Brighton & Hove City Council

AUDIT COMMITTEE

ANNUAL REPORT 2009/10

Councillor L. Hamilton, Chair
Councillor D. Watkins, Deputy Chair

Forward by the Chair of the Audit Committee



This is my second year as Chair and I am pleased to present the Audit Committee's Annual Report for 2009/10, to both the Committee and to full Council. The report shows how the Audit Committee has successfully achieved its objectives contained in its terms of reference, developed its role and continued to make a positive contribution to the council's governance and control environment.

The council achieved a commendable 3 out of 4 on the new, tougher, Use of Resources Assessment. The Audit Committee plays a significant role in relation to the assessment, firstly its own arrangements complying with good practice and secondly overseeing many of the arrangements that are reflected in the assessment.

The next few years will be significant in terms of financial pressures on our services. How we therefore use the resources available will become even more important and how we risk manage our priorities, partnerships and services will be crucial. We will need to ensure a robust governance and control framework and be increasingly vigilant to the risk of fraud.

I would like to take the opportunity to thank both the committee members and the officers that support the committee's work. I would also like to thank the Audit Commission for their support and regular attendance at meetings.

During the year officers have presented professional reports, taking on board comments, suggestions and ensuring improvements have been made.

I have enjoyed leading the committee and working with officers to further enhance the council's governance arrangements.

Introduction

1. The Audit Committee, is in its third year, succeeding the Audit Panel. The Audit Committee's activities during the year built on the positive contribution from previous years to the improvement of governance arrangements across the council.

2. The Audit Committee's role is principally to underpin the Council's governance processes by providing independent challenge and assurance of the adequacy of risk management, internal control (including internal audit External audit and counter fraud) and financial reporting frameworks (Appendix 1: Terms of Reference).

3. This is the first annual report from the council's Audit Committee. It is produced in accordance with latest best practice[1] and details the work and outcomes of the Audit Committee in 2009/10 and that the council is committed to working as an exemplar organisation, operating to the highest standards of governance.

Audit Committee Members

4. There have been 5 meetings during 2009/10 and these are shown in the Summary of the Audit Committee Work Programme at Appendix B. The number of meetings is aligned to the business needs of the council.

5. The Audit Committee consists of 10 Members and detailed in Table 1 below. During the year, Councillor Taylor replaced Councillor Randall. In addition nominated substitutes attended as required.

Table 1: Members of the Audit Committee (2009/10)

Member	Role
Councillor Les Hamilton	Chair
Councillor David Watkins	Vice Chair
Councillor Jason Kitcat	Member
Councillor Brian Oxley	Member
Councillor Fallon-Khan	Member
Councillor Randall (Part Year)	Member
Councillor Taylor (Part Year)	Member
Councillor Smith	Member
Councillor G. Theobald	Member
Councillor Simpson	Member
Councillor Alford	Member

[1] Best practice as contained in the CIPFA Publication, "A Toolkit for Local Authority Audit Committees"

Training & Development

6. In order to be effective, it is recognised that members of the Committee should have a clear understanding of their role, internal control and governance issues, internal and external audit, risk and opportunity management and how the arrangements in place across the council operate.

7. In June 2009, an internal training workshop was provided to Members by the then Interim Director of Finance & Resources and Head of Audit & Business. This has been further supplemented by briefings on specific issues , functions and responsibilities of the Audit Committee

Core Activities 2009/10

8. The Audit Committee's terms of reference contains a number of functional responsibilities and these have been interpreted into seven core activity areas. The Audit Committee's work and outcomes in each of these areas are summarised in the following sub sections:

Internal Audit

9. Internal Audit is a key source of assurance for both officers and Members on the effectiveness of the control environment and governance. The Audit Committee has responsibility for ensuring that Internal Audit is effective in the provision of that assurance. The Audit Committee has:

- Approved the Internal Audit Strategy and Annual Plan for 2009/10
- Considered regular progress reports from the Head of Audit & Business Risk highlighting internal audit work completed in particular audit reviews, internal audit performance against key indicators and any significant issues
- Considered the Head of Audit & Business Risk's Annual Report and opinion on the council's governance and internal control environment
- Considered the statutory review of the effectiveness of the system of internal audit that included members involvement providing independent challenge and gaining greater understanding of internal audit
- Ensured the internal audit and external audit plans were complementary and provided optimum use of the total audit resource
- Continue to provide support to ensure management is responsive to audit recommendations made and agreed
- Referred items of concern to Cabinet Leads and Scrutiny as applicable

External Audit

10. The Audit Committee:

- Considered the Audit Commission's Annual Audit & Inspection Plan
- Considered progress reports against the plan
- Considered the outcome of the Comprehensive Area Assessment in particular Use of Resources
- Considered Fees Letters
- Considered Annual Audit Letter
- Received presentation on the Role of the Audit Commission
- Considered individual reports from reviews carried out, namely Review of Internal Audit and Good Governance

Risk and Opportunity Management

11. The Audit Committee:

- Received and considered Risk and Opportunity Corporate Register Updates
- Considered and maintains the Risk and Opportunity Strategy
- Considers outcome of the Risk and Opportunity Management Programme
- Received and considers individual risk maps on corporate risks

Internal Control and Governance

12. The Audit Committee:

- Agreed the council's Annual Governance Statement 2008/09 and action plan for improvement
- Reviewed and provided letter to external audit on providing assurance from those charged with governance

13. The Annual Governance Statement is a key document which summarises the council's governance arrangements and the effectiveness of these during the year.

Counter Fraud

14. The Audit Committee:

- Considered outcome and savings from the National Fraud Initiative (NFI)
- Considered and supported changes to the Counter Fraud Strategy
- Considered the outcome of counter fraud activity as part of the Head of Audit & Business Risk's Annual Report

Financial

15. The Audit Committee:

- Agreed the Annual Statement of Accounts for 2008/09
- Received and considered the external auditor's report on the accounts and council's responses to comments
- Received periodic reports on the council's budget performance (TBM)

Other Activities

16. The Audit Committee:

- Considered the effectiveness of ICT Business Continuity
- Considered reports on Treasury Management Policy Update and Annual Investment Strategy

Looking Forward

17. We want to continue to develop our role and build on our current status. For 2010/11 the Committee will:

- Continue to review all governance arrangements to ensure they are robust with focus on the continued transformation of the council, new operating model and financial pressures in particular relating to the continued transformation of the council and financial pressures

- Continue to support and embed the role of risk and opportunity management

- Continue to support the work of Internal and External Audit and ensure appropriate management actions to recommendations made

- Ensure the council maintains and further improves the standards in relation to the production of accounts

- Closely monitor the implementation of the International Reporting Standards

- Continue to help the council to manage the risk of fraud and corruption, in particular by taking proactive measures

- Equip existing and new Members to fulfil responsibilities by providing training, briefings and good practice guidance

Appendix 1

Audit Committee Terms of Reference

Explanatory Note

The Audit Committee oversees the Council's arrangements for the discharge of its functions in connection with finance, risk management and audit arrangements . It makes recommendations to the Council, the Cabinet, officers or other relevant body within the Council.

Functions

To carry out independent scrutiny and examination of the Council's financial and non-financial processes, procedures and practices to the extent that they affect the Council's exposure to risk and weakness in the control environment with a view to :

- Providing independent assurance of the adequacy of the risk management and associated control environment;
- Providing assurance on the adequacy of the Council's audit arrangements ;
- Securing robust performance and risk management arrangements; and
- Making recommendations to the Cabinet, Council or Directors as appropriate
- To consider the Council's risk management arrangements and make recommendations to the Cabinet, Council or its Committees.
- To approve the Annual Governance Statement and Annual Statement of Accounts

Appendix 2

Summary of the Audit Committee Work Programme 2009/10

Meeting Date	Report	Area
19th May 2009	Audit Commission Progress Report	External Audit
	Annual Audit & Inspection Fees Letters	External Audit
	Assurances from those charged with governance	Internal Control & Governance
	Annual Internal Audit Strategy & Annual Plan 2009/10	Internal Audit
	Review of the Effectiveness of the System of Internal Audit	Internal Audit
	Risk and Opportunity Management Update – Corporate Risk Register 2009/10	Risk Management
30th June 2009	Audit Commission Progress Report	External Audit
	Supplementary Fee Letter 2008/09	External Audit
	ICT – Business Continuity	Other Activities
	Targeted Budget Management Provisional Out Turn 2008/09	Financial Management
	Statement of Accounts 2008/09	Financial Management
	Annual Governance Statement 2008/09	Internal Control and Governance
	Assurances from those charged with governance	Internal Control and Governance
	Outcome of the Risk and Opportunity Management Programme 2008/09	Risk Management
Part 2	Review of Corporate Risk Management Action Plans (MAPs) 2009/10	Risk Management
29th September 2009	Audit & Business Risk Annual Report and Opinion 2008/09	Internal Audit
	Audit Committee Work Programme	Internal Control & Governance
	Audit Commission: Annual Governance Report 2008/09	External Audit
	Audit Commission: Health Inequalities Assessment Report	External Audit
	Targeted Budget Management (TBM) Month 4	Financial Management
	Audit & Business Risk Progress Report	Internal Audit
	Risk & opportunity Management Update	Risk Management
	ICT Risks – Business Continuity	Other Activities
Part 2	Corporate Risk Management Action Plan Focus	Risk Management
15th December 2009	Treasury Management Policy Statement 2009/10 (including Annual Investment Strategy 2009/10)	Other Activities
	Audit Commission Update and Audit & Inspection Plan	External Audit
	Good Governance Report	External Audit
	Review of Internal Audit	External Audit
	Annual Audit Letter	External Audit
	Audit & Business Risk Progress Report	Internal Audit
	Annual Governance Statement 2008/09 – Action Plan Update	Internal Control and Governance
	Targeted Budget Management (TBM) Month 6	Financial Management

Meeting Date	Report	Area
Part 2	Corporate Risk and Opportunity Register Update	Risk Management
	Corporate Risk Management Action Plan Focus	Risk Management
30th March 2010	Treasury Management Policy Statement	Other Activities
	Annual Investment Strategy 2010-11	Other Activities
	Comprehensive Area Assessment	External Audit
	The Role of the Audit Commission	External Audit
	Audit Progress Report	External Audit
	Certification Claims and Returns Annual Report	External Audit
	Fees Letter	External Audit
	Targeted Budget Management (TBM) Month 9	Financial
	Risk and Opportunity Management Update	Risk Management
Part 2	Corporate Risk and Opportunity Register Update	Risk Management
	National Fraud Initiative 2008/09 Outcomes	Counter Fraud