

**BRIGHTON & HOVE CITY COUNCIL**

**AUDIT & STANDARDS COMMITTEE**

**4.00pm 10 MARCH 2020**

**COUNCIL CHAMBER, HOVE TOWN HALL**

**MINUTES**

**Present:** Councillors Littman (Chair) Appich (Group Spokesperson), Hamilton, Henry, Hugh-Jones, Lloyd, Nemeth and Peltzer Dunn

**Independent Members present:** Dr David Horne and Helen Aston

**PART ONE**

**46 PROCEDURAL BUSINESS**

**46a Declarations of substitutes**

46.1 Councillor Lloyd was present as substitute for Councillor West.

**46b Declarations of interests**

46.2 There were none

**46c Exclusion of the press and public**

46.3 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.

46.4 **RESOLVED** - That the press and public not be excluded from the meeting.

**47 MINUTES**

47.1 **RESOLVED** – That the minutes of the previous meeting held on 14 January 2020 be approved and signed as the correct record.

**48 CHAIR'S COMMUNICATIONS**

48.1 The Chair provided the following communications:

“I’m sad to see that there are no items of public or member involvement today. Over the last couple of meetings of this Committee, there have been a number of items submitted by members of the public and Members of this authority. These have led to a great deal of debate; some of it edging towards heated. This, in turn, has led to members substituting on this Committee to refer to it as ‘exciting’. I’m afraid that the lack of such items on today’s agenda will probably mean a return to the Committee’s previous reputation.

Nevertheless, there are a number of important issues before us today which will demand our full attention.

I’m particularly pleased to see item 53: update on internal audit actions in regard to Extra Care Housing. This report is before us as a result of the new protocol to follow up on any cases where two consecutive audit reports do not provide at least reasonable assurance.

Also, Committee members will note that the External Audit Progress and Audit Plan report was submitted late and is listed as the last item on the agenda. Due to the relevance of the items, should it be called, I intend to bring this item forward in the agenda to be taken after Item 54, the Internal Audit Strategy and Annual Audit Plan, should that be called”.

## **49 CALL OVER**

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

- Strategic Risk Focus: SR15, SR24, SR29, SR21 and SR26
- Extra Care Housing on Internal Audit Actions
- Internal Audit Strategy and Annual Audit Plan 2020/21
- External Audit progress Report and Audit Plan 2019/20
- Standards Update

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

- Internal Audit and Counter Fraud Progress Report- Quarter 3 (this item was later reserved for discussion)
- Counter Fraud Strategy

## **50 PUBLIC INVOLVEMENT**

50.1 There were none.

## **51 MEMBER INVOLVEMENT**

51.1 There were none.

## **52 STRATEGIC RISK FOCUS: SR15, SR24, SR29, SR21 AND SR26**

52.1 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.

- 52.2 Councillor Nemeth noted that he had raised a question at the previous meeting regarding SR36 and how the risk focussed on international efforts to address climate change and asked if there could be distinguishment on actions that could be taken on a local level.
- 52.3 The Risk Management Lead answered that the risk register and actions were regularly reviewed by ELT and there was a workshop planned in the next month to consider this issue.
- 52.4 Councillor Peltzer Dunn noted that the council contributed to just 2.5% of all emissions in the city and asked how it planned to leverage action on the other 97.5%.
- 52.5 The Interim Executive Director, Finance & Resources clarified that the Economy, Environment & Culture Directorate were working with stakeholders across the city and it may be useful to bring a report to a future meeting with an update on the issue.

**SR15: Not keeping children safe**

- 52.6 Councillor Hugh-Jones asked what assistance was provided to those not eligible for the Troubled Families programme.
- 52.7 The Acting Executive Director, Families, Children & Learning explained that people would be directed to community resources and the help offer from the community and voluntary sector was very good.
- 52.8 Dr Horne noted the recent LGA Peer Review and asked if there was anything the committee should be made aware of.
- 52.9 The Acting Executive Director, Families, Children & Learning stated that the report would not be made public until the following week however, officers were pleased about how the visit went. The Acting Executive Director, Families, Children & Learning added that some of the recommendations focussed on the offer of early help in the city and how that could be made more joined up going forward.

**SR24: The impact of welfare reform increases demand and need for services**

- 52.10 Councillor Henry asked if more information could be provided on casework provided to applicants and whether it included charities and other organisations.
- 52.11 The Revenues & Benefits Manager clarified that the Welfare Rights team supported clients and assisted with formal appeals to benefit decisions to the Department for Work & Pensions (DWP). Support was also provided to people making Personal Independence Payment (PIP) applications and this had become a more prominent feature of the work of the Benefit Cap team. Casework was also required for work on homelessness prevention.
- 52.12 Councillor Hugh-Jones asked if a resident was automatically provided support if they fell into rent arrears.

- 52.13 The Revenues & Benefits Manager stated that such monitoring would be undertaken by Housing services however, there were various indicators that could suggest someone was in financial difficulties. Work was ongoing as to how to bring this broader data together for early intervention.
- 52.14 Dr Horne stated that the Welfare Board could be a great strategic vehicle to deal with such a complex matter that involved multiple agencies and asked where it was intended that the Welfare Board would report to once it was established.
- 52.15 The Risk Management Lead clarified that this issue would be taken up with the relevant service and relevant programme board.
- 52.16 Councillor Appich asked for the percentage figure of Universal Credit claimants that were in Council Tax arrears.
- 52.17 The Revenues & Benefits Manager replied that figure was not to hand however, it was known that 64% of Universal Credit claimants were in rent arrears.

**SR29- Ineffective contract management leads to sub-optimal service outcomes, financial losses, and reputational damage**

- 52.18 Councillor Hugh-Jones noted that progress on a Contract Management Centre of Excellence was at 65% with a due date of the end of March 2020 and asked the likelihood that the action would be completed to that deadline. Furthermore, Councillor Hugh-Jones asked his reducing the Impact Level risk rating detailed on page 39 of the agenda was justifiable given the concerns detailed on page 40.
- 52.19 The Head of Procurement explained that progress had slowed on the Contract Management Centre of Excellence and as such, would be a priority in the next quarter with an expected completion of 6-9 months. With regard to the Impact Level rating, the Head of Procurement noted the increased awareness of contract management and its rise in prominence within the operation of the council was the basis for reducing the Impact Level risk rating.
- 52.20 Councillor Hugh-Jones replied that it was not entirely clear what specific steps were being put into place to improve contract management going forward.
- 52.21 The Head of Procurement clarified that the Corporate Procurement team were working with Directorate's to put forward invest to save programmes to offset and minimise risk.
- 52.22 Dr Horne noted that some of the actions identified had been in progress for some time and asked if the inability to complete these actions was due to capacity issues.
- 52.23 The Head of Procurement confirmed that investment in back office had been an issue in the overall landscape of the decreasing funding for local authorities.
- 52.24 Councillor Appich stated that there was no modelling available to compare private sector providers against in-house provision of services as part of the procurement process and asked if any work was being undertaken in this area.

52.25 The Head of Procurement confirmed that a great deal of work was being undertaken with the Procurement Advisory Board on this issue.

**SR26: Not strengthening the council's relationship with citizens**

52.26 Councillor Hugh-Jones asked why the City Volunteering Partnership had met only once in 2019, a reduction on its three meetings held in 2018.

52.27 The Interim Executive Director, Housing, Neighbourhoods & Communities replied that he was unsure and would provide an answer subsequent to the meeting.

52.28 Councillor Appich stated that the report highlighted an issue with handling complaints properly.

52.29 The Customer Experience Lead stated that there were issues differentiating between service queries and service complaints. The complaints process was seen as onerous and residents often redirected complaints directly to councillors. The Customer Experience team were able to help councillors with the issues raised and there would be benefit for future service delivery if complaints were centrally logged as this could identify themes and trends.

52.30 Councillor Appich asked if the Customer Experience team had access to issues raised through the iCasework software used by Members.

52.31 The Customer Experience Lead confirmed that they did have access although as the Member Enquires function was relatively new, there was many more robust procedures in relation to complaints using the software.

52.32 Helen Aston suggested the committee see detail on increasing risks at each meeting and any new top risks arising as a result of the Council agreeing its new Corporate Plan. This suggestion was agreed by the committee.

52.33 **RESOLVED-** That the Audit & Standards Committee:

- 1) Note the changes to the council's SRR agreed by ELT on 12 February 2020 as outlined in section 3.3.
- 2) Note Appendix 1 for details as at 19 February 2020 of SR15, SR24, SR29, SR21 and SR26.
- 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.

**53 EXTRA CARE HOUSING – UPDATE ON INTERNAL AUDIT ACTIONS**

53.1 The Committee considered a report of the Interim Executive Director, Finance & Resources that provided an update on progress on the actions within the follow-up Internal Audit report on Extra Care Housing as requested by the Committee at its meeting in January 2020.

53.2 **RESOLVED-** That the Committee note the report.

#### **54 INTERNAL AUDIT STRATEGY AND ANNUAL AUDIT PLAN 2020/21**

54.1 The Committee considered a report of the Interim Executive Director, Finance & Resources that proposed the programme of internal audit and counter-fraud work for the coming year and the Internal Audit Charter which sets out the purpose, authority and responsibilities of the Internal Audit function.

54.2 Councillor Hugh-Jones noted that the MCM Housing Application was reported as a potential risk at the previous meeting and asked if any update was available.

54.3 The Audit Manager replied that he was unsure of the current status but would update Members subsequent to the meeting.

54.4 Councillor Hamilton asked if school audits were undertaken to a planned schedule or whether they were random or targeted. Councillor Hamilton added that Members were rarely informed of Section 106 funding available and in his opinion, councillors should have more of a role in its allocation.

54.5 The Audit Manager clarified that allocation of S106 funding was subject to strict legislation. The Audit Manager added that the review would not necessarily concern the role of Members, more the sophistication and robustness of recording how the funding was used. However, there would be an opportunity to Members to comment on the finding and ask further questions once that review was reported. In relation to school audits, the Audit Manager answered that these were prioritised, typically this related to budget deficit issues or where a request was made to do so. Learning from each audit was communicated to other schools via guidance and briefings.

54.6 Councillor Hamilton asked if any follow-up audits were conducted.

54.7 The Audit Manager stated that follow-up audits were conducted where minimal or partial assurance had been assigned.

54.8 Dr Horne stated that whilst Health & Safety was a stable risk, its seriousness warranted an audit review. Furthermore, Dr Horne asked if it was intended to review cybersecurity in the context of its identification in the Risk Register.

54.9 The Audit Manager explained that Health & Safety had been removed from the long list Audit Plan however, it was very likely that there would be an audit undertaken in this area using the contingency days. The Orbis Chief Internal Auditor added that an audit on cybersecurity had been undertaken in 2019/20 with reasonable assurance assigned.

54.10 **RESOLVED-** That the Internal Audit Strategy and Annual Audit Plan for 2020/21 is approved

#### **55 EXTERNAL AUDIT PROGRESS REPORT AND AUDIT PLAN 2019/20**

- 55.1 The Committee considered a report that set out how the council's appointed auditor, Grant Thornton, intended to carry out their responsibilities as external auditor for the financial year ending 31 March 2020.
- 55.2 Councillor Appich enquired as to why the clearly trivial materiality level had fallen from £780,000 to £620,000.
- 55.3 The External Auditor explained that the clearly trivial materiality level was a reflection of overall materiality and there had been a reduction in that value compared to the previous year.
- 55.4 Councillor Hugh-Jones noted that pension fund net liability was listed as a significant risk and for more detail on the reason why that was felt.
- 55.5 The External Auditor explained that pension fund net liability was an estimate and required complex assessment to ascertain value. In the previous year, the External Auditor had recorded that the pension net liability was misstated by the council by a material amount.
- 55.6 Helen Aston asked if the External Auditor was satisfied with the progress being made toward adopting IFRS 16.
- 55.7 The External Auditor stated that their learning from many authorities was that disclosing the impact of IFRS 16 in the 2019/20 Statement of Accounts was a bigger and more challenging exercise than initially thought but he was not yet aware that it would be a challenge for Brighton & Hove.
- 55.8 **RESOLVED-** That the Audit & Standards Committee:
- 1) Notes the External Audit Plan 2019/20.
  - 2) Note the Progress Report and Sector Update

**56 INTERNAL AUDIT AND COUNTER FRAUD PROGRESS REPORT - QUARTER 3 (1 OCTOBER TO 31 DECEMBER 2019)**

- 56.1 The Committee considered a report of the Interim Executive Director, Finance & Resources that provided 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.
- 56.2 Referring to page 102, Councillor Peltzer Dunn stated that it would have been useful to know the reasons why the council was partially compliant with the Surveillance Camera Code of Practice (SC Code). In addition, Councillor Dunn referred to section 1.8 of the report and asked if improvements were needed in council housing estates alone or across all council properties.
- 56.3 The Audit Manager explained that there was slightly different governance and management arrangements for cameras on council housing estates so this area was

reviewed specifically. In response to the question raised on the SC Code and partial compliance, the main shortfalls were listed at section 1.8 of the report but a more detailed list could be circulated to the committee.

- 56.4 Councillor Peltzer Dunn asked what different governance arrangements applied to the council's housing estates and other land the council owned such as the Royal Pavilion.
- 56.5 The Audit Manager explained that the differences arose in the distinction between the council's civic role in public areas and its role as landlord on its housing estate.
- 56.6 Referring to the action tracking and three priorities listed on pages 107 and 108 of the agenda, Councillor Hugh-Jones noted that whilst these were picked up in the 2020/21 Internal Audit Plan, short-term measures may be required as all three areas were drifting from target.
- 56.7 The Audit Manager explained that with reference to the third action, the nature of the arrangement between the council and Brighton & Hove Seaside Community Homes created a potential significant financial risk to the council. Any resolution would require a new arrangement with Brighton & Hove Seaside Community Homes but he was unsure of progress.

**56.8 RESOLVED-**

- 1) That the Committee note the report.
- 2) That the Executive Director, Health & Adult Social Care reports back to the next Audit and Standards Committee on the actions being taken by management in response to the follow-up Internal Audit report on Home Care.

**57 COUNTER FRAUD STRATEGY**

- 57.1 **RESOLVED-** That the Committee approve the Counter Fraud Strategy.

**58 STANDARDS UPDATE**

- 58.1 The Committee considered a report of the Head of Law & Monitoring Officer that provided an update on Member related complaints.
- 58.2 Councillor Hamilton noted that the modest allowance paid to Independent Members had not been reviewed since 2013 and asked if that could be undertaken on the basis of their positive input to the council's governance arrangements.
- 58.3 The Chair noted that the Independent Remuneration Group were currently seeking contributions and they would be notified of Councillor Hamilton's request.
- 58.4 **RESOLVED-** That the Committee note the information provided in this Report on Member complaints and on standards-related matters.

**59 ITEMS REFERRED FOR COUNCIL**



59.1 No items were referred to Full Council for information.

**60 ITEMS FOR THE NEXT MEETING**

- 60.1 The Committee discussed holding a special meeting to review the draft Statement of Accounts ahead of their finalisation at the next meeting in July. It was agreed to discuss the practicalities of holding an internal or public meeting subsequent to the meeting.
- 60.2 Councillor Hugh-Jones noted that the housing repairs service was due to be taken in-house on 1 April and asked if the next meeting in July would be too early to receive an update on that process.
- 60.3 The Audit Manager stated that an update could be provided by the service or a summary in the regular Internal Audit update report.

The meeting concluded at 6.30pm

Signed

Chair

Dated this

day of

