

AUDIT COMMITTEE

Agenda Item 20

Brighton & Hove City Council

BRIGHTON & HOVE CITY COUNCIL

AUDIT COMMITTEE

4.00PM – 26 JUNE 2008

HOVE TOWN HALL

MINUTES

Present: Councillors: Hamilton (Chairman); Alford, Kitcat, Mrs A Norman, Older, Simpson, Smart, Smith Watkins and West.

PART ONE

ACTION

1. PROCEDURAL BUSINESS

1A. Declarations of Substitutes

1.1 Substitute Councillor

For Councillor

Mrs A Norman
Older
Smart
West

Oxley
G Theobald
Lainchbury
Randall

1B. Declarations of Interest

1.2 There were none.

1C. Exclusion of Press and Public

1.3 The Committee considered whether the press and public should be excluded from the meeting during the consideration of any items contained in the agenda, having regard to the nature of the business to be transacted and the nature of the proceedings and the likelihood as to whether, if members of the press and public were present, there would be disclosure to them of confidential or exempt information as defined in Schedule 12A, Part 5A, Section 100A(4) or 100 1 of the Local Government Act 1972 (as amended).

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

2. CHAIRMAN'S COMMUNICATIONS

- 2.1 The Chairman welcomed all Members to the meeting and confirmed that the next scheduled meeting of the Committee would take place on 30 September and that would training session would take place for Members prior to that. A separate letter would be sent to Members confirming the dates/ timing of the training session and in respect of the meeting itself . He stated that one of the key purposes of the meeting would be to sign off the Council's Statements of Accounts.

3. CALLOVER

- 3.1 It was agreed that all items set out on the agenda would be discussed .

4. PUBLIC QUESTIONS

- 4.1 There were none.

5. WRITTEN QUESTIONS FROM COUNCILLORS

- 5.1 There were none.

6. PETITIONS

- 6.1 There were none.

7. DEPUTATIONS

- 7.1 There were none.

8. LETTERS FROM COUNCILLORS

- 8.1 There were none.

9. NOTICES OF MOTION

- 9.1 There were none.

10. AUDIT COMMITTEE TERMS OF REFERENCE

- 10.1 Councillor Alford sought clarification regarding the respective roles and responsibilities of the Overview and Scrutiny Committee in respect of Finance . The Chairman responded that discussions as to the precise roles of each of these respective bodies was still being discussed (as Chairman he would be involved in that process) and that it was anticipated that a report would be submitted to the September meeting of the Committee.
- 10.2 The Committee considered a report of the Director of Strategy and Governance (for copy see minute book).

10.2 **RESOLVED** - That the contents of the report be noted.

11. ANNUAL AUDIT PLAN

11.1 The Committee considered a report of the Director of Finance and Resources summarising the work to be carried out by the external auditor for the 2008 / 09 audit year (for copy see minute book).

11.12 The newly appointed District Auditor, Mrs Helen Thompson introduced herself and referred to the changes to the assessment procedures which had recently taken place. She explained that she would be working closely with the relevant officers within the Council and internally. In answer to questions she explained that changes had been made to the manner in which the Government required data to be collated and recorded.

11.3 Councillor Mrs A Norman sought confirmation regarding how fees for the work carried were allocated stating that in the past Members had also sought clarification regarding this matter expressing concern at the time that it sometimes took in order for the respective accounts to be audited and signed off. Councillors Simpson and Watkins also enquired in respect of this matter. It was explained that the level of checking currently required by central government was more complex than had previously been the case. These requirements had arisen in response to financial irregularities or unacceptable exposure to risk which had occurred in the private sector, however the same level of assessment was now required of the public sector / local authorities. A "complete" regime was now in place which went far beyond localised assessment of risk this was also reflected in the costs of carrying out the independent audit process.

11.4 Members welcomed the undertaking given that as far as practicable they would receive regular on-going reports throughout the year which would act as an early warning system should any areas of risk or potential overspend be identified.

11.5 In answer to questions the Director of Adult Social care and Housing confirmed that as soon as the most recent performance indicators for housing were available a report would be put forward to the Committee. It was anticipated that this would come forward as a report to the September Committee meeting and that areas of weakness previously identified had seen significant improvements .

11.6 **RESOLVED** – (1) That the contents of the report be noted.

12. STATEMENT OF ACCOUNTS 2007 / 08

12.1 The Committee considered a report of the Director of Finance & Resources setting out the draft Statement of Accounts for 2007 /

08. (For copy see minute book).

- 12.2 It was noted that the accounts were presented in "draft" format as they had yet to be audited by the District Auditor. It was expected that the District Auditor would present an annual Governance Report to the September meeting of the committee on the conclusion of the audit of the 2007 / 08 financial statements.
- 12.3 It was also explained that it was a requirement of the current Accounts and Audit Regulations that the Council's Statement of Accounts should be approved by Members and signed off by the Chairman of the Committee in concert with the Chief Executive and the Director Finance & Resources by 30 June 2008.
- 12.4 Details of measures undertaken in order to make prudent additions to the Council's existing reserves were explained and noted. The representative present from the District Auditor's Office explained the terminology used as well as the role and responsibilities of the Committee in approving and the accounts and authorising the Chairman to sign them off in concert with the Chief Executive and Director of Finance and Resources. In answer to questions it was explained that individual Members did not carry any personal liability where the accounts had been accepted and signed off in good faith.
- 12.5 **RESOLVED** - (1) That the Statement of Accounts for 2007 / 08 be approved and that it be noted that these will be subject to audit ;
- (2) It be noted that the actual revenue outturn for the Council for 2007 / 08 was an underspend of £0.244 million;
- (3) That the allocations from the general Reserves approved by the Cabinet at its meeting on 12 June 2008 be noted ;
- (4) That it be noted that the individual overspendings and underspendings would not be carried forward to 2007 / 08 and that the £0.244 million underspend had been transferred to General Reserves ;
- (5) That the surplus / deficit on the Housing Revenue Account for the year of £1.439 million, which had been transferred to the HRA balances, be noted ; and
- (6) That the provisions and contingent liabilities included in the accounts be noted .

13. **SHOREHAM AIRPORT STATEMENT OF ACCOUNTS APRIL - JUNE 2008**

- 13.1 The Committee considered the Statement of accounts to 30 June 2006, which represented the revised Statement of Accounts for that period. It was noted that the accounts had first been

submitted to the Policy and Resources Committee on 28 June 2007 but had now been revised following advice from the external auditors (Audit Commission)(for copy see minute book).

- 13.2 It was noted that Shoreham Airport had been sold to the Erinaceous Group plc on 30 June 2006 and the accounts before the Committee would therefore be the last set produced and that they covered the period 1 April 2006 to 30 June 2006. The Balance sheet as a at 30 June 2006 showed nil balances following distribution of residual balances to the Council and Worthing Borough Council (the other owning authority) in the proportion of 2/3rd to 1/3rd respectively .
- 13.3 Councillor Alford queried the whether the dates set out in the report relative to land raising were correct. It was explained that they were correct and that a scrutiny exercise had subsequently been carried out relating specifically to that activity .
- 13.4 **RESOLVED** – (1) That the contents of the report be noted ; and
(2) That the draft management representation letter be approved.

14. SHOREHAM AIRPORT ANNUAL GOVERNANCE REPORT

- 14.1 The Committee considered the Annual Governance report prepared by the Council's external auditors (District Audit)(for copy see minute book).
- 14.2 The representative present from District Audit explained that a qualified opinion had been issued on the financial statements on the grounds that there had been limited scope for them to carry out their work . This is because it had not been possible to confirm some of the entries in the Income and Expenditure Account, primarily on the basis that that there had not been access to all records and explanations needed for the 3 months to 30 June 2006 in the period immediately prior to the airport being sold . This qualification had been discussed with Officers of both Brighton & Hove City Council and Worthing Borough Council.
- 14.3 **RESOLVED** - That the content of the report be noted.

15. AUDIT AND ASSURANCE ANNUAL REPORT AND OPINION 2007 / 08

- 15.1 The Committee considered a report of the Director of Finance and Resources relative to the Audit and Assurance Annual report 2007 / 08 (for copy see minute book).
- 15.2 The report summarised the internal audit activity which had taken place during 2007 / 08 and based on this an assurance opinion on the internal control environment which was set out in full in Appendix 1 to the report. The opinion as set out in the report

contributed to the annual review of governance arrangements required by the Accounts and Audit Regulations 2006.

- 15.3 In answer to questions put by Councillors Older and Simpson it was explained that further update reports would be provided throughout the year . The purpose of the reports was to ensure that the Committee were fully aware of the on - going work being carried out , the rationale for it and the action taken where any weakness or areas for improvement had been identified. Councillor Alford sought and was given assurances that the Council's systems were considered to be sufficiently robust overall and were subject to continuous monitoring .
- 15.4 **RESOLVED** - That the internal audit activity and opinion on the control environment for 2007 ./ 08 be noted .

16. ANNUAL GOVERNANCE STATEMENT

- 16.1 The Committee considered a report of the Director of Finance and Resources setting out the Council's Annual Governance Statement in accordance with its statutory duty under the accounts and Audit Regulations 2003 (amended 2006) to publish an annual Governance Statement (for copy see minute book).
- 16.2 It was explained that the purpose of the report was to present Members of the Committee for comment, challenge and approval the assessment of the City Council's corporate governance arrangements and Annual Governance Statement . It was explained in answer to questions that the actual assessment which formed the basis of the actual assessment was set out in Appendix 1 to the report. Noted that further up date reports would be provided to future meetings of the Committee.
- 16.3 **RESOLVED** - (1) The annual assessment of the City Council's corporate governance arrangements be approved ;
- (2) The Annual Governance Statement be approved for inclusion with the Statement of Accounts ; and
- (3) The continuing improvements being made to the City Council's governance arrangements be noted.

17. TARGETED BUDGET MANAGEMENT (TBM) REVENUE OUTTURN 2007 / 08

- 17.1 The Committee received the report of the Director of Finance and Resources which had been considered and approved by Cabinet at its meeting held on 12 June 2008 (for copy see minute book).
- 17.2 The purpose of the report was to set out the revenue outturn for 2007 / 08 for General Fund, Section 75 partnerships and Housing Revenue Account (HRA) as at 31 March 2008. it was

noted that these figures were still subject to audit .

- 17.3 In answer to questions from Councillors West and Kitcat it was confirmed that the recommendations contained in the report were those which had been agreed by Cabinet at their meeting of 12 June. The report had been forwarded to the Audit Committee for its information only as had item 18 referred to below. .

RESOLVED - That the content of the report approved by the Cabinet at its meeting held on 12 June 2008 be noted .

18. TARGETED BUDGET MANAGEMENT (TBM) CAPITAL OUTTURN 2007 / 08

- 18.1 The Committee considered a report of the Director of Finance and Resources which had been considered and approved by Cabinet at its meeting held on 12 June 2008 (for copy see minute book).

- 18.2 **RESOLVED** - That the content of the report approved by the Cabinet at its meeting held on 12 June be noted .

The meeting concluded at 6.10 pm

Signed

Chairman

Dated this

day of

2008

