

Audit Committee

Thursday 13 June 2013

PRESENT:

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

Co-opted Representatives: Mrs Badger and Mr Stewart.

Apologies for absence: Mr Clarke.

Also in attendance: Rob Hutchins and Brenda Davis – Devon Audit Partnership, Barrie Morris – Grant Thornton, Mike Hocking – Head of Corporate Risk and Insurance, Julie Hosking – Risk and Insurance Officer, Claire Fisher – Group Accountant, Andrew Liddicott – Senior Accountant, David Northey – Lead Officer and Amelia Boulter – Democratic Support Officer.

The meeting started at 10.05 am and finished at 12.15 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.

1. TO NOTE CHAIR AND VICE CHAIR

Members noted the appointment of Councillor Wheeler as Chair and Councillor Dr. Mahony as Vice-Chair for the Municipal Year 2013/14.

2. DECLARATIONS OF INTEREST

There were no declarations of interest.

3. MINUTES

Agreed that the minutes of the meeting held on 14 March 2013 were approved as a correct record.

4. CHAIR'S URGENT BUSINESS

The Chair reported that the meeting scheduled for January 2014 would be a subcommittee to consider the Treasury Management Strategy for 2014. All committee members were welcome to attend.

5. **AUDIT PLAN INCLUDING INTERIM RESULTS**

Grant Thornton provided the Committee with an update on the interim findings. The Committee were informed that this was a more detailed plan than in recent years. It was highlighted -

- a) treatment of the Icelandic Banks repayments, while Plymouth were not conforming to the usual practice, a capitalisation arrangement had been granted which was not the norm. Other authorities were following LAAP practice but Plymouth was not alone in departing from this practice. The money recovered was continuing to rise and was higher than some had expected. However, Grant Thornton would encourage Plymouth to follow the LAAP guidance;
- b) they were looking at the closure of the landfill site and the associated costs to closing that site and on-costs for the next 60 years;
- c) there were no concerns around the work of internal audit;
- d) there was a potential weakness in journal entry controls and they were undertaking work to overcome this;
- e) they were looking at VFM and contracting arrangements. It was also highlighted the pressure that the costs of adult social care was on-going.

In response to questions raised, it was reported that with regard to the Icelandic Review, that whilst Plymouth were not conforming to the usual practice had put in place a capitalisation arrangement. Other authorities were following LAAP guidance and Plymouth was not alone in departing from this guidance. Plymouth does however put forward a persuasive argument and the amount of money recovered falls in line with expectation and was higher than expected. However, we would encourage Plymouth to follow the LAAP guidance.

Agreed that the Committee note the Audit Plan including the Interim Results.

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

6. **EXTERNAL AUDIT PLAN PROGRESS REPORT**

Grant Thornton provided the Committee with an update. The Committee were informed that the audit plan had gone to the audit committee and final accounts work were due to commence in July. It was also reported that -

- a) they would continue to alert the committee on emerging issues and developments and would pose questions to the committee on issues happening in the audit world that maybe of interest;
- b) the abolition of the audit commission was not mentioned in the report but would be addressed by internal audit.

In response to questions raised, it was reported that ICT services were in the process of developing an outsourcing arrangement. The Committee raised concerns on the risks of data protection and the integration of public health into the city council.

Agreed that –

1. the External Audit Plan Progress Report is noted.
2. the Committee to invite an officer to attend the next Audit meeting to provide an update on the outsourcing arrangements for ICT and to include how data protection issues are reviewed. The Officer also to provide an update on how public health has integrated with Plymouth's ICT services.

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

7. **INTERNAL AUDIT ANNUAL REPORT 2012/13**

Devon Audit Partnership presented the Internal Audit Annual Report for 2012-13. The report set out the position as at the end of 31 March 2013. It was also reported that -

- a) Devon Audit Partnership were providing information to the Police as part of their investigation at St Boniface. The court case was scheduled to take place in December 2013;
- b) antifraud work involving individual cases were investigated and PCC were taking action to address any issues that arise. Plymouth City Council submit data to the National Fraud Initiative along with other councils, this data is then cross matched with information supplied by other organisations to identify any potential cases of fraud and to ensure these are fully investigated;
- c) internal audit's performance was very good but they were aware that some draft and final reports were not issued to the customer within the agreed timescales. They were addressing this issue and pointed out that customer satisfaction remains very high.

In response to questions raised, it was reported that -

- d) there would be press coverage when the St Boniface case comes to court in December. This could have a negative impact for the council and arrangements were in place to limit the extent of this;
- e) in relation to targets for draft reports they were working on a target of 20 days; in some instances the deadline date was missed (i.e. report issued in 21 days) but action was being taken to ensure the target was met. When work was completed the client would receive a verbal update followed by a full report;
- f) in response to a question regarding the percentage of staff working on temporary contracts across the council, officers from Devon audit Partnership were not in possession of the information. This information could be made available at a future meeting if required;
- g) the internal audit review of housing benefit for 2012/13 had confirmed that the process checking was now robust.

Agreed that –

1. the Internal Audit Annual Report 2012 – 13 is noted.
2. the Audit committee endorse the adequacy and effectiveness of Plymouth's internal audit for the year ended 31 March 2013.

8. **UPDATED WHISTLEBLOWING POLICY**

Devon Audit Partnership provided the Committee with an update to the Whistleblowing Policy. It was reported that the contact names and numbers were updated. It was also reported that the policy encouraged employees to raise concerns and protected employees against reprisal.

Agreed that the revised Whistleblowing Policy is approved.

9. **FUTURE OF PUBLIC AUDIT**

Devon Audit Partnership provided the Committee with an update on the future of Public Audit. It was reported that –

- a) Grant Thornton had been appointed as the Council's auditors for the next 5 years;
- b) the draft Local Audit Bill requires local public bodies to appoint an internal and external auditor based on the advice of an independent auditor panel. The appointments would be made by Full Council;
- c) the Audit Commission previously undertook countrywide review, the National Audit Office would now have those powers;
- d) all contracts would run to the audit year 2016 – 17 so that councils can then consider appointing in 2018. PCC had an old contract and we've been given two years notice which effectively means that the contract could go out to tender to secure further efficiencies which means that another auditor could be appointed for the 2015/16 financial year. The Chief Executive had received a letter to inform her that the contract was being renegotiated.

Agreed that –

1. the Committee note the Future of Public Audit update note.
2. the Audit Committee request the Corporate Management Team to advise the Committee on how they intend to deal with the contract renegotiations.

10. **ANNUAL GOVERNANCE STATEMENT**

The Head of Corporate Risk and Insurance presented the draft Annual Governance Statement for 2012-13. It was reported that there was a requirement to give an endorsement on the internal audit system. This is a backward looking document to make a statement on the extent of the Council's overall governance framework and any significant governance issues arising throughout the year.

In response to questions raised regarding emergency planning, it was reported that there was a Civil Protection Unit that has a number of statutory responsibilities which includes a multi-agency plan for a major exercise called Short Sermon where the Council tests its own resilience plans in partnership with the MOD and Babcock and the blue light services.

Agreed that the Audit Committee –

1. note the processes adopted for the production of the 2012/13 Annual Governance Statement.
2. endorse the adequacy and effectiveness of the system of internal audit.
3. approve the Annual Governance Statement prior to signature by the Leader, Chief Executive and Director for Corporate Services.

11. **OPERATIONAL RISK MANAGEMENT - UPDATE REPORT**

The Head of Corporate Risk and Insurance provided the Committee with an update. The Committee were informed that there were 163 operational risks identified across the authority. The red risks were already known to the committee and tracked by the senior management team. It was reported that -

- a) the state of the city's road network was a new red risk and this had led to some media attention. There were issues arising in terms of complaints and claims made by members of the public in relation to the state of the roads;
- b) the Plymouth and West Devon Records Office was now an amber risk due to a new plan for the development of an alternative site being progressed and Heritage Lottery funding being applied for.

In response to questions raised, it was reported that consultants are being brought in to develop a plan for the storage of records currently stored at the Plymouth and West Devon Records Office to be relocated to new premises. The Committee were concerned that there appeared to be a 10 year delay and what lessons had been learnt.

Agreed that the Audit Committee –

1. note and endorse the current position with regard to operational risk and opportunity management.
2. request that an officer provides a further update on the Plymouth and West Devon Records Office to the Committee.

12. **RISK AND OPPORTUNITY MANAGEMENT ANNUAL REPORT**

The Head of Corporate Risk and Insurance provided the Committee with an update on how risk was managed across the organisation. It was reported that –

- a) they were trying to focus on the opportunities and benefits rather than the negatives and this is work in progress and working on making this far more effective and outcomes-focussed;
- b) the Council has joined the Cipfa/Alarm Benchmarking Club. The Club looks at the delivery and performance of risk management across six areas based on Alarm's National Performance Model. Our initial submission to the Club indicates that our performance level is assessed as "driving" the business across all six areas. It was proposed to bring to the September Committee the confirmed results of the benchmarking exercise including the comparison with the Council's peer grouping of unitary authorities.

In response to questions raised, it was reported that long term absence was scrutinised by the Support Services Overview and Scrutiny Panel and they agree a raft of initiatives and long-term sickness was being addressed.

Agreed that –

1. the Audit Committee note the Risk and Opportunity Management Annual Report.
2. the results of the Cipfa/Alarm Benchmarking Club is shared with the Committee at the September meeting.

13. **INFORMATION ASSET ANNUAL REPORT**

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

- a) this is the first annual report on behalf of the Senior Information Risk Officer the committee has received. An Information Lead Officers Group (ILOG) had been formed in order to promote improved information governance and this report highlights their activities;
- b) ILOG was now delivering improving procedures and promoting a culture of information management within the organisation in order to improve how we deal with sensitive data. As a result the number of information security incidents being reported has risen and these automatically triggered a management investigation and proposals to prevent re-occurrence.
- c) in response to questions raised, it was reported that the integration of public health into the authority had involved a major exercise on data sharing and how we use and share information. The Induction Booklet covers information on security and HR were also reviewing the competency framework.

Agreed that the Audit Committee note and endorse the current position with regard to the action plan of the Information Lead Officers Group.

14. **STATEMENT OF ACCOUNTS 2012/13**

The Group Accountant provided the Committee with an update. It was reported that -

- a) they were currently finalising the accounts for 2012/13 and the accounts were reported to Cabinet in May. The deadline for producing the statutory accounts was 30 June 2013. The Audit Committee would be considering the audited accounts in September;
- b) the report takes you through the timetable, the timetable was reduced by one week and were looking to improve the timetable over the next few years;
- c) the statutory accounts are in line with CIPFA and 2012/13 was light year with minimal changes and was fairly straight forward. Regular meetings had taken place with Grant Thornton and have been working in a proactive manner;
- d) the audit of accounts commences on 1 July 2013 with a 4-week public inspection period this would be advertised in next Monday's Evening Herald.

In response to questions raised, it was reported that Plymouth were the administrators of the Mount Edgumbe accounts at the moment and have their accounts on our ledger. The Devon Audit Partnership undertake the audit of small body accounts from Mount Edgumbe. Cornwall County Council have a 3-year target to break even and are looking at the possibility of Mount Edgumbe becoming a trust;

Agreed that the Audit Committee note the report and the proposed 'authorised for issue' date (21 June 2013) for the draft Statement of Accounts.

15. **ANNUAL REPORT ON TREASURY MANAGEMENT ACTIVITIES FOR 2012/13**

The Senior Accountant provided the Committee with an update on the Treasury Management Activities for the financial year 2012 - 13. It was reported that -

- a) £5m had been invested into a property fund to diversify the Council's investments and achieve an additional return. The yield on the fund will be approximately 6%;
- b) there is a limit with banks that the Council can invest in and an error had been made with the amount of money invested in one bank. The money was withdrawn and the incident was reported to the Director for Corporate Services and Devon Audit Partnership and procedures were put in place to ensure this would not happen again;
- c) officers had performed well against the budget reducing the borrowing costs and negotiating increased rates on investments;
- d) the Chair recommends that all members of this committee attend Treasury Management training provided by Arlingclose to be arranged later in the year.

Agreed that –

1. the Audit Committee note the Treasury Management annual report for 2012 – 13.
2. the report be referred to Full Council as required by CIPFA Treasury Management Code of Practice (TMP note 6).
3. an invitation to be sent to members of the Audit committee and to extend the invitation to members of the Co-operative Management Board to attend Treasury Management Training to be arranged later in the year.

16. **AUDIT COMMITTEE WORKPLAN 2013/14**

The Committee noted the rolling work programme and requested that the meeting date and time is added to future agendas.

17. **EXEMPT BUSINESS**

There were no items of chair's urgent business.