

## **Audit Committee**

**Thursday 13 March 2014**

### **PRESENT:**

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

Independent Members: Mr I Stewart and Mr R Clarke.

Also in attendance: Barrie Morris – Grant Thornton, David Curnow and Brenda Davis – Devon Audit Partnership, Mike Hocking – Head of Corporate Risk and Insurance, Richard Woodfield – Corporate Information Manager, David Northey – Lead Officer and Amelia Boulter – Democratic Support Officer.

The meeting started at 2.00 pm and finished at 3.35 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.*

#### 54. **DECLARATIONS OF INTEREST**

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

#### 55. **MINUTES**

Agreed that the minutes of 23 January 2014 are approved as a correct record.

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

The Chair informed the committee of Ros Badger's resignation. The recruitment of an independent member would commence shortly. The committee asked that the advert should be made clear that applicants need to be a resident of Plymouth.

#### 57. **AUDIT COMMITTEE UPDATE**

Barrie Morris, Grant Thornton provided Members with an Audit Committee Update.

Members were advised that -

- (a) the report provides the current position and includes work on internal audit;
- (b) the audit of the final accounts would start early this year from 16 June putting more pressure on officers;
- (c) council officers had attended a series of training events hosted by Grant Thornton and CIPFA on financial statements;

- (d) work was continuing on VFM conclusion and certification work. The certification work related to housing benefits and teachers pensions;
- (e) talks were taking place with PCC to establish whether the South West Devon Waste Partnership Joint Committee needs to have own set of accounts. No response had been received from Devon or Torbay on this matter.

In response to questions raised it was reported that -

- (f) that Members were involved in a 3-day scrutiny process reviewing PCC's budget before going to Full Council. These reports were written to the council as a whole rather than to just Members of the Audit Committee and we do have well documented audited procedures. Some Committee Members felt that more information should have been provided and were not satisfied with information received;
- (g) Auditors were in place until 2017 and would continue to have discussions with the local authority on the future external audit arrangements.

Agreed that the Audit Committee update is noted.

#### 58. **FINANCIAL REPORTING ISSUES**

Barrie Morris, Grant Thornton provided Members with a report on the Financial Reporting Issues document. The Lead Officer had produced a response to each of the questions set out in the document. The committee were advised that the responses would be circulated with the minutes.

Agreed that –

1. the Financial Reporting Issues document is noted.
2. the responses to the each of the questions as set out in the Financial Reporting Issues document to be circulated with the minutes.

#### 59. **FRAUD BRIEFING 2013**

Barrie Morris, Grant Thornton provided Members with a Fraud Briefing 2013 update. It was reported that the briefing was produced by the Audit Commission and the purpose of report was to show the national position in relation to fraud. The briefing draws out statistics for PCC to consider.

In response to questions raised it was reported that -

- (a) the Audit Plan includes a certain level of review for fraud. There were fraud items that crop up each year that require review and were dealt with. There were plans to undertake specific reviews and the Devon Audit Partnership and the Corporate Fraud team were aware of work being undertaken on blue badge fraud;

- (b) of the £382k lost to fraud we would look for that sum to be reclaimed. It was suggested that the Committee invite the Revenues and Benefits Manager to attend the Committee to provide Members with a briefing on the process to reclaim back money.

Agreed that –

1. the Fraud Briefing 2013 is noted.
2. the Revenues and Benefits Manager is invited to a future meeting to provide the Committee with a briefing on the process to reclaim back money lost to fraud.

## 60. **STRATEGIC RISK AND OPPORTUNITY MANAGEMENT REGISTER MONITORING REPORT**

Mike Hocking, Head of Corporate Risk and Insurance provided Members with an update on the Strategic Risk and Opportunity Management Register Monitoring Report. This was a 6 monthly update reporting a net reduction in risks with 4 red risks reported.

Members were advised that –

- (a) risks were unchanged and with the current climate were not likely to see any change;
- (b) the recent storms affected the highways. Amey were dealing with the issues and the council were receiving claims from the public. The Government announced additional funding in light of the recent storms and Plymouth awaits funding settlement;
- (c) successful online training on data safe for all PCC staff had taken place;
- (d) the Director for Public Health would commence on 1 April 2014 and would be part of mainstream council activity. Work would be undertaken with public health to identifying any risks;
- (e) transformation was highlighted as a risk for the organisation with regard to the various projects coming on stream. The Committee would be receiving an update from David Trussler, Interim Strategic Director for Transformation and Change on the governance arrangements.

In response to questions raised it was reported that –

- (f) with regard to Plymouth and West Devon Records Office, it was reported that an update on this previous risk would be circulated to members;
- (g) contracts had been signed for Ballard House and the new front of house venue. Decampment of staff would commence in the summer;
- (h) Amey were operating to strategy with regard to the significant number of potholes across the city. Amey had a policy for every 7 repairs, 6 permanent repairs would be undertaken;
- (i) there wasn't a short term fix for the potholes but there was a strategy agreed with the Portfolio Holder to address this.

Agreed that -

1. a briefing paper on the Plymouth and West Devon Records to be circulated to Committee members.
2. officers from Amey to be invited to a future meeting to provide the Committee with an update on the figures to be provided and circulated with the minutes on claims.

61. **INTERNAL AUDIT ANNUAL PLAN**

David Curnow, Devon Audit Partnership (DAP) provided Members with the Internal Audit Annual Plan.

Members were advised that -

- (a) there were some audit areas in the 2014/15 audit plans for each of the 3 member authorities. The outcome of these reviews would allow for sharing of best practice and to help each authority to further ensure that risk remains well managed;
- (b) the DAP use a risk based priority audit planning tool to identify those areas where audit resources can be most usefully targeted. It involves scoring a range of systems, services and function across the whole authority, known as the 'Audit Universe' using a number of factors/criteria to determine a schedule of priorities for audit attention;
- (c) that times are changing, funding of public services was reducing and service delivery was undergoing transformation. A reduction in the control framework and less staff can increase risks to the authority. Internal audit was well placed to understand these risks and support management in designing effective and efficient controls that mitigate risks to an acceptable level. DAP gave the Committee assurance that control frameworks were optimised to prevent problems;
- (d) the Annual Governance Statement provides –
  - Corporate risk management framework and reporting;
  - Internal audit assurance on the internal control framework;
  - Executive and service director review and assurance;
  - External audit and other assurance reports.

Agreed that the internal Audit Plan 2014/15 is noted.

62. **UPDATE ON CIVICA SYSTEM (AND SCHOOL BUDGET DEFICITS)**

David Northey, Lead Officer provided Members with an update on the Civica System, and the position regarding schools moving to academy whilst running a budget deficit. Members were advised that the Civica paper and school update was provided following requests by the Committee at the last meeting.

In response to questions raised it was reported that –

- (a) the first stages of Authority Web (AWeb) had commenced since this update was published;
- (b) the move to DELT would not impact on this decision;
- (c) was unsure on the legal implications of schools with deficits transferring to academy status.

Agreed that the Committee receive a part II report on the legal status of schools with deficits transferring to academy status.

### 63. **UPDATE ON DATA SYSTEM AT WINDSOR HOUSE**

Brenda Davis, Devon Audit Partnership provided Members with an update on the Data System at Windsor House.

Members were advised that –

- (a) the report provided a chronological overview of events as they took place from the initial plans to the implementation of the data centre;
- (b) it was important to draw your attention to 12 August 2012 when the project was temporarily put on hold due to the ICT Department bringing forward work to replace legacy equipment in the Civic Centre reducing the need for future re-work;
- (c) the timelines were unrealistic to begin with due to the complexities of the project and a number of other contributory factors causing delays. The project has progressed and systems are in place to commence migration of data;
- (d) it is envisaged that the project would be finalised in May 2014.

The Committee raised concerns over when staff move from the Civic Centre to Ballard House and whether Midland House was a suitable venue to house a data system. Officers would advise the Committee of the back-up arrangements for the data system.

On-going discussions with the Place Department regarding the future of the Civic Centre has provided a little more time for the ICT Service to progress proposals for the development of a second data centre outside of the Civic Centre. Discussions about co-location of a data centre are in progress with a number of partners in the Plymouth area and a paper outlining the possible options is planned for May.

Agreed that a briefing on the back up arrangements for the data system to be circulated with the minutes.

64. **GOVERNANCE ARRANGEMENTS FOR TRANSFORMATION PROGRAMME**

David Trussler, Interim Strategic Director for Transformation and Change provided Members with the Governance Arrangements for the Transformation Programme.

Members were advised that -

- (a) they had designed and implemented governance around changes taking place at PCC which were now implemented and working;
- (b) PCC's overarching transformation priorities over next 3 years play a major role in balancing the books of PCC;
- (c) the transformation project would be producing key decisions for Cabinet to agree;
- (d) the Transformation Portfolio Board was chaired by the Chief Executive and the Members Transformation Board was chaired by Councillor Nicky Williams.

In response to questions raised it was reported that –

- (e) the decisions to be made refers to cabinet and delegated decisions.

The Committee wanted to see further information on the membership for each of the boards and their terms of reference. The Committee also felt it would be beneficial for a chart showing each of the boards reporting structures.

Agreed that the Committee to be provided with –

- Membership for each of the boards;
- Terms of reference for each board;
- Diagram showing the reporting structures for each of the boards.

(Councillor Mahony left partway through this item).

65. **RIPA SURVEILLANCE REPORT**

Richard Woodfield, Corporate Information Manager provided Members with the RIPA Surveillance Report.

Members were advised that -

- (a) the Oversight Commissioner undertook an inspection in December 13 and were pleased with the processes in place;
- (b) any surveillance had to be carried out lawfully and with respect to the people of Plymouth;
- (c) PCC and this Committee had an oversight role to ensure officers were keeping to requirements. The policy was our key document for officers to follow and were refocusing on the word surveillance and moving away from using covert activities.

In response to questions raised it was reported that –

- (d) Councillor Pete Smith, Deputy Leader was the Cabinet Member with the responsibility for this policy. Quarterly meetings took place with Councillor Smith on surveillance taking place.

Agreed that –

1. the Committee approves the new version of the Surveillance and Covert Activities Policy.
2. the Committee acknowledge that covert activities can be necessary and proportionate response for achieving the Council's objectives through re-approval of the Surveillance and Covert Activities Policy; which allows covert activities to be deployed where necessary and proportionate, under the control of a good practice process based on the Regulation of Investigatory Powers Act requirements.
3. the Committee note that the recent Inspection demonstrates that staff have appropriately implemented powers available under RIPA.

(Councillors Mahony and Stark were not present for this item).

66. **REVIEW OF ROLLING WORKPLAN**

Members noted the rolling work programme. The Chair informed the Committee that the approval of Treasury Management Plan would be at the January 2015 and requires delegated powers from the December committee.

(Councillors Mahony and Stark were not present for this item).

67. **EXEMPT BUSINESS**

There were no items of exempt business.