

Audit Committee

Friday 25 March 2011

PRESENT:

Councillor Berrow, in the Chair.
Councillor Evans, Vice Chair.
Councillors Murphy, Stark and Thompson.

Independent Member: Mr Clark

Apologies for absence: Mr Stewart (Independent Member)

Also in attendance: Councillor Bowyer, Cabinet Member for Finance, Property, People and Governance, David Northey, Head of Finance, Sue Watts, Assistant Head of Devon Audit Partnership, Mike Hocking, Head of Corporate Risk and Insurance, Julie Hosking, Risk Management and Insurance Officer, Barrie Morris and Kate Jefferies, Grant Thornton, Richard Woodfield, Corporate Information Manager, Candice Sainsbury, Policy and Planning Officer and Ross Jago, Democratic Support Officer.

The meeting started at 10.00 am and finished at 12.05 pm.

Note: At a future meeting, the committee will consider the accuracy of these draft minutes, so they may be subject to change. Please check the minutes of that meeting to confirm whether these minutes have been amended.

72. DECLARATIONS OF INTEREST

Name	Minute No. and Subject	Reason	Interest
Councillor Evans	79. Internal Audit Plan	School Governor	Personal
Mr Clark	79. Internal Audit Plan	School Governor	Personal

73. MINUTES

Agreed the minutes of the meeting held on the 21 January 2011.

74. CHAIR'S URGENT BUSINESS

Recruitment of Independent Member

It was reported by the Democratic Support Officer that the recruitment process for a new independent member was ongoing.

75. **STRATEGIC RISK REGISTER - MONITORING REPORT**

The Director for Corporate Support submitted an update in respect of Operational Risk Management. In attendance to present the report was the Head of Corporate Risk and Insurance who advised that –

- a. the report provided a summary of the latest formal monitoring exercise completed for the risk register;
- b. the number of strategic risks reported had reduced from 34 to 32. One new risk had been added and two had been deleted, one further risk had been merged with risk numbers 43 and 68;
- c. the number of red risks in the traffic light summary had reduced from nine to six;
- d. paragraph four of the report highlighted the results of the 2010 benchmarking club. Plymouth had achieved an above average score when compared to the other 103 club members.

In response to questions from members of the committee it was reported that-

- e. with regard to the benchmarking club Leicester City Council had scored low because of consistent weaknesses across the board;
- f. the lowest score on the Plymouth questionnaire was with regard to partnership working. Previously the comprehensive performance assessment robustly challenged significant partnerships; the benchmarking exercise looked at how good governance and use of resources was applied across all partnerships;
- g. of the 103 authorities within the benchmarking club the comparator authorities that were chosen were the best fit to Plymouth. Good strategy would remain effective despite the size of the authority.

Agreed to note and endorse the current position with regard to the Strategic Risk Register.

76. **RISK CHAMPION UPDATE - SERVICES FOR CHILDREN AND YOUNG PEOPLE**

The Policy and Planning Manager (Children's Services) introduced a report on managing risk in services for children and young people, it was reported that –

- a. the ethos within the service was proactive toward risk. The service was experienced in managing risk and had well developed structures in place which were highlighted in the report;
- b. risks were often highlighted in operational risk registers in response to local and national developments such as the 'Baby P' and 'Little Teds' incidents;

- c. the process of identifying and managing risk was supported by the 'risk champion' in conjunction with the relevant service managers and assistant directors who attended an operational risk management meeting;
- d. the process was overseen and signed off by the Director of Services for Children and Young People via a bi-annual departmental management team meeting;
- e. there were highly experienced managers in the service areas that were able to identify risk and respond accordingly before risk had an impact on families.

In response to questions from members of the committee it was reported that;

- f. risk management was embedded in the department, major national incidents such as 'Baby P' made the department immediately more risk averse. The emergency planning exercise "short sermon" taught the service a number of lessons on how to respond in an emergency and the service was looking at how to further document the steps taken during an emergency situation;
- g. regarding the reduction of numbers of children in care there was mitigating work ongoing to address this and further information could be provided outside of the meeting. The reduction target would be tracked by the quarterly Joint Performance and Finance report;
- h. risk was only elevated to the corporate register if the service director felt that the risk needed to be managed at a higher level. The Head of Corporate Risk and the Corporate Management Team provided scrutiny and challenge with regards to elevating risk above the departmental risk registers;
- i. an invest to save proposal would be presented to Cabinet on the 29 March 2011 and the Overview and Scrutiny Management Board on the 6 April 2011 regarding Autistic Spectrum Disorder.

Agreed that;

- (1) the report was noted;
- (2) a position statement regarding the reduction of children in care and the implications of failure to the budget would be presented at the next meeting of the committee.

77. **ANNUAL AUDIT FEE 2011/12**

The City Council's external auditor, Grant Thornton, submitted its Annual Audit fee letter, confirming the audit work and fees for 2011-2012. It was reported that there had been a 10 per cent reduction in scale fees for unitary authorities which reflected no inflationary

increase in 2011-2012, a reduction in scale fees resulting from the new approach to local value for money audit work and a reduction in scale audit fees of 3% reflecting lower ongoing costs after implementing International Financial Reporting Standards.

Agreed that details of fees and associated value added tax would be provided to the committee for the years 2009-2010, 2010-2011 and 2011-12.

78. **AUDIT PLAN 2010/11 PROGRESS REPORT**

The City Council's external auditor, Grant Thornton, provided a verbal update on progress against its audit plan for 2010-2011. It was reported that –

- a. the council had identified a number of work streams in relation to the International Financial Reporting Standards. Some figures had been finalised and 31 March 2009 balance sheets were yet to be reviewed;
- b. there was a number of fixed asset reclassifications and ongoing discussions with regard to group accounts. A report would be forwarded to the June meeting of the committee;
- c. interim audit was in progress and would be reported to the committee in June;
- d. the value for money programme of work had been started. The procurement aspect would be the first piece of work completed and would be reported to the committee in June. Work streams were still under discussion with the council and further work would take place over the summer.

79. **INTERNAL AUDIT PLAN 2011/12**

The assistant head of Devon Audit Partnership (DAP) submitted the internal audit plan 2011 – 2012. The Report –

- a. detailed information on the legislative requirements for local authorities to provide and Internal Audit service in accordance with the accounts and audit regulations 2006;
- b. commented on the delivery of the councils internal audit provision by Devon Audit Partnership (DAP);
- c. commented on the internal audit resources available to take forward the 2011-2012 plan, details of the specific audit reviews to be undertaken and the number of days required for this work.

In response to questions raised it was reported that –

- d. new academies were not required to have internal audit but DAP were pursuing this area of work. It was clear that the academies were being business minded and investigating other avenues for their audit needs;

- e. there was a risk to loss of business if more schools decided to bid for academy status, DAP was actively seeking additional business to mitigate this risk;
- f. good feedback had been provided to DAP on their work and robust challenge with regard to the Life Centre and the South West Devon Waste Partnership.

Agreed that -

- (1) the internal audit plan for 2011- 2012 is approved;
- (2) a report on the number of schools no longer using DAP for internal audit is provided to the June committee.

80. **INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) - PROGRESS REPORT**

The Head of Finance provided a verbal progress report on International Financial Reporting Standards (IFRS). It was reported that –

- a. the deadline for the first full set of IFRS complaint financial statements would meet the statutory deadline of 30 June 2011;
- b. implications of the IFRS were being considered in all aspects of the authority's business;
- c. steps have been taken to ensure that IFRS knowledge and skills are captured and embedded in the authority to enable good financial reporting in future years;
- d. draft accounts would be provided for the 30 June 2011, approval was not required at this stage, council would approve once the audit was complete;
- e. IFRS would closer align the local authority to the private sector;
- f. Plymouth City Council were not as advanced as planned but were 'on track' with good ground work in place.

Agreed

- (1) that a report on the cost of the "Arm Chair Auditors" project for January, February and March 2011 and the figures for unique page hits be provided to the next meeting of the committee;
- (2) that a training session would be provided to members on International Financial Reporting Standards.

81. **AUDIT COMMITTEE FORWARD WORK PLAN**

Agreed that the Audit Committee forward work programme be approved.

82. **INFORMATION GOVERNANCE**

The Corporate Information Manager provided a verbal update on how information management principles were being embedded throughout the organisation. It was reported that there had been four main actions -

- a. an information risk champion was appointed in each directorate to embed information security policy across the authority;
- b. the risk champions were asked to complete a template on information management risk for their directorate, the results would be available in summer 2011;
- c. a workshop would be provided, led by the chief security officer from Microsoft. The workshop would provide expertise and information regarding security risks which were impacting on organisations across the country;
- d. staff induction would be strengthened with more details included on information management and staff presentations would also be provided.

83. **EXEMPT BUSINESS**

Agreed that under Section 100(A)(4) of the Local Government Act, 1972, the press and public be excluded from the meeting for the following items of business on the grounds that they involve the likely disclosure of exempt information as defined in paragraph 3 of Part 1 of Schedule 12A of the Act, as amended by the Freedom of Information Act 2000.

84. **INFORMATION GOVERNANCE (E3)**

In response to question from the committee it was reported that –

- a. Plymouth City Council ensured that all laptops were encrypted and any devices that were not encrypted were being recalled. Schools have been provided with advice to encrypt their devices;
- b. none of the laptops stolen from schools had been recovered;
- c. Hertfordshire Council had received a fine as the organisational arrangements regarding information governance were not properly in place, this related to their use of laptops and faxes;
- d. it was impossible to always remain 100 per cent secure, the key was that an awareness of information security was embedded at all levels of the authority;

- e. a date for the workshop on information security had not yet been confirmed.