

### BRIGHTON & HOVE CITY COUNCIL

### AUDIT & STANDARDS COMMITTEE

4.00pm 26 JUNE 2012

### COUNCIL CHAMBER, HOVE TOWN HALL

### MINUTES

**Present:** Councillors Hamilton (Co-Chair), A Norman (Opposition Spokesperson), Duncan, Follett, Lepper, Smith, Sykes and Janio

**Independent Members:** Dr M Wilkinson (Co-Chair), Mr P Rose

**Rottingdean Parish Council Representatives:** Mr J Bustard

### PART ONE

#### 1. PROCEDURAL BUSINESS

##### 1a) Declaration of Substitutes

1.1 Councillor Janio was present in substitution for Councillor Wealls.

##### 1b) Declarations of Interest

1.2 There were none.

##### 1c) 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 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).

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

#### 2. MINUTES OF DECOMMISSIONED COMMITTEES

2.1 The minutes of the Standards Committee held on 17 April 2012, and the Minutes of the Audit Committee held on 24 April 2012 were noted.

**3. CHAIR'S COMMUNICATIONS**

- 3.1 The Co-Chair, Councillor Hamilton, thanked the Committee for agreeing the amended start time.

**4. TERMS OF REFERENCE**

- 4.1 **RESOLVED** – That the Committee note the terms of reference.

**5. COMMITTEE START TIMES**

- 5.1 **RESOLVED** – That the Committee agree a revised start time of 4.00 p.m. for all meetings of the Committee during the 2012/13 municipal year.

**6. PUBLIC INVOLVEMENT**

- 6.1 There were no petitions, written questions or deputations from members of the public.

**7. ISSUES RAISED BY COUNCILLORS**

- 7.1 There were no petitions, written questions, letters or notices of motion received from Members.

**8. WORK PLAN FOR AUDIT & STANDARDS COMMITTEE**

- 8.1 The Committee considered a report of the Director of Finance in relation to the 2012/13 work programme for the Committee. The Head of Audit & Business Risk informed the Committee that many of the agenda items follow an annual cycle.

- 8.2 **RESOLVED** – That the Committee:

- a) Notes the Audit & Standards Committee Work Programme for 2012/13 and comment on any items.
- b) Requests the Head of Audit & Business Risk to keep the Work Programme updated to reflect new items as they are identified.

**9. COMPLAINTS UPDATE (JUNE 2012)**

- 9.1 The Committee considered a report of the Monitoring Officer in relation to active Standards complaints, and cases where the outcome had previously not been reported; the report also included an update on complaints dealt with via the Local Government Ombudsman. It was also highlighted that Officers were proposing to change the format of the report for future Committees to include more detail; and ensure that the necessary sections were considered under as Part 2 items.

- 9.2 Councillor Duncan highlighted changes to the anonymity of complaints made against Members; and the Complaints Manager explained that under the proposed new regime complaints referred for investigation could be determined in public session at the final stage. Councillor Ann Norman said that she had been involved with Standards

complaints for some time, and it was her experience that the current process operated well, and there was a strong case to keep complaints confidential until the final stage to ensure investigations could be conducted properly and impartially.

- 9.3 Councillor Janio noted that currently all complaints could not be dismissed even if they were withdrawn, and asked if this would change under the proposed new regime. In response the Monitoring Officer said that the current regulations prescribed that all complaints had to be heard, but under the new regime there could be an agreement between the Monitoring Officer and the Committee so that withdrawn or vexatious complaints could be dismissed.
- 9.4 The Co-Chair, Dr Wilkinson, thanked the Complaints Manager and his team for excellent work they had undertaken during the period he had served as the Chair of the previous Standards Committee.
- 9.5 **RESOLVED** - The Committee note the report.

## 10. STANDARDS UPDATE

- 10.1 The Committee considered a report of the Monitoring Officer with an update on the changes to the regulation of standards of conduct for elected Members which would come into force on 1 July 2012. The report contained the requirements of the new regime; the work of the Cross Party Working Group on Standards and it proposed a new code of conduct for Members and a new complaints procedure based on the requirements of the Localism Act and the new regulations.
- 10.2 Councillor Duncan stated his concern that the proposals should not be disproportionate considering the limited sanctions the regime would be able to impose. He asked about the short period between when the regulations would come into force, and when the new regime could be approved at the Council meeting on 19 July 2012. In response the Acting Assistant Head of Law explained that there were transitional provisions in place to cover this.
- 10.3 In response to a series of queries from Councillor Follett it was explained that: the proposed new regime only required the independent person to be consulted at the first stage of the complaint; the Council had included a self-imposed target of 3 months to deal with all complaints, and Officers had not considered it proportionate to call a Special Council meeting before 19 July 2012 to agree the new proposals. It was also highlighted that the Monitoring Officer would be contacting all Members to inform them of the new proposals regarding declaration of Members' interests, if agreed by the Committee, in the next few days.
- 10.4 The Committee discussed the dismissal of complaints at the first stage by the Monitoring Officer, and it was explained that the Monitoring Officer would only dismiss complaints at the first stage when they were: of a clearly vexatious nature; would not be in the public interest (for example would constitute an inefficient use of Council resources) or where, even if upheld, the complaint would not constitute a breach of the Code.

10.5 In discussion about Members withdrawing from a meeting it was suggested that an amendment could be made to Standing Orders to request a Member to withdraw from a meeting when they had a disclosable pecuniary interest. Members agreed to this addition. It was also noted that withdrawal from a meeting would include any public area or gallery. The Committee then went on to discuss disclosable non-pecuniary interests, and the Monitoring Officer highlighted the requirement to withdraw did not apply to this area; instead it would be at the discretion of Members, and it was felt that this qualification would make the code proportionate in relation to non-pecuniary interests. Councillor Lepper noted that it was important Members considered how these matters could potentially be viewed by the public; the Monitoring Officer went on to assure Members that full training would be given.

10.6 **RESOLVED** - That the Committee:

- a) Recommends to Council the adoption of the new Code of Conduct for Members as set out at Appendix One with effect from the 20<sup>th</sup> July 2012;
- b) Recommends to Council the adoption of a simplified Complaints Procedure as set out at Appendix Three to the report with effect from the 20<sup>th</sup> July 2012;
- c) Instructs the Monitoring Officer to advertise a vacancy for the appointment of two Independent Persons in accordance with statutory requirements and to convene an appointment Panel of Members in accordance with the proposals in paragraphs 3.20 and 3.21 of the report;
- d) Instructs the Monitoring Officer to put in place arrangements for training for Members on the new Code and arrangements for the register of Members' interests;
- e) Instructs the Monitoring Officer to consult with the Parish Council and to report to the next meeting of the Audit & Standards Committee with details of the Code of Conduct to be adopted by the Parish Council and the arrangements for the register of Parish Council interests.
- f) Recommends to Council that Standing Orders be amended with effect from 20 July 2012, to require Members with a Disclosable Pecuniary Interest to withdraw from the meeting.

## 11. TARGETED BUDGET MANAGEMENT (TBM) PROVISIONAL OUTTURN 2011/12

11.1 The Committee considered a report of the Director of Finance, approved by the Policy & Resources Committee, in relation to the targeted budget management provisional outturn 2011/12. The report outlined the provisional outturn position (Month 12) on the revenue and capital budget for the financial year 2011/12.

11.2 **RESOLVED** - That the Committee notes the report.

**12. UNAUDITED STATEMENT OF ACCOUNTS 2011/12**

- 12.1 The Committee considered a report of the Director of Finance in relation to the Statement of Accounts 2011/12. The report presented the unaudited Statement of Accounts for 2011/12 for information which had not currently been audited by the external auditor. The Annual Governance report was expected at the September meeting of the Committee on the conclusion of the audit of the 2011/12 financial statements.
- 12.2 Councillor Janio asked a question in relation to the valuation of heritage assets, and it was explained that the valuations related to insurance valuations and were like to be higher than - and not reflect – the market value.
- 12.3 **RESOLVED** - That the Committee note the Statement of Accounts for 2011/12 and note that these are subject to audit.

**13. REVIEW OF THE EFFECTIVENESS OF INTERNAL AUDIT 2012/13**

- 13.1 The Committee considered a report of the Director of Finance in relation to the review of the effectiveness of the system of internal audit for 2011/12. The Head of Audit & Business Risk informed the Committee this was a requirement and supported the Annual Governance Statement. The Head of Audit & Business Risk informed the Committee this was a very light touch review as new Internal Audit Standards were expected soon, and a full review would be carried out against these.
- 13.2 The Co-Chair, Councillor Hamilton, drew Members' attention to a small change to the Code of Practice detailed at paragraph 4.1 in the report.
- 13.3 **RESOLVED** – That the Committee:
- a) Considers the findings of the review of the effectiveness of the system of internal audit for 2011/12 and notes actions arising for minor improvement.
  - b) Note the conclusion of the review that the system of internal audit for Brighton & Hove City Council continues to be effective and operating in accordance with accepted professional practice. Further that the Council can place reliance on the system of internal audit for the purpose of its Annual Governance Statement.

**14. AUDIT COMMISSION: PROGRESS REPORT 2012/13**

- 14.1 The Committee considered a report of the Audit Commission which formed the 2011/12 progress report and briefing, and asked the Committee to review these two areas.
- 14.2 Councillor Ann Norman asked questions about the progress in relation to on-going problems in payroll. It was explained that the controls in the payroll system had been tested, and it had been confirmed they operated effectively; next the expenditure would need to be tested. The Council was taking all the necessary steps to resolve this matter, but it was understood that it could not be resolved straight away and would need ongoing work. The Co-Chair, Councillor Hamilton, asked that an update be provided at a future meeting.

14.3 **RESOLVED** – That the Committee to receive the 2011/12 external audit progress report and briefing and note the progress made.

#### 15. **AUDIT COMMITTEE ANNUAL REPORT 2011/12**

15.1 The Committee considered a report of the Director of Finance in relation to the Audit Committee Annual Report 2011/12. The report provided a summary of the previous Audit Committee's performance and achievements during 2011/12.

15.2 **RESOLVED** – That the Committee:

- a) Agree the draft report at Appendix 1.
- b) Refer the report (incorporating any amendments and additions) to Full Council for approval.

#### 16. **RISK MANAGEMENT PROGRAMMES - 2011/12 (OUTCOME) AND 2012/13 (PLANNED)**

16.1 The Committee considered a report of the Director of Finance in relation to 2011/12 outcomes and 2012/13 planned risk management programmes. The report provided an annual progress update against the approved annual Risk Management Programme to assist the Committee in relation to the effectiveness of risk management and internal control.

16.2 Councillor Follett asked if the changes to the governance structure would affect the programme for next year, and it was explained that the changes would affect the renewal of the strategy which would be considered at the September meeting of the Committee.

16.3 **RESOLVED** – That the Committee:

- a) Note progress against the annual Risk Management programme 2011/12 (appendix 1).
- b) Approve the annual Risk Management programme 2012/13 (appendix 2).

#### 17. **ANNUAL INTERNAL AUDIT REPORT AND OPINION 2011/12**

17.1 The Committee considered a report of the Director of Finance in relation to the Internal Audit Annual Report and Opinion 2011/12. The report provided an opinion of the effectiveness of the Council's control environment comprising governance, risk management and internal control as a contribution to the economic efficiency and effective use of resources.

17.2 The Head of Audit & Business Risk informed the Committee that the Opinion is a key element of assurance for the Annual Governance Statement.

17.3 **RESOLVED** – That the Committee:

- a) Note the contents of the report at Appendix 1 including the Head of Audit & Business Risk's Opinion for 2011/12 on the adequacy and effectiveness of the Council's control environment; and
- b) Note the internal audit coverage and any significant issues emerging.

## **18. STRATEGIC RISK REGISTER**

- 18.1 The Committee considered a report of the Director of Finance in relation to the Strategic Risk Register. The report provided information for the Committee to review on the Strategic Risk register which was updated by the Strategic Leadership Board on 9 May 2012.
- 18.2 Councillor Follett noted that in the previous years report the risks had been assigned an owner, and this was helpful to understand how each one worked. It was agreed that the Committee would invite Strategic Directors to future meetings to discuss the risks that they had been assigned, and how they were being managed.
- 18.3 **RESOLVED** - That the Committee note the revised Strategic Risk Register (Appendix 1).

## **19. PART TWO MINUTES OF DECOMMISSIONED COMMITTEES**

- 19.1 The Part 2 minutes of meeting of the Audit Committee on 24 April were noted.

## **20. BRIGHTON I360 DEVELOPMENT**

- 20.1 As detailed in the Part 2 confidential report.

## **21. STRATEGIC RISK MANAGEMENT ACTION PLANS FOCUS**

- 21.1 As detailed in the Part 2 confidential report.

## **22. INTERNAL AUDIT ANNUAL REPORT AND OPINION 2011/12 – OUTCOMES OF INTERNAL AUDIT REVIEWS**

- 22.1 As detailed in the Part 2 confidential report.

## **23. DRAFT ANNUAL GOVERNANCE STATEMENT 2011/12**

- 23.1 The Committee considered a report of the Director of Finance in relation to the Annual Governance Statement 2011/12. The purpose of the report was to present to the Council's Annual Governance Statement 2011/12 for consideration and approval.
- 23.2 Councillor Ann Norman raised an issue on the transfer of public health functions to local authorities and the potential impact on Section 75 partnership arrangements. In response it was explained that work would be undertaken in the current financial year on areas such as financial risk sharing; however, from 2013/14 onwards the arrangements would need to be considered in the context a commissioning model, and currently the Council was awaiting further guidance to be published.

23.3 **RESOLVED** – That the Committee:

- a) Consider the Annual Governance Statement, comment accordingly and approve for publication.
- b) Note in particular the actions to further improve governance arrangements. The Audit & Standards Committee will be updated during 2011/12 on the progress made.

**24. PART 2 ITEMS**

24.1 **RESOLVED** – That the Part 2 items remain exempt from disclosure from the press and public.

The meeting concluded at 7.02pm

Signed

Chair

Dated this

day of