

BRIGHTON & HOVE CITY COUNCIL

AUDIT COMMITTEE

4.00pm 4 NOVEMBER 2008

COMMITTEE ROOM 1, HOVE TOWN HALL

MINUTES

Present: Councillors Hamilton (Chairman), Alford, Kitcat, Oxley, Watkins (Deputy Chairman), Drake and C Theobald.

PART ONE

36. PROCEDURAL BUSINESS

36A. Declarations of Substitutes

36.1 Councillors Drake, Mrs A Norman and Mrs C Theobald attended in substitution for Councillors Lainchbury, Smith and G Theobald respectively.

36B. Declarations of Interest

36.2 There were none.

36C. Exclusion of Press and Public

36.3 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 100 (1) of the Local Government Act 1972 (as amended).

36.4 **RESOLVED** – That the press and public be excluded from the meeting during consideration of Items 48, Non-public minutes of the previous meeting and 49 relative to “Risk and opportunity Management” Corporate Risk Management Action Plans 2008/09 - both Exempt under paragraph 3.

37. MINUTES OF THE PREVIOUS MEETING

37.1 **RESOLVED** - That the minutes of the meeting held on 30 September 2008 be approved and signed by The Chairman as a correct record .

37B. CHAIRMAN'S COMMUNICATIONS**Role and Responsibilities of the Audit Committee**

37.2 The Chairman explained that following the discussions which had taken place at the previous meeting of the Committee advice had been sought from The Director of Strategy and Governance and the Head of Law . Copies of that advice had been forwarded to all Members of the Committee including those who had been absent from the meeting and those Members who had attended as substitutes.

38. PUBLIC QUESTIONS

38.1 There were none.

39. WRITTEN QUESTIONS FROM COUNCILLORS

39.1 There were none.

40. DEPUTATIONS

40.1 There were none.

41. PETITIONS

41.1 There were none.

42. LETTERS FROM COUNCILLORS

42.1 There were none.

43. AUDIT COMMISSION UPDATE REPORT

43.1 The Representative from the Audit Commission who was present explained that following the previous meeting of the Committee there had been contact between Council Officers and Commission staff which was important in developing a progress report format which would meet the needs of the Council. The Commission was amending the audit and inspection Plan 2008/ 09 in the light of changing circumstances at the Council notably the decision to defer the planned housing inspection. It was anticipated that both the progress report and plan would be brought to the committee's next scheduled meeting which was to take place on 16 December.

43.2 In answer to questions it was explained that in the interim until the updated figures were available the authority's value for money assessments were being used. Preparation of these reports represented a significant piece of work for both officers of the Council and audit Commission staff who sought to ensure that scoring mechanisms used were consistent with those used by local authorities countrywide. A review of ethical governance was also in the progress and was significantly advanced. Some additional work on services was due to start in early 2009.

43.3 **RESOLVED** - That the content of the report be noted.

44. TREASURY MANAGEMENT

44.1 The Committee considered a report of the Director of Finance and Resources relative to treasury management including details regarding how increased investment risk resulting from the current turmoil in the financial markets was managed within the Council's treasury management policy. The purpose of the report was to advise the Committee on key aspects of treasury management, in particular how investment parameters were determined and how investment companies were selected (for copy see minute book).

44.2 The report was supplemented by a presentation on which members had the opportunity to ask questions. Copies of the presentation were subsequently made available to Committee members and for public deposit.

44.3 In answer to questions raised by Councillor Alford relative to funds lodged with the Icelandic Bank (which had formed the subject of a question to the last meeting of full Council), it was explained that criteria used within Brighton & Hove the authority were tighter than those used some authorities and in consequence no investments had been made there had been curtailed some time previously. To put the matter into perspective about 3/4 of local authorities had ceased investing with the Icelandic banks prior to the current difficulties in the financial marketplace.

44.4 Councillor Oxley noted that the Council's investments were currently reviewed monthly and this appeared to mirror what was going on across the money markets as a whole. Councillor Kitcat requested amplification from officers' regarding the pros and cons of using different models. Councillor Watkins stated that given the current parlous state of some of the financial institutions this was a matter which would benefit from constant review .

44.5 **RESOLVED** - That the framework within which investment risk is managed be noted.

45. AUDIT AND ASSURANCE SERVICES PROGRESS REPORT

45.1 The Committee considered a report of the director of Finance and Resources detailing the outcome of internal audit work completed since the previous meeting of the Committee and setting out the position regarding the delivery of the Internal Audit Plan for 2008 / 09 (for copy see minute book).

45.2 It was explained that the Accounts and Audit Regulations 2006 required every local authority to maintain an adequate and effective system of internal audit. Audit and Assurance Services carried out the work to satisfy this legislative requirement and part of its responsibilities lay in reporting on the outcome to the Committee.

45.3 In response to questions of Councillor Kitcat relative to measures to seek to maximise rental income (with particular reference to the Council's seafront properties) it was explained that this work was carried out on the Council's behalf by "Cluttons" and that they had to meet the Council's value for money

requirements and was encompassed within the Council's overall Asset Management Plan.

- 45.4 Councillor Alford raised issues regarding the security of the "public" realm within the Council's buildings. It was explained that robust measures were in place in this respect information in respect of this issue could be considered (if members so wished) at a future meeting. Such information would be exempt from disclosure to the public.
- 45.5 **RESOLVED** - That The contents of the report be noted, in particular the status of internal audit work since September 2008.

46. REVIEW OF EFFECTIVENESS OF INTERNAL AUDIT

- 46.1 The Committee considered a report of the Director of Finance and Resources providing details of the background, process and method by which the Audit Committee could comply with its requirement in considering the outcome of the annual review of the effectiveness of internal audit (for copy see minute book).
- 46.2 In answer to questions of Councillor Watkins relative to the potential cost implications of carrying out an external review it was explained that as a peer review by comparable authorities was envisaged, which would be reciprocated no additional costs were envisaged. The Audit Commission had confirmed that they considered such an approach to be acceptable. A peer review provided a useful tool for reviewing effectiveness.
- 46.3 **RESOLVED –**
- (1) That the Committee approve the process using:
 - Self assessment against the CIPFA Code of practice for Internal Audit in Local Government (2006);
 - A peer review with The London Boroughs of Bexley and Bromley;
 - Use of performance data and comparison with the results of the IPF Benchmarking Exercise 2008;
 - External Audit Review; and an Internal Audit "Customer Satisfaction Survey;"
 - (2) That two Members of the Committee (names to be agreed), participate in the task group for the review ; and
 - (3) That the Committee receives a report to its February meeting providing sufficient evidence and opinion to base the review upon. This to include details of any improvement actions required.

47. RISK AND OPPORTUNITY MANAGEMENT (ROM) : UPDATE

- 47.1 The Council's Risk and Opportunity Manager gave an oral update relative to the Risk and opportunity Management (ROM) update. She explained that TMT were due to update the existing risk register on 12 November and that any changes would be reported to the meeting of the Committee scheduled to take place on 16 December 2008. The Business Continuity Manager had escalated a risk re. security to the banking system in August 2008 via his manager, to the Risk Manager and to the Director of Finance and Resources which demonstrated risk escalation in action.
- 47.2 In respect of the British Standard for Risk Management (BS31 100) the final copy was still awaited. When available, the ROM Strategy would be reviewed against it. Risk workshops with project leads of the Sussex Improvement Partnership had taken place or were in the process of being arranged and an E-learning package for (ROM) was in the development stage with the in house team.
- 47.3 Audit and Assurance's report had been finalised - the report gave "substantial assurance over the risk management processes within the authority. Some opportunities for developing the processes further remain. Use of Resources results were expected in December and those pertaining to Risk Management and Internal Control would be reported to the Committee along with the overall use of resources to the Audit Committee along with the overall score at the earliest possible date. The annual ROM programme would be checked to ensure it addressed any improvement points. ROM training had been carried out with project managers and joint working was in progress. In addition the Risk and Opportunity Manager had been invited to give a presentation at the next Member Development Group on how risks and opportunities should be addressed in reports for decision makers.
- 47.4 **RESOLVED** - That the content of the report be noted.

Part Two Summary**48. NON-PUBLIC MINUTES OF THE MEETING HELD ON 30 SEPTEMBER 2008**

- 48.1 The Chairman was authorised to sign the Non-Public Minutes of the meeting held on 30 September as a correct record.

49. CORPORATE RISK MANAGEMENT ACTION PLANS FOCUS

- 49.1 The Committee considered the four areas of risk which were currently identified as representing the most significant potential risks and the procedures and structures in place to manage them
- 49.2 It was agreed that this would be a standing item on future agendas.

The meeting concluded at 6.10pm

Signed

Chair

Dated this

day of