

BRIGHTON & HOVE CITY COUNCIL

AUDIT & STANDARDS COMMITTEE

4.00pm 7 MARCH 2017

HOVE TOWN HALL, COUNCIL CHAMBER

MINUTES

Present: Councillors A Norman (Chair) Chapman, Cobb, Druitt, Morris, Robins (Group Spokesperson), Sykes (Group Spokesperson) and Taylor

Independent Members present: Diane Bushell, Dr David Horne

PART ONE

71 PROCEDURAL BUSINESS

71a Declarations of substitutes

71.1 There were none.

71b Declarations of interests

71.2 There were none

71c Exclusion of the press and public

71.3 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.

71.4 **RESOLVED** - That the public are not be excluded from the meeting.

72 MINUTES AND COMMITTEE ACTION LOG

72.1 **RESOLVED** – That the minutes of the previous meeting held on 10 January 2017 be approved and signed as the correct record.

73 CALL OVER

73.1 The following items on the agenda were reserved for discussion:

- Risk Management Strategy Annual Progress Report 2016/17

- Strategic Risk Focus: SR15 Keeping Children Safe from Harm and Abuse: SR17 School Places Planning and SR24 Welfare Reform
- Ernst & Young: February 2017 External Audit Progress Report
- Internal Audit Plan 2017/18
- Internal Audit and Corporate Fraud Progress Report
- Council Policies Considered by the Audit & Standards Committee

73.2 The Democratic Services Officer confirmed that the items listed above had been reserved for discussion and that the following reports on the agenda with the recommendations therein had been approved and adopted:

- Standards Update

74 PUBLIC INVOLVEMENT

74.1 There were none.

75 MEMBER INVOLVEMENT

75.1 There were none.

76 RISK MANAGEMENT STRATEGY ANNUAL PROGRESS REPORT 2016 -17

76.1 The Committee considered a report of the Executive Director, Finance & Resources detailing progress made against the Risk Management Strategy 2014-17, specifically the outcome work on the Strategy during 2016/17.

76.2 Diane Bushell noted that the business framework was due to launch imminently and asked for confirmation of a specific date if that was known and enquired if risk management would form part of the content of that framework.

76.3 The Executive Director, Finance & Resources answered that the business framework would be launched next week for management tiers 1-4 and alongside the performance management framework. Risk management would be specifically referenced in the framework.

76.4 **RESOLVED-** That the Committee notes Appendix 1 which provides a summary of progress made in 2016/17.

77 STRATEGIC RISK FOCUS: SR15 KEEPING CHILDREN SAFE FROM HARM AND ABUSE; SR17 SCHOOL PLACES PLANNING; AND SR24 WELFARE REFORM

77.1 The Executive Director, Families, Children & Learning provided a verbal update and answered Members questions for SR15: Keeping Children Safe from Harm and Abuse and SR17: School Places Planning.

77.2 Councillor Sykes asked for the Executive Director, Families, Children & Learning views on the recent reductions made as part of Budget Council and the likely impact upon management controls, strategies and the first line of defence.

- 77.3 The Executive Director, Families, Children & Learning replied that financial resources were declining and that had led to a necessary review of structures to continue a high standard of provision. Furthermore, in his statutory role, he had the mechanism to formally raise the issue of resource with the Chief Executive if he felt that budget allocations meant that the council's duty to keep children safe from harm was compromised which he had not done.
- 77.4 Councillor Taylor asked what was meant by the terms 'two front doors'. In addition, Councillor Taylor noted that progress against the risk actions was currently 75% and asked if this would reach 100% to the deadline of 31 March 2017.
- 77.5 The Executive Director, Families, Children & Learning clarified that 'front doors' was a summary of the entrance into support services. The first front door was the multi-agency safeguarding hub including the police, NHS and community staff. Cases were assessed and responded to on the basis of shared, secured information. The second front door was a reference to the Early Help Hub that would soon be joining up with the multi-agency safeguarding hub. The Risk Management Lead clarified that 75% of risk actions were complete as at the review date of 19 January 2017 and would have progressed since that point.
- 77.6 Diane Bushell noted that BHCC had historically higher levels of Children in Care (CiC) and on Child Protection Plans (CPP) than other authorities. Diane added that last time Pinaki had presented on this item he had stated that numbers in both these areas had declined. Diane asked if that decline had continued and furthermore, asked why children in poverty were no longer listed in the strategic risk document.
- 77.7 The Executive Director, Families, Children & Learning answered that levels of CiC had increased and the reason for that was a rise in unaccompanied asylum seekers into the City, a bilateral agreement with Kent to become responsible for some of their unaccompanied asylum seekers (although they continued to be based in Kent) and a certain number given refuge in co-ordination with central government. The Executive Director, Families, Children & Learning noted that Brighton & Hove was a city of sanctuary and decisions were made in accordance with that status. He added that excluding the above, the number of CiC would have declined. The level of children with CPP had continued to decline and was now below some surrounding authorities. In relation to Child Poverty being listed as a strategic risk indicator, the Executive Director, Families, Children & Learning clarified that it had been removed because it showed only a symptom and not the cause. Levels of child poverty were still collected and plans for continuing reduction were in place.
- 77.8 In relation to the potential new secondary school site, Councillor Sykes noted that there had been lengthy delays to the process of identification and securing a site and asked if alternative options were in place should negotiations fall through.
- 77.9 The Executive Director, Families, Children & Learning stated that identifying a site for a secondary school was a more complicated process than for primary schools as a larger site was required and temporary expansion was not feasible. The Executive Director, Families, Children & Learning added that due to changes in government legislation, local authorities were no longer permitted to open new schools and therefore the council were working with four partners on the development of a free school that in itself had

complications. In relation to alternative options, the Executive Director, Families, Children & Learning stated that whilst the council had a statutory duty to provide sufficient school places, there was no duty to provide places based on proximity and therefore, school capacity could be increased across the city.

- 77.10 Councillor Taylor stated that the council had recognised there would be bulge in population for some time and asked why solutions for pressures on school places had not been adequately anticipated.
- 77.11 The Executive Director, Families, Children & Learning responded that the council had firstly considered whether existing school structures could be expanded to accommodate for the increase in secondary school children and it was eventually found that the cost of doing such would be beyond the financial capability of the council. The issue of a new school was also complex as it was a decision made by the Department for Education (DfE) and not one the council could make. Furthermore, sufficient resource to invest in a new school had only recently become available and had not been at the time the initial assessment of options had been made.
- 77.12 The Revenues & Benefits Manager and Head of Revenue & Benefits provided a verbal update and answered Members questions for SR24: Welfare Reform.
- 77.13 Diane Bushell asked for details of the financial impact of the benefit cap upon the council and the predicted financial impact of universal credit.
- 77.14 The Revenues & Benefits Manager stated he was uncertain as to a precise figure as the changes also encompassed a housing benefit cap. Locally there had been a £1.3 million reduction in housing benefit payments and the discretionary housing payment fund provided by central government was £776,000 during the current financial year and would rise to £1.3 million in 2017/18. Officers were working actively and in a multitude of ways with the people and families affected to provide a package of support. In relation to universal credit, ground work for its implementation was being undertaken with other agencies to ensure a co-ordinated approach. It was as yet too early to anticipate what the risk to the council was.
- 77.15 Councillor Sykes enquired as to the challenges to the service in decreases to the Council Tax Reduction (CTR) scheme and Discretionary Support funds.
- 77.16 The Revenues & Benefits Manager answered that other sources of funding and new revenue streams were being pursued and officers were reviewing the programme on a year on year basis. The council worked closely with other agencies to ensure that the resources that were available, particularly in the third sector were used as effectively as they could be.
- 77.17 **RESOLVED-** That the Audit & Standards Committee notes the Strategic Risk Assessment Report at Appendix 1.

- 78.1 The Committee considered a report of Ernst & Young that provided an update on the progress against their 2016/17 audit and updated Members on any recent developments or changes to accounting requirements.
- 78.2 Councillor Morris asked if the investigation into the objection made in relation to Lender Option Borrower Option (LOBO) loans remained confidential.
- 78.3 The Assistant Manager- Ernst & Young confirmed that there were strict processes in place in relation to such types of investigation and the issue remained confidential.
- 78.4 **RESOLVED-** That the Committee note the report.

79 INTERNAL AUDIT PLAN 2017/18

- 79.1 The Committee considered a report of the Executive Director, Finance & Resources that requested approval of the Internal Audit Plan 2017/18.
- 79.2 Councillor Druitt enquired as to the reason behind the drop in planned audit days for finance.
- 79.3 The Head of Internal Audit stated that financial systems had regularly achieved reasonable assurance and the audit team were satisfied the number of days allocated were sufficient for a detailed audit. Furthermore, this would give an increase in audit days for areas with limited assurance.
- 79.1 Councillor Sykes asked if assurance could be provided that 1038 audit days would be sufficient to deliver effective audit work. In addition, Councillor Sykes asked if contract management audits would overlap with the work of the Procurement team and noted the significant overspend on healthcare equipment that may benefit from audit focus.
- 79.4 The Head of Internal Audit replied that he could give assurance that 1,038 days would be sufficient and that figure only dealt with specific audit days and there was provision of a further 254 days for support, advice and liaison with senior management and recommendation tracking. The Audit team would consider healthcare equipment as part of reviews of integration with health services. He also noted that in relation to contract management, Budget Council had allocated further resource that would provide opportunity for increased examination.
- 79.5 **RESOVLED-** That the Committee approves the Internal Audit Plan including the Internal Audit Charter and Quality Assurance Improvement Programme.

80 INTERNAL AUDIT AND CORPORATE FRAUD PROGRESS REPORT

- 80.1 The Committee considered a report of the Executive Director, Finance & Resources that summarised the progress made against the Internal Audit and Corporate Fraud Plan, the key issues identified and action being taken and progress made by management in implementing audit recommendations.
- 80.2 Dr Horne noted that a submission to the National Fraud Initiative (NFI) had returned data match reports of more than 21,000 potential cases of which 2,300 had been

recommended for further investigation. Dr Horne asked how those matches were selected and by whom.

- 80.3 The Head of Internal Audit clarified that the matches were identified by the Cabinet Office.
- 80.4 Dr Horne asked if the matches were identified in the Corporate Fraud Plan.
- 80.5 The Head of Internal Audit answered that the matches were separated into categories and the Corporate Fraud team acted as co-ordinators in assigning to specific departments to investigate further.
- 80.6 In relation to council dwellings that were the subject of fraudulent activity, Councillor Sykes asked whether the 20 properties returned to stock was a year to date figure and for a reminder of why right to buy applications were occasionally rejected.
- 80.7 The Head of Internal Audit clarified that the figure was as year to date. The review of right to buy applications by the corporate fraud team related primarily to our duties in respect of money laundering. It included an assessment of whether an individual had sufficient funds to purchase properties under the right to buy scheme and was used as a deterrent to reduce loan shark activity.
- 80.8 Diane Bushell noted that on every occasion the report was considered by the committee, there were a certain number with no progress against the audit recommendations. Diane asked if this was a failure on the part of senior managers to effectively implement the recommendations or if the systems used were overly-onerous and complex.
- 80.9 The Executive Director, Finance & Resource stated that a key emphasis of work going forward would be a clearer system for accountability of senior managers to ensure that the council's control environment was kept to a high standard. This comprised a tool called Data Insight that would track performance across a series of KPIs, thereby increasing accountability. One of the KPIs was to be progress in relation to audit reports. The Head of Internal Audit supplemented that whilst it was understood that the systems used were user-friendly, an individual member of the audit team was assigned to heads of service and were available to assist with any problems using the software.
- 80.10 In relation to the update requested by the committee in relation information governance issues, Diane Bushell enquired as to the expected timescale to resolve the issues, specifically buildings and system access and enquired as to any obstacles preventing progress.
- 80.11 The Chief Technology Officer answered that there would always a number of assurance related issues, however the emphasis was on improving and minimising risk. The most recent audits had acknowledged that work had been done in relation to systems and buildings access and there had been improvements in data management. The focus going forward would be on shifting the organisational culture and harmonising standards, and this would be aided by the introduction of clearer information governance framework.

- 80.12 Diane Bushell asked when it was estimated that the assurance rating would improve from limited.
- 80.13 The Chief Technology Officer stated that the aim was to improve to reasonable assurance at the point of the next audit. The Executive Director, Finance & Resources supplemented that there had been a heavy increase in scrutiny in this area at senior management level and the Information Governance Board had started to speed the work up, and it 'had teeth' through its accountability to the Executive Leadership Team (ELT).
- 80.14 The Chair asked if any problems were anticipated in relation to the Orbis arrangement.
- 80.1 The Chief Technology Officer stated that joining the Orbis service would create a level of complexity and was being reviewed as part of the change work. There would be an opportunity to run tests in order to gain assurance that systems were resilient. Furthermore, the Orbis arrangement would give the opportunity to increase capacity and bring the benefit of collective knowledge.
- 80.15 Dr Horne asked what assurance could be given on improvements in relation to controls when staff left the organisation and asked when the work of the modernisation project was expected to be completed.
- 80.2 The Chief Technology Officer answered that effective controls on staff leavers were related to confirmation of termination of employment by the Payroll team and senior management completing the necessary actions when this occurred. In relation to the former, the Payroll and ICT processes were being streamlined to enhance performance and the latter action would be assisted by the recent introduction of new information governance policies. This specific modernisation project was expected to reach completion within one year.
- 80.16 **RESOLVED-** That the Audit & Standards Committee notes the report.

81 COUNCIL POLICIES CONSIDERED BY THE AUDIT & STANDARDS COMMITTEE

- 81.1 The Committee considered a report that set out the results of a review conducted into the functions discharged by the committee.
- 81.2 Councillor Druitt noted that the committee had responsibility for the approval of the council's whistleblowing policy yet he had carried out an internet search that appeared the policy was last agreed in 2009.
- 81.3 The Executive Director, Finance & Resources clarified that the policy had been approved since 2009 but a database issue meant that searches on both the internet and council's intranet meant that the results returned were sometimes out of date or unrelated to the search term. Improvements to the council's database would be the subject of a targeted piece of work.
- 81.4 Dr Horne stated that he did not believe the committee were receiving information that the other committees with responsibility for functions such as the approval of the Information Governance Strategy were being effectively reviewed and agreed. Dr Horne

stated his belief that the Audit & Standards Committee should have a wider range of responsibility.

81.5 The Lawyer stated changes to the committees Terms of Reference and wider constitutional changes was a long process but could form part of the next review of committee effectiveness. The Democratic Services Officer added that the Terms of Reference for each committee could only be amended by Policy, Resources & Growth Committee and approved by Full Council. Any potential amendments would also have to be submitted to the Constitutional Working Group for consideration.

81.6 Diane Bushell stated that the committee no longer received Targeted Budget Management (TBM) reports which made it harder to review financial practices.

81.7 The Head of Internal Audit stated that it had been acknowledged that the TBM report received a large amount of scrutiny from other boards and committees and often was quite out of date at the point it was referred to this committee for information. The Audit & Standards Committee was scheduled to carry out a 'deep dive' for TBM in September 2017. The Head of Internal Audit suggested that this could be reconsidered as part of the next effectiveness review.

81.8 **RESOLVED-**

- 1) That the Committee notes that there are no proposed amendments to the council's:
 - whistleblowing policy
 - policy and guidance in relation to the Regulation of Investigatory Powers Act 2000
 - counter fraud strategy and framework
- 2) That the Committee notes that changes to the council's accounting policies for presenting financial information will be considered by the Audit & Standards Committee as part of the approval of the statement of accounts.
- 3) That the Committee notes the progress being made to assess the completeness and effectiveness of policies that inform the council's Corporate Risk Assurance Framework.

82 **STANDARDS UPDATE**

82.1 **RESOLVED-** That Members note the report.

83 **ITEMS REFERRED FOR COUNCIL**

83.1 No items were referred to Full Council for information.

The meeting concluded at 6.40pm

Signed

Chair

Dated this

day of