

Audit Committee

Thursday 27 September 2012

PRESENT:

Councillor Wheeler, in the Chair.
Councillor Dr. Mahony, Vice Chair.
Councillors Murphy, Stark and Stevens.

Co-opted Representatives: Mr R Clarke and Mr I Stewart.

Also in attendance: David Northey – Head of Finance, Mike Hocking – Head of Corporate Risk and Insurance, Julie Hosking – Risk Management and Insurance Officer, Martin Gould – Brenda Davis and Rob Hutchins – Devon Audit Partnership, Barrie Morris – Grant Thornton and Amelia Boulter – Democratic Support Officer.

The meeting started at 2.30 pm and finished at 5.00 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.

19. **DECLARATIONS OF INTEREST**

In accordance with the Code of Conduct, the following declarations of interest were made, as follows -

| Name | Minute | Reason | Interest |
|--------------------|--------|---|---------------------------|
| Councillor Wheeler | Minute | Trustee of Plymouth Access to Housing (PATH). | Personal and prejudicial. |

20. **MINUTES**

Agreed that the minutes of the meeting held on 14 June 2012 were approved as a correct record.

21. **CHAIR'S URGENT BUSINESS**

The Chair moved the Grant Thornton agenda items forward on the agenda to facilitate good meeting management.

22. **AUDIT PLAN 2011/12 - PROGRESS REPORT**

Barrie Morris, Grant Thornton, provided the Committee with an update on the Audit Plan 2011/12. The Committee were informed that –

- a. the plan summarises all the activities, the work that has been completed to be signed off today;

- b. they would receive a fuller report on value for money (VFM) at the next meeting;
- c. certification of grant claims work to be completed in November.

Agreed that –

- 1. the Audit Plan 2011/12 Progress Update report is noted;
- 2. a report on value for money (VFM) to be brought before the audit committee at the next meeting.

(This item was moved up the agenda to facilitate good meeting management.)

23. **VALUE FOR MONEY REPORT**

Barrie Morris, Grant Thornton, provided the Committee with an update on the Value for Money Report. The Committee were informed that –

- a. the P2P issue list did not include a coherent list that was easy to understand. Discussions had taken place with the project manager on what would be implemented in the future;
- b. there wasn't a formal communications plan at present and communication was a standing item for the project board;
- c. they had highlighted savings target that has been established. Savings were revised down slightly and identifying the gap and definitive savings;
- d. there was a need to identify the benefits that were going to be accrued as part of the benefits realisation strategy.

Agreed that –

- 1. the Value for Money report is noted.
- 2. a fuller Value for Money report on outstanding actions to come back to committee in December.

(This item was moved up the agenda to facilitate good meeting management.)

24. **ANNUAL REPORT TO THOSE CHARGED WITH GOVERNANCE (ISA260 REPORT) 2011/12**

Barrie Morris, Grant Thornton, provided the Committee with an update on the Annual Report to those charged with Governance (ISA260 Report) 2011/12. It was reported that –

- a. the report brings together all the recommendations and findings from the final accounts. A huge amount of work was undertaken by the finance team in responding to all queries and he wanted to thank them for all their efforts;

- b. community assets had all been assessed and PCC should make sure assets are appropriately identified and classified;
- c. PCC had chosen to ignore the LAAP guidance on the accounting of Icelandic Bank investments. We wanted to make you were aware of the issues and whether the committee would accept this;
- d. old (written-off) Council Tax debts of £4.7m were included in the accounts;
- e. we were satisfied with the figure on payroll in the accounts. Officers had taken action to ensure monthly reconciliation happens on a routine basis.

In response to questions raised, it was reported that -

- f. the payroll controlled accounts were not as robust as others and further work undertaken to test the reconciliation. Up until 2 weeks ago there was an outstanding balance. A project for a new payroll system should go live in January 2013 with a stipulation to ensure there are more robust controlled accounts;
- g. internal audit had worked with St Boniface School and officers to unravel what had happened. The former bursar was dismissed and would be tried before crown court this year. Support had been given to the school in moving forward and new financial systems were in place.

Agreed that the Annual Report to those charged with Governances (ISA260) 2011/12 is noted.

(This item was moved up the agenda to facilitate good meeting management.)

25. **AUDIT FEE LETTER**

Barrie Morris, Grant Thornton, provided the Committee with an update on the Audit Fee Letter. The Committee were informed that this was delayed and would normally come before the Committee in March. A procurement exercise was undertaken and pleased to announce that Grant Thornton won that procurement. The Committee were informed that he had worked with PCC for the last five years moving into the sixth year. It was usual practice to move officers after five years but Barrie could apply to work with PCC for a further two years.

26. **OPERATIONAL RISK REGISTER UPDATE**

Jo Hall, Senior Adviser Early years and Childcare, provided the Committee with an update on the risks identified in relation to childcare issues. It was reported that –

- a. this was identified as red risk and PCC had a duty to provide sufficient childcare;
- b. there was a new statutory duty for PCC to provide free education for disadvantaged 2 year olds from Sept 2014. From 2013, 800 2 year olds would become eligible and from 2014 a further 1400 children would enter the child care market;

- c. work was being undertaken by providers to reshape childcare provision with an in-depth needs analysis on identifying the gaps in the city;
- d. the capital investment was required to expand the current provision and had been working closely with capital funding team.

In response to questions raised, it was report that -

- e. a mapping exercise had been undertaken on the provision across the city to gain an understanding on where the gaps are. Publicity work commenced to encourage private sector to open up provision and see this as a business opportunity.

Councillor Dr Mahoney chaired this item in the absence of chair who declared a personal and prejudicial interest. Stuart Palmer, Assistant Director for Homes and Communities, provided the Committee with an update on the risks identified on homelessness. It was reported that -

- f. during the first quarter we were 28 per cent below the target on preventing people losing their home with the private sector accepting less people and less housing available;
- g. they were forecasting that a number of people would be affected by the welfare reform over the next year and were pro-actively producing a housing plan with a range of objectives, such as providing advice upfront, house let properties;
- h. they were working with housing associations to reduce overcrowding and under capacity;
- i. Government confirmed the continuation of homelessness funding of £500k;
- j. there weren't enough homes and discussions were taking place with colleagues to grow the market.

In response to questions, it was reported that there was a shortage of housing and this was getting worse. PCC does however have a good track record of bringing empty homes back into use. New house builds were at an all-time low.

Councillor George Wheeler declared a personal and prejudicial interest and left the meeting for this item.

27. **RECRUITMENT OF INDEPENDENT MEMBER**

David Northey, Lead Officer provided the Committee with an update on the recruitment of independent member. It was reported that an advert will shortly be placed across Devon and Cornwall with the aim of recruiting the final independent member.

28. **TREASURY MANAGEMENT TRAINING**

David Northey, Lead Officer, provided the committee with an update on the forthcoming Treasury Management Training. Training was arranged and all members were welcome to attend.

29. **AUDIT COMMISSION CONSULTATION**

David Northey, Lead Officer, provided the Committee with an update on the Audit Commission Consultation. It was reported that recruitment of independent members was difficult and it would be very difficult to have a third of the committee as independent members.

30. **INTERNAL AUDIT PROGRESS REPORT**

The Chair reported that this was Martin's last meeting and thanked him for his valued contribution to the Audit Committee. Martin Gould, the Council's internal auditor, provided the committee with an update on the Internal Audit Progress Report. It was reported that this was his last meeting and Robert Hutchings would take over as the Head of Devon Audit Partnership.

It was also reported that they were building on the comments made at the June meeting to produce an interim report. In the first quarter it was quite positive and work undertaken so far found no major concerns.

In response to questions raised, it was reported the interim report was very welcome and there was an intention repeat this report on work already undertaken. We will aim to bring a report back to the committee in December and with a fuller report in March.

Agreed that the Internal Audit Progress Report be noted.

31. **INTERNAL AUDIT FOLLOW UP REPORT**

Rob Hutchings, provided the Committee with an update on the Internal Audit Follow up Report. It was reported that good progress was being made by management. Managers were responding to the audit recommendations and not all recommendations had been fully addressed at this moment in time.

Agreed that the Internal Audit Follow Up Report is noted.

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

Chris Randall, Strategic Finance Manager, provided the Committee with a report on the Statement of Accounts 2011/12. The Committee were informed that this report was a follow up to the draft statement of accounts with further refinement. It was also reported that they were looking to reduce the size of the report and to refine the report for future years.

Agreed that –

1. the Committee note the amendments made to the Statement of Accounts for 2011/12 as agreed with the Auditor and outlined in the report.
2. the Statement of Accounts for 2011/12 attached at Appendix A be approved.
3. the letter of representation attached at Appendix B is authorised and submitted to the Auditor.

4. officers continue to review the production and contents of the Statement of Accounts with a view to securing further improvements for the 2012/13 Statement of Accounts.
5. thanks be recorded to all involved with the internal and external audits.

33. **STRATEGIC RISK REGISTER MONITORING REPORT**

Mike Hocking, Head of Corporate Risk and Insurance, provided the Committee with an update on the Strategic Risk Register. The Committee was informed that the report was approved by the Corporate Management Team on 4 September 2012. It was also reported that a review and update of the Risk Management Strategy to new ideas and challenges were being properly considered.

In response to questions raised, it was reported that -

- a. a scoring matrix calculates the risks;
- b. in relation to violent extremism which was increasingly in the headlines, all judgements were subjective and that is why moderation built into the process. Looking at the impact and probability of it becoming a reality.

Agreed that –

1. the Committee note and endorse the current position with regard to the Strategic Risk Register;
2. the Committee to receive a report on the changes made to the Risk Management Strategy at the December meeting;
3. the Committee to receive a copy of the scoring matrix used to calculate risks.

34. **ROLLING WORKPLAN**

The committee noted the Audit Committee Rolling Workplan.

35. **EXEMPT BUSINESS**

There were no items of exempt business.