Spontaneous Arrival' or through the National Transfer Scheme (NTS), which is a protocol to enable the safe transfer of unaccompanied children in the UK from the entry authority to a different local authority. This review did not include children already receiving support from the Home Office and children who have been granted British citizenship.

1.12 The purpose of our audit was to provide assurance that controls are in place to meet the following objectives:

- Arrangements are in place and operate effectively to ensure early identification of UASC so that care is transferred, and support services start. Timescales for the referral and transfer process are in accordance with legislation;
- Services are set up for UASC that identify local needs and meet national guidelines;
- Costs are appropriately controlled, authorised, and recorded in accordance with financial procedures; and
- There is a robust system to record and report UASC data, including when funding thresholds are reached to ensure that the Council receives all the funding available through the government scheme.

1.13 We were able to provide an opinion of **Reasonable Assurance** in this area. We found that robust arrangements are in place to ensure services and support are available for UASC. Visits and regular supervisions are taking place in a timely manner, performance is regularly monitored, and adequate documentation and guidance is in place. Grant funding is monitored and there is underspend due to efficient and effective processes being administered by the directorate.

1.14 We did, however, find some areas where improvement was required in order to further strengthen the controls already in place, including the need to:

- Undertake regular reconciliations of UASC payments and bus passes;
- Improve cash controls and holding of bus scratch cards; and
- Communicate the need to raise purchase orders in a timely manner.

1.15 A formal action plan to address the findings of this review has been agreed with management.

### Life Events Income

1.16 The Life Events service includes registration of births and deaths as well as services relating to marriages, civil partnerships, British citizenship ceremonies and Bereavement. The service also operates Woodvale Crematorium, seven cemeteries across the city and a natural burial ground. Many of these services levy fees and charges.

1.17 The purpose of our audit was to provide assurance that controls are in place to meet the following objectives:

- Procedures for collecting income are documented and effectively communicated to staff;
- Debtors' invoices are raised promptly and accurately;
- Income is receipted and promptly reconciled and banked;
- There is adequate segregation of duties in the cash collection process;
- Debt recovery procedures are in place to ensure that debts are promptly chased and recovered;
- Refunds and credit notes are recorded and approved in accordance with procedures; and
- Budget monitoring is taking place regularly to identify variances in cash receipts.

1.18 In completing this work, we were able to provide an opinion of **Reasonable Assurance** over the controls in place. The debt level and value for the service was relatively low, regular budget monitoring is taking place and meetings are held with the Corporate Collection Team and the service on the pursuance of outstanding income. We identified that all fees and charges were raised for the correct amount and income received was banked in a timely manner.

1.19 We did identify some areas where improvement could be made in order to strengthen the control environment. In response to this audit an action plan was agreed with management that included measures to:

- Automate a manual process for raising invoices;
- Ensure all invoices are issued with the correct company name and these are used for all correspondence and billing;
- Develop documented procedures for all processes, containing version control;
- Ensure training on potential fraud is completed by officers who take card payments onsite using a PDQ machine;
- Document, review, and approve new process for write off of debts;
- Accurately record reconciliations that have been undertaken; and
- Ensuring cash receipts from the cash collection company are retained.

## Parking Income

1.20 The Council operates nine off-street car parks and 29 on-street parking zones across the city, with over 40,000 residents parking permits are currently on issue. The Council also issues over 140,000 parking fines (Penalty Charge Notices (PCNs)) on an annual basis. The majority of parking payment transactions are made using the Pay by Phone app, by telephone, or online.

1.21 Brighton & Hove's parking services budgeted to generate a total of £43.5m in income during 2023/24. Most (97%) of the total income comes from: on and off street parking charges which are expected to generate £23m, £11.7 from residential and non-residential parking permits, and £7.3m from Penalty Charge Notices (inclusive of bad debt provision).

1.22 The purpose of our audit was to provide assurance that controls are in place to meet the following objectives:

- Charges applied at the off-street car parks and on-street parking zones are in accordance with those approved by committees and the Administration. That these are able to be operationalised in accordance with progress on the agreed implementation date set by committees;
- Effective controls are in place for recording and receipting parking transactions when residents or visitors pay for parking at off-street car parks and on-street parking locations;
- Appropriate arrangements are in place to ensure that payments received from car parks, on-street parking locations, and PCNs are recorded onto the accounting system, banked in full, and regularly reconciled;
- Effective controls are in place over the issuing of car parks annual season tickets and collecting associated income; and
- Effective controls are in place over the issuing of resident parking permits and collecting associated income.

1.23 In providing an opinion of **Reasonable Assurance**, we found a number of areas of good practice, with only a small number of areas where controls could be improved to mitigate potential risk to the service. These included ensuring that:

- Implementing price changes has greater clarity in decision records in terms of implementation dates and simplifying the administrative exercise;
- The Parking Team engage with the Council's Counter Fraud Team at the earliest opportunity to report any fraudulent activity;
- Payment confirmation is issued to members of the public from the system, in order for correct permits to be issued; and
- Annual reviews of the permit system database are undertaken to identify any variances.

1.24 A formal action plan to address the findings of this review has been agreed with management.

## Housing Allocations

1.25 The Council is required by Section 166A (1) of the Housing Act 1996 to operate an allocation scheme for determining priorities and defining the procedures to be followed in allocating social housing. 'Homemove' is the Council's Choice Based Lettings scheme that fulfils this obligation for both Council and Housing Association properties, via the Home Connections system.

1.26 The purpose of our audit was to provide assurance that controls are in place to meet the following objectives:

- A defined allocations scheme is in place, in accordance with legislative requirements and Council priorities;
- Initial applications to the housing allocations register are assessed in line with the scheme, with only those eligible accepted to the register;
- Details held of existing individuals on housing allocations register are up-to-date and reflective of current circumstances; and
- Allocation of properties is appropriate and made in accordance with the Council's scheme, to the most appropriate individual.

1.27 This audit did not include the allocation of temporary accommodation.

1.28 Overall, we were able to provide **Reasonable Assurance** in this area, finding that it is generally well managed, with appropriate controls in place to ensure Council properties are allocated in line with the current allocations scheme. Some areas for improvement were, however, identified, including ensuring that:

- Procedural documentation is up-to-date, and roles and responsibilities are defined;
- A review takes place of applicants' recorded circumstances to ensure these are current, and that allocations are in line with the Allocations Policy; and
- Requirements for a replacement Housing Needs IT system are defined and feed into the procurement of this, taking into account identified shortcomings with the current system.

1.29 A formal action plan to address the findings of this review has been agreed with management.

### Operational Accommodation Strategy and Workstyles Programme

1.30 The Workstyles Programme commenced in May 2009 and has introduced flexible working practices and technology across the Council's corporate buildings. One element of the Workstyles Programme is the future Operational Accommodation Strategy, which is the Council's strategy for the buildings used by Council services.

1.31 The purpose of our audit was to provide assurance that controls are in place to meet the following objectives:

- Robust governance arrangements are in place over the Workstyles Programme to ensure it is fit for purpose and able to meet its objectives;
- The future Operational Accommodation Strategy, which is one part of the Workstyles programme, is fit for purpose and contains all necessary detailed information about how it will meet the Council's corporate objectives/priorities; and
- Appropriate controls are in place regarding the letting out of the third and fourth floors of Bartholomew House, this includes:
  - Roles and responsibilities are clearly defined between the Council as the lessor and the lessee and, once in place, accommodation rental agreements will be actively managed and monitored; and



- Management arrangements are in place to ensure Council offices, assets, and systems are secure from inappropriate access, appropriate escalation is in place where this does occur, and security is strengthened where gaps are identified.

1.32 In providing an opinion of **Reasonable Assurance**, our review indicated that the majority of key controls were found to be in place and operating as expected to mitigate potential risks in this area. However, our work identified some opportunities to further strengthen the process, including in relation to:

- Re-establishing the Workstyles Programme Board, to enhance governance and oversight over the programme;
- Developing a Programme Initiation Document (PID) for the next phase of the Workstyles Programme, to help reduce potential scope creep, or budget and time overruns. This will also include a risk assessment/register, the programme plan, and detailed programme procedures and guidance as an appendix; and
- Undertaking a lessons learned exercise after every project that feeds into the Workstyles Programme to help incorporate continuous improvements to the programme of work.

1.33 A formal action plan to address the findings of this review has been agreed with management.

### Performance Development Plans and 121 Follow-up

1.34 In 2021/22, an audit was conducted to assess the adequacy of arrangements in place for employee's performance and development and ensure this was compliant with the Council's policies and procedures. In completing this work, we were only able to provide an audit opinion of Partial Assurance, with a number of areas for improvement being identified, including the need to:

- Ensure that Directorate Management Teams (DMTs) agree the mechanisms they will use to assure themselves of the recording of Personal Development Plans and 1-2-1s, and monitor compliance with agreed targets;
- Remind managers and team leaders that the appropriate templates should be used for PDPs and Mid Year Reviews (MYRs), and that adequate records of 121 meetings need to be retained;
- Monitor PDP and 1-2-1 completions by Directorates, and overseen and periodically reviewed by HR; and
- Introduce new monitoring and reporting processes for each Directorate to accurately reflect the use of local arrangements for performance reviews.

1.35 We have, therefore, undertaken a follow up review to assess the extent that actions to improve control, agreed with management in the original audit, had been implemented. In completing this follow-up review, we were able to provide an improved opinion of **Reasonable Assurance**. The only high risk finding identified from the original audit had been implemented, and the remaining three findings had been partially implemented and we identified one new finding as part of our work.

1.36 In discussing these items with management, further action was in the process of being taken in order for Human Resources to monitor compliance, reinforce the need for 121s, provide support to managers and directorates, ensure information on the intranet is accessible and up-to-date, and ensure all communication is provided to managers who manage Council staff.

1.37 A formal action plan to address the findings of this review has been agreed with management.

### Contract Management Follow-up

1.38 The Council has in place a Contract Management Framework, developed by Orbis Procurement, which provides an approach for the management of contracts to ensure delivery of value and quality of goods and services purchased from suppliers. Although Orbis Procurement is responsible for maintaining the Framework, it is the responsibility of individual contract managers to familiarise themselves with this and apply it to their contracts as appropriate.

1.39 An audit of contract management was completed in August 2023, and we provided an audit opinion of Partial Assurance, with nine actions agreed with the service. We agreed with management to undertake an early follow up review of this audit, due to the opinion and their progress in implementing the agreed actions in order to improve the control environment.

1.40 In completing this follow-up review, we were able to provide an improved opinion of **Reasonable Assurance**. Of the nine agreed actions from the previous audit, eight of these had been implemented. One action has been repeated regarding capturing the contract manager information on the contracts register.

1.41 A formal action plan to address the findings of this review has been agreed with management.

1.42 To provide further assurance in this area we are intending to review contract management compliance in Directorates in 2024-25

### Robotic Process Automation

1.43 Robotic Process Automation (RPA) is a form of business process automation that allows a user to define a set of instructions for a robot to perform automatically, often repeating the task quickly.

1.44 The main benefits of automation are to remove repetitive, rule based and time-consuming tasks which allows staff to use their time much better doing more complex tasks. If automation is not suitably governed and managed, this could represent significant risk to the security and integrity of Council data.

1.45 This review evaluated the effectiveness of the controls to govern the use of Robotics within the Council. We were able to provide an opinion of **Reasonable Assurance** noting that B&HCC do not currently have any plans to exploit the efficiencies of Robotic Process Automation (RPA) processes. Further, no specific instances of RPA in use were identified during the audit.

1.46 Although the current assurance opinion is Reasonable, if the appetite for RPA's changes, we would expect more robust controls to be put in place before any automations are developed. Having undertaken similar audits across all three Orbis partners, we have found that robust control arrangements for RPAs are in place elsewhere and we believe these could be implemented at B&HCC relatively simply.

1.47 Our audit found that governance arrangements, which include Change Advisory Board (CAB), Digital Design Group and Digital Data and Technology Board (DDAT), apply to any strategic / high risk

process automation. IT&D Business Partners act to signpost any new developments in this area to the aforementioned governance arrangements before any development commences.

1.48 Where arrangements to develop automated processes are not available, opportunities to improve the efficiency and effectiveness of the Authority may not be fully utilised.

1.49 Actions were agreed in relation to the one low priority finding identified during the audit.

### Surveillance Cameras – Follow up

1.50 Section 33 of the Protection of Freedoms Act 2012 (PoFA) requires all local authorities to pay due regard to the surveillance camera code of practice (SC Code) where they operate surveillance cameras overtly in a public space (e.g. in town centres, municipal buildings, libraries, leisure centres, body worn videos worn by enforcement officers etc). The Council has 435 cameras in operation and is required to ensure that the use of cameras in public places is regulated and they are only used in pursuit of a specified purpose.

1.51 An audit of surveillance cameras was completed in 2019/20 and provided an opinion of Partial Assurance. The primary focus of this audit was to follow up on the actions agreed in the previous audit but also to consider any changes in requirements or practice since the previous review.

1.52 Based on this work, we have now been able to provide an opinion of **Reasonable Assurance**. We found that many of the actions from the previous report had been implemented either partially or in full, reducing the Council's exposure to risk in relation to the use of surveillance cameras.

1.53 We found that considerable work had been completed to improve governance in this area. Data Protection Impact Assessment's have been completed for the camera systems in operation.

1.54 We note that there are still some further improvements required in this area to ensure that all cameras in operation meet the approved standards in line with the code of practice.

1.55 A formal action plan to address the findings of this review has been agreed with management.

### Eclipse Application Control

1.56 Eclipse is a key system within the Council, used for recording and processing information relating to adult social care and children's care needs. This includes the management of contracts, referrals, and support plans, as well as safeguarding issues. Therefore, the information held on Eclipse is determined as special category data and is particularly sensitive.

1.57 This application audit reviewed all major input, processing, and output controls, including access controls and interfaces with other systems.

1.58 The purpose of our audit was to provide assurance that controls are in place to meet the following objectives:

- System access is restricted to appropriately authorised individuals and the permissions

- provided to those users are in line with job functions;
- Data processed through interfaces is authorised, accurate, complete, securely processed and written to the appropriate file;
- Outputs produced by the system are complete, accurate, reliable, distributed on time and with confidentiality where appropriate;
- System updates and enhancements are performed in a consistent manner and subject to sufficient testing and authorisation before implementation; and
- Appropriate support arrangements are in place to manage changes within the system.

1.59 Based on the work carried, we have been able to provide an opinion of **Reasonable Assurance**. We found that most expected controls are in place and user access and outputs from the system are closely monitored and reviewed. Penetration testing is conducted in line with ISO27001 certification.

1.60 We found a small number of areas for further improvement and a formal action plan to address these has been agreed with management, including the need to...ensure that technical risk assessments are saved into the project archive and are accessible, reminders are sent to managers of the process of removing access to staff who leave the council and the Data Protection Impact Assessment is fully completed and signed off..

## Schools

1.61 We have a standard audit programme in place for all school audits, with the scope of our work designed to provide assurance over key controls operating within schools. The objectives of our work are to ensure that:

- Governance structures are in place and operate to ensure there was independent oversight and challenge by the Governing Body;
- Decision making is transparent, well documented, and free from bias;
- The school is able to operate within its budget through effective financial planning;
- Unauthorised or inappropriate people do not have access to pupils, systems, or the site;
- Staff are paid in accordance with the schools pay policy;
- Expenditure is controlled and funds used for an educational purpose;
- The school ensures value for money on contracts and larger purchases; and,
- All voluntary funds are held securely and used in accordance with the agreed purpose.

1.62 One school audit was finalised in quarter 4. The table below shows details of the school we audited, together with the final level of assurance reported to them.

Name of School	Audit Opinion
Varndean School	<b>Reasonable Assurance</b>

1.63 We aim to undertake follow-up audits at all schools with Minimal Assurance opinions. For Partial Assurance opinions we will write to the Chair of Governors to obtain confirmation that recommendations have been implemented.



1.64 The core financial role of the LA is to set and monitor a local framework, including provision of budgetary information, provision of a financial oversight and ultimately intervening where schools are causing financial concerns. Schools (the governing body and the Headteacher) are required to manage their delegated budget effectively ensuring the school meets all its statutory obligations, and through the Headteacher comply with the LA's Financial Regulations and Standing Orders.

## **Grant Certifications and Non-Opinion Work**

### **Supporting Families Grant**

1.65 The Department of Levelling Up, Housing and Communities (DLUHC) requires Internal Audit to verify a proportion (5-10%) of outcome submissions made by the Local Authority for Supporting Families (SF) Programme, using the updated national Outcomes Framework (October 2023 – March 2025).

1.66 No significant issues were identified in the grant certification as all families selected in our sample had met the criteria to be eligible for the programme and have also sustained the required outcomes at six months from case closure.

### **Complex Care Placements for Children – SEN & Disability**

1.67 Residential care placements for children fall under either Safeguarding and Care, or Health, SEN, and Disabilities. The audit work for this review covered placements within Health, SEN, and Disabilities, and a separate report has already been issued in relation to Safeguarding and Care. For our work we have defined complex care as a placement with an above-average weekly cost.

1.68 The purpose of the audit was to provide assurance that controls are in place to meet the following objectives:

- Assessments and approvals for complex care placements are determined by clear procedures that are both statutorily compliant and effectively balance appropriate provision of care need with cost;
- Robust gateways for checking and approving complex care placements allow consistency, quality, and value for money to be achieved;
- Within the context of the prevailing market conditions, appropriate arrangements are in place to commission and purchase complex care placements once packages have been authorised;
- There are effective processes operating to provide Council management with reliable and accurate information both on incurred and forecast spend as far as possible; and
- Ongoing review of care packages and placements is mindful of both meeting the care need and maintaining a sustainable budget.

1.69 At the time of the audit there were ongoing changes in the area under review, which had not yet had a chance to become embedded but were likely to have an impact on the control environment. Potential outcomes of these changes, including to the appropriateness and quality of residential placements in use, and the service's financial position, were not fully determined. Consequently, we were not in a position to provide a formal audit opinion in this area, at this stage, instead producing a position statement for management.

1.70 Our work identified that the controls and good practice in the review of Children's Complex Care Placements – Safeguarding and Care, which was provided with Reasonable Assurance, were being expanded to the Health, SEN, and Disabilities process.

1.71 We agreed with management that a full audit of the revised commissioning arrangements for complex care placements for Health, SEN and Disabilities will be included in the Internal Audit plan for 2024/25.

## 2. Proactive Counter Fraud Work

### Counter Fraud Activity

2.1 Internal Audit have been liaising with the relevant services to provide advice and support in processing the matches received as part of the National Fraud Initiative.

2.2 The team continue to monitor intel alerts and share information with relevant services when appropriate.

### Summary of Completed Investigations

#### Bribery

2.3 Internal Audit investigated an allegation of potential bribery when awarding a contract for the supply of diesel and oil to the Council. The referrer alleged that two former members of City Clean staff had received a £20k bribe to award a contract to a preferred supplier. The investigation found that the two members of staff had left the employment of the Council prior to the contract being awarded and there was no evidence that they had been involved in the procurement exercise. Furthermore, the investigation did not identify any concerns that the supplier had acted inappropriately.

#### Misconduct

2.4 Internal Audit conducted initial enquiries and provided advice to a service following an anonymous referral that a member of City Clean staff was carrying out secondary employment. The service interviewed the member of staff, and no evidence of secondary employment was identified. The case was closed with no further action.

#### Fraudulent Use of a Purchase Card

2.5 Advice was provided to a school following a Purchase Card being used for a fraudulent transaction.

#### Phishing Email

2.6 Advice was provided to the Business Operations Team following a potential phishing email being received from a bank.

## Housing Tenancy Fraud

2.7 The team continue to investigate allegations of potential subletting and have recovered 6 properties in 2023/24. A summary of the scope and work of the team is included in the Annual Counter Fraud Report and results for the full year summarised below:

Fraud Area	(£) 2023/24	(£) 2022/23	(£) 2021/22	(£) 2020/21
Properties Recovered	558,000	186,000	279,000	186,000
Housing Application Withdrawn	-	-	-	-
Homeless Application Withdrawn	-	-	-	-
Right-To-Buy Withdrawn	-	-	-	-
SPD Removed	8,625	511	9,746	4,241
CTRS	440	406	-	-
Housing Benefit	3,853	3,658	-	-
Business Rates	-	-	-	-
<b>Total</b>	<b>570,918</b>	<b>190,575</b>	<b>288,746</b>	<b>190,241</b>

## 3 Action Tracking

3.1 All high priority actions agreed with management as part of individual audit reviews are subject to action tracking. When high priority actions become due, we seek confirmation from service management that actions have been implemented. At the end of quarter 4, we can report that 100% of high priority actions due, have been confirmed as implemented by management.

3.2 A number of high priority actions have had their implementation deadlines extended, in agreement with management. Where the revised deadlines are not met, these will be reported to the next meeting of the Audit & Standards Committee.

## 4 Q4 Amendments to the Audit Plan

4.1 In accordance with proper professional practice, the Internal Audit plan for the year has been kept under regular review to ensure that the service continues to focus its resources in the highest priority areas based on an assessment of risk. Through discussions with management the following audits have been added to the audit plan this quarter:

Planned Audit	Rationale for Addition
Contract Management follow up	Management requested an early follow up review of the previous partial assurance audit
Service Agreements (Residential & Non-residential) follow up	Management requested an early follow up review of the previous partial assurance audit
Digital City Clean Project	To provide a review and support through advice. Non-opinion work providing a position statement.

4.2 In order to allow these additional audits to take place, the following audits have been removed or deferred from the audit plan and, where appropriate, will be considered for inclusion in future audit plans as part of the overall risk assessment completed during the annual audit planning process. These changes have been made on the basis of risk prioritisation and/or as a result of developments within the service areas concerned requiring a rescheduling of audits:

Planned Audit	Rationale for Removal
General Ledger	This review has been deferred to 2024/25
Early Help Services	This review has been deferred to 2024/25

## Audit Opinions and Definitions

Opinion	Definition
<b>Substantial Assurance</b>	Controls are in place and are operating as expected to manage key risks to the achievement of system or service objectives.
<b>Reasonable Assurance</b>	Most controls are in place and are operating as expected to manage key risks to the achievement of system or service objectives.
<b>Partial Assurance</b>	There are weaknesses in the system of control and/or the level of non-compliance is such as to put the achievement of the system or service objectives at risk.
<b>Minimal Assurance</b>	Controls are generally weak or non-existent, leaving the system open to the risk of significant error or fraud. There is a high risk to the ability of the system/service to meet its objectives.

# Brighton & Hove City Council

## Audit, Standards and General Purposes Committee

## Agenda Item 10

**Subject:** Counter Fraud Annual Report 2023/24

**Date of meeting:** 25<sup>th</sup> June 2024

**Report of:** Corporate Director, Corporate Services

**Contact Officer:** Simon White (Audit Manager)  
Tel: 07779 455501  
Email: [simon.white@surreycc.gov.uk](mailto:simon.white@surreycc.gov.uk)

Russell Banks (Chief Internal Auditor)  
Tel: 07824 362739  
Email: [russell.banks@eastsussex.gov.uk](mailto:russell.banks@eastsussex.gov.uk)

**Ward(s) affected:** All

**For general release**

### **1. Purpose of the report and policy context**

- 1.1 The report provides members with an update on all counter fraud activity completed during 2023/24.

### **2. Recommendations**

- 2.1 That Committee notes the report, providing members with an update on all counter fraud activity completed during 2023/24.

### **3. Context and background information**

- 3.1 The Council's Internal Audit team investigates allegations of fraud and irregularity against the Council and is committed to upholding the Council's Anti-Fraud and Corruption Strategy 2022-24. The Council's strategy is aligned to the Fighting Fraud and Corruption Locally Strategy which is the governments 'blueprint' for tackling fraud in Local Government.
- 3.2 Within Internal Audit, the Counter Fraud Partnership Team comprises four auditors with counter fraud expertise who work across all departments and three tenancy fraud investigators. Together they provide a dedicated proactive counter fraud and responsive investigation function. It also works on behalf of the Council to ensure that its counter-fraud arrangements are robust by raising awareness of fraud risk, reviewing and improving fraud risk management arrangements, using data to actively identify fraudulent activity, and monitoring the extent to which the Council is impacted by fraud. Where fraud is suspected or identified, the team provides a professional

investigation service and advises on control measures that will prevent recurrence.

3.3 The Counter Fraud Annual Report outlines:

- Details of the work undertaken during the period 1st April 2023 to 31st March 2024;
- Outcomes from investigation activities; and
- Other counter fraud activity.

**4. Analysis and consideration of alternative options**

4.1 The report highlights key issues for the year, including a summary of investigations and proactive work.

**5. Community engagement and consultation**

5.1 The annual report has been informed by counter fraud work carried out during the year which has included engagement with officers.

**6. Conclusion**

6.1 The Committee is asked to note the report.

**7. Financial implications**

7.1 There are no direct financial implications arising from this report. Counter Fraud activities were delivered within existing budgetary resources.

Name of finance officer consulted: James Hengeveld Date consulted : 31/05/24

**8. Legal implications**

8.1 The Accounts and Audit Regulations 2015 require the Council to undertake an effective internal audit to evaluate the effectiveness of its risk management, control, and governance processes, taking into account Public Sector Internal Audit Standards. Reviewing the work planned and completed by the Council's internal audit function is a key part of the Audit and Standards Committee's delegated functions.

Name of lawyer consulted: Victoria Simpson Date consulted 10/06/2024

**9. Equalities implications**

9.1 There are no direct equalities implications.

**10. Sustainability implications**

10.1 There are no sustainability implications.

**11. Other Implications**

11.1 There are no other implications.

## **Supporting Documentation**

### **1. Appendices**

1. Counter Fraud Annual Report 2023/24





# INTERNAL AUDIT COUNTER FRAUD REPORT 2023/24

## 1. Introduction

1.1 The Council's Financial Regulations require all officers and Members of the Council to notify the Chief Internal Auditor of any matter that involves, or is thought to involve, corruption or financial irregularity in the exercise of the functions of the Council. Internal Audit will in turn pursue such investigations in line with the Anti-Fraud and Corruption Strategy 2022-24.

1.2 Within the Orbis Internal Audit Service, the Counter Fraud partnership team provides resource and experience to support the Council with both proactive and responsive support relating to any instances of financial irregularities and fraud related risks.

1.3 The annual Internal Audit Plan for 2023/24 carried within it a contingency budget for 'Irregularity and Special Investigations' of 120 days. This contingency covered time to investigate 'irregularities' (actual or alleged financial impropriety, corruption, and other similar matters) as well as time for proactive counter fraud work and to support the National Fraud Initiative (NFI), detailed in the latter part of this report.

1.4 Internal Audit reports following irregularity investigations typically help to provide independent evidence to support (or not) a management case against an employee under formal disciplinary procedures, to support potential criminal prosecutions and to help strengthen controls in areas where weaknesses are identified. Irregularity audit reports are not subject to the same distribution as general audit reports due to their confidential and sensitive nature.

## 2. Summary of Investigations between 1 April 2023 and 31 March 2024

### Resources

2.1 During the 2023/24 financial year, a total of 8 Internal Audit officers charged time to work on irregularity investigations amounting to 151 days.

2.2 The Counter Fraud team also monitors the Anti-Fraud inbox and a BHCC Confidential Reporting email address that was introduced in 2022, giving advice to members of staff on whistleblowing, and signposting to other departments where required.

### Number and Types of Investigations

2.3 A total of 37 allegations were received in the financial year (17 in the first half of the year and 20 in the second half). For comparison, 36 allegations were received in the previous financial year.

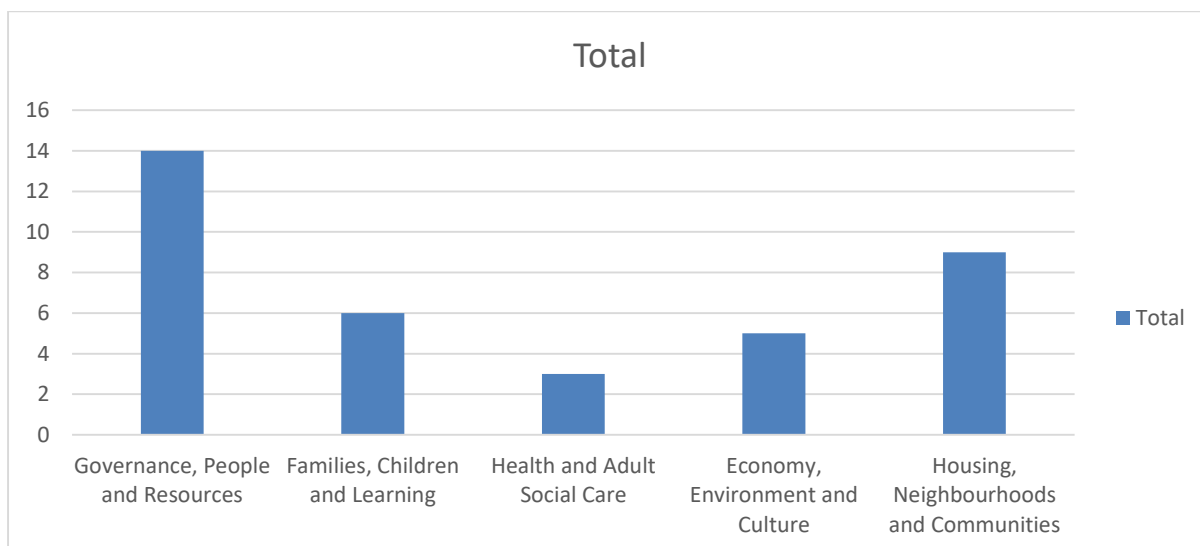
2.4 New allegations were brought to the attention of Internal Audit by the following methods:

- 15 were raised by Council management;
- 8 originated from an external source to the Council;
- 6 were raised by employees;
- 8 were raised through confidential reporting.

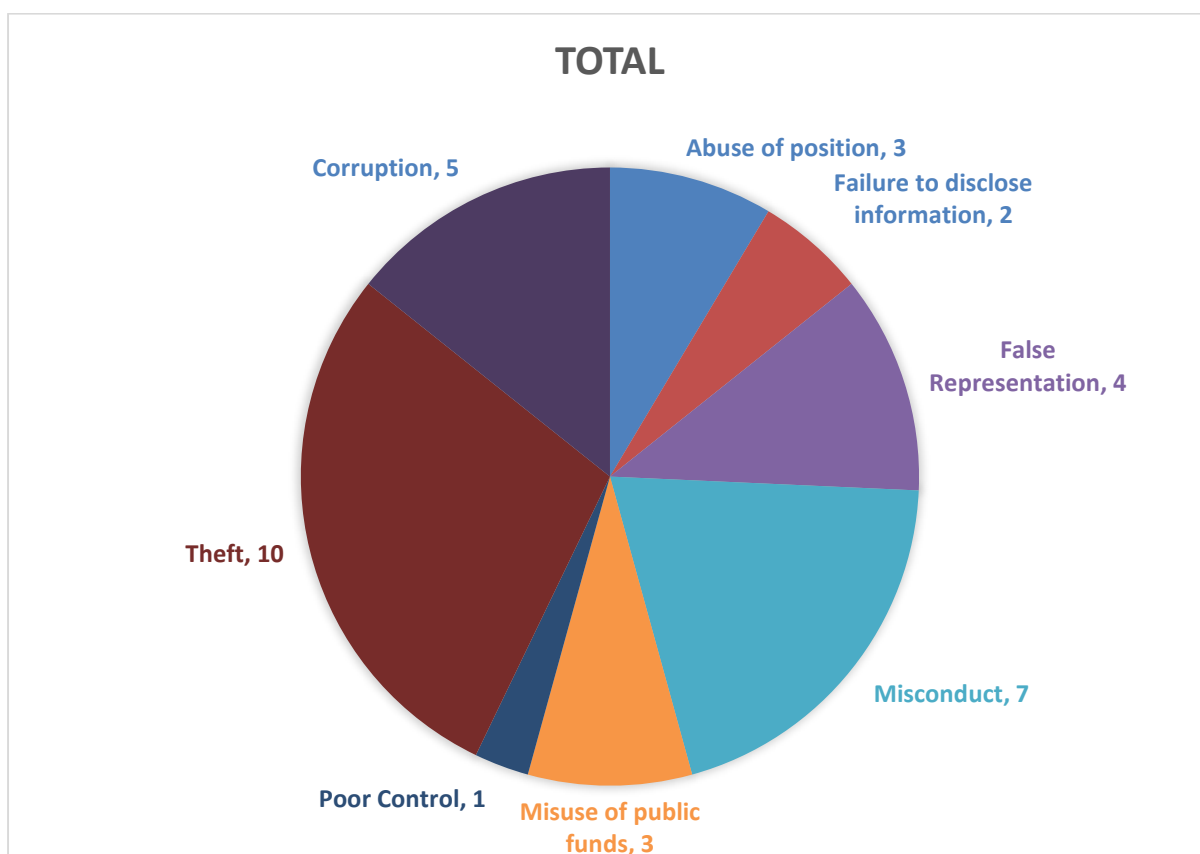
2.5 Full details of the categories by which fraud and irregularity investigations are reported are attached at Appendix A. All proven fraudulent or irregular behaviour by officers may be considered misconduct; similarly, poor controls increase the likelihood of fraud occurring. The categories therefore reflect alleged specific types of fraud or irregularity.

2.6 The number of all recorded allegations across the Council's directorates is shown in Figure 1, while Figure 2 shows the categories of allegations received.

**Figure 1.** Allegations by directorate from 1 April 2023 to 31 March 2024



**Figure 2.** Summary of allegations by type from 1 April 2022 to 31 March 2023



2.7 Of the 37 allegations received, 7 were closed with no action taken, 6 were dealt with through advice to management, 6 were taken forward for investigation by Internal Audit or support provided to a management investigation, 2 were referred to external agencies, and 11 were conduct or capability issues dealt by management with support from HR where appropriate. 5 referrals are still active at the time of writing.

2.8 The value of fraud prevented or detected is not always readily quantifiable, however, in cases where this can be estimated the cumulative value of fraud prevented or detected for the year is approximately £81,960.

2.9 The following paragraphs provide a summary of the investigation and advisory activity completed by the Internal Audit Counter Fraud Team within the last 12 months:

- 2.9.1 **Adult Social Care** – Throughout the year the team have continued to support the Adult Social Care team with investigating a number of allegations of deprivation of capital and potential false statements to obtain direct payments.
- 2.9.2 **Theft from Safe** – Internal Audit conducted a site visit following an allegation of a theft totalling £135.81 from the safe at Hove Library. The visit identified that controls relating to access to the safe keys were inadequate and increased the risk of theft. Following the visit, the service implemented controls to increase security around the storage of the safe keys and cashing up procedures. The theft was reported to the police, but no further action was taken.
- 2.9.3 **Prosecution of a Private Landlord under the Protection from Eviction Act 1977** – An investigation was conducted by Internal Audit following a referral alleging that the director of a Brighton & Hove letting agency was acting to interfere with the peace and comfort of tenants in their home and attempting to illegally evict them from their properties. Following the investigation, the agent was successfully prosecuted by Brighton & Hove City Council under the Protection from Eviction Act 1977. The defendant was fined £41,000 (after a 20% reduction for a guilty plea) and ordered to pay £10,100 compensation to three victims, as well as a £181 victim surcharge. In addition, the defendant has paid the Council's legal fees of £9000.
- 2.9.4 **Disclosure of Confidential Information** – Internal Audit received an allegation that a member of staff had disclosed confidential information during a procurement process which enabled a supplier to submit the lowest bid to successfully win a contract. Following an investigation, the allegations against the individual were not substantiated. However, a report was issued to the service identifying several improvements to strengthen controls around procurement. The service is now working with the Procurement Team to improve the control environment.
- 2.9.5 **Data Breach** – An investigation was undertaken following disclosure of information relating to a recent high profile recruitment to a local newspaper. Sharing confidential recruitment information, can have a serious impact on those applicants professionally and personally, and is reputationally damaging for the Council. Through our enquiries we were unable to ascertain who had disclosed the information, although advice was provided to strengthen controls around the recruitment process and the sharing of information on applicants.
- 2.9.6 **Misuse of Public Funds** – Internal Audit received a whistleblowing report that an Officer was misusing a complementary taxi service for their commute to work. Internal Audit undertook an investigation and found no case to answer. The line manager had approved the use of taxis for out of hours commuting for Control Room staff, in line with local policy. A number of control improvements were however agreed to strengthen policy and procedures.
- 2.9.7 **Misconduct** – An investigation was undertaken following allegation that a Council officer was not following Procurement and Contract Standing Orders, and was misrepresenting their role with the Council. Following the investigation the officer was dismissed for gross misconduct and a control report issued to address weaknesses in the local control environment.

### 3. Proactive Fraud Prevention and Awareness Work

3.1 As well as the investigation work referred to above, we continue to be proactive in the identification and prevention of potential fraud and corruption activity across the Authority and in raising awareness amongst staff. The following paragraphs outline some of the proactive work undertaken in the past year.

3.2 The Council has in place an Anti-Fraud and Corruption Strategy 2022-24 that sets out its commitment to preventing, detecting, and deterring fraud. Internal Audit continues to review this strategy to ensure it is aligned with best practice and to ensure a robust and consistent approach to tackling fraud.

3.3 Fraud risk assessments are regularly reviewed to ensure that the current fraud threat for the Council has been considered and appropriate mitigating actions identified. We have updated the risk assessment to include new and emerging threats. This includes potential threats to payroll, staff fraud relating to multiple employment and the ever increasing cyber threat.

3.4 One of the key controls in fighting fraud is having a strong culture in place with staff vigilant to the threat of fraud. In the past year, Fraud Awareness sessions have also been delivered to Business Operations focussing on the risks to the Council of bank mandate fraud and cyber fraud. The team continue to monitor intel alerts and work closely with neighbouring councils to share intelligence and best practice.

### **National Fraud Initiative (NFI)**

3.5 NFI matches electronic data within and between public and private sector bodies to prevent and detect fraud. These bodies include local councils, police authorities, local probation boards, fire and rescue authorities and a number of private sector bodies.

3.6 In the latest National NFI Report quantified fraud prevented accounted to almost £23 million over a 12-month period. The next submission date is September 2024 when we must submit the following core mandatory datasets:

- Payroll
- Pensions
- Trade Creditors' payment history and trade creditors' standing data
- Housing (current tenants) and Right-to-Buy
- Housing Waiting Lists
- Housing Benefits (provided by the DWP)
- Council Tax Reduction Scheme
- Council Tax (required annually)
- Electoral Register (required annually)
- Students eligible for a loan (provided by the Student Loan Company)
- Transport Passes and Permits (including residents' parking, blue badges and concessionary travel)
- Licences (taxi driver only)

3.7 NFI also run a Single Person Discount exercise annually and therefore council tax and electoral register data is required to be submitted annually.

3.8 The results from the latest biennial NFI exercise were received in January 2023. The results from the data matching released to the Council flagged over 14,000 matches. As well as directly undertaking reviews of the matches for evidence of fraud and error, we have been liaising with the relevant departments to ensure that flagged matches are investigated and actioned appropriately.

3.9 The results from the review of data matches include:

- No issues from 106 reviewed matches relating to Payroll to Payroll, Procurement to Payroll, or Payroll to Companies House (Director);
- 3 Housing Benefit overpayments totalling £42,587.79 identified as a result of benefit claims being reviewed due to the claimant being in receipt of a student loan;

- One council property being recovered as a result of identifying that the tenant had moved;
- The cancellation of over 462 concessionary travel passes where the pass holder had passed away, with the Cabinet Office estimated saving from this being £28,644.00;
- 55 Blue Badges cancelled as a result of matches to deceased data, with the Cabinet Office estimated saving from this being £35,750; and
- Over 10,000 data matches were received relating to potential duplicate creditors. The highest quality matches were prioritised and duplicates payments totalling £3,483.09 were identified and the relevant team informed so these could be recovered.

## Partnership Working

3.10 We attend a local government fraud forum, comprised of partners from across the South East to discuss emerging threats and share intelligence. The Brighton & Hove Housing Investigators also participate in the Housing Tenancy Forum and Sussex Fraud Officers Group, to share intelligence and review emerging threats in the local area.

## 4. Housing Tenancy Fraud

4.1 A key focus area remains housing tenancy fraud and Local Taxation. The CIPFA Fraud & Corruption Tracker continues to place Housing Fraud as the largest threat to local authorities, and the volume of succession and application fraud in particular, has seen significant increases in recent years. Unlike other sectors, tackling this type of fraud is, however, not just about financial savings but has clear social benefits to the community.

4.2 The Tenancy Fraud Team sits within Orbis Internal Audit and Counter Fraud and consists of two Investigator posts and an Investigations Lead. Previously the team was reliant on referrals made to the fraud inbox and hotline, however, additional funding from April 2023 is driving a shift to more proactive and preventative work. The funding now provides 450 days of tenancy fraud work.

4.3 The team will pick up allegations of tenancy fraud which typically include any of the following:

- **Unlawful subletting** can include subletting the whole of the property or individual rooms within the property to a third party when the tenant ceases to occupy as only or principal home without the consent of BHCC.
- **Key selling** is where a tenant 'sells' the keys to another person in return for money, a favour carried out, or in return for goods received.
- **Non-occupation** is where a tenant claims that the council home is used as their only or principal home, but instead uses it as a second property and resides there infrequently or not at all. This can be investigated where Council Tax discount applied.
- **Fraudulent succession** is where a property has been retained by an occupant following the death of the tenant without the consent or knowledge of BHCC, and by a person who has no rights of succession.
- **Unauthorised exchange or assignment** is where a tenant or tenants exchange or assign properties without the consent or knowledge of BHCC.
- **Fraudulently obtaining council housing** is where a tenant provides false or misleading information in order to obtain a tenancy. This includes misrepresentation of circumstances and/or providing false identification.
- **Providing misleading or false information** on an application to purchase the property, through the right to buy scheme.

4.4 Most investigations are undertaken using the following legislation:

- **Prevention of Social Housing Fraud Act 2013** – subletting property whilst residing elsewhere.
- **Fraud Act 2006** – S.2 fraud by false representation, S.3 fraud by failing to disclose.
- **171 Housing Act 1996** – false statements or withholding information.

4.5 Despite vacancies in the earlier part of the year, the team delivered 323 days of tenancy fraud work and recovered 6 properties. The results of the Tenancy Fraud Team for 2023/24 are summarised below:

Fraud Area	(£) 2023/24	(£) 2022/23	(£) 2021/22	(£) 2020/21
Properties Recovered	558,000	186,000	279,000	186,000
Housing Application Withdrawn	-	-	-	-
Homeless Application Withdrawn	-	-	-	-
Right-To-Buy Withdrawn	-	-	-	-
SPD Removed	8,625	511	9,746	4,241
CTRS	440	406	-	-
Housing Benefit	3,853	3,658	-	-
Business Rates	-	-	-	-
<b>Total</b>	<b>570,918</b>	<b>190,575</b>	<b>288,746</b>	<b>190,241</b>

4.6 The above financial values are based on the methodology for estimating NFI savings set by the Cabinet Office, although not all will be cashable savings they do represent savings to the public purse.

## Reporting Categories for Irregularities

Reporting category	Description	Examples (not an exhaustive list)	Legislation / Policies (examples)
False representation	Knowingly making an untrue or misleading representation to make gain, cause loss or expose the Council to the risk of loss	Submitting incorrect expense claims; falsely claiming to hold a qualification	Fraud Act 2006
Failure to disclose information	Intentionally withholding information to make gain, cause loss or expose the Council to the risk of loss	Failing to declare pecuniary interests, or assets as part of a means tested assessment	
Abuse of position	Use of position to act against, or fail to safeguard, the interests of the Council or residents	Nepotism; financial abuse of individuals receiving social care	
Theft	Misappropriation of assets (often cash) belonging to the Council or individuals under the Council's care	Removing cash from safes; removing individuals' personal items in care homes	Theft Act 1968
Corruption	Offering, giving, seeking or accepting any inducement or reward which may influence a person's actions, or to gain a commercial or contractual advantage	Accepting money to ensure a contract is awarded to a particular supplier	Bribery Act 2010
False reporting	Intentional manipulation of financial or non-financial information to distort or provide misleading reports	Falsifying statistics to ensure performance targets are met; delaying payments to distort financial position	Theft Act 1968; Financial Regulations; Procurement Standing Orders
Misuse of public funds	The use of public funds for ultra vires expenditure or expenditure for purposes other than those intended	Officers misusing grant funding; individuals misusing social care direct payments	
Procurement	Any matter relating to the dishonest procurement of goods and services by internal or external persons	Breach of the Procurement Standing Orders; collusive tendering; falsifying quotations	
Misconduct	Failure to act in accordance with the Code of Conduct, Council policies or management instructions	Undertaking additional work during contracted hours; inappropriate use of Council assets and equipment	Code of Conduct; IT Security Policy
Poor Control	Weak local or corporate arrangements that result in the loss of Council assets or a breach of Council policy	Storing a key to a safe in the immediate vicinity of the safe	



# Brighton & Hove City Council

## Audit, Standards & General Purposes Committee

## Agenda Item 11

**Subject:** Formal approval of the Annual Governance Statement  
2023-2024

**Date of meeting:** 25<sup>th</sup> June 2024

**Report of:** Corporate Director, Corporate Services

**Contact Officer:** Name: Rima Desai, Luke Hamblin  
Tel: 01273 291268, 01273 291496  
Email: [rima.desai@brighton-hove.gov.uk](mailto:rima.desai@brighton-hove.gov.uk),  
[luke.hamblin@brighton-hove.gov.uk](mailto:luke.hamblin@brighton-hove.gov.uk)

**Ward(s) affected:** All

**For general release**

### 1. Purpose of the report and policy context

- 1.1 The council is required to conduct a review of its system of internal control and prepare an Annual Governance Statement (AGS) to report publicly on the extent to which it complies with its own code of governance.
- 1.2 The AGS is a valuable means of communication, enabling the council to explain to the community, service users, taxpayers, and other stakeholders its governance arrangements and how the controls it has in place manage risks of failure in delivering its outcomes.
- 1.3 The AGS directly supports the Council Plan Outcome 4: A responsive council with well-run services – Good governance and financial resilience.

### 2. Recommendations

- 2.1 Committee approve the Annual Governance Statement 2023-2024 in Appendix 1. Once approved, the AGS will be signed by the City Council's Leader and the Chief Executive before publication alongside the City Council's Accounts.

### 3. Context and background information

- 3.1 Good corporate governance in Brighton & Hove City Council is about doing the right things in the right way ensuring we are well-run and responsive enabling delivery of our vision to be a city to be proud of, a healthy, fair and inclusive city where everyone thrives. It is about:
  - The arrangements put in place to ensure that the intended outcomes for stakeholders are defined and achieved

- How the council makes sure it does the right things in the right way for the right people
  - Establishing and following robust systems and processes
  - Demonstrating effective leadership, including accountability and transparency in actions and decisions
  - Creating a culture based on openness, inclusivity and honesty
  - Keeping our focus on the needs of service users and the public, ensuring public money is safeguarded, accounted for and used efficiently and effectively
  - Ongoing continuous improvement to further strengthen the way the council operates
- 3.2 We have used the CIPFA/SOLACE guidance refreshed in 2021 to comply with the Good Governance Framework which sets our seven core principles to achieve good governance as follows:
- A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law
  - B. Ensuring openness and comprehensive stakeholder engagement
  - C. Defining outcomes in terms of sustainable economic, social and environmental benefits
  - D. Determining the interventions necessary to optimise the achievement of the intended outcomes
  - E. Developing the entity's capacity, including the capability of its leadership and the individuals within it
  - F. Managing risks and performance through robust internal control and strong public financial management
  - G. Implementing good practices in transparency, reporting, and audit, to deliver effective accountability.
- 3.3 In 2023/24 we took actions in the light of the AGS which saw us strengthen our governance in many areas such as Health & Safety, Digital Data and Technology, operational financial processes for adult social care clients, our relationship with trade unions and Payroll and Pensions Service. Details of our progress is outlined in appendix 1 of the AGS.
- 3.4 The key actions we need to undertake in 2024/25 to further strengthen our governance are:
- 1. Develop and deliver a robust and sustainable medium term integrated service and financial plan (MTSFP)
  - 2. Improve the Payroll and Pension Service
  - 3. Improve contract management compliance across the organisation
  - 4. Implement actions emerging from audit findings to improve key financial systems (e.g. housing rent, housing benefits, council tax)
  - 5. Improve organisational resilience through robust emergency planning and business continuity planning arrangements
  - 6. Ensure effective governance of the implementation of the Digital, Data & Technology Strategy
  - 7. Implement an effective scrutiny function to provide robust 'critical friend' challenge to the executives

8. Refresh Code of Corporate Governance to ensure robust governance
9. Improve operational financial processes for adult social care clients in line with internal audit actions and other improvement plans
10. Ensure robust governance in order to meet Building Safety compliance requirements in council owned housing

#### **4. Analysis and consideration of alternative options**

- 4.1 Reflecting the CIPFA guidance and taking account of feedback from external auditors, we have taken the opportunity to review the content and format of our Annual Governance Statement and compare it with those of other authorities. We consider that our approach accords with the CIPFA guidance, is backed up by our embedded operating arrangements, is proportionate and evidences good governance.

#### **5. Community engagement and consultation**

- 5.1 This is an internal matter to comply with legislation and as such no engagement or consultation has been undertaken in this regard.

#### **6. Conclusion**

- 6.1 This Report provides reassurance regarding the Council's commitment to implementing the actions identified in the Annual Governance Statement and the arrangements put in place to monitor progress through regular review of actions.

#### **7. Financial implications**

- 7.1 Good corporate governance and effective systems of internal control are essential to the financial health and reputation of the council. The resources required to implement the proposed actions to strengthen the governance arrangements are generally provided for in the agreed 2024/25 budget but will be kept under review and may need further consideration where improvement actions require additional resources. This will also inform the in-year management of the 2024/25 budget and/or preparation of the 2025/26 budget.

Finance officer consulted: Nigel Manvell Date: 09/06/24

#### **8. Legal implications (Victoria to amend for 23/24)**

- 8.1 The Council is subject to a duty to ensure that its financial management is adequate and effective and that it has a sound system of internal control, including arrangements for the management of risk. The Accounts and Audit Regulations 2015 require the Council to conduct a review of the effectiveness of its system of internal control at least annually and to prepare and publish an annual governance statement alongside its statement of accounts.

The Council has delegated to the Audit, Standards & General Purposes Committee responsibility for considering the outcome of the annual review of governance arrangements and for approving the Annual Governance Statement. In this way, the requirements of the Regulations are met by a Committee of the Council that has been designated for this purpose.

Name of lawyer consulted: Victoria Simpson      Date consulted: 10/06/2024

## **9. Equalities implications**

- 9.1 The Annual Governance Statement links to the Performance Management Framework through which as an organisation we have an oversight of our progress in becoming a more fair and inclusive council. The Corporate Equalities Delivery Group has the governance oversight of the Fair & Inclusive corporate modernisation programme linked to Directorate Equalities Delivery Groups.

## **10. Sustainability implications**

- 10.1 The AGS links to the Performance Management Framework through which we have an oversight of our progress in becoming a more sustainable organisation. This is managed through the Carbon Neutral corporate modernisation programme, carbon neutral strategic risk (SR36), carbon neutral corporate key performance indicator and actions to reduce carbon footprint.

## **Supporting Documentation**

### **1. Appendices**

1. Draft Annual Governance Statement 2023-2024

### **2. Background documents**

1. None

# Annual Governance Statement – 2023/24

DRAFT



**Brighton & Hove  
City Council**



# Contents

---

3	<u>Assurance statement</u>
4	<u>Purpose</u>
5	<u>What is Corporate Governance</u>
6	<u>The 7 principles of Good Governance</u>
7	<u>Governance arrangements within BHCC for 2023/24</u>
8	<u>The process for development of the AGS for 2023/24</u>
10	<u>Actions focused on strengthening governance in 2024/25</u>
12	<u>Appendix 1 – Progress on 2022/23 AGS actions</u>
17	<u>Appendix 2 - Additional key actions delivered in 2023/24 to strengthen governance</u>
18	<u>Appendix 3: Opinion of Internal Audit for 2023/24</u>
19	<u>Appendix 4 – External auditor report to A&amp;S Committee at January 2023 meeting</u>
20	<u>Appendix 5 – Performance Management Framework</u>
23	<u>Appendix 6 – Risk Management Framework</u>
28	<u>Appendix 7 – Independent Risk Assurance</u>
39	<u>Appendix 8 – Policies, Processes &amp; Strategies</u>
43	<u>Appendix 9 – Bodies BHCC works closely with and/or whose board BHCC nominates members to</u>

# Assurance Statement

---

We at Brighton & Hove City Council are responsible for ensuring we effectively and efficiently deliver the aims and objectives of our Council Plan ensuring best value for our residents.

The Annual Governance Statement provides assurance of the effectiveness of the governance arrangements during 2023/24 and identifies areas of improvement going forward. This statement is formally approved by the Council's Audit, Standards and General Purposes Committee each year.

This Annual Governance Statement provides an accurate account of the arrangements in place at Brighton & Hove City Council.

The governance arrangements are working to identify areas where we are doing well, areas of risk and areas of improvement. The details of priority areas of improvement are included in this document. We are committed to deliver these improvements and monitor progress. Our progress will be reported in the next Annual Governance Statement.

Signed:

Councillor Bella Sankey,  
Leader of the Council

Date: XX/XX/2024

Signed:

Jess Gibbons,  
Chief Executive

Date: XX/XX/2024

# Annual Governance Statement (AGS)

---

## Purpose

- > To fulfil the statutory requirement for each local authority to conduct a review of its system of internal control and prepare and publish an AGS at least once every financial year
- > To demonstrate that there is a sound system of governance
- > To outline our progress in 2023-24 and help us take further actions to improve governance for delivery in 2024-25

The focus of the AGS is on assessing our governance arrangements, rather than assessing our performance.



# What is Corporate Governance?

Good governance in local authorities is key to ensuring the council makes sure it does the right things in the right way for the right people

It creates a culture based on openness, inclusivity and honesty

It ensures robust systems and processes are established and followed

It ensures ongoing continuous improvement to further strengthen the way the council operates

It keeps the council's focus on the needs of service users and the public, ensuring public money is safeguarded, accounted for and used efficiently and effectively

It demonstrates effective leadership, including accountability and transparency in actions and decisions

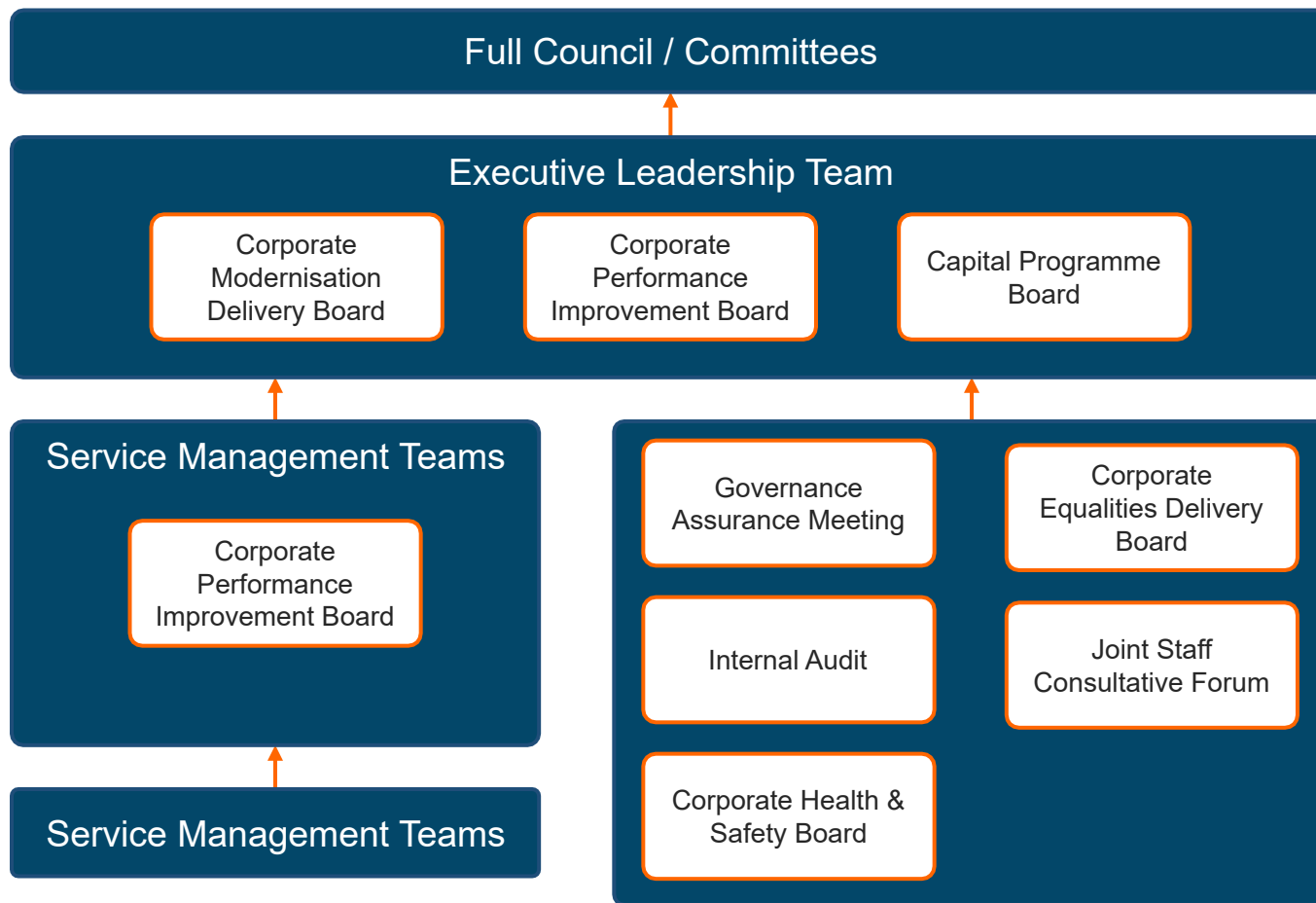
It puts the arrangements in place to ensure that the intended outcomes for stakeholders are defined and achieved

# The 7 principles of Good Governance

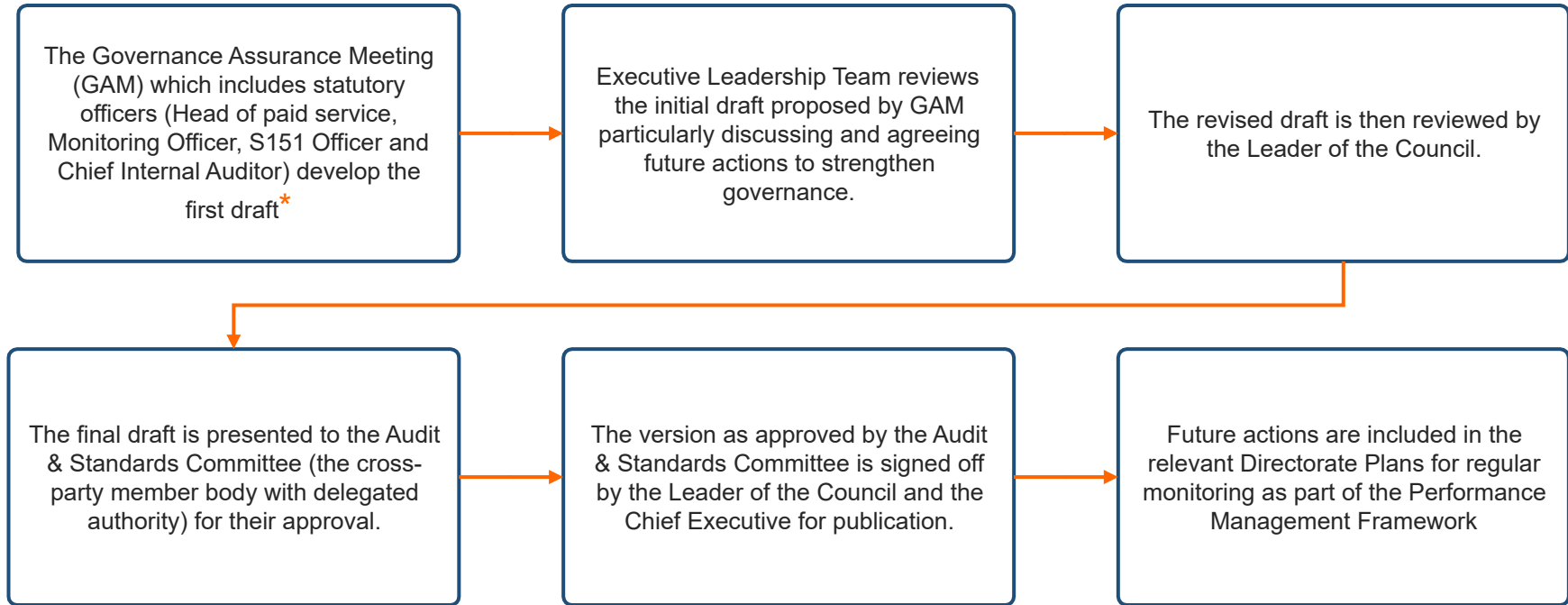


- A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law
- B. Ensuring openness and comprehensive stakeholder engagement
- C. Defining outcomes in terms of sustainable economic, social, and environmental benefits
- D. Determining the interventions necessary to optimise the achievement of the intended outcomes
- E. Developing the entity's capacity, including the capacity of its leadership and with individuals within it
- F. Managing risks and performance through robust internal control and strong public financial management
- G. Implementing good practices in transparency, reporting and audit to deliver effective accountability

# Governance arrangements within BHCC for 2023/24



# The process for development of the AGS for 23/24



\* please see the next slide outlining information taken into account

# Information taken into account when developing the AGS

Finance management reports  
including Statement of  
accounts

Key performance indicators  
update

Directorate Plan monitoring

Internal audit reports including  
follow up audits

Strategic and Directorate Risk  
management

External auditor report

External inspection outcomes

Customer insights (including  
member complaints and any  
Ombudsman reports)

Our people data

Health & safety data

Modernisation data

Member reports and input

# Actions focused on strengthening governance in 2024/25

(1/2)

## What we will do

## Lead Officer

Develop and deliver a robust and sustainable medium term integrated service and financial plan (MTFSP)

Improve the Payroll and Pension Service

Improve contract management compliance across the organisation

Implement actions emerging from audit findings to improve key financial systems (e.g. housing rent, housing benefits, council tax)

Improve organisational resilience through robust emergency planning and business continuity planning arrangements

Chief Finance Officer

Corporate Director  
(City Services)

# Actions focused on strengthening governance in 2024/25

(2/2)

## What we will do

## Lead Officer

Ensure effective governance of the implementation of the Digital, Data & Technology Strategy

Implement an effective scrutiny function to provide robust 'critical friend' challenge to the executives

Refresh Code of Corporate Governance to ensure robust governance

Improve operational financial processes for adult social care clients in line with internal audit actions and other improvement plans

Ensure robust governance in order to meet Building Safety compliance requirements in council owned housing

Corporate Director  
(Corporate Services)

Corporate Director  
(Housing, Care & Wellbeing)

# Appendix 1 Progress on 2022/23 AGS actions

(1/5)

AGS 2022/23 Actions	Lead Officer	Directorate Plan 2023/24 Actions	Q4 Status
<p>In response to the External Auditor's key recommendation in relation to the authority's financial sustainability, to review the council's annual budget and medium-term planning processes to develop robust and sustainable service and financial plans</p> <p>Progress to date: Estimates of 2024/25 service pressures, inflation assumptions and resources were completed in June 2023, with Budget Planning &amp; Resources report provided to July SFCR Committee indicating a predicted £25.3m budget gap. Vacancy controls (freeze) were introduced in July 2023.</p> <p>Regular Weekly Budget meetings with Leader and Finance Lead in place to update on in-year and next year planning. An Executive Leadership Team (ELT) Budget Planning day was held on 9 October to review progress followed by an ELT/Policy Chairs Budget Away-day held on 2 Nov 2023 to consider in-year and 2024/25 proposals. High level 'plan for balance' for 2023/24 developed and shared with ELT and the Administration.</p> <p>Vacancy controls tightened further with exception-only recruitments allowed before 1 April 2024 and Directorate staff engagement sessions held during November to invite budget suggestions alongside monthly Union engagement meetings (from Sept 2023) to invite suggestions and share proposals.</p> <p>ELT budget planning session was held on 27 Nov (post Autumn Statement) to firm up next step and a second ELT/Policy Chairs Budget away-day was held on 30 Nov (post Autumn Statement) to agree next steps and timelines.</p>	<p>Chief Finance Officer (SFCR)</p>	<p>Maximising the financial integrity and sustainability of the organisation to minimise any unplanned adverse impacts of financial pressures on organisational capacity, services and citizens through Medium Term Financial Planning and a linked 5-year Capital Strategy.</p>	
<p>Continue to seek improvements to the Payroll and Pension Service</p> <p>Progress to date: The WRBS service restructure has added more resilience and resource to the area, with revised job descriptions and structural alterations to align to the progressions the service needs to make and as of 1 April 2024 Payroll &amp; Pensions is fully staffed. The decision to defer any procurement of an ERP system focus has turned to improvements that can be achieved with existing systems and alternative workflow solutions. Work on a programme of improvement for the Midland HR system begins in May 2024. The service is now implementing an electronic document management (EDM) solution to deliver workflow improvements and increase the service's capacity to manage incoming queries, identify priority work, auto-allocate documents and regulate its interaction with employees. The EDM system is on target to go live in October 2024 and expected to deliver a rapid improvement in customer responsiveness thereafter. A recovery plan has been implemented to reduce historical complex queries, and the backlog of pension work. A significant milestone will be delivery and maintaining of up-to-date information for ESCCs self-serve online portal. Working closely with ESCC this is current on track for the target date of August 2024.</p>	<p>Chief Finance Officer (SFCR)</p>	<p>Continue to seek improvement to the payroll and pension service.</p>	



# Appendix 1 Progress on 2022/23 AGS actions

(2/5)

AGS 2022/23 Actions	Lead Officer	Directorate Plan 2023/24 Actions	Q4 Status
<p>Continue to implement a pro-active strategy to modernise industrial relations in conjunction with recognised trade unions</p> <p>Progress to date: People Strategy approved by Strategy, Finance and City Regen committee in October 2023, and a first-year action plan has been created and delivery is in progress with measurable deliverables. Staff survey results will be used to shape the year 2 action plan, and an Industrial Relations strategy will be developed in line with the outcomes of the recent independent KC report.</p>	<p>Director HR&amp;OD  (SFCR)</p>	<p>To continue to develop and implement a pro-active strategy to improve industrial relations in conjunction with recognised trade unions and continue to streamline approach to employee relations case work across the council.</p>	
<p>Ensure executive level leadership of health &amp; safety and effective governance to implement the Health &amp; Safety Strategy</p> <p>Progress to date: Delivery of the actions set out in the health and safety strategy continues, with 17 now completed, 21 in progress. A recent audit review of Health and Safety undertaken during February and March 2024 provides reasonable assurance. This demonstrates improvement from partial assurance at the last audit. All directorates now have a safety plan in place approved by the departmental management team. These now need to be updated to ensure changes are reflected as a result of the new organisational structure implemented in April 2024.</p>	<p>Director HR&amp;OD  (SFCR)</p>	<p>Ensure delivery of the actions set out in the Health and Safety Strategy 2023-27.</p>	

# Progress on 2022/23 AGS actions

(3/5)

AGS 2022/23 Actions	Lead Officer	Directorate Plan 2023/24 Actions	Q4 Status
<p>Ensure effective governance of the implementation of the Digital, Data &amp; Technology (DDaT) Strategy</p> <p>Progress to date:</p> <ul style="list-style-type: none"> <li>- Telephony: Procurement activity has been completed and a staff telephony survey for discovery work has been released. An interim Avaya solution has been deployed and support service passed to new suppliers. The project is scheduled for completion in March 2025</li> <li>- Laptop refresh/Windows11: A procurement framework for higher spec devices at no additional cost has been put in place. The Win 11 Base build is being finalised. - - -</li> <li>- Plans for device rollout are in development. Project completion: December 2024</li> <li>- SharePoint/OneDrive migration: OneDrive migration is complete and SharePoint migrations has commenced. Project completion: March 2026</li> <li>- Wi-Fi: replacement complete prior to end of March '24 contract end</li> <li>- Access Modernisation: phase one staff datahub complete establishing a data transfer between Pier and Active Directory</li> <li>- PSN Compliance: Compliance achieved 07/08/2023</li> <li>- <u>Server Migration 2012: Removal of end of life Server 2012 OS completed by October 2023 deadline</u></li> </ul>	<p>Executive Director GPR (SFCR)</p>	<p>Deliver the Foundation IT pillar of the DDAT strategy.</p>	
<p>Ensure effective governance of the implementation of the Digital, Data &amp; Technology (DDaT) Strategy</p> <p>Progress to date:</p> <ul style="list-style-type: none"> <li>- A major technical upgrade has been made to the website to improve stability.</li> <li>- Website section reviews completed: Safe in the City, City Regeneration and JSNA - Public Health, with work beginning on Families Hub, Housing, Adult Social Care.</li> <li>- MyAccount has 166k users with updates on FAQs within the My Account app released. New support tools and guidance for staff helping customers have been developed.</li> </ul> <p>Enhancements, based on user testing, to MyAccount were released in Q4 to improve customer experience and increase self-service usage.</p> <ul style="list-style-type: none"> <li>- Phase 1 of Councillor enquiries archiving, and stabilisation work has been completed.</li> <li>- A prioritisation framework is being trialled by Directorate Business Improvement Managers and IT&amp;D Business Partners</li> <li>- Digital inclusion business case approved, next step to define our offer.</li> <li>- Work on the customer viewer has been delayed until Q1 2024/25 due to capacity challenges within the Digital Customer Team</li> </ul> <p>Delays to recruitment continues to create delivery challenges. Implementation of prioritisation criteria and new IT&amp;D Digital front door will support resolution (work in progress). Issues are being escalated to the Digital, Data &amp; Technology Board. Impact of the programme delay includes failure demand from customers, not being able to provide a One Council response and reduced productivity for services.</p>	<p>Executive Director GPR (SFCR)</p>	<p>Deliver the Digital Customer pillar of the DDAT strategy</p>	

# Progress on 2022/23 AGS actions

(4/5)

AGS 2022/23 Actions	Lead Officer	Directorate Plan 2023/24 Actions	Q4 Status
<p>Ensure effective governance of the implementation of the Digital, Data &amp; Technology (DDaT) Strategy</p> <p>Progress to date: The Equalities data standards have been finalised and embedded in the customer satisfaction survey and councillor survey. A recent survey pilot was undertaken with 12 services to develop a broader understanding of current themes of the data-related workstream and establish a baseline to inform future activities and improvements A PowerBI project board has been set up with work in progress to support key services transitioning from business objects to PowerBI by March 2025 Information Governance training compliance is now being led by IT&amp;D.</p> <p>Failure to recruit a Programme Manager has led to challenges in driving this work forward, with the delay impacting the council's ability to join up data in the best interest of customers and lack of robust performance insight to inform service improvements</p>	<p>Executive Director GPR</p> <p>(SFCR)</p>	<p>Deliver the Data pillar of the DDaT strategy</p>	
<p>Ensure effective governance of the implementation of the Digital, Data &amp; Technology (DDaT) Strategy</p> <p>Progress to date: The key achievements delivered to date include developing learning paths being with connecting you team, a digital inclusion for staff discussion paper to be taken to next DDAT board and the setup of a Digital Skills team underway.</p> <p>The councils 5 year digital ambition is to support and enable all Council services to deliver improved outcomes for customers, through the development of the DDaT capabilities. If digital learning paths go off track there will be no ability to widespread support and enable the improvement and digital upskilling of council services.</p> <p>The immediate priorities for initial focus include ensuring that: existing digital customer channels remain functional; staff are supported to develop fundamental skills and awareness; services can use data to meet statutory responsibilities; and systems and data are recoverable.</p>	<p>Executive Director GPR</p> <p>(SFCR)</p>	<p>Deliver the Digital organisation pillar of the DDaT strategy</p>	

# Progress on 2022/23 AGS actions

(5/5)

AGS 2022/23 Actions	Lead Officer	Directorate Plan 2023/24 Actions	Q4 Status
Implement improvements to operational financial processes for adult social care clients in line with internal audit actions and other improvement plans	Executive Director HASC (ASC&PH)	Implement improvements to operational financial processes for Adult Social Care clients	
<p>Progress to date:</p> <p>The planned improvements to operational financial processes was largely dependent on the successful implementation of the Eclipse Finance Module (EFM). EFM was being introduced to support Local Authorities in compliance with Charging Reforms Legislation, originally scheduled for October 2023. The timeline for Charging Reforms has been significantly delayed, by more than two years, which has directly impacted the development timeline of the EFM. Brighton &amp; Hove City Council continue to work with the provider in designing the EFM, but do not plan to become a pilot authority with the product at such an early stage of development.</p> <p>A programme plan is in place for work that is not dependent on the implementation of EFM. Priority actions, from the internal audit review, have been identified and are reviewed regularly. All audit actions related to this review are completed and follow up audits are underway.</p>			

## Appendix 2 - Additional key actions delivered in 2023/24 to strengthen governance

Our Council Plan

Organisational redesign to strengthen One Council approach

People Strategy + Leadership values added in our Behaviour Framework

Customer Experience Strategy

Refreshed Risk Management Framework including risk appetite

Strengthened industrial relations

City Clean investigation

Implementation of Health & Safety Strategy

Consultation and engagement framework

Based on the internal audit work completed, the Chief Internal Auditor can provide

### Partial Assurance\*

that Brighton & Hove City Council has in place an adequate and effective framework of governance, risk management and internal control for the period of  
1<sup>st</sup> April 2023 to 31<sup>st</sup> March 2024

Chief Internal Auditor, Russell Banks  
Audit Manager, Carolyn Sheehan

\* Assurance can never be absolute. In this context 'partial assurance' means there are weaknesses in the system of control and/or the level of non-compliance is such as to put the achievement of some organisational objectives at risk.

## Appendix 4 – External auditor report to A&S Committee

Auditors are required to report their commentary on the Council's arrangements under specified criteria and 2022/23 is the third year that they have reported their findings in this way. As part of their framework, they considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. Their considerations are summarised in the table below :

Criteria	2021/2022 Auditor judgement on arrangements	2022/2023 Auditor judgement on arrangements	Direction of travel*
Financial Sustainability	R Significant weakness in arrangements identified and a key recommendation along with an improvement recommendation have been made	R Significant weakness in arrangements identified, key recommendation made and two improvement recommendations raised	↔
Governance	A No significant weaknesses in arrangements identified, but one improvement recommendation has been made	A No significant weaknesses in arrangements identified but two improvement recommendations made	↔
Improving, economy, efficiency and effectiveness	G No significant weaknesses in arrangements identified and no improvement recommendations raised	A No significant weaknesses in arrangements identified but two improvement recommendations made	↓

\* Direction of travel is in relation to the previous year's audit judgement

Best Value Authorities are under a general Duty of Best Value to “make arrangements to secure **continuous improvement** in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.”

The eight elements of the Performance Management Framework allow us to understand the performance of the council as a whole which will provide us with a better context in which we are operating. The elements are inter-related; most services contribute to every element in the framework.

The Performance Management Framework sets out to ensure:

- strong leadership at all levels which is consistent and fair and challenges blame culture
- commitment to the accountability that has been assigned to individuals
- the right information reaching the right people at the right time so that decisions are made and actions are taken
- ongoing evaluation, review and learning to help improve future performance
- the ability to identify and commitment to rectify poor performance at an early stage





## Improvements/good performance:



Children's services have been rated as 'Outstanding' by an Ofsted Inspection of Local Authority Children Services (ILACS).



Customer satisfaction and service accessibility have improved by 6% and 17% respectively in 2023/24 when compared to 2022/23



Positive Staff Survey 2023 Results



% of physically active adults in the city is the 2<sup>nd</sup> highest in the country

## Priority areas for focus:



Financial sustainability of demand led services



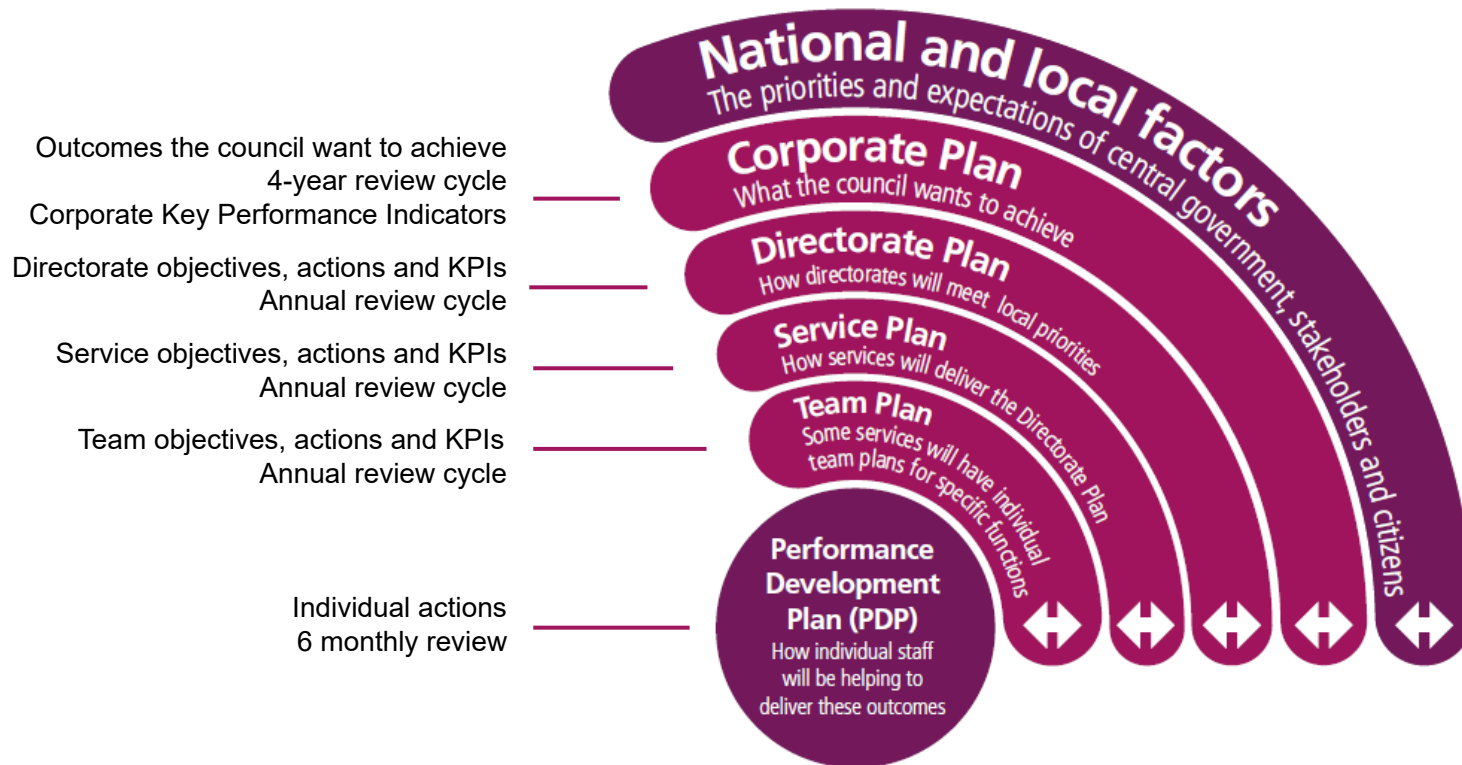
Managing organisational capacity



Strengthening and maintaining effective governance controls



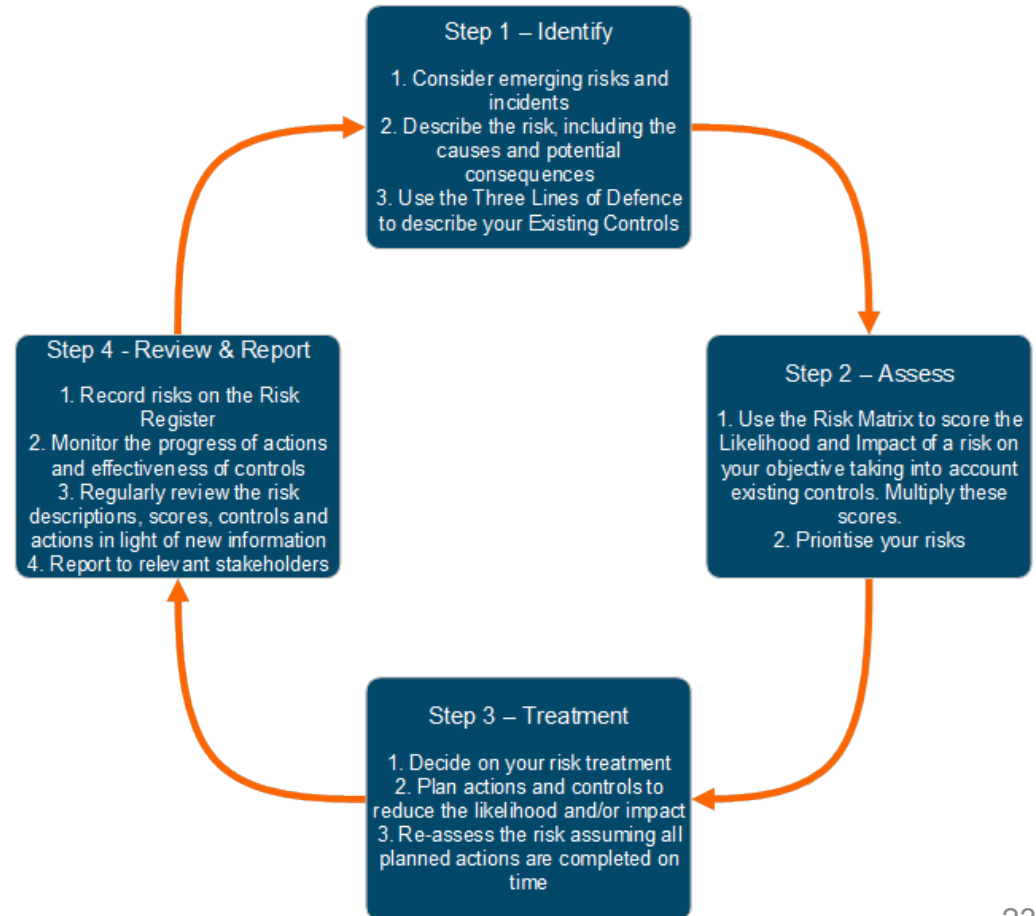
Working together effectively across the organisation (Staff Survey 2023)

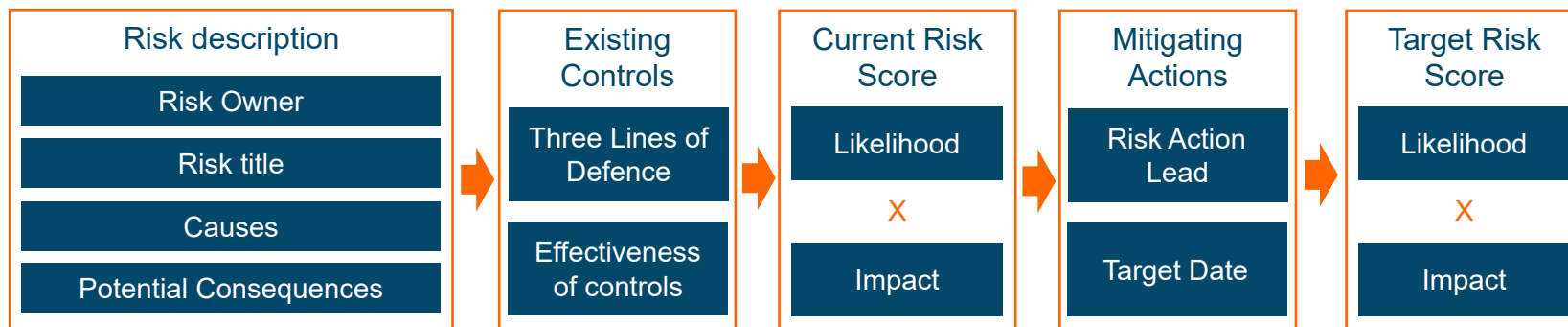


## Risk Management Process

There are four steps in the risk management process – identify the risk, assess the risk, decide on the risk treatment, and review and report on the risk.

The full Risk Management Framework can be found [here](#)





Risks are prioritised by assigning risk scores 1-5 to the likelihood of the risk occurring, and the potential impact if the risk should occur. These are multiplied to give a total risk score.

The Strategic Risk Register mostly includes high (red) and significant (amber) risks. Directorate Risk Registers are likely to include high, significant, moderate (yellow) and low (green) risks.

Risk Owners are asked to consider whether to treat, tolerate, terminate or transfer the risk. Risk actions should reduce the likelihood and/or impact – if neither are true, there will not be any reason to undertake the action.

Likelihood	Almost certain (5)	5	10	15	20	25
	Likely (4)	4	8	12	16	20
	Possible (3)	3	6	9	12	15
	Unlikely (2)	2	4	6	8	10
	Almost impossible (1)	1	2	3	4	5
		Insignificant (1)	Minor (2)	Moderate (3)	Major (4)	Catastrophic (5)
		Impact				

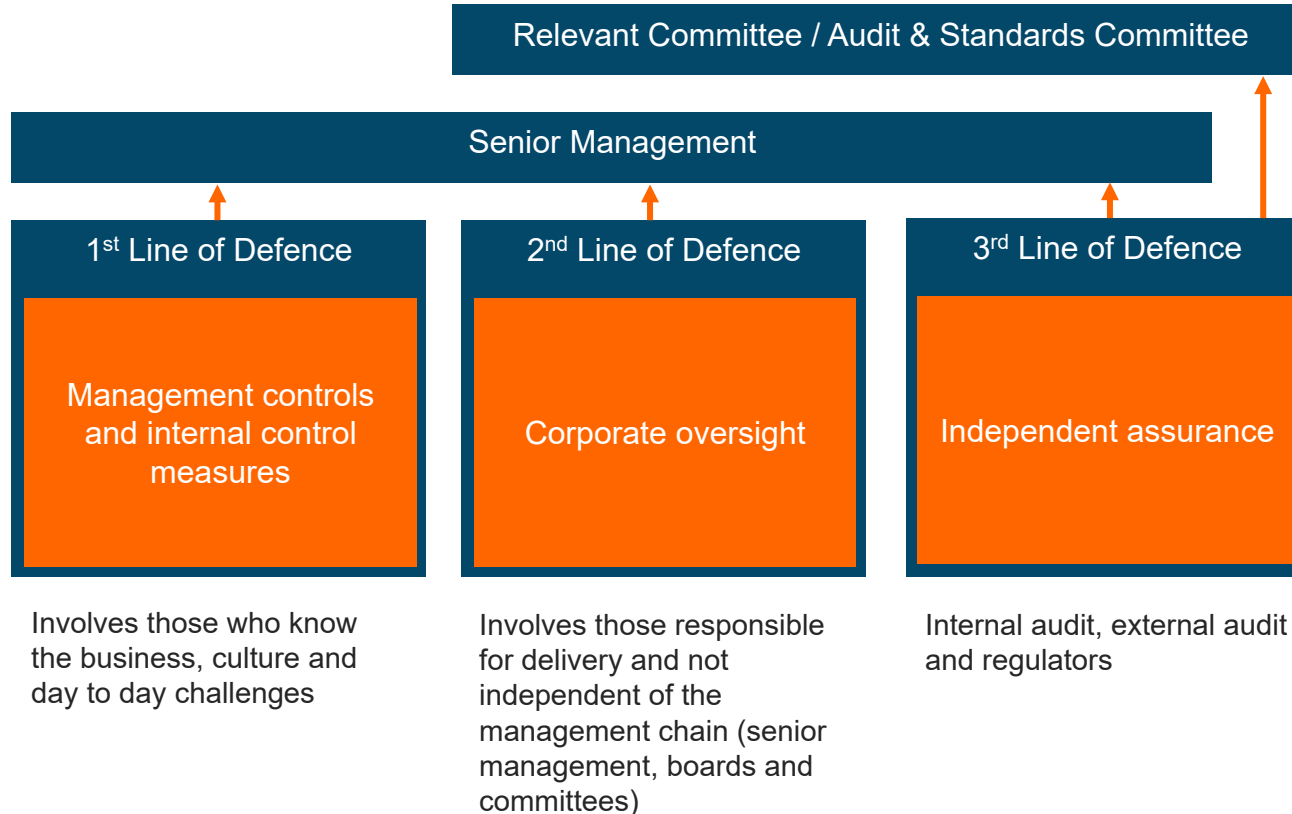
- > The level of a risk will depend on the scope, scale of potential impact and the type of response required. Risks can be escalated or de-escalated between levels through reviews.
- > Scoring should be a realistic assessment without optimism bias.
- > The **current score** is with existing controls in place and the **target score** is with completed mitigating actions.
- > The target score needs to be realistic and take into account the uncertainty of the risk and resources available to deliver actions so can sometimes remain a high 'red' score.
- > However, the purpose of scoring is to prioritise risks to ensure resources are allocated to the most significant risks. Heat maps are a helpful way to see how risk scoring compares.

Level & Risk Owner	What makes this type of risk?	Oversight
<b>Strategic Risk (SR)</b> A member of Executive Leadership Team (ELT)	<ul style="list-style-type: none"> <li>Affects multiple directorates/ organisations</li> <li>Impacts on achievement of the Corporate Plan</li> <li>Requires cross-directorate response</li> </ul>	<ul style="list-style-type: none"> <li>Audit &amp; Standards Committee</li> <li>Relevant Committees</li> <li>External &amp; Internal Audit</li> <li>Executive Leadership Team</li> </ul>
<b>Directorate Risk (DR)</b> A member of a Directorate Management Team (DMT)	<ul style="list-style-type: none"> <li>Affects multiple services/ departments</li> <li>Impacts on achievement of the Directorate Plan</li> <li>Requires directorate level response</li> </ul>	<ul style="list-style-type: none"> <li>Relevant Committees</li> <li>Internal Audit</li> <li>Executive Leadership Team</li> <li>Directorate Management Team</li> </ul>
<b>Service/Team Risks</b> Head of Service or Team Leader	<ul style="list-style-type: none"> <li>Limited to individual team/ service</li> <li>Impacts on achievement of the service's plan and objectives</li> <li>Response can be managed within service</li> </ul>	<ul style="list-style-type: none"> <li>Directorate Management Team</li> <li>Heads of Service</li> </ul>
<b>Programme/Project Risks</b> A member of Programme/Project Board	<ul style="list-style-type: none"> <li>Impacts on achievement of the Programme/Project's objectives</li> <li>Response can be managed within Programme/Project</li> </ul>	<ul style="list-style-type: none"> <li>Corporate Modernisation Delivery Board or ELT</li> <li>Directorate Modernisation Board or DMT</li> <li>Programme/Project Board</li> </ul>

# Three Lines of Defence Model

(4/5)

Existing controls are set out using the Three Lines of Defence model.



- > Our Corporate Risk Assurance Framework uses the 'three lines of defence model' to assess the effectiveness of how we manage organisational risks.
- > Audit & Standards Committee have oversight of the risk management framework.
- > Strategic risks are owned by an Executive Leadership Team (ELT) lead. ELT leads are responsible for discussing strategic risks with the relevant committee chairs with a view to mitigating these as appropriate.
- > Any member can approach an ELT lead with risks that they foresee for them to take account of it in their risk review sessions.
- 163 > Strategic risks are reviewed regularly by the Executive Leadership Team (ELT).
- > Directorate and strategic risks are reviewed regularly by Directorate Management Teams (DMTs); risk registers are live documents. Suggested amendments to strategic risks and the Directorate Risk Registers are reported to ELT as part of their risk review.
- > All officers are expected to escalate risks to the relevant DMT lead. Risk management training is available to all officers.



# Appendix 7 Independent Risk Assurance

Independent assurances of the strategic risks are represented in the third line of defence. The risk register is one element that informs the Internal Audit Plan, but the planned audits will not cover all of the strategic risks. Internal audit provides 3rd line of defence assurance on specific aspects of some of the strategic risks.

## Good Governance Principle A: Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law

### Strategic Risk

### Independent assurance

SR13

Not keeping adults safe from harm and abuse.

1. For the council's in-house registered care services Care Quality Commission (CQC) Inspections on an on-going regular basis. From 2023, all local authority adult social care services will be inspected by CQC.
2. CQC's programme of inspections of all registered care providers are published weekly and available on CQC's website [www.cqc.org.uk](http://www.cqc.org.uk).
3. Brighton & Hove Safeguarding Adults Board (BHSAB) is independently chaired and meets quarterly with the three statutory agencies for city wide safeguarding assurance. The Safeguarding Lead is a member of the SAR panel (multi agency, chaired by independent sector) where referrals for reviews are discussed in depth.
4. Local Government Association Test of Assurance in September 2022 provided recommendations that were reviewed at follow up session in April 2023.
5. Internal Audit
  - 2023/24: Adult Services Data Handling (Reasonable Assurance)
  - 2022/23: Adult Social Care (In-house services) (Reasonable Assurance); Direct Payments (follow up) (Partial Assurance); ASC Financial Assessments (Partial Assurance)
  - 2021/22: HASC Modernisation Programme (Reasonable Assurance), Direct Payments (Partial Assurance), Home Care (Reasonable Assurance); Care Payments (Reasonable Assurance)



# Good Governance Principle A: Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law

Strategic Risk

Independent assurance

165  
SR15

Not keeping children safe from harm and abuse.

1. Ofsted inspection of social work practice in March 2024 - Outstanding. This provides external assurance on our safeguarding and care arrangements.
2. Ofsted and the CQC inspection of the council's SEND and Alternative Provision arrangements in March 2023. The council received outcome 1 which provides positive assurance around our social care arrangements for children with special educational needs and disabilities and confirmation that existing improvement plans are correctly focussed.
3. National Probation Inspectorate statutory inspection of the city's Youth Offending Service April 2021 - Outstanding grading across every domain.
4. Annual Engagement Meeting (AEM) with Ofsted HMI for social care and education. Most recently held in April 2024 and covered social care and education. A separate discussion focussing on Further Education and Skills and one on Special Educational Needs is due to take place later in spring 2024.
5. The Brighton & Hove Safeguarding Children's Partnership (BHSCP) commissions Independent Scrutiny (IS) for the partnership to provide external challenge to the businesses of the partnership, its meetings, subgroups and priorities.
6. Internal audit:
  - 2023/24: Childrens Services Data Handling (Reasonable Assurance), Risk Management Actions: Implementation and Progress Reporting (Substantial Assurance)
  - 2022/23: Home to School Transport (Reasonable Assurance)
  - 2021/22: Child Disability Agency Placements (Reasonable Assurance); School Attendance (Reasonable Assurance).
  - 2020/21: Education, Health and Care Plans (Reasonable Assurance), Care System Replacement Project: Eclipse (Reasonable Assurance)
  - 2019/20: Care Leavers (Reasonable Assurance), Joint Commissioning (Reasonable Assurance).

# Good Governance Principle A: Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law

## Strategic Risk

## Independent assurance

SR32

Challenges in ensuring robust & effective health & safety measures, leading to personal injury, prosecution, financial losses, or reputational damage

1. The Council provide data to DLUHC on private sector blocks visual inspections.
2. East Sussex Fire & Rescue Service (ESFRS) Regulatory Reform (Fire Safety) Order - ESFRS undertake citywide audits according to a risk based prioritised programme which includes a range of council buildings.
3. Royal Society for the Prevention of Accidents (RoSPA) undertook an independent audit of BHCC's health and safety framework and arrangements between 1-3rd and 10th December 2020. Final report issued from RoSPA February 2021. Key elements from the RoSPA report have been included in the strategic action plan on going actions contained in the Health and Safety Strategy 2023-27.
4. Engagement on compliance status with the Regulator of Social Housing who will inspect landlords based on their prioritised programme
5. Newly established Building Safety Regulator (HSE) undertakes oversight, inspections and investigates incidents relating to High Rise residential blocks
6. Ofsted and CQC undertake statutory audits of schools, educational settings and care homes and care services.
7. Internal audit:
  - 2023/24: Health and Safety follow up (Reasonable Assurance), Working Time Directive follow up (Reasonable Assurance), Schools Meals Contract follow up (Reasonable Assurance)
  - 2022/23: Health & Safety (Partial Assurance)
  - 2021/22: Property and Design - Corporate Landlord (Reasonable Assurance)

# Good Governance Principle B: Ensuring openness and comprehensive stakeholder engagements

## Strategic Risk

## Independent assurance

167  
SR30

Not fulfilling the expectations of residents, businesses, government and the wider community that Brighton & Hove City Council will lead the city well and be stronger in an uncertain environment

1. HM Government
2. External Audit reviews of financial position of the city council - June 2019.
3. Inspectorate reports e.g. Ofsted 2018 - Children's Services - Good Judgement; and Ofsted focused visit in February 2020 looking at services to children in need and child protection plans resulted in positive comment.
4. LGA peer review Equality Framework for Local Government.
5. Investigatory Powers Commissioner – reviewed the use of investigatory powers (2018)
6. Internal Audit
  - 2023/24: Declarations of Interest Staff follow up (Reasonable Assurance), Corporate Governance (Partial Assurance), Council Tax (Partial Assurance) follow up (Reasonable Assurance), PCI/DSS (Partial Assurance), Housing Benefit & Council Tax Reduction (Partial Assurance), Business Rates (Reasonable Assurance), Business Continuity Planning (Partial Assurance)
  - 2022/23: Risk Management (Substantial Assurance); Declarations of Interest (Gifts and Hospitality) Members (Reasonable Assurance); Declarations of Interest (Gifts and Hospitality) Staff (Partial Assurance)
  - 2021/22: Major Capital Projects - Brighton Centre / Black Rock (Reasonable Assurance)
  - 2019/20: Brighton Centre (Reasonable Assurance)
  - 2018/19: Royal Pavilion and Museums (Partial Assurance), Seafront Investment Strategy (Reasonable Assurance)

# Good Governance Principle C: Defining outcomes in terms of sustainable economic, social, and environmental benefits

Strategic Risk

Independent assurance

SR21  
Unable to manage housing pressures and deliver new housing supply

- 1. Internal Audit:
  - 2023/24: Housing Rents follow up (Partial Assurance), Housing Temporary Accommodation (Reasonable Assurance), Housing Repairs Service follow up (Reasonable Assurance), Housing Allocations (Reasonable Assurance)
  - 2022/23: Housing Management System (follow up) (Reasonable Assurance)
  - 2021/22: Housing Rents (Partial Assurance)
  - 2018/19: Digital First (Minimal Assurance)
- 2. Department for Levelling Up, Housing and Communities information quarterly returns on homelessness and rough sleeping
- 3. Homes England (HE) information returns where we have HE grant allocations. HE grant for homeless move on accommodation – regular updates to HE on scheme progress and draw down on grant.

SR24  
The council is unable to provide an effective welfare support response to households facing financial hardship.

- 1. Internal Audit:
  - 2023/24: Risk Management Actions: Implementation and Progress Reporting (Substantial Assurance)
  - 2021/22: Welfare Discretionary Funding (Reasonable Assurance), Housing and Council Tax Benefits (Substantial Assurance); Council Tax (Reasonable Assurance).
- 2. Department for Work & Pensions (DWP) oversee distribution of the Household Support Fund.
- 3. Department of Levelling Up, Housing & Communities and BEIS oversee the Energy Payment and associated discretionary fund, and Energy Bills Support Scheme respectively.

# Good Governance Principle C: Defining outcomes in terms of sustainable economic, social, and environmental benefits

## Strategic Risk

## Independent assurance

SR36

Not taking effective action to help our city transition to carbon neutrality by 2030

1. Environment Agency (EA) in respect of flooding and monthly reports made to EA on how the city council spends the monies received from EA includes schemes such as coastal protection; Property Level Protection; sustainable urban drainage SPG (policy); Strategic Flood Risk Assessment.
  2. Internal Audit acts as first level controller to support three EU funded projects part of whose remit is to address some elements of this risk. These are Solar Adoption Rise In the 2 Seas (Solarise), Shaping Climate change Adaptive Places (SCAPE) and Sustainable Housing Initiatives in Excluded Neighbourhoods (SHINE). All claims during 2020/21 were certificated in accordance with EU processes.
  3. Local Air Quality Management reports submitted regularly to the Department for Environment, Food and Rural Affairs (Defra)
- Internal Audits undertaken:
- 2023/24: Carbon Reduction Programme (Reasonable Assurance)

# Good Governance Principle D: Determining the interventions necessary to optimise the achievement of the intended outcome

## Strategic Risk

## Independent assurance

SR18

The organisation is unable to deliver its functions in a modern, efficient way due to the lack of investment in and exploitation of technology

### 1. Internal Audit:

- 2023/24: Surveillance Cameras follow up (Reasonable Assurance), Robotic Process Automation (Reasonable Assurance), Advice work for ERP programme board and the housing works management system programme board, PCI/DSS (Partial Assurance)
- 2022/23: Housing Management System (follow up) (Reasonable Assurance); Public Sector Bodies Accessibility Regulations (follow up) (Reasonable Assurance)
- 2021/22: MCM Housing Repairs Application (Reasonable Assurance), Public Sector Bodies - Website & Mobile Applications - Accessibility Regulations (Partial Assurance)
- 2020/21: Care System Replacement Project – Eclipse (Reasonable Assurance), Housing Management System Implementation (Partial Assurance), Cloud Computing (Reasonable Assurance), IT Access Management (Partial Assurance)
- 2019/20: Mobile Device Management (Reasonable Assurance), Surveillance Cameras (Partial Assurance)
- 2018/19: Digital First (Minimal Assurance), Housing Management System Replacement (Reasonable Assurance), Care management system re-procurement (Reasonable Assurance)

# Good Governance Principle E: Developing the entity's capacity including the capacity of its leadership and with individuals within it

## Strategic Risk

## Independent assurance

1. Annual review of Value for Money (VfM) arrangements by the External Auditor leading to an opinion in the annual audit report. The last review (2021/22) concluded there were no governance issues to report and arrangements to secure VfM and the council's use of resource were reasonable. However, a significant weakness in terms of financial resilience was identified resulting in a 'Key Recommendation' to improve financial sustainability. This was considered by the Audit & Standards Committee on 24 January 2023 including the management response.

2. Internal audit reviews:

Internal Audit reviews on all aspects of financial management, governance and reporting are undertaken on a rolling basis to provide management with assurance and recommendations for improvements.

- 2023/24: Budget Management – Effectiveness of Savings Targets (Partial Assurance), Corporate Governance (Partial Assurance), Contract Management (Partial Assurance). Follow up (Reasonable Assurance), Key financial systems – Payroll (Partial Assurance), Accounts Receivable (Partial Assurance) Housing Rents follow up (Partial Assurance), HB & CTR (Partial Assurance) Accounts Payable (Reasonable Assurance), Business Rates (Reasonable Assurance), Council Tax (Partial Assurance) with follow up (Reasonable Assurance), Life Events Income (Reasonable Assurance), Parking Income and Parking Enforcement (Reasonable Assurance), Service Agreements Residential and Non -Residential (Partial Assurance), Safeguarding - Complex Care Placements for Children (Reasonable Assurance), PCI/DSS (Partial Assurance), Off Payroll Payments (Partial Assurance)
- 2022/23: Treasury Management (Substantial Assurance); Revenue Collection and Banking (Reasonable Assurance)
- 2021/22: Accounts Payable (Reasonable Assurance), City Clean Expenditure (Reasonable Assurance), Capital Programme (Reasonable Assurance); Account Receivable (Reasonable Assurance); Revenue Budget Management (Reasonable Assurance); Council Tax (Reasonable Assurance); Payroll (Reasonable Assurance); Housing Rents (Partial Assurance)
- 2020/21: Budget Management (Substantial Assurance), Payroll (Reasonable Assurance), Business Rates (Reasonable Assurance), Accounts Receivable (Partial Assurance), Council Tax (Reasonable Assurance)

171  
SR2

The Council is not financially sustainable in the medium term

## Good Governance Principle E: Developing the entity's capacity including the capacity of its leadership and with individuals within it

### Strategic Risk

### Independent assurance

SR25

Insufficient organisational capacity or resources to deliver all services and respond to changing needs and changing circumstances

1. Local Government Peer Review 2017 focused on Leadership and Industrial Relations.
2. Internal Audit
  - 2023/24: Organisational Capacity – Workforce Strategy and Management (Reasonable Assurance), Performance Development Plans and 1 to 1s (Reasonable Assurance)
  - 2021/22: Agency Staff Contract (Reasonable Assurance)
  - 2020/21: Recruitment (Reasonable Assurance), Working Time Directive (Partial Assurance)
  - 2018/19: Personal Service Companies and Use of Consultants (Reasonable Assurance), Wellbeing Project (Substantial Assurance)



# Good Governance Principle F: Managing risks and performance through robust internal control and strong financial management

## Strategic Risk

## Independent assurance

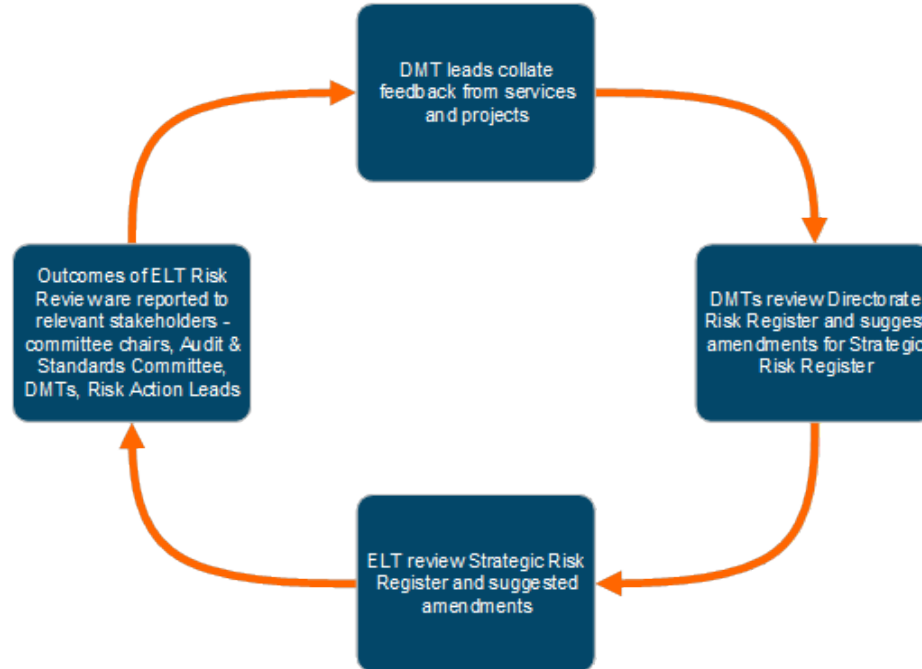
### SR10

Corporate information assets are inadequately controlled and vulnerable to cyber attack

1. Internal Audit:
  - 2023/24: Procurement of IT Systems (Reasonable Assurance), Surveillance Cameras follow up (Reasonable Assurance), Robotic Process Automation (Reasonable Assurance), Eclipse Application Control (Reasonable Assurance), Accommodation Strategy & Workstyle Programme (Reasonable Assurance), Adult Services Data Handling (Reasonable Assurance), Childrens Services Data Handling (Reasonable Assurance), PCI/DSS (Partial Assurance)
  - 2022/23: IT Asset Procurement (Value for Money) (Substantial Assurance); ; Cyber Security (Reasonable Assurance); MetaCompliance IT Application (Reasonable Assurance)
  - 2021/22: Email Communication - personal and sensitive encryption (Reasonable Assurance), DWP/Searchlight System Security Compliance (Reasonable Assurance), PIER Application Control (Reasonable Assurance), Information Governance - Remote Working (Reasonable Assurance), IT Access Management (Reasonable Assurance), Network Security (Reasonable Assurance), Network Access Management (follow up) (Reasonable Assurance); IT&D Strategic and Operational Risk Management (Reasonable Assurance); Post-Brexit Information Governance (Substantial Assurance)
  - 2020/21: Cyber Security (Reasonable Assurance), GDPR (Reasonable Assurance), Housing Management System Implementation (Partial Assurance)
  - 2019/20: ICT Compliance Framework (Reasonable Assurance), Mobile Device Management (Reasonable Assurance), Purchasing Card System (Reasonable Assurance), Main Accounting System (Substantial Assurance)
2. IT Health Check (ITHC) performed by a 'CHECK'/'CREST' approved external service provider – covering both applications and infrastructure assurance. The ITHC approach has been updated to include one standard annual check and one targeted solution specific check (e.g. the mobile service).
3. Continued assurance from compliance regimes, including Public Sector Network (PSN) CoCo (Code of Connection); NHS Digital Data Security and Protection (DSP) Toolkit; and Payment Card Industry Data Security Standard (PCI DSS).

## Good Governance Principle G: Implementing good practice in transparency, reporting and audit to deliver effective accountability

The Strategic Risk Register is reviewed by the Directorate Management Teams and Executive Leadership Team quarterly. The Strategic Risks are presented to the relevant committees annually so available for staff and public to view in the report pack for committee meetings.



## Appendix 8 Policies, Processes & Strategies

Whilst many of our policies, processes and strategies link to many of the Good Governance Principles, below are those that are particularly relevant.

### Good Governance Principle A: Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law

Policy, framework or process	Owner	Last reviewed
The Constitution	Corporate Director (Corporate Services)	2024
Code on Officer/Member Relations	Corporate Director (Corporate Services)	2024
Behaviour Framework which includes council values (Leadership values were included in this)	Director of Human Resources and Organisational Development	2023
BHCC Anti-Fraud & Corruption Strategy and Framework	Chief Internal Auditor	2022
Modern Slavery Statement	Chief Finance Officer	2023

# Good Governance Principle B: Ensuring openness and comprehensive stakeholder engagements

Policy, framework or process	Owner	Last reviewed
Customer Experience Strategy	Corporate Director (Corporate Services)	2023
Information Rights Framework	Corporate Director (Corporate Services)	2024
Formal Partnerships including the City Management Board	Corporate Director (Corporate Services)	2023

# Good Governance Principle C: Defining outcomes in terms of sustainable economic, social, and environmental benefits

Policy, framework or process	Owner	Last reviewed
Council Plan	Corporate Director (Corporate Services)	2023
Economic Strategy	Corporate Director (City Services)	2024
Carbon Reduction Programme	Corporate Director (City Services)	2024
Medium Term Financial Strategy	Chief Finance Officer	2024
Capital Investment Programme	Chief Finance Officer	2024

## Good Governance Principle D: Determining the interventions necessary to optimise the achievement of the intended outcome

Policy, framework or process	Owner	Last reviewed
Financial Regulations & Standard Financial Procedures	Chief Finance Officer	2019
Modernisation Portfolio of Change Projects and Programmes	Corporate Director (Corporate Services)	2023
Contract Standing Orders	Chief Finance Officer	2023

## Good Governance Principle E: Developing the entity's capacity including the capacity of its leadership and with individuals within it

Policy, framework or process	Owner	Last reviewed
Fair & Inclusive Action Plan (which includes equalities work with city partners)	Corporate Director (Corporate Services)	2023
Staff training	Director of Human Resources and Organisational Development	2023
Member training	Corporate Director (Corporate Services)	2023
Scheme of Delegation	Corporate Director (Corporate Services)	2024
Pay policy statement	Director of Human Resources and Organisational Development	2024

## Good Governance Principle F: Managing risks and performance through robust internal control and strong financial management

Policy, framework or process	Owner	Last reviewed
Risk Management Process part of Performance Management Framework	Corporate Director (Corporate Services)	2024
Information governance & security policies	Corporate Director (Corporate Services)	2023
Health & Safety Strategy	Director of Human Resources and Organisational Development	2023
People Strategy	Director of Human Resources and Organisational Development	2023
Whistleblowing Policy	Corporate Director (Corporate Services)	2022

## Good Governance Principle G: Implementing good practice in transparency, reporting and audit to deliver effective accountability

Policy, framework or process	Owner	Last reviewed
Performance Management Framework	Corporate Director (Corporate Services)	2023
Internal Audit Plan, Annual Internal Audit Review and Opinion, Independent Assessment of Internal Audit	Chief Internal Auditor	2024
External Auditor's Annual Report	Chief Finance Officer	2024

## Appendix 9: Bodies BHCC works closely with and/or whose board BHCC nominates members to

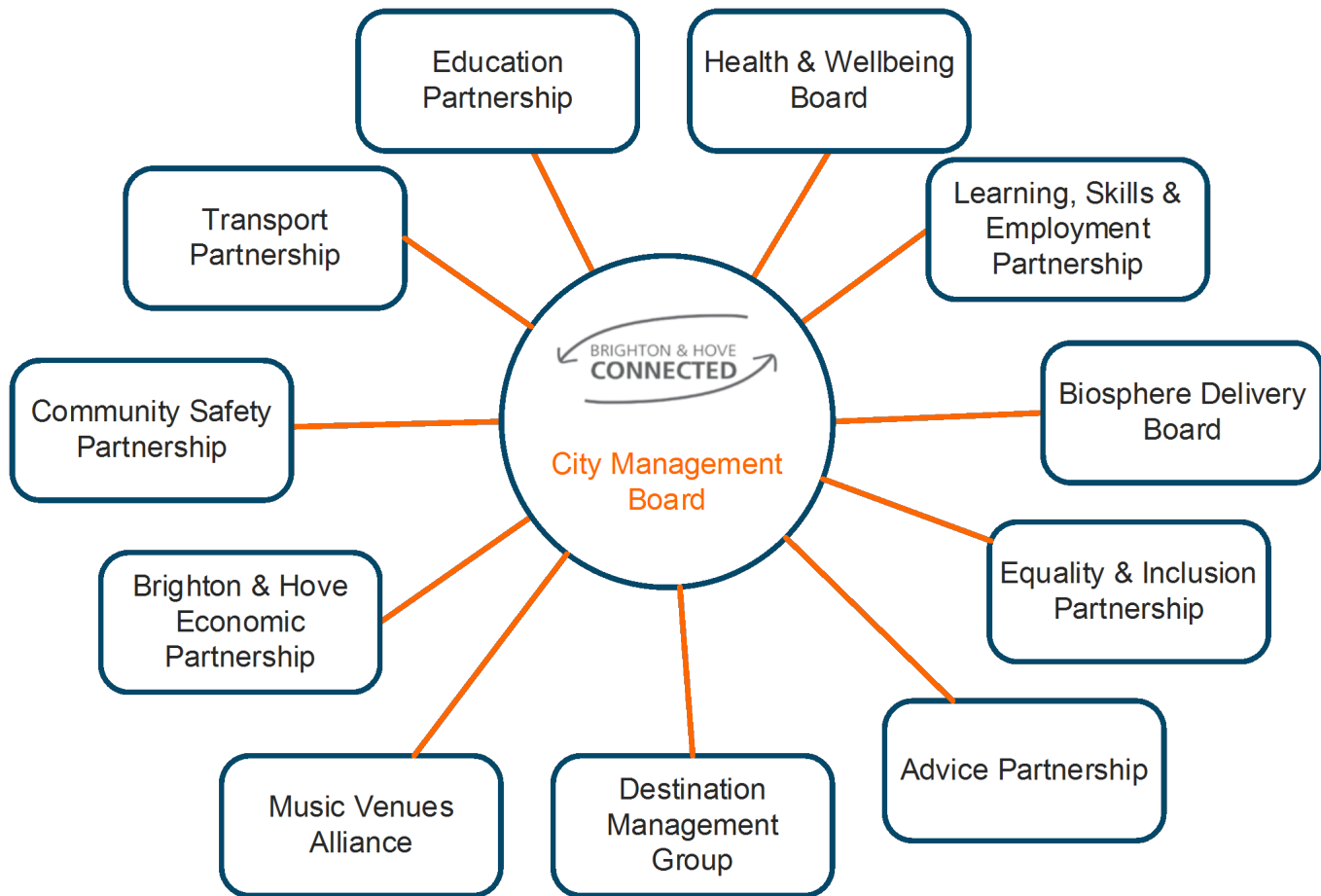
---

- Brighton & Hove Estates Conservation Trust
- Brighton & Hove Music Trust
- Brighton & Hove Seaside Community Homes Ltd
- Brighton Dome & Festival Limited
- East Sussex Fire Authority
- East Sussex Pension Board
- Gorham's Gift
- Homes for Brighton & Hove LLP
- Local Government Association
- Sussex Police & Crime Panel

BHCC appoints members to a range of other external bodies and partnerships as a means of discharging the council's functions across the area of Brighton & Hove. A complete list of appointments is available in the papers of Annual Council, which are published on the council's website.

Those external bodies include the East Sussex Fire Authority, which is a combined fire authority made up of members of its two constituent authorities: East Sussex County Council and BHCC, and the Police & Crime Panel; a joint committee which monitors and supports the Police and Crime Commissioner.

# Thematic Partnerships





# Brighton & Hove City Council

## Audit, Standards & General Purposes Committee

## Agenda Item 12

**Subject:** Standards Update

**Date of meeting:** Tuesday 25<sup>th</sup> June 2024

**Report of:** Corporate Director – Corporate Services

**Contact Officer:** Victoria Simpson, Senior Lawyer – Corporate Law  
Tel: 01273 294687  
Email: Victoria.Simpson@brighton-hove.gov.uk

**Ward(s) affected:** All

### For general release

#### 1. Purpose of the report and policy context

- 1.1. To provide an update on Standards-related matters, including data on complaints received by the Council alleging that Members have breached the Council's Code of Conduct for Members.

#### 2. Recommendations

- 2.1. That this Committee note the contents of this report.

#### 3. Context and background information

- 3.1. The Council is required by the Localism Act 2011 to have in place arrangements for dealing with complaints against elected and co-opted Members. Brighton & Hove City Council regularly reviews the arrangements it has in place, including its Code of Conduct for Members and related Procedure and guidance. It is transparent about those arrangements, which it publishes on [its website](#). It also makes data regarding the complaints received in about member conduct publicly available via the reports to this Committee.
- 3.2. At Brighton & Hove City Council, the Audit, Standards & General Purposes Committee has delegated authority for leading in discharging the statutory requirement that the Council maintain and promote high standards of conduct by Members. It is proposed that this Committee (like its predecessor Committee, the Audit & Standards Committee) receives quarterly reports on complaints against members as well as information on the training and briefings offered to assist Members in discharging their responsibilities according to the expectations of the Nolan Principles.

#### 4. Update on Current Complaints

- 4.1. This quarterly Report provides data on the complaints both still outstanding at the time of the last Report, and those which have been received in since then. In this way, the Report seeks to provide reassurance that recent complaints are being considered and dealt with in accordance with the Council's processes.
- 4.2. Members will note that – following a request made at last Committee meeting – the data supplied now provides both the date on which a complaint was received in and also that on which it was determined, this to provide additional transparency.
- 4.3. Members may further wish to note that steps are underway to refine and update the criteria against which complaints are assessed at preliminary assessment stage. It is proposed that the next meeting of this Committee be asked to review suggested amends and to consider formally approving them.

#### **Complaints previously reported to the Council's Audit & Standards Committee**

- 4.4. Complaints referred to in the last Report to this Committee but still unresolved at that time are listed in the attached Appendix 1, at table 1.

#### **Complaints received in since the last Update to Committee**

- 4.5. This data is provided in table 2 of Appendix 1. See above.
- 4.6. All of the complaints referred to in this section are being progressed by the Monitoring Officer in accordance with the Procedure governing member complaints.

### **5. Member Training**

- 5.1. To assist Committee in discharging its role in promoting and maintaining high standards of conduct by councillors, member training sessions on standards-related matters is offered in addition to the member development training run by other areas in the Council.
- 5.2. Very shortly after all elections and by-elections, newly elected members are offered Standards training to assist them in carrying out their roles in way which ensures that they act within the Code. This training is a requirement for all members.
- 5.3. Standards Panel training (mandatory for any member seeking to be appointed to a Standards Panel) will additionally be offered where needed.

### **6. Analysis and consideration of alternative options**

- 6.1. The Council is obliged under the Localism Act to make arrangements for maintaining high standards of conduct among members and to make

arrangements for the investigation of complaints. This Council's arrangements are regularly reviewed.

## **7. Community engagement and consultation**

7.1. Past reviews of the Council's Standards arrangements (most recently a root and branch review in 2021) have been carried out by its elected Members and the Council's Independent Persons, supported by officers who have provided stakeholder data as well as signposting relevant LGA resources. While the local community has not been consulted or provided input, this remains an option for future reviews.

## **8. Conclusion**

8.1. Members are asked to note the contents of this Report, which aims to assist the Council in discharging its responsibilities for ensuring that high standards of conduct are maintained and that members act in a way which is compliant with local requirements.

## **9. Financial implications**

9.1. There are no additional financial implications arising from the recommendation in this Report. All activity referred to has been, or will be, met from existing budgets.

Finance officer consulted: Nigel Manvell      Date consulted 30/5/24

## **10. Legal implications**

10.1. These are covered in the body of the Report.

Name of lawyer consulted: Victoria Simpson Date consulted 29/05/2024

## **11. Equalities implications**

11.1. There are not considered to be any equalities implications arising from this Report, which provides reassurance on the arrangements which have been developed with the need to ensure the Council and its members discharge their responsibilities with appropriate regard for equalities considerations in mind.

## **12. Sustainability implications**

12.1. No sustainability implications have been identified.

### **13. Other Implications**

- 13.1. No significant other implications have been identified as arising from this Report.

### **Supporting Documentation**

### **Appendices**

1. Appendix 1 – data on member complaints

**Appendix 1: Complaint data previously reported as not yet determined to [the April meeting of Audit & Standards Committee](#)**

**Table 1**

	<b>Date received</b>	<b>Date determined</b>	<b>If concluded, basis on which decision was taken</b>	<b>Complaint Topic</b>	<b>Additional notes</b>
<b>I2024</b>	26 January 2024	Determined by decision to take no action at preliminary assessment stage on 18 April 2024	A formal investigation was not considered proportionate and necessary in the public interest in light of the fact that the subject member had apologised via this process to the member who made the complaint.	B	Complaint by an elected member against another member alleging that they had breached the Code of Conduct at a Council meeting.
<b>M2024</b>	15 February 2024	Determined by decision to take no action at preliminary assessment stage on 18 April 2024	Insufficient evidence of a breach of the Code was provided to merit progressing the complaint to formal investigation.	A	Complaint against member alleging that they failed to respond to emails and/or a Freedom of Information Request.
<b>N2024</b>	24 February 2024	Determined by decision to take no action at preliminary assessment stage on 8 May 2024	Formal investigation considered neither necessary nor proportionate in the public interest, having taken the view that there was insufficient evidence of a breach of the Code.	B	Complaint against alleging misconduct when an attendee sought to distribute printed material at a Council-hosted event despite 'no-leafletting' expectations.
<b>O2024</b>	12 March 2024	Determined by decision to take no action at	As the member's conduct was not considered to be capable of amounting to the Code, the view was taken that a formal investigation of the complaint was	B	Complaint alleging misconduct by a different member to N2024 at the same event.

		preliminary assessment stage on 8 May 2024.	neither necessary nor in the public interest as there was insufficient evidence to support a breach of the Code.		
<b>P2024</b>	10 March 2024	Determined by decision to take no action at preliminary assessment stage on 15 May 2024.	Insufficient evidence of a breach of the Members Code of Conduct was considered to have been supplied to merit this complaint being progressed. Formal investigation of the complaint considered to be neither necessary nor in the public interest.	C	Multi-faceted complaint about a member's conduct in their ward, including allegations of harassment and bullying.

**Table 2: Complaints received in since 1<sup>st</sup> April 2024**

<b>Case No</b>	<b>Date</b>	<b>Status of complaint</b>	<b>If concluded, basis on which decision was taken</b>	<b>Complaint Topic</b>	<b>Additional notes</b>
<b>Q2024</b>	5 April 2024	Determined by decision to take no action at preliminary assessment stage on 15 May 2024.	Sufficient evidence of conduct complained capable of amounting to a breach of the Members Code of Conduct was not considered to have been provided and a formal investigation of the complaint was considered to be neither necessary nor proportionate.	A	Complaint against member alleging failures to respond to ongoing comms which despite being framed as child safeguarding concerns were not considered to meet the Council's child safeguarding criteria.
<b>R2024</b>	14 April 2024	Remains at Preliminary Assessment stage.	N/A	C	Complaint about a member's comments via social media regarding a petition organised by a lobbying group within a different political party to that of the complainant.

<b>S2024</b>	22 April 2024	Remains at Preliminary Assessment stage.	N/A	B	Complaint against member alleging misconduct at a Full Council meeting during discussion about matters relating to Transgender policy in schools. Additional complaint about the member's comments on the same topic via social media.
<b>T2024</b>	28 May 2024	NFA	Individual is no longer a member, so the allegation cannot be determined under the Council's process. As a result, the Council has had no option other than to determine the complaint without taking any action.	A	Complaint against member alleging failure to respond appropriately or at all to correspondence about the complainant's experience of anti-social behaviour at their address.

### **Key to Complaint topics**

<b>Code</b>	<b>Description of type of conduct complained about</b>
<b>A</b>	<i>Complaints about members' conduct in their wards, including when discharging their ward responsibilities or otherwise communicating with constituents or other stakeholders.</i>
<b>B</b>	<i>Complaints about comments or conduct either at council meetings, or at meetings at which members are representing BHCC</i>
<b>C</b>	<i>Complaints about conduct relating to council business or other members made outside council meetings, including on social media</i>

<b>D</b>	<i>Complaints about a member's conduct or position on an issue which is not council business or a ward matter, including conduct or a statement reported in the press or made on social media</i>
----------	---