

BRIGHTON & HOVE CITY COUNCIL

AUDIT COMMITTEE

4.00pm 27 SEPTEMBER 2011

COMMITTEE ROOM 3, HOVE TOWN HALL

MINUTES

Present: Councillors Hamilton (Chair), Follett (Deputy Chair), Jarrett, Mitchell, Pissaridou, Sykes, Wakefield, Cobb, Oxley and Wealls

PART ONE

PROCEDURAL BUSINESS

18a Declaration of Substitutes

18.1 Councillor Cobb declared that she was substituting for Councillor Norman and Councillor Oxley declared he was substituting for Councillor Smith.

18b Declarations of Interest

18.2 There were none.

18c Exclusion of the Press and Public

18.3 In accordance with section 100A of the Local Government Act 1972 ('the Act'), the Committee considered whether the press and public should be excluded from the meeting during an item of business on the grounds that it was likely, in view of the nature of the business to be transacted or the nature of the proceedings, that if members of the press or public were present during that item, there would be disclosure to them of confidential information (as defined in section 100A(3) of the Act) or exempt information (as defined in section 100I of the Act).

18.4 **RESOLVED** - That the press and public be excluded from the meeting during consideration of Item 33 onwards.

19. MINUTES OF THE PREVIOUS MEETING

19.1 **RESOLVED-** That the minutes of the previous meeting held on 28 June 2011 be approved and signed as the correct record.

20. MINUTES OF THE PREVIOUS MEETING

- 20.1 In his Communications, the Chair informed Members of revisions to Item 27 and of an additional item on the agenda, allocated the number 33a: 'Corporate Risk Management Action Plan Focus – SR4 City wide employability and SR5 Ability to attract new capital investment in the City under the auspices of the City Council' for which the Strategic Director, Place would be in attendance.

21. PETITIONS

- 21.1 There were none.

22. PUBLIC QUESTIONS

- 22.1 There were none.

23. DEPUTATIONS

- 23.1 There were none.

24. LETTERS FROM COUNCILLORS

- 24.1 There were none.

25. WRITTEN QUESTIONS FROM COUNCILLORS

- 25.1 There were none.

26. AUDIT COMMISSION: ANNUAL GOVERNANCE REPORT

- 26.1 The Committee considered a report of the Audit Commission that summarised the findings of their 2010/11 audit undertaken to assess the Council's arrangements to secure value for money in the use of its resources. The report issued an unqualified conclusion stating the Council had proper arrangements in place to secure economy, efficiency and effectiveness in the use of its resources.
- 26.2 Councillor Oxley commended Officers for adapting to the International Financial Reporting Standards (IFRS) so effectively. However, he was disappointed that control weaknesses had again been identified within the Payroll system as significant resources

had been invested for improvement. He strongly recommended that Committee members strictly monitor this issue.

- 26.3 The Director of Finance stated that the transition to the Midland iTrent system had provided much greater potential for monitoring however, this potential was yet to be realised. Comprehensive work was planned to ease the back log in the storing of records which had been an issue however, the Director of Finance felt it would be appropriate for the Committee to request a formal update from the Head of Service on the matter.
- 26.4 The Chair agreed that an update was vital. It also felt that the Cabinet Member for Finance and Central Services be made aware of the Committee's concerns. Councillor Follett recommended that the Committee request a formal timeline of action.
- 26.5 Councillor Wealls enquired if the complex data associated with the calculation of pension payments had been checked for error.
- 26.6 The Director of Finance clarified that no errors had been identified from the tests undertaken. She added that, the variety of weekly and monthly payments as well as other allowances made the payroll system itself complex and gave scope for error. Work was beginning to simplify this process but would entail major discussions with staff and trade unions.
- 26.7 Councillor Wealls noted the report drew attention to the Council's costs being higher than similar authorities.
- 26.8 The District Auditor replied that this was an observation rather than an analysis. The Audit Commission were satisfied that the Council's costs adequately matched its priorities and good Value for Money methods were in place.
- 26.9 The Director of Finance advised the Committee on the reasons for not adjusting the misstatements suggested by the Audit Committee.
- 26.10 **RESOLVED-** That the Audit Committee:
- (1) Note the adjustments to the financial statements which are set out in Appendix 2 of the report.
 - (2) Refuse to adjust the errors in the financial statements which management has declined to amend set out in Appendix 3 of the report and agree to set out the reasons for not amending the errors.
 - (3) Approve the letter of representation on behalf of the Council before the audit opinion and value for money conclusion are given.
 - (4) Agree the action plan included at Appendix 5 of the report.
 - (5) That the Committee request a formal timeline of action undertaken to improve the Payroll system.

27. 2010/11 STATEMENT OF ACCOUNTS

- 27.1. The Committee considered a report of the Director of Finance that presented the revised 2010/11 Statement of Accounts following auditing. It outlined the amendments made to the statements since they were last presented to the Committee and provided assurances to the Committee in relation to the preparation of the Statement of Accounts.
- 27.2. Councillor Wealls noted that the carry forward in schools balances was high in value. He asked if schools were failing to spend money provided to them.
- 27.3. The Director of Finance answered that schools budgets were hard to analyse due to the overlapping periods in the financial year and school year. The carry forward figure was in fact, relatively low compared to similar authorities and an increase she welcomed. Of more concern were the deficit levels in particular school budgets.
- 27.4. Councillor Wealls asked why there was currently a deficit.
- 27.5. The Director of Finance replied that the current deficit was permitted in agreement with the Strategic Director, People due to falling pupil numbers in some schools. An action plan was currently in place to address this and she was of the opinion that schools were managing this effectively.
- 27.6. Councillor Oxley enquired about the large swing (£8.093m) from surplus to deficit in the Collection Fund.
- 27.7. The Director of Finance clarified that whilst the figure appeared large, as a percentage this movement was quite modest. She informed the Committee of the significant change in occupancy demographic city-wide and the resultant impact upon the collection fund. In response, a major programme of inspection of 1,000 premises was underway.
- 27.8. The Chair praised the significant work undertaken by Finance Officers and the Audit Commission in the preparation, composition and audit of this years Statement of Accounts. On behalf of the Committee, he passed thanks to all concerned.
- 27.9. **RESOLVED-** That the Audit Committee:
- (1) Note the findings of the Audit Commission in their Annual Governance Report (AGR)
 - (2) Note the adjusted misstatements to the 2010/11 Statement of Accounts (paragraph 8.3).
 - (3) Accept the advice in relation to unadjusted misstatements and agree that they should not be adjusted for (paragraphs 8.4).
 - (4) Note the results of the public inspection of the accounts (Section 10).
 - (5) Approve the letter of representation on behalf of the council (Appendix 1 of this report).

- (6) Approve the management responses to the action plan in the AGR
- (7) Approve the audited Statement of Accounts for 2010/11.

28. AUDIT COMMISSION: CHANGES TO THE LOCAL AUDIT REGIME

- 28.1. The Audit Committee considered a verbal update from the Audit Commission on changes to the local audit regime. The update provided current information on the transfer process of the Commission including expected timeframes.
- 28.2. **RESOLVED-** That the Audit Committee notes the update on the changes to the local audit regime.

29. TARGETED BUDGET MANAGEMENT (TBM): MONTH 4

- 29.1 The Committee considered a report of the Director of Finance that set out the revenue and capital forecast outturn position for 2011/12 as at Month 4. The report had been considered and approved at Cabinet on 22 September 2011.
- 29.2 Councillor Oxley commented that in the past the provisional outturn position had been accompanied by previous years figures so as to provide context to Members. He asked if it was possible that this could be re-introduced.
- 29.3 The Director of Finance agreed with Councillor Oxley as to the benefit of including such data and she would examine the possibility of doing so for future reports.
- 29.4 Councillor Wealls enquired why the uncertainty for Management Structures under the Value for Money Programme was of such high value.
- 29.5 The Director of Finance replied that the programme of Management and Administration savings underpinned by the Voluntary Severance Scheme had created this uncertainty. The programme was very ambitious and not expected to achieve 100% of the savings required. This was managed by the setting aside of ample risk provision. Continued savings would need to come from 'natural turnover', further service re-design and a prolongation of the tight controls upon recruitment.
- 29.6 **RESOLVED-** That the Audit Committee notes the report

30. RISK MANAGEMENT ANNUAL REPORT 2010/11 AND PROGRAMME 2011/12

30.1 The Committee considered a report of the Director of Finance that provided an annual report of the progress against the approved annual Risk and Opportunity Management (ROM) Programme 2010/11 and proposed Risk Management Programme for 2011/12.

30.2 **RESOLVED-** That the Audit Committee:

- (1) Notes the progress against the annual ROM programme 2010/11 at Appendix 1.
- (2) Approves the annual RM programme 2011/12 at Appendix 2.

31. INTERNAL AUDIT PROGRESS REPORT AND INTERNAL AUDIT PLAN 2011/12 UPDATE

31.1 The Committee considered a report of the Director of Finance that detailed progress against the Internal Audit Plan for 2011/12.

31.2 The Chair asked if the relevant Cabinet Members had been made aware of the audit reviews given limited assurance.

31.3 The Head of Audit and Business Risk clarified that Heads of Service had been requested to discuss audit reviews given limited assurance with their Cabinet Members.

31.4 Councillor Wealls noted the Performance Indicators and queried if a 72% implementation of agreed management actions against a target of 85% was of acceptable standard.

31.5 The Head of Audit and Business Risk replied that this was indicative of a changing strategic structure rather than poor performance. The Director of Finance added that the data was based upon work in progress and she would expect an increase on this figure.

31.6 **RESOLVED-** That the Audit Committee:

- (1) Notes the contents of this progress report, in particular the status of planned internal audit work for 2011/12.
- (2) Agrees the changes to the Annual Internal Audit Plan for 2011/12 as set out in paragraph 9.3 and Table 3.

32. THE BRIBERY ACT 2010

32.1 The Committee considered a report of the Director of Finance that summarised the key issues arising from the Bribery Act 2010 and it would impact upon the Local Authority.

32.2 **RESOLVED-** That the Audit Committee:

- (1) Notes the new legislation together with the Council's current response.
- (2) Notes the significant issues contained in the report

33. PART TWO MINUTES OF THE PREVIOUS MEETING (EXEMPT- CATEGORY 3)

33.1 **RESOLVED-** That the Part Two minutes of the previous meeting held on 28 June 2011 be approved and signed as the correct record.

33a. CORPORATE RISK MANAGEMENT ACTION PLAN FOCUS – SR4 'CITY WIDE EMPLOYABILITY' & SR5 'ABILITY TO ATTRACT NEW CAPITAL INVESTMENT IN THE CITY UNDER THE AUSPICES OF THE CITY COUNCIL'

33a.1 The Committee considered a verbal update from the Strategic Director, Place on two strategic risks- Strategic Risk 4 'City wide employability and Strategic Risk 5 'Ability to attract new capital investment in the city under the auspices of the City Council'.

33a.2 **RESOLVED** - That the Audit Committee accept the recommendations as detailed in the Part Two confidential report.

34. INVESTIGATION INTO HOVE TOWN HALL INCOME LOSSES (EXEMPT- CATEGORY 3 & 7)

34.1. The Committee considered a report of the Director of Finance that provided Members with information on an investigation undertaken into losses at the Hove Town Hall Drop Safe.

34.2. **RESOLVED** - That the Audit Committee accepts the recommendations as detailed in the Part Two confidential minutes.

35. PART TWO ITEMS

35.1. **RESOLVED-** That the above items remain exempt from disclosure from the press and public.

The meeting concluded at 6.20pm

Signed

Chair

Dated this

day of