





Brighton & Hove  
City Council

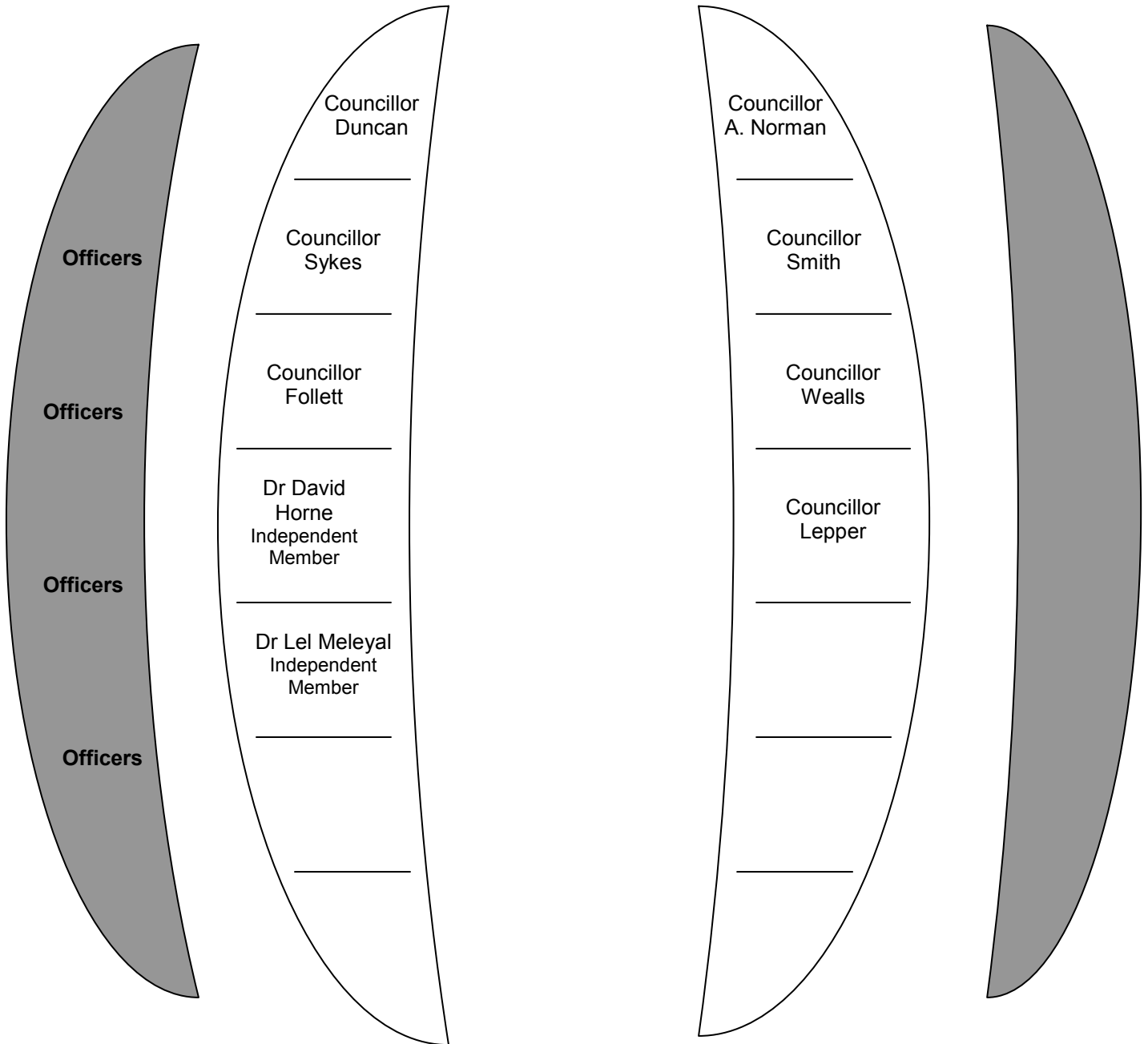
# Audit & Standards Committee

Title:	<b>Audit &amp; Standards Committee</b>
Date:	<b>16 April 2013</b>
Time:	<b>4.00pm</b>
Venue	<b>Council Chamber, Hove Town Hall</b>
Members:	<b>Councillors:</b> Hamilton (Chair), A Norman (Opposition Spokesperson), Duncan, Follett, Lepper, Smith, Sykes and Wealls <b>Co-opted Members:</b> Dr David Horne and Dr Lel Meleyal
Contact:	<b>Ross Keatley</b> Democratic Services Officer 01273 291064 ross.keatley@brighton-hove.gov.uk

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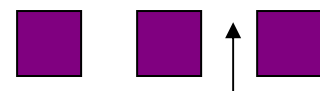
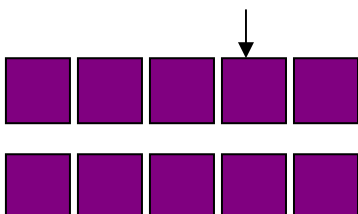
# Democratic Services: Audit & Standards Committee

Head of Law	Councillor Hamilton Chair	Director of Finance	Democratic Services Officer
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Presenting Officer	Presenting Office
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Public Seating



Press

## AGENDA

### 82. 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:**

- (a) Disclosable pecuniary interests not registered on the register of 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 public.

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

### 83. MINUTES

1 - 10

To consider the minutes of the meeting held on 22 January 2013 (copy attached).

### 84. CHAIR'S COMMUNICATIONS

## AUDIT & STANDARDS COMMITTEE

### 85. 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 12 noon on the (9 April 2013);
- (c) **Deputations:** to receive any deputations submitted by the due date of 12 noon on the (9 April 2013).

### 86. 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.

### AUDIT ITEMS

#### 87. STRATEGIC RISK MANAGEMENT ACTION PLAN FOCUS SR1 11 - 16 READINESS FOR OPPORTUNITIES AND IMPACTS OF LOCALISM; SR3 PACE VOLUME OF PUBLIC SECTOR

Report of the Executive Director of Finance & Resources (copy attached).

Contact Officer: Jackie Algar Tel: 29-1273  
Ward Affected: All Wards

#### 88. VERBAL UPDATE ON PAYROLL SYSTEM

Verbal update from the Interim Head of HR.

Ward Affected: All Wards

#### 89. LETTER FROM CHAIR OF AUDIT & STANDARDS COMMITTEE 17 - 24 RE: B&HCC - RISK OF MATERIAL MISSTATEMENT OF THE 2012/13 ACCOUNTS DUE TO FRAUD

Report of the Executive Director of Finance & Resources (copy attached).

Contact Officer: Ian Withers Tel: 29-1323  
Ward Affected: All Wards

## AUDIT & STANDARDS COMMITTEE

### 90. INTERNAL AUDIT STRATEGY AND ANNUAL AUDIT PLAN 2013/14 25 - 78

Report of the Executive Director of Finance & Resources (copy attached).

Contact Officer: Ian Withers Tel: 29-1323  
Ward Affected: All Wards

### 91. ERNST & YOUNG: EXTERNAL AUDIT PLAN 2012/13 79 - 100

Report of the External Auditors: Ernst & Young (copy attached).

Contact Officer: Simon Mathers Tel: 07776 493851  
Ward Affected: All Wards

### 92. ERNST & YOUNG: 2013/14 AUDIT FEE LETTER 101 - 106

Report of the External Auditors: Ernst & Young (copy attached).

Contact Officer: Simon Mathers Tel: 07776 493851  
Ward Affected: All Wards

### 93. RISK MANAGEMENT STRATEGY 2013 107 - 124

Report of the Executive Director of Finance & Resources (copy attached).

Contact Officer: Jackie Algar Tel: 29-1273  
Ward Affected: All Wards

### 94. PUBLIC SECTOR INTERNAL AUDIT STANDARDS 125 - 130

Report of the Executive Director of Finance & Resources (copy attached).

Contact Officer: Ian Withers Tel: 29-1323  
Ward Affected: All Wards

## STANDARDS ITEMS

### 95. COMPLAINTS UPDATE 131 - 138

Report of the Head of Law & Monitoring Officer (copy attached).

Contact Officer: Brian Foley Tel: 291229  
Ward Affected: All Wards

### 96. CODE OF CONDUCT FOR MEMBERS: PROPOSED AMENDMENTS To Follow

Report of the Head of Law & Monitoring Officer (to follow).

Contact Officer: Abraham Ghebre-Ghiorghis Tel: 29-1500  
Ward Affected: All Wards

## AUDIT & STANDARDS COMMITTEE

**97. REVIEW OF PROCEDURE FOR INVESTIGATING ALLEGED BREACHES OF CODE OF CONDUCT** **To Follow**

Report of the Head of Law & Monitoring Officer (to follow).

*Contact Officer:* Oliver Dixon *Tel:* 29-1512

*Ward Affected:* All Wards

**98. SOCIAL MEDIA PROTOCOL FOR MEMBERS & SOCIAL NETWORKING POLICY FOR EMPLOYEES** **To Follow**

Report of the Head of Law & Monitoring Officer (to follow).

*Ward Affected:* All Wards

**99. CODE OF CONDUCT FOR MEMBER/OFFICER RELATIONS & CODE OF CONDUCT FOR EMPLOYEES** **To Follow**

Report of the Head of Law & Monitoring Officer (to follow).

*Contact Officer:* Oliver Dixon *Tel:* 29-1512

*Ward Affected:* All Wards

**100. GUIDANCE FOR MEMBERS AND OFFICERS REGARDING CONFIDENTIAL INFORMATION** **To Follow**

Report of the Head of Law & Monitoring Officer (to follow).

*Ward Affected:* All Wards

**101. ITEMS REFERRED FOR COUNCIL**

To consider items to be submitted to the 9 May 2013 Council meeting for information.

*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.*

## AUDIT & STANDARDS COMMITTEE

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.

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If you have any queries regarding this, please contact the Head of Democratic Services or the designated Democratic Services Officer listed on the agenda.

For further details and general enquiries about this meeting contact Ross Keatley, (01273 291064, email [ross.keatley@brighton-hove.gov.uk](mailto:ross.keatley@brighton-hove.gov.uk)) or email [democratic.services@brighton-hove.gov.uk](mailto:democratic.services@brighton-hove.gov.uk).

Date of Publication - Monday, 8 April 2013





**BRIGHTON & HOVE CITY COUNCIL**

**AUDIT & STANDARDS COMMITTEE**

**4.00pm 22 JANUARY 2013**

**COUNCIL CHAMBER, HOVE TOWN HALL**

**MINUTES**

**Present:** Councillors Hamilton (Chair), A Norman (Opposition Spokesperson), K Norman, Lepper, Sykes and Wealls

**Independent Persons & Co-opted Members:** Dr Lel Meleyal

**PART ONE**

**61. PROCEDURAL BUSINESS**

**61a Declarations of substitutes**

61.1 Councillor Norman was present in substitution for Councillor Smith.

**61b Declarations of interests**

62.2 Councillor Sykes noted he had a non-pecuniary interest in Item 67 as he had been the subject of one of the complaints.

**61c Exclusion of the press and public**

61.3 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.

61.4 **RESOLVED** - That the public are excluded from the meeting from items listed on Part 2 of the agenda.

**62. MINUTES**

62.1 **RESOLVED** – That the Chair be authorised to sign the minutes of the meeting held on 20 November 2012 as a correct record.

**63. CHAIR'S COMMUNICATIONS**

63.2 The Chair explained he had received apologies from Dr David Horne; however, he had sent the Chair a series of questions in relation to items on the agenda, and the Chair would put these to Officers at the appropriate points in the meeting.

**64. PUBLIC INVOLVEMENT**

64.1 There was none.

**65. MEMBER INVOLVEMENT**

65.1 There was none.

**66. DATE OF NEXT MEETING**

66.1 **RESOLVED** – That the date of the next meeting be moved to Tuesday 16 April 2012 at 4 p.m.

**67. STANDARDS UPDATE**

67.1 The Committee considered a report of the Monitoring Officer in relation to the Standards Update; it updated the Committee on allegations about member conduct following the last report to the Committee on 20 November 2012. The decision notices for complaints that had been closed were set out at Appendix 1 to the report.

67.2 The Head of Law and Monitoring Officer explained that a reduction in complaints had originally been envisaged under the regime; however, the Council had received a steady number. Thanks were extended to the work of the Independent Persons in the initial consideration of complaints. It was noted that as the Monitoring Officer now had delegated powers the system was considerably more streamlined and efficient; the turnaround of complaints had also become shorter. The arrangements would be kept under review, and any proposed changes would be brought to the Committee before July 2013.

67.3 Councillor Wealls asked if Members who had been involved in the process could be consulted as part of the review.

67.4 **RESOLVED** – That the Committee note the report.

**68. MANAGING CONFIDENTIAL INFORMATION**

68.1 The Committee considered a report of the Head of Law and Monitoring Officer in relation to Managing Confidential Information. The report sought to inform the Committee on the outcome of the investigation into incidents of unauthorised disclosure of confidential information, and the proposed actions to address the identified shortcomings.

- 68.2 Councillor Hamilton noted that the report had been discussed at the pre-meeting, and following this Officers had taken advice and moved items previous listed as Part 2 into Part 1 on the agenda.
- 68.3 Councillor Lepper welcomed the report, and went to discuss the increased use of social media by Officers and Members. She stated there was no guidance in relation to the matter, and asked that clearer protocols be put in place to help guide both Officers and Members. The Head of Law and Monitoring Officer agreed that clarity and updated guidance was necessary.
- 68.4 Councillor Sykes explained that he welcomed the additional openness and transparency, and asked how the new Code of Conduct sought to address breaches of confidentiality by Members. In response the Head of Law and Monitoring Officer explained that the regime had no formal sanctions that could be imposed for Members found to have breached the Code; however, Standards Panels could make recommendations to Group Leaders that Members be removed from Committees. Furthermore the Council had the power to withdraw facilities if there was persistent misuse; however, there was case law that suggested this could not affect their ability to operate as a Councillor.
- 68.5 The Head of Law and Monitoring Officer added that the changes proposed in the report would need the support of Committee Chairs and Officers.
- 68.6 Dr Meleyal stated that she worked with a number of regulatory bodies, and there was an understanding that social media had gathered pace faster than guidance could be drafted to deal with this growth.
- 68.7 Councillor Hamilton suggested that the report be referred to Council for information.
- 68.8 **RESOLVED –**
- i. That the Committee notes, and agreed in principle, the proposed actions and implementation schedule as set in this report and the appendix.
  - ii. That the Committee notes that further reports will be submitted to the Committee with proposed revisions to the various codes and protocols that fall within the remit of the Committee, especially many of those covered under Action 3 in paragraph 3.3 of the report.
  - iii. That the report be referred to Council for information.

**69. ERNST & YOUNG: PROGRESS REPORT 2012/13**

- 69.1 The External Auditors introduced the report explained that since the transfer to Ernst & Young the scale fee had been reduced by 40%. In relation to the 2011/12 audit it was explained that this had been completed including the report on claims and returns. The work on the 2012/13 audit was already underway, and close work with internal audit was being undertaken to avoid a crossover. The audit for 2012/13 would now be able to cover the whole population of data – rather than just a sample. Work had also begun on the VFM conclusion.

- 69.2 Councillor Ann Norman asked a question in relation to some of the language used around 'adequate corporate arrangements'. In response it was explained that the wording related to specific terminology; however, it was agreed that it would be useful to give an indication of the strength.
- 69.3 Councillor Sykes asked how benchmarking could inform the VFM conclusion, and it was explained that over time the Audit Commission had moved away from national studies, and there was no longer benchmarking in this sense. Instead the Audit Commission had sought to look at the financial resilience of the arrangements.
- 69.4 The Chair asked a question on behalf of Dr Horne, and it was explained that in relation to the transfer of Public Health functions to the local authority there had been initial issues in the identification of a budget to be transferred; as well as consideration of the necessary contracts. It was noted that the Council was already in a stronger position as Public Health employees had been resident in Council offices for 5 years. In terms of audit priorities there would be no specific work in relation to the transfer.
- 69.5 **RESOLVED** – That the Committee consider the 2012/13 external audit progress update and attached sector update; ask questions as necessary and note the progress report.

#### **70. ERNST & YOUNG FEE LETTER 2012-13**

- 70.1 The proposed annual fee was set out in a letter at Appendix 1 to the report; the fee letter outlined the planned audit fee and the proposed work programme.
- 70.2 Councillor Wealls asked if the savings would be generated through additional support from internal audit; in response the Director of Finance explained that the current budget provision took all audit savings as a single saving; however, this was not the original intention and it was now envisaged that some of this could be retained for audit. Officers would be looking for a means for put this back into the budget process.
- 70.3 Councillor Sykes noted that the procurement was for 5 years and asked for more information on what factors might cause the fee to rise in subsequent years. In response it was explained that the scale fee was set based on the level of perceived risk; and to an extent internal audit was an indicator to help set the level. If the external auditors felt more work was necessary they would liaise with the Director of Finance; in the past internal audit had been proactive in providing additional support.
- 70.4 **RESOLVED** –
- i. That the Committee review the fee letter and raise any questions with the external auditors
  - ii. That the Committee approve the proposed fee letter.

#### **71. ERNST & YOUNG 2011/12 ANNUAL CERTIFICATION REPORT**

- 71.1 The external auditors introduced the report and explained that the Council claimed large sums of public money in grants and subsidies from government departments and other

grant-paying bodies, and in some areas had to complete returns providing financial information to government departments. The certification work provided assurance to government departments and grant-paying bodies that claims for grants and subsidies were made properly, or that information on financial returns was reliable. The report summarised the outcomes of the work on 2011/12 claims and returns.

- 71.2 **RESOLVED** – That the Committee note the 2011/12 annual certification report and ask questions as necessary.

## 72. ANNUAL GOVERNANCE STATEMENT 2011/12 - ACTION PLAN PROGRESS

- 72.1 The Head of Audit & Business Risk introduced the report and explained that it included an action plan for improvements to the Council's governance framework, and the Committee should seek assurance over the effective implementation. The report also provided an update on the Council's progress in implementing actions agreed in the Annual Governance Statement for 2011/12.
- 72.2 Councillor Sykes explained he was surprised to see the HR management already indicating at green, and in response it was explained that this was against the audit actions as all had now been implemented. The Director of Finance also updated that the Council was joining more benchmarking groups to better contextualise data and reporting.
- 72.3 Councillor Ken Norman asked for more information in relation to the Clinical Commissioning Group (CCG) in the city; in response it was explained that as movement was made towards the new CCG – with new functions – thought would have to be given to the section agreement.
- 72.4 In response to a query from Councillor Wealls it was explained by the Director of Finance that as part of the process of writing the annual statement a reflection would have to be provided on the state of controls at the end of the financial year. The Committee would be asked to comment on the on the Annual Governance Statement. The new guidance gave a more prescribed format and requested reporting on significant weaknesses; however, the Council had in the past highlighted areas for improvement and used the previous Audit Committee to challenge this. This information would be brought to the June 2013 meeting together with an action plan.
- 72.5 **RESOLVED** – That the Committee considers the Annual Governance Statement 2011/12 Action at Appendix 1 and comments on any issues identified in relation to the work Officers have undertaken to improve the Council's corporate governance arrangements.

## 73. INTERNAL AUDIT PROGRESS REPORT 2012/13

- 73.1 The Head of Audit & Business Risk introduced the report and explained that it sought to update the Committee on the progress made against the Internal Audit Plan 2012/13, including the outcomes of specific audit reviews complete, agreed management actions and Internal Audit Key Performance Indicators.

- 73.2 Councillor Hamilton asked if Officers were confident of delivering the remaining and high priority audits that had not commenced; Officers explained they were reasonable confident of achieving this.
- 73.3 Following a query from Councillor Sykes it was explained that the report to the previous Committee had suggested the services could call on outside support to complete the work; however, this had not been necessary so far, and it was envisaged service improvements would ease this position in future years.
- 73.4 Councillor Wealls asked about public health arrangements listed in the report, and in response it was explained that there were 3 listed with assurances.
- 73.5 **RESOLVED** – That the Committee notes the progress made in delivering the Annual Internal Audit Plan

#### **74. DELIVERING GOOD GOVERNANCE IN LOCAL GOVERNMENT**

- 74.1 The Committee considered a report of the Director of Finance with information on Delivering Good Governance in Local Government; it was noted that good governance enabled the Council to pursue its vision and achieve its priorities, underpinned with effective control and the management of risk. The new guidance was published in December 2012 to assist local authorities in reviewing the effectiveness of their own governance arrangements through self assessment and reference to best practise.
- 74.2 The Head of Law and Monitoring Officer explained that one aspect of good governance is the way the Council makes decisions, and the other is capacity; the capacity had worked well and public engagement had been effective – the Council was currently in the process of reviewing this. The view of the Council was that it was highly compliant.
- 74.3 **RESOLVED** – That the Committee note the publication of the new guidance; its key contents and actions planned by the Council to further develop and demonstrate good governance arrangements.

#### **75. TARGETED BUDGET MANAGEMENT (TBM) 2012/13 MONTH 7**

- 75.1 The Committee considered a report of the Director of Finance on the Targeted Budget Monitoring (TBM), a key component of the Council's overall performance monitoring and control framework. The forecast outturn position was set out as of Month 7 on the Council's revenue and capital budgets for the financial year 2012/13.
- 75.2 In response to a query from Councillor Wealls it was explained by the Director of Finance that the Dedicated Schools Grant savings were effectively a funding switch as some of the services that were funded through the General Fund could be done through the Schools Fund to meet the General Fund Savings target.
- 75.3 **RESOLVED** – That the Committee note the report to the Policy & Resources Committee on 29 November 2012 (Appendix 1).

**76. TREASURY MANAGEMENT POLICY STATEMENT (INCORPORATING THE ANNUAL INVESTMENT STRATEGY) 2012/13 - MID YEAR REVIEW**

- 76.1 The Committee considered a report of the Director of Finance on the Treasury Management Policy Statement 2012/13 – Mid Year Review. The report was considered by the Policy & Resources Committee and forwarded to the next available meeting of the Audit & Standards Committee for scrutiny and examination in the context of the role of the Committee in reviewing the adequacy and effectiveness of the Council's control framework including financial management processes.
- 76.2 Councillor Sykes asked about achieving better investment of funds by working with other local authorities. In response the Director of Finance stated that there were not always obvious ways to progress this; there had been a Member TBM workshop in June 2012 which helped demonstrate how the Council was at the forefront of pushing financial models.
- 76.3 Following a query from Councillor Wealls the Director of Finance explained that most investment in banks was short-term; as the Council was not able to make long-term equity investments. In the previous year the Council had sought to broaden the number of investments to spread the portfolio more wisely.
- 76.4 Councillor Ann Norman noted the excellent work of the Treasury Management Team, and stated that the Council made ethical investments as far as possible. Councillor Sykes noted it was important that the Council consider how it invested money.
- 76.5 **RESOLVED** – That the Committee note the report to the Policy & Resources Committee on 29 November 2012 (appendix 1) and the subsequent recommendations and resolution.

**77. STRATEGIC RISK MAP FOCUS - SR10 INFORMATION GOVERNANCE MANAGEMENT**

- 77.1 The Committee considered a report of the Director of Finance in relation to the Strategic Risk Management Action Plan Focus – SR10 Information Governance Management. The meeting was attended by the Head of ICT who provided an introduction covering some of the following key points. There had been a complete review of information policies, and an appointment of a Senior Information Risk Officer. Significant work had been undertaken on staff training and creating areas of accountability across the Council. Work had also been undertaken around records management and retention schedules. Audits had also been undertaken to assess where data was held across the Council and how this was managed and disposed of. Pressure related to resources and capacity, but it was envisaged an information management culture could be nurtured.
- 77.2 The Chair asked about the risk in this area and it was explained that there were new processes and practices which were bedding in such as working with the Police and a more mobile and flexible workforce, and this meant the risk remained high.
- 77.3 The Director of Finance noted the volume of work done in this area in the last few months, and highlighted there was still a considerable amount to complete. Assurance

was given to the Committee that there were enough resources being provided to properly address these issues.

- 77.4 Following a query from Councillor Sykes the Head of ICT explained that there was an ever growing demand for information, and this had to be reconciled against the need to deliver this safely and securely.
- 77.5 The Head of Law and Monitoring Officer highlighted the information governance was not about restricting access to information, but ensuring openness where it was appropriate.
- 77.6 **RESOLVED** – That the Committee note the update from the Head of ICT.

**78. STRATEGIC RISK MANAGEMENT ACTION PLAN FOCUS – SR6 SAFEGUARDING VULNERABLE MEMBERS OF OUR COMMUNITY**

- 78.1 The Committee considered a report of the Director of Finance in relation to the Strategic Risk Management Action Plan Focus – SR6 Safeguarding vulnerable members of our community; this was split into the two areas of adults and children respectively.
- 78.2 The Director of Adult Services, Denise De Souza, discussed safeguarding adults and explained that the starting point was to ensure good governance both internally and externally; this was done through the Joint Commissioning Board and monitoring. Work was undertaken to ensure partners were working together, and understood the statutory responsibilities in relation to safeguarding. There was a Board action plan to consider these kinds of matters. A peer review had also helped identify best practice. There were control mechanisms in place, and feedback was received where appropriate, and it was considered important that the thresholds for safeguarding were proper and robust. It was considered that there would be appropriate capacity in the budget to meet the safeguarding priorities.
- 78.3 Councillor Ken Norman noted he had worked closely with this service for some time and it was his experience that issues in relation to safeguarding were acted upon instantly, and there were the appropriate measures in place for best practice.
- 78.4 The Interim Director of Children's Services, Heather Tomlinson, and the Lead Commissioner: Integrated Families, Steve Barton discussed safeguarding children and explained how risk was managed; this was undertaken by checking the quality of professional work; the multi-agency work and the partnership with the Safeguarding Board. Work was being done to create additional capacity in the Board to undertake audit work, and a recent report to the Health & Wellbeing Board had showed some of the strength in practices. There was an action plan with the Safeguarding Board and peer reviews and health visits had been undertaken. A lot of work was being undertaken with schools – especially in relation to health services and trying to engage schools with agencies. An Special Educational Needs (SEN) Strategy had recently been re-launched in line with new legislation in relation improving safeguarding for young people with SEN or disabilities. The Stronger Families; Stronger Communities Initiative was also highlighted in detail including the following: the scheme offered Payment by Results, and the Council had been targeted to engage with 675 families. A twin track strategy had been set up with a range of staff from different professions, and the model had to be



multi-agency. Currently 439 families had been identified, and Officers were confident they could make an impact. Some emerging themes had already been noted.

- 78.5 Dr Meyleal asked about the capacity of the Safeguarding Board, and it was explained that moves had been made recently to increase the capacity; it was noted that some partners had a role across other areas.
- 78.6 Following queries from Councillor Wealls it was explained that the pay by results for the Stronger Families Initiative was based on £1.4 million for engagement – which Officers were confident would be achieved, and £800k for the outcomes. The National Troubled Families Unit would be taking a ‘light touch approach’ based on data signed off by internal audit.
- 78.7 In response to a further query from Dr Meyleal it was clarified that there would be an evaluation report using national data.
- 78.8 **RESOLVED** – That the Committee note the update from the Director of Adult Services; the Interim Director of Children’s Services and the Lead Commissioner: Integrated Families.

**79. ITEMS REFERRED FOR COUNCIL**

- 79.1 **RESOLVED** – That Item 68: Managing Confidential Information be referred to the Council meeting on 28 February 2013 for Information.

**80. PART TWO MINUTES**

- 80.1 **RESOLVED** – That the Chair be authorised to sign the Part 2 minutes of the meeting held on 20 November 2012 as a correct record.

**81. PART TWO PROCEEDINGS**

- 81.1 **RESOLVED** – That the Part 2 Items remain exempt from disclosure from the press and public.

The meeting concluded at 6.15pm

Signed

Chair

Dated this

day of



<b>Subject:</b>	<b>Strategic Risk Management Action Plan Focus SR1 Readiness for opportunities and impacts of localism; SR3 Pace and Volume of Public Sector Change</b>		
<b>Date of Meeting:</b>	<b>16 April 2013</b>		
<b>Report of:</b>	<b>Executive Director, Finance &amp; Resources</b>		
<b>Contact Officer:</b>	<b>Name:</b>	<b>Jackie Algar</b>	<b>Tel: 29-1273</b>
	<b>Email:</b>	<b>Jackie.algar@brighton-hove.gov.uk</b>	
<b>Ward(s) affected:</b>	<b>All</b>		

## FOR GENERAL RELEASE

### 1. SUMMARY AND POLICY CONTEXT:

- 1.1 The Committee has a role to monitor the effectiveness of risk management and internal control. This includes oversight of the Strategic Risk Register which is set and reviewed every six months by the Executive Leadership Team (ELT). Each Strategic Risk has a Risk Management Action Plan (a "risk MAP") to deliver action to address the risk by a Risk Owner, a member of ELT.
- 1.2 The Committee previously agreed an annual schedule of focus sessions on strategic risks, generally two at each of its meetings. For each meeting, strategic risk MAPs are updated and "risk owners" attend to provide further verbal explanation, update and receive questions from Members as necessary.
- 1.3 The risk owner for both SR1 and SR3 is the Chief Executive.

### 2. RECOMMENDATIONS:

- 2.1 That Members ask questions of the Risk Owner for these Strategic Risks based on the information provided in the strategic risk MAPs in appendix 1 (Strategic Risk Assessment Report);
- 2.2 That, having considered Appendix 1 and the Risk Owner's response, the Committee make any recommendations it considers appropriate to the relevant council body.

### 3. FINANCIAL & OTHER IMPLICATIONS:

- 3.1 Each strategic risk MAP provides details of the actions already in place ("Existing Controls") or work to be done as part of business or project plans (the "Solutions") to address each strategic risk. Potentially these may have significant financial implications for the authority either directly or indirectly.

The associated financial risks are considered during the Targeted Budget Management process, the development of the Medium Term Financial Strategy and budget strategies.

*Finance Officer Consulted: Anne Silley*

*Date: 01/03/13*

**Legal Implications:**

- 3.2 Members of the Committee are entitled to information, data and other evidence which enable them to reach an informed view as to whether the council's strategic risks are being adequately managed; and to make recommendations based on their conclusions.

*Lawyer Consulted:*

*Oliver Dixon*

*Date: 05/03/13*

**SUPPORTING DOCUMENTATION**

**Appendices:**

1. Strategic Risk Assessment Report – SR1 and SR3.

**Documents in Members' Rooms**

1. None.

**Background Documents**

1. Strategic Risk Register 2012/2013 – updated 3 October 2012.



***Brighton & Hove City Council***  
***Strategic Risk Assessment Report***  
***Chief Executive***

Risk Category - BHCC Strategic Risk;








<b>ROM Issue:</b>	Readiness for opportunities and impacts of localism	<b>Responsible Officer:</b>	Chief Executive
		<b>Risk Code:</b>	SR1

**Identified** The broad remit of the localism agenda provides opportunities for all councils to deliver public services in new ways with greater involvement of communities in local issues. The council's approach to the implementation of neighbourhood governance should prepare :

- \* For expressions of interest by local groups under the Community Right to Challenge and the Community Right to Bid
- \* For influencing the development of Neighbourhood Planning
- \* For indirect costs arising, e.g. administration and compensation costs.

**Potential Conseq** The localism agenda is a fluid and complex issue and the council will need to continue consultation and develop the approach to best fit the needs of the city and specific neighbourhoods.

<b>Initial:</b>	High		<b>Revised:</b>	Significant		<b>Future:</b>	Moderate	
<b>Risk Identified Date:</b>	17/5/2012		<b>Date Modified:</b>	28/3/2013		<b>Date Modified:</b>	15/6/2011	

**Risk Category:**

- BHCC Strategic Risk
- Partnership Working/ Management
- Professional / Managerial

**Existing Controls:**

- \* Community Engagement Strategy in place which includes Engagement Standards and managed by the City Engagement Partnership
- \* Wide ranging citywide consultation undertaken has resulted in 2 Neighbourhood Governance pilot areas being selected
- \* Funds identified by the council for community development to build community capacity to identify and find solutions to community issues within communities themselves and across all public services
- \* Commissioning of a voluntary organisation to provide cross sector Community Engagement training to staff across the public sector
- \* Council processes being developed to prepare to respond effectively; learning through the Neighbourhood Governance pilots
- \* Neighbourhood Governance Project Board covers services across the council and debates progress of Neighbourhood Governance Pilot areas in relation to delivery of Localism Act
- \* Neighbourhood Governance working group oversees development of new opportunities and changes and links with leads external to the council, eg CVSF, Police, Neighbourhood Governance Pilot Project Leads.
- \* Public Service Board informed of potential city impacts of the Localism Act
- \* Members Briefings within Communications Plan for Neighbourhood Governance
- \* Cross Party Members Advisory Group established (first meeting scheduled April 13) to oversee Neighbourhood Governance
- \* Council has investigated models of best practice (nationally and internationally) for community engagement; participatory budgeting; community involvement; use of social media
- \* Clear links between community development commissioning and neighbourhood governance established including partner representation on Working Group and Project Board (Police, CVS, Health)
- \* Options for considering financial impacts of different service models being developed and informed by experience through Neighbourhood Governance Pilots
- \* Commissioning Programme includes budgetary control




**Effectiveness of Controls:** Adequate **Issue Type:** Threat  
**Risk Treatment:** Treat, Treat

**Solutions:** Monitoring and evaluation of pilot areas to be reported to ELT and Policy & Resources Committee in Autumn 2013, with interim report to ELT in May  
 Recommendations for organisational and cultural change to be established as a result of learning from the Pilot Areas with due regard for service delegation opportunities and impacts  
 Task and Finish Groups will explore the financial aspects of potential and proposed service delegation models  
 Deliver agreed plan for wider staff communication, eg staff roadshows and intranet messages, on Neighbourhood Governance and potential impact of localism on council services  
 As impacts of Localism Act are far reaching and various, and beyond the scope of the Working Group, establish overseeing arrangements to assess whole impact on council and partnership work

<b>ROM Issue:</b>	Pace and volume of public sector change	<b>Responsible Officer:</b>	Chief Executive
		<b>Risk Code:</b>	SR3

**Identified** Financial constraints and significant reform affecting partner organisations , e.g. NHS and those engaged in Public Health and Wellbeing, may lead organisations to reframe their budgets and ways of working and therefore affect their ability to deliver plans as envisaged .

**Potential Conseq** Enhanced communication and joined up planning will be needed to ensure that the impacts on the city are well managed and there is clear agreement on the role of each organisation and its responsibilities.

<b>Initial:</b>	High		<b>Revised:</b>	High		<b>Future:</b>	Significant	
<b>Risk Identified Date:</b>	23/2/2011		<b>Date Modified:</b>	28/3/2013		<b>Date Modified:</b>	15/6/2011	

- Risk Category:**
- BHCC Strategic Risk
  - Customer / Citizen
  - Partnership Working/ Management

**Existing Controls:**

- \* Public Service Board (PSB) membership changes agreed in March 2013 to be more public sector orientated and represent those who are in a position to reform and allocate budgets to achieve city objectives
- \* PSB meet regularly to oversee the programme of work to tackle city issues, close working ensures that issues are known including those relating to financial constraints
- \* Oversight by the PSB and Local Strategic Partnership of shared priorities detailed in the agreed Sustainable Community Strategy
- \* Community Engagement Framework agreed and implemented
- \* Strong and developing understanding of need in the city:
  - Joint Strategic Needs Assessment (JNSA);
  - Brighton & Hove Local Information Service
- \* Performance & Risk Management Framework (PRMF) with city partners to take account of City Outcomes, Organisational Health, City Risks agreed and being reported upon
- \* City Risk Register being developed by cross-sector working group
- \* Regular ( 2 per year - most recently 26 October 2012 & 25 March 2013 ) finance meetings involving Chief Executives and Heads of Finance from major public sector organisations across the city to further integrate joint finance and delivery, and also ensure Brighton & Hove is able to respond to the Govt.Agenda, eg City Deals, Whole Place Community Budgets

**Effectiveness of Controls:** Adequate

**Issue Type:** Threat

**Risk Treatment:** Treat, Treat

**Solutions:** Local Strategic Partnership (LSP) and its family of partnerships are being reviewed  
 JSNA being refreshed and will be reported June - September 2013  
 Sustainable Community Strategy being refreshed by end of 2013





# AUDIT & STANDARDS COMMITTEE

Agenda Item 89

Brighton & Hove City Council

<b>Subject:</b>	<b>Letter from Chair of Audit &amp; Standards Committee: Understanding how the Audit &amp; Standards Committee gains assurance from management</b>		
<b>Date of Meeting:</b>	<b>16<sup>th</sup> April 2013</b>		
<b>Report of:</b>	<b>Executive Director of Finance &amp; Resources</b>		
<b>Contact Officer:</b>	<b>Name:</b>	<b>Ian Withers</b>	<b>Tel: 29- 1323</b>
	<b>Email:</b>	<b>ian.withers@brighton-hove.gov.uk</b>	
<b>Ward(s) affected:</b>	<b>All</b>		

## FOR GENERAL RELEASE

### 1. SUMMARY AND POLICY CONTEXT:

- 1.1 This report presents the Audit & Standards Committee response to the request made by Ernst & Young to those charged with governance.

### 2. RECOMMENDATION:

- 2.1 That the Audit & Standards Committee note the response by the Chair contained in the letter at Appendix A, to Ernst & Young's request.

### 3. RELEVANT BACKGROUND INFORMATION/CHRONOLOGY OF KEY EVENTS:

- 3.1 Annually the Council's external auditors, now Ernst & Young request a letter from the Audit & Standards Committee as the committee charged with governance as part of the requirements of the International Standards on Auditing. In particular, understanding how the Audit & Standards Committee gains assurance from management.
- 3.2 The letter at Appendix A provides a response to the request by the Chair on behalf of the Audit & Standards Committee. It forms part of the audit of the Council's Financial Statements for the year ended 31<sup>st</sup> March 2013.
- 3.3 Ernst & Young requested responses to seven prime questions relating to fraud:
  1. How does the Audit & Standards Committee, as 'those charged with governance' at the Council, exercise oversight of management's processes in relation to:
    - undertaking an assessment of the risk that the financial statements may be materially misstated due to fraud or error (including the nature, extent and frequency of these assessments);

- identifying and responding to risks of fraud in the Council, including any specific risks of fraud which management have identified or that have been brought to its attention, or classes of transactions, account balances, or disclosure for which a risk of fraud is likely to exist;
  - communicating to employees its view on business practice and ethical behaviour (for example by updating, communicating and monitoring against the Council's code of conduct);
  - encouraging employees to report their concerns about fraud; and
  - communicating to you the processes for identifying and responding to fraud or error?
3. How does the Audit & Standards Committee oversee management processes for identifying and responding to the risk of fraud and possible breaches of internal control?
  4. Is the Committee aware of any:
    - breaches of, or deficiencies in, internal control; and
    - actual, suspected or alleged frauds during 2012/13?
  5. Is the Committee aware any organisational or management pressure to meet financial or operating targets?
  6. How does the Committee gain assurance that all relevant laws and regulations have been complied with? Are you aware of any instances of non-compliance during 2012/13?
  7. Is the Committee aware of any actual or potential litigation or claims that would affect the financial statements?

How does the Committee satisfy itself that it is appropriate to adopt the going concern basis in preparing the financial statements?

## 5. FINANCIAL & OTHER IMPLICATIONS:

### Financial Implications:

- 5.1 The assurances from the Audit & Standards Committee support the audit of the 2012/13 financial statements.

*Finance Officer Consulted: Anne Silley  
Head of Business Engagement*

*Date: 2 April 2013*

Legal Implications:

- 5.2 This report is for noting only. Statements as to the functions of the Audit & Standards Committee in the letter at Appendix 1 are consistent with its terms of reference.

*Lawyer Consulted: Oliver Dixon*

*Date: 2 April 2013*

Equalities Implications:

- 5.3 No direct equalities implications.

Sustainability Implications:

- 5.4 No direct sustainability implications.

Crime & Disorder Implications:

- 5.5 Fraud is a crime and can result in significant financial loss to the Council.

Risk and Opportunity Management Implications:

- 5.6 An effective Audit & Standards Committee will ensure that the council has adequate arrangements for risk and opportunity management.

Public Health Implications:

- 5.7 No direct crime and disorder implications.

Corporate / Citywide Implications:

- 5.8 No direct corporate/city wide implications.

**SUPPORTING DOCUMENTATION**

**Appendices:**

1. Appendix 1 – Letter from the Chair of the Audit & Standards Committee





Helen Thompson  
Director  
Ernst & Young LLP  
Wessex House  
19 Threefield Lane  
Southampton  
SO14 3QB

Date: 1<sup>st</sup> April 2013  
Our Ref:  
Your Ref:  
Phone: (01273) 291147  
Fax: (01273) 291147  
e-mail: [leslie.hamilton@brighton-hove.gov.uk](mailto:leslie.hamilton@brighton-hove.gov.uk)

Dear Helen

**Re: Understanding how the Audit & Standards Committee gains assurance from management**

I refer to your request to formally update your understanding of the Council's management processes and arrangements, in accordance with the International Standards of Auditing. I have provided the following responses to your questions asked.

- 1. How does the Audit & Standards Committee, as 'those charged with governance' at the Council, exercise oversight of management's processes in relation to:**
  - 1.1 Undertaking an assessment of the risk that the financial statements may be materially misstated due to fraud or error (including the nature, extent and frequency of these assessments);**

The Audit & Standards Committee reviews and approves the Annual Internal Audit Strategy and Annual Audit Plan in either March or April of each year. This is based on an assessment of risks that includes the probability and likelihood of fraud and error. The Head of Audit & Business Risk provides regular progress reports to the Audit & Standards Committee at its meetings and will include any increased risk of fraud.

The Council's Strategic Risks and associated Management Action Plans are regularly reviewed by the Audit & Standards Committee and the Council's Risk Management Framework ensures that fraud risk would be escalated through to the Audit & Standards Committee if appropriate.

Meetings between the Chair and the Head of Audit & Business Risk also take place regularly either planned or ad hoc as necessary.

- 1.2 Identifying and responding to risks of fraud in the Council, including any specific risks of fraud which management have identified or that have been brought to its attention, or classes of transactions, account balances, or disclosure for which a risk of fraud is likely to exist**

The Audit & Standards Committee reviews and approves the Internal Audit Strategy and Annual Plan, which includes the Counter Fraud Work Programme for the year. The Counter Fraud Work Programme is part of the Council's response to assessed fraud risk.

The Audit & Standards Committee receives regular updates on progress against the Counter Fraud Work Programme with any areas of suspected fraud identified, together with any necessary control measures to be implemented to mitigate the risk of further fraud. Updates are also provided on the implementation of the control improvements.

The Head of Audit & Business Risk informs the Audit & Standards Committee of emerging fraud risks, a recent example being housing tenancy.

### **1.3 Communicating to employees its view on business practice and ethical behaviour (for example by updating, communicating and monitoring against the Council's code of conduct)**

The Council has a Code of Conduct for employees, a copy of which is on the Council's Intranet or a hard copy is made available if no access. It is reviewed and updated on a regular basis to ensure it continues to meet the requirements of the Council. An example of this is a comprehensive set of reports going to the next Audit & Standards Committee and Council on a range of issues around codes of conduct with guidance and protocols to guide employee and member behaviour.

Employees are made aware of the Code of Conduct as part of Induction Training. The Code of Conduct includes a number of modules, including Use of Your Position, Use of ICT Equipment and Political Neutrality. There is also regular training on governance and conduct along with fraud awareness.

### **1.4 Encouraging employees to report their concerns about fraud; and**

The Council has a Whistblowing Policy which is available to all employees. This is promoted to staff as part of Induction and posters and the Council's Intranet has been used.

The Council also subscribe to Public Concern at Work who have provided a further oversight to the process and another channel for employees to raise concerns.

### **1.5 Communicating to you the processes for identifying and responding to fraud or error?**

The Audit & Standards Committee approves the Internal Audit Strategy and Annual Audit Plan that includes an annual Counter Fraud Programme. This contains the processes for identifying and responding to fraud. The Audit & Standards Committee also reviews and recommends update to the Council's Counter Fraud Strategy.

## **2. How does the Audit & Standards Committee oversee management processes for identifying and responding to the risk of fraud and possible breaches of internal control?**

The Council's Counter Fraud arrangements are overseen by the Audit & Standards Committee. The annual Counter Fraud Programme is included in the Internal Audit Strategy and Annual Plan which is reviewed and approved by the Audit & Standards Committee each year. The Annual Plan is reviewed continuously throughout the year and the Audit & Standards Committee is informed and approves any significant changes due to for example escalating fraud risk or poor areas of internal control.

The Audit & Standards Committee receive an annual report and regular progress reports from the Head of Audit & Business Risk that reports significant breaches of internal control and fraud risks.

**3. Is the Committee aware of any breaches of, or deficiencies in, internal control; and actual, suspected or alleged frauds during 2012/13?**

The Audit & Standards Committee receives an annual report and regular progress reports from the Head of Audit & Business Risk which would include any significant breakdown of internal control and fraud of a material nature if this was to occur. Further details on identified losses and frauds risks can be obtained from the Head of Audit & Business Risk.

**4. Is the Committee aware any organisational or management pressure to meet financial or operating targets?**

The Audit & Standards Committee receive Council budget monitoring reports at each meeting. As with all councils there are challenging savings targets to reach due to the overall budget position however the committee is not of the view that this is resulting in inappropriate pressure on officers that could have an impact on the financial statements.

**5. How does the Committee gain assurance that all relevant laws and regulations have been complied with? Are you aware of any instances of non-compliance during 2012/13?**

The Audit & Standards Committee declares that it has no knowledge of and is not on notice of any non-compliance with laws and regulations that could impact on the 2012/13 financial statements.

The Audit & Standards Committee relies on a number of methods to gain assurance that all laws and regulations are complied with including:

- From regular contact and reports received from the Head of Audit & Business Risk, in particular his annual and periodic progress reports against the Internal Audit Plan;
- From reports received from the Council's External Auditor;
- There are arrangements in place for legal screening of all decisions coming before any Committee for a decision which is incorporated in the report writing protocol. Lawyers attend all decision-making meetings to advise on the law and procedure. The Audit Committee is aware of these arrangements; and
- Under the new arrangements, the remit of what was an Audit Committee has been expanded to include Standards it is now Audit & Standards Committee.). The Monitoring Officer prepares an annual report to the Audit & Standards Committee, which is also referred to Council for information. This covers an

overview of Compliance with the law, standards of conduct and an overall assessment regarding maladministration.

**6. Is the Committee aware of any actual or potential litigation or claims that would affect the financial statements?**

The Audit & Standards Committee are not aware of any actual or any actual or potential litigation claims that would affect the Council financial statements aware that officers consider actual or potential litigation or claims that would affect the financial statements. The committee is aware that particular consideration has been given over a number of years to the risks associated with equal pay legislation.

**7. How does the Committee satisfy itself that it is appropriate to adopt the going concern basis in preparing the financial statements?**

The Audit & Standards Committee have satisfied themselves in relation to the application of the going concern assumption. The Audit & Standards Committee receives the audited set accounts at its meeting in September of each year and a covering report from the Director of Finance which provided risks, accounting policies and concepts applicable to the applicable to the accounts. The Audit & Standards Committee approved the accounts, applicable accounting policies and disclosures taking into account the Council's financial standing, financial risks and advice from officers. The Audit & Standards Committee has also reviewed the various financial risks including the financial outlook and associated risk assessment of the Council's Medium Term Financial Strategy and considers that the Council has appropriate risk management plans and actions in place to ensure its medium term financial health.

The Audit & Standards Committee receives for information, regular budget monitoring reports (TBM) throughout the 2012/13 financial year on the financial position..

The Audit & Standards Committee have not identified any events which may cast significant doubt on the Council's ability to continue as a going concern.

The Audit & Standards Committee is aware that the Director of Finance is required to report on the adequacy of reserves as part of the budget setting process and that no significant issues in relation to going concern were raised in that process.

**Yours sincerely**



**Councillor Leslie Hamilton  
Chair of the Audit & Standards Committee**



# **AUDIT & STANDARDS COMMITTEE**

Agenda Item 90

Brighton & Hove City Council

**Subject:** Internal Audit Strategy & Annual Audit Plan 2013/14  
**Date of Meeting:** 16<sup>th</sup> April 2013  
**Report of:** Executive Director of Finance and Resources  
**Contact Officer:** Name: Ian Withers, Head of Audit & Tel: 29-1323  
Business Risk  
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 This report presents the draft Internal Audit Strategy and Annual Audit Plan for 2013/14 at Appendix 1. This includes both the operational internal audit and counter fraud work programmes together with an Audit Charter replacing the former Internal Audit Terms of Reference.
- 1.2 The production and approval of a risk based Audit Plan is a requirement of the Public Sector Internal Audit Standards 2013.
- 1.3 This report outlines the principles upon which the plan has been prepared, as well as setting the outcomes that the plan will seek to achieve; principally the provision of assurance to the Council.

### **2. RECOMMENDATION:**

- 2.1 That the Audit & Standards Committee provides any comments and highlights any areas of significant concern it wishes included if possible, in the draft Internal Audit Strategy and Annual Audit Plan for 2013/14.
- 2.2 That the Audit & Standards Committee approves the draft Internal Audit Strategy and Annual Audit Plan for 2013/14 attached at Appendix 1.

### **3. BACKGROUND**

- 3.1 The statutory basis for Internal Audit in local government is provided by the Accounts and Audit Regulations 2011 which requires a local authority to “undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control”.

- 3.2 The Accounts and Audit Regulations contain the expectation that Internal Audit operates in accordance with proper practice, this being laid down in the Public Sector Internal Audit Standards (effective from 1<sup>st</sup> April 2013).
- 3.3 The CIPFA Guidance on Audit Committees (2006) states that the Committee should approve (but not direct) the Intern Audit Plan. The new Public Sector Internal Audit Standards also specify that one of the functions of the Board (Audit Committee) is the approval of the risk based internal audit plan.
- 3.4 The Internal Audit Strategy and Annual Plan 2013/14 is at Appendix 1 and provides the mechanism through which the Head of Audit & Business Risk can ensure the most appropriate use of internal audit resources to provide assurance on the Council's control environment and management of risks.
- 3.5 The Annual Audit Plan is effectively a work programme of primarily audit reviews. Inclusion of audit reviews is based on perceived risk, regulatory reviews or at the request of management.
- 3.6 An analysis of our internal audit and fraud capacity (including in house and Deloitte resource) has been undertaken to ensure the Annual Audit Plan is achievable.
- 3.7 The model of delivering the Annual Audit Plan for 2013/14 will continue to utilise both the in house team complemented by Deloitte resources.
- 3.8 The Audit & Business Risk Service is conscious of the significant pressure on resources that the Council is facing. The Annual Audit Plan has been developed with this in mind and the Internal Audit Team will be looking to add value wherever possible to improve efficiencies and make recommendations for possibly fewer but better controls.
- 3.9 Our approach to the audit of schools is summarised in the Internal Audit Strategy and Annual Audit Plan 2013/14. A full policy on the audit of schools is currently at draft stage and will be discussed and agreed with all parties before being formally issued by the end of May 2013. A copy of the draft policy is attached at Appendix 2.
- 3.10 The Public Sector Internal Audit Standards requires Internal Audit to have an Audit Charter that is formally reviewed and approved. This is included as Appendix B to the Internal Audit Strategy and Annual Audit Plan.

#### **4. ANNUAL AUDIT PLAN**

- 4.1 In accordance with professional best practice the 2013/14 Annual Audit Plan, has been developed by:
- The use of our audit risk assessment which scores each audit entity against weighted risk scores including cumulative knowledge;
  - Ensuring coverage of core aspects of the council's governance and control environment in order to be able to support the Section 151

Officers and in providing an annual audit opinion for the council's Annual Governance Statement

- Extensive consultations with members of Executive Leadership Team, Corporate Management Team and other key officers in order to identify emerging risks and issues that are likely to have a significant impact on the control environment and opportunity to add value; and
- Linking with the Corporate Plan, Strategic and Operational Risk Registers and service business plans.
- Including reviews based on criteria other than risk including audit reviews requested or commissioned by external audit or management.

4.2 The Annual Audit Plan is indicative as it is inevitable that changes will be made during the year to address emerging risks and issues. It is therefore a 'working document' and is both flexible and dynamic. Any significant changes to the agreed plan will be reported to the Audit & Standards Committee, either as a separate report or as part of regular progress reports.

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

### 5.1 Financial Implications:

Delivering the annual audit plan contributes towards the Chief Finance Officer meeting their Section 151 responsibilities (make arrangements for the proper administration of the Local Authorities financial affairs) by supporting the achievement of an effective control environment.

The resourcing costs of the Internal Audit Strategy and Annual Audit Plan have been fully costed and are within the allocated 2013/14 net budget of £565,000.

*Finance Officer Consulted: Anne Silley  
Head of Business Engagement*

*2 April 2013*

### 5.2 Legal Implications:

As referred to in paragraph 3.1, regulation 6 of the Accounts & Audit Regulations 2011 requires the Council to undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control.

It is proper that this report and the recommendations in paragraph 2.1 be considered by the Audit & Standards Committee, in line with its terms of reference.

*Lawyer Consulted: Oliver Dixon*

*4 April 2013*

### 5.3 Equalities Implications:

When carrying out audit work, any equality issues identified are reported to the appropriate level of management. The Internal Audit Strategy and Annual Audit Plan recognises the council's priorities in respect to Equality and Diversity and how Internal Audit will meet them.

**5.4 Sustainability Implications:**

When carrying out audit work, any sustainability issues identified are reported to the appropriate level of management.

**5.5 Crime & Disorder Implications:**

When carrying out audit work, any crime and disorder issues identified are reported to the appropriate level of management.

**5.6 Risk and Opportunity Management Implications:**

The preparation of the Internal Audit Strategy and annual Audit Plan has taken into account the outcomes of the council's risk management and other assurance processes. The work of Internal Audit assists the council in improving controls to mitigate risks. The Annual Audit Plan will be flexible to take account of emerging risks and priorities of the council.

**5.7 Corporate / Citywide Implications:**

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

## **SUPPORTING DOCUMENTATION**

**Appendices:**

1. Internal Audit Strategy and Annual Audit Plan 2013/14
2. Draft Schools Audit Policy

**Background Documents**

1. Accounts & Audit Regulations 2011
2. Public Sector Internal Audit Standards 2013

# **Draft Internal Audit Strategy & Annual Audit Plan 2013-14**

**Ian Withers, Head of Audit & Business Risk**

**April 2013**



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# 1. Forward

Internal Audit at Brighton & Hove City Council plays an essential role in supporting the Council to achieve its objectives and outcomes. The Annual Audit Plan for 2013/14 is thus derived from an Audit Risk Assessment and focuses on areas where we can add the most value and provide assurance that the Council's risks are being properly managed.

Our objective is to promote and champion sound governance throughout the Council and provide objective assurance to add value to management by ensuring key business controls are operating, risks managed and value for money is achieved.

We continue to innovate and adopt new approaches to ensure that the council receives an efficient and effective internal audit service that adds value. This includes for 2013/14 the introduction of continuous auditing and data mining to deliver efficiency savings and safeguard the council from fraud whilst enhancing customer satisfaction.

The Council's internal audit function is provided by Audit & Business Risk, part of the Finance & Resources Directorate, together with our 'Internal Audit Partner' Deloitte Public Sector Internal Audit Ltd. The updated Internal Audit Charter is attached at Appendix B.

# 2. Introduction

## 2.1 Purpose

This document sets out the Internal Audit Strategy and Annual Audit Plan for Brighton & Hove City Council for the financial year 2013/14.

The purpose of the Internal Audit Strategy and Annual Audit Plan is to:

- Meets the requirements of the newly introduced Public Sector Internal Audit Standards (2013) that requires the Head of Audit & Business Risk to produce a risk based annual plan taking into account the requirement to annual internal audit opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control;
- Deliver an internal audit service that meets the requirements of the Accounts & Audit Regulations (2011);
- Ensure effective audit coverage and a mechanism to provide independent and objective overall assurance in particular to Members, Executive Leadership Team (ELT) and the Corporate Management Team (CMT);
- To provide an independent annual opinion on the Council's control environment;
- Optimise the use of audit resources available, given that they are limited;
- Identify the key risks facing the council to achieving its objectives and determine the corresponding level of audit resources;



- Add value and support senior management in providing effective control and identifying opportunities for improving value for money; and
- Support the Director of Finance & Resources in fulfilling obligations as the Council's nominated Section 151 Officer.

## **2.2 Providing Assurance**

The Internal Audit Strategy and Plan is aimed primarily at providing ongoing and annual assurance to the Council, to provide confidence to its stakeholders. This is layered in order to achieve a more focussed and targeted assurance across a wide range of the council's systems and activities. The layers of assurance are spread across the thematic reviews and a mix of corporate, specialist, service and continuous audit reviews.

## **3. Key Core Deliverables for 2013/14**

The Annual Audit Plan is expected to cover core deliverables as follows:

- To provide ongoing assurance to management on the Council's control environment comprising systems of governance, risk management and internal control;
- To support the Council's Values and Behaviour;
- To be responsive to transformational change and service demands;
- To continue to meet the requirements of the Council's external auditors and reliance placed on our audit work;
- To continue to develop our partnership working relationships;
- To further embed integration of internal audit work with governance and managing risk to produce a clearly co-ordinated risk-based approach to the audit of business/operational systems across the council;
- To ensure agreed management actions to audit recommendations made are fully implemented, in particular the high priority ones;
- To deliver the statutory requirements of the Accounts and Audit Regulations 2011;
- To continue to develop and have a lead in the council's corporate governance arrangements including review and production of the 'Annual Governance Statement' to provide assurance on the council's governance arrangements and any areas for improvement;
- To provide an effective reactive Corporate Counter Fraud Service in accordance with the Council's Counter Fraud Strategy and the Local Government Fraud Strategy "Fighting Fraud Locally";

- Continue to be proactive in counter fraud including delivery of a comprehensive fraud awareness training programme to assist managers and staff in the prevention and detection of fraud and irregularities;
- To continue to develop our lead role and work closely with the Audit & Standards Committee to provide assurance; and
- To significantly contribute and support the councils Value for Money Programme. In particular by ensuring our audit work is focussed on effective change and delivery of service improvements.

## **4. Key Issues and Priority Areas for 2013/14**

Having regard to the current risk profile of the council, the following areas have been identified as key issues and priority areas of our work for 2013/14:

### **4.1 Governance Arrangements**

The council's governance framework covers all aspects of its business, including risk management, internal control and ethical standards. We have a key role to play in assessing the effectiveness of governance arrangements by comparison with principles contained in the CIPFA/SOLACE Governance Framework and Delivering Good Governance in Local Government (2012). We also provide proactive advice on improving governance arrangements and disseminating best practice information.

A number of audits will support the assessment of governance arrangements including the Performance & Risk Management Framework, Data Quality and Budget Management. The statutory Annual Governance Statement will be produced in June, approved by the Audit Committee and signed by the Leader and Chief Executive.

### **4.2 Fundamental Financial Systems**

The effectiveness of controls and management of risks within fundamental financial systems remains a core part of our audit work. This work is important in providing annual assurance to the Council and to meet the requirements of Ernst & Young. We continue to develop our audit approach to give greater assurance and ensuring it meets the requirements of the International Auditing Standards (ISAs).

### **4.3 Modernisation and Value for Money**

Our review work will be linked to the modernisation priority contained in the Corporate Plan.

With the significant financial challenges facing the public sector, the council continuous to deliver a major Value for Money Programme for the transformation of services. Our Annual Audit Plan will be flexible enough to respond to emerging issues and risks from changes from this programme.

Value for money will continue to be an integral part of our risk based audit approach, in particular being alert to opportunities for improved efficiency, effectiveness and economy.

#### **4.4 ICT and Information Governance**

Information technology is fundamental to the delivery of the Council's services and an area of rapid change. Due to this high risk to the council, providing assurance on the adequacy of systems and controls is a key part of our Annual Audit Plan. Our work recognises the pace of change and adoption of new information technology and as such will be well informed to focus our resources on areas of highest risk and benefit.

#### **4.5 Partnerships**

The council is increasingly operating and delivering services jointly through partnerships. This also brings risks and opportunities to the council and the delivery of services. We will continue to review key partnerships and also work with auditors from partner organisations for effective coverage and providing assurance.

A key area of our work on partnerships in 2013/14 will be on the changes to the NHS in particular the transfer of Public Health and the CCG.

#### **4.6 Welfare Reform**

Key changes have been implemented by the Government that will impact on the Council's control environment. These changes to benefits and council tax support are likely to have an impact on a number of key sources of income with the risk of debts increasing e.g. housing rents and council tax.

#### **4.7 Schools**

Schools are predominantly risk assessed as a low priority within the Annual Internal Audit Plan. The audit review of schools also absorbs a significant audit resource, in addition to a significant commitment from the schools. It is important therefore that our work is focussed on areas of highest risk with providing assurance to governing bodies. Our current approach is therefore to undertake thematic reviews to optimise the deployment of resources and obtain a proportionate level of assurance.

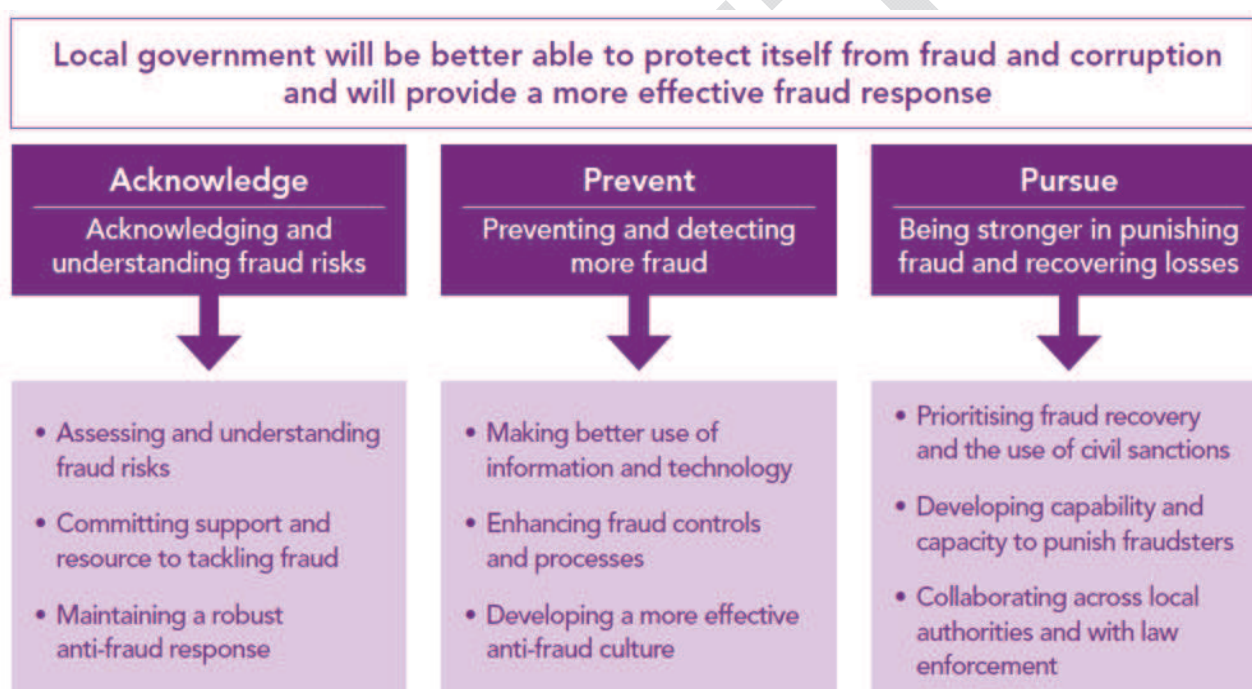
There may be occasions when it is beneficial to carry out reactive audit reviews at individual schools due for example to the changing risk exposure or control failure. We will liaise closely with management to identify these changes and where necessary programme individual audit reviews accordingly. Changes could include budget deficits, control failures, fraud or changes of key staff.

A policy on the audit of schools is currently at draft stage and this will be discussed and agreed with all parties before being formally issued.

## 4.8 Counter Fraud

A recent annual report by the National Fraud Authority gave a headline figure for indicative loss due to fraud in local government of £2.1 billion. In response to these headline figures, we have increased our counter fraud coverage, in particular proactive work to safeguard the council.

Early in 2012/13, the National Fraud Authority published *Fighting Fraud Locally – The Local Government Fraud Strategy*. We will continue to respond during 2013/14, in particular to the three main strands of the strategy (see below).



From 1<sup>st</sup> April 2013, the new Corporate Fraud Team will be operational within the Audit & Business Risk Division that includes the previous Housing Benefits Fraud Team. The scale and scope of reactive housing benefits fraud investigation work is significant and likely to remain so for at least 2013/14. This element is therefore shown separately in the Annual Audit Plan.

We will continue to review and develop the robustness of the Council's arrangements and work closely both internally and externally with bodies such as the Police, the Audit Commission and National Fraud Authority.

## 4.9 Implementation of Agreed Management Actions

At the end of each audit review, an audit report will be produced containing agreed management actions to audit recommendations made. We will ensure these agreed actions to audit recommendations are fully implemented to ensure improvements to the council's control environment and value for money. We will focus on high and medium priority audit recommendations.

### 4.10 Other Considerations

We are conscious of the significant pressure on resources that the Council is facing. The Annual Audit Plan has been developed with this in mind and the Internal Audit Team will be looking to provide support to management through identifying efficiencies and making recommendations for possibly fewer but better controls where possible. With this mindset the Internal Audit Team will look to improve and enhance processes that will support the Council's general change programme, helping it meet its priorities, through maintaining a robust control environment with fewer resources.

We will place reliance on other assurance providers as far as possible and work closely with other colleagues and External Audit to manage resources and coverage effectively.

## 5. The Role and Purpose of Internal Audit

The statutory basis for internal audit in local government is provided in the Accounts and Audit Regulations 2011 which states that *a local authority shall maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control in accordance with proper practice.* The Council has recognised this statutory requirement in its financial regulations.

The recently published Public Sector Internal Audit Standards defines Internal Audit as *'an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.'*

In addition to the above, the Director of Finance & Resources has a statutory duty under Section 151 of the Local Government Act 1972, to establish a clear framework for the proper administration of the local authority's affairs. To perform that duty the Section 151 Officer relies on, amongst other things the internal audit work for reviewing systems of internal control, financial management and other assurance processes.

The standards for 'proper practice' in relation to internal audit are laid down in the Public Sector Internal Audit Standards (last updated in 2013). We continually ensure compliance with these professional standards and these are reflected in our Audit Charter.

The standard and quality of internal audit is principally scrutinised in three ways:

- An annual review of the effectiveness of internal audit required by the Accounts & Audit Regulations 2011;
- Ernst & Young (external auditors) seeks to place reliance upon the quality and standard of work our work through principally the 'managed audit' process and reports this to the Council in the annual audit and inspection letter; and
- Customer feedback and perceptions

## **6. Protocol for Audit Reviews**

For each audit review carried out, the responsible Service Manager, Head of Service, and/or Executive Director (Lead Client) will be consulted as necessary in the scoping to ensure appropriately focussed on current key perceived risks and issues. Terms of reference will be produced for each audit review and agreed to ensure the scope, objectives, approach, timetable are understood.

To try and help with the demands on officer's time, we will work with senior managers to align the timing of the work to minimise disruption.

Draft internal audit reports will be issued for discussion with the appropriate levels of management and normally be set-out in the terms of reference. Executive Directors will be copied into the circulation.

Final internal audit reports will be issued after the agreement of draft reports and contain completed management actions plans that will identify those responsible for implementation and timescales. The final reports will always be issued to the 'Lead Client' responsible for the area reviewed.

Agreed management actions to recommendations made will be followed-up, depending on their priority but this will usually be between three to six months from the issue of the final. A report will be completed and distributed in line with the final report.

Departmental Management Teams will have a role in ensuring draft audit reports are agreed and finalised together with the effective implementation of agreed management actions.

## 7. Our approach to developing the Annual Audit Plan

The approach used is primarily developing a risk assessment to identify areas for including in the Annual Audit Plan. A summary of the approach is set out below.

<b>Step 1</b> <b>Understand the strategic and operational priorities together with risk</b>	<ul style="list-style-type: none"> <li>• Understand Council structure and service areas including planned changes during 2013/14</li> <li>• Identify corporate level priorities, values and risks</li> <li>• Quantifying risks associated with achieving corporate priorities and service level objectives from for example strategic and operational risk registers</li> <li>• Utilise local and national knowledge</li> <li>• Consultation with ELT and CMT members and other key managers</li> <li>• Comparison with other Local Authorities</li> </ul>
<b>Step 2</b> <b>Define the audit universe</b>	<ul style="list-style-type: none"> <li>• Identify and update/review all the auditable entities within the Council. Auditable entities can be functions, systems, establishments, locations or applications</li> </ul>
<b>Step 3</b> <b>Assess the inherent risk</b>	<ul style="list-style-type: none"> <li>• Assess the inherent risk of each auditable entity based on impact and likelihood criteria so the plan is focussed on the most risky areas</li> </ul>
<b>Step 4</b> <b>Assess the strength of the control environment</b>	<ul style="list-style-type: none"> <li>• Assess the strength of the control environment within each auditable entity based on:             <ul style="list-style-type: none"> <li>- knowledge of the control environment</li> <li>- Information obtained from other assurance providers</li> <li>- Materiality</li> <li>- Corporate importance and sensitivity</li> <li>- Outcomes and timing of previous audit coverage</li> <li>- Management concerns</li> </ul> </li> </ul>
<b>Step 5</b> <b>Calculate the audit requirement rating</b>	<ul style="list-style-type: none"> <li>• Calculate the audit requirement rating taking into account the inherent risk assessment and the strengths of the control environment for each auditable entity</li> </ul>
<b>Step 6</b> <b>Determine the annual audit plan</b>	<ul style="list-style-type: none"> <li>• Determine where with limited resources can make the most impact in terms of control improvement and adding value</li> <li>• Determine the timing and overview for each audit review</li> <li>• Consider additional requests for audit reviews, for example regulatory driven audits, grants audits and consultancy reviews</li> </ul>

The Annual Audit Plan will be indicative and it is inevitable that changes will be made during the year as the risk profile of the Council changes. This will be achieved through ongoing review and discussions throughout the year with senior management to identify emerging or urgent issues and risks that will require internal audit attention and meet the needs of the Council.

The Audit & Standards Committee will be kept informed of progress against the Annual Audit Plan and agree any significant changes during the year.

## **8. How the service will be provided**

Currently internal audit provision is delivered by the in-house team supplemented by a co-sourced arrangement for ICT, other technical and more general assurance work with Deloitte LLP.

The Annual Audit Plan is resourced by calculating the number of productive days available by the Internal Audit and Corporate Fraud Teams, supplemented by Deloitte LLP.

In order to deliver the Annual Audit Plan and at the required quality and professionalism, we strive to ensure the team have the required mix of skills and experience. All our internal audit staff are either fully qualified CCAB Accountants and/or Chartered Internal Auditors or undertaking professional studies.

Our professional judgement has been applied in assessing the level of resource required (direct days) to deliver the Annual Audit Plan. The level of resource applied is a product of:

- The complexity of the areas to be reviewed;
- Factors such as number of locations, number and frequency of transactions; and
- Assurance that can be brought forward from previous audits and other internal and external reviews carried out.

Staff development needs are continually assessed to ensure we maintain the level and mix of skills required to deliver a highly professional and added value internal audit service

## **9. Annual Audit Plan 2013/14**

The Annual Audit Plan and Indicative Audit Timeline for 2013/14 is shown at Appendix A. It includes a brief summary of each review under thematic areas.

The plan also shows the significance of each review in terms of risk (high, medium and low) and where relevant, cross referenced to the Council's corporate risks. The allocation of the 2,616 audit days is summarised in Table 1 below together with the number of specific audit reviews. This does however include days for the counter fraud programme of 1,094.

A small amount of contingency has been provided for unplanned or reactive work. This will be used to respond to emerging issues, risks and to requests from senior managers.



**Table 1 – Summary of Annual Audit Plan 2013/14**

Thematic Area	Number of Specific Audit Reviews	Audit Days	Pages
Corporate Governance Arrangements	9	96	13
Corporate Cross Cutting Audits	12	176	14
Fundamental and Key Financial Systems	13	193	17
Procurement & Contract Management	9	86	20
Information Technology	21	180	21
Service Specific	45	558	24
Counter Fraud Programme *	2	1094	30
Corporate Support	-	67	32
Grant Certification	-	25	33
Other Direct Audit Activity	-	141	33
<b>Totals</b>	<b>111</b>	<b>2616</b>	

\* Includes Housing Benefit Investigations (Reactive) of 800 days

The Annual Audit Plan includes the indicative quarter during the year when the audit review is planned to be undertaken. Wherever possible this has been agreed with management during the planning process. There is however flexibility to respond for example to pressures on services audited and audit resource availability.

In addition to the Audit and Standards Committee receiving regular progress reports against the plan, ELT and Departmental Management Teams (DMT) will be provided with regular progress reports throughout the year summarising outcomes including both audit reviews reported and updates on the implementation of previously agreed actions. This will be both written reports and to discuss verbally by the Head of Audit & Business Risk through attendance at ELT and DMTs as necessary.

## 10. Our Performance Management

To achieve planned coverage, deliver a high standard of customer care and demonstrate effectiveness of the service, we have well established performance targets based on best professional practice and easily comparable with other organisations.

Performance indicators and targets are shown at Appendix C for six aspects of our service:

- Cost and quality of input;
- Productivity and process efficiency;
- Quality of output;
- Compliance with professional standards;
- Outcomes and degree of influence; and
- Our Staff.

We will ensure continuous improvement of the Internal Audit Service and adopt new approaches. It is regularly benchmarked with both other public and private sector providers to ensure efficient, effective and competitive.

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## Appendix A

# ANNUAL AUDIT PLAN AND INDICATIVE TIMELINE 2013/14

**Governance Arrangements**

Ref.	Audit Review	Internal Audit Risk Assessment	Indicative Number of Audit Days	Audit Details		Indicative Timing
				Overview	Lead ELT Client	
A007	<b>Annual Governance Statement 2012/13</b>	High	18	Annual review of overall governance framework to assess the adequacy across the council. To produce Annual Governance Statement with action plan and to monitor progress made on specific actions to improve controls around specific governance areas.	Chief Executive & Chair of Audit Committee	Quarter 1
A186	<b>Assurance Mapping</b>	Medium	8	To carry out assurance mapping of sources of assurance against the key risks across the Council, to provide a better understanding of the roles, evaluate the adequacy of these and any gaps or duplication. In addition to internal audit, examples of sources of assurance include external audit, health & safety, finance, performance management and scrutiny. The review will also assist the production of the Annual Governance Statement.	Chief Executive	Quarter 1
A397	<b>Openness and Transparency</b>	Medium	5	This review will examine the effectiveness of the Council's arrangements for openness and transparency and compliance against the new Code of Practice on Local Authority Transparency.	Chief Executive	Quarter 2
A323	<b>Business Planning</b>	Medium	15	This review will examine the operation of the new business planning process across the Council. This will include an assessment of business planning with performance management, risk management and financial management processes.	Assistant Chief Executive	Quarter 3
A061	<b>Performance Framework including Management Data Quality</b>	Medium	12	A review of the Council's performance management framework and reporting to support effective service delivery and priorities. The scope of this review will include data quality and performance indicators to ensure performance reporting is based on robust information allowing effective and informed decision making.	Assistant Chief Executive	Quarter 2

Ref.	Audit Review	Internal Audit Risk Assessment	Indicative Number of Audit Days	Audit Details		
				Overview	Lead ELT Client	Indicative Timing
A181	<b>Risk Management</b>	Medium	12	This review will assess the effectiveness of risk management arrangements throughout the Council. The scope will include the council's risk maturity/culture and both strategic and operational/directorate risks to ensure adequately identified, assessed and managed.	Director of Finance & Resources	Quarter 2
A054	<b>Corporate Health &amp; Safety</b>	Medium	8	This function is high profile and of corporate importance. The review will include overall management and compliance with health and safety requirements including the new safety management system.	Director of Finance & Resources	Quarter 4
A068	<b>Declarations of Interest, Gifts &amp; Hospitality</b>	Medium	6	To review processes to ensure robust, clearly communicated and complied with. This will include effective approval and monitoring of registering declarations of interest, gifts and hospitality. The review will include both officers and members.	Head of Legal & Democratic Services	Quarter 4
A026	<b>Business Continuity Management</b>	High	12	This review will examine the adequacy effectiveness of continuity and resilience plan to ensure that the Council can continue to deliver its services and priorities in the event of a major disruption.	Director of Public Health	Quarter 4
			<b>96</b>			

### Corporate Cross Cutting Audit Reviews

Ref.	Audit Review	Risk Assessment	Indicative Number of Audit Days	Audit Details		
				Overview	Lead ELT Client	Indicative Timing
A128	<b>Income Collection Arrangements</b>	Medium	12	The audit will review cash collection and banking arrangements, and assess the adequacy of the cash/bank reconciliations. The audit will also include carrying out spot checks of a sample of tills/floats/safes.	Director of Finance & Resources	Quarter 1

Ref.	Audit Review	Risk Assessment	Indicative Number of Audit Days	Audit Details		
				Overview	Lead ELT Client	Indicative Timing
A162	HR Establishment Control	High	15	This review will examine the effectiveness of controls in the recent change to establishment control, in particular relating to the council's payroll and budget management.	Director of Finance & Resources	Quarter 2
A128	Debt Management	High	10	This review will examine the adequacy of the Council's debt management arrangements including Policy, intelligence led recovery and write-off.	Director of Finance & Resources	Quarter 2
A193	Staff Expenses	Medium	18	To examine the operation of controls within the self service system of Trent and to ensure compliance with the Council's policies and procedures and HRMC requirements	Director of Finance & Resources	Quarter 2
A172	Projects and Programme Management	Medium	15	This review will examine the overall management of projects including monitoring, accountability and reporting. The scope will also include whether the intended benefits for projects and programmes are clearly defined and are being tracked and delivered. A sample of projects/programmes will be selected in agreement with management.	Director of Finance & Resources	Quarter 2
A205	Use of Consultants and Agency Workers	Medium	12	The review will consider how consultants and agency workers have been engaged, the recording of such staff, compliance with statutory requirements (e.g. HMRC) and how their usage is monitored across the Council in particular in achieving value for money.	Director of Finance & Resources	Quarter 1
A162	Employees Overtime and Allowances	Medium	20	This review will examine the control over the claiming and payment of overtime and allowances to employees across the Council.	Director of Finance & Resources	Quarter 1
A207	Management of Value Added Tax (VAT)	Medium	12	This review will examine the effectiveness of the Council's systems and control for the management of VAT. The review will include compliance with VAT guidance, VAT records and returns, Inputs (e.g. Expenditure/Repayments), Outputs (Income/Receipts), goods, services and reconciliations. The review will also evaluate that the adequacy of awareness of VAT issues and training to avoid any unnecessary financial loss.	Director of Finance & Resources	Quarter 1

Ref.	Audit Review	Risk Assessment	Indicative Number of Audit Days	Audit Details		
				Overview	Lead ELT Client	Indicative Timing
A011	Corporate Responsibilities (Asset Management) Landlord (Asset)	Medium	15	This review will examine the Council's corporate landlord function. The scope will include whether it is meeting its legislative requirements around landlord responsibilities, for example gas certificates and appropriate health and safety checks. The scope will also include expenditure control, performance management and the achievement of value for money.	Director of Finance & Resources	Quarter 1
A098	Work Styles 3 Project	Medium	10	The Council is currently working on the business cases for phase 3 of a significant work styles project mainly involving its property rationalisation to enable better use of space, more flexible working and associated savings. The audit will review the management of the project and assess the degree to which the projected benefits have been realised.	Director of Finance & Resources	Quarter 3
A398	Establishment of Local Authority Trading Companies	Medium	15	This review will provide assurance over the business model and determine the effectiveness of governance arrangements being implemented. To include the areas of Adult Social Care and Leisure.	Director of Adult Social Services	Quarter 3
A325	Major Capital Projects	High	20	This audit will review the Council's management and governance arrangements for major capital projects. In particular King Alfred Centre, Brighton Centre and i360.	Director of Environment, Development & Housing	Quarter 3
			<b>174</b>			

### Fundamental Key Financial System Audit Reviews

Ref.	Audit Review	Risk Assessment	Indicative Number of Audit Days	Audit Details		Indicative Timing
				Overview	Lead ELT Client	
A146	<b>Main Accounting System/General Ledger</b>	High	12	Systems based audit to document, evaluate and test key system controls including controls to ensure all expenditure is correctly stated, suspense accounts are being managed effectively, controls around the appropriateness of transactions for example account codes and journals, operation of key interfaces and key account reconciliations between the feeder systems and general ledger.	Director of Finance & Resources	Quarter 4
A022	<b>Budget Management</b>	Medium	15	To review the effectiveness of controls for budget management, in particular financial reporting and budgetary control with a view to ensuring accurate and timely information is produced and reviewed by the appropriate level and that action to address any issues of concern is undertaken promptly and effectively. The audit will also include examining actions taken and reported on the realisation of budget savings for 2013/14.	Director of Finance & Resources	Quarter 3
A056	<b>Creditors (Accounts Payable)</b>	High	25	Systems based approach considering key risk exposures and including process mapping of key controls. Controls testing to provide assurance that orders for goods and services are properly authorised and placed, correctly accounted for and comply with the Council's Financial Regulations and Procedures. The audit will test a selection of payments using audit software tools to ensure accurate and legitimate.  Continuous auditing will be carried out as necessary throughout the year on transaction data using audit software tools to interrogate, manipulate and exception report for example duplicate payments, creditors, authorisation limits etc.	Director of Finance & Resources	Quarter 1 - 4



Ref.	Audit Review	Risk Assessment	Indicative Number of Audit Days	Audit Details		
				Overview	Lead ELT Client	Indicative Timing
A067	<b>Debtors (Accounts Receivable)</b>	High	12	Systems based approach considering key risk exposures and including process mapping of key controls. The audit will provide assurance that income due is properly identified, collected and accounted for. The audit will further examine the adequacy of debt collection procedures to minimise the risk of bad debt write off.	Director of Finance & Resources	Quarter 3
A034	<b>Cash Collection and Banking (including reconciliations)</b>	High	15	Systems based approach considering key risk exposures, including process mapping of key controls and compliance testing to provide assurance.	Director of Finance & Resources	Quarter 4
A204	<b>Treasury Management</b>	High	10	Systems based approach considering key risk exposures, including process mapping of key controls and compliance testing to provide assurance. The audit will include assessing the adequacy of Council's Treasury Management Policy and cash flow forecasting to verify that funds are being invested correctly and appropriately to maximise returns for the Council with minimum risks to funds.	Director of Finance & Resources	Quarter 4
A029	<b>Capital Accounting, Expenditure and Programming</b>	High	12	Systems based approach considering key risk exposures and including process mapping of key controls. The review will include the accuracy of forecasting, performance reports identifying slippage and cost overruns accurately, project outcomes and lessons learnt for future projects.	Director of Finance & Resources	Quarter 4
A011	<b>Management of Non Current Assets</b>	Medium	12	Review of the system operating for the handling, recording and accounting for fixed assets including the verification and valuation processes. The scope will also include the processes for the identification and disposal of assets across the Council and specific areas including Highways.	Director of Finance & Resources	Quarter 3
A153	<b>Council Tax</b>	Medium	20	Systems based audit to document, evaluate and test key system controls and risk exposures. To include liability, charging, billing, collection and recovery	Director of Finance & Resources	Quarter 3

Ref.	Audit Review	Risk Assessment	Indicative Number of Audit Days	Audit Details		Indicative Timing
				Overview	Lead ELT Client	
A154	<b>NNDR (Business Rates)</b>	Medium	10	Systems based audit to document, evaluate and test key system controls and risk exposures. To include liability, charging, billing, collection and recovery.	Director of Finance & Resources	Quarter 3
A115	<b>Housing Benefits</b>	High	20	Systems based audit to document, evaluate and test key system controls and risk exposures. In particular verification of claimant data and assessment of entitlement to benefits, reconciliation and management reporting to reduce the risk of fraud, error and inefficiency. The audit will test new benefit claims, change of circumstances, back dated claims, debt recovery action for overpayments.	Director of Finance & Resources	Quarter 3
A117	<b>Housing Rent Collection</b>	High	15	Systems based audit to document, evaluate and test process, key controls and risk exposures.	Director of Environment, Development & Housing	Quarter 4
A162	<b>Payroll/HR</b>	High	15	Systems based approach considering key risk exposures and controls. The review will examine HR records to ensure the completeness and accuracy of the establishment, HR records and contractual evidence.  Continuous auditing will be carried out as necessary throughout the year on transaction data using audit software tools to interrogate, manipulate and produce exception reports.	Director of Finance & Resources	Quarter 1-4
			<b>193</b>			

## Procurement and Contract Management Audit Reviews

Ref.	Audit Review	Risk Assessment	Indicative Number of Audit Days	Audit Details		
				Overview	Lead ELT Client	Indicative Timing
A142	Sports Facilities Contract	Medium	5	This review will be a follow-up to the unplanned one carried out in 2012/13 to ensure the effectiveness of controls to mitigate risks. In particular over the management of the contract and include non financial compliance such as health and safety.	Assistant Chief Executive	Quarter 3
A019	Brighton Centre – Ticketing	Medium	5	To review the effectiveness of arrangements and compliance with the Council's Contract Standing Orders for the tendering and letting of the contract.	Assistant Chief Executive	Quarter 1
A399	Saltdean Lido	Medium	5	To review the adequacy of arrangements and compliance with the Council's Contract Standing Orders for the re-letting of the management contract. The audit will also include the control over funding for regeneration and improvement of facilities.	Assistant Chief Executive	Quarter 1
A173	Council Procurement	High	18	This review will examine whether contracts with external suppliers have been procured in accordance with the Council's Contract Standing Orders and Procedures. This review will also examine the quality control of the procurement function and how the risk of supplier failure is being managed by the Council.	Director of Finance & Resources	Quarter 2
A401	Housing Service Contracts	Medium	12	This audit will examine the effectiveness of controls over a sample of service contracts including	Director of Environment, Development & Housing	Quarter 1
A118	Housing Repairs Contract	High	15	To review the adequacy of controls and management of risks for the housing repairs contract.	Director of Environment, Development & Housing	Quarter 3

Ref.	Audit Review	Risk Assessment	Indicative Number of Audit Days	Audit Details		
				Overview	Lead ELT Client	Indicative Timing
A195	Street Lighting Contract	Medium	8	To review the effectiveness of contract management arrangements over the Council's street lighting, including management of standing data, maintenance and renewals, management information and budgetary control.	Director of Environment, Development & Housing	Quarter 4
A329	Parking Enforcement Contract	Medium	10	A new contract was let in 2012/13 to NSL and this review will examine the effectiveness of contract management arrangements over this contract.	Director of Environment, Development & Housing	Quarter 2
A109	Homecare Contract	Medium	8	To examine the operation of the recently let Homecare Contract.	Director of Adult Services	Quarter 2
			86			

### Information Technology Audit Reviews

Ref.	Audit Review	Risk Assessment	Indicative Number of Audit Days	Audit Details		
				Overview	Lead ELT Client	Indicative Timing
A402	Servers (Cyberfraud/Firewalls)	High	12	The review will focus on Server and Networking security configurations, governance and processes for the management of key security activities (such as patch management, user administration, anti-virus and audit logging)	Director of Finance & Resources	Quarter 2
A403	Public Services Network (The Link)	High	12	This review will examine the effectiveness of client function for contract management. It will be carried out jointly with the Internal Audit Service for East Sussex County Council.	Director of Finance & Resources	Quarter 2
A404	Electronic Records Management (IDox)	Medium	15	With the increasing reliance by the Council on electronic records management, this audit will review the effectiveness of controls operating to mitigate risks. In particular controls relating to access and the integrity of data held.	Director of Finance & Resources	Quarter 4

Ref.	Audit Review	Risk Assessment	Indicative Number of Audit Days	Audit Details		
				Overview	Lead ELT Client	Indicative Timing
A350	<b>BACS</b>	High	10	A new application is due to go live in June 2013 and this review will examine the effectiveness of controls including over access, security and processing.	Director of Finance & Resources	Quarter 2
A406	<b>Payment Card Industry, Data Security Standard (PCI DSS)</b>	Medium	5	This will follow-up the 2012/13 audit review to assess the controls which the Council has in place to help ensure compliance with PCI DSS Version 2 and help to identify any gaps requiring remedial action. This audit will complete an evidence based review of the processes in place to identify the requirements of compliance with the standard and if the Council has completed an assessment of the required Standard Assessment Questionnaire (SAQ).	Director of Finance & Resources	Quarter 3
A318	<b>Use of Mobile Applications and Devices</b>	Medium	10	This audit will evaluate the adequacy of current arrangements that the Council as in place over the use and security of mobile applications and devices. The review will include the evolving and increasing requirements for remote home working.	Director of Finance & Resources	Quarter 3
A407	<b>Oracle Security</b>	Medium	10	To examine the security and integrity of selected Oracle databases. The audit will focus on the use of the Oasis software tool by Deloitte	Director of Finance & Resources	Quarter 4
A408	<b>Hardware Control</b>	Medium	8	To review the environmental controls over the Council's eight server rooms.	Director of Finance & Resources	Quarter 3
A409	<b>Local Area Network (LAN)</b>	Medium	12	The Council's LAN is being redesigned during 2013/14 and this review will examine the adequacy of controls and mitigation of risks.	Director of Finance & Resources	Quarter 3
A074	<b>Disaster Planning and Recovery</b>	High	8	This audit will review the effectiveness of disaster recovery arrangements in particular for business critical systems. The audit will include back-up and off-site storage arrangements to help ensure security of the Council's data.	Director of Finance & Resources	Quarter 4

Ref.	Audit Review	Risk Assessment	Indicative Number of Audit Days	Audit Details		
				Overview	Lead ELT Client	Indicative Timing
A336	<b>SharePoint</b>	Medium	5	This review will follow-up the 2012/13 one to examine the adequacy of access/data security arrangements for data sharing.	Director of Finance & Resources	Quarter 3
A410	<b>Social Media</b>	Medium	8	This audit will examine the effectiveness of control over the Council's use and control of social media. The review will include the embedding of polices and awareness by Members and employees.	Director of Finance & Resources	Quarter 3
A411	<b>Web Content Management</b>	Medium	8	This review will examine the control over web content management	Director of Finance & Resources	Quarter 2
A124	<b>Information Governance</b>	High	12	A review of controls to address the high risk issues associated with information governance, such as the implementation of recommendations from external bodies (e.g. Information Commissioner). The review will also assist the Head of Audit & Business Risk in providing assurance over information governance, being a new requirements of the recent Public Sector Internal Audit Standards.	Director of Finance & Resources	Quarter 2
A412	<b>System Applications</b> <ul style="list-style-type: none"> <li>- CIVICA Financials Application (General Ledger, Creditors, Debtors and Purchasing)</li> <li>- OHMS Housing Management System</li> <li>- Northgate Revenues and Benefits</li> <li>- CareFirst</li> </ul>	High	15	This review will examine the adequacy of key application controls for the Council's core systems. It will support the general audits of fundamental financial systems and provide assurance to the Council's external auditors for their ICT Risk Assessment.	Director of Finance & Resources	Quarter 4
A405	<b>Co-operative Bank Financial Director Online Application</b>	High	5	Application review over in particular security of access and logical controls.	Director of Finance & Resources	Quarter 2

Ref.	Audit Review	Risk Assessment	Indicative Number of Audit Days	Audit Details		
				Overview	Lead ELT Client	Indicative Timing
A413	<b>Logotec Asset Management System</b>	Medium	5	This review will examine the adequacy of the controls for the application being implemented early in 2013/14. In particular the migration of data and system access privileges.	Director of Finance & Resources	Quarter 1
A414	<b>Housing Locata Application</b>	Medium	12	This audit will review the effectiveness of controls for existing functions and those being implemented. It will also include the interfacing with the Council's OHMS application.	Director of Finance & Resources	Quarter 1
A415	<b>PatchWork Application</b>	Medium	8	This application is being developed by Children's Services as an effective tool over the management of clients and decision making. The review will examine data security and sharing arrangements.	Director of Finance & Resources/Director of Children's Services	Quarter 3
			<b>180</b>			

### Service Specific Audit Reviews

Ref.	Audit Review	Risk Assessment	Indicative Number of Audit Days	Audit Details		
				Overview	Lead ELT Client	Indicative Timing
A019	<b>Brighton Centre</b>	Medium	10	To review adequacy of systems for income and expenditure, in particular for events.	Assistant Chief Executive	Quarter 4
A021	<b>Royal Pavilion Security</b>	Medium	8	This review will examine the effectiveness of security arrangements for the Royal Pavilion to protect the building and assets held.	Assistant Chief Executive	Quarter 1
A105	<b>Golf Courses</b>	Medium	5	This review will examine arrangements over the management service for the Council's golf courses.	Assistant Chief Executive	Quarter 1
A416	<b>Management of Artefacts</b>	Medium	5	To review the security arrangements for the safekeeping of artefacts and records held.	Assistant Chief Executive	Quarter 2

Ref.	Audit Review	Risk Assessment	Indicative Number of Audit Days	Audit Details		
				Overview	Lead ELT Client	Indicative Timing
A417	<b>Discretionary Funds</b>	High	18	This review will examine the adequacy of controls operating to ensure appropriate use of discretionary funds (Local Authority Social Fund, Council Tax Reduction Fund and Discretionary Housing Fund) and that only legitimate payments are made.	Director of Finance & Resources	Quarter 2
A059	<b>Council Tax Exemptions and Discounts</b>	High	20	This review will examine the effectiveness of controls, including the increased risks through recent changes in welfare reform.	Director of Finance & Resources	Quarter 1
A059	<b>Employment Checks</b>	Medium	12	A review of the pre-employment checks carried out on both employees and agency staff, including, employment eligibility, DBS (ex CRB), qualifications, references and other requirements (e.g. drivers licenses), as recommended following recent government initiatives. The scope will include the level of compliance with best practice guidance.	Director of Finance & Resources	Quarter 2
A154	<b>Business Rates</b>	Medium	18	To review the adequacy of control over in particular the identification of business properties impacting on the local retention of income. Will include discretions and discounts given.	Director of Finance & Resources	Quarter 4
A418	<b>Bailiffs Services</b>	Medium	10	This review will examine the management and operation of both in-house and outsourced bailiff services to the Council.	Director of Finance & Resources	Quarter 2
A088	<b>Estates Management/Commercial Properties</b>	Medium	12	To review the control over the Council's commercial portfolio to ensure effective management of the assets.	Director of Finance & Resources	Quarter 2
A317	<b>Concessionary Fares</b>	Medium	10	To review process for applications in particular checks on identity to reduce fraud. To review payments to operators.	Director of Finance & Resources	Quarter 3
A143	<b>Libraries</b>	Medium	15	To review the financial control over expenditure, income (including retail) and asset management.	Director of Finance & Resources	Quarter 3



Ref.	Audit Review	Risk Assessment	Indicative Number of Audit Days	Audit Details		
				Overview	Lead ELT Client	Indicative Timing
A114	Housing Assessments	Medium	15	This review will examine the processes in place around assessment of applications for housing support and the making of housing allocations. The scope will include the adequacy of controls in place specifically to prevent and deter fraud in the process.	Director of Environment, Development & Housing	Quarter 1
A418	Housing Estates Renewal	High	12	This review will examine the project management of the Council's Estates Renewal Programme.	Director of Environment, Development & Housing	Quarter 3
A419	Transport Workshop (City Clean)	Medium	8	To review the operation of the Transport Workshops and Hollingbury Depot	Director of Environment, Development & Housing	Quarter 1
A031	Parking Services – Penalty Charge Notices (PCNs)	Medium	8	This review will review the control over the collection of income form PCNs issued. It will include the recent in sourcing of the ICT application to the Council.	Director of Environment, Development & Housing	Quarter 2
A031	On-Street and Off Street Parking Income	High	12	To review the systems for collecting, controlling and monitoring of parking income from on-street pay and display machines and car parks. The review will include changes through payments by phone likely to be introduced in 2013/14..	Director of Environment, Development & Housing	Quarter 3
A420	Housing in Multiple Occupation – Licensing Arrangements	Medium	5	A review of the procedures in place to collect income and processes to ensure landlords comply with the requirements of the licence.	Director of Environment, Development & Housing	Quarter 1
A119	Housing Voids	Medium	12	A review of the systems in place to reduce void turn around times.	Director of Environment, Development & Housing	Quarter 1
A420	Temporary Accommodation/Homelessness	High	15	This review will examine the controls in the light of changes in welfare reform/benefits.	Director of Environment, Development & Housing	Quarter 3

Ref.	Audit Review	Risk Assessment	Indicative Number of Audit Days	Audit Details		
				Overview	Lead ELT Client	Indicative Timing
A194	<b>Street Cleansing</b>	Medium	12	Review to determine whether appropriate controls and processes are in place for the Street Cleansing Service are operating as intended.	Director of Environment, Development & Housing	Quarter 2
A261	<b>Parks Service</b>	Medium	12	Review to determine whether appropriate controls and processes are in place for the Parks Service and are operating as intended.	Director of Environment, Development & Housing	Quarter 2
A421	<b>Income Generation and Business Trading (Planning &amp; Public Protection)</b>	Medium	10	To review the changes to business trading for services and service income generation initiatives.	Director of Environment, Development & Housing	Quarter 1-4
A422	<b>Schools Financial Services</b>	Medium	12	This review will examine the adequacy and effectiveness of the Schools Finance Team in ensuring financial control within schools and support. This will include supporting the Section 151 Officers certification for the Schools Financial Value Standard (SFVS). Financial Value Standard.	Director of Children's Services and Director of Finance & Resources	Quarter 1
A351	<b>Stronger Families and Stronger Communities</b>	Medium	12	This review will examine the framework to support the Troubled Families Initiative Grant. To include the process for identifying families for the scheme.	Director of Children's Services	Quarter 2
A190	<b>Special Educational Needs (SEN)</b>	Medium	12	This review will examine the controls to mitigate risks, in particular financial and those over placements. The scope will also include the outcome of the SE7 regional approach to SEN.	Director of Children's Services	Quarter 4
A265	<b>Personal Budgets – Children's Services</b>	Medium	12	This review will examine the adequacy of controls and mitigation of risks over the introduction of personal budgets.	Director of Children's Services	Quarter 4
A423	<b>Agency Placements – Children's Services</b>	Medium	12	This review will examine the adequacy of controls and mitigation of risks.	Director of Children's Services	Quarter 3
A345	<b>Pupil Premium Funding</b>	Medium	12	This review will examine the effectiveness of the management and control arrangements for Pupil Premium Funding in particular accounting by Schools.	Director of Children's Services	Quarter 2

Ref.	Audit Review	Risk Assessment	Indicative Number of Audit Days	Audit Details		
				Overview	Lead ELT Client	Indicative Timing
A424	Pupil Places	Medium	8	This review will examine the project controls over the future provision of pupil places.	Director of Children's Services	Quarters 1-4
A425	Traded Services for Schools	Medium	8	This review will consider the trading services strategy for support services.	Director of Children's Services & Director of Finance & Resources	Quarter 3
A110	Home to School Transport	High	15	This review will examine the adequacy of controls and mitigation of risks.	Director of Children's Services	Quarter 1
A311	Fostering and Adoption Services	Medium	15	This review will examine the control in particular payments made to in-house parents and also to independent foster agencies.	Director of Children's Services	Quarter 2
A343	Schools Thematic Review - Capital Works Programme	High	20	This review will examine a sample of capital projects to ensure robust controls, monitoring of costs and achievement of value for money.	Director of Children's Services	Quarter 3
A343	Schools Thematic Review - Procurement	High	12	This review will examine the effectiveness of procurement processes and decisions to ensure compliance with the procurement policies, guidance and legislative requirements in ensuring value for money. The scope will include both central controls and those at a sample of schools.	Director of Children's Services	Quarter 3
A343	Schools Thematic Review – ICT Security	High	10	This review will examine control specifically over the procurement of ICT, including leased arrangements	Director of Children's Services	Quarter 4
A302	Schools – Unplanned Audit Reviews	Medium	30	Individual schools audits to be undertaken on a needs basis in accordance with Schools Audit Policy using a risk based approach. Scope of reviews to include the arrangements for school governance, financial management, procurement, HR administration, IT security and asset management. Will include the use of audit tools such as Control and Risk Self Assessment (CRSA).	Director of Children's Services	Quarter 1 - 4

Ref.	Audit Review	Risk Assessment	Indicative Number of Audit Days	Audit Details		
				Overview	Lead ELT Client	Indicative Timing
A072	<b>Personal Budgets</b>	High	20	This audit will review controls relating to those with personal budgets, the allocation of funds based on authorised need and monitoring the use of funds to ensure they are used for intended purpose.	Director of Adult Social Services	Quarter 4
A072	<b>Direct Payments</b>	High	12	This review will examine the controls I particular compliance with systems for managing and controlling direct payments.	Director of Adult Social Services	Quarter 4
A426	<b>Short Term Services</b>	High	12	This review will examine the outcome and implications of the management review in terms of control and risk. In particular over the re-commissioning of certain services e.g. Intermediate Care.	Director of Adult Social Services	Quarter 2
A187	<b>Section 75 Agreements</b>	Medium	8	This review will examine the changes to Section 75 Agreements following the transfer of Public Health.	Director of Adult Social Services	Quarter 2
A427	<b>Extra Care</b>	Medium	15	This review will examine the adequacy of controls and mitigation of risks for this Corporate Plan priority.	Director of Adult Services	Quarter 1
A428	<b>Safeguarding Peer Review – Implementation of Action Plan</b>	Medium	5	This review will review the progress made with the Action Plan and undertake any further review work on service changes made as necessary.	Director of Adult Services	Quarter 4
A428	<b>Public Health</b>	High	12	The review will examine the robustness of the new infrastructure and relevant processes in meeting statutory guidelines. It will also ensure that public health contracts have either been transferred to the Council or have been retendered in accordance with the Council's Contract Standing Orders and that adequate arrangements are in place to enable subsequent re-commissioning to be undertaken.	Director of Public Health	Quarter 2

Ref.	Audit Review	Risk Assessment	Indicative Number of Audit Days	Audit Details		
				Overview	Lead ELT Client	Indicative Timing
A310	Community Safety	Medium	12	This review will examine the adequacy of controls and mitigation of risks. To include the Joint Delivery Unit in working with partners (e.g. Police)	Director of Public Health	Quarter 2
A147	Members Expenses and Allowances	Medium	8	This work will focus on the controls in place around the management and administration of Members' expenses and allowances.	Head of Law	Quarter 1
			558			

**Counter Fraud Programme (To include new team?)**

Ref.	Audit Review	Risk Assessment	Indicative Number of Audit Days	Audit Details		
				Overview	Lead ELT Client	Indicative Timing
F279	Investigations into Fraud & Corruption (Housing Benefits)	High	800	<p>Carrying out investigations as and when required into referrals received into all suspected cases of fraud and irregularities. Referrals may be received:</p> <ul style="list-style-type: none"> <li>▪ From management</li> <li>▪ Received via the confidential anti fraud hotline and website</li> <li>▪ Found from internal audit reviews carried out</li> <li>▪ Received under the Whistleblowing Policy</li> </ul> <p>Referrals will be risk assessed and investigated accordingly.</p>	Director of Finance & Resources	Quarters 1 - 4
F279	Investigations into Fraud & Corruption (Non Housing Benefits)	High	120	<p>Carrying out investigations as and when required into referrals received into all suspected cases of fraud and irregularities. Referrals may be received:</p> <ul style="list-style-type: none"> <li>▪ From management</li> <li>▪ Received via the confidential anti fraud hotline and website</li> <li>▪ Found from internal audit reviews carried out</li> <li>▪ Received under the Whistleblowing Policy</li> </ul>	Director of Finance & Resources	Quarters 1 - 4

Ref.	Audit Review	Risk Assessment	Indicative Number of Audit Days	Audit Details		
				Overview	Lead ELT Client	Indicative Timing
				Referrals will be risk assessed and investigated accordingly.		
F277	<b>Fraud Loss Measurement</b>	High	8	Follow-up and updating of Deloitte Review carried out and reported in 2009/10.	Director of Finance & Resources	Quarter 1
F278	<b>Counter Fraud Strategy, Fraud Response Plan, and other Protocols and Guidance.</b>	Medium	20	Ongoing review of policies, protocols and guidance to ensure effective and current. Where considered necessary appropriate ones will be revised, approved and implemented.	Director of Finance & Resources	Quarters 1 - 4
F280	<b>National Fraud Initiative (NFI)</b>	High	60	To lead on the National Fraud Initiative exercise for the council. This will include co-ordinating, investigating significant data matches, where applicable instigating sanctions and financial recovery. To further consider improvement to controls to mitigate future fraud risk.	Director of Finance & Resources	Quarter 1-4
F281	<b>Data Mining</b>	Medium	20	This review will use data mining tools for example data matching and exception reporting to monitor effectiveness of system controls and identify potential fraud and error. The audit work will be proactive and focus on high risk data sets.	Director of Finance & Resources	Quarter 2
F216	<b>Whistleblowing</b>	Medium	8	To review the effectiveness of the council's whistleblowing arrangements following the improvement introduced in 2009.	Director of Finance & Resources	Quarter 2
F283	<b>Fraud Awareness Training</b>	-	20	To provide awareness training across the council using e-learning modules developed for staff and managers.	Director of Finance & Resources	Quarters 2-3
F285	<b>Fraud Awareness Campaign "Stop the Cheater"</b>	-	10	Undertake both internal and external publicity campaigns to promote the work of the teams, focusing on the fraud hotline and online fraud reporting systems	Director of Finance & Resources	Quarter 2
F284	<b>Agency Liaison and intelligence exchange</b>	-	8	Liaison and information exchange with Police and other Anti Fraud Agencies including Police, DWP, NHS and UK Borders Agency.	Director of Finance & Resources	Quarters 1 - 4

Ref.	Audit Review	Risk Assessment	Indicative Number of Audit Days	Audit Details	
				Overview	Lead ELT Client Indicative Timing
F275	Housing Tenancy Fraud	High	20	This proactive review will use intelligence to investigate and take action with Housing Management over illegal subletting by housing tenants.	Head of Service Housing & Social Inclusion Quarters - 4
			1094		

**Corporate Support**

Ref.	Audit/Area	Risk Assessment	Indicative Number of Audit Days	Audit Details	
				Overview	Lead ELT Client Indicative Timing
A286	Audit Committee Support	-	17	Providing support including training, effectiveness advice and reporting to Audit Committee. (Review wording)	Audit Committee Quarters - 4
A287	Section 151 Officer Support	-	20	To provide the necessary assurance and evidence that will allow the Director of Finance & Resources and Property to discharge her statutory 151 responsibilities. The support will include that given to the Finance & Resources Management Team.	Director of Finance & Resources Quarters - 4
A289	Ad-hoc Advice & Information to Directorates	-	30	To provide ad hoc advice and information to directorates as required, including participation in programme boards and working groups.	Various Quarters - 4
			67		

### Grant Certification

Ref.	Audit Review	Risk Assessment	Indicative Number of Audit Days	Audit Details		
				Overview	Lead ELT Client	Indicative Timing
A291	Contingency for the certification of external grants received.	-	25	Auditing other grants as required for certification purposes.  To carry out checks on grants returns as required by grants awarding bodies.	Director of Finance & Resources	Quarters 1 - 4
			25			

### Other Direct Audit Activity

Ref.	Audit Review	Risk Assessment	Indicative Number of Audit Days	Audit Details		
				Overview	Lead ELT Client	Indicative Timing
A293	External Liaison	-	8	External liaison with partners and other public sector organisations to share and compare information on best practice and areas of significant risk.	None	Quarters 1 - 4
A430	Environment Management Systems (EMS)	-	20	To undertake EMS audits. Scope to be agreed with Head of Sustainability	Head of Sustainability	Quarters 1 - 4
A294	Ernst & Young Liaison	-	8	Liaison and support to external audit including joint planning, fundamental system and Anti Fraud & Corruption Survey.	None	Quarters 1 - 4
A126	Follow-Up of Agreed Actions	-	40	To carry out implementation reviews of agreed management actions to previous audit recommendations made for progress made and extent implemented. This will focus on high and medium priority recommendations.	Various	Quarters 1 - 4
-	Contingency for unplanned audit work	-	40	Contingency for reactive work not planned, in response to emerging risks and issues.	Various	Quarters 1 - 4



	Residual audits brought forward from 2012/13	-	25	Contingency to cover the completion of reviews brought forward to agreement and issue of final audit reports.	Various	Quarter 1
-			141			

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## **Internal Audit Charter**

### **Introduction**

This Charter sets out the terms of reference for the Internal Audit function. It defines the purpose, authority and responsibility of the Internal Audit function, in accordance with the UK Public Sector Internal Audit Standards.

The Charter will be approved annually by the Audit & Standards Committee, after consultation with the Executive Leadership Team.

The Charter will be reviewed at least annually and presented to the Audit & Standards Committee for approval.

### **Internal Audit Purpose**

Internal Audit is defined by the Institute of Internal Auditors' International Professional Practices Framework as *"an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes."*

In a local authority internal audit provides independent and objective assurance to the Council, its Members, the Executive Leadership Team (ELT) and in particular to the Chief Financial Officer to help discharge her responsibilities under S151 of the Local Government Act 1972, relating to the proper administration of the Council's financial affairs.

In addition, the Accounts and Audit Regulations (2011) specifically require the provision of an internal audit service. In line with regulations, Internal Audit provides independent assurance on the adequacy of the Council's governance, risk management and internal control systems.

### **Authority**

The Head of Audit & Business Risk is the Council's 'Chief Audit Executive' as defined in the Public Sector Internal Audit Standards.

For the purpose of compliance with the Public Sector Internal Audit Standards, 'the Board' is defined as the Audit & Standards Committee and 'Senior Management' the Executive Leadership Team (ELT) and Corporate Management Team (CMT).

Internal Audit has unrestricted access to all Council and partner records and information, cash, stores and other Council property or assets it considers necessary to fulfil its responsibilities. Internal Audit may enter Council property and has unrestricted access to all locations and officers where necessary on demand and without prior notice. Right of access to other bodies funded by the Council should be set out in the conditions of funding.

Any restriction (management or other) on the scope of Internal Audit's activities will be reported to the Audit & Standards Committee.

Internal Audit will consider all requests from the External Auditors for access to any information, files or working papers obtained or prepared during audit work that has been finalised and which External Audit would need to discharge their responsibilities.

### **Internal Audit Responsibility**

The Council's Head of Audit & Business Risk is required to provide an annual opinion to the Council and to the Chief Financial Officer, through the Audit & Standards Committee, on the adequacy and the effectiveness of the internal control system for the whole Council. In order to achieve this, the Internal Audit function has the following objectives:

- To provide a quality, independent and objective audit service that effectively meets the Council's needs, adds value, improves operations and helps protect public resources;
- To provide assurance to management that the Council's operations are being conducted in accordance with external regulations, legislation, internal policies and procedures;
- To carry out assurance and consultancy activities across all aspects of the Council's business based on a risk-based plan;
- To provide a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, internal control and governance processes;
- To provide assurance that significant risks to the Council's objectives are being managed. This is achieved by annually assessing the adequacy and effectiveness of the risk management process;
- To provide responsive, challenging and informative advice and support to management on risk management, controls and governance to management;
- To provide clear and concise internal audit reports to support management in implementing agreed actions to improve services and risk management, control and governance processes;
- To investigate all cases of suspected financial irregularity, fraud or corruption in accordance with agreed procedures; and
- To promote an anti-fraud and corruption culture within the Council to aid the prevention and detection of fraud.

Even sound systems of internal control can only provide reasonable and not absolute assurance and may not be proof against collusive fraud. Internal audit procedures are designed to focus on areas identified by the organisation as being of greatest risk and significance and rely on management to provide full access to accounting records and transactions for the purposes of audit work and to ensure the authenticity of these documents.

Where appropriate, Internal Audit will undertake audit or consulting work for the benefit of the Council in organisations wholly owned by the Council, such as Local Authority Trading Companies. Internal Audit may also provide assurance to the Council on third party operations (such as contractors and partners) where this has been provided for as part of the contract.

### **Internal Audit Reporting**

The UK Public Sector Internal Audit Standards require the Head of Audit & Business Risk to report at the top of the organisation and this is done in the following ways:

- The Internal Audit Strategy and Annual Audit Plan that includes the Audit Charter are reported annually to the Executive Leadership Team (ELT) and the Audit & Standards Committee. These are approved by the Audit & Standards Committee;
- The annual Internal Audit Plan is compiled by the Head of Audit & Business Risk taking account of the Council's risk framework and after input from members of the Executive Leadership Team and Corporate Management Team;
- The internal audit budget is reported to the Policy & Resources Committee and Full Council for approval annually as part of the overall Council budget;
- The adequacy, or otherwise, of the level of internal audit resources (as determined by the Head of Audit & Business Risk) and the independence of internal audit will be reported annually to the Audit & Standards Committee. The approach to providing resource is set out in the Internal Audit Strategy;
- Performance against the Annual Internal Audit Plan and any significant risk exposures and control issues arising from audit work are reported to the Executive Leadership Team and Audit & Standards Committee on a regular basis throughout the financial year;
- Any significant consulting activity not already included in the audit plan and which might affect the level of assurance work undertaken will be reported to the Audit & Standards Committee;
- Results from the quality assurance and improvement programme will be reported to both the Executive Leadership Team and Audit & Standards Committee; and
- Any instances of non-conformance with the Public Sector Internal Audit Standards must be reported to the Executive Leadership Team and Audit & Standards Committee and will be included in the Head of Audit & Business Risk's Annual Internal Audit Report and Opinion.. If there is significant non-conformance this may be included in the Council's Annual Governance Statement.

## **Internal Audit Independence**

The Head of Audit & Business Risk has free and unfettered access to the following:

- Chief Executive;
- Director of Finance & Resources (Section 151 Officer);
- Head of Law (Monitoring Officer);
- External Audit;
- Chair of the Audit & Standards Committee; and
- All other members of the Executive Leadership and Corporate Management Teams.

The independence of the Head of Audit & Business Risk is further safeguarded by ensuring that his annual appraisal is not inappropriately influenced by those subject to audit. This is achieved by ensuring that both the Chief Executive and the Chair of the Audit & Standards Committee contribute to, and/or review the appraisal of the Head of Audit & Business Risk.

All Council and contractor Internal Audit staff are required to make an annual declaration of interest to ensure that auditors' objectivity is not impaired and that any potential conflicts of interest are appropriately managed.

Internal Audit may also provide consultancy services, such as providing advice on implementing new systems and controls. However, any significant consulting activity not already included in the audit plan and which might affect the level of assurance work undertaken will be reported to the Audit & Standards Committee. To maintain independence, any audit staff involved in significant consulting activity will not be involved in the audit of that area for a period of at least 12 months.

## **External Audit**

External Audit fulfils a statutory duty. Effective collaboration between Internal Audit and External Audit will help to ensure effective and efficient audit coverage and resolution of issues of mutual concern. Internal Audit and External Audit meet periodically to plan respective audits, discuss and share potential issues of concern to both arising from audit work.

## **Due Professional Care**

The Internal Audit function is bound by the following standards:

- Institute of Internal Auditor's International Code of Ethics;
- Seven Principles of Public Life (Nolan Principles);
- UK Public Sector Internal Audit Standards;
- All Council Policies and Procedures; and

- All relevant legislation.

Internal Audit is subject to a Quality Assurance and Improvement Programme that covers all aspects of internal audit activity. This consists of an annual self-assessment of the service and its compliance with the UK Public Sector Internal Audit Standards, ongoing performance monitoring and an external assessment at least once every five years by a suitably qualified, independent assessor.

A programme of Continuous Professional Development (CPD) is maintained for all staff working on audit engagements to ensure that auditors maintain and enhance their knowledge, skills and audit competencies. The Head of Audit & Business Risk is required to hold a professional qualification (CCAB or CMIIA) and be suitably experienced.

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## Appendix C

### Service Performance Targets 2013/14

Aspect of Service	Performance Indicators	Target
<b>Cost and Quality of Input</b>	<ul style="list-style-type: none"> <li>• Service costs</li> <li>• Productive/direct time as % of total time</li> </ul>	<ul style="list-style-type: none"> <li>• Within budget</li> <li>• 71%</li> </ul>
<b>Productivity and Process Efficiency</b>	<ul style="list-style-type: none"> <li>• Achievement of annual plan by 30<sup>th</sup> April 2014 (%)</li> <li>• Issue of draft report after completion of fieldwork</li> <li>• Client responses received to draft audit reports from issue</li> <li>• Issue of final report after agreement with client of draft</li> <li>• Time between start of audit (entry meeting) and exit meeting</li> <li>• Audit reviews delivered within budgeted time</li> </ul>	<ul style="list-style-type: none"> <li>• 100%</li> <li>• Within 10 Days</li> <li>• Within 15 Days</li> <li>• Within 10 Days</li> <li>• Days not exceeding 3 X total planned time for audit review</li> <li>• 100%</li> </ul>
<b>Quality of Output</b>	<ul style="list-style-type: none"> <li>• Client satisfaction levels (including added value from audit recommendations), source customer satisfaction questionnaires</li> <li>• External audit reliance on work of internal audit</li> </ul>	<ul style="list-style-type: none"> <li>• 90% of scores within good to very good</li> <li>• Reliance placed</li> </ul>
<b>Compliance with Professional Standards</b>	<ul style="list-style-type: none"> <li>• Public Sector Internal Audit Standards</li> </ul>	<ul style="list-style-type: none"> <li>• 100% compliant</li> </ul>
<b>Outcomes and degree of influence</b>	<ul style="list-style-type: none"> <li>• Implementation of agreed management action to recommendations made</li> </ul>	<ul style="list-style-type: none"> <li>• 98% of High Priority Recommendation</li> <li>• 85% of Medium Priority Recommendations</li> </ul>
<b>Our Staff</b>	<ul style="list-style-type: none"> <li>• Professionally Qualified and Undertaking CPD</li> <li>• Annual Training &amp; Development Received (Minimum)</li> </ul>	<ul style="list-style-type: none"> <li>• 80%</li> <li>• 5 Days</li> </ul>







***AUDIT & BUSINESS RISK***

# **Schools Audit Policy (Draft)**

**Ian Withers**

**Head of Audit & Business Risk**

**March 2013**

## 1. INTRODUCTION

- 1.1. In accordance with the 'Internal Audit Strategy' reviewed annually, all audit work intended to provide an audit opinion will be undertaken using a risk based audit approach, in which risks and controls associated with the achievement of defined business objectives are identified and both the design and operation of the controls in place to mitigate key risks are assessed and tested, to ascertain the net risk to the achievement of managements' objectives.
- 1.2. This policy compliments the delivery of the Internal Audit Strategy through the approach to the internal audit review of schools.

## 2. APPROACH

- 2.1 School reviews are predominantly risk assessed as a low priority within the internal audit plan, but have historically been reviewed on a cyclical basis by internal audit teams.
- 2.2 The audit review of schools absorbs a considerable resource locally in addition to a significant commitment from the schools and as such we are challenging our audit approach to deliver assurance by the most efficient and effective means.
- 2.3 It is essential that audit resources are appropriately focused and directed in such a way that avoids duplication and ensures that a proportionate level of assurance is provided to Head Teachers, Governors and the City Council.
- 2.4 We shall seek to capitalise on the success achieved in previous years through undertaking thematic/cross-cutting reviews to optimise the deployment of resources and obtain an proportionate level of assurance. In addition, the achievement of added value through dissemination of best practice to all schools.
- 2.5 The aim of the thematic approach is to identify key risks for review over a cross section of schools.
- 2.6 Sources for the identification of risks for thematic review will include:
- Risk registers supplemented by Internal audit assessment of risks;
  - Review and analysis of SFVS reports (April 2013 onwards);
  - Outcomes of Control and Risk Assessment Reviews;
  - Outcomes of other inspections such as from Ofsted;
  - Significant themes highlighted through reported fraud and irregularity;
  - Liaison with key officers (e.g. Children's Services, School's Finance Team, Head Teachers, School Business Managers) where issues are raised; and
  - Intelligence from for example other Local Authorities, Department for Education, National Audit Office and Internal Audit providers that highlight potential control, risk issues and value for money opportunities..

- 2.7 Those schools sampled for inclusion as part of a thematic review will receive specific feed back on the outcomes of the audit, with key observations and best practice disseminated across all schools.
- 2.8 This will add value to all schools and enable them to benefit from good practice identified and implement actions to improve control frameworks, management of risks and value for money.
- 2.9 Existing communications media such as School's Newsletters, School's Business Managers Forum and School's Intranet will be used as reporting mechanisms to ensure that the outcomes of thematic reviews are appropriately dissemination.
- 2.10 School's assurance is further provided through Ofsted inspections and the new School Financial Value Standard (SFVS).
- 2.11 The SFVS has been designed to assist schools in managing their finances and to provide assurance that they have secure financial management in place. Governing bodies have formal responsibility for the financial management of their schools, and so the standard is primarily aimed at governors. An overview of SFVS and operational flowchart is provided an Appendix 1.

### **3. UNPLANNED AUDIT REVIEWS**

- 3.1 As a result of for example changes to risks, control failure and concerns raised there will be occasions when unplanned audit reviews will be carried out.
- 3.2 Such reviews will be intelligence led and feed the audit process through relevant update of the risk assessment. The Annual Internal Audit Plan therefore includes a resource contingency to undertake such reviews as appropriate.
- 3.3 Schools requesting an internal audit review for assurance purposes where there has been no demonstrable change to the risk environment or through sanctions imposed as part of the SFVS process may be charged the cost of the review.
- 3.4 All individual audit reviews will result in a published audit report, issued to the respective Chair of Governors to ensure those charged with governance are appropriately engaged in the reporting process.

## Schools Financial Value Standards

### 1. Introduction

The Schools Financial Value Standard (SFVS) replaced the Financial Management Standard in Schools (FMSiS), which was withdrawn by the Secretary of State with effect from 15 November 2010. The SFVS has been published<sup>1</sup> and available to schools to operate from the Autumn term 2011

The SFVS has been designed to assist schools in managing their finances and to provide assurance that they have secure financial management in place. Governing bodies have formal responsibility for the financial management of their schools, and so the standard is primarily aimed at governors.

### 2. Requirement

Completion of SFVS is a requirement for all maintained schools (and maintained Nurseries) who will be required to conduct an annual self – assessment which must be signed by the Chair of Governors and sent to the City Council's School Finance Team.

The standard consists of 23 questions covering four key criteria:

- The Governing Body and school staff;
- Setting the budget
- Value for money
- Protecting public money

The questions which governing bodies should formally discuss on an annual basis with the Head Teacher and senior staff each require an answer of Yes, In Part, or No.

- If the answer is Yes, the comments column can be used to indicate the main evidence on which the governing body based its answer.
- If the answer is No or In Part, the column should contain a very brief summary of the position and proposed remedial action.

There is no prescription of the level of evidence that the governing body should require. The important thing is that governors are confident about their responses.

Governors are required to summarise remedial actions to be undertaken and the timetable for reporting back. Governors should ensure that each action has a specified deadline and an agreed owner.

The governing body may delegate the consideration of the questions to the school's finance or other relevant committee, but a detailed report should be provided to the full governing body and the Chair of Governors must sign the completed form.

SFVS will not require external assessment like FMSiS, however they will feed into the regular internal audit process of the City Council.

<sup>1</sup> <http://www.education.gov.uk/schools/adminandfinance/financialmanagement/Schools%20Financial%20Value%20Standard>

### **3. Implementation timetable**

Maintained schools which did not achieve FMSiS by the end of March 2010 must have completed and submitted the SFVS to their local authority by 31 March 2012; and conduct an annual review thereafter. This does not however apply to any City Council maintained schools as all achieved the FMSiS.

Therefore, the first SFVS submissions are required from all maintained schools (and nurseries) by 31 March 2013; with annual review and submission thereafter. All Brighton & Hove City Council maintained schools are required to submit their SFVS returns electronically using the DfE online self evaluation tool which can be found at <http://www.trials.hcsshosting.co.uk/selecttrial.aspx>

### **4. Sanctions**

Since SFVS will be brought within the scope of schemes for financing schools, it will be within local authorities' powers to issue a notice of concern or in extremis to withdraw financial delegation. Local authorities could issue a notice of concern where schools fail to complete SFVS as required. They could also consider publishing a list of schools that have not completed SFVS on time.

### **5. Reporting**

On completion of the 'DSG Outturn Statement' the Chief Financial Officer (S151) will be expected annually to declare how many SFVS self-assessment reports have been received by the City Council from schools for the period to 31 March each year, and provide an assurance that they are taking the contents of these reports into account in planning their future programme of audit.

They will also be expected to give a general assurance that they have a system of audit in place which gives them adequate assurance over schools' standards of financial management and the regularity and propriety of their spending.

### **6. Audit and Review**

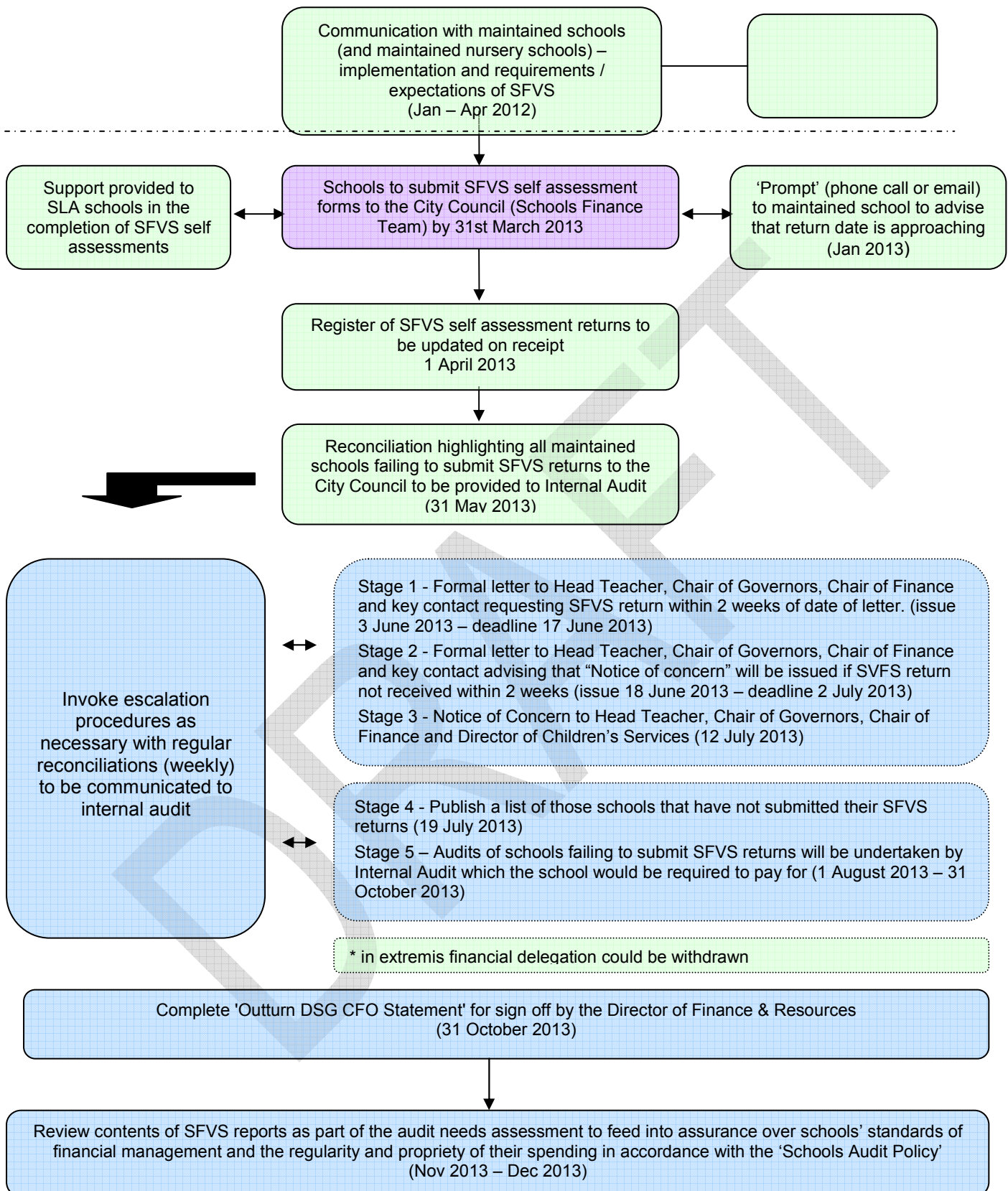
Internal audit will work in collaboration with the School's Finance Team in reviewing the contents of SFVS reports as part of the annual audit needs assessment to inform assurance with regard standards of financial management within schools and the regularity and propriety of their spending

### **7. Conclusion**

Schools have responsibility for managing high levels of public expenditure each year. Effective financial management ensures this money is spent wisely and properly, and allows schools to optimise their resources to provide high-quality teaching and learning and so raise standards and attainment for all their pupils.

A flowchart has been produced to outline key accountabilities and responsibilities in the introduction of and ongoing compliance with SFVS

## SFVS Process – Flowchart



School's Finance Team

Internal Audit

Maintained schools

	<b>Ernst &amp; Young 2012/13 Audit Plan</b>		
<b>Date of Meeting:</b>	<b>16 April 2013</b>		
<b>Report of:</b>	<b>Ernst &amp; Young</b>		
<b>Contact Officer:</b>	<b>Name:</b>	<b>Simon Mathers</b>	<b>Tel: 07776 493851</b>
	<b>Email:</b>	<b>SMathers@uk.ey.com</b>	
<b>Ward(s) affected:</b>	<b>All</b>		

**1. SUMMARY AND POLICY CONTEXT:**

1.1 The attached 2012/13 Audit Plan sets out how we intend to carry out our responsibilities as your external auditor. It covers the work we plan to perform in order to provide you with:

- Our audit opinion on whether the Council's financial statements give a true and fair view of the financial position as at 31 March 2013 and the income and expenditure account for the year then ended; and
- A statutory conclusion on the Council's arrangements to secure economy, efficiency and effectiveness.

1.2 The report summarises our progress to date, our assessment of the key risks which drive the development of an effective audit for the Council, and outlines our planned audit strategy in response to those risks.

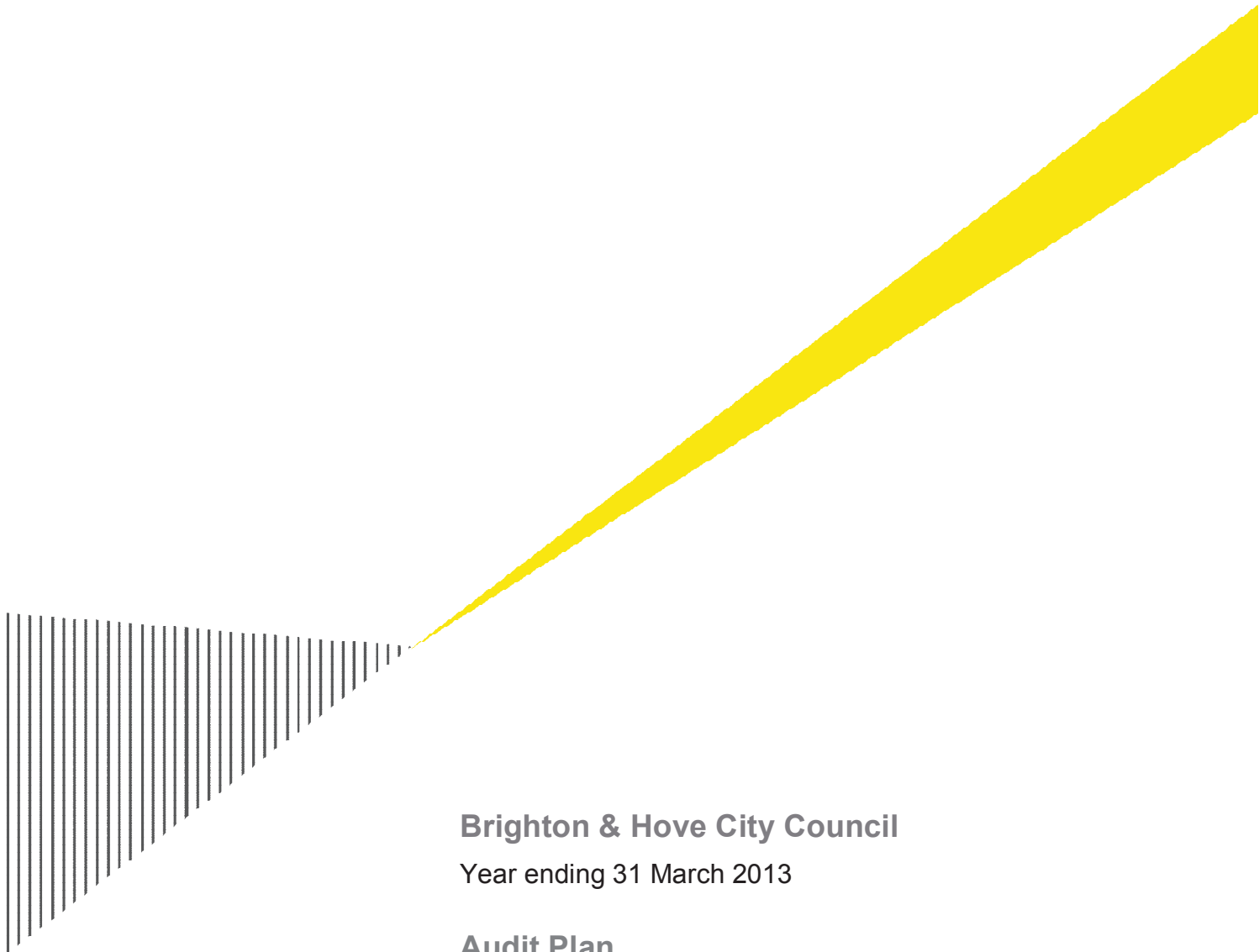
1.3 The purpose of the report is to provide you with a basis to review our proposed audit approach, progress to date and overall scope for the 2012/13 audit.

**2. RECOMMENDATIONS:**

2.1 To consider the 2012/13 Audit Plan and ask questions as necessary on our proposed audit approach, progress to date and audit scope. You should also consider whether there are any other matters which you consider may influence our audit.







**Brighton & Hove City Council**

Year ending 31 March 2013

**Audit Plan**

April 2013

Councillor Leslie Hamilton  
Chair  
Audit & Standards Committee  
Brighton & Hove City Council  
Kings House  
Grand Avenue  
Hove  
BN3 2LS

April 2013

Dear Les

## **Audit Plan**

We are pleased to attach our Audit Plan which sets out how we intend to carry out our responsibilities as your external auditor. The purpose of this report is to provide the Audit & Standards Committee with a basis to review our proposed audit approach and scope for the 2013 audit, in accordance with the requirements of the Audit Commission Act 1998, the Code of Audit Practice, the Standing Guidance, auditing standards and other professional requirements, and also to ensure that our audit is aligned with the Committee's service expectations.

This report summarises our assessment of the key risks which drive the development of an effective audit for the Council, and outlines our planned audit strategy in response to those risks.

We welcome the opportunity to discuss this report with you at the Audit & Standards Committee on 16 April 2013 as well as considering whether there are other matters which you consider may influence our audit.

Yours sincerely

Helen Thompson  
Director  
For and behalf of Ernst & Young LLP  
Enc

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# 1. Overview

## Context for the audit

This audit plan covers the work that we plan to perform in order to provide you with:

- ▶ Our audit opinion on whether the Council's financial statements give a true and fair view of the financial position as at 31 March 2013 and of the income and expenditure for the year then ended; and
- ▶ A statutory conclusion on the Council's arrangements to secure economy, efficiency and effectiveness.

We will also review and report to the National Audit Office ('NAO'), to the extent and in the form required by them, on your Whole of Government Accounts return.

When planning the audit we take into account several key inputs:

- ▶ Strategic, operational and financial risks relevant to the financial statements.
- ▶ Developments in financial reporting and auditing standards.
- ▶ The quality of systems and processes.
- ▶ Changes in the business and regulatory environment.
- ▶ Management's views on all of the above.

By considering these inputs, our audit is focused on the areas that matter. And by focusing on the areas that matter, our feedback is more likely to be relevant to the Council.

Our audit will also include the mandatory procedures that we are required to perform in accordance with applicable laws and auditing standards.

At this stage, we do not feel that the overall level of risk in relation to the audit of the financial statements is significantly different from last year. We have not identified any significant risks, but have identified a small number of other risks in section 2 of this report.

Our plans to address these audit risks are set out at page 4. We will update the Audit & Standards Committee on the results of our work in these areas in our report to those charged with governance, scheduled for delivery in September 2013.

## Our process and strategy

- ▶ Financial Statement Audit
  - ▶ When considering the results of our audit work, we consider them in the context of their materiality to the statements as a whole.
  - ▶ Where possible we will seek to rely on the controls in your systems, therefore reducing the year-end testing required.
  - ▶ To the fullest extent permissible by auditing standards, we will seek to place reliance on the work of internal audit. We have a good working arrangement with internal audit and regularly discuss audit coverage and the issues arising from our respective audit work.

- ▶ Arrangements for securing Economy, Efficiency and Effectiveness
  - ▶ We adopt an integrated audit approach such that our work on the financial statement audit feeds into our consideration of the arrangements in place for securing economy, efficiency and effectiveness.

## 2. Financial Statement Risks

We outline below our assessment of audit risks arising from the key strategic or operational risks and the financial statement risks facing the Council, identified through our knowledge of the Council's operations and communication with Members, senior officers and staff.

Other financial statement risks	Our audit approach
<b>Bank reconciliations</b>	
<p>A small number of issues were identified in your 2011/12 year end processes to reconcile your bank accounts and other cash balances reported in your financial statements. The following differences were reported as part of the 2011/12 year end report to those charged with governance:</p> <ul style="list-style-type: none"> <li data-bbox="359 728 909 862">▶ A difference of £60,000 between the bank balance on the general ledger and your reconciliation schedule relating to schools cash balances. This difference was originally caused by the merger of two schools in 2010/11.</li> <li data-bbox="359 896 909 996">▶ An unmatched balance on the reconciliation of your payments accounts of approximately £80,000 which originates from the bank reconciliation module of your cash management system.</li> </ul> <p>You have been working with your cash management system supplier during the year to address differences in reconciliations and good progress has been made. However, there remain small historic differences on both your general and payment accounts reconciliations that you are continuing to investigate.</p> <p>We have not been able to substantiate that the £60,000 difference relating to schools cash balances has been fully cleared due to slippage in the quarterly programme of school balance reconciliations in the year.</p> <p>Finally, as part of our work to walk-through your cash and bank system we identified an unreconciled difference of approximately £21,900 between the housing benefit bank balance in your cash management system and the balance shown in the bank statement.</p>	<p>We will substantively test your year end bank reconciliations. Although the remaining net differences are of a low value it is important they are either cleared or fully explained to ensure they are not the result of larger value gross misstatements.</p>
<b>New long term asset and lease accounting system</b>	
<p>You have changed the system you use to record and account for long term assets and leases during 2012/13. Your new Logotech system should enable you to comply more easily with the accounting and disclosure requirements required by international financial reporting standards in this area.</p> <p>As part of work needed to implement the new system you have transferred and reconciled closing 2011/12 balances between the old and new systems.</p>	<p>As part of our work we will review and test the transfer and reconciliation of closing 2011/12 balances between your old and new systems to ensure that balances have been brought forward correctly to 2012/13 in the new system.</p>

**Payroll**

In previous years both external and internal audit have reported significant weaknesses in the internal control environment within your payroll system. Although controls have been capable of giving material assurance they have not been operated effectively and therefore have not been considered to reliable. Weaknesses in the control environment were further exacerbated by the inherent complexity of your payroll.

You have worked to simplify your payroll and improve the operation of controls. This work has been actively considered by senior officers, the Audit & Standards Committee and internal audit.

This work has been ongoing during the 2012/13 year and improvements in the control environment have not operated consistently throughout the whole period. We are therefore not able to rely on the operation of controls to gain assurance for our opinion on your 2012/13 financial statements.

We will substantively test payroll transactions to gain assurance for our opinion on the 2012/13 financial statements. This work will better allow us to assess whether the control environment within the system is now operating effectively.

**Journals processed on the general ledger**

Manual adjustment journals processed on the general ledger are not always subject to formal checking and authorisation. This creates a risk that income and expenditure is misclassified on the general ledger and misreported in your financial statements.

This weakness was raised in the 2009/10, 2010/11 and 2011/12 reports to those charged with governance.

In response to this issue in 2011/12 you introduced a scheme of on-screen authorisation for journals that are considered to be high risk or more complex. However, internal audit identified and reported weaknesses in the new scheme caused by the failure to follow guidance consistently which resulted in gaps in documentation retained to support journal entries made. You subsequently issued updated guidance in December 2012.

We will substantively test journals as part of our work on your financial statements.

We will use our computer-based analytics tool on journals to support this work. This allows us to consider the entire journal population and facilitates a more risk-based approach which also considers indicators of process inefficiency and internal control breakdown.

**Pensions disclosures in the financial statements**

You participate in the local government pension scheme administered locally by East Sussex County Council. Each year you commission Hymans Robertson LLP, an independent firm of actuaries, to assess the value of your pension fund assets and liabilities. This work informs disclosures in your financial statements.

Some weaknesses in your arrangements to process entries in the financial statements have been raised in previous year reports to those charged with governance. Specifically:

- ▶ There is scope to improve communication between your payroll and central accounting teams on the basis of the estimate of employer contributions made in the period that is provided to the actuary and used to inform its estimate of scheme assets and liabilities.
- ▶ There is scope to better challenge the data provided in the actuarial valuation for reasonableness prior to entries being processed in the financial statements.

We will audit pension scheme disclosure in your financial statements. This will include consideration of the accuracy of estimates informing those disclosures and your internal processes to review the actuarial valuation for reasonableness.

**Risk of misstatement due to fraud and error**

Management has the primary responsibility to prevent and detect fraud. It is important that management, with the oversight of those charged with governance, has put in place a culture of ethical behaviour and a strong control environment that both deters and prevents fraud. Our responsibility is to plan and perform audits to obtain reasonable assurance about whether the financial

Based on the requirements of auditing standards our approach will focus on:

- ▶ Identifying fraud risks during the planning stages.
- ▶ Inquiry of management and internal audit about risks of fraud and the controls put in place to address those risks.

statements as a whole are free of material misstatements whether caused by error or fraud. As auditors, we approach each engagement with a questioning mind that accepts the possibility that a material misstatement due to fraud could occur, and design the appropriate procedures to consider such risk.

- ▶ Understanding the oversight given by those charged with governance of management's processes over fraud.
- ▶ Consideration of the effectiveness of management's controls designed to address the risk of fraud.
- ▶ Determining an appropriate strategy to address those identified risks of fraud.
- ▶ Performing mandatory procedures regardless of specifically identified fraud risks.

We will consider the results of the National Fraud Initiative and may make reference to it in our reporting to you.



### 3. Economy, Efficiency & Effectiveness

Our work will focus on:

1. Whether there are proper arrangements in place for securing financial resilience at the Council; and
2. Whether there are proper arrangements in place at the Council to secure economy, efficiency and effectiveness in the use of resources.

We have not identified any significant risks to the value for money (vfm) conclusion. However, we have identified the following key areas that we will consider to support our vfm conclusion.

#### **Financial resilience**

- ▶ 2013/14 budget setting, and medium term financial planning arrangements, including assumptions made in response to the 2013/14 and provisional 2014/15 settlements.
- ▶ The Council's ongoing response to the recent significant legislation, including the 2011 Localism Act, (in respect of local taxation and changes to governance, scrutiny and standards), the Welfare Reform Act 2012 and the Local Government Finance Act 2012.

#### **Economy, efficiency and effectiveness**

- ▶ Review the Audit Commission's VFM profile data in respect of the Council together with review of the Council's own VFM improvement programme.

#### **Our audit approach**

To update our understanding of the Council's arrangements in respect of the above key areas, we will:

- ▶ Meet with relevant officers to discuss the underpinning arrangements and outcomes.
- ▶ Review relevant minutes and key documents.
- ▶ Review relevant internal audit reports and working papers.

## 4. Our audit process and strategy

### 4.1 Objective and scope of our audit

Under the Audit Commission's Code of Audit Practice ('the Code'), dated March 2010, our principal objectives are to review and report on, to the extent required by the relevant legislation and the requirements of the Code, the Council's:

- i) financial statements; and
- ii) arrangements for securing economy, efficiency and effectiveness in its use of resources.

We issue a two-part audit report covering both of these objectives.

#### i) Financial Statement Audit

Our objective is to form an opinion on the financial statements under International Standards on Auditing (UK and Ireland).

We will also review and report to the National Audit Office ('NAO'), to the extent and in the form required by them, on your Whole of Government Accounts return

#### ii) Arrangements for securing economy, efficiency and effectiveness

The Code sets out our responsibility to satisfy ourselves that the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. In arriving at our conclusion, to the fullest extent possible we will place reliance on the reported results of the work of other statutory inspectorates in relation to corporate or service performance. In examining the Council's corporate performance management and financial management arrangements we have regard to the following criteria and areas of focus specified by the Audit Commission:

- ▶ Arrangements for securing financial resilience – whether the Council has robust systems and processes to manage financial risks and opportunities effectively, and to secure a stable financial position that enables it to continue to operate for the foreseeable future; and
- ▶ Arrangements for securing economy, efficiency and effectiveness – whether the Council is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.

### 4.2 Audit process overview

We have identified the material income and expenditure systems; documented and walked through these systems and controls to ensure we understand the systems that generate the material balances and disclosures in the Council's financial statements;

- ▶ Where possible we are seeking to rely on the controls in the systems and will test these in line with our audit methodology.
- ▶ Working with internal audit – we are working closely with internal audit and we are seeking to place maximum reliance on their work wherever possible. Internal audit have provided us with results of all their relevant testing to date, although there has been some slippage in the planned delivery of fundamental and key financial systems reviews and information technology audits that we seek to place reliance on.

## Processes

Our initial assessment of the key processes across the entity has identified the following key processes where we will seek to test key controls, both manual and automated or IT dependant:

- Accounts receivable
- Accounts payable
- Business rates
- Council tax
- Cash and bank (Cash receipting)
- Housing benefits and council tax benefits
- Housing rents.

We have also identified the following key processes that we will test substantively post year-end:

- ▶ Property, Plant and Equipment
- ▶ Payroll
- ▶ Pensions
- ▶ Schools
- ▶ Treasury management
- ▶ Financial Statements Close Process.

## Analytics

We will use our computer-based analytics tools to enable us to capture whole populations of your financial data, in particular in respect of accounts payable and receivable, cash payments and receipts and journal entries. We are continuing to investigate whether it is possible to also use analytics tools to support our audit of payroll. These tools:

- help identify specific exceptions and anomalies which can then be subject to more traditional substantive audit tests; and
- give greater likelihood of identifying errors than random sampling techniques.

We will report the findings from our process and analytics work, including any significant weaknesses or inefficiencies identified and recommendations for improvement, to management and the Audit & Standards Committee.

## Internal audit

We will continue to review internal audit plans and the results of work undertaken. We will reflect the findings from these reports, together with reports from other work completed in the year, where issues are raised that could impact the year-end financial statements.

### **Use of experts**

We will utilise specialist Ernst & Young resource, as necessary, to help us to form a view on judgments made in the financial statements.

In addition to the key areas outlined in sections 2 and 3, we have to perform other procedures as required by auditing, ethical and independence standards, the Code and other regulations. We outline the procedures we will undertake during the course of our audit.

#### **Mandatory procedures required by auditing standards on:**

- ▶ Addressing the risk of fraud and error.
- ▶ Significant disclosures included in the financial statements.
- ▶ Entity-wide controls.
- ▶ Reading other information contained in the financial statements and reporting whether it is inconsistent with our understanding and the financial statements.
- ▶ Auditor independence.

#### **Procedures required by the Code**

- ▶ Reviewing, and reporting on as appropriate, other information published with the financial statements, including the Annual Governance Statement and the Remuneration Report.
- ▶ Reviewing and reporting on the Whole of Government accounts return, in line with the instructions issued by the NAO.
- ▶ Reviewing, and where appropriate, examining evidence that is relevant to the Council's corporate performance management and financial management arrangements and reporting on these arrangements within our value for money conclusion.

## **4.3 Materiality**

For the purposes of determining whether the accounts are free from material error, we define materiality as the magnitude of an omission or misstatement that, individually or in the aggregate, in light of the surrounding circumstances, could reasonably be expected to influence the users of the financial statements. Our evaluation of it requires professional judgement and necessarily takes into account qualitative as well as quantitative considerations implicit in the definition. We would be happy to discuss with you your expectations regarding our detection of misstatements in the financial statements.

The amount we consider material at the end of the audit may differ from our initial determination. At this stage, however, it is not feasible to anticipate all of the circumstances that may ultimately influence our judgement about materiality. At the end of the audit we will form our final opinion by reference to all matters that could be significant to users of the accounts, including the total effect of the audit misstatements we identify, and our evaluation of materiality at that date.

ISA (UK & Ireland) 450 (revised) requires us to record all misstatements identified except those that are "clearly trivial". On receipt of the 2012/13 draft financial statements, we will calculate the level below which misstatements are deemed to be clearly trivial. All uncorrected misstatements found above this amount will be presented to you in our year-end report to the Audit & Standards Committee.

## 4.4 Fees

The Audit Commission has published a scale fee for all authorities. The scale fee is defined as the fee required by auditors to meet statutory responsibilities under the Audit Commission Act in accordance with the Code of Audit Practice 2010. The indicative fee scale for the audit of the Council is £210,330.

## 4.5 Your audit team

The engagement team is led by Helen Thompson (Director), who has significant local government experience. Helen is supported by Simon Mathers (Manager) who is responsible for the day-to-day direction of audit work, and who is the key point of contact for the Head of Financial Services.

## 4.6 Timetable of communication, deliverables and insights

We have set out below a timetable showing the key stages of the audit, including the value for money work and the whole of government accounts; and the deliverables we have agreed to provide to you through the Audit & Standards Committee cycle in 2013. These dates are determined to ensure our alignment with the Audit Commission's rolling calendar of deadlines.

We will provide a formal report to the Audit & Standards Committee in September 2013 incorporating the outputs from our year-end procedures. From time to time matters may arise that require immediate communication with the Committee and we will discuss them with the Committee Chairman as appropriate.

Following the conclusion of our audit we will prepare an annual audit letter in order to communicate to the Council and external stakeholders, including members of the public, the key issues arising from our work.

Audit phase	Timetable	Audit Committee timetable	Deliverables
High level planning:	<b>December 2012</b>	22 January 2013	Audit Fee letter
Risk assessment and setting of scopes	<b>January/February 2013</b>	16 April 2013	Audit Plan
Testing of routine processes and controls	<b>March/April 2013</b>	25 June 2013	Progress report
Year-end audit	<b>June to August 2013</b>	24 September 2013	Report to those charged with governance Draft audit report (including our opinion on the financial statements and a conclusion as to whether the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources). Draft audit completion certificate
	<b>Oct/November 2013</b>	19 November 2013	Annual Audit Letter
Grant certification	<b>August to November 2013</b>	21 January 2014	Report to those charged with governance (grant claim certification)

In addition to the above formal reporting and deliverables we will seek to provide practical business insights and updates on regulatory matters.

## 5. Independence

### 5.1 Introduction

The APB Ethical Standards and ISA (UK and Ireland) 260 “Communication of audit matters with those charged with governance”, requires us to communicate with you on a timely basis on all significant facts and matters that bear upon our independence and objectivity. The Ethical Standards, as revised in December 2010, require that we communicate formally both at the planning stage and at the conclusion of the audit, as well as during the course of the audit if appropriate. The aim of these communications is to ensure full and fair disclosure by us to those charged with your governance on matters in which you have an interest.

Required communications	
Planning stage	Final stage
<ul style="list-style-type: none"> <li>▶ The principal threats, if any, to objectivity and independence identified by Ernst &amp; Young (EY) including consideration of all relationships between the you, your affiliates and directors and us;</li> <li>▶ The safeguards adopted and the reasons why they are considered to be effective, including any Engagement Quality review;</li> <li>▶ The overall assessment of threats and safeguards;</li> <li>▶ Information about the general policies and process within EY to maintain objectivity and independence.</li> </ul>	<ul style="list-style-type: none"> <li>▶ A written disclosure of relationships (including the provision of non-audit services) that bear on our objectivity and independence, the threats to our independence that these create, any safeguards that we have put in place and why they address such threats, together with any other information necessary to enable our objectivity and independence to be assessed;</li> <li>▶ Details of non-audit services provided and the fees charged in relation thereto;</li> <li>▶ Written confirmation that we are independent;</li> <li>▶ Details of any inconsistencies between APB Ethical Standards, the Audit Commission’s Standing Guidance and your policy for the supply of non-audit services by EY and any apparent breach of that policy; and</li> <li>▶ An opportunity to discuss auditor independence issues.</li> </ul>

In addition, during the course of the audit, we are required to communicate with you whenever any significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place, for example, when accepting an engagement to provide non-audit services.

We also provide information on any contingent fee arrangements, the amounts of any future services that have been contracted, and details of any written proposal to provide non-audit services that has been submitted;

We ensure that the total amount of fees that EY and our network firms have charged to you and your affiliates for the provision of services during the reporting period, analysed in appropriate categories, are disclosed.

## 5.2 Relationships, services and related threats and safeguards

We highlight the following significant facts and matters that may be reasonably considered to bear upon our objectivity and independence, including the principal threats, if any. However we have adopted the safeguards noted below to mitigate these threats along with the reasons why they are considered to be effective.

### ***Self interest threats***

A self interest threat arises when EY has financial or other interests in your entity. Examples include where we have an investment in your entity; where we receive significant fees in respect of non-audit services; where we need to recover long outstanding fees; or where we enter into a business relationship with you. At the time of writing, there are no long outstanding fees.

We believe that it is appropriate for us to undertake permissible non-audit services and we will comply with the policies that you have approved and that are in compliance with the Audit Commission's Standing Guidance.

A self interest threat may also arise if members of our audit engagement team have objectives or are rewarded in relation to sales of non-audit services to you. We confirm that no member of our audit engagement team, including those from other service lines, has objectives or is rewarded in relation to sales to you, in compliance with Ethical Standard 4.

There are no self interest threats at the date of this report.

### ***Self review threats***

Self review threats arise when the results of a non-audit service performed by EY or others within the EY network are reflected in the amounts included or disclosed in the financial statements.

There are no self review threats at the date of this report.

### ***Management threats***

Partners and employees of EY are prohibited from taking decisions on behalf of management of your entity. Management threats may also arise during the provision of a non-audit service in relation to which management is required to make judgements or decision based on that work.

There are no management threats at the date of this report.

### ***Other threats***

Other threats, such as advocacy, familiarity or intimidation, may arise. There are no other threats at the date of this report.

### ***Overall Assessment***

Overall, we consider that the safeguards that have been adopted appropriately mitigate the principal threats identified and we therefore confirm that EY is independent and the objectivity and independence of Helen Thompson and the engagement team and the audit engagement team have not been compromised.

### **5.3 Other required communications**

Ernst & Young has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained.

Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the year ended 29 June 2012 and can be found here:

[UK 2012 Transparency Report](#)



## Appendix A Fees

A breakdown of our agreed fee is shown below.

	Planned Fee 2012/13 £'000	Actual Fee 2011/12 £'000	Explanation of variance
Total Audit Fee – Code work	210,330	350,550	Reduction in Audit Commission scale fee
Certification of claims and returns*	23,700	52,236	Reduction in Audit Commission scale fee
Non-audit work (provide details)	Nil	Nil	

\*Our fee for the certification of grant claims is based on the indicative scale fee set by the Audit Commission. This fee will be subject to review during the certification period.

The agreed fee presented above is based on the following assumptions:

- ▶ Officers meet the agreed timetable of deliverables;
- ▶ We are able to place reliance, as planned, on the work of internal audit;
- ▶ The level of risk in relation to the audit of accounts is consistent with that in the prior year;
- ▶ No significant changes being made by the Audit Commission to the use of resources criteria on which our conclusion will be based;
- ▶ Our accounts opinion and use of resources conclusion being unqualified;
- ▶ Appropriate quality of documentation is provided by the audited body; and
- ▶ An effective control environment.

If any of the above assumptions prove to be unfounded, we will seek a variation to the agreed fee. This will be discussed with you in advance.

Fees for the auditor's consideration of any correspondence from the public and formal objections will be charged in addition to the scale fee.

## Appendix B UK required communications with those charged with governance

There are certain communications that we must provide to the audit committee of audited clients. These are detailed here:

Required communication	Reference
<b>Planning and audit approach</b> Communication of the planned scope and timing of the audit including any limitations.	Audit Plan
<b>Significant findings from the audit</b> <ul style="list-style-type: none"> <li>▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures</li> <li>▶ Significant difficulties, if any, encountered during the audit</li> <li>▶ Significant matters, if any, arising from the audit that were discussed with management</li> <li>▶ Written representations that we are seeking</li> <li>▶ Expected modifications to the audit report</li> <li>▶ Other matters if any, significant to the oversight of the financial reporting process</li> <li>▶ Findings and issues regarding the opening balance on initial audits</li> </ul>	Report to those charged with governance
<b>Misstatements</b> <ul style="list-style-type: none"> <li>▶ Uncorrected misstatements and their effect on our audit opinion</li> <li>▶ The effect of uncorrected misstatements related to prior periods</li> <li>▶ A request that any uncorrected misstatement be corrected</li> <li>▶ In writing, corrected misstatements that are significant</li> </ul>	Report to those charged with governance
<b>Fraud</b> <ul style="list-style-type: none"> <li>▶ Enquiries of the audit committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity</li> <li>▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist</li> <li>▶ A discussion of any other matters related to fraud</li> </ul>	Report to those charged with governance
<b>Related parties</b> Significant matters arising during the audit in connection with the entity's related parties including, when applicable: <ul style="list-style-type: none"> <li>▶ Non-disclosure by management</li> <li>▶ Inappropriate authorisation and approval of transactions</li> <li>▶ Disagreement over disclosures</li> <li>▶ Non-compliance with laws and regulations</li> <li>▶ Difficulty in identifying the party that ultimately controls the entity</li> </ul>	Report to those charged with governance
<b>External confirmations</b> <ul style="list-style-type: none"> <li>▶ Management's refusal for us to request confirmations</li> <li>▶ Inability to obtain relevant and reliable audit evidence from other procedures</li> </ul>	Report to those charged with governance
<b>Consideration of laws and regulations</b> <ul style="list-style-type: none"> <li>▶ Audit findings regarding non-compliance where the non-compliance is material and believed to be intentional. This communication is subject to compliance with legislation on tipping off</li> <li>▶ Enquiry of the audit committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the audit committee may be aware of</li> </ul>	Report to those charged with governance

Required communication	Reference
<p><b>Independence</b>                      Communication of all significant facts and matters that bear on Ernst &amp; Young's objectivity and independence                      Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> <li>▶ The principal threats</li> <li>▶ Safeguards adopted and their effectiveness</li> <li>▶ An overall assessment of threats and safeguards</li> <li>▶ Information about the general policies and process within the firm to maintain objectivity and independence</li> </ul> <p>For listed companies, communication of minimum requirements as detailed in the ethical standards:</p> <ul style="list-style-type: none"> <li>▶ Relationships between Ernst &amp; Young, the audited body and senior management</li> <li>▶ Services provided by Ernst &amp; Young that may reasonably bear on the auditors' objectivity and independence</li> <li>▶ Related safeguards</li> <li>▶ Fees charged by Ernst &amp; Young analysed into appropriate categories such as statutory audit fees, tax advisory fees, other non-audit service fees</li> <li>▶ A statement of compliance with the ethical standards</li> <li>▶ The audit committee should also be provided an opportunity to discuss matters affecting auditor independence</li> </ul>	<p>Audit Plan                      Report to those charged with governance</p>
<p><b>Going concern</b>                      Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> <li>▶ Whether the events or conditions constitute a material uncertainty</li> <li>▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements</li> <li>▶ The adequacy of related disclosures in the financial statements</li> </ul>	<p>Report to those charged with governance</p>
<p><b>Significant deficiencies in internal controls identified during the audit</b></p>	<p>Report to those charged with governance</p>
<p><b>Opening Balances</b></p>	<p>Report to those charged with governance</p>
<ul style="list-style-type: none"> <li>▶ Findings and issues regarding the opening balance of initial audits</li> </ul>	<p>Report to those charged with governance</p>
<p><b>Certification work</b></p>	<p>Annual Report to those charged with governance summarising grant certification, and Annual Audit Letter if considered necessary</p>
<ul style="list-style-type: none"> <li>▶ Summary of certification work undertaken</li> </ul>	<p>Annual Report to those charged with governance summarising grant certification, and Annual Audit Letter if considered necessary</p>
<p><b>Fee Information</b></p>	<p>Audit Plan                      Report to those charged with governance and Annual Audit Letter if considered necessary</p>
<ul style="list-style-type: none"> <li>▶ Breakdown of fee information at the agreement of the initial audit plan</li> <li>▶ Breakdown of fee information at the completion of the audit</li> </ul>	<p>Audit Plan                      Report to those charged with governance and Annual Audit Letter if considered necessary</p>

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	<b>Ernst &amp; Young: 2013/14 Audit Fee Letter</b>		
<b>Date of Meeting:</b>	<b>16 April 2013</b>		
<b>Report of:</b>	<b>Ernst &amp; Young</b>		
<b>Contact Officer:</b>	<b>Name:</b>	<b>Simon Mathers</b>	<b>Tel: 07776 493851</b>
	<b>Email:</b>	<b>SMathers@uk.ey.com</b>	
<b>Ward(s) affected:</b>	<b>All</b>		

**1. SUMMARY AND POLICY CONTEXT:**

1.1 The attached fee letter sets out the audit work that we propose to undertake for the 2013/14 financial year at Brighton & Hove City Council. The fee reflects the risk-based approach to audit planning set out in the Code of Audit Practice and the work mandated by the Audit Commission for 2013/14. The audit fee covers the:

- Audit of the financial statements;
- Value for money conclusion; and
- Whole of Government accounts.

1.2 Our fee has been set by the Audit Commission as part of the recent 5 year procurement exercise and consequently is not liable to increase in that period without a change in scope.

**2. RECOMMENDATIONS:**

2.1 To note the 2013/14 audit fee letter.



Penny Thompson  
Chief Executive  
Brighton & Hove City Council  
King's House  
Grand Avenue  
Hove  
BN3 2LS

28 March 2013

Ref: HT/1314/BHCC/feeletter

Direct line: 07974 007332

Email: [HThompson2@uk.ey.com](mailto:HThompson2@uk.ey.com)

Dear Penny

## **Annual Audit Fee 2013/14**

We are writing to confirm the audit work that we propose to undertake for the 2013/14 financial year at Brighton & Hove City Council. The fee reflects the risk-based approach to audit planning set out in the Code of Audit Practice and the work mandated by the Audit Commission for 2013/14. The audit fee covers the:

- ▶ Audit of the financial statements;
- ▶ Value for money conclusion; and
- ▶ Whole of Government accounts.

Our fee was set by the Audit Commission as part of the 5 year procurement exercise completed in 2012 and consequently is not liable to increase in that period without a change in scope.

### **Indicative audit fee**

The Audit Commission has set the scale fee for each audited body. The 2013/14 scale fee is based on certain assumptions, including:

- ▶ The overall level of risk in relation to the audit of the financial statements is not significantly different from that of the prior year;
- ▶ We are able to place reliance on the work of internal audit to the maximum extent possible under auditing standards;
- ▶ The financial statements will be available to us in line with the agreed timetable;
- ▶ Working papers and records provided to us in support of the financial statements are of a good quality and are provided in line with our agreed timetable; and
- ▶ Prompt responses are provided to our draft reports.

Meeting these assumptions will help ensure the delivery of our audit at the indicative audit fee.

The indicative audit fee set out in the table below has initially been set at the scale fee level as the overall level of risk in relation to the audit of the financial statements is not significantly different from that of the prior year.

	Indicative fee 2013/14 £	Planned fee 2012/13 £	Actual fee 2011/12 £
Total Code audit fee	210,330	210,330	350,550
Certification of claims and returns*	22,798	23,700	52,236

\*The indicative fee for 2013/4 and the planned fee for 2012/13 relate to the certification of grant claims and returns for the years ended 31 March 2014 and 31 March 2013 respectively. The certification fees for 2011/12 are the actual fees for the year ended 31 March 2012.

Any additional work that we may agree to undertake (outside of the Audit Code of Practice) will be separately negotiated and agreed with you in advance.

Our audit plan for the audit of the financial statements will be issued in March 2014. This will detail the significant financial statement risks identified, planned audit procedures to respond to those risks, and any changes in fee. It will also set out the risks identified in relation to the value for money conclusion. Should we need to make any significant amendments to the audit fee during the course of the audit, we will discuss this in the first instance with the Director of Finance and, if necessary, prepare a report outlining the reasons for the fee change for discussion with the Audit & Standards Committee.

## Billing

The indicative audit fee will be billed in quarterly instalments of £58,282.

## Audit team

The key members of the audit team for 2013/14 are:

Helen Thompson  
**Director**

[HThompson2@uk.ey.com](mailto:HThompson2@uk.ey.com)

Tel: 07974 007332

Catherine Morganti  
**Manager**

[SMathers@uk.ey.com](mailto:SMathers@uk.ey.com)

Tel: 07776 493851

Jessica Grange  
**Executive**

[JGrange@uk.ey.com](mailto:JGrange@uk.ey.com)

Tel: 07779 334853



We are committed to providing you with a high quality service. If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, please contact me. If you prefer an alternative route, please contact Steve Varley, our Managing Partner, 1 More London Place, London, SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute.

Yours sincerely

Helen Thompson  
Director  
Ernst & Young LLP  
United Kingdom

cc. Catherine Vaughan, Director of Finance  
Cllr Leslie Hamilton, Chair of the Audit & Standards Committee



<b>Subject:</b>	<b>Risk Management Strategy 2013</b>		
<b>Date of Meeting:</b>	<b>16 April 2013</b>		
<b>Report of:</b>	<b>Executive Director, Finance &amp; Resources</b>		
<b>Contact Officer:</b>	<b>Name:</b>	<b>Jackie Algar</b>	<b>Tel: 29-1273</b>
	<b>Email:</b>	<b>Jackie.algar@brighton-hove.gov.uk</b>	
<b>Ward(s) affected:</b>	<b>All</b>		

## FOR GENERAL RELEASE

### 1. SUMMARY AND POLICY CONTEXT:

- 1.1 The purpose of this report is to present the new Risk Management Strategy 2013, at Appendix 1.
- 1.2 The council's Policy & Resources Committee is responsible for the approval of the Risk Management Strategy. However the Audit & Standards Committee has a key role in monitoring the delivery of it.

### 2. RECOMMENDATIONS:

- 2.1 That the Audit & Standards Committee note the Risk Management Strategy 2013 at Appendix 1 as approved by Policy & Resources Committee on 14 February 2013.

### 3. RELEVANT BACKGROUND INFORMATION/CHRONOLOGY OF KEY EVENTS:

- 3.1 One of the functions of the Audit & Standards Committee is to form an opinion on the effectiveness of the arrangements for risk management and internal control. The Risk Management Strategy provides a framework for the management of risk.
- 3.2 The Risk Management Strategy 2013 builds upon the council's previous strategy to help both officers and Members to be risk aware and manage risks and opportunities. Each year the council reviews its Risk Management Strategy to take account of latest guidance and context and to ensure continuous improvement in risk management methods.
- 3.3 The purpose of a Risk Management Strategy is to contribute to the overall governance arrangements of the council and specifically to co-ordinate activities to direct and control an organisation with regard to risk<sup>1</sup>. It therefore needs regular update to be a "living framework" to move with the operating environment of the council.

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<sup>1</sup> Based on "Risk Management: Process & Guidelines" BS ISO 31000: 2009 (BSI)

- 3.4 Many aspects of the risk management methodology have not changed because of it being widely understood and integrated into existing processes. The main changes made to the Risk Management Strategy 2013 from the previous year's are as a result of:
- a) Government introduction of changes relating to the transfer of Public Health responsibilities to the council from April 2013. The risk management strategy more overtly reflects this responsibility, however it should be recognised that there has been close work with health colleagues over the years, particularly in the shadow year 2012 before full integration of public health.
  - b) Significant changes to the council's officer leadership and structure (contained in Element 1 of the Strategy).
  - c) Constitutional changes relating to the integration of Standards Committee with the Audit Committee to form an Audit & Standards Committee which now includes independent persons, which has a significant role in monitoring risk management.
  - d) Increased reference to in the "Risk Category Checklist" to reflect the importance of data quality for improving performance, resource planning; and climate change adaptation.
  - e) Increased legislative freedom and financial incentive for the council to proactively develop the economic well-being of the city; this is reflected in the newly introduced "dual risk matrix" (in the Element 2 of the Risk Strategy 2013) to risk assess and manage opportunities.

#### **4. COMMUNITY ENGAGEMENT AND CONSULTATION**

- 4.1 The work to establish Risk Management as a key element of the council's Performance & Risk Management Framework has involved cross-discipline work.
- 4.2 From 2012 onwards there has been increased working with city partners to assess and manage risks which affect the city's performance and risk management framework. This has led to risk management informing performance challenge and review sessions to better achieve city outcomes.
- 4.3 There are increasing links with local community groups, such as those represented on the Neighbourhood Councils' Working Group, to develop an understanding of risk and opportunities for the City.
- 4.4 Risk Management applies across the multiple ways that the council delivers services and its joint work with external parties.

## 5. FINANCIAL & OTHER IMPLICATIONS:

### Financial Implications:

- 5.1 The Risk Management Strategy assists the authority to comply with Corporate Governance Standards and will contribute to the authority's control and risk management assessment for the Annual Governance Statement within the Financial Statements.

*Finance Officer Consulted: Anne Silley*

*Date: 18/02/13*

### Legal Implications:

- 5.2 There are no legal implications arising directly from this report. The role of the Audit & Standards Committee is to note the report. However, effective risk management systems will enable better identification of legal risks, promote their effective management and therefore minimise the council's exposure to potential liability.

*Lawyer Consulted:*

*Oliver Dixon*

*Date: 20/02/13*

### Equalities Implications:

- 5.3 The council's operating model puts customers at the heart of our activities. The Risk Management methodology includes consideration of and a process to manage equalities implications.

### Sustainability Implications:

- 5.4 Sustainability means protecting and enhancing the environment now and in the future, including climate change adaptation; meeting social needs; promoting economic success and risk management will be applied to each of these.

### Crime & Disorder Implications:

- 5.5 There are no direct Crime & Disorder implications.

### Risk and Opportunity Management Implications:

- 5.6 The Risk Management Strategy is focussed on improving the quality and consistency of risk & opportunity management of activities.

### Public Health Implications:

- 5.7 The Risk Management methodology accords with that used by the NHS and has been used to facilitate integration with the new responsibilities transferring from the NHS to the council from 1 April 2013.

### Corporate / Citywide Implications:

- 5.8 There are no direct citywide implications. The Risk Management Strategy will be circulated for information to Public Service Board partners.

**Documents in Members' Rooms**

1. Risk Management Strategy 2013

**Background Documents**

1. None.



## Risk Management Strategy 2013

### Managing the Risk and Realising the Opportunity



*“Managing risk is part of everything we do.*

*In these challenging times, this strategy can help us, and our partners, to deliver for the city.”*

**Cllr Jason Kitcat,**  
Leader of Brighton & Hove City Council



*“To achieve the Corporate Plan requires us all to be risk managers, each with:*

- *courage to take informed risks;*
- *improved ability to recognise where, when and how to take up opportunities and also minimise negative risk impacts;*
- *confidence to demonstrate that risks and opportunities have been managed.*

*Once we have done this we will have the right culture as an organisation and each of us will naturally practice risk management with the outcome that we are known and trusted as an organisation who seek to reduce potential pitfalls and deliver quality services.”*

**Penny Thompson, CBE,**  
Chief Executive,  
Brighton & Hove City Council

## Purpose of the Risk Management Strategy

The council's Risk Management Strategy exists to co-ordinate activities to direct and control an organisation with regard to risk<sup>1</sup>.

The benefits gained in managing risk effectively include:

- Better focus on business objectives which affect achievement of the Council's priorities and Corporate Plan;
- Improved strategic, operational and financial management;
- Increased ability to assess and take up opportunities which are likely to succeed;
- Confidence to change practice and methods of service delivery to improve outcomes for the City receives;
- Better and more transparent decisions.

The Risk Management approach should be proportionate to the needs, size and complexity of the council and appropriately recognise the impact on the public of council services and functions to help build trust particularly as we move towards more collaboration, altered service delivery at the council and across the public sector partners, financial challenge and legislative change.

It can help to prioritise, use and channel available financial (or other resources) appropriately to enable achievement of outcomes for the community of Brighton & Hove by providing a method to enable Risks and Uncertainties to be managed through agreed arrangements for:

- Identifying
- Assessing & judging risks (including escalation to the management level above)
- Assigning ownership
- Taking action to mitigate or anticipate them (to be recorded in a risk register)
- Monitoring and reviewing progress<sup>2</sup>

Risk management is an essential element of an organisation's Governance Framework in respect of the council's arrangements and how it works with partners to achieve council and city priorities and outcomes<sup>3</sup>. Risk Management is a robust, systematic and documented process so that the council has an overview of how risks (such as threats or issues which could prevent achievement of objectives) and positive opportunities (such as those connected with innovation and working with others creatively to achieve objectives) has is

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<sup>1</sup> Based on "Risk Management: Process & Guidelines" BS ISO 31000: 2009 (BSI) which defines Risk as "*the effect on uncertainty on objectives*" and further expands that "*an effect is a positive or negative deviation from what is expected*".

<sup>2</sup> Based on HM Treasury's—The Orange Book Management of Risk - Principles and Concepts October 2004 but also in existence at the council through the **I DO RM** campaign: **I**dentify, **D**ecide & **O**rders, **R**esolve Action and Record in a Risk Register, **M**onitor effectiveness.

<sup>3</sup> See **Brighton & Hove City Council Corporate Plan 2011-15** for council priorities, and Brighton & Hove Sustainable Community Strategy for Strategic City Outcomes.



managed and responds to better protect the council and the community of Brighton & Hove.<sup>4</sup>

The Risk Management Strategy 2013 is reviewed and updated annually to keep it relevant to the council's priorities (it is a "living framework"). It:

- continues to recognise that the council operates in an uncertain world, where the people, environment and communities of the city may be at risk;
- is a tested, understood and shared method to review priorities or challenge performance towards achievement of outcomes<sup>5</sup>;
- better reflects new, or emerging, circumstances to protect and ensure the safety of decisions; service design, innovation and delivery whilst also helping to improve strategic, operational and financial management;
- improves the ability of risk management to enable opportunities, whilst minimising losses and maximising resources for the services provided or commissioned;
- emphasises that in addition to application of risk management processes, to successfully manage risks involves personal accountability and is a behavioural trait to be encouraged in and expected from individuals. A dynamic risk aware culture is vitally important.

### **Aims of the Strategy**

To bring openness, transparency and consistency in understanding what risks and uncertainties the Council, and other organisations which the Council work with, face in delivering services for the city.

To identify and prioritise issues and plan to deliver improvements to effectively manage negative risks or enhance positive opportunities so that the Council's objectives and city outcomes are achieved.

### **Our Risk Management Approach**

To accord with best practice the Council's approach aims to get the right balance between innovation and change on the one hand, and the avoidance of shocks and crises on the other. This is why it can be useful to refer to risk management also as ROM (Risk & Opportunity Management).

Building on previous work and understanding, this 2013 Risk Management Strategy will be to continue to:

- embed risk management into the culture of the council by integration into existing processes (such as business planning and project management) and frameworks (the council's Performance & Risk Management Framework is evidence) to enable management of uncertainty in a systematic, effective and efficient manner;

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<sup>4</sup> This has been recognised by the council for some time, the previous Risk & Opportunity Management Strategy 2008-2011 refers.

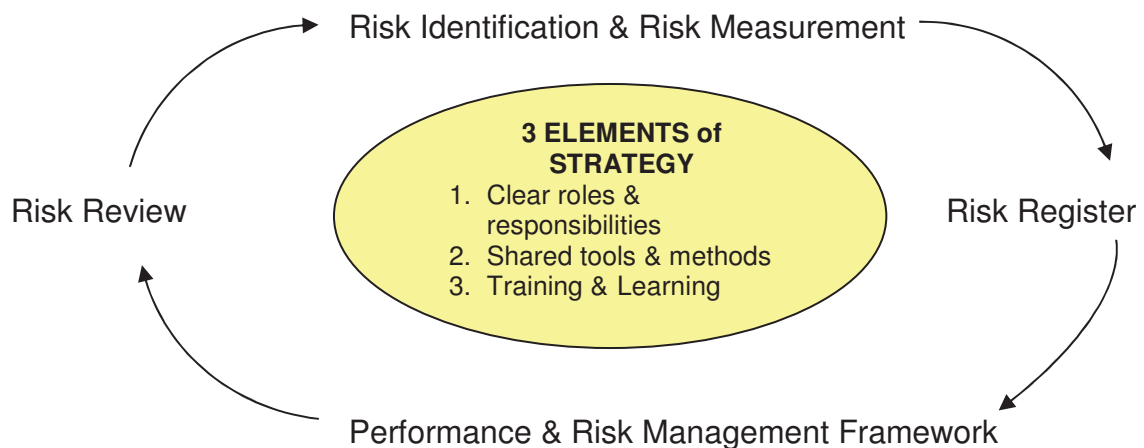
<sup>5</sup> During 2012 the Council and city partners have been informed by the risk management process to improve outcomes through performance challenge.

- recognise good practice and share the expertise of related risk disciplines, e.g. community safety/public health; financial planning including insurance; health and safety; and sustainability; <sup>6</sup>
- work with partners to share, improve and update our processes to either anticipate and/or respond to changing operating environments and requirements.

Brighton & Hove City Council believes risk needs to be managed rather than avoided and will be proactive to ensure it takes an acceptable level of risk depending on the particular application and specific objectives; the council’s “risk appetite<sup>7</sup>” will be informed by the risk management process as set out in this strategy applied to various objectives and through the risk scoring mechanism in the risk matrix.

### ELEMENTS OF THE RISK MANAGEMENT STRATEGY

These elements support delivery of the Risk Management process as set out in the diagram below:



Some risks will always exist and can never be eliminated; they therefore need to be appropriately managed. This Strategy sets out how the Council will:

- Establish clear roles, responsibilities within the council for Risk Management as part of the Council’s decision making and operational management processes, e.g. Service/Business Planning, Commissioning, Project Management, Partnerships and Procurement processes (**Strategy Element 1**)

<sup>6</sup> The Council’s Risk Management Steering Group, an informal group chaired by the Risk Manager, which meets twice a year (and on an ad-hoc basis as required) includes representation of these disciplines.

<sup>7</sup> A risk appetite is defined in ISO3100 as the “amount and type of risk that an organisation is prepared to pursue, retain or take”.

- Provide a shared methodology which can be used to ensure common standards and an understanding of risk management to provide an overview of risks to which the Council is exposed **(Strategy Element 2)**
- Reinforce the importance of effective management of risk through training and provision of opportunities for shared learning **(Strategy Element 3)**

### **Strategy Element 1 – Clear Roles & Responsibilities for Risk Management**

The Risk Management Strategy 2013 sets out the roles and responsibilities for risk management in the Council and how each party is expected to deliver (see the table below) so that:

- √ everyone knows how they contribute within the Council wide framework to understand and manage risks at the level which applies to them so that the Council's exposure to risk is within its acceptable limits;
- √ risks, both "downside" threats or "upside" opportunities, are appropriately managed at least in accordance with specified roles and responsibilities or, if beyond the individual's direct control, they are "escalated" to the management level above;
- √ the identification of risks is an ongoing task and aligned with business planning and performance management arrangements.

Those with a responsibility to manage risks (either a person or a group) are also known as "Risk Owners", they have authority to ensure that action in response to risk is appropriate.

<b>Roles &amp; Responsibilities for Risk Management</b>	<b>How</b>
<b>All Staff and Risk Owners delivering a particular service or business objective (including Corporate Management Team and Heads of Service)</b>	
<ul style="list-style-type: none"> <li>* Achievement of agreed objectives within legal and budgetary boundaries</li> <li>* Proactive risk &amp; opportunity management in their day to day activities</li> <li>* Agree resource allocation within their allowed boundaries</li> <li>* Identify the need for escalation of risks through the reporting process</li> </ul>	<ul style="list-style-type: none"> <li>* Through ownership of a business plan with a robust and integrated risk register</li> <li>* Through ownership of a project plan and associated risk register</li> <li>* Make use of the comprehensive risk management information on the Council's intranet and access training to assist them in fulfilment of their responsibilities</li> <li>* Scheduled progress meetings, e.g. with manager or project board to report progress towards achievement of objectives &amp; management of risks</li> <li>* Behave appropriately in role on behalf of the Council</li> </ul>
<b>Risk Owner for organisations delivering services for, or with, the Council e.g. contractor/supplier/partners</b>	
<ul style="list-style-type: none"> <li>* Comply with their own organisation's risk management arrangements</li> <li>* Achieve objectives agreed with the Council</li> </ul>	<ul style="list-style-type: none"> <li>* Provide evidence of organisation's risk management arrangements</li> <li>* Scheduled progress meetings</li> <li>* Know who they need to be working with in ensuring safe and sustainable service delivery</li> </ul>
<b>The Executive Leadership Team (ELT)</b>	
<ul style="list-style-type: none"> <li>* Manage the strategic risks faced by the Council, including in its partnership work</li> <li>* Responsible for reviewing and developing the strategic risk register at least six monthly and management action plans to address risk</li> <li>* Provide the leadership and support to promote a culture in which risks and opportunities are managed with confidence at the lowest appropriate level</li> </ul>	<ul style="list-style-type: none"> <li>* Risk Owners to review, or delegate responsibility via the usual Performance &amp; Risk Management Framework arrangements for the purposes of reporting to Councillors and the Audit &amp; Standards Committee</li> <li>* Ensure that any significant approved new projects or changes have appropriate risk management arrangements</li> <li>* Ensure that reporting of the Strategic Risk Register clearly informs the public of reasons for any additions or deletions</li> <li>* Ensure lessons are learned across the Council</li> </ul>
<b>Members (Councillors)</b>	
<ul style="list-style-type: none"> <li>* Require the Risk &amp; Opportunity Management paragraphs in reports submitted for decisions making to be completed and satisfy themselves on the information contained</li> </ul>	<ul style="list-style-type: none"> <li>* Make use of the comprehensive risk management information on the Council's intranet and access training to assist them in fulfilment of their responsibilities</li> </ul>
<b>Council Elected Member Leadership (Policy &amp; Resources Committee)</b>	
<ul style="list-style-type: none"> <li>* Approve the Risk Management Strategy</li> <li>* Require the Risk &amp; Opportunity Management paragraphs in reports submitted for decisions making to be completed and satisfy themselves on the information contained</li> </ul>	<ul style="list-style-type: none"> <li>* Make use of the comprehensive risk management information on the Council's intranet and access training to assist them in fulfilment of their responsibilities</li> </ul>
<b>The Audit &amp; Standards Committee</b>	
<ul style="list-style-type: none"> <li>* Ensure independent assurance of the adequacy of Risk Management and the associated control environment</li> </ul>	<ul style="list-style-type: none"> <li>* At least annually receive the strategic risk register, and reports on risk management arrangements, Risk Management Programme and progress</li> <li>* Where it considers it appropriate, make recommendations to the relevant Council body; in most cases this would be the appropriate Committee</li> <li>* Engage in Risk Management to increase their knowledge and understanding and ensure lessons are learned across the Council and partners</li> </ul>

## **Strategy Element 2 – Shared Tools & Methods for Risk Management**

The Risk Management tools and methods have been updated to better reflect the current environment and challenges relating to council operations, and also to enable the better consideration of opportunities to assist the council to creatively develop a variety of policy and financial levers to unlock sustainable growth<sup>8</sup>; and work effectively with partners in creative ways including enabling residents who wish to develop alternative solutions to improve the city.

The Council's risk management methods includes a series of well defined steps to support better decision making through understand of risks, whether a positive opportunity or negative threat and their likely impact.

The "Dual Risk Matrix" set out in Step 2 is a further development of the previous risk matrix shared between the council, NHS and Civil Contingencies partners (which is retained, but only considered "downside" negative risks). The new Dual Risk Matrix uses the same methods as before to also assess positive opportunities. Both sides of risks/uncertainties can be consistently assessed and the management activities for each included in a Risk Register.

By continuing to develop a common understanding, and practice of risk management, the following benefits will be achieved to help deliver the Council's objectives:

- \* the "risk appetite" for services delivered by or in connection with the Council is consistently understood (i.e. the level of risk that is acceptable) and escalation of risks to the management or decision-making level above is carried out in an ordered way;
- \* risk registers are completed on significant and high risks to enable an overall picture of risk exposure whether through direct service provision or in conjunction with other parties;
- \* decision-makers may be assured that the strategic objectives of the council, including related objectives of its partner organisations, external parties or business partners, stand a good chance of being successful;
- \* managers and staff are equipped to identify, record, escalate, monitor and regularly review the effectiveness of risk management arrangements.

There are 3 Steps of the Risk Management Process:

- Risk identification
- Risk measurement
- Risk registers

Once actions have been agreed and set out in the risk registers, they will be direct a business plan actions and service and individual performance via the council's Performance & Risk Management Framework arrangements.

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<sup>8</sup> Brighton & Hove City Council Strategic Risk Register – Updated 3 October 2012 – Strategic Risk 4 "Economic Resilience and Sustainable Economic Growth"

## Step 1: Risk Identification

### Related Tools available on the Intranet ("the Wave")

- a) Risk Category Checklist
- b) ROM Quick Analysis Tool

Risk Management starts with being clear on the objective to be achieved and then identifying risks which could affect achievement of that objective. The Risk Categories checklist below is used to prompt identification of risks or issues (*new additions are denoted in italics*).

<b>Risk Categories Checklist</b>
Professional/Managerial/Partnerships – Recruitment/Retention of qualified staff; Capacity; Investing in Training; Skill mix of <i>employees and community or commercial groups where a statutory or civil responsibility may attach to the council</i> ; Over reliance on key officers; Ability to implement change; <i>Effective management of partnership working; Understanding of data quality and practice</i>
Economic/Financial – Impact of national economic position; Failure of major project(s); Missed business and service opportunities; Failure to prioritise, allocate appropriate budgets and monitor; Inefficient/ineffective processing of documents.
Social – Meeting the needs of disadvantaged communities; Tracking the changes in population base; Employment opportunities; <i>Health &amp; Well-Being implications on community</i> ; Regeneration; Partnership working; Life-long learning; <i>recognising contribution to council's key social initiatives such as Stronger Families, Stronger Communities.</i>
Technological – Functionality and reliability of IT systems – impact on service delivery; Data security issues; Inability to implement change; Obsolescence of technology; Technology strategy; <i>Enabling of service and cost improvements; impact of individual service systems on corporate ability to prepare for IT disaster recovery and business continuity</i>
Legislative – Meeting statutory duties/deadlines; Breach of confidentiality/Data Protection Acts requirements; European Directives on Procurement of Services; Implementation of legislative change.
Physical – Human Resources issues; Loss of intangible assets (e.g. intellectual property); Health and Safety; Loss of physical assets (e.g. damage to property as a result of fire or theft).
Contractual/Competitive – Over reliance on key suppliers/contractors; Ineffective contract management; Contractor failure; Lack of existing markets.
Equalities – Workforce Composition – across all persons who provide a service on behalf of the council and its partnership work; Appropriate recognition of the diversity of Service Users/Customers, e.g. age, ethnicity, gender, disability, religion; Ensuring consistent minimum standards to meet legislative duties (incl. training, sharing policies & best practice); Altering working practices as necessary to meet diverse needs and ensure no discrimination; Ability to demonstrate equalities in action (incl. monitor, evaluate and review).
Political – Impact of Strategic Priorities on business activities; Clarity & cohesion in decision making; Impact of Central Government policy on local policy/local initiatives.
Environmental/Sustainability – Energy use (efficiency), energy costs, energy supply; Climate Change <i>Adaptation of Services (including extreme or sustained weather events)</i> ; Waste Management – correct disposal, hazardous waste; Waste reduction and recycling issues; Noise and street scene implications; Pollution control, air pollution, spillages; Water conservation; Transport implications.
Practice & Clinical Issues, including Clinical Governance – Practice issues; Patient Safety; Clinical Governance; Clinical Procedures; On-going professional development; Loss of key clinical staff.
Customer/Citizen – Appropriate consultation; Quality customer care; Access to services; Views of Service Users and/or viewpoint of patients; Political support, e.g. Members of city council.
Fraud & Corruption – Appropriate segregation of duties; Security of data and other assets; Hospitality/Gifts Policy, Record Keeping and Monitoring; Trends of working/sickness absences (potentially fraudulent); <i>Level of awareness of fraud risk exposure at service level; Whistleblowing</i> ; Verification/Validation checks e.g. before staff/contractor appointments/cash transactions;

## Step 2: Risk Measurement

### Related Tools available on the Intranet (“the Wave”)

- c) Dual Risk Matrix
- d) Risk Descriptor Guidance (to help “score” Likelihood and Impact of each risk)

Risks are assessed on their impact and likelihood of occurrence. This involves allocation of a “Likelihood” and an “Impact” score to each one (use the “dual risk matrix”). All risks should be quantified by using a standard form of measurement. The use of a basic 5 by 5 calculation where exposure to risk is measured based on the multiplication of likelihood and most likely impact, i.e. if a risk has an Almost Certain likelihood rating and a Catastrophic/Fantastic score, it will receive a combined rating of 25. This is known as the “initial” risk score (sometimes called the “Inherent” risk score).

The council’s Risk Appetite (the amount of risk/uncertainty that it is willing to accept) is determined by the colour coding on the next pages, unless specified differently by decision makers (e.g. a project board).

As this Strategy is Risk Management for “Managing Risk and Realising the Opportunity”, the next pages are the “Dual Risk Matrix” which sets out a summary of negative risks and positive opportunities which may affect achievement of an objective.

Negative Risks may have the prefix of “R” (eg R1) and Opportunities may be prefixed with “O” (eg O3) but may appear on the same risk register.

**The following page sets out advice, a risk matrix and actions to be taken based on risk score and colour coding for risks which have the potential to negatively affect achievement of objectives.**

**After that there is a separate page for advice, a risk matrix and actions to be taken based on risk score and colour coding for positive opportunities which contribute to objectives.**

<p>Risk &amp; Opportunity Management – is about getting the right balance between innovation and change on the one hand – taking up Opportunities (“upside risks”) and on the other the <b>avoidance of shocks &amp; crises</b> (“downside risks”)</p>	<p><b>Resolve how to Treat your risks</b></p> <p><b>Concentrate</b> on the Top Scoring Risks</p> <ul style="list-style-type: none"> <li>• <b>Can</b> we reduce likelihood?</li> <li>• <b>Can</b> we reduce the impact?</li> <li>• <b>Can</b> we change the consequences?</li> </ul> <p><b>Remember</b> to see if it can be:</p> <ul style="list-style-type: none"> <li>• Avoided</li> <li>• Reduced</li> <li>• Retained</li> <li>• Transferred</li> </ul> <p><b>Devise Contingencies</b> i.e. Service Continuity Planning</p>																																									
<p><b>Identify your Risks (“downside” risks)</b></p> <p><b>Best</b> done in groups – by those responsible for delivering the objectives</p> <p><b>Risk:</b> it’s the chance of something happening that will have an impact on objectives</p> <p><b>Look to Identify risks when:</b></p> <ul style="list-style-type: none"> <li>• Setting strategic aims</li> <li>• Setting business objectives</li> <li>• Early stages of project planning &amp; key stages</li> <li>• Options appraisals</li> <li>• Making changes to business set up or service provision</li> </ul> <p><b>Use the Risk Categories Checklist or ROM Quick Analysis Tool</b></p>	<p><b>Decide &amp; Order</b> your risks (evaluate your risks)</p> <p>You need to <b>DECIDE</b> the Likelihood of occurrence and the Impact on Objectives, i.e. <b>LIKELIHOOD x IMPACT</b></p> <p><b>ORDER</b> – use the colour scores &amp; take action as below</p> <table border="1" data-bbox="414 689 882 1648"> <thead> <tr> <th rowspan="2">LIKELIHOOD</th> <th colspan="5">MOST LIKELY IMPACT</th> </tr> <tr> <th>Insignificant (1)</th> <th>Minor (2)</th> <th>Moderate (3)</th> <th>Major (4)</th> <th>Catastrophic (5)</th> </tr> </thead> <tbody> <tr> <td>Almost Certain (5)</td> <td>5</td> <td>10</td> <td>15</td> <td>20</td> <td>25</td> </tr> <tr> <td>Likely (4)</td> <td>4</td> <td>8</td> <td>12</td> <td>16</td> <td>20</td> </tr> <tr> <td>Possible (3)</td> <td>3</td> <td>6</td> <td>9</td> <td>12</td> <td>15</td> </tr> <tr> <td>Unlikely (2)</td> <td>2</td> <td>4</td> <td>6</td> <td>8</td> <td>10</td> </tr> <tr> <td>Almost Impossible (1)</td> <td>1</td> <td>2</td> <td>3</td> <td>4</td> <td>5</td> </tr> </tbody> </table> <div data-bbox="914 1462 1230 1671"> <p><b>1 – 3 Low</b> Monitor periodically</p> </div> <div data-bbox="914 1256 1230 1429"> <p><b>4 – 7 Moderate Monitor</b> Monitor if the risk levels increase</p> </div> <div data-bbox="914 1023 1230 1218"> <p><b>8 – 14 Significant</b> Review &amp; ensure effective controls</p> </div> <div data-bbox="914 701 1230 983"> <p><b>15 – 25 High</b> Immediate action required &amp; need to Escalate to the management level above</p> </div>	LIKELIHOOD	MOST LIKELY IMPACT					Insignificant (1)	Minor (2)	Moderate (3)	Major (4)	Catastrophic (5)	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
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<p><b>Monitor &amp; Review</b></p>	<p><b>Risk Registers:</b></p> <p>Baseline data to be prepared and monitored regularly.</p> <p>These should clearly indicate consequences, countermeasures and contingencies as well as the risk owner</p> <p><b>Review Top Risks</b> regularly as an agenda item at group meetings</p> <p><b>Report</b> progress to senior management</p>																																									



Risk & Opportunity Management – is about getting the right balance between innovation and change on the one hand – **taking up Opportunities (“upside risks”)** and the avoidance of shocks & crises on the other (“downside risks”)

**I**dentify **Opportunities** (“upside risks”)

**Opportunity Management:** it’s the chance of taking action to have a **positive impact** on objectives

Use the usual risk management method.

**Look for Opportunities**

**When:**

- Setting strategic aims & business objectives
- Project planning & at key project stages
- Making changes to business set up or service provision

**ASK:**

- \* **Can we do it** – is it legal?
- \* **Should we do it?**
- \* **Can we deliver?**

**D**ecide & **O**rders your opportunities (evaluate them)

You need to **DECIDE** the Likelihood of success and the Impact on Objectives, i.e. **LIKELIHOOD x IMPACT**

**ORDER** – use the colour scores & take action as below

LIKELIHOOD	MOST LIKELY IMPACT					Total Score	Risk Level	Action
	Insignificant (1)	Minor (2)	Moderate (3)	Major (4)	Fantastic (5)			
Almost Certain (5)	5	10	15	20	25	15 – 25	High (Important) Opportunity	Immediate action required & need to Escalate to the management level above
Likely (4)	4	8	12	16	20	8 – 14	Significant Opportunity	Senior management attention need and management responsibility identified
Possible (3)	3	6	9	12	15	4 – 7	Moderate Opportunity	Manage by specific monitoring and response
Unlikely (2)	2	4	6	8	10	1 – 3	Low (Small Win)	Manage by routine procedures, unlikely to need specific application of resources
Almost Impossible (1)	1	2	3	4	5			

**R**esolve how to Maximise Opportunities

**Concentrate** on the Opportunities that offer the best outcomes for the effort needed to deliver

- **Can we** improve likelihood?
- **Can we** maximise the impact?
- **Can we** expand on the consequences to increase the benefits?

**Remember to:**

Plan for the resources required to deliver the benefits and add actions and measures to the existing business plan

**M**onitor & Review

**Opportunity**

Assessments should clearly indicate what the possible benefits could be and the plans/resources required to attain them, as well as an owner.

**Review** the progress of attainment of both the opportunity and benefits regularly as an agenda item at group meetings.

**Review Top Risks** regularly as an agenda item at group meetings

**As appropriate report progress to senior management**

### **Step 3: Risk Registers**

#### **Related Tools**

##### **e) Risk Register available on the Intranet (“the Wave”)**

How successful we are in dealing with the risks we face can have a major impact on the achievement of our objectives and service delivery to the community.

The Risk Registers set out the existing controls that relate to the risk as most are already subject to some degree of management, which enables a more realistic or “real” prioritisation of the issues by assignment of a residual risk score. This enables direction of resource and effort to mitigate or manage the risk and actions, responsibilities and target dates are set out in the Risk Register (see format of Risk Register on next page).

Further work to manage risks is recorded as a “solution” to further improve the risk, with responsibilities and target dates. This forms an action to be performance managed.

Actions to address risks are to be detailed in a Risk Register which sets out the existing measures or “controls” already in place to address the issue (the “risk”) this results in a more realistic prioritisation of risk and a “Controlled Risk Score” (this can also be known as a Residual Risk Score).

Through this re-assessment of priority scores (using the “Residual Risk Score) further work or “solutions” can be planned to address the risk until it reaches an acceptable level (i.e. within the risk appetite set).

This is one of the key benefits of Risk Management, i.e. to prioritise, assess the existing deployment of resources, whether it is effective and to influence future deployment of resource (e.g. money and effort).

As not all risks are priorities, and risks will always exist, having identified and measured risks one of the following proportionate actions (the Risk Strategy for the particular issues) can be selected:

- Treat the risk – agree an action to manage the risk to an acceptable level
- Transfer the risk – possibly by purchasing additional insurance or bonds; or by terms in a contract or agreement
- Terminate the risk – stop the current system or process and introduce a new system
- Tolerate the risk – if nothing reasonable can be done to control the risk because it may be out of the service or the Council’s sphere of influence

Actions from Risk Registers, with details of key dates and individual responsibility for action should be integrated into service plans and project plans. Appropriate review is needed to keep the risk register current. Each risk owner will need to have a securely retained copy of the register and a clear history of changes made as risk registers may be requested at any time by decision makers, project boards, the Risk Manager, Internal or External Auditors or any interested parties in the interest of openness & accountability.

## Risk Register Format

Risk No.	Reference link (i.e. Service Objective No. or Strategic Risk)	Risk Description	Potential Consequence(s)	Initial Likelihood (L) Risk Score	Initial Impact (I) Risk Score	Mitigating Controls & Actions (Responsible Officers in Brackets)	Controlled Likelihood (L) Risk Score	Controlled Impact (I) Risk Score	Controlled Risk Score (L x I)	Further "Solutions", i.e. actions/ Controls (Responsible Officers in Brackets)  (these represent "work that needs to be done" to be included as Key Actions in Business Plan)	Target Date	Lead Officer
Assign a unique number	Detail the particular service objective no. or Strategic Risk, if relevant	Summarise what it is that you think could prevent achievement of your objective	Summarise what could happen and detail the impact on outcomes	Use the Risk Matrix	Use the Risk Matrix	List existing processes/Mitigations/ Controls that are in place to manage the risk	Use the Risk Matrix	Use the Risk Matrix	Multiply L x I and Check Risk Matrix.	List further actions that you have planned or realise that you need to take AND add these as Key Actions in your Business Plan  (Assign a Responsible Officer for each action)	Completion date for this action	Insert Name

### Strategy Element 3 – Training & Learning

The Council's Risk Manager is charged with providing active support and training by:

- Providing advice on risk and opportunity management to assist those with responsibility for Risk Management through the Learning & Development training programme and individual's use of the extensive intranet (Wave) pages and the ROM e-learning programme;
- Working with colleagues to identify and raise with decision makers where there is a need for the organisation to commission specialist training to improve risk management if cannot be met with internal resources;
- Supporting our community with opportunities to learn from our approaches to ROM - e.g. elearning;
- Facilitating risk identification, assessment and mitigation through facilitated risk workshops or topic sessions which offer groups and/or individuals an opportunity to learn about risk management and apply it to a real situation which needs attention;
- Providing a consistent approach to risk management for application, including a common understanding of terminology and definitions;
- Challenging and developing organisational and individual performance– across the four Performance Domains of accountability, delivery, working together, personal impact;
- Working with procurement colleagues and those who commission services and contracts for goods to ensure risk and opportunity management principles are applied to help others to understand what risk is and reinforcing the opportunities that risk management can present.

**For details or for advice, search on the Council's intranet (“the Wave”) under “risk & opportunity” or contact [jackie.algar@brighton-hove.gov.uk](mailto:jackie.algar@brighton-hove.gov.uk).**

# AUDIT & STANDARDS COMMITTEE

Agenda Item 94

Brighton & Hove City Council

**Subject:** Public Sector Internal Audit Standards  
**Date of Meeting:** 16<sup>th</sup> April 2013  
**Report of:** Executive Director of Finance and Resources  
**Contact Officer:** Name: Ian Withers, Head of Audit & Business Risk  
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 inform Members of the new Public Sector Internal Audit Standards (PSIAS) which came into effect on 1<sup>st</sup> April 2013. These standards are mandatory and will underpin the effectiveness of internal audit arrangements within the Council.
- 1.2 The Head of Audit and Business Risk is required to report on conformance with the PSIAS in his annual report.
- 1.3 This report sets out the key changes highlighting areas where these differ from the previous Code of Practice for Internal Audit in Local Government (CIPFA).

### 2. RECOMMENDATION:

- 2.1 That Audit & Standards Committee note
  - The key changes associated with the Public Sector Internal Audit Standards effective from 1 April 2013; and
  - That action will be taken to implement the new standards, as required.

### 3. BACKGROUND

- 3.1 The Public Sector Internal Audit Standards (PSIAS) replaces the Code of Practice for Internal Audit in Local Government (2006) by the Chartered Institute of Public Finance and Accountancy (CIPFA). This was regarded as “standards for proper practices” as per the Accounts and Audit Regulations 2011. Previous effectiveness reviews of Internal Audit have assessed the level of compliance with the Standard
- 3.2 The PSIAS are based on the International Standards of Internal Auditing and developed and issued by CIPFA, the Chartered Institute of Internal

Auditors UK (CIIA) and HM Treasury. They provide a coherent and consistent internal audit framework for the whole of the public sector.

3.3 The objectives of the PSIAS are to:

- Define the nature of internal audit within the UK public sector;
- Set basic principles for carrying out internal audit in the UK public sector;
- Establish a framework for providing internal audit services, which adds value to the organisation, leading to improved organisational processes and operations; and
- Establish the basis for the evaluation of internal audit performance and to drive improved planning.

3.4 The PSIAS apply to all internal audit service providers, whether in-house, shared service or outsourced.

3.5 The PSIAS contains a revised definition of internal audit as follows:

*‘Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance’.*

#### **4. PSIAS – KEY CHANGES IDENTIFIED**

4.1 The PSIAS require compliance with the Chartered Institute of Internal Audit’s Code of Ethics containing principles and rules of conduct covering integrity, objectivity, confidentiality and competency. This recognises the seven Nolan principles of public life.

4.2 Greater focus on internal audit activity in ensuring value for money.

4.3 The purpose, authority and responsibility of internal audit activity must be formally defined in an Internal Audit Charter which should:

- Define the terms “board” and “senior management” for the purpose of internal audit activity
- Recognises the definition of Internal Audit;
- Define reporting relationships;
- Confirm access rights of Internal Audit;
- Cover arrangements for appropriate resourcing;
- Explain the role of internal audit in any fraud related work; and
- Include arrangements for avoiding conflicts of interest and how addressed.

The “Board” is defined in the Council’s Audit Charter as the Audit & Standards Committee and “Senior Management “ the Executive Leadership Team and Corporate Management Team.

4.4 The PSIAS includes the following additional requirements in respect of independence:

- The Head of Internal Audit (Audit Executive) must confirm their independence annually to the Board;
- The Head of Internal Audit must report functionally to the Board;
- The Chief Executive must undertake, countersign, and contribute feedback on the annual performance of the Head of Internal Audit performance assessment.
- The Head of Internal Audit must have unfettered access to the Chief Executive and Chair of the Audit Committee;
- Any significant consultancy activity not on the Annual Audit Plan must be approved in advance;
- An assessment of compliance with the PSAIS must be undertaken annually with an external assessment every five year; and
- The Head of Internal Audit must provide an annual opinion on whether IT governance supports the organisation's strategic objectives.

4.5 The PSIAS contain a more detailed role for Internal Audit in Risk Management.

4.6 The published PSIAS also includes examples of functional reporting to the Board which are not typically seen as the responsibility of an Audit Committee in a Local Authority including:

- Approving decisions regarding the appointment and removal of the Head of Internal Audit;
- Approving the remuneration of the Head of Internal Audit; and
- Approving the Internal Audit Budget and Resource Plan.

Further guidance is expected to be available in the Application Note from CIPFA due to publication in April 2013. (se 5.4 below).

## **5. PSIA – ACTIONS REQUIRED**

5.1 It is considered that the Council's Internal Audit function complies with the majority of the new PSIAS. The Internal Audit Strategy and Audit Charter (replacing previous Terms of Reference for Internal Audit) have been updated and contained in the Internal Audit Strategy and Annual Audit Plan 2013/13.

5.2 The in-house Internal Audit Team and co-sourced contractors (Deloitte) will comply with the new PSIA from 1<sup>st</sup> April 2013. All staff have received a copy of the PSIA and full training will be given in April 2013.

5.3 The Head of Audit & Business Risk, Audit Manager and Engagement Manager (Deloitte) have the responsibility for ensuring compliance with the new PSIA.

5.4 A Local Government Application Note is due to be published by CIPFA in April 2013 that will provide further guidance and interpretation of requirements.

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

### **6.1 Financial Implications:**

Adopting the Public Sector Internal Audit Standards (PSIAS) will ensure that financial governance standards are achieved. There are no direct financial implications as a result.

*Finance Officer Consulted: Anne Silley  
Head of Business Engagement*

*2 April 2013*

### **6.2 Legal Implications:**

Taking the actions at 5.1 to 5.3, and any further recommendations contained in the CIPFA application note referenced in 5.4, should ensure the council's compliance with the new PSIAS.

*Lawyer Consulted: Oliver Dixon*

*Date: 2 April 2013*

### **6.2 Equalities Implications:**

When carrying out audit work, any equality issues identified are reported to the appropriate level of management. The Internal Audit Strategy and Annual Audit Plan recognise the council's priorities in respect to Equality and Diversity and how Internal Audit will meet them.

### **6.4 Sustainability Implications:**

When carrying out audit work, any sustainability issues identified are reported to the appropriate level of management.

### **6.5 Crime & Disorder Implications:**

When carrying out audit work, any crime and disorder issues identified are reported to the appropriate level of management.

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

The preparation of the Internal Audit Strategy and Annual Audit Plan takes into account the outcomes of the council's risk management and other assurance processes. The work of Internal Audit assists the council in improving controls to mitigate risks. The Annual Audit Plan will be flexible to take account of emerging risks and priorities of the council.

### **6.7 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. Public Sector Internal Audit Standards (2013)
2. Code of Ethics from Chartered Institute of Internal Auditors (CIIA)
3. CIPFA Code of Practice for Internal Audit in Local Government (2006)



# AUDIT & STANDARDS COMMITTEE

Agenda Item 95

Brighton & Hove City Council

**Subject:** Complaints Update  
**Date of Meeting:** 16 April 2013  
**Report of:** Monitoring Officer  
**Contact Officer:** Name: **Brian Foley** Tel: **293109**  
E-mail: [brian.foley@brighton-hove.gov.uk](mailto:brian.foley@brighton-hove.gov.uk)  
**Wards Affected:** All

## FOR GENERAL RELEASE

### 1. SUMMARY AND POLICY CONTEXT:

- 1.1 This paper updates the Audit and Standards Committee on allegations about member conduct following the last report to Audit and Standards Committee on 22 January 2013.
- 1.2 A summary of the decisions for complaints that have been closed are set out in Appendix 1.

### 2. RECOMMENDATION:

- 2.1 That the Committee note the report.

### 3. RELEVANT BACKGROUND INFORMATION

- 3.1 The current status of Code of Conduct complaints is:
  - 3.1.1 Open complaints
    - At the time of writing there are no current ongoing complaints.
  - 3.1.2 Closed complaints
    - An investigation into a complaint that a member failed to act impartially and was unprofessional when chairing a meeting with members of the public has been concluded. The Panel reached the decision that there had been no breach of the Code of Conduct.
    - The Deputy Monitoring Officer decided not to investigate a complaint from a member of the public that two of his ward councillors were not responding to his communications.
    - The Monitoring Officer decided that a complaint alleging that a councillor had intimidated and abused a member of the public could

not be investigated. The Monitoring Officer concluded that the member had not been acting in their role as a councillor at the time of the alleged incident and therefore the code of conduct for members could not be applied.

- The Monitoring Officer decided that two complaints about remarks of a potentially homophobic nature written by a councillor in a Facebook exchange which caused offense to the complainants could be closed if a suitable apology was provided and accepted. An apology was duly offered and accepted.

3.2 The Council’s performance in dealing with individual complaints is illustrated in the chart below.

3.2.1 Complaints about Member conduct should be acknowledged as soon as possible and within a maximum of 5 working days.

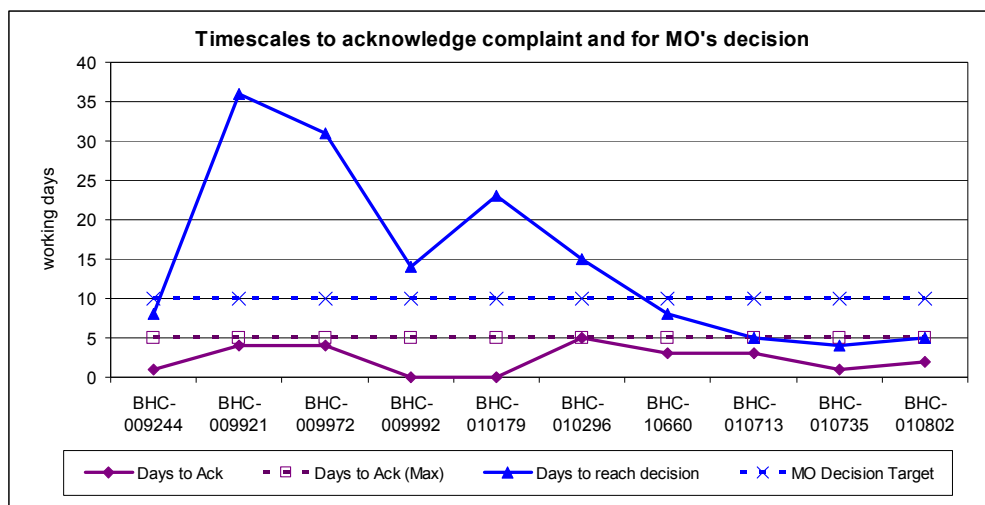
Comment: To date all complaints have been acknowledged within 5 working days.

3.2.2 The complainant will normally be informed within 10 working days how the matter will be dealt with.

Comment: The Monitoring Officer has reviewed the decision making process and this has had the effect of achieving decisions within the 10 day timescale.

3.2.3 The whole complaint process should be completed within 65 working days from the date of receipt to date of hearing.

Comment: The most recent investigation took 65 working days from referral for investigation to production of the Final Report. However the overall time taken was 116 working days.



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

##### Financial Implications:

- 4.1 The costs of complaints in terms of administration and compensation awards (where appropriate) are met within the allocated budget. There were no compensation awards in the period covered by the report.

*Finance Officer Consulted: Anne Silley Date: 20/03/2013*

##### Legal Implications:

- 4.2 The Council's arrangements under which complaints about Member conduct are investigated and decided conform with the relevant provisions of the Localism Act 2011 and local procedures agreed by Full Council in July 2012.

*Lawyer Consulted: Oliver Dixon Date: 20/03/2013*

##### Equalities Implications:

- 4.3 There are no Equalities implications

##### Sustainability Implications:

- 4.4 There are no Sustainability implications

##### Crime & Disorder Implications:

- 4.5 There are no Crime and Disorder implications

##### Risk and Opportunity Management Implications:

- 4.6 There are no Risk and Opportunity Management implications

##### Corporate / Citywide Implications:

- 4.7 There are no Corporate or Citywide implications

### **SUPPORTING DOCUMENTATION**

#### **Appendices:**

1. Summary of the decisions for complaints that have been concluded.

#### **Documents In Members' Rooms**

1. None

#### **Background Documents**

1. None

## Appendix 1

<b>Audit &amp; Standards Complaint</b>	
<b>Reference Number</b>	<b>BHC-009921</b>
<b>Date Received</b>	<b>08/10/2012</b>
<b>Days to Acknowledge</b>	<b>4 days</b>
<b>Days to reach decision to investigate</b>	<b>36 days</b>
<b>Days to conclude</b>	<b>116 days</b>
<b>Complainant</b>	<b>Member of the Public</b>
<p><b>Summary of Complaint</b>  The complaint concerned a series of allegation about the way that a councillor chaired a meeting. The councillor was alleged to have acted in a way that was described as lacking impartiality or professionalism.</p>	
<p><b>Section of Code of Conduct that applies</b>  <b>Paragraph 3(1).</b> You must treat others with respect</p>	
<p><b>Summary of the Standards Panel decision</b>  The Panel read the report by the Monitoring Officer, and after close questioning of the report they concurred with the Monitoring Officer's conclusion and reasons that there had been no breach of the Code of Conduct.</p> <p>The investigation concluded that four of the six allegations made could not be substantiated and there had not been a breach of the code of conduct in respect of those issues. Furthermore, it concluded that whilst two remaining issues could on a balance of probabilities be substantiated the councillor's actions had not amounted to a breach of the code of conduct in that the councillor had not acted disrespectfully towards the complainant.</p>	

<b>Audit &amp; Standards Complaint</b>	
<b>Reference Number</b>	<b>BHC-010660</b>
<b>Date Received</b>	<b>09/01/2013</b>
<b>Days to Acknowledge</b>	<b>3 days</b>
<b>Days to reach decision to investigate</b>	<b>8 days</b>
<b>Complainant</b>	
	<b>Member of the Public</b>
<b>Summary of Complaint</b>	
The complainant stated that he had contacted two of his ward councillors about many different matters but they simply refused to respond.	
<b>Section of Code of Conduct that applies</b>	
<b>Paragraph 3(1).</b> You must treat others with respect	
<b>Summary of the Deputy Monitoring Officer's decision</b>	
<p>The Deputy Monitoring Officer was asked to consider the complaint given that the Monitoring Officer had previously given advice to the two members.</p> <p>Having carefully reviewed the complaint and having consulted with an Independent Person, the Deputy Monitoring Officer reached the view that the issues raised could not amount to a breach of the Code of Conduct.</p> <p>The Deputy Monitoring Officer said the Council had responded thoroughly to the issues raised. In such circumstances it has the right to make a decision that no more resources should be committed to an issue just because a person demands it. Within this context local councillors were advised that they were under no obligation to respond if they chose not to. Consequently, the members' decision not to respond did not constitute a breach of the Code of Conduct.</p> <p>The decision not to investigate the complaint about the members conduct was exclusively based on whether the actions of the member referred to could amount to a breach of the Council's Code of Conduct for members, whether it was in the public interest to investigate the complaint and whether it would be proportionate in the circumstances. It was not based on the relative merits of the issues that the complainant wished to consult with them about.</p>	

<b>Audit &amp; Standards Complaint</b>	
<b>S&amp;C Reference Number</b>	<b>BHC-0010713</b>
<b>Date Received</b>	<b>21/01/2013</b>
<b>Days to Acknowledge</b>	<b>3 days</b>
<b>Days for Monitoring Officer to reply</b>	<b>5 days</b>
<b>Complainant</b>	
	<b>Member of the Public</b>
<b>Summary of Complaint</b>	
A member of the public alleged that a councillor had been both abusive and intimidating.	
<b>Section of Code of Conduct that applies</b>	
<b>Paragraph 3(1)</b> You must treat others with respect	
<b>Summary of the Monitoring Officer's decision</b>	
<p>The complaint against the councillor alleged that the complainant had been intimidated, abused and terrorised by the councillor for a second time. The complainant stated the matter had been reported to the Police.</p> <p>Having carefully reviewed the complaint and having consulted with an Independent Person, the Monitoring Officer reached the view that the issues raised could not amount to a breach of the Code of Conduct</p> <p>It appeared to the Monitoring Officer from the information provided, that the councillor was acting as a concerned parent and although it was true the subject member is a councillor, the complaint did not provide any evidence or indeed suggestion that the subject member was acting in their capacity as a councillor during the time of the alleged altercation. The code of conduct for members cannot be applied if an elected member is not acting in their role as a councillor at the time of an incident. The conclusion therefore reached was that there has not been a breach of the Code of Conduct for Members.</p> <p>However, the Monitoring Officer wrote to the councillor with a reminder that as an elected representative it is expected that they should not behave in such a way as to draw complaints to themselves as this has a direct bearing on the requirement that a councillor should maintain their integrity at all times.</p> <p>The decision not to investigate the complaint was exclusively based on whether the actions of the member referred to could amount to a breach of the Council's Code of Conduct for members, whether it is in the public interest to investigate the complaint and whether it would be proportionate in the circumstances. It was not based on the specifics of the allegations that were made.</p>	



<b>Audit &amp; Standards Case</b>	
<b>S&amp;C Reference Number</b>	<b>BHC-0010735, &amp; BHC-0010802</b>
<b>Date Received</b>	<b>23/01/2013, &amp; 02/04/2013</b>
<b>Days to Acknowledge</b>	<b>1 days, &amp; 2 days</b>
<b>Days for Monitoring Officer to reply</b>	<b>4 days, &amp; 5 days</b>
<b>Complainant</b>	<b>Members of the Public</b>
<b>Summary of Complaint</b>	
<p>The Council received two very similar complaints about remarks of a potentially homophobic nature written by a councillor in a Facebook exchange which caused offense to the recipients.</p>	
<b>Section of Code of Conduct that applies</b>	
<p><b>Paragraph 3(1)</b> You must treat others with respect</p>	
<b>Summary of the Monitoring Officer's decision</b>	
<p>Having carefully reviewed the complaint and having consulted with an Independent Person the council's Monitoring Officer explained that an option existed to seek to resolve the complaint. The Monitoring Officer explained he would prefer in the first instance to see if it is possible to resolve the complaint but that the option of investigating the complaint remained open.</p> <p>The councillor was willing to write a letter of apology to the person(s) making the complaint(s) and was prepared to extend that apology to anyone else who may have been offended by the remarks made.</p> <p>The complainant replied that a suitable apology would be an acceptable way of resolving the complaint.</p> <p>An apology was duly issued and accepted.</p>	

