


Audit & Standards Committee

Title:	Audit & Standards Committee
Date:	18 September 2018
Time:	4.00pm
Venue	Council Chamber, Hove Town Hall
Members:	Committee Members: Miller (Chair), Gilbey (Group Spokesperson), Sykes (Group Spokesperson), Cobb, Greenbaum, Lewry, Morris and Robins Independent Members: Diane Bushell and Dr David Horne
Contact:	John Peel Democratic Services Officer 01273 291058 john.peel@brighton-hove.gov.uk

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AGENDA

PART ONE

Page

21 PROCEDURAL BUSINESS

- (a) **Declarations 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;
 - (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 press and public. A list and description of the exempt categories is available for public inspection at Brighton and Hove Town Halls and on-line in the Constitution at part 7.1.

22 MINUTES & ACTION LOG

7 - 22

To consider the minutes of the meeting held on 24 July 2018.

Contact Officer: John Peel

Tel: 01273 291058

23 CHAIR'S COMMUNICATIONS

AUDIT & STANDARDS COMMITTEE

24 CALL OVER

- (a) Items 27 – 30 and Item 34 will be read out at the meeting and Members invited to reserve the items for consideration.
- (b) Those items not reserved will be taken as having been received and the reports' recommendations agreed.

25 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.

26 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 12 September 2018;
- (c) **Deputations:** to receive any deputations submitted by the due date of 12 noon on the 12 September 2018.

27 STRATEGIC RISK FOCUS: SR13, SR20, SR32 AND SR33 23 - 50

Report of the Executive Lead Officer, Strategy, Governance & Law

Contact Officer: Jackie Algar

Tel: 01273 291273

Ward Affected: All Wards

28 EXTERNAL AUDIT ANNUAL AUDIT LETTER 2017/18 51 - 76

Report of Ernst & Young

Ward Affected: All Wards

29 INTERNAL AUDIT PROGRESS REPORT - QUARTER 1 77 - 92

Report of the Executive Director, Finance & Resources

Contact Officer: Mark Dallen

Tel: 01273 291314

Ward Affected: All Wards

AUDIT & STANDARDS COMMITTEE

30 STANDARDS UPATE

93 - 96

Report of the Monitoring Officer

Contact Officer: Victoria Simpson

Tel: 01273 294687

Ward Affected: All Wards

31 ITEMS REFERRED FOR COUNCIL

To consider items to be submitted to the 18 October 2018 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

32 ITEMS FOR THE NEXT MEETING

PART TWO

33 PART TWO MINUTES

97 - 98

To consider the Part Two minutes of the meeting held on 24 July 2018.

Contact Officer: John Peel

Tel: 01273 291058

34 HOUSING ELECTRICAL WORKS (EXEMPT CATEGORY 3 & 5)

99 - 108

Joint report of the Executive Lead Officer Strategy Governance & Law and Executive Director, Neighbourhood, Communities & Housing

Contact Officer: Elizabeth Culbert

Tel: 01273 291515

Ward Affected: All Wards

35 PART TWO PROCEEDINGS

To consider whether the items listed in Part Two of the agenda and decisions thereon should remain exempt from disclosure to the press and public.

AUDIT & STANDARDS COMMITTEE

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FURTHER INFORMATION

For further details and general enquiries about this meeting contact John Peel, (01273 291058, email john.peel@brighton-hove.gov.uk) or email democratic.services@brighton-hove.gov.uk

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Date of Publication - Monday, 10 September 2018

BRIGHTON & HOVE CITY COUNCIL

AUDIT & STANDARDS COMMITTEE

4.00pm 24 JULY 2018

COUNCIL CHAMBER, HOVE TOWN HALL

MINUTES

Present: Councillors Miller (Chair) Gilbey (Group Spokesperson), Sykes (Group Spokesperson), Cobb, Janio and Robins

Independent Members present: Diane Bushell

PART ONE

1 PROCEDURAL BUSINESS

1a Declarations of substitutes

1.1 Councillor Janio was present as substitute for Councillor Lewry.

1b Declarations of interests

1.2 There were none.

1c Exclusion of the press and public

1.3 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.

1.4 **RESOLVED** - That the press and public are excluded from the meeting during consideration of items listed on Part 2 of the agenda.

2 MINUTES

2.1 **RESOLVED** – That the minutes of the previous meeting be approved and signed as the correct record.

3 CALL OVER

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

- Item 6: Strategic Risk Focus: SR2, SR25, SR10 and SR18
- Item 8: Audited Statement of Accounts 2017/18
- Item 9: External Audit- 2017/18 Audit Results Report
- Item 10: Annual Internal Audit Report 2017/18
- Item 13: Cash Collection- Company Administration Update
- Item 14: Housing Electrical Works
- Item 15: Local Government and Social Care Ombudsmen Report
- Item 17: HR Annual Report
- Item 21: Housing Electrical Works- Exempt Category 3 & 5

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

- Item 11: Independent External Assessment of Internal Audit
- Item 12: Annual Governance Statement 2017-18
- Item 16: Standards Update

4 PUBLIC INVOLVEMENT

(B) WRITTEN QUESTIONS

(i) Member Complaints

4.1 Greg Hadfield put the following question:

"I have been concerned by recent reports of an apparent increase in disrespectful behaviour that a minority of councillors have allegedly shown towards ordinary citizens. Could you tell me how many formal complaints under the Code of Conduct have been received by the Monitoring Officer since the beginning of 2017?"

4.2 The Chair provided the following reply:

"Thank you for your question. I can confirm that a total of 17 formal complaints of behaviour contrary to the Code of Conduct for Members have been received by the Council's Monitoring Officer since 1st January 2017. This figure comprises all complaints formally made against councillors during this period, including but not only allegations of disrespectful behaviour. The outcome of those complaints – none of which have been referred to a formal hearing and the majority of which have at time of writing been resolved – are reported to this Committee via the Monitoring Officer's quarterly report on Standards, this as a means of ensuring that the Council's Audit and Standards Committee discharges its responsibilities for ensuring that high standards of councillor conduct are maintained.

While your concerns are noted, I am able to confirm that this Council takes very seriously allegations of misconduct by its members and acts promptly to assess and - where relevant - investigate those complaints which indicate that a breach may have occurred. There is a balancing act to be achieved between ensuring fairness to complainants and to those councillors who are the subject of a complaint. The Council's procedures aim to make sure that only those complaints which are both capable of

amounting to a breach of the Code of Conduct and which are in the public interest to progress are investigated. The Council's arrangements provide for a key role for the Council's two Independent Persons in ensuring the fairness and objectivity of the process. The outcome is a set of arrangements which are regularly reviewed to ensure that they remain fit for purpose and which equip the Council's Monitoring Officer to take prompt and fair steps when issues are raised".

4.3 Greg Hadfield put the following supplementary question:

"Given the hurtful allegations directed towards myself by several councillors, might the council consider more training about how to avoid appearing to disrespect ordinary citizens, either online or in person?"

4.4 The Chair provided the following reply:

"I'm afraid that I cannot comment on individual complaints however, two refresher training sessions for all members were offered in July 2017 and a further session in October 2017, while the most recent Standards Panel training events took place in January 2018. The Code of Conduct and the procedures which sit behind it were last updated at end of 2016, and the Social Media Protocol for Members was last updated in July 2017.

The requirement to review the Code of Conduct and associated procedures/ guidance remains an ongoing one. We are currently awaiting the outcome of the CSPL Review on Local Government Standards. That will be reported back to this Committee via the regular Standards Update report, which will review whatever that review generates against our current arrangements. I can also assure you that the Council takes such matters very seriously and Members do receive ongoing training and the issues you have raised will be considered".

5 MEMBER INVOLVEMENT

(D) NOTICES OF MOTION

(i) Women in Government and Politics

5.1 The Committee considered a Notice of Motion referred from the Full Council meeting of 24 July 2018 requesting the committee consider adding sexual harassment and Sex Discrimination policies to the Code of Conduct.

5.2 The Chair provided the following response:

"I understand from officers that work is already underway to consider the request made in the Notice of Motion and that a report with a proposed update to the Code of Conduct will be received to a future meeting of this committee".

5.3 The Executive Lead Officer, Strategy, Governance & Law stated that the Notice of Motion covered a wide-range of issues therefore, it was intended to submit one composite report to the Policy, Resources & Growth Committee with the actions relating to the Code of Conduct submitted to the Audit & Standards Committee subsequent to that.

5.4 **RESOLVED-** That the Committee receive a report.

6 STRATEGIC RISK FOCUS: SR2, SR25, SR10 AND SR18

6.1 The Committee considered a report of the Executive Lead Officer, Strategy, Governance & Law that provided detail on the actions taken and future actions to manage each strategic risk.

6.2 In relation to SR10, Councillor Sykes asked if regular cyber security training was provided.

6.3 The Head of Strategy & Engagement there had been a high level of focus on technical change and behavioural change to this point and the next phase would be training and that would be modelled based on need.

6.4 In relation to SR18, Councillor Sykes noted that Chromebooks were a very easy device to use and asked if a roll-out to some council employees had been considered.

6.5 The Head of Strategy & Engagement clarified that periodical reviews of IT equipment were undertaken and the advantages of using Windows operating system was the provision of direct support and maintenance and that all members of the Orbis partnership all used that operating system allowing for greater efficiency.

6.6 The Chair noted that Information Management/Information Governance risk action had only reached 60% completion and the end date had passed.

6.7 The Head of Strategy & Engagement clarified that there had been some slippage against this action due to changes of personnel but there had been a change in approach to the training provided from a single module to several that should assist completion.

6.8 In relation to SR2, Councillor Sykes noted that the overall risk rating had risen since the previous report with the majority of uncertainty relating to changes and direction at national level.

6.9 The Deputy Chief Finance Officer replied that even though a four year funding deal had been agreed, there were still a number of uncertainties for example the outcome of the Fair Funding Review and Business Rates scheme pilot.

6.10 In relation to SR25, the Chair asked for an update on the progress of the Better Brighton & Hove Think Tank.

6.11 The Executive Lead, Strategy, Governance & Law clarified that the relevant documents had been drawn up and submitted to the Charity Commission. A work programme had been established by the independent trustees and a progress report would be submitted to a future meeting of the Policy, Resources & Growth Committee.

6.12 **RESOVLED-**

- 1) That the Audit & Standards Committee notes Appendix 1 for details of SR2; SR25; SR10; and SR18.
- 2) That, having considered Appendix 1 and any clarification and/or comments from the officers, the Committee makes any recommendations it considers appropriate to the relevant council body.
- 3) That the Committee note (as detailed in paragraph 3.3) the changes to the council's SRR.

7 AUDITED STATEMENT OF ACCOUNTS 2017/18

- 7.1 The Committee considered a report of the Executive Director, Finance & Resources that provided information about the audit of the council's 2017/18 Statement of Accounts and recommended approval of the 2017/18 audited accounts and the Letter of Representation on behalf of the council.
- 7.2 Councillor Cobb asked why there was not a better balance between General Fund and Housing Revenue Account (HRA) reserves.
- 7.3 The Deputy Chief Finance Officer explained that this reflected the scale of business between the two, the specific commitments on the General Fund such as PFI repayments and the narrowly defined use of HRA reserves.
- 7.4 Referring to the Statement of Accounts, Councillor Cobb stated that grants received from government were high, asked how much interest was being paid on the bank overdraft and asked why Homes for the City of Brighton & Hove did not meet IFRS10 Consolidated Financial Statements definition.
- 7.5 The Executive Director, Finance & Resources explained that in factual terms, government grant funding between 2011 and 2020 would reduce by around £100m. In relation to the question raised on Homes for the City of Brighton & Hove, the Deputy Chief Finance Officer explained that only set-up costs had been made so far however, in future years there would be large transactions and therefore it would meet the definition. In relation to the query raised on the council's bank overdraft, the Deputy Chief Finance Officer clarified that there were no overdraft charges in the terms of the contract with Lloyds Bank.
- 7.6 Councillor Cobb noted that Sussex Inshore Fisheries & Conservation Authority (SIFCA) was listed as a Levying Authority and enquired whether Councillor Sykes should have declared the basic allowance he received from SIFCA at this meeting. Furthermore, Councillor Cobb observed that the £389,000 paid in Exit Packages in 2017/18 was in her view, a waste of public money.
- 7.7 Councillor Sykes commented that a basic allowance was provided by the SIFCA however, whether that was claimed was a different matter.
- 7.8 Referring to page 39 of the Accounts, Diane Bushell noted that asset charges were higher than in previous years and asked for clarification on the reasons behind that. Furthermore, Diane asked if the council's Rare Books were regularly revalued, noted

that a high number (21%) of outstanding debtors at the Balance Sheet date were past their due date and that a claim by NHS foundation trust of 80% charity relief on hereditaments could have a significant impact upon the council. In addition, Diane highlighted that the mortality assumptions made in the Accounts were longer than other authorities.

- 7.9 In response to the questions and observations made, the Deputy Chief Finance Officer confirmed that Rare Books were revalued intermittently, that there would be significant impact if the charity relief claim on hereditaments was successful and the LGA were campaigning on the matter on behalf of local authorities. The Deputy Chief Finance Officer added that mortality assumptions were evidence based and whilst they did change, that kept within certain limits. In relation to the questions raised on asset charges and debtors, the Deputy Chief Finance Officer explained that he did not have the answer to hand and would circulate an update subsequent to the meeting.
- 7.10 The Chair noted that the Surplus on Provision of Services was £5.1m yet the Ernst & Young Audit Report recorded the figure at £1.3m and asked for the reasons behind the discrepancy.
- 7.11 The Deputy Chief Finance Officer explained that the discrepancy related to a difference in accounting processes, specifically the Targeted Budget Management standard the council applied.
- 7.12 **RESOVLED-** That the Audit & Standards Committee:
- 1) Notes the findings of the auditor (EY) in their Audit Results Report (ARR). The ARR is a separate item on this agenda.
 - 2) Notes the results of the public inspection of the accounts (Section 5).
 - 3) Approves the Letter of Representation on behalf of the council (Appendix 1).
 - 4) Approves the audited Statement of Accounts for 2017/18.

8 EXTERNAL AUDIT- 2017/18 AUDIT RESULTS REPORT

- 8.1 The Committee considered a report of Ernst & Young that summarised the findings of the 2017/18 audit and included key messages arising from the audit of the financial statements and the results of work undertaken to assess the council's arrangements to secure value for money on its use of resources. Representatives from Ernst & Young stated that they were in a position to give an unqualified opinion of the council's financial statements subject to full completion of outstanding areas of work. A unqualified opinion would be issued for the council's value for money arrangements as Ernst & Young were satisfied that the council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2018.
- 8.2 Councillor Sykes stated that there appeared a change in emphasis in EY's conclusion on VFM arrangements and financial sustainability. In addition, Councillor Sykes noted that several different useable reserves figures had been used with each differing from the council's own figures.

- 8.3 Paul King clarified that the conclusion was purely based upon an assessment of the arrangements the council had in place and there were a number of unknown factors that could still impact upon the council's position. In relation to the figures used for useable reserves, they would most likely vary depending on the items included to reach that figure and any earmarked capital expenditure.
- 8.4 In relation to page 87 of the agenda, Councillor Cobb contended that the council was not achieving value for money as council tax levels were higher than other authorities and innovative thinking was required to deliver services more efficiently.
- 8.5 The Chair noted that investigation of the complaint made in relation to Lender Option Borrower Option (LOBO) loans had cost £26,000.
- 8.6 Paul King clarified that the investigation was very complex and it had been necessary to obtain legal advice on the matter and there was an obligation to follow due process in relation to the complaint.
- 8.7 The Chair noted that further work was required in relation to assurances from the auditor of the East Sussex Pension Fund and asked whether this meant the Statement of Accounts or Audit Results report or both could not be approved and signed at this stage.
- 8.8 Paul King clarified that the Audit Results report provided audit assurance and audit perspective and therefore the Statement of Accounts could be approved and signed.
- 8.9 **RESOLVED-** That the Committee note the findings set out in the 2017/18 Audit Results Report

9 ANNUAL INTERNAL AUDIT REPORT 2017/18

- 9.1 The Committee considered a report of the Executive Director, Finance & Resources that provided the Head of Internal Audit's opinion on the council's control environment and governance arrangements, a summary of the results of audit work for the year and an assessment of the effectiveness of internal audit against the UK Public Sector Internal Audit Standards.
- 9.2 Councillor Sykes noted that 45% of audits had been given partial assurance and green RAG scores had slipped. Councillor Sykes asked how comfortable the Audit Manager was with the opinion provided and what assurance could be provided that Directorates would address and improve performance.
- 9.3 The Audit Manager replied that partial assurance did still mean that adequate risk controls were in place and equal weighting could not be attributed to each audit given partial assurance. The Audit Manager stated that the number of high priority audit actions was of concern however, he did believe that the appropriate mechanisms were in place and that opinion was extended by the knowledge gained from his own work and his trust in the Risk Management Framework.
- 9.4 Councillor Sykes asked if any problems had been posed by the diminishing resource across the council and whether the right amount of resource was in place in Internal

Audit, why the report had not provided the number of audit hours as had been the case in previous versions of the reports and whether there was a compliance audit of HROD in the areas of peer reviews and people management.

9.5 The Audit Manager explained that audits of HROD were undertaken in areas such as sickness management, recruitment processes and agency staff but these were not carried out on an annual basis. The Orbis Chief Internal Auditor explained that the Internal Audit Strategy Plan received to a previous committee meeting had published the proposed number of audit days and Internal Audit performance was monitored on a quarterly basis.

9.6 Councillor Janio asked if there would be audits undertaken on the Shelter Hall and Valley Gardens projects.

9.7 The Audit Manager answered that there would be a follow up report into the Shelter Hall projects that would set out any considerations of actions to be taken as well as an audit of the Valley Gardens project.

9.8 **RESOLVED-**

- 1) That the Committee note that reasonable assurance has been given on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control for the year ended 31 March 2018.
- 2) That the Committee note the assurances and improvement actions detailed on audits finalised since the last progress report to this Committee in March 2018.

10 INDEPENDENT EXTERNAL ASSESSMENT OF INTERNAL AUDIT

10.1 **RESOLVED-** That Members note the report and in particular the external assessor's conclusion that Orbis Internal Audit has achieved the highest level of conformance with relevant professional standards.

11 ANNUAL GOVERNANCE STATEMENT 2017-18

11.1 **RESOLVED-**

- 1) That Committee note the outcome of the annual review of the effectiveness of the Council's system of internal control reported here and formally approve the Annual Governance Statement in draft form at Appendix 1.
- 2) That the Committee note the Leader of the City Council and the Chief Executive will be asked to confirm their agreement to the Annual Governance Statement by signing a hard copy of Appendix 1 which will be stored securely.
- 3) That the Committee note that the Annual Governance Statement once signed by the Leader of the City Council and Chief Executive will be published on the Council's website alongside the council's Annual Accounts.

12 CASH COLLECTION - COMPANY ADMINISTRATION UPDATE

- 12.1 The Committee considered a report of the Executive Director, Finance & Resources that provided a further update following publication of the Joint Administrators' latest progress report regarding the administration of CoinCo International Ltd (CCI), the council's former security carrier provider.
- 12.2 Councillor Cobb asked if it would be possible to take legal action against the auditors of CCI.
- 12.3 The Executive Director, Finance & Resources answered that whilst there were high profile cases of auditors being sued for negligence, there was a very high threshold due to certain protections and indemnities.
- 12.4 Councillor Janio stated that action against CCI should be pursued with vigour to act as a deterrent.
- 12.5 The Chair noted that significant transactions in the context of the company activities had been made by CCI in 2012, 2013 and 2014 and therefore, it should be clear to establish which account that was deposited to.
- 12.6 The Deputy Chief Finance Officer confirmed that was a key point of the investigation by the administrators and such transactions were made by CCI to appear solvent.
- 12.7 The Chair moved a motion to add a recommendation 2.2 as shown in bold italics below:
- 2.2 That the Committee support bringing a claim by the council against the Directors of CCI for wrongful trading, and/or their auditors once due consideration of the legal and financial risks have been considered by officers.***
- 12.8 Councillor Sykes formally seconded the motion.
- 12.9 The Executive Lead Officer, Strategy, Governance & Law clarified that the motion was procedurally correct however; Members should be minded that as an unsecured creditor, it may not be possible for the council to recover its full claim. The Executive Lead Officer, Strategy, Governance & Law supplemented that it would be the position of officers to use resource in the most appropriate and diligent manner and with a view on the likelihood of successful challenge.
- 12.10 Councillor Robins expressed his disappointment that the motion had been tabled adding that procedural rules dictated that motion should be received by 10am on the morning of the meeting. Councillor Robins supplemented that there was little time to consider the motion when there had been insufficient notice and seemingly, the Chair had used his powers of discretion to accept his own motion.
- 12.11 Councillor Janio noted that a similar incident had occurred at a recent meeting of the Policy, Resources & Growth Committee.
- 12.12 The Chair apologised for the lateness of the motion that was due to personal circumstances hindering a drafting of the motion. The Chair added that the motion was

not a controversial one in his view and set out more succinctly the actions officers had intended.

12.13 The Chair then put the motion to the vote that passed.

12.14 The Chair then put the recommendations as amended to the vote that passed.

12.15 **RESOLVED-**

- 1) That the Committee note the report.
- 2) That the Committee support bringing a claim by the council against the Directors of CCI for wrongful trading, and/or their auditors once due consideration of the legal and financial risks have been considered by officers.

13 HOUSING ELECTRICAL WORKS

13.1 The Committee considered a report of the Executive Director, Neighbourhoods, Communities & Housing that set out the outcomes of the work undertaken to review and resolve discrepancies between work carried out and the charges for electrical work under the Term Partnering Agreement between the Council and Mears Ltd dated 30 March 2010. The report also set out the implications of the findings of the review following on from the updates provided to the committee in January and March 2018.

The Committee moved into confidential session at 6.10pm and returned to public session at 6.35pm.

13.20 The Chair moved a motion to replace recommendation 2.1 with a new recommendation 2.1 as shown in bold italics below:

2.1 That the Committee defer the report to the next meeting to receive full internal legal advice.

13.21 Councillor Janio formally seconded the motion.

13.22 The Chair put the motion to the vote which passed.

13.23 **RESOLVED-** That the Committee defer the report to the next meeting to receive full internal legal advice.

14 LOCAL GOVERNMENT AND SOCIAL CARE OMBUDSMAN REPORT

14.1 The Committee considered a report of the Executive Lead Officer, Strategy, Governance & Law that provided the committee with a public report issued by the Local Government & Social Care Ombudsmen (LGSCO) that set out an upheld complaint and the finding of fault on the part of the Council causing injustice. The report also set out the service improvements identified as a result of the report.

14.2 Diane Bushell asked how many cases were typically upheld by the LGSCO and what was unique about this case to result in the publishing of the outcome.

- 14.3 The Customer Experience Lead answered that 24 cases (57% of cases investigated) had been upheld in 2017 and a similar number in 2016. The reasons for publishing the finding were likely to relate to the national debate on housing need and the causing of significant injustice.
- 14.4 Diane Bushell asked how lessons would be learned from the complaint.
- 14.5 The Customer Experience Lead stated that there were a series of mandatory recommendations from the LGSCO that were required to be carried out to a set timescale. Progress on those recommendations would be monitored until they were complete.
- 14.6 The Chair asked what date suitable temporary accommodation became available.
- 14.7 The Housing Options Manager clarified that there was no suitable premises available for the family during the time period concerned.
- 14.8 The Chair asked what other options had been considered in the context of a shortage of temporary accommodation in the city.
- 14.9 The Housing Options Manager replied that the council could make spot purchases on premises such as hotels subject to certain conditions and availability. The Housing Options Manager added that going forward, there would be better working between the Housing, Adult Social Care and Children's Services to prevent cases such as this.
- 14.10 Councillor Cobb stated that much of the council's housing stock was in poor condition and she hoped the council would work harder to ensure properties were more suitable.
- 14.11 **RESOLVED-**
- 1) That the Committee consider the Ombudsman's Report as provided in Appendix 1 and note that the recommendations arising from it which are listed below have been carried out:
 - a. apologise to Miss X;
 - b. pay £750 to recognise the injustice caused by its decision to leave her and her son Z in unsuitable temporary accommodation between July and September 2016;
 - c. pay £100 for the six months it took to reimburse storage charges;
 - d. pay £150 to recognise the time and trouble caused by its delay and poor handling of her complaint;
 - 2) That the Committee approve the following steps:
 - A formal written response be sent to the Ombudsman explaining the steps taken to comply with the recommendations in his Report.

- That the Council will place two public notice announcements in local newspaper or newspaper websites within two weeks of receiving the report.
- That the Council will make copies of the report available free of charge at Hove Town Hall for a period of three weeks.
- That this report be put before the Council's Housing and New Homes Committee, for noting.

15 STANDARDS UPDATE

- 15.1 **RESOLVED-** That the Committee note the information provided in the Report on member complaints and on standards-related matters.

16 HR ANNUAL REPORT

- 16.1 The Committee considered a report of the Executive Director, Finance & Resources that set out the annual report of the Human Resources & Organisational Development (HROD) service highlighting activity, assurance and business plan priorities.
- 16.2 Councillor Sykes noted there had been a significant rise in challenging and violent behaviour toward employees.
- 16.3 The Head of Health & Safety clarified that incidents of violence and aggression had declined compared to 2017 however; there had been a significant rise on 2018 in challenging behaviour that predominately related to social care settings.
- 16.4 Diane Bushell noted that sickness rates for some Directorate's were significantly lower than others. Furthermore, Diane asked if any data was available on the productivity of the workforce in relation to the percentage part-time and full-time employment split.
- 16.5 The Head of Human Resources clarified that there were lessons to be learned on sickness rates and these could include cross-directorate 'buddy ups' or best practice sharing. The Head of Human Resources added that there was no data on the direct impacts of workforce split however, there was no evidence of adverse impact from the weighting of one over the other.
- 16.6 Councillor Gilbey commented that there appeared to be very few specialised Health & Safety training courses.
- 16.7 The Head of Human Resources replied that bespoke training was provided such as working at height or manual handling and delivery was a mix of online, in person and/or site specific.
- 16.8 The Chair asked if there was any planned or current work relating to mental health of the workforce.
- 16.9 The Head of Health & Safety answered that there was currently significant work being undertaken in the area specifically through HR Advisor training.

16.10 **RESOLVED-**

- 1) That Committee notes the HROD and Health & Safety Annual reports that set out the activities, assurance and business plan priorities for the HROD service.

17 ITEMS REFERRED FOR COUNCIL

- 17.1 No items were referred to Full Council for information.

18 ITEMS FOR THE NEXT MEETING

- 18.1 There were none.

19 PART TWO MINUTES

- 19.1 **RESOLVED** – That the Part Two minutes of the previous meeting be approved and signed as the correct record.

20 PART TWO PROCEEDINGS

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

The meeting concluded at 7.15pm

Action Log: A&S Meeting 24 July 2018

Agenda Item		Owner	Actions	Status
7	Strategic Risk Focus: SR25	Abraham Ghebre-Ghiorghis	It was agreed circulate the documents relating to the Better Brighton & Hove Think Tank	Complete
8	Statement of Accounts	Nigel Manvell	<p>The Chair requested subsequent to the meeting for clarification on when the council's rare books were last valued</p> <p>It was agreed to provide clarification on the rise in non-current asset charge between 2016/17 and 2017/18</p> <p>It was agreed to provide clarification on the high number (21%) of outstanding debtors at the Balance Sheet date past their due date for payment</p> <p>It was agreed to provide an update on Contingent Liabilities and Contingent Assets relating to the claim of 80% charity relief on hereditaments occupied by NHS foundations trusts backdated to April 2010</p>	Complete

Subject:	Strategic Risk Focus: SR13: Not keeping vulnerable adults safe from harm and abuse; SR20: Inability to integrate health and social care services at a local level and deliver timely and appropriate interventions; SR32: Sub-standard health & safety measures lead to personal injury, prosecution, financial losses and reputational damage; SR33: Not providing adequate housing and support for people with significant and complex needs.
Date of Meeting:	18 September 2018
Report of:	Executive Lead Officer, Strategy, Governance & Law
Contact Officer: Name:	Jackie Algar Tel: 01273 291273
Email:	Jackie.algar@brighton-hove.gov.uk
Ward(s) affected:	All

FOR GENERAL RELEASE**1. PURPOSE OF REPORT AND POLICY CONTEXT**

- 1.1 The Audit & Standards Committee has a role to monitor and form an opinion on the effectiveness of risk management and internal control. As part of discharging this role the Committee focuses on at least two Strategic Risks at each of their meetings.
- 1.2 This report also provides the Committee with details of the changes to the city council's Strategic Risk Register (SRR) last reviewed by the Executive Leadership Team (ELT) on 25 July 2018 following the change to the Risk Management Process agreed at ELT in June 2018.
- 1.3 The Strategic Risk Focus is based on detail provided in Appendix 1 of this report which records the actions taken (existing controls) and future actions to manage these strategic risks.
- 1.4 The officers available to answer Members' questions on SR13 and SR20 will be Rob Persey, Executive Director, Health & Adult Social Care; and David Kuenssberg, Executive Director, Finance & Resources.

2. RECOMMENDATIONS:

That the Audit & Standards Committee:

- 2.1 Note (as detailed in paragraph 3.3) the changes to the risk management process as agreed at ELT's away day in June 2018.
- 2.2 Note (as detailed in paragraph 3.4) the changes to the council's SRR.
- 2.3 Note Appendix 1 for details of SR13; SR20; SR32; and SR33.
- 2.4 Note Appendix 2 'Suggested questions for Members to ask Risk Owners and officers on Strategic Risks'. This provides three generic questions with the intention to support Members to ask the right questions in accordance with their role as a Member of the Audit & Standards Committee.
- 2.5 That, having considered Appendix 1 and any clarification and/or comments from the officers, the Committee makes any recommendations it considers appropriate to the relevant council body.









3. CONTEXT/ BACKGROUND INFORMATION













- 3.1 The SRR details the current prioritised risks which may affect the achievement of the council's Corporate Plan purpose, including in relation to its work with other organisations across the city. It is reviewed and agreed by ELT quarterly, and influences service activity within Directorates and Directorates' individual Directorate Risk Registers.
- 3.2 Across the council there are a number of risk registers which prioritise risks consistently by assigning risk scores 1-5 to the likelihood of the risk occurring, and the potential impact (denoted by 'I') if it should occur. These L and I scores are multiplied; the higher the result of L x I, the greater the risk e.g.L4xI4 which denotes a Likelihood score of 4 (Likely) x Impact score of 4 (Major). A colour coded system, similar to the traffic light system, is used to distinguish risks that require intervention. Red risks are the highest, followed by Amber risks and then Yellow, and then Green. The Strategic Risk Register records Red and Amber risks. Each strategic risk has a unique identifying number and is prefixed by 'SR' representing that it is a strategic risk.
- 3.3 At ELT's away day on 13th June 2018 it was agreed to alter the risk management process to accord with that practiced by our Orbis partners. This has been applied and is understood by all DMTs and by all eighty Tier 4 managers who have attended mandatory risk management training as required by ELT. The main changes to the risk management process are:
 - a) Initial Risk Score now reflects the Existing Controls under the 'Three Lines of Defence' methodology as before. Therefore the Initial Risk Score represents the 'as is'/ 'now' position for the risk taking account of existing controls;
 - b) The Revised Risk Score focuses on the application of time and expenditure to future reduce the likelihood or impact of each risk and is based on the assumption that any future Risk Actions, as detailed in Appendix 1, will have been delivered to timescale and will have the desired impact;









c) Where initial and revised scores are the same – the Risk Owners were asked to consider the 4Ts of Risk Treatments (Treat/Tolerate/Terminate/Transfer) and change the scoring or remove all future risk actions/move them to existing control. This is on the understanding that the risk action should either reduce the likelihood and/or reduce the impact – if none of this is true, there will not be any reason to undertake the action.





3.4 There were no changes to the titles of risks contained within the city council's SRR as a result of the ELT review on 25 July 2018, there remain the same 16 Strategic Risks.

Table 1 below sets out the strategic risks in order of highest Revised Risk Score:

Risk Nos.	Risk Title	Initial Risk Score Likelihood (L) x Impact (I)	Revised Risk Score Likelihood (L) x Impact (I)	Committee Chair	Lead Member	Risk Owner
SR 2	Council is not financially sustainable	5 x 4  RED	4 x 4  RED	Cllr. Yates	Cllr. Hamilton	Executive Director, Finance & Resources
SR 33	Not providing adequate housing and support for people with significant and complex needs	4 x 4  RED	3 x 4  AMBER	Cllr. Barford Cllr. Meadows	Cllr. Moonan Cllr. Penn	Executive Director Health & Adult Social Care
SR 18	Service outcomes are sub-optimal due to the lack of appropriate tools for officers to perform their roles	4 x 4  RED	3 x 4  AMBER	Cllr. Yates	Cllr. Hamilton	Executive Director, Finance & Resources
SR 10	Corporate Information Assets are inadequately controlled and vulnerable to cyber attack	4 x 4  RED	4 x 3  AMBER	Cllr. Barford Cllr. Yates	Cllr. Barford Cllr. Hamilton	Executive Director, Finance & Resources

Risk Nos.	Risk Title	Initial Risk Score Likelihood (L) x Impact (I)	Revised Risk Score Likelihood (L) x Impact (I)	Committee Chair	Lead Member	Risk Owner
SR 32	Sub-standard health & safety measures lead to personal injury of staff or residents, financial losses and reputational damage	2 x 5  AMBER	2 x 5  AMBER	Cllr. Yates	Cllr. Hamilton	Executive Director, Finance & Resources
SR 13	Not keeping Vulnerable Adults Safe from harm and abuse	3 x 4  AMBER	3 x 3  AMBER	Cllr. Barford	Cllr. Moonan	Executive Director, Health & Adult Social Care
SR 15	Not keeping Children Safe from harm and abuse	3 x 4  AMBER	3 x 3  AMBER	Cllr. Chapman	Cllr. Chapman	Executive Director, Families, Children & Learning
SR 20	Inability to integrate health and social care services at a local level and deliver timely and appropriate interventions	3 x 4  AMBER	3 x 3  AMBER	Cllr. Barford	Cllr. Moonan Cllr. Penn	Executive Director Health & Adult Social Care
SR 21	Unable to manage housing pressures and deliver new housing supply	3 x 4  AMBER	3 x 3  AMBER	Cllr. Meadows	Cllr. Hill	Executive Director, Neighbourhoods, Communities & Housing
SR 25	The lack of organisational capacity leads to sub-optimal service outcomes, financial losses, and reputational damage	3 x 4  AMBER	3 x 3  AMBER	Cllr. Yates	Cllr. Hamilton	Executive Director, Finance & Resources

Risk Nos.	Risk Title	Initial Risk Score Likelihood (L) x Impact (I)	Revised Risk Score Likelihood (L) x Impact (I)	Committee Chair	Lead Member	Risk Owner
SR 31	Greater liability on the council's budget due to budgetary pressures on schools	3 x 4  AMBER	3 x 3  AMBER	Cllr. Chapman	Cllr. Chapman	Executive Director Families, Children & Learning
SR 24	The impact of Welfare Reform increases need and demand for services	4 x 3  AMBER	3 x 3  AMBER	Cllr. Yates	Cllr. Hamilton	Executive Director, Finance & Resources
SR 30	Not fulfilling the expectations of residents, businesses, government and the wider community that Brighton & Hove City Council will lead the city well and be stronger in an uncertain environment	3 x 4  AMBER	3 x 3  AMBER	Cllr. Yates	Cllr. Yates	Chief Executive
SR 23	Unable to develop an effective Investment Strategy for the Seafront	3 x 4  AMBER	3 x 3  AMBER	Cllr. Robins	Cllr. Robins	Executive Director, Economy, Environment & Culture

Risk Nos.	Risk Title	Initial Risk Score Likelihood (L) x Impact (I)	Revised Risk Score Likelihood (L) x Impact (I)	Committee Chair	Lead Member	Risk Owner
SR 26	Not strengthening the council's relationship with citizens	3 x 4  AMBER	3 x 3  AMBER	Cllr. Daniel	Cllr. Marsh Cllr. Platts	Executive Director, Neighbourhoods, Communities & Housing
SR 29	Ineffective contract management leads to sub-optimal service outcomes, financial losses, and reputational damage	3 x 4  AMBER	3 x 3  AMBER	Cllr. Yates	Cllr. Hamilton	Executive Director, Finance & Resources

4. FINANCIAL & OTHER IMPLICATIONS:

Financial Implications:

- 4.1 For each Strategic Risk there is detail of the actions already in place ('Existing Controls') or work to be done as part of business or project plans ('Risk Actions') to address the 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 and the development of the Medium Term Financial Strategy.

Finance Officer Consulted: James Hengeveld

Date: 07/08/2018

Legal Implications:

- 4.2 Members of this Committee are entitled to any information, data and other evidence which enables them to reach an informed view regarding to whether the council's Strategic Risks are being adequately managed. The Committee may make recommendations based on its conclusions.
- 4.3 The individual Strategic Risks which are focused on in this Report may potentially have legal implications. Where those implications are of a direct nature, they are noted in the Report or in the appendices to it.

Lawyer Consulted: Victoria Simpson

Date: 01/08/2018

SUPPORTING DOCUMENTATION

Appendices:

1. Appendix 1 Strategic Risk Focus report - SR13, SR20, SR32 and SR33.
2. Appendix 2 'Suggested questions for Members to ask Risk Owners and officers on Strategic Risks'.

Documents in Members' Rooms

1. None.

Brighton & Hove City Council

Appendix 1:

Strategic Risk Focus Report: SR13, SR20, SR32 and SR33

All

Print Date: 04-Sep-2018

Initial Rating

Revised Rating

LIKELIHOOD	IMPACT				
	Insignificant (1)	Minor (2)	Moderate (3)	Major (4)	Catastrophic (5)
Almost Certain (5)	0	0	0	0	0
Likely (4)	0	0	0	1	0
Possible (3)	0	0	0	2	0
Unlikely (2)	0	0	0	0	1
Almost Impossible (1)	0	0	0	0	0

LIKELIHOOD	IMPACT				
	Insignificant (1)	Minor (2)	Moderate (3)	Major (4)	Catastrophic (5)
Almost Certain (5)	0	0	0	0	0
Likely (4)	0	0	0	0	0
Possible (3)	0	0	2	1	0
Unlikely (2)	0	0	0	0	1
Almost Impossible (1)	0	0	0	0	0

32

1 - 3
Low
Monitor periodically

4 - 7
Moderate
Monitor if the risk levels increase

8 - 14
Significant
Review and ensure effective controls

15 - 25
High
Immediate action required & need to escalate to the management level above

Risk Code	Risk	Responsible Officer	Risk Category	Last Reviewed	Issue Type	Risk Treatment	Initial Rating	Revised Rating	Future Rating	Eff. of Control
SR13	Not keeping vulnerable adults safe from harm and abuse	Executive Director Health and Adult Social Care Assistant Director Adult Social Care Head of Adult Safeguarding	BHCC Strategic Risk, Legislative	25/07/18	Threat	Treat	Amber L3 x I4	Amber L3 x I3		Revised: Uncertain

Causes

Link to Corporate Plan: Our Purpose – A Good Life; Ensuring a City for all ages, inclusive of everyone and protecting the most vulnerable. Keeping vulnerable adults safe from harm and abuse is a responsibility of the council. Brighton & Hove City Council has a statutory duty to co-ordinate safeguarding work across the city and the Safeguarding Adults Board. This work links partnerships across the Police and Health and Social Care providers. Under the Care Act, since 2015, the Local Authority has a statutory duty to enquire, or cause others to enquire, if it believes a person with care and support needs is experiencing or is at risk of harm and abuse and cannot protect themselves. In 2017/18 971 safeguarding enquiries were completed by the adult assessment service.

The Care and Support Statutory Guidance makes requirements regarding ‘Making Safeguarding Personal’ setting expectations for safeguarding work to be ‘person led and outcomes focussed.’

Due to a national legal judgement in early 2014 on Deprivation of Liberty Safeguards (DoLS) the council has seen a significant increase in requests for Standard Authorisations for deprivations of liberty; numbers have increased significantly testing the council's capacity to deliver.

Potential Consequence(s)

- * Failure to keep vulnerable adults safe from harm or abuse will pose risk to vulnerable citizens
- * Failure to meet statutory duties could result in legal challenge
- * Failure to respond to a more personalised approach could result in challenge
- * Inadequate budget provision could result failure to meet statutory requirements

Existing Controls

First Line of Defence: Management Controls

1. Local Safeguarding Adults Board (LSAB) work plan established, with independent leadership, with aligned LSAB sub group work plans
2. Multi agency safeguarding adult procedures in place, for preventing, identifying, reporting and investigating allegations of harm and abuse, in line with

Care Act requirements and endorsed by all 3 Sussex Safeguarding Adults Boards. Continuous professional development plan in place for social work qualified staff, including a training programme and Practice Development Groups, for Care Act and Mental Capacity Act requirements. Impact of assessment staff training monitored through Audit Moderation panel.

3. 'What to do if you or someone you know are being abused or neglected' leaflet produced by LSAB, available on LSAB members websites and hard copies distributed. Adults Safeguarding information on all LSAB member websites, including how to raise a concern and relevant contact details. The BHCC website has a Safeguarding Adult section, with information for the public regarding recognising abuse, how to report.
4. E-learning on Safeguarding Adults basic awareness is available for all BHCC staff, and Independent and Voluntary sector organisations.
5. Core training in safeguarding and mental capacity available via BHCC Workforce Development Team for all provider services (Independent and Voluntary Sector) who provide an adult social care function.
6. For Adult Social Care (ASC) staff who have contact with vulnerable people, Safeguarding Awareness Training is Mandatory.
7. BHCC Quality Monitoring Team oversee process in place to monitor quality of adult social care providers, in partnership with Clinical Commissioning Group (CCG), and Care Quality Commission (CQC).
8. Violence Against Women and Girls training programme available for LSAB member organisations, and ASC Assessment Service staff enabled to attend.
9. Dedicated Principal Social Work post for adult services, ensuring well trained, motivated social work service, meeting continuous professional development requirements in line with Social Work Professional Capabilities Framework, including expectations for professional supervision.
10. Senior Social Work/Operational Management authorisation of all Mental Capacity assessments undertaken in ASC Assessment Service.
11. Named Enquiry Supervisor for all Safeguarding Enquiries undertaken in ASC Assessment Service.
12. Deprivation of Liberty Safeguards (DoLS) Team to lead and co-ordinate all DoLS referrals in line with statutory requirements.
13. Approved Mental Health Practitioner (AMHP) Operations Manager overseeing the AMHP Team, to meet all relevant statutory requirements.

Second Line of Defence: Corporate Oversight

- 1 Quality Assurance across key agencies, monitored by the Independently Chaired LSAB, with annual progress report on the LSAB work plan published.
- 2 Multi agency, and single agency safeguarding audits undertaken. The Safeguarding Adult Review sub group of the LSAB continues to meet monthly, and considers referrals for Safeguarding Adult Reviews, as well as looking at relevant coroner's rulings for the area.
3. Quarterly audit framework for adult social work service monitoring safeguarding enquiry practice are monitored by Audit Moderation Panel, and Corporate Performance Indicator (KPI) to monitor number of Safeguarding Enquiries not meeting Practice Standards
5. Care Governance Board overseeing Quality Monitoring.
6. Learning from Safeguarding Adult Reviews (SARs), monitored through SAR sub group of the LSAB.
7. Yearly Social Work Health Check undertaken jointly by Principal Social Workers in both Adult Social Care; and Families, Children & Learning
8. LSAB Independent Chair meets quarterly with Chief Executive
9. LSAB annual report to Health and Wellbeing Board, includes statutory progress report on LSAB work plan.
10. Pan Sussex Safeguarding adults procedures group, meets quarterly, to review and update Sussex Safeguarding Adults procedures regularly, ensuring they are legally compliant and responsive to local and national practice development and learning.
11. Dols Governance/Mental Health Act Group, meets quarterly, attended by Assistant Director and Head of Adult Safeguarding, to ensure activity under DOLs and the Mental Health Act is quality assured, meets legal requirements, and activity is delivered with an efficient use of resources.
12. Departmental Management Team and HASC Modernisation Board oversee developments and monitor risks to Department.

13. Working with ADASS (association of directors of adult social services) on monitoring the impact of DoLs work to Local Authorities following the Supreme Court ruling in 2014 (P v Cheshire West Council and P&Q v Surrey County Council).

Third Line of Defence: Independent Assurance

CQC Inspection of in-house registered care services, ongoing. Information on council website re. inspection results: <https://www.brighton-hove.gov.uk/content/social-care/getting-touch-and-how-were-doing/adult-social-care-inspection-reports-council>

LGA/ADASS Peer review programme – Sector Led Improvement Peer Review undertaken 2013, ‘Safeguarding and Self Directed Support’. Action Plan completed June 2014. ADASS are currently considering the plan for further peer reviews and are responsible for developing the review programme.



Reason for Uncertainty in Effectiveness of Controls: Despite efforts there are no guarantees that there will not be incidents.

Risk Action	Responsible Officer	Progress %	Due Date	Start Date	End Date
Advance level Safeguarding training to be developed and rolled out to senior and experienced social workers	Head of Adult Safeguarding	50	01/01/19	01/06/18	01/01/19
Comments: Course content is being developed and is being consulted on with stakeholders. Dates have been booked for delivery Autumn/Winter 2018					
Continue to learn from Safeguarding Adult Reviews, coroners inquests and case reviews	Head of Adult Safeguarding	75	31/03/19	01/04/15	31/03/19

Risk Action	Responsible Officer	Progress %	Due Date	Start Date	End Date
<p>Comments: Updated June 2018</p> <p>A Safeguarding Adults Review was undertaken (called SAR X), written by an Independent Author commissioned by the Local Safeguarding Adults Board (LSAB) following the death of a person who was homeless, who was at times not engaging with support agencies, and with a Personality Disorder. The review was commissioned by the LSAB in April 2016.</p> <p>The SAR Sub Group of the LSAB (Chaired by B&H HealthWatch) has finalised the SAR X Action plan.</p> <p>The SAR X Action Plan is reviewed and monitored via the SAR Sub Group, which reports to the LSAB. The SAR Sub Group will monitor the completion of the Action Plan. Last reviewed at the SAR Sub Group 09/05/2018 and noted to be on target for completion.</p> <p>SAR X summary is published on the LSAB website http://brightonandhovelscb.org.uk/safeguarding-adults-board/safeguarding-adults-reviews/.</p> <p>A briefing regarding SAR X has been completed, and has been circulated to all LSAB member organisations for staff awareness.</p> <p>A multi agency audit has been completed by the LSAB for a number of people identified as homeless/rough sleeping. An Action Plan has been drawn up from this audit, which has agreed at the Quality Assurance Sub Group of the LSAB on 23rd October 2017. Progress on the Action Plan is be monitored through the Quality Assurance Sub Group and reported to the LSAB, and is noted as on target for completion.</p> <p>A further multi agency audit has been completed November 2017 regarding safeguarding enquiries where there has been allegations of sexual abuse/violence. A report of initial findings and recommendations was be taken to the Quality Assurance sub group on 22/01/2017 for agreement. An action plan has been drawn up and is monitoring through the Quality Assurance sub Group.</p> <p>The next planned audit is on Mental Health Capacity and is scheduled for July-August 18.</p> <p>Learning from a safeguarding Adult Review undertaken by the East Sussex Safeguarding Adults Board has been shared, as a learning briefing, with member organisations of the B&H SAB, and a presentation and discussion session regarding the learning specific to care home providers was held at the Care Home Forum 06/06/2018.</p>					
Performance Indicator for assessment service staff attendance on core training sessions to be monitored through the Statutory Duties Training Group.	Head of Adult Safeguarding	75	30/01/19	20/01/17	30/01/19

Risk Action	Responsible Officer	Progress %	Due Date	Start Date	End Date
<p>Comments: Lead Enquiry Officer (LEO) training for safeguarding adults was developed by the Professional Standards and Safeguarding Team, to build on training rolled out in 2015 when the Care Act started, and on on-going Practice Development Groups. From July 2017 a two day training course is delivered every two months, facilitated by Practice Managers in the Safeguarding and Professional Standards Team. The sessions July 2017 - June 2018 have been fully subscribed to and were well received by attendees as they felt it would support their practice. The position planned by January 2019 is that that every social worker undertaking the Lead Enquiry Officer role will have completed the new training and the expectation is that that all new postholders will undertake the training when in post. The training content and coverage is monitored via the Statutory Duties Training group, chaired by the Principal Social Worker for Adults.</p>					
<p>Programme of Prevent training to be rolled out to all Assessment Service staff in contact with citizens, Senior Social Workers and Operations Managers, and Registered Managers of provider services. All relevant staff to have attended training by April 2019.</p>	<p>Head of Adult Safeguarding</p>	<p>65</p>	<p>29/03/19</p>	<p>20/01/17</p>	<p>29/03/19</p>
<p>Comments: 97 staff have been trained so far, which is 65% of the target workforce (150). Further courses are in place throughout 2018/2019. Aim for full completion by April 2019.</p>					

37

Risk Code	Risk	Responsible Officer	Risk Category	Last Reviewed	Issue Type	Risk Treatment	Initial Rating	Revised Rating	Future Rating	Eff. of Control
SR20	Inability to integrate health and social care services at a local level and deliver timely and appropriate interventions	Executive Director Health and Adult Social Care Interim Head of Adult Social Care Commissioning Assistant Director Adult Social Care Assistant Director - Integrated Services	BHCC Strategic Risk, Economic / Financial	25/07/18	Threat	Treat	 L3 x I4	 L3 x I3		Revised: Uncertain

Causes

Link to Corporate Plan Priority 3: Health and wellbeing

The ability of the health and social care system to progress with integrated teams and to commission appropriate services to support early intervention and ongoing care.

Potential Consequence(s)

If parties do not work together as agreed, or organisation's priorities change, it will affect delivery of performance targets. Any failure of delivery will impact on the Acute Trusts' costs and our ability to release efficiency savings to create new services.

Existing Controls

First Line of Defence: Management Controls

1. The CCG operates across 6 Clusters. From April 2017 three Social Care District teams support these Clusters so that social care operational work is aligned
2. Better Care Board established (high level and cross sector representation) and co-chaired by Executive Director Health & Adult Social Care and CCG Director of Commissioning, with oversight by Health & Wellbeing Board
3. Finance and Performance Board monitors spend and performance
4. Health & Social Care Integration Board (HSCB) jointly chaired by CCG and BHCC meets monthly to identify and plan for delivery of integrated services

Second Line of Defence: Corporate Oversight

1. Health & Wellbeing (HW) Board reviewed and governance arrangements in place to help deliver an integrated approach, including oversight of the Better Care Plan
2. Better Care Plans in place. Section 75 signed off
3. Partnership work agreed and submits and annual Better Care Plan since the deadline in March 2014. Revised Better Care plan for 2017-19 submitted and approved

Third Line of Defence - Independent Assurance

1. NHS England signed Better Care Plan, submitted Nov 2017 (approved with 2 conditions, addressed).
 2. Quarterly Better Care submissions to NHS England ongoing
 3. internal Audit - No specific Internal Audit work in 2017/18. Some independent assurance on this risk is provided by NHS England
- In 2016/17 our work reviewing the Better Care Fund gave Limited Assurance. The audit on Public Health concluded Reasonable Assurance.

Reason for Uncertainty of Effectiveness of Controls - Partners' budgets are often determined by Government.

Risk Action	Responsible Officer	Progress %	Due Date	Start Date	End Date
Develop 2nd Tier of Mental Health Integrated Services with SPFT to involve BHCC staff being seconded to SPFT within the framework for the revised S75 agreement.	Assistant Director Adult Social Care	100	30/06/18	01/04/16	30/06/18
Comments: All relevant BHCC social worker staff already seconded and working alongside SPFT. Final S75 agreement approved by HW Board 30/6/18					

Risk Action	Responsible Officer	Progress %	Due Date	Start Date	End Date
Further develop and simplify Integrated Discharge Pathways with service users and their families, involving partners BSUH, SCFT, CCG, Independent Providers, Third Sector and other local authorities	Assistant Director - Integrated Services	65	31/03/19	01/04/16	31/03/19
<p>Comments: HASC's Assistant Director, Integration represents BHCC to develop this work to enable efficiency, a person centred approach and reduce duplication. An operational group meets (CUCORG) and reports to the Accident & Emergency (A&E) Delivery Board; Progress is also monitored through CATO (Caring Together). A co-produced progress update report will be reported to the A&E Delivery Board on 28 June 18.</p>					
Further integration with Primary Care Clusters	Assistant Director - Integrated Services	25	31/03/19	01/04/16	31/03/19
<p>Comments: Meetings have taken place between the Health & Social Care Integration Board and representatives of the Clinical Commissioning Group (CCG). Development of further integration programmes of work as directed by the Board have received support from the council's Corporate Programme Management Office , however due to operational demands other priorities have taken precedence and work is on hold at this time, and recommencement will be reviewed.</p>					
Plan Admission Avoidance with SCFT to extend delivery of social care responsibilities and enable more effective services	Assistant Director - Integrated Services	100	28/02/18	02/01/18	28/02/18
<p>Comments: In November 2017 social Care staff moved into the Sussex Community Trust premises to form the Referral Management Hub which has delivered improved outcomes.</p>					
Robust Section 75 agreements to be reviewed.	Executive Director Health and Adult Social Care	75	30/04/18	23/03/16	31/03/19

Risk Action	Responsible Officer	Progress %	Due Date	Start Date	End Date
<p>Comments: We entered into a shadow year from April 2018 for the integration of health and social care. Robust s75 agreements are in place to support this shadow year. There are two Section 75 (s75) agreements: 1) Better Care which is led by the CCG and was reviewed with CCG, signed off between the council and the CCG at end of March 18; and 2) with the Sussex Partnership Foundation Trust (SPFT) agreed in May 2016 with a slight change to risk share and budget and from 2018 an updated S75 agreement is working towards completion.</p>					

Risk Code	Risk	Responsible Officer	Risk Category	Last Reviewed	Issue Type	Risk Treatment	Initial Rating	Revised Rating	Future Rating	Eff. of Control
SR32	Sub-standard health & safety measures lead to personal injury, prosecution, financial losses and reputational damage	Executive Director of Finance & Resources Head of Health and Safety Head of Housing Strategy, Property & Investment	BHCC Strategic Risk	25/07/18	Threat	Treat	Amber L2 x I5	Amber L2 x I5		Revised: Adequate

Causes

To ensure that the council meets the requirements of law and controls the likelihood and impact of risks which have potential to cause harm to residents, visitors and stakeholders there must be robust oversight of arrangements in delivering services and procuring goods to meet health and safety (H&S) legislation and other regulatory requirements. This is challenged by reducing resources, increasing demands and changes to our operating environment.

Potential Consequence(s)

- * Actual and potential harm
- * Custodial sentences for duty holders
- * Fines and litigation
- * Resources wasted
- * Decisions made are challenged
- * Increased costs of rectifying mistakes
- * Financial stability of organisation compromised
- * Reputational damage

Existing Controls

First Line of Defence: Management Controls

1. Health & Safety (H&S) policy which sets out roles, responsibility and arrangements
2. Access to competent advice (Health & Safety team) including technical fire safety lead investigation of all health & safety incidents
3. Safety management framework - Team Safety

4. H&S Training core programme

5. Fire Risk Assessments (FRAs) in place on council buildings with a programme of review which is monitored by Head of Health and Safety and AD Property and Design

6. Wellbeing Steering Group managed by Health & Safety team - stronger links to staff issues, e.g. the causes stress and anxiety

7. Property & Design team check of cladding on all non housing buildings in the operational portfolio, eg. civic officers, historic (museums and libraries) , social care, schools, sports pavilions etc. and the non-operational commercial portfolio

8. Housing Fire Health and Safety Board (Council, East Sussex Fire & Rescue Service & Mears) continue to oversee co-ordination of resources and manage actions through to completion. Enhanced fire risk assessments have been carried out on High Rise blocks impacted by fire door issues emerging from the Grenfell Inquiry. The enforcing authority are supportive of our approach.

9. Newly established Economy, Environment and Culture health & safety board which oversees co-ordination of resources to manage risk and emerging safety issues

Second Line of Defence - Corporate Oversight

1. Corporate H&S Committee, meets quarterly.

2. Managers complete Health & Safety checklists linked to Team Safety plans

3. H&S audit programme

4. Housing, Fire, Health & Safety Board meets regularly includes representation from East Sussex Fire & Rescue Service, the council's health & safety, Communications and Building Control and housing managers

5. H&S representation at Risk Management Steering Group/Safety Advisory Group/Major Incident Support Team (MIST)

6. Community initiatives partnership, governance and escalation through members' existing governance structures

Third Line of Defence: Independent Assurance

1. Post Grenfell tragedy information required by Ministry of Housing Communities and Local Government (MHCLG) in relation to council owned blocks has been provided.

Conference call held with MHCLG on 7 September 17 regarding our approach and the work we've done since Grenfell, in particular in relation to purpose built private sector blocks. The Ministry of Housing Communities and Local Government and East Sussex Fire and Rescue Service continue to be supportive of the approach being taken by the council and information being provided to date (see also update included in first line of defence item 8 above).

We have collated responses to DCLG to a list of questions to allow DCLG to complete a new burdens assessment with regard to the private sector building data collection they have asked LAs to complete. ELT updated on DCLG requests for information and approach concerning purpose built private sector blocks (January 2018).

2. Department for Education (DfE) undertook on-line survey of construction of schools premises, returned by the council 30/6/17.

3. Health & Safety Executive (HSE) - last HSE visits: as part of National Waste Initiatives at Depot in 2016 resulted in minor recommendations which were actioned. HSE HSE Control of Vibration unannounced inspection in City Parks in October 2017, linked to national focus on work related health, update: areas for improvement identified which has led to development of an action plan with assigned leads and timescales for action. Progress is tracked by the newly established EEC health & safety board. The Health & Safety Executive are satisfied with the approach being taken and progress being made.

4. East Sussex Fire & Rescue Service (ESFRS) Regulatory Reform (Fire Safety) Order - ESFRS undertake citywide audits according to a prioritised programme which includes a range of council buildings. No inspections of council buildings have led to the need for enforcement action. All Council high rise buildings have been visited by ESFRS.
5. Council reported to Ministry of Housing Communities & Local Government (MHCLG) on private sector blocks visual inspections.
6. Internal Audit - No specific Internal Audit work in 2017/18. Independent assurance on this risk is available from the inspections carried out by the HSE and East Sussex Fire and Rescue Authority.

Risk Code	Risk	Responsible Officer	Risk Category	Last Reviewed	Issue Type	Risk Treatment	Initial Rating	Revised Rating	Future Rating	Eff. of Control
SR33	Not providing adequate housing and support for people with significant and complex needs	Executive Director Health and Adult Social Care Interim Head of Adult Social Care Commissioning Assistant Director - Integrated Services Head of Adult Safeguarding	BHCC Strategic Risk	25/07/18	Threat	Treat	 L4 x I4	 L3 x I4		Revised: Adequate

Causes

Link to Corporate Plan: Our Purpose - A Good Life; Ensuring a City for all ages, inclusive of everyone and protecting the most vulnerable.
 Lack of affordable housing within the city and housing benefit changes
 Unclear needs assessment for clients in this group and likely demand
 Cross planning across organisations and services is complex
 Services are not able to cope with demand.

Potential Consequence(s)

People are placed in inappropriate accommodation which may present a danger or risk to them or others
 People may not get the appropriate services and support to address their needs
 Placing people in unsuitable accommodation for their needs
 Failure to review ongoing needs of individuals and their family once initially housed
 Clients are not supported appropriately
 Public services deal with the effect, e.g. hospital admissions, anti-social behaviour, self-harm
 Increased financial pressures are ongoing
 Outcomes for services and clients are not achieved.

Existing Controls

First Line of Defence - Management Controls

Housing Strategy.

Rough Sleeping Strategy.

Greater cross-directorate recognition of pressures and delivery issues between housing and adult social care led by Executive Directors (EDs) and senior officers.

Commissioning process for rough sleeping and single homeless persons has reached a conclusion and the services will be commissioned and reviewed. Agreement at Strategic Accommodation Board (SAB) to start transition planning five years earlier to ensure there is sufficient lead time to create the necessary provision.

Second Line of Defence - Corporate Oversight

1. Strategic Accommodation Board (SAB) formed in 2018 and meets bi-monthly chaired by ED HASC formed of ED Neighbourhood, Communities & Housing (NCH), senior directorate representatives to supplement housing strategy and enable focus on vulnerable adults and children. Strategic action plan now being developed focusing upon available council sites and Clinical Commissioning Group (CCG) also attend as co-strategic partner.
2. Rough Sleeping Strategy Board, cross organisational, meets quarterly, chaired by Head of Policy & Partnerships on behalf of City Management Board.
3. SAB active learning from current cases escalated by officers or others e.g. the Local Government & Social Care Ombudsman (LGSCO).
4. Health & Wellbeing Board; Housing Committee.

Third Line of Defence - Independent Assurance

1. Independently chaired Local Safeguarding Adults Board meets quarterly and provides an annual report to the Health & Wellbeing Board.
2. Independently chaired Local Safeguarding Children Board meets quarterly and provides an annual report to the Health & Wellbeing Board.
3. Internal Audit - This is a new risk (March 2018). No specific Internal Audit work.
4. Assurance on this risk is provided by the Local Safeguarding Adults Board and the Local Safeguarding Children Board both of which are independently chaired.

Risk Action	Responsible Officer	Progress %	Due Date	Start Date	End Date
Conduct in-depth Joint Strategic Needs Assessment on people with multiple and complex needs agreed as a priority by Health & Wellbeing Board (March 18)	Director of Public Health	10	31/03/19	02/07/18	31/03/19
Comments: Health & Wellbeing Board approved 2018/19 programme with resources identified.					

Risk Action	Responsible Officer	Progress %	Due Date	Start Date	End Date
Develop and roll out communication with Tier 4 managers to be aware of Strategic Accommodation Board to improve escalation of cases to SAB in order to inform SAB's understanding of cases	Executive Director Health and Adult Social Care	10	31/12/18	12/07/18	31/12/18
Comments: This work has been agreed by ED HASC and will be raised at SAB for further input					
Needs Assessment using Public Health data and other intelligence to inform adult social care commissioning - demands analysed, resource availability and reported to Strategic Board and communicated to provider market and partners to develop capacity	Interim Head of Adult Social Care Commissioning	10	30/03/19	01/02/18	30/03/19
Comments: Some analysis provided to Strategic Accommodation Board, e.g implementation agreed Learning Disability accommodation review undertaken and reported to Health & Wellbeing Board on 6/3/18. The HASC Directorate Plan contains action on the Market Position Statement as a priority. The Market Position Statement will be reported to Health & Wellbeing Board in September 2018.					
Service Review of inhouse hostel provision to ensure it meets future needs	Assistant Director - Integrated Services	50	31/03/19	12/03/18	31/03/19
Comments: Members agreed a decision to keep in-house hostels in place. Review of future policy in line with new model and continual review to ensure delivery is in line with specifications .					
Strategic Accommodation Board to inform internal and external relevant stakeholders about what the city requires to meet needs of vulnerable adults and children.	Executive Director Health and Adult Social Care	10	31/03/19	07/09/17	31/03/19

Risk Action	Responsible Officer	Progress %	Due Date	Start Date	End Date
<p>Comments: Strategic Accommodation Board (SAB) has been established and first met September 2017 and by August 2018 a work plan has been developed to inform the work of the SAB.</p>					

Appendix 2: Suggested questions for Members to ask Risk Owners and officers on Strategic Risks

The Audit & Standards Committee has a role to monitor and form an opinion on the effectiveness of risk management and internal control. As part of discharging this role the Committee focuses on at least two Strategic Risks at each of their meetings.

The Committee invite the Risk Owners of Strategic Risks to attend Committee and answer their questions based on a CAMMS Risk report appended to each report. In the CAMMS Risk report, the Risk Owner:

1. Describes the risks, the cause and potential consequences, the officers involved and provides an **Initial Risk Score** which takes account of the existing controls in place to mitigate the risk.
2. Existing Controls are set out using the Three Lines of Defence model:
 - 1st line: management controls
 - 2nd line: corporate oversight
 - 3rd line: independent assurance

in order that Members can identify where the assurance comes from, and how frequently it is reviewed and in the case of the 3rd line if audits or inspections have happened, when did it happen, what the results were. Risk Owners ensure that existing controls continue to operate effectively.

3. (Future) Risk Actions then are detailed and allocated to individuals with percentage achieved against target dates, with commentary on the current position. This provides the **Revised Risk Score** which is based on the assumption that all the risks actions have been successfully delivered.

The Risk Owners of Strategic Risks will always be an Executive Leadership Team (ELT) officer, and they may bring other officers who are more closely connected to the mitigating work.

Three questions are suggested to be explored by the A&S Committee:

1. Is the Risk Description appropriately defined? Does the Committee understand the cause and potential consequences?
2. Is the Committee reassured that each (future) Risk Action either reduces the impact or likelihood of the risk? Are members reassured that risk actions are actually being delivered?
3. In respect of the Revised Risk Score does the Committee feel comfortable with Risk Owner's assessment? This represents the risk level that the organisation is prepared to accept.

Subject:	Ernst & Young – Annual Audit Letter 2017/18		
Date of Meeting:	18 September 2018		
Report of:	Ernst & Young		
Contact Officer:	Name:	Paul King	Tel: 0118 928 1556 (Ext 41556)
	Email:	pking1@uk.ey.com	
Ward(s) affected:	All		

FOR GENERAL RELEASE**1. SUMMARY AND POLICY CONTEXT:**

- 1.1 The purpose of the Annual Audit Letter is to communicate to the Members of the Council and external stakeholders, including members of the public, the key issues arising from our work which we consider should be brought to their attention.
- 1.2 Detailed findings from our 2017/18 audit have already been reported to the 24 July meeting of the Committee in our 2017/18 Audit Results Report. The matters reported in the Annual Audit Letter are the most significant for the Council.

2. RECOMMENDATIONS:

- 2.1 That the Committee note the Annual Audit Letter 2017/18.

Brighton & Hove City Council

Annual Audit Letter for the year
ended 31 March 2018

August 2018

EY

Building a better
working world

Contents

01

Executive Summary



03

Financial Statement Audit



05

Other Reporting Issues



07

Focused on your future



02

Purpose and Responsibilities



04

Value for Money



06

Data Analytics



08

Audit Fees



Public Sector Audit Appointments Ltd (PSAA) have issued a 'Statement of responsibilities of auditors and audited bodies'. It is available from the Chief Executive of each audited body and via the PSAA website (www.psa.co.uk)

The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The 'Terms of Appointment (updated 23 February 2017)' issued by PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and statute, and covers matters of practice and procedure which are of a recurring nature.

This Annual Audit Letter is prepared in the context of the Statement of responsibilities. It is addressed to the Members of the audited body, and is prepared for their sole use. We, as appointed auditor, take no responsibility to any third party.

Our Complaints Procedure - 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, you may take the issue up with your usual partner or director contact. 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. We can provide further information on how you may contact our professional institute.



55

01 Executive Summary



Executive Summary

We are required to issue an annual audit letter to Brighton & Hove City Council (the Council) following completion of our audit procedures for the year ended 31 March 2018. Below are the results and conclusions on the significant areas of the audit process.

Area of Work	Conclusion
Opinion on the Council's:	Unqualified - the financial statements give a true and fair view of the financial position of the Council as at 31 March 2018 and of its expenditure and income for the year then ended
▶ Financial statements	
▶ Consistency of other information published with the financial statements	Other information published with the financial statements was consistent with the Annual Accounts.
Concluding on the Council's arrangements for securing economy, efficiency and effectiveness	We concluded that you have put in place proper arrangements to secure value for money in your use of resources.
Reports by exception:	
▶ Consistency of Annual Governance Statement	The Annual Governance Statement was consistent with our understanding of the Council.
▶ Public interest report	We had no matters to report in the public interest.
▶ Written recommendations to the Council, which should be copied to the Secretary of State	We had no matters to report.
▶ Other actions taken in relation to our responsibilities under the Local Audit and Accountability Act 2014	We had no matters to report.
Reporting to the National Audit Office (NAO) on our review of the Council's Whole of Government Accounts return (WGA).	We had no matters to report.
Issued a report to those charged with governance of the Council communicating significant findings resulting from our audit.	Our Audit Results Report was issued on 24 July 2018.
Issued a certificate that we have completed the audit in accordance with the requirements of the Local Audit and Accountability Act 2014 and the National Audit Office's 2015 Code of Audit Practice.	We have not as yet issued our audit completion certificate. We cannot formally conclude the audit and issue an audit certificate until we have completed the work necessary to issue our assurance statement in respect of the Council's Whole of Government Accounts consolidation pack. We also cannot formally conclude the audit and issue an audit certificate until we have completed the work necessary to conclude the objection to the Council's 2015/16 Statement of Accounts concerning the use of Lender Option Borrower Option (LOBO) loans. It is our view that even if the objection were resolved in the objector's favour, this would not have a material effect on the financial statements or on our value for money conclusion.

In December 2018 we will also issue a report to those charged with governance of the Council summarising the certification work we have undertaken. We would like to take this opportunity to thank the Council's staff for their assistance during the course of our work.

Paul King
Associate Partner
For and on behalf of Ernst & Young LLP



57

02

Purpose and Responsibilities

Purpose and Responsibilities

The Purpose of this Letter

The purpose of this annual audit letter is to communicate to Members and external stakeholders, including members of the public, the key issues arising from our work, which we consider should be brought to the attention of the Council.

We have already reported the detailed findings from our audit work in our 2017/18 Audit Results Report to the July Audit & Standards Committee, representing those charged with governance. We do not repeat those detailed findings in this letter. The matters reported here are the most significant for the Council.

Responsibilities of the Appointed Auditor

Our 2017/18 audit work has been undertaken in accordance with the Audit Plan that we issued in January 2018 and is conducted in accordance with the National Audit Office's 2015 Code of Audit Practice, International Standards on Auditing (UK and Ireland), and other guidance issued by the National Audit Office.

As auditors we are responsible for:

- ▶ Expressing an opinion:
 - ▶ On the 2017/18 financial statements, and
 - ▶ On the consistency of other information published with the financial statements.
- ▶ Forming a conclusion on the arrangements the Council has to secure economy, efficiency and effectiveness in its use of resources.
- ▶ Reporting by exception:
 - ▶ If the annual governance statement is misleading or not consistent with our understanding of the Council;
 - ▶ Any significant matters that are in the public interest;
 - ▶ Any written recommendations to the Council, which should be copied to the Secretary of State; and
 - ▶ If we have discharged our duties and responsibilities as established by thy Local Audit and Accountability Act 2014 and Code of Audit Practice.

Alongside our work on the financial statements, we also review and report to the National Audit Office (NAO) on you Whole of Government Accounts return. The extent of our review and the nature of our report are specified by the NAO.

Responsibilities of the Council

The Council is responsible for preparing and publishing its statement of accounts accompanied by an Annual Governance Statement. In the Annual Governance Statement, the Council reports publicly each year on how far it complies with its own code of governance, including how it has monitored and evaluated the effectiveness of its governance arrangements in year, and any changes planned in the coming period.

The Council is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.



03

Financial Statement Audit

Financial Statement Audit

Key Issues

The Council's Statement of Accounts is an important tool for the Council to show how it has used public money and how it can demonstrate its financial management and financial health. We audited the Council's Statement of Accounts in line with the National Audit Office's 2015 Code of Audit Practice, International Standards on Auditing (UK and Ireland), and other guidance issued by the National Audit Office and issued an unqualified audit report on 30 July 2018. Our detailed findings were reported to the 24 July 2018 meeting of the Audit & Standards Committee.

The key issues identified as part of our audit were as follows:

Significant Risk	Conclusion
Management Override of Control As identified in ISA (UK and Ireland) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement.	<p>Our testing did not identify any evidence of management override of controls.</p> <ul style="list-style-type: none">• We did not identify any indication of management bias through our testing of accounting estimates;• We confirmed that assets and liabilities recognised in the financial statements were consistent with the PFI model;• We confirmed the PFI annual spend (unitary charge) agreed to the payments made to the contract for the year;• We confirmed the valuation of Property, Plant and Equipment was materially correct;• We did not identify any journal entries which contained evidence of management override of controls; and,• We have not identified any transactions which are outside the course of the Council's normal business. <p>Overall, our audit work did not identify any material issues, in appropriate judgements or unusual transactions which indicated that management had overridden controls.</p>

Financial Statement Audit (cont'd)

The key issues identified as part of our audit were as follows: (cont'd)

Significant Risk	Conclusion
<p>Valuation of Land and Buildings</p> <p>The fair value of Property, Plant and Equipment (PPE) and Investment Properties (IP) represent significant balances in the Authority's accounts and are subject to valuation changes, impairment reviews and depreciation charges. Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet.</p>	<p>While our testing suggested the valuation of Land and Buildings as at 31 March 2018 was materially correct, we did identify one asset that had been revalued in year but had previously burnt down. The value of Land and Building was overstated by £2.839 million as a result. The financial statements were appropriately adjusted for this error.</p> <p>Otherwise, we completed those procedures outlined opposite and confirmed that:</p> <ul style="list-style-type: none">• The work performed by the Council's valuers was adequate and they had appropriate professional capabilities to complete the work;• Key asset information used by the valuers in performing their valuation was supported by evidence;• All Land and Building assets are included in the annual cycle of valuations such that they will be valued at least once every 5 years. We confirmed that other than the error highlighted above, we found no evidence that specific changes to assets that may have occurred had not been communicated to the valuer.• Those assets not subject to valuation will not result in the asset base being materially misstated as at 31 March 2018;• Useful economic lives were appropriate for those assets tested; and• Appropriate accounting entries had been posted to ensure the valuation was properly recorded in the financial statements.

Financial Statement Audit (cont'd)

The key issues identified as part of our audit were as follows: (cont'd)

Other Key Findings	Conclusion
<p>Pension Liability Valuation</p> <p>In our Audit Planning Report we identified the Pension Liability Valuation as an area that was not a significant risk, but was an area of audit focus due to its complexity and size within the financial statements. The Authority's pension fund deficit is a material estimated balance and the Code requires that this liability be disclosed on the Council's balance sheet. At 31 March 2018 this totalled £257.2 million (2016/17: £254.9 million). The information disclosed is based on the IAS 19 report issued to the Council by the actuary to East Sussex County Council, the Administering Authority.</p> <p>Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.</p>	<p>We completed a programme of work to provide assurance over the balance:</p> <ul style="list-style-type: none"> • We liaised with the auditors of East Sussex Pension Fund, to obtain assurances over the information supplied to the actuary in relation to Brighton & Hove City Council. At the time of presenting our audit results report to the Audit & Standards Committee, the auditors of East Sussex Pension Fund had not completed their audit and had not shared their final report with us. We subsequently received their initial report on 27 July, but this noted one assurance had not been received. We carried out alternative procedures to compensate for this absence, and were able to issue our audit report on 30 July. We subsequently received an updated, complete report from the Pension Fund auditors on 31 July. • We assessed the work of the Pension Fund actuary (Hymans) including the assumptions they have used by relying on the work of PWC - Consulting Actuaries commissioned by Public Sector Auditor Appointments for all Local Government sector auditors, and considered findings from the EY actuarial team; and • Reviewed and tested the accounting entries and disclosures made within the Council's financial statements in relation to IAS19. <p>As part of our the above procedures, the Pension Fund auditor compared the net fund assets estimated by the actuary at the year end to the actual net fund assets of the pension fund. The actuary estimated this as being £3,361,000,000 but the actual net fund assets of the pension fund are £3,377,700,000, giving a £14,700,000 variance. The IAS 19 pension figures included within the financial statements are based upon actuaries reports which use the estimated figure rather than the actual year end balance. While this approach is not unusual, given that this variance is significant, we calculated Brighton & Hove City Council's share of the net fund asset difference as being £4,511,793. This immaterial difference was not been adjusted within the financial statements. No other errors were identified.</p>
<p>Faster Close</p> <p>In our March 2018 progress report, we highlighted the Accounts and Audit Regulations 2015 introduced a significant change in statutory deadlines from the 2017/18 financial year. The timetable for the preparation and approval of accounts will be brought forward with draft accounts needing to be prepared by 31 May and the publication of the accounts by 31 July. We recognised that these changes provided risks for both the preparers and the auditors of the financial statements.</p>	<p>We are pleased to report that the Authority has met the required deadlines and has provided the information we require; principally:</p> <ul style="list-style-type: none"> · good quality draft financial statements and supporting working papers by the agreed deadline; · appropriate Council staff to be available throughout the agreed audit period; and · complete and prompt responses to audit questions. <p>We are therefore satisfied that the Council appropriately planned for and responded to the faster close agenda.</p>

The Council's Statement of Accounts is an important tool for the Council to show how it has used public money and how it can demonstrate its financial management and financial health.

Financial Statement Audit (cont'd)

Our application of materiality

When establishing our overall audit strategy, we determined a magnitude of uncorrected misstatements that we judged would be material for the financial statements as a whole.

Item	Thresholds applied
Planning materiality	We determined planning materiality to be £17.276 million (2016/17: £16.93 million), which is 2% of Gross Expenditure adjusted for non-cash items. We consider Gross Expenditure to be one of the principal considerations for stakeholders in assessing the financial performance of the Council.
Reporting threshold	We agreed with the Audit & Standards Committee that we would report to the Committee all audit differences in excess of £0.863m.

We also identified the following areas where misstatement at a level lower than our overall materiality level might influence the reader. For these areas we developed an audit strategy specific to these areas. The areas identified and audit strategy applied include:

- ▶ Remuneration disclosures including any severance payments, exit packages and termination benefits
- ▶ Related party transactions.

In both these areas we applied materiality of £1, matching the level of disclosure within the financial statements.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations.

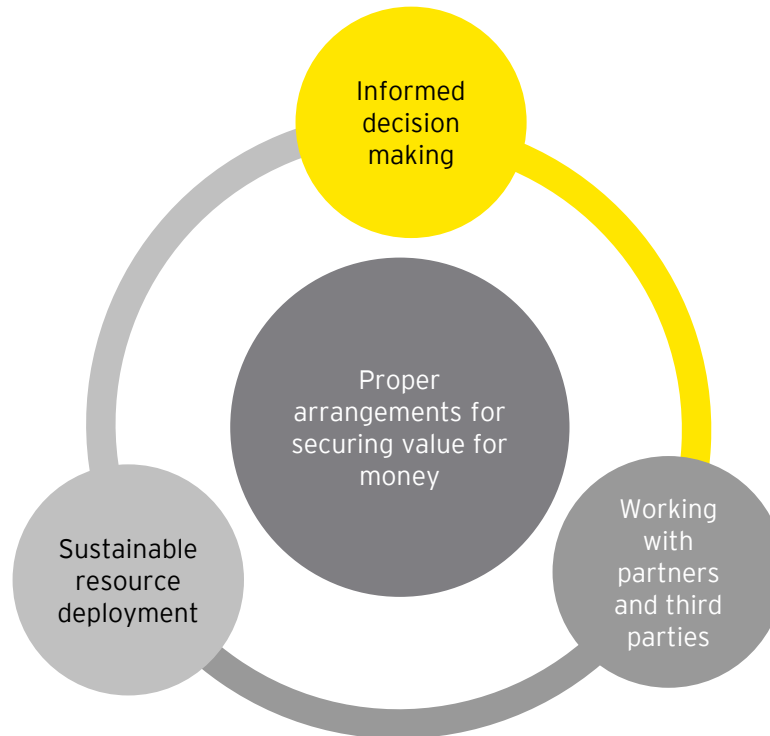


04 Value for Money

We are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. This is known as our value for money conclusion.

Proper arrangements are defined by statutory guidance issued by the National Audit Office. They comprise your arrangements to:

- ▶ Take informed decisions;
- ▶ Deploy resources in a sustainable manner; and
- ▶ Work with partners and other third parties.



We identified one significant risk in relation to these arrangements. The tables below present the findings of our work in response to the risks identified and any other significant weaknesses or issues to bring to your attention.

We have performed the procedures outlined in our audit plan. We did not identify any significant weaknesses in the Council's arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

Value for Money (cont'd)

We issued an unqualified value for money conclusion on 30 July 2018.

Significant Risk - Securing Financial Resilience

Use of PSAA's value for money profile tool to assess Council spending against similar councils

We reviewed the VFM profiles, now held on the LGA website which compare the Council to other English unitary councils. This highlighted that Brighton & Hove City Council has a higher total net spend per head than the average English unitary, although the spend has been reducing in line with the national trend. This data showed that spend on Council tax and Housing Benefits was significantly higher than other English unitaries, but again there is a clear downward trend such that the 2015-17 figures are largely in line with others nationally. This provides some assurance that action is being taken to reduce costs in high spend areas.

The data also shows high spend in Children and Young People Services, Housing Services and Public Health Services. The reasons for the high spend in these areas reflects the demographic within the Council's boundary, although we note spend in these areas is also reducing in a similar trend to the national average.

We are therefore satisfied that a review of these statistics does not identify further risks to our Value for Money conclusion.

Reviewing and assessing the updated assumptions within the Council's 2017/18 budget and medium term financial plan:

The assumptions within the Council's 2017/18 budget and medium term financial plan continue to be based upon reasonable and supportable assumptions. As previously reported, the Council's Medium Term Financial Strategy (MTFS) 2015-2019 forecast a gross cumulative budget gap of some £102 million up to the end of 2019/20. The Council continues to recognise that reserves cannot, and should not, be used to bridge the base budget gap in the absence of longer term plans to make the necessary savings and we note from the MTFS that there is no planned future use of reserves to address budget gaps, as highlighted on page 20. Further, a significant contribution was made to the Council's reserves in 2017/18 which while the Council does not plan on utilising to support revenue spend, does provide the Council with additional financial resilience in the medium to longer term.

The updated financial forecasts predict a budget gap of £15.036m for 2018/19 and £14.745m for 2019/20, and the Council expects to be able to make appropriate savings to balance the budget without drawing from reserves.

Reviewing and understanding the 2017/18 outturn position:

The Council's draft financial statements have been produced and report a year end Surplus on the Provision of Services of £5.162m. This figure is not directly comparable to the budgeted position due to the way the CIES discloses the income and expenditure and the fact that the budget is set on a directorate level. We have therefore also reviewed the EFA disclosure, which shows the income and expenditure in the same manner as the budget. This confirmed there was a surplus on the provision of services of £1.311m. The Council's total usable reserves as at 31 March 2018 remain healthy at £108.038m. This represents a significant increase of £36.466m compared to 31 March 2017, and we note reserves were not used to support the revenue position.

Reviewing forecast savings from the 4 year Service & Financial Plans and progress in meeting them:

The Council's Targeted Budget Management documentation confirms that in 2017/18, £17.203m of savings were achieved, representing 78% of the approved target. As with the prior year, there are areas that underperformed when compared to the budget, principally Children's and Adult Social Care, and Learning Disability Services.

We have reviewed the 2018/19 budget documentation and are satisfied that the saving requirements have been appropriately updated for the actual 2017/18 performance, and there continues to be ongoing monitoring and review of those savings requirements and plans to deliver them.

From completion of the above procedures, we are satisfied the Council has proper arrangements in place to deliver sustainable resource deployment in the medium term.



67

05 Other Reporting Issues



Other Reporting Issues

Reporting Issue	Findings
Whole of Government Accounts	We performed the procedures required by the National Audit Office on the accuracy of the consolidation pack prepared by the Council for Whole of Government Accounts purposes. We had no issues to report.
Annual Governance Statement	We are required to consider the completeness of disclosures in the Council's Annual Governance Statement, identify any inconsistencies with the other information of which we are aware from our work, and consider whether it is misleading. We completed this work and did not identify any areas of concern.
Report in the Public Interest	We have a duty under the Local Audit and Accountability Act 2014 to consider whether, in the public interest, to report on any matter that comes to our attention in the course of the audit in order for it to be considered by the Council or brought to the attention of the public. We did not identify any issues which required us to issue a report in the public interest.
Written Recommendations	We have a duty under the Local Audit and Accountability Act 2014 to designate any audit recommendation as one that requires the Council to consider it at a public meeting and to decide what action to take in response. We did not identify any issues which required us to issue a written recommendation.
Objections Received	We did not receive any objections to the 2017/18 financial statements from members of the public.
Other Powers and Duties	We identified no issues during our audit that required us to use our additional powers under the Local Audit and Accountability Act 2014.
Independence	We communicated our assessment of independence in our Audit Results Report to the Audit & Standards Committee on 24 July 2018. In our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning regulatory and professional requirements.
Control Themes and Observations	As part of our work, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. Although our audit was not designed to express an opinion on the effectiveness of internal control, we are required to communicate to you significant deficiencies in internal control identified during our audit. We have adopted a fully substantive approach and have therefore not tested the operation of controls. Our audit did not identify any controls issues to bring to the attention of the Audit & Standards Committee.



06 Data Analytics

09



Use of Data Analytics in the Audit

Analytics Driven Audit

Data analytics

We used our data analysers to enable us to capture entire populations of financial data. These analysers:

- ▶ Help identify specific exceptions and anomalies which can then be the focus of our substantive audit tests; and
- ▶ Give greater likelihood of identifying errors than traditional, random sampling techniques.

In 2017/18, our use of these analysers in the Council's audit included testing journal entries and employee expenses, to identify and focus our testing on those entries we deem to have the highest inherent risk to the audit.

We capture the data through our formal data requests and the data transfer takes place on a secured EY website. These are in line with our EY data protection policies which are designed to protect the confidentiality, integrity and availability of business and personal information.

Journal Entry Analysis

We obtain downloads of all of the Council's financial ledger transactions posted in the year. We perform completeness analysis over the data, reconciling the sum of transactions to the movement in the trial balances and financial statements to ensure we have captured all data. Our analysers then review and sort transactions, allowing us to more effectively identify and test journals that we consider to be higher risk, as identified in our audit planning report.

Payroll Analysis

We also use our general ledger analyser in our payroll testing. We analyse the data against a number of specifically designed procedures. These include analysis of payroll costs by month to identify any variances from established expectations, as well as more detailed transactional interrogation.



07 Focused on your future



Focused on your future

The Code of Practice on Local Authority Accounting in the United Kingdom introduces the application of new accounting standards in future years. The impact on the Council is summarised in the table below.

Standard	Issue	Impact
IFRS 9 Financial Instruments	<p>Applicable for local authority accounts from the 2018/19 financial year and will change:</p> <ul style="list-style-type: none"> ▶ How financial assets are classified and measured; ▶ How the impairment of financial assets are calculated; and ▶ The disclosure requirements for financial assets. <p>There are transitional arrangements within the standard and the 2018/19 Accounting Code of Practice for Local Authorities has now been issued, providing guidance on the application of IFRS 9. In advance of the Guidance Notes being issued, CIPFA have issued some provisional information providing detail on the impact on local authority accounting of IFRS 9, however the key outstanding issue is whether any accounting statutory overrides will be introduced to mitigate any impact.</p>	<p>Although the Code has now been issued, providing guidance on the application of the standard, along with other provisional information issued by CIPFA on the approach to adopting IFRS 9, until the Guidance Notes are issued and any statutory overrides are confirmed there remains some uncertainty. However, what is clear is that the Council will have to:</p> <ul style="list-style-type: none"> ▶ Reclassify existing financial instrument assets ▶ Re-measure and recalculate potential impairments of those assets; and ▶ Prepare additional disclosure notes for material items.
IFRS 15 Revenue from Contracts with Customers	<p>Applicable for local authority accounts from the 2018/19 financial year. This new standard deals with accounting for all contracts with customers except:</p> <ul style="list-style-type: none"> ▶ Leases; ▶ Financial instruments; ▶ Insurance contracts; and ▶ For local authorities; Council Tax and NDR income. <p>The key requirements of the standard cover the identification of performance obligations under customer contracts and the linking of income to the meeting of those performance obligations.</p> <p>Now that the 2018/19 Accounting Code of Practice for Local Authorities has been issued it is becoming clear what the impact on local authority accounting will be. As the vast majority of revenue streams of Local Authorities fall outside the scope of IFRS 15, the impact of this standard is likely to be limited.</p>	<p>As with IFRS 9, some provisional information on the approach to adopting IFRS 15 has been issued by CIPFA in advance of the Guidance Notes. Now that the Code has been issued, initial views have been confirmed; that due to the revenue streams of Local Authorities the impact of this standard is likely to be limited.</p> <p>The standard is far more likely to impact on Local Authority Trading Companies who will have material revenue streams arising from contracts with customers. The Council will need to consider the impact of this on their own group accounts when that trading company is consolidated.</p>



Focused on your future (cont'd)

Standard	Issue	Impact
IFRS 16 Leases	<p>It is currently proposed that IFRS 16 will be applicable for local authority accounts from the 2019/20 financial year.</p> <p>Whilst the definition of a lease remains similar to the current leasing standard; IAS 17, for local authorities who lease a large number of assets the new standard will have a significant impact, with nearly all current leases being included on the balance sheet.</p> <p>There are transitional arrangements within the standard and although the 2019/20 Accounting Code of Practice for Local Authorities has yet to be issued, CIPFA have issued some limited provisional information which begins to clarify what the impact on local authority accounting will be. Whether any accounting statutory overrides will be introduced to mitigate any impact remains an outstanding issue.</p>	<p>Until the 2019/20 Accounting Code is issued and any statutory overrides are confirmed there remains some uncertainty in this area.</p> <p>However, what is clear is that the Council will need to undertake a detailed exercise to identify all of its leases and capture the relevant information for them. The Council must therefore ensure that all lease arrangements are fully documented.</p>



08 Audit Fees

74

Audit Fees

Our fee for 2017/18 is in line with the scale fee set by the PSAA and reported in our Audit Plan and Annual Results Report.

	Final Fee 2017/18	Planned Fee 2017/18	Scale Fee 2017/18	Final Fee 2016/17
	£	£	£	£
Total Audit Fee - Code work	158,550	158,550	158,550	162,050
Non-audit work [Grant claims]	16,957	16,957	16,957	13,898
Total fees	175,507	175,507	175,507	172,448

We note that additional fee will be charged in respect of the 2015/16 objection regarding the LOBO loans objection. We currently estimate this additional fee to be approximately £26,000 although this is subject to final completion and subsequent review and determination by PSAA.

We confirm we have not undertaken any non-audit work outside of the PSAA's requirements.

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ED None

EY-000070901-01 (UK) 07/18. CSG London.



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Subject:	Internal Audit Progress Report – Quarter 1 (1 April 2018 to 30 June 2018)		
Date of Meeting:	18 September 2018		
Report of:	Executive Director, Finance & Resources		
Contact Officer:	Name:	Mark Dallen	Tel: 01273 291314
	Email:	mark.dallen@brighton-hove.gov	
Ward(s) affected:	All		

FOR GENERAL RELEASE**1. PURPOSE OF REPORT AND POLICY CONTEXT**

- 1.1 The purpose of this report is to provide Members with an update on all internal audit and counter fraud activity completed during the quarter, including a summary of all key audit findings. The report also includes details of progress on delivery of the annual audit plan along with an update on the performance of the internal audit service during the period.

2. RECOMMENDATIONS

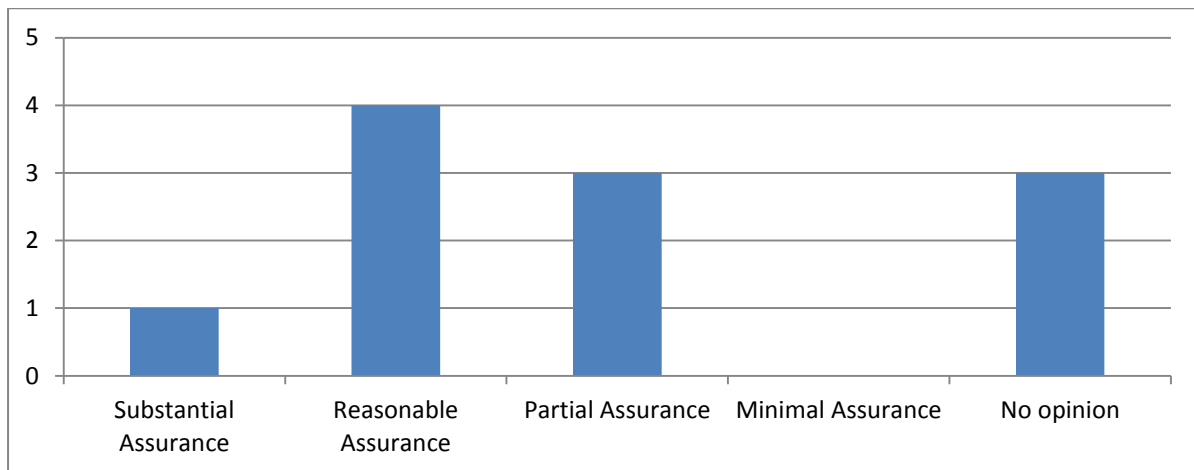
- 2.1 That the Committee note the report and consider any further action required in response to the issues raised.

3. CONTEXT/ BACKGROUND INFORMATION

- 3.1 The current annual plan for internal audit is contained within the Internal Audit Strategy and Annual Plan 2018/19 which was approved by the Audit and Standards Committee on 28 March 2018.

4. ANALYSIS & CONSIDERATION OF ANY ALTERNATIVE OPTIONS

- 4.1 Internal Audit is on target to deliver 95% of the approved audit plan as per the key performance indicator. For the year to date 11 audit reviews have been completed to draft or final report stage.
- 4.2 Key audit findings from final reports issued during Quarter 1 are detailed in Appendix A and the opinions given are summarised in the chart below. There was one substantial assurance report, four reasonable assurances and three partial assurance reports. There were no minimal assurance reports in the quarter.
- 4.3 In three cases we have completed audits where no audit option is applicable. These relate to the certification of two EU grant claims and the investigation of a specific control failure within a housing procurement.



4.4 Formal follow up reviews continue to be carried out for all audits where 'minimal assurance' opinions have been given and for higher risk areas receiving 'partial assurance'. Two follow-up reviews (schools) were completed in the quarter and both resulted in an improved opinion of reasonable assurance.

4.5 Appendix A also provides details of counter fraud investigations completed, information on the tracking of high priority actions and progress against our performance targets.

5. COMMUNITY ENGAGEMENT & CONSULTATION

5.1 None.

6. CONCLUSION

6.1 The Committee is asked to note the report.

7. FINANCIAL & OTHER IMPLICATIONS:

Financial Implications:

5.1 It is expected that the Internal Audit and Corporate Fraud Plan 2018/19 will be delivered within existing budgetary resources. Progress against the plan and action taken in line with actions support the robustness and resilience of the council's practices and procedures in support of the council's overall financial position.

Finance Officer Consulted: James Hengeveld

Date: 28/08/2018

Legal Implications:

7.2 The Accounts and Audit Regulations 2015 require the Council to 'undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards'. It is a legitimate part of the Audit and Standards Committee's role to review the level of work completed and planned by internal audit.

Equalities Implications:

- 7.3 There are no direct equalities implications.

Sustainability Implications:

- 7.4 There are no direct sustainability implications.

SUPPORTING DOCUMENTATION

Appendices:

1. Audit Opinions and Definitions
2. Commentary on Finalised Reports

Documents in Members' Rooms

1. None

Background Documents

1. Internal Audit and Corporate Fraud Strategic Plan 2017/18

Internal Audit and Counter Fraud Quarter 1 Progress Report 2018/19

CONTENTS

1. Summary of Completed Audits
2. Counter Fraud and Investigation Activities
3. Action Tracking
4. Amendments to the Audit Plan
5. Internal Audit Performance

1. Summary of Completed Audits

Care Leavers - Payments & Grants - Partial Assurance

1.1 The audit was a planned review to provide assurance that key financial controls were in place and operating effectively for administering grants and other payments to those leaving care.

1.2 The review found that the service performs well with regard to key indicators of performance when compared to other councils, but that there were number of issues with the control environment where improvements are required. These were that:-

- Although Pathway Plans require an assessment of needs every six months, information at the time of audit indicated these timescales were not always being met. Action has already being taken to address this concern.
- There is a high volume of petty cash, £8,000 per month, used by this service to support Care Leavers who do not have access to a bank account and are vulnerable. This has created a number of risks and system redesign is required to address these concerns.
- The financial impact of the change, from April 2018, requiring Councils to continue the parental role to age twenty five is not yet fully understood. An action to undertake financial modelling of this change has been agreed.
- There were weaknesses with the arrangements for retaining invoices and receipts.

Care Management System Re-procurement - Reasonable Assurance

1.3 As part of this year's audit plan we have been carrying out an ongoing review of the procurement of the CareFirst system replacement. This report was to provide an opinion to the Project Board on progress to date during the period leading up to the decision to award the contract. The main conclusions from our work to date were:

- The Project Board has fulfilled its role with regard to governance;
- Significant soft market testing on alternative social care software solutions has been undertaken, including a wide range of stakeholders;
- Timeframes for the Board's preferred option are extremely challenging;
- Work on the council's needs have moved at pace to develop a set of requirements and build a specification; however, this has increased risks associated around omission of functionality;

- The Board is working closely with the corporate IT&D Change Advisory Board (CAB) to ensure better consistency and control over changes to the project. This has identified areas that require further work/resolution/clarification with the supplier;
- Only one supplier met the Council's requirements. The risks relating to this decision have been considered.

1.4 We will continue to support and review this project through to final implementation with a focus on providing assurance on key risk areas.

Front Door for Families - Reasonable Assurance

1.5 A re-organisation of the service early in 2017-18 meant that the Early Help Hub, Family Information Service and Multi Agency Safeguarding Hub have become part of the Front Door for Families service. These services are a key part of meeting the Council's statutory duty to work together with partner agencies to identify children who need help to reach developmental milestones, emotional wellbeing and to be safe in their home, school and community.

1.6 The purpose of the audit was to ensure the service's performance and financial management arrangements were working effectively.

1.7 The review found that:

- Performance and operational indicators are clearly defined, enabling staff to respond quickly to the needs of the young person and their family and direct them to appropriate services;
- Budget monitoring for this service is robust and is delivering the service within the available resources.

1.8 Areas for improvement were:

- Addressing significant delays for families who require access to mental health services;
- To review the target setting for response times to ensure that publicised information is accurate and performance measuring reports provide an accurate reflection of the service.

1.9 Appropriate actions have been agreed with management to address the above issues.

Cash and Banking - Substantial Assurance

1.10 The Council's Cash and Banking arrangements are a key financial process. Key objectives of the review were to ensure that all income is promptly and accurately posted to the council's income distribution system (ICON) and that income is accurately and promptly distributed to the correct financial systems.

1.11 Key controls are in place and working effectively. Opportunities for further improvement were also identified in relation to:

- Documenting bank reconciliation and interface processes;
- The authorisation of changes following system upgrades.

Adult Social Care Income and Collection - Partial Assurance

1.12 The scope of the audit was to ensure that financial assessments are promptly and accurately completed and that all income due to the Council is promptly invoiced and collected.

1.13 The audit found that although controls are in place to ensure assessments are completed accurately there are a number of areas for improvement as follows:

- Improving the timeliness of financial assessments for residential care for some cases;
- Increasing the frequency of communication with clients, informing them of the calculation / uplift of benefits and savings;
- Improved arrangements for monitoring the collection of high value debts from the estates of deceased clients;
- Ensuring more regular write-off of debts.

1.14 These actions have all been agreed with an implementation target of the end of September 2018.

Housing Windows Tendering – Review of system shortfall - No opinion given

1.15 Following the implementation of internal audit recommendations in 2016, additional controls were incorporated over the operation of the Mears Housing works contract. These included improvements over the tendering processes for capital works.

1.16 One of the additional controls that had been implemented enabled the Housing service to identify a business relationship between two subcontractors which could have increased the risk of collusion.

1.17 This finding was reported by the Housing Service to Internal Audit who initiated a review of tendering processes by both Mears and the Council. This Council's review was carried by Mazars Public Sector Internal Audit Ltd which sought to examine a range of subcontractor works on Mears capital contracts.

1.18 The Mazars review confirmed that there was a business relationship between one of the window subcontractors and two other window subcontractors. The review did, however, find evidence that there was still satisfactory competition for those jobs where there were company relationships i.e. other tenders had been submitted for these works.

1.19 No evidence of collusion was found by Mazars, however the report did highlight some of weaknesses with procurement processes where improvements can be made. These were that;

- Mears should update its sub-contractor conflicts of interest form at its monthly meetings with its sub-contractors;
- Mears should clarify all non-priced items directly with bidders and retain evidence of having sent Invitations to Tender to all potential bidders at the same time;
- Mears should record the closing time for receipt of tenders on the face of the tender opening register as well the closing date for receipt of them;
- Formal tender receipt procedures should be prepared for the Housing Centre Reception.

1.20 Housing have confirmed that these actions have now been implemented.

EU Grant - PACE – Claim number 3

1.21 This is one of five EU Interreg projects that require grant certification at least once a year.

1.22 The full title of the project is Providing Access to Childcare and Employment. The total value of the project between 2017 to 2020 is approximately £625,000 (Grant expected £375,000).

1.23 No significant issues were identified in the grant certification.

EU Grant - SCAPE – Claim number 3

1.24 This is one of five EU Interreg projects that require grant certification at least once a year.

1.25 The full title of the project is Shaping Climate Change Adaptive PlacEs. The total value of the project between 2017 to 2020 is approximately £488,000 (Grant expected £293,000).

1.26 No significant issues were identified in the grant certification.

St Bartholomew's School (Follow-up) – Reasonable Assurance

1.27 The previous Internal Audit report for St Bartholomew's CE Primary School from July 2017 concluded that Minimal Assurance could be given on that the financial management of the school, its systems and internal controls.

1.28 This follow up review has sought to gain assurance that the identified areas for improvement have been implemented. The audit concluded Reasonable Assurance demonstrating that improvements have been made at the school.

1.29 Remaining areas where controls could be further strengthened were in relation to:

- The 3 year budget plan, budget monitoring and the monitoring of income;
- Retaining evidence of recruitment processes and the authorisation of additional hours/ overtime.

Fairlight Primary School (Follow-up) – Reasonable Assurance

1.30 The previous Internal Audit report for Fairlight Primary School in April 2017 concluded that Limited Assurance could be given on that the financial management of the school, its systems and internal controls.

1.31 This follow up review has sought to gain assurance that the identified areas for improvement have been implemented. The audit concluded Reasonable Assurance demonstrating that improvements have been made at the school.

1.32 Remaining areas where controls could be further strengthened were in relation to:

- The quality of financial information shared with the Governing Body;
- Updating the schools scheme of delegation, business continuity plan and school development plan;
- The maintenance and update of the schools asset register.

2. Counter Fraud and Investigation Activities

Proactive Counter Fraud Work

2.1 Following the establishment of the Orbis Counter Fraud Team in April 2018, focus in the first quarter has been on aligning investigative practices and procedures to ensure a consistent approach is adopted across the Orbis partnership in line with best practice and relevant guidance. Q2 will see the implementation of an integrated Fighting Fraud Plan across Orbis partners that will strengthen our ability to prevent and detect fraud.

Summary of Completed Investigations

2.2 The outcomes at the end of quarter 1 are as follows: -

- Investigations have resulted in 5 council properties being returned to the Council's stock making them available for people in genuine housing need (the target for the year is 20).
- One Right to Buy application has been stopped following the intervention of the Corporate Counter Fraud Team.
- Two concessionary travel passes have been cancelled for the year to date.
- 18 Blue Badges were cancelled (where there were prosecutions or community resolution orders).
- £3,900 of Council Tax Single Person Discount and Council Tax Reduction identified.
- Housing Benefit overpayments of £1,300 have been identified.

3. Action Tracking

3.1 All high priority actions agreed with management as part of individual audit reviews are subject to action tracking. As at the end of quarter 1, 93% of high priority actions due had been implemented.

3.2 The two actions that are overdue are detailed in the table below and relate to the City Clean External Contracts and Commercial Waste audit that was carried out last year.

3.3 The service is currently reviewing the commercial waste service business case and operational and business processes and procedures are being reviewed and improvements are being made to invoicing systems. An update report was taken to PRG in July 2018 on the progress made.

Audit/ Action	Dir.	Due date	Revised date	Progress and risks
<p>City Clean External Contracts and Commercial Waste</p> <p>To provide assurance that the service can at least break-even, the budget must be updated to include all expenditure relating to the provision of commercial waste disposal and recycling.</p>	EEC	31/3/18	31/12/18	<p>This work is still in progress and a resource is being recruited to support the service. This will include the completion of this action. This work is important to ensure that the service can demonstrate it is recovering its costs via the charges levied.</p>
<p>City Clean External Contracts and Commercial Waste</p> <p>All customers, including events and those where the service is provided to a third party, should be provided with terms and conditions of the service and a signed agreement should be in place to confirm their acceptance of the charges and terms of the contract.</p>	EEC	31/3/18	31/12/18	<p>New terms and conditions and have been drafted but need to be agreed with Legal Services. Until this action is completed there remains a risk that that it is more complex to resolve disputes with individual customers.</p>

4 Amendments to the Audit Plan

4.1 In accordance with proper professional practice, the internal audit plan for the year remains under regular review to ensure that the service continues to focus its resources in the highest priority based on an assessment of risk. Through discussions with management, the following reviews have been added to the audit plan during the year:

- Royal Pavilion and Museums – The audit was requested by the Director of Economy Environment & Culture. The review is planned to focus on the letting of contracts, budget management, income collection and the joint arrangements with the Royal Pavilion Foundation.
- Brighton Centre – The audit was requested by the Director of Economy, Environment & Culture to examine controls over the rostering and recording and payment of overtime and other enhancements.

- BioCultural Heritage Tourism project (New EU Interreg Grant) – A new audit to provide financial scrutiny and certification of the grant in accordance with the EU First Level Controller requirements.

4.2 Through the same process, the following audits have been removed or deferred from the audit plan and will be considered for inclusion in the 2019/20 plan as part of the overall risk assessment completed during the annual audit planning process:

- On and Off Street Parking – This service was previously audited every final year. The service has now significantly reduced the risks relating to this service through the migration to (mainly) cashless parking. The 2017/18 audit of this service finalised in April 2018 concluded Substantial Assurance.
- Disabled Facilities Grant – Internal audit is no longer required to certify this grant claim.
- Troubled Families Grant Claim – Internal audit is no longer required to certify this grant claim.

5 Internal Audit Performance

5.1 In addition to the annual assessment of internal audit effectiveness against Public Sector Internal Audit Standards (PSIAS), the performance of the service is monitored on an ongoing basis against a set up agreed key performance indicators as set out in the following table:

Aspect of Service	Orbis IA Performance Indicator	Target	RAG Score	Actual Performance
Quality	Annual Audit Plan agreed by Audit Committee	By end April	G	Approved by Audit Committee on 27 March 2018
	Annual Audit Report and Opinion	By end July	G	2018/19 Annual Report and Opinion approved by Audit Committee on 24 July 2018
	Customer Satisfaction Levels	90% satisfied	G	100% as at the end of quarter 1
Productivity and Process Efficiency	Audit Plan – completion to draft report stage	90%	G	On target. 24% of the plan complete as at the end of quarter 1.
Compliance with Professional Standards	Public Sector Internal Audit Standards	Conforms	G	January 2018 – External assessment by the South West Audit Partnership gave an opinion of ‘Generally Conforms’ – the highest of three possible rankings

Aspect of Service	Orbis IA Performance Indicator	Target	RAG Score	Actual Performance
	Relevant legislation such as the Police and Criminal Evidence Act, Criminal Procedures and Investigations Act	Conforms	G	No evidence of non-compliance identified
Outcome and degree of influence	Implementation of management actions agreed in response to audit findings	95% for high priority agreed actions	A	93% at end of quarter 1.
Our staff	Professionally Qualified/Accredited	80%	G	85%

Audit Opinions and Definitions

Opinion	Definition
Substantial Assurance	Controls are in place and are operating as expected to manage key risks to the achievement of system or service objectives.
Reasonable Assurance	Most controls are in place and are operating as expected to manage key risks to the achievement of system or service objectives.
Partial Assurance	There are weaknesses in the system of control and/or the level of non-compliance is such as to put the achievement of the system or service objectives at risk.
Minimal Assurance	Controls are generally weak or non-existent, leaving the system open to the risk of significant error or fraud. There is a high risk to the ability of the system/service to meet its objectives.

Subject:	Standards Update		
Date of Meeting:	18th September 2018		
Report of:	Executive Lead for Law and Monitoring Officer		
Contact Officer:	Name:	Abraham Ghebre-Ghiorghis	Tel: 01273 29-1500
	Email:	Abraham.ghebre-ghiorghis@brighton-hove.gov.uk	
Ward(s) affected:	All		

FOR GENERAL RELEASE**1. PURPOSE OF REPORT AND POLICY CONTEXT**

1.1 This Report updates Members on Standards-related matters.

2. RECOMMENDATIONS

2.1 That the Committee notes the information provided in this Report on member complaints.

3. MEMBER COMPLAINTS**3.1 Complaints resolved since last Update**

3.2 One complaint which had been received in at the time of the last Report was made the subject of preliminary enquiries which aimed to ascertain when and where the conduct complained of allegedly took place. As the complainant did not provide necessary information despite being given ample opportunity to do so, that complaint was determined by a decision to take no further action.

3.3 The parties in the above matter have been notified of the outcome and that complaint is now at an end.

3.4 Complaints awaiting resolution

3.5 The complaint referred to as 'complaint no 5' in the last two Update reports is yet to be resolved. So too is a second outstanding complaint from the last Update which alleged disrespectful conduct. Additional information has been sought from the complainant regarding the latter complaint, which will be progressed as soon as possible.

3.6 A third complaint, received in since the last Update report, remains outstanding at the current time. Both it and the complaints referred to in para 3.5 above remain at preliminary assessment stage. Updates will be provided to this Committee once further progress in relation to them is made.

4. ANALYSIS & CONSIDERATION OF ANY ALTERNATIVE OPTIONS

- 4.1 The Council is obliged under the Localism Act to make arrangements for maintaining high standards of conduct among members and to make arrangements for the investigation of complaints. The current arrangements and the proposals in this Report reflect this. No alternative proposals are suggested.

5. COMMUNITY ENGAGEMENT & CONSULTATION

- 5.1 No need to consult with the local community has been identified.

6. CONCLUSION

- 6.1 Members are asked to note the contents of this Report, which aims to assist the Committee in discharging its responsibilities for overseeing that high standards of conduct are maintained in a way which is compliant with local requirements.

7. FINANCIAL & OTHER IMPLICATIONS:

Financial Implications:

- 7.1 There are no additional financial implications arising from the recommendation in this Report. All activity referred to has been, or will be, met from existing budgets.

Finance Officer Consulted: James Hengeveld

Date: 06/09/18

Legal Implications:

- 7.2 The Standards functions delegated to this Committee include responsibility for ensuring that members observe high ethical standards when performing their duties. This report aims to assist this Committee in its discharge of those functions.

Lawyer Consulted: Victoria Simpson

Date: 04.09.18

Equalities Implications:

- 7.3 There are no equalities implications arising from this Report

Sustainability Implications:

- 7.4 There are no sustainability implications arising from this Report

Any Other Significant Implications:

- 7.5 None

SUPPORTING DOCUMENTATION

Appendices:

None

Documents in Members' Rooms:

None

Background Documents:

None

Document is Restricted

Document is Restricted

