

BRIGHTON & HOVE CITY COUNCIL**AUDIT & STANDARDS COMMITTEE****2.00pm 23 JULY 2019****MAIN HALL, PORTSLADE TOWN HALL****MINUTES**

Present: Councillors Littman (Chair), Appich (Group Spokesperson), Hamilton, Hugh-Jones, Nemeth, Peltzer Dunn, West and Hill .

Independent Members present: Dr David Horne and Helen Aston.

PART ONE**1 PROCEDURAL BUSINESS****1(a) Declarations of substitutes**

1.1 Councillor Hill was in attendance as a substitute for Councillor Robins.

1(b) Declarations of interests

1.2 There were none.

1(c) 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 not be excluded.

2 MINUTES

2.1 **RESOLVED:** That the minutes of the previous meeting held on the 12 March 2019 be approved and signed as the correct record.

3 CHAIR'S COMMUNICATIONS

3.1 The Chair gave the following communications:

“Audit and Standards Committee is a regulatory Committee, not a policy Committee. As on a policy Committee, the elected members who serve on this Committee do represent our political parties, but much more importantly, we represent the people of the city. Our job here is to ensure the Council, including our fellow members, perform our duties appropriately on behalf of our residents. As Councillors, we are the custodians of the public purse. The residents who elect us as their representative rely on us to ensure that the funds entrusted to us are spent wisely and well. Additionally, we are required to act in a manner which does credit to our role as representatives. We are required to behave in accordance with a set of standards laid down in our code of conduct. Among other things, we must behave respectfully; not bring our office or authority into disrepute; not bully or intimidate; not improperly confer advantage or disadvantage; and uphold our equality duties. Both these requirements, financial and behavioural, are essential. Failure to uphold either is unacceptable. This year, this Committee will absolutely ensure compliance in terms of both. I hope and expect that, in a year’s time, the public of Brighton & Hove will have no reason to question our commitment to either our Audit or Standards functions.

On a more specific matter; in regard of Item 12: Review of the Social Media Protocol for Members, as you may already know, I’m afraid I am not convinced that this is yet in a form which is ready for our deliberations. I strongly feel that it would benefit from further Member input. As a result, when we come to Item 12, I will be proposing a deferral in order for Officers to be given the time to consult with Members of both the Members Development Working Group and representatives of this Committee, before resubmitting the item to the next meeting of this Committee”

4 CALL OVER

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

Item 7 – Constitutional Matters

Item 8 – Strategic Risk Focus: SR2, SR10, SR18, SR25 AND SR34

Item 10 – Audited Statement of Accounts 2018/19

Item 11 – Annual Internal Audit Report 2018/19

Item 12 – Review of the Social Media Protocol for Members

Item 15 – Standards Update

4.2 The following items on the agenda with the recommendations therein had been approved and adopted:

Item 9 – Audited Statement of Accounts 2018/19

Item 13 – External Audit Annual Fee Letter 2019-20

Item 14 – Annual Governance Statement 2018-19

5 PUBLIC INVOLVEMENT

5.1 There was none.

6 MEMBER INVOLVEMENT

(c) LETTERS

6.1 The Chair stated there were two member's letters. They explained the options open to Members and stated that there would be two votes on each letter. Firstly, the Committee would be invited to note the relevant letter and secondly it would be asked whether or not it wished to request that an audit be carried out and reported back to Committee.

(i) School Transport

6.2 The Committee considered a letter from Councillors Wares and Mears requesting that the Committee commission an audit report regarding matters relating to the proposed transport contract for children with special educational needs and disabilities for vulnerable adults. The recommendations of the contract agreed on agenda Item 64, Home to School Transport for Pupils with Special Needs and Other Social Care Transport Contract, of the 11 October 2018 Policy, Resources and Growth Committee (PR&G) were not adhered to by BHCC adopting a Dynamic Purchasing System (DPS) following an agreement by the Leader of the Council and the Chair of Children, Young People and Skills Committee (CYP&S).

6.3 Councillor Wares stated that when the report had been to PR&G there had been no meaningful discussion of the recommendations facilitated by the Leader of the Council after the conditions of BHCC refusing to give any details on the consultancy contract or the business case of the contract. Members were corporate parents therefore needed oversight and this audit should be authorised before any problems occur due to the lack of scrutiny in this committee system that characterised a dictatorship in this instance.

6.4 Councillor Peltzer-Dunn agreed with the need for an audit and stated that officers would have had an opportunity to respond to the listed points in the letter since they had sight of it several weeks ago.

6.5 In response to Councillor West seeking clarification on whether the letter was suggesting inadequacies in the Constitution or a failure to follow process, Councillor Wares stated that there were no constitutional mistakes however there was no opportunity for member input at PR&G and no attempt was made to call an urgency Sub-Committee which demonstrated bad process so therefore it was now a matter for the Constitutional Working Group and the Monitoring Officer.

6.6 Councillor Hill agreed the need for an audit and noted due to the decision having only being taken by the Leader of the Council and the Chair of CYP&S and during period of a high member intake that an audit would provide comprehensive figures for them to understand the process.

6.7 Councillor Appich stated that she had received assurances that appropriate decision making, and savings had been made however agreed that now was a good opportunity to ask for an internal audit because it would add value to the process.

- 6.8 The Committee lawyer stated that Audit and Standards Committee did not have any decision-making powers in relation to the matters which were the subject of the letter and did not offer a means of reviewing substantive decisions taken by other committees. That said, Audit and Standards Committee had responsibility for providing assurance regarding the adequacy and effectiveness of the Council's governance arrangements. In light of this, it was within the Committee's scope to ask officers to carry out a review in to whether the Council's polities and procedure had been followed in the matters that were subject of the letter, and to bring a report to a future meeting. In terms of which officers would be best placed to carry out such a review, as Legal Services team was considered to have been involved in the relevant matters, the Internal Audit team was considered to be the best placed to carry out any review. Like other committees, Audit and Standards Committee could only commission work which was considered to fall within existing budgets. Subject to the Internal Audit team's review (if any), it might be that – if the Committee was minded to request an audit – then a desktop review with a specified brief could be the way forward.
- 6.9 Councillor Wares responded that the request was not limited to the constitution and that the process required a deep dive due to BHCC employing a consultant and refusing to share the details, not sharing the contract's business case and acting contrary to the decision at PR&G to not adopt a DPS contract.
- 6.10 The Committee voted unanimously to firstly note the report and secondly to commission a desktop audit. The report commissioned from Internal Audit was to consist of the outcome of a desktop audit limited in scope to the questions of whether the Council had correctly followed processes and procedures.

(ii) Valley Gardens Stage 3

- 6.11 The Committee considered a letter from Councillors Wares requesting that the Committee commission an audit report regarding matters relating to Valley Gardens stage 3.
- 6.12 The Chair and Councillor West declared that despite having been present at the Environment, Transport and Sustainability Committee (ET&S) on the 7 February 2019, neither considered themselves to have a conflict of interest in this item.
- 6.13 Councillor Wares stated that the project was originally intended to improve public spaces and active travel for the local economy however during later planning stages concerns grew as the project developed timetable pressures, funding insecurity and outgrew the brief. Without a refreshed business case the current situation left the Council dictating morphed plans despite the public and cross-party discontent.
- 6.14 Councillor West noted that this issue had been discussed for long time, that now due to legal challenges it was important to advance the project and expected that there would be a transparent answer to all the letter's concerns and they would benefit from an objective discussion.

- 6.15 Councillor Peltzer-Dunn agreed with the issues raised in the letter and said that it was essential for the Council to display transparency, which could only be addressed by commissioning an audit.
- 6.16 Councillor West said that he had proposed the task and finish group to scrutinise the project until completion which would have a broad enough remit to review the project to include stakeholders, cross-party membership and the terms of reference. This was agreed to not be established until the next ET&S or potentially the end of the year until the membership could be finalised, however the live project needed to progress in the meantime.
- 6.17 Councillor Nemeth agreed that now was the perfect time for an audit after attending meetings with local businesses and hearing their views on not properly being consulted on the process.
- 6.18 The Chair suggested that if an audit were commissioned then that process could feed into the terms of reference for the task and finish group. This was because a finding of either the process being followed or not would both be helpful in the terms of the future continuation of the project.
- 6.19 The Committee voted to firstly note the report and secondly to commission a desktop audit. The report commissioned from Internal Audit was to consist of the outcome of a desktop audit limited in scope to the question of whether the Council had correctly followed processes and procedures.

6.20 **RESOLVED:**

- 1) That the Audit and Standards Committee agree to commission an Audit report on the proposed transport contract for children with special educational needs and disabilities and vulnerable adults;
- 2) That the Audit and Standards Committee agree to commission an Audit report on the Valley Garden Stage 3 project.

7 **CONSTITUTIONAL MATTERS**

- 7.1 The Committee considered the report of the Executive Lead for Strategy Governance & Law that provided information on the Audit & Standards' Committee terms of reference and sought the committee's formal confirmation to the appointment of a Standards Panel.
- 7.2 In response to Councillor Hugh-Jones asking how the proposed future re-structuring of committees fit with this report, Victoria Simpson, Senior Lawyer – Corporate Law stated that the specific functions currently delegated to the Audit and Standards committee were as outlined in the terms of reference. There was not considered to be any likelihood of imminent change to this Committee's responsibilities. If that position were to change in future and proposals were to be mooted to change this Committee's responsibilities, then officers would bring a report to members on this subject.

7.3 RESOLVED:

- 1) That the Committee's terms of reference, which are published in Part 4 of the Council's Constitution and are set out in Appendix 1 to this report, be noted; and
- 2) That this Committee formally confirm the establishment of a Standards Panel in accordance with the terms of reference proposed in Appendix 1.

8 STRATEGIC RISK FOCUS: SR2, S10, SR18, SR25 AND SR34

- 8.1 The Committee considered the report of the Executive Lead for Strategy, Governance & Law that was presented to enable the Committee to monitor and form an opinion on the effectiveness of risk management and internal control. As part of discharging this role the committee focussed on at least two Strategic Risks (SRs) at each of their meetings. The Risk Management Lead introduced the report and the changes to the strategic risk register agreed by the Executive Leadership Team (ELT) at their most recent quarterly review. She drew Member's attention to Table 1 which tracked changes and summarised that there remained 18 SRs in total and included the new SR for climate change, SR36.
- 8.2 The Chair clarified that recommendation 2.4, *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*, was open ended and that members could propose any additional recommendations to be voted upon.
- 8.3 Councillor Hugh-Jones spoke on Item 3.3, Table 1 and firstly referred to SR20 asking what the Council had planned to address unplanned budget reductions in the climate of system wide reconstruction of the Clinical Commissioning Group (CCG) to achieve integration. They secondly referred to SR2 and asked what progress the Council had made in retaining a portion of business rates to improve financial stability. They thirdly asked what progress had been made on SR32 and SR35 and lastly what the timeframe was for achieving SR36.
- 8.4 Officers stated that these queries would be addressed in the presentations that would follow consideration of the report itself, The Risk Management Lead agreed that the CAMMS Risk report detailing SR35 and SR 36 would be included in the minutes which could be found on the following link:

<https://present.brighton-hove.gov.uk/Published/C00000699/M00009543/Supp31790dDocPackPublic.pdf>
- 8.5 Councillor West asked whether the corporate plan that was currently in development would address or mitigate any of the SRs and how would it be different from the previous plans due to the alarming magnitude of the risks.
- 8.6 The Executive Director Finance & Resources responded that of the five SR risks which were the subject of the Risk Focus Item at this meeting, two were related to budgets and capacity and that continuing no overall political control in the authority reduced the likelihood of major policy shifts, because it was difficult to secure a majority decision that focussed on cutting one service in favour of another. Much of the risk BHCC held related

to this, and the consequence of further salami-slicing as opposed to clear and strategic decision making.

- 8.7 Councillor West asked if the potential for the Council to reduce risks centrally relied upon removing services that could not continue to function properly and if the scenario to lose a service provision was more desirable than the risk of failure.
- 8.8 The Executive Director Finance & Resources responded that this was a question for all parties, including the minorities, and needed clear determination of the administration. Other local authorities who had a less favourable tax base, for example near-neighbours East Sussex Country Council, had shifted policy to deliver mainly basic services however this was not a BHCC practice to date.
- 8.9 Councillor Appich stated that there would be plenty of opportunity to discuss and make policies within a framework using the delivery of the new corporate strategy.

SR2: The Council is not financially sustainable

- 8.10 The Deputy Chief Finance Officer introduced the SR2 presentation and explained why this was a key risk which issues included the Future Social Care and Homelessness costs and demographic pressures, Economic performance of the City, 4-year Comprehensive Spending Review (2020/21 to 2023/24), Fair Funding Review, 75% Local retention of Business Rates (growth and grants), New Homes Bonus scheme, Excessive Council Tax increase legislation and Options for the long term funding of health and social care. The Deputy Chief Finance Officer described the First Line of Defence: Management Controls, the Second Line of Defence: Corporate Oversight and the Third Line of Defence: Independent Assurance.
- 8.11 In relation to SR2, Dr David Horne pointed out the partner risk in reference to the Clinical Commissioning Group (CCG) and other partners, such as the universities who had their own financial pressures and asked if there was a risk of the sustainability of BHCC in demand of their own resources.
- 8.12 The Deputy Chief Finance Officer responded that they did not yet know how the Long-Term NHS Plan would impact on the CCG and they needed to work together to tackle costs and government funding mechanisms on a member and officer level by meeting to understand the position early on.

SR10: Corporate Information Assets are inadequately controlled and vulnerable to cyber-attack

- 8.13 The Head of Strategy & Engagement introduced the SR10 presentation which covered the risk overview, prevention and response and recovery. The risk overview included why cyber-security was critical, the main threat factors and how 'real' the threat was. The cyber-attack prevention, response and prevention included Leadership, Governance and Technical/Operational strategies.
- 8.14 In relation to SR10, Councillor Appich asked why the progress scores were low and what an Access Management Project was to which The Executive Director for Finance and

Resources responded that since transferring to Orbis IT&D mitigation was a long-term project which had grown beyond what was originally expected.

- 8.15 In relation to SR10, the Chair asked whether BHCC would become a larger target for cyber-attacks with advancing integration and whether the Orbis partnership made the authority safer. They noted that the paper suggested that services could continue without IT&D and asked how this would be possible.
- 8.16 The Executive Director for Finance and Resources replied that BHCC was potentially more vulnerable with further integration with Orbis, but there was a strong business case to justify the trade-off of maintaining sustainable corporate service, and there were several methods to mitigate this and that information security would always be an existing threat. They secondly replied that services were required to have business continuity plans in place, focussing on the worst-case scenarios, and agreed that the loss of IT services would be catastrophic.

SR18: The organisation is unable to deliver its functions in a modern, efficient way due to the lack of appropriate technology

- 8.17 The Head of Strategy & Engagement introduced the SR18 presentation which firstly described Projects & Programmes including the Digital Organisational Programme, Digital and Major Projects, secondly Completed Projects of the Digital Organisation Programme 2018-2010 and lastly the future planned activity for projects and programmes 2019/20.

SR25: The lack of organisational capacity leads to sub-optimal service outcomes, failure to meet statutory obligations, and reputational damage

- 8.18 The Executive Director for Finance and Resources introduced the SR25 presentation and described the risk consequences which included partnership working becoming harder, loss of staff resilience, not being able to meet statutory requirements, difficulties in recruitment and a reduction in change capacity and explained the three lines of defence.
- 8.19 Councillor Hugh-Jones indicated that SR25 was not so much a risk but already in motion and secondly raised that BHCC employees on average took 10-11 sickness days per year even if this was an overall 4.43% organisational improvement from 2017/18 to 2018/19 and asked how this compared to other authorities.
- 8.20 The Executive Director for Finance and Resources agreed there was evidence that services were experiencing a lack in capacity and the focus was to mitigate this in the way of managing staff, utilising appropriate technology and improving budgetary decision making. The Executive Director of Finance and Resources secondly responded that other authorities and the private sector respectively averaged approximately 9 days and 5/6 sickness days lost respectively. They cited that the civil service where the figure has reduced by around 4 days over two decades as evidence that long-term approached was required.

SR34: Our People Promise ambitions may not be realised

- 8.21 The Executive Director for Finance and Resources introduced the SR34 presentation which addressed the People's Promise risks, mitigation, measured impact of Our People Promise and focused actions and an overview of the test results. The Executive Director for Finance and Resources also presented the sickness and equalities trend data.
- 8.22 In response to Councillor Nemeth asking how many employees took zero sickness days, the Executive Director for Finance and Resources agreed to provide a written answer after the meeting.
- 8.23 The Committee noted that the approach to present the risks with a further slides show was helpful and asked that this approach be considered for future meetings, including with a view on the resources required to do so.

8.24 RESOLVED:

That the Audit & Standards Committee:

- 1) Note in paragraph 3.3 the changes to the council's SRR as agreed at the Executive Leadership Team (ELT) on 15 May 2019.
- 2) Note Appendix 1 for details of SR2, SR10, SR18, SR25, and SR34.
- 3) Note Appendix 2: Information on the council's risk management process relative to Strategic Risks (SRs); and Suggested questions for Members to ask Risk Owners and officers on Strategic Risks.
- 4) Having considered Appendix 1 and any clarification and/or comments from the officers, the Committee did not to decide to make any recommendations to any other council body.

9 AUDITED STATEMENT OF ACCOUNTS 2018/19**9.1 RESOLVED:**

That the Audit & Standards Committee:

- 1) Notes the findings of the auditor (Grant Thornton) in their Audit Findings Report (AFR). The AFR 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 2018/19.

10 EXTERNAL AUDIT - AUDIT RESULTS REPORT 2018/19

- 10.1 The Committee considered the report of Grant Thornton that summarised the findings of the 2018/19 audit by the Council's appointed auditor, Grant Thornton, which was now substantially complete. It included the key messages that arose from the audit of the financial statements and the results of work undertaken to assess the Authority's arrangements to secure value for money in its use of its resources.
- 10.2 Dr David Horne welcomed the report assurances from Grant Thornton of organisational value for money that covered the BHCC SRs and financial sustainability with a continued link with health partners.
- 10.3 **RESOLVED:** That the Audit & Standards Committee notes the findings set out in the 2018/19 Audit Findings Report, asks questions as necessary and raises any other matters relevant to the audit of the financial statements.

11 ANNUAL INTERNAL AUDIT REPORT 2018/19

- 11.1 The Committee considered the report of the Executive Director for Finance & Resources that set out the Chief Internal Auditor's opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control for the year-ended 31 March 2019.
- 11.2 Councillor Hugh-Jones referred to Item 5.15 and asked why the IT&D Digital Projects had been deferred until 2019/20.
- 11.3 The Audit Manager stated that this was due to various unforeseen reasons, for example sickness, and they were endeavouring to catch up on the project by the end of the year and to generate more pieces of work in the area.
- 11.4 Helen Aston referred to Item 5.15 and asked whether the bottom two audits listed, System Access Controls and Learning Disabilities, were no longer required as there was no action indicated and sought clarification on whether the overall audit plan needed to add 6-8 audits to satisfy the amendments.
- 11.5 The Audit Manager responded firstly that System Access Controls were a long-term project that required other actions leading to a solution to resolve local systems in council and that there had there had already been a lot of work completed on Learning Disabilities in previous years with more projects to follow. The Audit Manager secondly responded that the draft audits to be carried forward could be found on page 82 of the agenda.
- 11.6 The Chair referred to the Non-Schools Audit Opinions bar chart on Item 5.2 and asked if the category 'No opinion' could be re-worded to a truer reflection of the option. Councillor Pelzer-Dunn added that a layperson or member of the public could struggle with the terminology and that a technical glossary should be provided.
- 11.7 The Audit Manager responded that 'No-opinion' was not a negative category and that this was appropriate and pragmatic when an auditor would be providing advice and services throughout a project whereby they may need to provide an opinion at checkpoint stages.

The Audit Manger secondly responded that the Audit Team strove to avoid technical jargon and were happy to provide further clarification.

11.8 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 2019.
- 2) That the Committee note the assurances and improvement actions detailed on audits finalised since the last progress report to this Committee in March 2019.

12 REVIEW OF THE SOCIAL MEDIA PROTOCOL FOR MEMBERS

12.1 The Item was deferred to a future meeting.

13 EXTERNAL AUDIT ANNUAL FEE LETTER 2019-20

13.1 **RESOLVED:** That the Audit & Standards Committee note the planned audit fee for the audit of the 2018/19 financial statements as set out in the Annual Fee Letter at Appendix 1.

14 ANNUAL GOVERNANCE STATEMENT 2018-2019

14.1 RESOLVED:

- 1) That the Committee review the attached AGS and make recommendations for the Leader of the City Council and the Chief Executive.
- 2) To note the Leader of the City Council and the Chief Executive will be asked to confirm their agreement to the AGS by signing a hard copy of Appendix 1 which will be stored securely.
- 3) To note that the AGS once signed by the Leader of the City Council and Chief Executive will be published alongside the council's Annual Accounts.

15 STANDARDS UPDATE

15.1 The Committee considered the report of Executive Lead for Strategy, Governance and Law that sought to update Members on a range of Standards-related matters.

15.2 The Chair stated that standards should be taken as seriously as audit functions and they aimed to improve the standards regime and reporting through setting up a task and finish group.

15.3 RESOLVED:

- 1) That this Committee note the information provided in the Report on member complaints and on other standards-related matters.

- 2) That this Committee agree the proposal that an informally constituted cross-party group of members of this Committee be convened to review the report of the Committee on Standards in Public Life into Local Government Ethical Standards, with a view to reporting back to a future meeting of the Audit and Standards Committee with any recommendations it considers to be appropriate.

16 ITEMS REFERRED FOR COUNCIL

- 16.1 No items were referred to Full Council.

17 ITEMS FOR THE NEXT MEETING

- 17.1 Dr David Horne stated that there was usually an HR Annual report at the July Audit & Standards Committee and suggested that it should come to a future meeting. This was relevant because the council development programme was referenced earlier in the meeting and the Committee should oversee actions delivered from committee recommendations.

The meeting concluded at 4.30pm.

Signed

Chair

Dated this

day of