

Audit Committee

Thursday 3 December 2015

PRESENT:

Councillor Parker-Delaz-Ajete, in the Chair.
Councillor Sam Leaves, Vice Chair.
Councillors Sam Davey and Murphy.

Co-opted Representatives: Mr Clark and Mr Stewart.

Apology for absence: Councillor Mrs Pengelly.

Also in attendance: David Bray (Grant Thornton), David Curnow (Devon Audit Partnership), Ben Chillcott (CCG), Chris Flower (Lead Accountant), Anne Gunther (Chair of CCG Audit Committee), Mike Hocking (Head of Corporate Risk and Insurance), Julie Hosking (Risk and Insurance Officer), Robert Hutchins (Devon Audit Partnership), Robert Loader (Audit South West), Guy Marshall (Senior Finance Analyst), Craig McArdle (Assistant Director for Strategic Co-operative Commissioning), David Northey (Head of Corporate Strategy), Tony Rose (Devon Audit Partnership), Greg Rubins (BDO), Tara Westcott (KPMG Audit), Helen Wright (Democratic Support Officer).

The meeting started at 2.00 pm and finished at 4.00 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.

31. **DECLARATIONS OF INTEREST**

Councillor Sam Leaves declared a private interest relating to the CCG Integrated Fund item and any subsequent items that referred to the NHS, as she was employed by the NEW Devon Clinical Commissioning Group.

32. **MINUTES**

The committee agreed that the minutes of the meeting held on 17 September 2015 are confirmed as a correct record.

33. **CHAIR'S URGENT BUSINESS**

With the permission of the Chair, the Head of Corporate Strategy advised that the committee would need to fill the remaining vacancy for the co-opted representative. Work would commence on drafting an advertisement in the new year.

(In accordance with Section 100(B)(4)(b) of the Local Government Act, 1972, the Chair brought forward the above item for urgent consideration because of the need to inform Members).

34. **OPERATIONAL RISK AND OPPORTUNITY MANAGEMENT - UPDATE REPORT**

Mike Hocking (Head of Corporate Risk and Insurance) and Julie Hosking (Risk Management and Insurance Officer) presented the operational risk and opportunity management report which highlighted the following key areas –

- (a) operational risk and opportunity registers and analysis of risks identified;
- (b) former red risks which were now amber -
 - Police and Crime Commissioner funding cut leading to adverse impact on vulnerable victims;
 - delivering council services within the envelope of the resources provided in 2016/17;
- (c) risk and opportunity register information;
- (d) CCG/PCC Integrated Risk Register;
- (e) strategic risk review.

The committee noted and endorsed the current position with regard to the operational risk and opportunity management.

35. **ANNUAL REPORT ON TREASURY MANAGEMENT ACTIVITIES FOR 2015/16 (AND MID YEAR REPORT)**

Chris Flower (Lead Accountant) presented the mid-year Treasury Management 2015/16 report which the Local Government Act 2003, required the Council to set out its Treasury Strategy for borrowing and to prepare an Annual Investment Strategy. The Council's strategy for 2015/16 was approved by Full Council at its budget meeting on 10 February 2015.

The report highlighted the following key areas -

- external context;
- UK economy;
- market reaction;
- local context;
- borrowing strategy;
- PWLB certainty rate and project rate update;
- LOBOs;
- credit risk;
- counterparty update;
- budgeted income and outturn;
- update on investments with Icelandic banks;
- compliance with prudential indicators/other prudential indicators;
- Treasury Management indicators;
- interest rate exposures;
- maturity structure of borrowing;

- principal sums invested for periods longer than 364 days;
- authorised limit for external debt;
- adoption of CIPFA Treasury Management Code;
- investment training;
- outlook for quarter three and four 2015/16.

The main areas of questioning from Members related to the following –

- (a) the authority's budgeted investment income for the year which was estimated at £1m (the authority was currently anticipating to deliver this by the year end);
- (b) the remaining balance held by the Icelandic Banks; (£125k had been received from Heritable Bank which left a balance of £60k; £1.3m was still outstanding from the Glitnir Bank); the impact of recovering the outstanding debt would need to be assessed as currently 95pence in the pound was being offered;
- (c) the possible impact of the Chinese economy on the authority's investments.

Information on the LOBOs would be circulated to the members of the Audit Committee.

The committee agreed that approval of the Treasury Management Strategy and Annual Investment Strategy 2016/17 is delegated to the Head of Corporate Strategy in consultation with the Chair and Vice Chair of the Audit Committee to agree a final version.

The committee noted the mid-year treasury management 2015/16 report.

The committee further noted that the Treasury Management Strategy and Annual Investment Strategy 2016/17 would be submitted to Cabinet and Full Council for authorisations in February 2016.

36. **AUDIT COMMITTEE UPDATE**

David Bray (Grant Thornton) provided Members with the Audit Committee update which reported on the progress in delivering the external auditor's responsibilities. The report also included a summary of emerging national issues and developments that might be relevant to the authority.

The following key areas were highlighted –

- 2014-15 final accounts audit;
- 2014-15 value for money conclusion;
- 2014-15 Annual Audit Letter;
- 2014-15 certification work;
- other activities;

- national issues and developments included Audit Committee effectiveness review; making development (a practical guide for local leaders), turning up the volume (the business location index); improving efficiency of council tax collection code of audit practice and supporting members in governance.

The committee noted the report.

37. **ANNUAL AUDIT LETTER 2014/15**

David Bray (Grant Thornton) provided the Annual Audit Letter which summarised the key findings arising from the work that had been carried at Plymouth City Council for the year ended March 2015.

The key areas included –

- financial statements audit (including audit opinion);
- value for money (VfM) conclusion;
- whole of government accounts;
- certification of housing benefit grant claim;
- audit fee;
- key issues and recommendations;
- reports issued and fees.

The committee noted the report.

38. **CERTIFICATION WORK REPORT 2014/15**

David Bray (Grant Thornton) provided the Annual Audit Letter which related to the certification of one claim/return for the financial year 2014/15 for Housing Benefit Subsidy return to the Department for Work and Pensions.

The Chair took this opportunity to thank officers from Grant Thornton for the work they had undertaken over the past seven years.

The committee noted the report.

39. **EXTERNAL AUDIT PROGRESS REPORT (BDO) - DECEMBER 2015**

Greg Rubins (BDO) presented the external audit progress report (December 2015) which highlighted the following key areas –

- audit plan;
- review of internal controls;
- financial statements audit
- whole of government audit account;
- review of arrangements to secure economy, efficiency and effectiveness;
- Annual Audit Letter;
- grants and returns and the grant report;

- sector update.

The committee noted the report.

40. **INTERNAL AUDIT - HALF YEAR REPORT**

David Curnow (Devon Audit Partnership) presented the Internal Audit half year report which provided the committee with a position statement on the audit work carried out since April 2015 and based on work performed to date during 2015/16. Internal Audit was able to provide reasonable assurance on the adequacy and effectiveness of the authority's internal controls. The following key issues were highlighted –

- assurance statement;
- progress against plan;
- progress impact assessment;
- audit findings;
- fraud prevention and detection;
- customer value;
- summary of audit reports and findings for 2015/16;
- performance indicators;
- customer service excellence.

The main areas of questioning from Members related to the following –

- (a) the definition of a Small Bodies Annual Return (this related to relevant bodies in England with an annual turnover of £6.5m or less which were required to complete an annual return in accordance with proper practices summarising their annual activities at the end of each financial year);
- (b) governance issues relating to schools (whether these issues needed to be considered by the Audit Committee as members had a responsibility as corporate parents);
- (c) the current system for storing travel and subsistence receipts; (claims were submitted electronically with a requirement for staff to retain the receipts);
- (d) the categories that housing benefit overpayments had been attributed to (ie, fraud, clerical errors, etc);
- (e) security of information within the Print and Document service; (a number of improvements had already been undertaken).

The following information would be provided –

- (f) the monetary value of the overpayments made for domiciliary care;
- (g) a breakdown of the categories for the overpayment of Housing Benefit claims;

- (h) the name of the school that had been deemed inadequate and the circumstances surrounding this issue.

The committee agreed that the Assistant Director for (?) is invited to attend a future meeting of Audit Committee to provide an update on the domiciliary care overpayments issue.

The committee noted the report.

41. **CCG - INTEGRATED FUND**

David Curnow (Devon Audit Partnership) presented the internal audit –integrated health and wellbeing joint assurance. The Northern, Eastern and Western Devon Clinical Commissioning Group (NEW Devon CCG) and Plymouth City Council (PCC) formed an integrated commissioning function on 1 April 2015 which brought together funds for 2015/16 of £460m, to be used to jointly commission health and wellbeing services in the locality. The report highlights the following key areas –

- the joint working and the need for independent assurance;
- Internal Audit briefing – integration;
- the Plymouth integrated commissioning risk register framework;
- Plymouth City Council and Northern, Eastern and Western Devon Clinical Commissioning Group integrated risk management framework.

The main area of questioning from Members related to the risk governance structure which included the integrated risk reporting structure.

The committee agreed that –

- (1) the terms of reference for the Finance and Review Group are submitted to a future meeting;
- (2) the senior responsible officer will attend the committee to provide assurance as to who would be making the decision regarding the integrated risk.

(Also present for this item Ben Chillcott, Ann Gunther, Guy Marshall, Craig McArdle, Robert Loader and Tara Westcott which represented CCG, PCC, KPMG Audit and Audit South West).

42. **REVIEW OF ROLLING WORKPLAN**

The committee considered and noted its rolling work programme for 2015/16 (with the amendment to change the external auditor reports for March 2016 to BDO).

43. **EXEMPT BUSINESS**

There were no items of exempt business.