

Audit Committee

Thursday 19 September 2013

PRESENT:

Councillor Wheeler, in the Chair.
Councillor Dr. Mahony, Vice Chair.
Councillors Gordon (substitute for Councillor Stevens) and Murphy.

Independent Members:
Ms Badger, Mr Stewart and Mr Clarke.

Apologies for absence: Councillors Stark and Stevens.

Also in attendance:
David Bray (Senior Audit Manager for Grant Thornton), Malcolm Coe (AD for Finance, Efficiencies, Technology and Assets), David Curnow (Deputy Head of Devon Audit Partnership), Geraldine Daly (Senior Audit Manager for Grant Thornton), Claire Fisher (Group Accountant), Mel Gwynn (Head of ICT), Mike Hocking (Head of Corporate Risk and Insurance), Dominic Measures (Audit Manager), Barrie Morris (Director for Grant Thornton), David Northey (Head of Finance), Helen Rickman (Democratic Support Officer).

The meeting started at 2.00 pm and finished at 4.20 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.

18. **DECLARATIONS OF INTEREST**

There were no declarations of interest in accordance with the code of conduct.

19. **MINUTES**

The minutes of 13 June 2013 were approved as a correct record.

Under this item the Chair informed the panel that, with reference to minute 11, 'Operational Risk Management – Update Report', an update on the Plymouth and West Devon Records Office had been provided to the Committee via email.

20. **CHAIR'S URGENT BUSINESS**

There were no items of Chair's Urgent Business.

21. **ANNUAL REPORT TO THOSE CHARGED WITH GOVERNANCE - INCLUDING THE AUDIT OPINION**

Barrie Morris, Director for Grant Thornton, provided the Committee with an update on the 'Annual Report to Those Charged with Governance – Including the Audit Opinion'. The purpose of the report was to highlight key matters arising from the audit of Plymouth City Council's financial statements for the year ending 31 March 2013.

The Committee was informed that –

- (a) Grant Thornton proposed to provide an unqualified opinion on the Council's financial statements for the year ending 31 March 2013 confirming that the financial statements comply with accepted accounting procedures however some key issues were raised;
- (b) the Council had not followed the accounting treatment for its Icelandic Bank investments in accordance with the CIPFA guidance issued;
- (c) Grant Thornton had identified the need for the Council to include three additional disclosures in relation to the post balance sheet events: the disposal of the Civic Centre; the governance arrangements for the Devon Waste Partnership agreement; and further clarification for the amount expended to date on the waste partnership arrangements;
- (d) Grant Thornton considered that the Council had not included a provision within its financial statements for the future after-care costs of managing its closed landfill site; an additional disclosure note had been added to the financial statements setting out estimated future costs of £6.6m;
- (e) the Council's joint waste PFI scheme with Devon County Council and Torbay Council would become operational in 2014/15; governance arrangements and accounting treatment still needed to be finalised;
- (f) governance arrangements for the Tamar Bridge and Torpoint Ferry joint operation still needed to be finalised;

In response to questions raised it was reported that –

- (g) with regards to the treatment of the Icelandic Bank officers confirmed that the Council had been prudent with its approach in calculating the impairment adjustment within the accounts due to the continued uncertainty over the level of future recovery; this was consistent with the treatment in previous years;
- (h) Grant Thornton confirmed that Plymouth City Council was not alone in its approach to the auditing arrangements for the Icelandic Bank issue;

- (i) with regards to the issue of future after care costs of managing the Council's closed landfill site, officers confirmed that the requirement for this provision and associated accounting treatment was not included in the accounts due to issue with timing and staffing levels. It was considered that the amendments were technical accounting issues and would not affect the cash position of the Council. With respect to officer time, it was considered that several days' work was required to include this information in the audit. Given that the amendment would not have any impact on the reader's ability to interpret the accounts, and that there was no impact on the financial result or council tax levels, officers had decided not to make the amendment this year. However, it would be included from next year;
- (j) with regards to the issue of the Tamar Bridge and Torpoint Ferry Joint Committee governance arrangements, officers were currently in communication with colleagues in Cornwall and it was reported that progress was being made on this matter; this was not expected to be an issue for next year's accounts;

The Chair thanked Barrie Morris for his report and it was agreed that the 'Annual Report to Those Charged with Governance – Including the Audit Opinion' was noted and signed by the Chair.

Under this item Barrie Morris, Director for Grant Thornton, thanked Claire Fisher, Group Accountant, for her excellent support over the years.

22. **AUDIT PLAN 2012/13 PROGRESS REPORT**

Geraldine Daly, Senior Audit Manager for Grant Thornton provided the Committee with the Audit Plan 2012/13 Progress Report. Areas of work including Grant Certification, NNDR, Teachers Pension Return and Housing Benefit Subsidy Claim were still in progress with work expected to be completed between September – November 2013.

PCC Officers confirmed they were aware of emerging issues.

Agreed that the Audit Plan 2012/13 Progress Report is noted.

23. **VALUE FOR MONEY REPORT - FINANCIAL RESILIENCE**

Geraldine Daly, Senior Manager for Grant Thornton provided the Committee with the Value for Money Report – Financial Resilience. David Bray, Senior Manager for Grant Thornton was introduced to the Committee.

The Committee was informed that –

- (a) the Value for Money report included a review to determine if the Council had proper arrangements in place for securing financial resilience;
- (b) the Council was given an overall amber rating for financial resilience which defined the arrangements as adequate;

- (c) levels of sickness at the Council were still higher than average however the overall trend was a downward one;
- (d) the Council's main overspend was Joint Commissioning and Adult Social Care, with a final outturn position of a £4.6m overspend; the Council identified the overspend in individual directorates early in the year and took effective action to manage this across the Council;
- (e) the majority of key indicators within the report were rated as green suggesting that good arrangements were in place;
- (f) there was a consistency process around the rating of key indicators to ensure that judgements were fair;

In response to questions raised it was reported that –

- (g) the Council had spent a considerable amount of time in tackling sickness absence; tolerance levels were now set in order to reduce sickness. Consultants had not been approached to help with this issue however occupational health were used in order to help individuals return to work;
- (h) the council tax collection rates were currently set at amber as officers were unable to meet internal targets set for the in-year collection rates however the collection rate itself had increased for the fourth year which was positive;
- (i) with regards to page 83 of the supplementary agenda pack regarding the comment that Council 'officers have been slow to respond to significant accounting issues' it was confirmed that this related to discussions around the waste partnership and the perceived lack of progress around the Tamar Bridge & Torpoint Ferry (TBTF) Joint Committee governance. The Strategic Finance Manager confirmed that the Council had been in discussions with auditors on both of these areas. However, for the South West Devon Waste Partnership, there was a lack of clarity in the process regarding governance arrangements of the three councils (Plymouth, Torbay and Devon). With regards to TBTF, officers confirmed an initial meeting had been held and a follow up meeting was scheduled before the end of November. Geraldine Daly confirmed that the relationship between Grant Thornton as external auditors and Plymouth City Council was very good; the auditors were simply concerned that progress had delayed slightly between January and August 2013; officers were continuing to work on these issues and assured the Committee that these two areas would be resolved as soon as possible;

Agreed that the report is noted.

24. **AUDIT FEE LETTER 2013/14**

Geraldine Daly, Senior Audit Manager for Grant Thornton provided the Committee with the Audit Fee Letter 2013/14.

The Committee was informed that the Audit Commission defines the scale audit fee and this charge was the same as 2012/13.

Agreed that the Audit Fee Letter 2013/14 is noted.

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

Claire Fisher, Group Accountant, provided the Committee with the Statement of Accounts 2012/13. Members were informed that there was a minor amendment to the layout of the paperwork published regarding the officers remuneration note on page 97 of the agenda pack. The External Auditors had requested the amendment to aid readers' clarity.

The Committee was informed that –

- (a) the Council's draft statutory statement of accounts was prepared and approved ready for the Audit Committee by the Director for Corporate Services on 25 June 2013;
- (b) there was a significant event which had occurred since the draft accounts were published in June, namely the 3 September 2013 Cabinet decision approving the selection of a preferred bidder for the redevelopment of the Civic Centre;
- (c) further repayments of £528,000 had been received with regards to the Icelandic Bank investment;
- (d) in 2013/14 there were expected to be several significant new or changed requirements to the Code of Practice;
- (e) there was a requirement for the letter of representation to be authorised and submitted to the auditor by 30 September 2013;

In response to questions raised it was reported that –

- (f) the Committee would be provided with a written response regarding the difference of depreciation of property between schools which was currently set at 10 to 40 years and Public Finance Initiative schools which was set at 60 years;
- (g) the word 'componentisation' listed in the Glossary of Financial Terms described the way in which assets were analysed by being broken down into separate components to reflect depreciation in accounts;

- (h) the Committee would be provided with a written response regarding the increase in outstanding debts of 'more than one year' between 31 March 2012 and 31 March 2013;
- (i) the analysis of the travel, subsistence and other expenses related to Members Allowances showed an increase of eight times the amount listed in 2011/12; this was because a Councillor claimed childcare expenses in order to attend Council meetings;

Agreed that –

- 1 the Audit Committee note the amendments made to the Statement of Accounts for 2012/13 as agreed with the Auditor, and outlined in this report;
- 2 the Statement of Accounts for 2012/13 attached at Appendix A is approved;
- 3 the letter of representation attached at Appendix B is authorised and submitted to the Auditor;
- 4 the minor amendment to the paperwork published regarding the officers remuneration note on page 97 of the agenda pack in which the figure in the total remuneration column for the Director for People/ Community Services should have read 137,857 instead of 137,87 was noted;
- 5 the Committee would be provided with a written response regarding the difference of depreciation of property between schools which was currently set at 10 to 40 years and Public Finance Initiative schools which was set at 60 years;

Under this item the Chair informed the Committee that Claire Fisher, Group Accountant, was due to leave the Council after 24 years' service; Claire was praised for her hard work and commitment to her role and was wished good luck for the future.

26. **STRATEGIC RISK AND OPPORTUNITY REGISTER MONITORING REPORT**

Mike Hocking, Head of Corporate Risk and Insurance, provided the Committee with the Strategic Risk and Opportunity Management Register Monitoring Report.

The Committee was informed that the report provided a summary of the latest formal monitoring exercise for the period March 2013 to August 2013; the total number of strategic risks reported had decreased from 37 to 32 with the addition of one new risk and the deletion of six risks.

In response to questions raised it was reported that –

- (a) God TV was a religious media business which was considering establishing a Plymouth presence in Union Street;

- (b) the organisations associated with the ALARM/ Cipfa Risk Management Benchmarking Club 2013 were different to those used by Grant Thornton for benchmarking exercises;
- (c) Plymouth was rated top in the league table of 18 other similar sized authorities for Risk Management in Public Services;
- (d) there were on-going discussions with KPMG and Microsoft with regards to the development of the HR Transformation Project; a fully integrated system could allow for personnel information such as payslips to be transacted electronically;

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

27. **INTERNAL AUDIT - PROGRESS REPORT**

Dominic Measures, Audit Manager, and David Curnow, Deputy Head of Devon Audit Partnership, provided the Committee with the Internal Audit – progress report.

The Committee was informed that –

- (a) the audit coverage was progressing well as good progress had been made against the plan agreed with management for the 2013/14 financial year;
- (b) improvements were required for the Housing Benefits System, the Access Controls to Key Systems 2012/13 and the 'Carefirst' Creditors system however work was being undertaken to progress this;
- (c) work regarding the Welfare Reforms was incorrectly labelled in the paperwork and should have read that the status was at a 'good standard' and not 'in progress';

Agreed that the report is noted.

28. **INTERNAL AUDIT - FOLLOW UP WORK**

Dominic Measures, Audit Manager, and David Curnow, Deputy Head of Devon Audit Partnership, provided the Committee with the Internal Audit – Follow Up Work report.

The Committee was informed that –

- (a) Devon Audit Partnership had undertaken follow up reviews of work, as a result of the Annual Internal Audit, where the overall audit opinion was that 'improvements were required';
- (b) overall managers were making progress in responding to issues raised;

- (c) Partnership Working ICT Systems showed that good progress had been made but there was still work to be done;
- (d) follow up work with regards to Carefirst Creditors would be undertaken later in the year;
- (e) good progress had been made with the Business Continuity 2012/13 work;

The Committee was impressed with progress made and encouraged officers in attendance at the meeting to feed this back to members of staff.

Agreed the report is noted.

29. **REVIEW OF ROLLING WORKPLAN**

The Committee noted the rolling workplan.

Agreed that 'Information Commissioners Audit' would be included in the rolling workplan for March 2014.

30. **ICT REPORT**

Mel Gwyn, Head of ICT, provided the Committee with an update on ICT.

The Committee was informed that –

- (a) Delt shared services was to be discussed at Cabinet Planning next week; each organisation was currently going through the approval process; the New Devon Clinical Commissioning Group had approved the report and Teignbridge District Council had discussed this issues at their executive committee in September and the results of this meeting was yet to be provided to officers;
- (b) the aim of shared services was to support economic growth, reduce costs and drive the transformation agenda;
- (c) the business case for Delt shared services was due to go to Cabinet in October 2013; due diligence and implementation planning was the next agreed step;

In response to questions raised it was reported that –

- (d) the business case for shared service proposed that each partner would have one vote each;

- (e) the model for shared services had the ability to be rolled out to other services and organisations; the model was considered to be quite cutting edge;
- (f) Exeter City Council was still in the process of considering the shared services report;
- (g) financial savings were based on all five partners working together on the venture however the success of this piece of work did not require all five partners;
- (h) commercial opportunities could be investigated in the future;
- (i) information was only shared by agreement in order to protect data protection security;
- (j) it was difficult to assess if staff members were to be made redundant as a part of this transformation process; officers were confident that shared services was a sustainable project;
- (k) the public health integration at Windsor House was a successful project which relied on the hard work of officers from ISD;
- (l) officers would provide the Committee with the number and changing nature of temporary staff;

Agreed that the report is noted and that officers would provide the Committee with the number and changing nature of temporary staff.

31. **DATE AND VENUE OF FUTURE AUDIT MEETINGS**

The Chair confirmed the dates and venues of future meetings namely:

- Thursday 12 December 2013, 2pm in the Council House
- Thursday 13 March 2014, 2pm in the Council House
- A sub-committee had been scheduled for 23 January 2014, 2pm in the Council House.
- Treasury Management Training had been scheduled for Monday 9 December 2013, 1.30 – 3pm in the Council House.

Under this item the Assistant Director for Finance, Efficiencies, Technology and Assets highlighted the importance of the Treasury Management Training. The Democratic Support Officer confirmed that an electronic invite would be sent out to all Members to attend the training in December.

32. **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 I of Schedule 12A of the Act, as amended by the Freedom of Information Act 2000.

33. **IM POSITION STATEMENT (E3)**

The Committee was provided with an update on the IM Position Statement.

Agreed that the update is noted.