

## **Audit Committee**

**Thursday 14 March 2013**

### **PRESENT:**

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

Co-opted Representatives: Mr R Clarke.

Apologies for absence: Councillor Stevens and Mrs R Badger and Mr I Stewart.

Also in attendance: Rob Hutchins and Brenda Davis – Devon Audit Partnership, Geraldine Daly – Grant Thornton, Mike Hocking – Head of Corporate Risk and Insurance, Julie Hosking – Risk and Insurance Officer, Mark Grimley – Assistant Director for HR and OD, Anthony Payne – Director for Place, Nicola Moyle – Head of Arts and Heritage; Phil Heseltine – Head of Transport Strategy, Malcolm Coe – Assistant Director for Finance, Efficiencies, Technology and Assets, David Northey – Lead Officer and Amelia Boulter – Democratic Support Officer.

The meeting started at 2.15 pm and finished at 4.30 pm (fire alarm delayed start of meeting).

*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.*

### 52. **DECLARATIONS OF INTEREST**

There were no declarations of interest.

### 53. **MINUTES**

Agreed that the minutes of the meeting held on 13 December 2012 were approved as a correct record.

### 54. **CHAIR'S URGENT BUSINESS**

There were no items of chair's urgent business.

### 55. **APPOINTMENT OF INDEPENDENT MEMBERS**

Agreed the appointment of Ros Badger and Ian Stewart as Independent Members on the Audit Committee for four years.

56. **STRATEGIC RISK REGISTER MONITORING REPORT**

The Head of Corporate Risk and Insurance provided the Committee with an update. The Committee were informed of the following risks –

- a. Deterioration of City's Highways Network was a new red risk. It was reported that a long term solution was required and at the last Full Council it was announced that £2m would be allocated to repair the highways, a report is due to be prepared for Cabinet setting out the options for a longer term strategy;
- b. Localism Act was a new amber risk. To mitigate this risk the vacant post of Contract and Corporate Governance Lawyer was being filled to look at the legal implications of the Localism Act;
- c. Planning Obligations was now a deleted risk. The Community Infrastructure Levy Charging Schedule was working and as a result this risk has now reduced;
- d. Civic Centre had been a long standing risk and the Council was currently in dialogue with 2 potential developers;
- e. officers were now identifying opportunities as well as reporting on risks in line with the revised Risk and Opportunity Management Strategy.

In response to questions raised, it was reported that -

- f. the roads in Plymouth were deteriorating and many road schemes were taking place such as road safety improvements and utilities improvements;
- g. there were clear options of redress against building contractors where potholes /defects were caused by egress/exit of heavy vehicles from sites. It was reported that the Council's highway contractor is responsible for taking any action against contractors with regard to highways.

Agreed that the Audit Committee note and endorse the current position with regard to the Strategic Risk and Opportunity Register.

57. **INTERNAL AUDIT PLAN 2013-14**

Devon Audit Partnership provided the Committee with an update on the Internal Audit Plan 2013 – 14. The Committee were informed that the report had taken into account previous audit work. It was also reported that -

- a. support was being provided on the new HR Payroll System;
- b. they were continuing to monitor the Waste PFI Project and provided assistance on the material recycling facility and minibus fleet;
- c. they were reviewing the process of Pre Paid Card system in Adult Social Care and from the 1 April 2013, the co-location of public health and contracting arrangements in place;

- d. counter fraud investigations were a high priority and would assist the council in the protection from fraud;
- e. they would continue to work with other partners and had established a good working relationship with Grant Thornton.

In response to questions raised, it was reported that -

- f. compared to 1,738 days of detailed risk assessment last year, it was anticipated that 1,686 days would be required for 2013 – 14. This meant a 3 per cent reduction or 52 days less than last year. They would continue to provide a cost effective service whilst ensuring delivery was not reduced;
- g. the benefits of the partnership with Devon and Torbay allowed flexibility and enabled them to deliver on the audit work and to identify risks.

Agreed that the Internal Audit Plan 2013-14 is noted.

#### 58. **FOLLOW UP OF AUDIT WORK**

Devon Audit Partnership provided the Committee with an update on the Follow Up of Audit work. It was reported that -

- a. managers were making good progress in responding to issues;
- b. in some instances target dates for completion had not yet be reached. This was down to changes in priorities and processes which meant that not all recommendations had been completed.

In response to questions raised, it was reported that -

- c. they were looking at whether housing benefit had been overpaid and if there were any issues to investigate;
- d. the exact timescales on when universal credit would commence were fluid. The changes with welfare reform had been taken on board and staff were embracing the changes and contacting those affected on a daily basis;
- e. a series of overpayments had been detected due to failure to check the work of a new agency worker; this is referred to in minute 63.

Agreed that the Follow Up of Audit Work report is noted.

#### 59. **PUBLIC SECTOR INTERNAL AUDIT STANDARDS UPDATE**

Devon Audit Partnership provided the Committee with an update on Public Sector and Internal Audit Standards. The Committee were informed that since May 2011, the Chartered Institute of Public Finance and Accountancy (CIPFA) and Institute of Internal Auditors (IIA) had worked together to produce a common standard which comes in force in April 2013.

The standard was about how internal audit would be undertaken within an organisation and the service provided. The standard also makes reference to a board which typically would include independent members and report to an Audit Committee. They were still waiting for the CIFPA guidance and would need to adhere to the new standards.

Agreed that the Committee note the update on Public Sector and Internal Audit Standards.

60. **INTERNAL AUDIT CHARTER**

Devon Audit Partnership provided the Committee with an update on the Internal Audit Charter. In response to questions raised, it was reported that where reference was made in reporting lines and relationships that the Director of Finance should instead be the Head of Finance.

Agreed that –

1. the Committee note the Internal Audit Charter.
2. changes to be made in the reporting lines and relationships from Director of Finance to the Head of Finance.

61. **2013/14 BUDGET (REVENUE AND CAPITAL) ALLOCATED TO CORPORATE PRIORITIES**

The Head of Finance provided the Committee with the full budget update report that went to Cabinet for approval on 12 February 2013.

Agreed that -

1. the Committee note the Treasury management section of the 2013/14 Budget (Revenue and Capital) Allocated to Corporate Priorities as approved at the Audit Sub-committee on 23 January 2013.
2. an Audit Sub-committee to be arranged for January 2014 to agree the Treasury Management Report prior to approval at Cabinet.

62. **TREASURY MANAGEMENT PRACTICES**

The Head of Finance provided the Committee with an update on Treasury Management Practices. The Committee were informed that -

- a. they were continuing to use the Co-operative Back for the day to day facilities and for business continuity;
- b. they were following CIFPA guidance;
- c. the detailed register of loans was maintained in the Logotech Treasury Management System database and a spread sheet was also used for parallel running;
- d. King & Shaxson were added to the list of contacts for investment brokers;

- e. the Treasury Management Board met every Monday and the Portfolio Holder for Finance and Shadow Portfolio Holder attended the first meeting of every month to review the strategic direction of the Board.

Agreed that the Committee approve the Treasury Management Practices, Principles and Schedules for 2013-14 as set out in the report.

63. **CERTIFICATION WORK REPORT 2012/13**

Grant Thornton provided the Committee with an update. The Committee were informed as the council's auditors they were required to certify claims submitted by the council. It was reported that –

- a. 3 claims were certified and submitted on time;
- b. the accuracy around housing benefit grant claims were investigated and it was found that an agency member of staff had made errors when processing housing benefit claims. There was a process in place to ensure checks were undertaken on new employees but was not adhered to and recommend that the levels of checks performed on new staff should be made.

In response to questions raised, it was reported that -

- c. they were required to audit 20 claims for each of the 4 benefit types processed. An error was found and related to one agency worker, an additional 20 claims were tested and concluded that the agency worker had made multiple errors when processing claims for council tax and rent allowances cases;
- d. audit fees were significantly less than they were 2 years ago and the relationship between the council and Grant Thornton had been constructive.

Agreed that the Committee note the Certification Work Report 2012/13.

64. **AUDIT PLAN 2012/13**

Grant Thornton provided the Committee with an update on the Audit Plan 2012/13. The plan was approved by the Committee last June. It was also reported that the financial statements were well on track and emerging issues highlighted to assist the Chair and the Committee to challenge and make officers aware of the particular issues.

Agreed that the Committee note the Audit Plan 2012/13.

65. **ROLLING WORK PROGRAMME**

The Committee noted the rolling work programme.

66. **AX PAYROLL PROJECT UPDATE**

The Assistant Director for HR and Organisational Development provided the Committee with an update on the AX Payroll Project. The Committee were informed that the lease with SAP was coming to an end and a decision had to be made on whether to continue the use of the existing platform. They also took into consideration the cost of an upgrade and how it would fit into the current ICT system. The cost would be higher if they continued with SAP.

In response to questions raised, it was reported that -

- a. the rollout of the AX payroll project would commence in June 2013 following a minimum of three-months parallel running. An arrangement had been made with HMRC for PAYE in real time (RTI);
- b. internal audit were involved initially on the contract to tender and sat on the project board. IT auditors were also working alongside the project team;
- c. there is a data centre in the Civic Centre and a second at Windsor House. There was also a back-up tape and have a contingency plan in place. Data resilience and business contingency was a known risk. No back up for SAP but would have back-up for the new system.

Agreed that the Committee note the AX Payroll update.

67. **OPERATIONAL RISK UPDATES**

The Director for Place and the Head of Arts and Heritage provided the Committee with an update on the Plymouth and West Devon Records Office. The Committee were informed that –

- a. there were 7 potential sites identified for the storage of records and further work would take place on the preferred option. Communications with the National Archive office were good and they were happy with the progress made;
- b. they were continuing to work closely with National Archives and met with them before Christmas. At that meeting they discussed the option appraisal in detail and timescales on the basis of working towards a 29 November 2013 deadline. A further meeting with National Archives would take place in June to check progress.

In response to questions raised, it was reported that –

- c. National Archives wanted all records to be relocated to a new site by June of this year. At the meeting with National Archives in December, option appraisals and timescales were discussed. A further meeting would take place in June to check progress to meet the November timescale. National Archives would prefer the records to stay in Plymouth;
- d. if the records were stored in Plymouth it would be a plus for the city and form significantly towards Plymouth's bid to become the City of Culture.

Agreed that the Committee noted the update on the Plymouth and West Devon Records Office.

68. **EXEMPT BUSINESS**

Agreed that under Section 100(A)(4) of the Local Government Act, 1972, the press and public are 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 I of Schedule 12A of the Act, as amended by the Freedom of Information Act 2000.

69. **AX PAYROLL PROJECT UPDATE**

The Assistant Director for HR and Organisational Development provided the Committee with an update on the AX Payroll Project.

(See minute above 66).

70. **OPERATIONAL RISK UPDATES**

The Director for Place and the Head of Arts and Heritage provided the Committee with an update on the Plymouth and West Devon Records Office and Community Infrastructure Levy.

(See minute 67 above).

The Director for Place and the Head of Transport Strategy provided the Committee with an update on the Community Infrastructure Levy.