



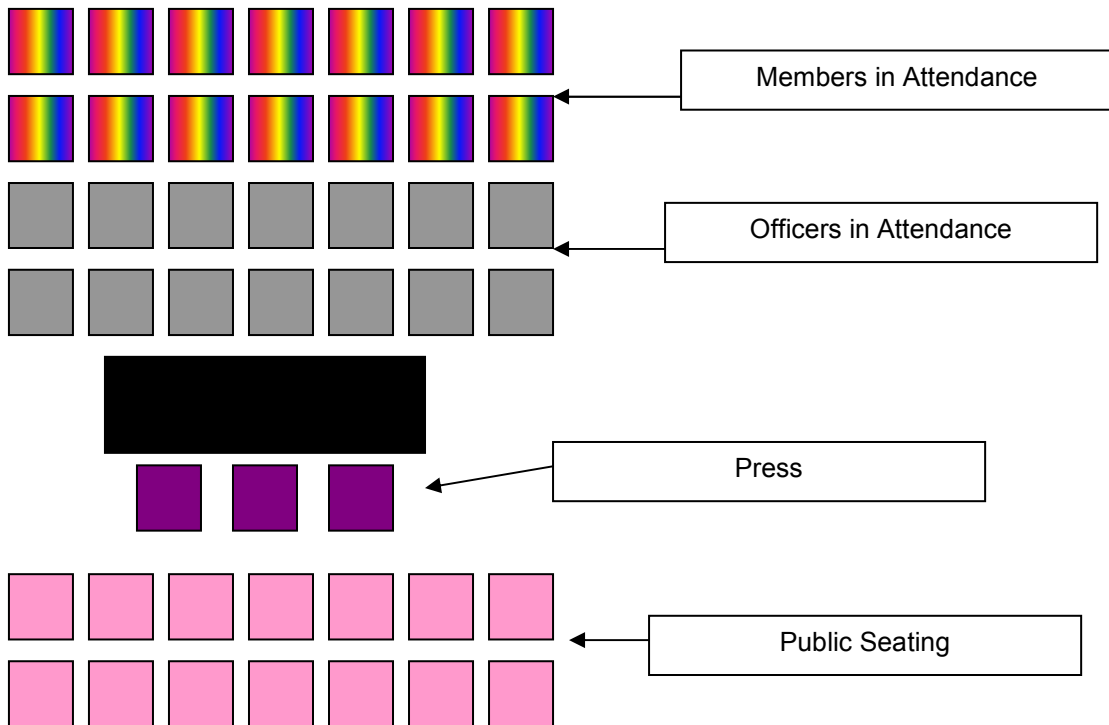
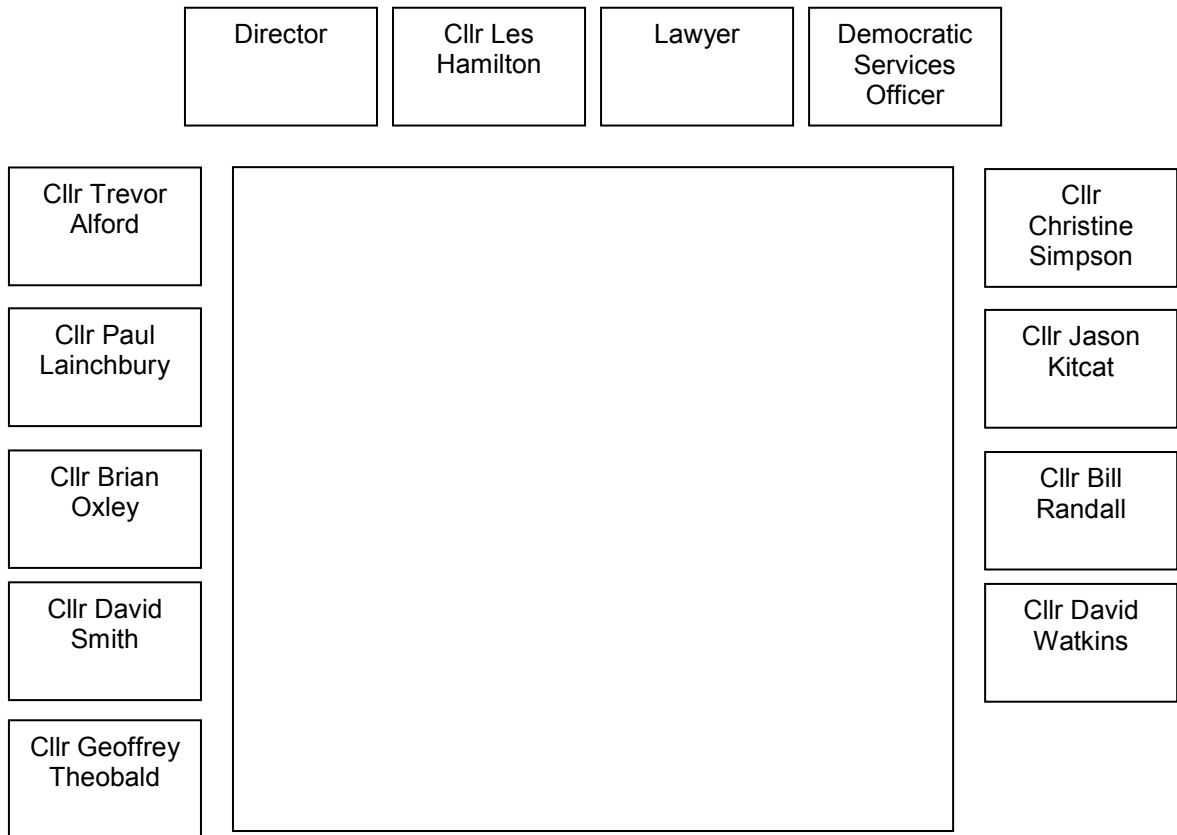
**Brighton & Hove  
City Council**

# Audit Committee

Title:	<b>Audit Committee</b>
Date:	<b>31 March 2009</b>
Time:	<b>4.00pm</b>
Venue	<b>Committee Room 1, Hove Town Hall</b>
Members:	<b>Councillors:</b> Hamilton (Chairman), Alford, Kitcat, Lainchbury, Oxley, Randall, Simpson, Smith, G Theobald and Watkins (Deputy Chairman)
Contact:	<b>Penny Jennings</b> Senior Democratic Services Officer 01273 291065 penny.jennings@brighton-hove.gov.uk

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	<b>An Induction loop operates to enhance sound for anyone wearing a hearing aid or using a transmitter and 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.</b>
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# Democratic Services: Meeting Layout



## AGENDA

### 84. PROCEDURAL BUSINESS

- (a) Declaration 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 by all Members present of any personal interests in matters on the agenda, the nature of any interest and whether the Members regard the interest as prejudicial under the terms of the Code of Conduct.
- (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 2 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 public.*

*A list and description of the exempt categories is available for public inspection at Brighton and Hove Town Halls.*

### 85. MINUTES OF THE PREVIOUS MEETING

1 - 4

Minutes of the meeting held on 24 February 2009 (copy attached).

### 86. CHAIRMAN'S COMMUNICATIONS

### 87. PUBLIC QUESTIONS

(The closing date for receipt of public questions is 12 noon on 24 March 2009)

No public questions received by date of publication.

### 88. WRITTEN QUESTIONS FROM COUNCILLORS

No written questions have been received.

### 89. DEPUTATIONS

(The closing date for receipt of deputations was 2 noon on 24 March)

No deputations received by date of publication.

### 90. PETITIONS

No petitions received by date of publication.

## AUDIT COMMITTEE

### 91. LETTERS FROM COUNCILLORS

No letters have been received.

### 92. CAA USE OF RESOURCES AND AUDIT COMMITTEE ROLE

-

Presentation by Andy Edwards and Richard Miles

*Contact Officer: Andy Edwards*

*Tel: 01273 - 29 - 6823*

*Ward Affected: All Wards;*

### 93. AUDIT COMMISSION UPDATE REPORT

-

Report by representatives on behalf of the Audit Commission

*Ward Affected: All Wards;*

### 94. ANNUAL AUDIT & INSPECTION LETTER

5 - 26

(Letter attached)

Report of the Interim Director of Strategy & Governance (copy to follow)

*Contact Officer: Ian Withers*

*Tel: 29-1323*

*Ward Affected: All Wards;*

### 95. COUNTER FRAUD STRATEGY UPDATE

-

Report of the Interim Director of Strategy & Governance (copy to follow)

*Contact Officer: Ian Withers*

*Tel: 29-1323*

*Ward Affected: All Wards;*

### 96. CODE OF CORPORATE GOVERNANCE

-

Report of the Interim Director of Strategy & Governance (copy to follow)

*Contact Officer: Ian Withers*

*Tel: 29-1323*

*Ward Affected: All Wards;*

### 97. INTERNAL AUDIT CHARTER

27 - 36

Report of the Interim Director of Strategy & Governance (copy attached)

*Contact Officer: Ian Withers*

*Tel: 29-1323*

*Ward Affected: All Wards;*

### 98. RISK & OPPORTUNITY MANAGEMENT UPDATE

-

Oral update from Jackie Algar

*Contact Officer: Jackie Algar*

*Tel: 29-1273*

*Ward Affected: All Wards;*

## AUDIT COMMITTEE

### PART TWO

#### 99. PART TWO MINUTES 37 - 40

[Exempt Category 3]

Non-public minutes of the meeting held on 24 February 2009 (copy attached)

*Contact Officer:* Penny Jennings *Tel:* 01273 291065

*Ward Affected:* All Wards;

#### 100. CORPORATE RISK MANAGEMENT ACTION PLANS FOCUS 41 - 50

[Exempt Category 3]

Report of the Interim Director of Finance & Resources (copy attached)

*Contact Officer:* Jackie Algar *Tel:* 29-1273

*Ward Affected:* All Wards;

#### 101. PAYROLL AUDIT -

[Exempt Category 3] Oral report

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

*Ward Affected:* All Wards;

#### 102. SCHOOLS FINANCIAL MANAGEMENT AUDIT REPORT 51 - 70

[Exempt Category 3]

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

*Ward Affected:* All Wards;

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 12 noon on the fifth working day before the meeting.

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.

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.

For further details and general enquiries about this meeting contact Penny Jennings, (01273 291065, email [penny.jennings@brighton-hove.gov.uk](mailto:penny.jennings@brighton-hove.gov.uk)) or email [democratic.services@brighton-hove.gov.uk](mailto:democratic.services@brighton-hove.gov.uk)

Date of Publication - Monday, 23 March 2009

## AUDIT COMMITTEE

BRIGHTON & HOVE CITY COUNCIL

AUDIT COMMITTEE

4.00pm 24 FEBRUARY 2009

COMMITTEE ROOM 1, HOVE TOWN HALL

MINUTES

**Present:** Councillors Hamilton (Chairman), Alford, Kitcat, Lainchbury, Mrs Norman, Oxley, Randall, Simpson, C Theobald and Watkins (Deputy Chairman)

PART ONE

**69. PROCEDURAL BUSINESS**

**69a Declarations of Substitutes**

69.1 Councillor Mrs Norman declared that she was substituting for Councillor Smith.

69.2 Councillor Mrs Theobald declared that she was substituting for Councillor Theobald.

**69b Declarations of Interests**

69.3 There were none.

**69c Exclusion of the Press and Public**

69.4 The Committee considered whether the press and public should be excluded from the meeting during consideration of any items contained in the agenda, having regard to the nature of the business to be transacted and the nature of the proceedings and the likelihood as to whether, if members of the press and public were present, there would be disclosure to them of confidential or exempt information as defined in Schedule 12A, part 5, Section 100A(4) or 100I(1) of the Local Government Act 1972 (as amended).

69.5 **RESOLVED** - That the press and public be excluded from the meeting during consideration of item 81, Non-Public Minutes of the Previous meeting and item 82, Corporate Risk Management Action Plans Focus as both items were exempt under Paragraph 3 of Schedule 12A of the Act.

**70. MINUTES OF THE PREVIOUS MEETING**

70.1 **RESOLVED** – that the minutes of the meeting held on 16 December 2008 be approved and signed by the Chairman as a correct record.

**71. CHAIRMAN'S COMMUNICATIONS**

71.1 The Chairman informed Committee Members that a seminar on the Comprehensive Area Assessment, which was being introduced from 1 April 2009, was being arranged. He stated that as this subject was so important an open invitation was being sent to all councillors to attend.

**72. PETITIONS**

72.1 There were none.

**73. PUBLIC QUESTIONS**

73.1 There were none.

**74. DEPUTATIONS**

74.1 There were none.

**75. WRITTEN QUESTIONS FROM COUNCILLORS**

75.1 There were none.

**76. LETTERS FROM COUNCILLORS**

76.1 There were none.

**77. AUDIT COMMISSION UPDATE REPORT**

77.1 This item was deferred at this meeting.

**78. TARGETED BUDGET MANAGEMENT**

(Councillor Watkins took the Chair for this item only).

78.1 The Assistant Director of Financial Services presented the report on Targeted Budget Management to the Committee and stated that it had been to Cabinet for consideration and would be going to Full Council in due course. He noted that this was an important forecast for this point of the year.

78.2 Councillor Randall asked which capital receipt assets were being marketed and whether Patcham Court Farm was included in this list. The Assistant Director of Financial Services stated that if assets had been identified as not performing well, they would be considered for marketing and resale, and confirmed that Patcham Court Farm could be included.

78.3 The Chairman asked whether a list of those properties being marketed was available for the Committee to view and the Assistant Director of Financial Services agreed that it could be placed on part two of the agenda for a future committee date.



78.4 Councillor Randall noted that the variance for the Housing Revenue Account had arisen several times in the past and asked for an explanation. The Assistant Director of Financial Services stated that he would gather more information on this and update the Committee at a future date.

78.5 **RESOLVED** – that the content of the report is noted.

## 79. **AUDIT AND BUSINESS RISK PROGRESS REPORT**

79.1 The Head of Audit and Assurance presented a report on Audit and Business Risk Progress and explained that this was an up-to-date report with an improved position of 41%. He noted that Deloitte were contracted to conduct several audits this year on behalf of the Council. The list of audits contained within the report was explained, and it was noted that there was only one outstanding action that was categorised as a high priority.

79.2 The Chairman asked how long it would be until this was resolved and the Head of Audit and Assurance explained that it would be resolved immediately. The medium priority actions would be resolved within six months.

79.3 It was noted by Committee Members that the School's Financial Management audit had been returned with a high number of medium priority actions and the Head of Audit and Assurance agreed to come back with more information on this.

79.4 Further questions were asked about the use of Deloitte to conduct audit reviews and the Head of Audit and Assurance explained that there were internal audit vacancies currently being advertised and Deloitte were being contracted to cover the shortfall whilst this process lasted. It was confirmed that the department would remain within budget for this year and that Deloitte would help the department to achieve their targets.

79.5 **RESOLVED** – that the content of the report is noted.

## 80. **RISK AND OPPORTUNITY (ROM) UPDATE**

80.1 The Risk and Opportunity Manager presented an oral report on Risk and Opportunity Management to the Committee and stated that a further update would be brought to the committee in June with a refreshed Corporate Risk Register. She noted there had been progress in terms of risk management at the authority and that workshops had been carried out on Building Schools for the Future, which would inform the Council's bid for up to £200,000,000 of funding.

80.2 **RESOLVED** – that the content of the report is noted.

## 81. **PART TWO MINUTES - EXEMPT CATEGORY 3**

81.1 The Chairman was requested to approve and sign the non-public minutes of the meeting held on 16 December 2008 as a correct record.

**82. CORPORATE RISK MANAGEMENT ACTION PLANS FOCUS - EXEMPT CATEGORY 3**

82.1 The Committee considered a report of the Director of Finance and Resources which was considered under exempt session in accordance with Paragraph 3 of Schedule 12A of the Local Government Act 1982.

82.2 **RESOLVED** – that the content of the report is noted and that:

- 1) A letter is written to the Cabinet Member for Environment.
- 2) A letter is written to the Cabinet Member for Central Services.
- 3) A referral is made to the Overview & Scrutiny Commission.

The meeting concluded at 5.50pm

Signed

Chair

Dated this

day of

# Annual Audit and Inspection Letter

Brighton and Hove City Council

Audit 2007/08

March 2009



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## Status of our reports

The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission explains the respective responsibilities of auditors and of the audited body. Reports prepared by appointed auditors are addressed to non-executive directors/members or officers. They are prepared for the sole use of the audited body. Auditors accept no responsibility to:

- any director/member or officer in their individual capacity; or
  - any third party.
-

# Key messages

- 1 This letter provides an overall summary of the Audit Commission's assessment of the Council. The main messages are as follows.
- 2 The Council is rated as four star (on a scale of 0 to 4 with four star being the highest) under the 2008 Comprehensive Performance Assessment (CPA) framework. Its annual direction of travel is assessed as improving well (on a scale of improving strongly, improving well, improving adequately, not improving adequately, not improving).
- 3 The Council achieves well in most of its priority areas, particularly in social care, economic development and increasing public transport use. There is a clear emphasis on meeting the needs of the most vulnerable and strong partnership working enhances capacity to deliver and improve services. Resource and performance management are strengthening. It continues to under perform in meeting the Decent Homes Standard and establishing a local delivery vehicle for the Council's housing stock presents significant financial and operational challenges for the Council.
- 4 The way it uses its resources was scored as three out of four (with four being the best score) which is an improvement on the previous year. The Council achieves good value for money.
- 5 An unqualified opinion was given on the Council's accounts for the year ended 31 March 2008 and it was confirmed that the Council has made proper arrangements for the securing economy, efficiency and effectiveness in use of resources.

## Action needed by the Council

- 6 Manage the risks inherent in establishing a local delivery vehicle for the Council's housing stock and further improve performance in housing management, urgent repairs and numbers of households in temporary accommodation.
- 7 Maintain focus on strengthening the performance management culture to ensure that improvement in priority areas continues supported by effective workforce planning.

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# Purpose, responsibilities and scope

- 8 This report provides an overall summary of the Audit Commission's assessment of the Council. It draws on the most recent Comprehensive Performance Assessment (CPA), the findings and conclusions from the audit of the Council for 2007/08 and from any inspections undertaken since the last Annual Audit and Inspection Letter.
- 9 We have addressed this letter to members as it is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business and that it safeguards and properly accounts for public money. We have made recommendations to assist the Council in meeting its responsibilities.
- 10 This letter also communicates the significant issues to key external stakeholders, including members of the public. We will publish this letter on the Audit Commission website at [www.audit-commission.gov.uk](http://www.audit-commission.gov.uk). [In addition the Council is planning to publish it on its website].
- 11 Your appointed auditor is responsible for planning and carrying out an audit that meets the requirements of the Audit Commission's Code of Audit Practice (the Code). Under the Code, your auditor reviews and reports on:
  - the Council's accounts;
  - whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources (value for money conclusion); and
  - whether the Council's best value performance plan has been prepared and published in line with legislation and statutory guidance.
- 12 This letter includes the latest assessment on the Council's performance under the CPA framework, including our Direction of Travel report and the results of any inspections carried out by the Audit Commission under section 10 of the Local Government Act 1999. It summarises the key issues arising from the CPA and any such inspections. Inspection reports are issued in accordance with the Audit Commission's duty under section 13 of the 1999 Act.
- 13 We have listed the reports issued to the Council relating to 2007/08 audit and inspection work at the end of this letter.

# How is the Council performing?

14 The Audit Commission’s overall judgement is that the Council is improving well and we have classified it as four-star in its current level of performance under the Comprehensive Performance Assessment. These assessments have been completed in all single tier and county councils with the following results.

**Figure 1 Overall performance of councils in CPA**



Source: Audit Commission (percentage figures may not add up to 100 per cent due to rounding)

**Our overall assessment - the CPA scorecard**

**Table 1 CPA scorecard**

<b>Element</b>	<b>Assessment</b>
Direction of Travel judgement	Improving well
<b>Overall</b>	four star
Corporate assessment/capacity to improve	3 out of 4
Current performance:	
Children and young people*	3 out of 4
Social care (adults)*	3 out of 4
Use of resources*	3 out of 4
Housing	3 out of 4
Environment	3 out of 4
Culture	3 out of 4
Benefits	4 out of 4

(Note: \* these aspects have a greater influence on the overall CPA score)  
(1 = lowest, 4 = highest)

**The improvement since last year - our Direction of Travel report**

- 15 The Direction of Travel report sets out progress against local priorities, considers comparable performance for 2007/08 and comments on current plans for improvement. It measures how well the Council is improving.
- 16 The Council is improving well. The Council is delivering improvements in its five key priority areas, particularly in social care, economic development and public transport usage. It has achieved good performance ratings for services for children and young people and social care services for adults. The Council is improving employment opportunities, particularly for the most vulnerable and is delivering sustained improvements in some of its more challenging areas, most notably, benefits, recycling and waste disposal. The Council continues to under-perform in meeting the Government's Decent Homes Standard. The Council with its partners has developed clear and appropriate ambitions and priorities to meet the strategic challenges facing the city. Their joint inequalities review has placed a clear emphasis on meeting the needs of the most vulnerable. Good capacity exists to deliver and improve services through strong partnership working and effective project management. Resource and performance management are developing. The Council has successfully targeted its high cost services and provides value for money in the majority of its services.



## How is the Council performing?

### Performance of the Council as a whole

- 17 In 2007/08 the Council's overall performance as measured by an Audit Commission basket of national performance indicators is within the average range for all Councils. The proportion of indicators for which the Council is performing in the 'best' 25 per cent is 28 per cent, just below the national average of 30 per cent. The track record for improvement for the last three years is also just below the average range for all Councils.
- 18 Overall costs are slightly above the national average. However, taking account of local contextual issues, costs are in line with the national average. The Council services represent good value for money.
- 19 The Council has identified five priority areas and it achieves well in most areas. The priorities are defined as:
  - protect the environment while growing the economy;
  - reducing inequality by increasing opportunity;
  - fair enforcement of the law;
  - better use of public money; and
  - open and effective city leadership.

These corporate priorities are reflected in and align with the city's sustainable community strategy 'Creating a city of opportunity'. The following paragraphs set out the extent of improvement in local priority areas.

### Protect the environment while growing the economy

- 20 In its priority to protect the environment while growing the economy, the majority of performance indicators in the basket of national indicators are showing steady improvement. Environment and cultural services are performing well above the average. Housing performance against the Decent Homes Standard however is performing significantly below the national average and performance on the majority of housing performance indicators is below the national average.
- 21 The Council continues to maintain the highest levels of satisfaction for local bus services. In partnership with the local bus company it has invested significant funds and implemented its local transport plan to improve customer access to public transport information. Examples include real time bus information, accessible bus stops and the award winning talking bus stops initiative.
- 22 The Council is proactive in stimulating the local economy to attract new businesses and ensure that people have the right skills and qualifications to enter the job market. It has provided a significant number of local jobs through the Local Employment Partnership (LEP) programme to support the long term unemployed and get people with disabilities back into work. It has also employed employment specialists to work with people with severe and enduring mental health problems to get into paid work, volunteering and education.

- 23** The Council has improved recycling rates and has reduced the average amount of waste produced per head of population, with only 55 per cent going to landfill this year compared to 84 per cent in 2003/04. It has made significant reductions in carbon emissions, achieving savings against a backdrop of rising energy costs. Indicators for carbon emissions show performance in the top 25 per cent of councils.
- 24** The Council's approach to housing is not fully effective. The Council's rate of improvement is below the national average with only 50 per cent of performance indicators improving compared to the national average of 63 per cent in 2007/08. The Council has had some success in managing the housing market by reducing private sector vacancy levels and bringing high numbers of private sector empty properties back into use. However, the performance in meeting the decent homes standard, the percentage of urgent repairs completed on time and in reducing the numbers in temporary accommodation remains worst 25 per cent, when measured against the national indicator set. Performance for these three indicators has deteriorated since 2006/07. However, recent actions taken by the Council in response to changes in national policy has led to some marginal improvement in the numbers of households in temporary accommodation. The Council is working towards the establishment of a local delivery vehicle for the Council's housing stock, but the current economic climate and the scale of this work continue to represent major challenges. We will continue to monitor progress and review whether inspection activity is appropriate during 2009/10.

### Reducing inequality by increasing opportunity

- 25** The Council is making good progress in increasing opportunities for the majority of children and young people in Brighton & Hove. Performance against the national indicator set shows average improvement overall, however, the Council has seen a marked improvement in the number of indicators in the best 25 per cent.
- 26** There are many examples of priorities being translated into action and having an impact on the quality of life of children and young people. These include steady improvement in educational attainment, improvements in post-16 participation rates and significant reductions in the numbers of young people (including Looked After Children and disabled children) not in employment, education or training. Adoption levels are very high. There is very effective targeting of those at risk of offending. There are increased opportunities for exercise across the city, particularly in schools, with a 100 per cent of schools achieving healthy schools status in 2008. However, progress in reconfiguring special needs provision to reduce the over reliance on out of city placements and specialist provision has been very slow. In addition, some priority service areas are delivering mixed performance, most notably, the time taken to undertake looked after children reviews and the proportion of supervised young offenders engaged in education, training or employment. Fixed term exclusions from secondary schools, including for children and young people with statements of special educational need are high and attendance remains low. Placement stability for looked after children also remains in the worst 25 per cent of councils.

## How is the Council performing?

- 27** Adult social care is consistently achieving good performance and effective coverage through innovation, partnership working and focusing on independence. There are improving outcomes for older people and the most vulnerable, particularly the levels of intensive home care and those helped to live at home. The Council has been successful in ensuring high numbers of people with mental health problems and very high numbers of younger physically disabled people are helped to live at home. There is a higher than average number of drug users sustained in or completing treatment and there are numerous examples of specific services and support for people with HIV and AIDS. The Council has also increased the number of completed reviews and the percentage of people who receive a statement of their needs. Although the rate of improvement this year in the delays in discharging people from hospital and in the provision of direct payments has been higher than comparator councils, the performance remains significantly below the national average.
- 28** The Benefits service has seen an improvement in service performance from a relatively low base. Actual performance for the processing of new claims and for change of circumstances, although below the national average is steadily improving. In addition, user satisfaction levels and performance for the number of cases processed correctly are both above the national average and improving.

### Fair enforcement of the law

- 29** The Council's priority 'fair enforcement of the law' is showing mixed performance overall. Planning has not sustained the improvement in performance that began in 2005. The speed of processing planning applications has deteriorated for all types of planning applications during 2007/08 and is now below the national average. Major applications determined within 13 weeks have fallen from 76 per cent in 2006/07 to 64 per cent in 2007/08 and minor applications from 80 per cent to 66 per cent.
- 30** The fear of crime continues to reduce. Working with its partners, the Council has reduced the levels of violent crime, acquisitive crime, the number of sexual and physical assaults. The Council has also improved hygiene standards within the city with the number of premises being rated as good and excellent increasing and its activities to reduce domestic violence activities have received national recognition.

### Better use of public money

- 31** Council services represent good value for money. The Council has undertaken a 'roots and branch' review of all of its high cost services in 2007/08. It has adopted a systematic and integrated approach for managing, monitoring and addressing its higher spending services. Monitoring through the 'corporate critical budgets' process, value for money improvement programme and service reviews ensures that service improvement and value for money is sustained. This has delivered significant annual efficiency savings and is now providing good value for money in the majority of services.

### Open and effective city leadership

- 32** Progress in delivering this priority remains mixed and many of the improvements remain work in progress and are not yet embedded. The Council has implemented a new leader/cabinet model in 2008. Web-casting of Council meetings has been introduced to improve public access to meetings, and the Council is improving public accessibility to Council buildings. The Council, with its partners, is seeking to improve inclusion and participation in its democratic processes and has established with partners a City Inclusion Partnership. Work towards the implementation of single status is making some progress and the Council has recently revised its workforce plan to reflect current priorities for workforce improvement. The Council's performance management framework has been refreshed. A corporate programme for monitoring completed Equality Impact Assessments had been developed, but there is evidence of inconsistent application of the assessment process across all service areas. The Council is currently assessed at level 2 of the equality standard for local government and will be re-assessed in March 2009.
- 33** The Council is making a good contribution to the delivery of wider community outcomes. The Council with its partners has been active in developing clear and appropriate ambitions and priorities to meet the strategic challenges facing the city. It has clear understanding of the challenges to the quality of life within the city resulting from the changes in demographics and needs. A Reducing Inequalities Review has been used to shape local priorities. As a result, the Council is placing a renewed emphasis on tackling disadvantage in its communities according to need, particularly by improving access to, and skills for, employment.
- 34** The Council consults well with its service users to shape services. There are good examples of work with hard to reach groups on specific service development for example with people with HIV and AIDS, in its development of a new facility for young mothers and the adaptation of the housing reception facilities for transgender clients.
- 35** The Council has been effective in providing comprehensive information, advice and support for adult clients and their carers. All are actively involved in the development work, planning, review and the commissioning of services. For example, people with physical and sensory disabilities were key partners in the development of both direct payments and the emerging self-directed support strategy. The Council has also taken hard decisions to stay on track, such as its review of services in adult social care which has involved closure of popular facilities for longer term gains for service-users.
- 36** The Council is taking proactive and co-ordinated steps to improve and embed its approach to equalities and is taking action to improve outcomes in terms of access and tailored services for all users. The Council is beginning to deliver some improvements in access and there some good examples of the Council with partners reshaping services to meet community needs. Local communities and groups, including voluntary and community organisations generally feel listened to but there is scope for improved engagement of some hard to reach groups in informing Council priorities and influencing service design and improvement.

## How is the Council performing?

37 There is a mixed track record in delivering 2005-2008 LAA targets. Performance continues to be strong in some key areas such as reducing acquisitive crime and working with offenders to reduce repeat offending, bringing private sector empty properties back into use, reducing illegal drugs misuse by retaining drug users in treatment and increasing the percentage of schools achieving the Healthy Schools Standard. The two key targets that continue to be missed are falls prevention and road safety.

### Sustaining future improvement

- 38 The Council has a good track record of securing improvements. In the last eighteen months it has successfully completed a programme of value for money reviews, which has driven improvement throughout the organisation.
- 39 The Council is clear about what it wants achieve and is developing objectives and targets to measure the delivery of its ambitions and priorities and aligns high level plans with city wide community priorities. Council improvement plans such as the Children and Young People's plan have specific, measurable, achievable and timed milestones, with responsibility allocated to individuals.
- 40 The performance management arrangements have been strengthened and re-launched in 2008, but a performance management culture that consistently drives improved outcomes is not yet fully embedded. The Council has refreshed its performance management and planning processes, following the introduction of the 2008-2011 Corporate Plan. It has adopted a corporate standard for performance management introducing a new performance management framework with clear processes, documentation and guidance. There is a clear pathway from the high level plans, service delivery plans and individual work plans. Service impact is however not yet being consistently evaluated which restricts the Council's ability to establish how effective services are. The Council is tackling the variability in the quality of service plans. It is also working on improving target setting so that service targets are SMART<sup>1</sup> and focus on delivering outcomes for local people rather than activities. There is further scope to make better use of complaints and user feedback information to inform service improvement and redesign. Work to align performance management and human resources information continues.
- 41 Performance management systems are in place for the Local Strategic Partnership with regular performance information being shared between the partners and used effectively, for example to inform the Local Area Agreement refresh. Although these arrangements are relatively new, early signs are that they are working well. There are also well established systems in areas such as community safety, where the community partnership uses shared information to target hot spots.
- 42 The Council has the capacity to deliver its plans, but there are significant future challenges. The Council continues to manage Council business effectively through strong partnership working and robust project management. However, progressing workforce planning, the financial impact of single status, improving current sickness rates are challenges that, if not well managed, may impede future improvement.

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<sup>1</sup> Specific, Measurable, Achievable, Realistic, Timed.



- 43 A council-wide approach to workforce planning is developing, but is at an early stage. The Council has not yet fully implemented an overarching Council-wide workforce plan setting out how the Council and partners will meet its medium to long term needs. HR information for services is still not always timely and fit for purpose. Staffing capacity has been strengthened by the appointment of the two new executive directors and the repositioning of the corporate focus to improve strategic HR, performance management and equalities. The Council is currently seeking to recruit a replacement for the chief executive, who is retiring. Sickness rates in some key services however continue to be above the average. Steps have been taken to improve absence management over the last 18 months but so far these have had only had limited impact. The Council has vacancies in some key posts but overall recruitment levels are good and the Council is working on improving retention levels by developing an approach to succession planning and career pathways.
- 44 The Council arrangements for ensuring diversity and equality in the workforce are continuing to develop. There is a corporate training offer on equalities for staff and Councillors, but this is not mandatory and there are only limited e-learning modules provided as part of the induction process. The staff profile does not yet fully reflect changing demographics, especially numbers of BME residents. Performance compared to all other Councils remains below the average, in relation, to the number of BME employees in the top 5 per cent of earners and the percentage of staff from the BME community. The Council is however working proactively towards improving BME representation for example through the diversity recruitment campaigns and the BME/Disabled persons' career mentoring scheme. The number of women and disabled staff in the workforce and in senior positions is well above the average. The Council also has well-established staff networks for BME staff, disabled and LGBT and the Council has been ranked as the third best employer and best local government employer by Stonewall.
- 45 The Council has robust project management processes successfully delivering a number of major projects such as the improved street scene along Brighton's seafront, the community library at Coldean and it is in the process of renovating the Brighton Centre. The Council continues to focus on these major projects to drive economic improvement and attract the business community to the city, as part of it's priority for growing the economy.
- 46 Partnership working is strong and is helping to build capacity and continues to have an impact on outcomes. The Council has strong and effective relationships with partners both through the Local Strategic Partnership – 2020 Community Partnership and the Public Services Board.

## How is the Council performing?

### Service inspections

- 47 An important aspect of the role of the Comprehensive Area Assessment Lead is to work with other inspectorates and regulators who also review and report on the Council's performance. We share information and seek to provide 'joined up' regulation to the Council. During the last year the Council has received the following assessments from other inspectorates.
- 48 CSCI judged that the Council delivered 'good' outcomes as a result of services offered and that it has 'promising' capacity for future improvement. The assessment is summarised as follows.

**Table 2 Adult social care performance judgements for 2007/08**

Areas for judgement	Grade awarded
Delivering outcomes	<b>Good</b>
Improved health and emotional well being	Good
Improved quality of life	Good
Making a positive contribution	Excellent
Increased choice and control	Good
Freedom from discrimination or harassment	Good
Economic well being	Good
Maintaining personal dignity and respect	Good

### Children and young people

- 49 The overall effectiveness of services for children and young people was judged by the Office for Standards in Education (Ofsted) as a 3 (out of 4 with 4 being the highest) and the capacity to improve including the management of services for children and young people's services was also rated as a 3 (on a similar scale)

Assessment judgement area	Grade awarded
Overall effectiveness of children's services	3
Being healthy	3
Staying safe	3
Enjoying and achieving	3
Making a positive contribution	3

## How is the Council performing?

Assessment judgement area	Grade awarded
Achieving economic wellbeing	3
Capacity to improve, including the management of services for children and young people	3

Inspectors make judgements based on the following scale: 4: outstanding/excellent; 3: good; 2: adequate; 1: inadequate

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# The audit of the accounts and value for money

- 50 Your appointed auditor issued the annual governance report for 2007/08 to the Audit Committee in September 2008 which set out the key findings from our audit of the accounts and the work done in arriving at the vfm conclusion. The auditor subsequently issued the formal audit report, providing an unqualified opinion on your accounts and a conclusion on your vfm arrangements to confirm that they were adequate, on 30 September 2008.
- 51 Our audit of the accounts showed that the Council has improved its arrangements to produce its financial statements from last year. There were a small number of items above our triviality level of £0.5 million that we needed to report. We noted that in most cases officers had adjusted the accounts. However, there were some where the amendments had not been made and these were highlighted for the Audit Committee's attention. A number of these items related to fixed asset accounting and the auditor made recommendations to implement improved arrangements in future years.
- 52 The report on the Council's Best Value Performance Plan dated 21 December 2007 confirmed that there were no matters to report or recommendations to make.

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## Use of Resources

- 53 The findings of the auditor are an important component of the CPA framework described above. In particular the use of resources score is derived from the assessments made by the auditor in the following areas.
- Financial reporting (including the preparation of the accounts of the Council and the way these are presented to the public).
  - Financial management (including how the financial management is integrated with strategy to support council priorities).
  - Financial standing (including the strength of the Council's financial position).
  - Internal control (including how effectively the Council maintains proper stewardship and control of its finances).
  - Value for money (including an assessment of how well the Council balances the costs and quality of its services).
- 54 For the purposes of the CPA we have assessed the Council's arrangements for use of resources in these five areas as follows.

**Table 3 Use of resources scores 2007/08**

<b>Element</b>	<b>Assessment</b>
Financial reporting	3 out of 4
Financial management	3 out of 4
Financial standing	3 out of 4
Internal control	3 out of 4
Value for money	3 out of 4
<b>Overall assessment of the Audit Commission</b>	<b>3 out of 4</b>

Note: 1 = lowest, 4 = highest

55 Overall the Council is performing consistently above minimum requirements and the scores for financial reporting, financial standing and value for money have increased from a 2 to a 3 since last year. There was a marked improvement in the presentation and accuracy of the 2007/08 accounts and associated working papers although there is opportunity to improve the accounting for fixed assets in future. The Council has improved its arrangements to secure its financial standing, for example investing in revised income collection procedures such as the use of different collection methods for the various income streams. The Council developed a more formalised programme for reviewing value for money in mid-2007 and this has resulted in improved outcomes in some services. The Council has demonstrated its commitment to improving the way it uses its resources and has a good foundation to improve further.

### Workforce planning progress report

56 As part of our 2005/06 audit we reported on workforce planning and identified thirteen recommendations for improvement. These were broadly in relation to the Council's:

- overarching people strategy;
- workforce plans;
- approach to succession planning;
- knowledge of skills base and use of competencies; and
- equality and diversity in employment.

## The audit of the accounts and value for money

- 57 We identified shortcomings in using workforce planning and these were risks to the Council as it was missing opportunities to build capacity within its own workforce for the delivery of the Council priorities. Sickness rates were comparatively high and the Council was facing recruitment and retention issues in some key staff groups which affected the delivery of some services. Progress overall had been slow in developing key human resource policies and strategies, particularly workforce and succession planning and this prevented the Council's staffing resources being confidently and securely aligned to its needs. Our work this year established the progress made by the Council against the recommendations made.
- 58 Overall progress has been slower than expected. The Council is putting in place the right building blocks to enable it to meet both its present and future workforce challenges. This has taken some time and has yet to make an impact but it should mean that the Council will be in a stronger position to bridge its skills gaps.
- 59 The Council's corporate plan 2008/11 sets out a clear commitment to be an employer of choice and workforce planning is identified as a key task. A draft People Strategy was at an early stage of development and links with the draft Workforce and Organisational Development Plan were developing. The delivery of these is important if the Council is to ensure it has appropriate skilled staff in place to meet its priorities.
- 60 The draft Workforce and Organisational Development plan was aligned to the Council's corporate plan but was not supported by an action plan and some directorate workforce plans were not in place. Succession planning had been considered but was not implemented. Progress in these areas is needed if the Council is to progress.
- 61 The Council was unable to establish comprehensively the skills base of its workforce. It had refreshed and re-launched its business planning framework which included the requirement for each staff member to have a personal development plan but at the time of the audit less than 70 per cent of staff had a plan. Without appropriate arrangements to assess the skills of employees and to develop them further the Council might not deliver its services in the most effective way.
- 62 Level 3 of the nationally promoted Equality Standard was being sought but had not been achieved. Key areas for improvement include:
- embedding Equality Impact Assessments (EIAs);
  - business planning has yet to consistently incorporate equality objectives;
  - equalities monitoring is not fully developed; and
  - the Council has yet to develop a joint action plan to improve recruitment retention and career development of staff from all parts of the community.
- 63 The Council is maintaining a focus on workforce issues and there will be a formal update within the Annual Governance Statement for 2008/09. We will assess this as part of our work on the audit opinion in summer 2009 and monitor subsequent developments as part of our 2009/10 audit.

### Advice and Assistance work

- 64 We undertook a review in the Children and Young People's Trust (CYPT) to support the Council's value for money review programme. Our focus was on improving value for money by identifying those services where value for money was lowest and to support the Council in developing action plans for improvement.
- 65 The review found that the high-spending areas were:
- looked after children (LAC) because of high numbers of agency and external placements; and
  - children with special educational needs because of high numbers in out of authority placements and high levels of funding of special schools.
- 66 While the Council has made a clear commitment to improving value for money in children's social care and has appropriate arrangements in place to achieve this, these had not yet delivered the high levels of reduction in numbers of LAC. The arrangements include support for early intervention, more robust budget management and commissioning appropriate alternatives to care. The reduction targets set were not realistic in that they did not take account of the time needed for these interventions to have an impact on the numbers.
- 67 The work suggested that the CYPT had not maximised value for money in support of children with special educational needs. There was opportunity to reinforce strongly an inclusive, rather than a statement-based, culture with earlier intervention.
- 68 A seminar was held with the CYPT's senior management team which resulted in the proposal for a set of actions that were to be combined in the form of an action plan to target improvement in value for money.

# Looking ahead

- 69 The public service inspectorates have jointly developed a new local assessment performance assessment framework, the Comprehensive Area Assessment (CAA). CAA will provide the first holistic independent assessment of the prospects for local areas and the quality of life for people living there. It will put the experience of citizens, people who use services and local tax payers at the centre of the new framework, with a particular focus on the needs of those whose circumstances make them vulnerable. It will recognise the importance of effective local partnership working, the enhanced role of Sustainable Communities Strategies and Local Area Agreements (LAAs) and the importance of councils in leading and shaping the communities they serve.
- 70 CAA will have two main elements which will inform each other. Area assessments will look at how well local public services are delivering better results for local people in local priorities and how likely they are to improve in the future. Organisational assessments will look at the effectiveness of individual public bodies. For councils this assessment will combine use of resources and managing performance themes into a single combined assessment.
- 71 The first results of our work on CAA will be published in the autumn of 2009. This will include the performance data from 2008/09, the first year of the new LAAs.

# Closing remarks

- 72** This letter has been discussed and agreed with the Cabinet and chief officer's management team. A copy of the letter will be presented at the Audit committee on 31 March 2009. Copies need to be provided to all Council members.
- 73** Further detailed findings, conclusions and recommendations on the areas covered by audit and inspection work are included in the reports issued to the Council during the year.

**Table 4 Reports issued**

Report	Date of issue
Audit and inspection plan	July 2007
Auditor's report on the BVPP 2007/08	December 2007
Value for money in children's services	May 2008
Annual governance report	September 2008
Opinion on financial statements	September 2008
Value for money conclusion	September 2008
Final accounts memorandum	November 2008
Use of resources	November 2008
Data quality	November 2008
Workforce planning progress review	November 2008
Annual audit and inspection letter	March 2009

- 74** The Council has taken a positive and constructive approach to audit and inspection work, and I wish to thank the Council's staff for their support and cooperation during the audit.

### Availability of this letter

- 75** This letter will be published on the Audit Commission's website at [www.audit-commission.gov.uk](http://www.audit-commission.gov.uk), and also on the Council's website.

**Sandra Prail**  
**Comprehensive Area Assessment Lead (Sussex)**

March 2009

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# The Audit Commission

The Audit Commission is an independent watchdog, driving economy, efficiency and effectiveness in local public services to deliver better outcomes for everyone.

Our work across local government, health, housing, community safety and fire and rescue services means that we have a unique perspective. We promote value for money for taxpayers, auditing the £200 billion spent by 11,000 local public bodies.

As a force for improvement, we work in partnership to assess local public services and make practical recommendations for promoting a better quality of life for local people.

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**Subject:** Internal Audit Charter  
**Date of Meeting:** 31<sup>st</sup> March 2009  
**Report of:** Interim Director of Finance & Resources  
**Contact Officer:** Name: Ian Withers Tel: 29-1323  
E-mail: [ian.withers@brighton-hove.gov.uk](mailto:ian.withers@brighton-hove.gov.uk)  
**Wards Affected:** All

### FOR GENERAL RELEASE

#### 1. Summary and Policy Context

- 1.1 The purpose of this report is to seek member's annual approval for the Internal Audit Charter and amendments made.

#### 2. Recommendations

The Audit Committee is recommended to approve the amended Internal Audit Charter at Appendix A.

#### 3. Background Information

- 3.1 The City Council is required under the Accounts & Audit Regulations 2003 (as amended 2006) to make provision for an internal audit function in accordance with the Chartered Institute of Public Finance & Accountancy's Code of Practice for Internal Audit in Local Government.
- 3.2 The Code of Practice for internal audit specifically requires Audit & Business Risk to have an Internal Audit Charter (Terms of Reference) and for this to be regularly reviewed and approved.
- 3.3 The Internal Audit Charter, Internal Audit Strategy and Annual Plan complemented by regular reports are intended to provide the Audit Committee assurances regarding how the internal audit function is managed, organised and delivers its service in meeting its statutory and the City Council's requirements.
- #### 4. Internal Audit Charter
- 4.1 The Charter has been fully reviewed and revised to ensure it reflects current requirements and working arrangements. The Charter will be included in various internal documents and will be made available to all members and employees through the City Council's intranet site.
- 4.2 The revised Internal Audit Charter is attached at Appendix A to this report. Changes are marked in bold type for reference.

## **8. FINANCIAL & OTHER IMPLICATIONS:**

### **8.1 Financial Implications:**

There is no direct financial impact of the Internal Audit Charter. Internal Audit will be delivered within existing budgetary resources.

*Patrick Rice*

*18<sup>th</sup> March 2009*

### **8.2 Legal Implications:**

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

*Oliver Dixon*

*18<sup>th</sup> March 2009*

### **8.3 Equalities Implications**

There are no direct equalities implications arising directly from this report

### **8.4 Sustainability Implications:**

There are no direct sustainability implications arising from this report.

### **8.5 Crime & Disorder Implications:**

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

### **8.6 Risk and Opportunity Management Implications:**

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

### **8.7 Corporate / Citywide Implications:**

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

## **SUPPORTING DOCUMENTATION**

### **Background Documents**

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



## Internal Audit Charter

### 1. Purpose

- 1.1 This purpose of this charter is to **set out the Terms of Reference for the provision of Internal Audit Service within Brighton & Hove City Council. The Charter is reviewed and approved on an annual basis to ensure that current needs are met.**

### 2. Role and Function

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

### 3. Reporting Lines & Relationships

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

### 4. Independence and Accountability

- 4.1 **Internal Audit will remain sufficiently independent of the activities that it audits to enable auditors to perform their duties in a manner,**

which facilitates impartial and effective professional judgements and recommendations. Internal auditors have not operational responsibility.

4.2 Internal Audit is involved in the determination of its priorities in consultation with those charged with governance. Internal Audit has unrestricted access to officers, members, council records and to report in its own name.

4.3 The existence of an internal audit function within the City Council does not diminish the responsibility of management to establish systems of internal control to ensure that activities are conducted in a secure, efficient and well ordered manner.

### 5. Statutory Role

5.1 Internal auditing is provided as a statutory service in the context of the Accounts & Audit Regulations 2003 (as amended 2006), which states that a relevant body shall maintain an adequate and effective system of internal audit of its accounting systems and its system of internal control in accordance with the proper Internal audit practices.

5.2 The statutory role is recognised and endorsed within the City Council's Financial Regulations, which provides the authority for unlimited access to officers, Members, documents and records and to require information and explanation necessary.

### 6. Consultancy and Advisory Role

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

### 7. Internal Audit Standards

7.1 There is a statutory requirement for Audit & **Business Risk** to work in accordance with the 'proper audit practices'. These are effectively the

CIPFA Code of Practice for Internal Audit in Local Government that accompanies the Accounts & Audit Regulations 2003 (as amended 2006).

### 8. Internal audit Scope

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

### 9 Internal audit Resources

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

### 10. Fraud and Corruption

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

### 11. Reporting Accountabilities

- 11.1 A written internal audit report will be prepared for every audit carried out and issued to the appropriate manager responsible for the area under review. Internal audit reports will include an 'opinion' on the risk and adequacy of controls, which together will contribute to the annual audit opinion on the City Council's control environment.
- 11.2 Audit & Business Risk will make practical recommendations based on the findings of the audit work and discuss these with management to establish appropriate action plans.
- 11.3 Management are expected to implement all agreed recommendations within a reasonable timeframe. Each internal audit will be followed up normally within six months of issue, in order to ascertain whether agreed actions have been implemented effectively.
- 11.4 The Head of Audit & **Business Risk** reports regularly to the Audit Committee on progress made against the Annual Audit Plan and the summarised outcomes of individual audits.
- 11.5 The Head of Audit & **Business Risk** provides an Annual Internal Audit Report to the Audit Committee that includes an opinion on the adequacy and effectiveness of the control environment.

### 12. Responsibilities

- 12.1 In meeting its responsibilities, the activities of Audit & Business Risk will be conducted in accordance with the City Council's objectives, established policies and procedures. In addition, internal auditors



comply with the Code of Practice for Internal Audit in Local Government (CIPFA).

- 12.2 Audit & Business Risk will co-ordinate effectively with the Audit Commission (as the City Council's appointed external auditors) for optimal audit coverage and to ensure that appropriate reliance can be placed on internal audit work.
- 12.3 Audit & Business Risk will work the internal audit functions of the City Council's partner organisations to ensure the robustness of controls and risk management arrangements, to protect the City Council's interests.



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