

BRIGHTON & HOVE CITY COUNCIL

AUDIT COMMITTEE

4.00pm 14 DECEMBER 2010

COMMITTEE ROOM 1, HOVE TOWN HALL

MINUTES

Present: Councillors Hamilton (Chairman), Watkins (Deputy Chairman), Kitcat, Oxley, Randall, Simpson, Smith, Simson and K Norman

PART ONE

41. PROCEDURAL BUSINESS

41a Declaration of Substitutes

41.1 Councillor Ken Norman was attending as substitute for Councillor Ann Norman and Councillor Simson was attending as substitute for Councillor Drake.

42b Declarations of Interest

42.2 Councillors Randall and Simpson declared a personal but not prejudicial interest on any matter regarding the Local Delivery Vehicle (LDV) due to their capacity as Board Members.

42c Exclusion of the Press and Public

42.3 In accordance with section 100A of the Local Government Act 1972 ('the Act'), the Audit Committee considered whether the press and public should be excluded from the meeting during an item of business on the grounds that it was likely, in view of the nature of the business to be transacted or the nature of the proceedings, that if members of the press or public were present during that item, there would be disclosure to them of confidential information (as defined in section 100A(3) of the Act) or exempt information (as defined in section 100I of the Act).

42.4 **RESOLVED** - That the press and public be excluded from the meeting during consideration of item 58 Non-Public Minutes of the Previous Meeting, item 59 Fraud Risk Analysis and 60 Corporate Risk Management Action Plan Focus as these items were exempt under Paragraph 3 of Schedule 12A of the 1972 Act (information relating to the financial or business affairs of the authority).

42. MINUTES OF THE PREVIOUS MEETING

- 42.1 **RESOLVED-** That subject to one amendment of grammatical error the minutes of the previous meeting held on 28 September 2010 be approved and signed as the correct record.

43. CHAIRMAN'S COMMUNICATIONS

- 43.1 The Chairman invited Members to a brief end of year function to be held after the meetings conclusion.

44. PUBLIC QUESTIONS

- 44.1 There were none.

45. WRITTEN QUESTIONS FROM COUNCILLORS

- 45.1 There were none.

46. DEPUTATIONS

- 46.1 There were none.

47. PETITIONS

- 47.1 There were none.

48. LETTERS FROM COUNCILLORS

- 48.1 There were none.

49. TREASURY MANAGEMENT POLICY STATEMENT 2010/11 (INCLUDING ANNUAL INVESTMENT STRATEGY 2010/11)– MID YEAR REVIEW

- 49.1 The Committee considered a report of the Director of Finance which informed Members of the action taken during the period April to September 2010 to meet the Treasury Management Policy Statement and practices and the investment strategy.
- 49.2 Councillor Kitcat queried that if, as addressed in item 3.3 of the report “the return on investments by the in-house treasury team and cash manager has significantly exceeded the target rate” why, as noted in item 5.1 “£150,000 from the reserve set up to offset the projected short term reductions in investment income will be needed during 2010/11”.

- 49.3 The Loans and Technical Manager responded that investment income, although higher than the benchmark, was below the projected return at the time the 2010/11 Budget was agreed. This was demonstrated in the performance table in item 3.9.
- 49.4 The Chairman asked if the increase in the risk indicator rating was expected to continue.
- 49.5 The Loans and Technical Manager clarified that there was very little risk within the investment portfolio overall as a result of limiting the maximum period for investments to 3 months. An extension to the maximum period was currently being considered to improve the return on investments. The proposal is likely to increase marginally the risk in the investment portfolio but still within the 0.05% indicator agreed within the Annual Investment Strategy.
- 49.6 **RESOLVED-** That the report is noted by the Committee.

50. PROPOSED REVIEW ON THE EFFECTIVENESS OF THE AUDIT COMMITTEE

- 50.1 The Committee considered a report of the Director of Finance on the proposed review of the effectiveness of the Audit Committee. It would be the first review of the Committee since its inception in 2008 and Member involvement was requested. The review would be completed by February 2011 and subsequently brought as a report to the April 2011 Audit Committee meeting.
- 50.2 Councillor Oxley conveyed his strong approval of the proposals and requested clarification of the definition of 'key officers and members' as addressed in the report.
- 50.3 The Chairman suggested this would entail himself and the Deputy Chairman as well as a nominated representative from each party. Members were in agreement with this proposal.
- 50.4 **RESOLVED-** the Audit Committee Members agree the proposed review on the effectiveness of the Audit Committee

51. INTERNAL AUDIT PROGRESS REPORT 2010/11

- 51.1 The Committee considered a report of the Director of Finance that summarised the progress by Audit and Business Risk against the Internal Audit Plan for 2010/11. The report provided results from the reviews completed since September and reported the achievement against Internal Audit Key Performance Indicators. The Audit and Business Risk Manager supplemented that no audits had been given limited or no assurance thus far.
- 51.2 The Chairman noted that 31% of audits were yet to have started and asked the Audit and Business Risk Manager if he could give assurance that these would be completed within the next three and a half months.

- 51.3 The Audit and Business Risk Manager concurred that there were a high number of reviews remaining but he anticipated that many of these would have a short timescale so he was confident that these would be completed within the required deadline.
- 51.4 Councillor Randall requested further information on the one high priority- Residential Care for the Elderly. The Audit and Business Risk Manger responded that he didn't have the details for this risk to hand but would provide them to Councillor Randall subsequent to the meetings conclusion.
- 51.5 Councillor Kitcat asked if there were still vacancy issues within Internal Audit and Business Risk and if this having an impact on the audit schedule.
- 51.6 The Audit and Business Risk Manager clarified that there were still vacancies within his department. These would be re-evaluated subsequent to an impending structural review.
- 51.7 Councillor Kitcat enquired if the audit arrangement with Deloitte would continue.
- 51.8 The Audit and Business Risk Manger responded that it was and further options relating to this partnership would also be examined as part of the stated structural review.
- 51.9 Councillor Watkins noted that 4.3 considered the sharing of resources with other authorities and asked for further clarity on the subject as he believed such agreements were already in place.
- 51.10 The Audit and Business Risk Manager answered that this related in particular to specialist staff the cost of whom could not be justified in relation to need as a permanent position.
- 51.11 **RESOLVED-** That the Audit Committee note the contents of the progress report, in particular the status of planned internal audit work for 2010/11.

52. ANNUAL GOVERNANCE STATEMENT 2009/10 ACTION PLAN UPDATE

- 52.1 The Committee considered a report of the Director of Finance that provided Members with a progress update on the implementation of actions agreed in the Annual Governance Statement for 2009/10.
- 52.2 Councillor Kitcat queried why staff development for Human Resources and Organisational Development was categorised at 0%.
- 52.3 The Audit and Business Risk Manager clarified that this figure had been given by the Head of Human Resources and Organisational Development.
- 52.4 The Acting Head of Financial Services added that the development of the new Human Resources payroll system had stunted progress and the training programme was now being rolled out.

52.5 **RESOLVED-** That the Audit Committee notes the Annual Governance Statement Action Plan.

53. RISK AND OPPORTUNITY MANAGEMENT (ROM): UPDATE

53.1 The Committee considered a report of the Director of Finance. The report detailed the reasons for the proposed change from a Corporate Risk Register to a Strategic Risk Register to be implemented from April 1st 2011. The report also outlined how Corporate Risks would continue to be managed up to that point and proposals on how a new Performance and Risk Management Framework would enable the better integration of risk management into the council's new operating model.

53.2 Councillor Kitcat asked if the move from a Corporate Risk Register to a Strategic Risk Register was simply highlighting the change of identity in the council operating model.

53.3 The Risk and Opportunity Manager replied that the Strategic Risk Register would reflect risk related to the council's new structural set-up. It would be based on risk assessment against achievement of objectives, as for the Corporate Risk Register it would no longer be aligned to Directors as before and instead be shared across the Corporate Management Team.

53.4 **RESOLVED-** That:

- 1) The Audit Committee notes that a new Strategic Risk Register to replace the current Corporate Risk Register is to be prepared for the Audit Committee's April 2011 meeting.
- 2) The Chair and Deputy Chair of the Audit Committee, between December and April 2011 will meet with the Risk Manager and Head of Audit & Business Risk to be provided with updates on:
 - Progress towards the new Strategic Register
 - Measures to enhance the integration of Risk Management as part of the new council structure

In order that the Committee have an awareness of developments and are assured that risk management and internal control is working effectively during the transitional period.

- 3) Note that the updated Risk Management Action Plans which detail work to address current Corporate Risks have been updated and will be reported under the name "Corporate Risk Management Action Plans Focus" in the confidential session of this meeting.

54. TARGETED BUDGET MANAGEMENT (TBM): MONTH 6 FOR INFORMATION

54.1 The Committee considered a report of the Director of Finance that set out the revenue and capital forecast outturn position as at month six.

54.2 **RESOLVED-** That the Audit Committee notes the report.

55. AUDIT COMMISSION: PROGRESS REPORT

55.1 The Committee considered a report of the Audit Commission that updated Members on audit progress for 2009/10 and changes to the 2010/11 audit approach.

55.2 The Chairman enquired as to developments surrounding the issue of mutualisation of the Audit Commission.

55.3 The District Auditor clarified that a business plan was currently being put together by those involved. The next stage would be to source agreement from the Secretary of State on the proposals which it was hoped would be confirmed by February 2011.

55.4 **RESOLVED-** That the Audit Committee note the report.

56. AUDIT COMMISSION: ANNUAL AUDIT LETTER 2009/10

56.1 The Committee considered a report of the Audit Commission that summarised their findings from the 2009/10 programme of audit work.

56.2 Councillor Oxley referred to the Audit Commission's national survey which rated the Council's performance as "amber" with reference to its project plan for implementation of the International Financial Reporting Standards (IFRS) and asked for further information.

56.3 The Audit Manager explained that due to the Council's transparent and helpful approach, he was very confident there would be progress made on this and a green rating achieved. He would bring this issue back to the Committee in the event this rating did not change.

56.4 **RESOLVED-** That the Audit Committee note the report.

57. AUDIT COMMISSION: REVIEW OF HOUSING REPAIRS AND MAINTENANCE CONTRACT 2009/10

57.1 The Audit Committee considered a report of the Audit Commission on its findings and conclusions from their review of the Council's housing repairs and maintenance contract. This report was now final and an action plan had been agreed with housing officers.

57.2 **RESOLVED-** That the Audit Committee note the report.

58. PART TWO MINUTES OF THE PREVIOUS MEETING (EXEMPT CATEGORY 3)

58.1 **RESOLVED-** That the Part Two minutes of the previous meeting held on 28 September 2010 be approved and signed as the correct record.

59. FRAUD RISK ANALYSIS AND LOSS MEASUREMENT (EXEMPT CATEGORY 3)

59.6 **RESOLVED-** That the Committee note the report.

60. CORPORATE RISK MANAGEMENT ACTION PLAN FOCUS (EXEMPT CATEGORY 3)

60.7 **RESOLVED-** That the Committee note the report.

61. PART TWO ITEMS

61.1 **RESOLVED-** That the above items remain exempt from disclosure from the press and public.

The meeting concluded at 5.50pm

Signed

Chair

Dated this

day of