

Audit Committee

Thursday 24 March 2016

PRESENT:

Councillor Parker-Delaz-Ajete, in the Chair.

Councillor Mrs Pengelly, Vice Chair.

Councillors Sam Davey, Jordan (substitute for Councillor Sam Leaves) and Murphy.

Independent Members: Mr Clarke and Mr Stewart.

Apology for absence: Councillor Sam Leaves.

Also in attendance: Lesa Annear (Strategic Director for Transformation and Change), Pamela Evans (BDO), John Finch (Information Governance Manager), Chris Flower (Lead Accountant), Mike Hocking (Head of Corporate Risk and Insurance), Julie Hosking (Risk Management and Insurance Officer), Robert Hutchins (Head of Devon Audit Partnership), David Northey (Head of Corporate Strategy), Greg Rubins (BDO), Jamie Whitford-Robson (Civil Protection and Business Continuity Officer) and Helen Wright (Democratic Support Officer).

The meeting started at 2.00 pm and finished at 3.30 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.

44. **Appointment of Vice Chair**

The committee agreed that Councillor Pengelly is appointed as Vice Chair for this particular meeting.

45. **Declarations of Interest**

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

46. **Minutes**

The committee agreed that the minutes of the meeting held on 3 December 2015 are a correct record subject to the following amendments –

- the correct spelling of Mr Clarke;
- the replacement of co-opted representatives with independent members;
- the inclusion of the Assistant Director for Strategic Co-operative Commissioning (minute 40 refers).

47. **Chair's Urgent Business**

There were no items of Chair's urgent business.

48. **Overview of Civil Protection Service**

Jamie Whitford-Robson (Civil Protection and Business Continuity Officer) provided an overview of the Civil Protection Unit which included the following main points –

- the unit -
 - ▶ undertook work under the Civil Contingencies Act, 2004, Control of Major Accident Hazards 1999 (relating to the oil storage depots at Cattedown) and Radiological Emergency Preparedness and Public Information Regulations 2001 (relating to HMNB Devonport Dockyard and nuclear submarines);
 - ▶ was leading the planning for the national Short Sermon exercise which was a three yearly test of the arrangements for a release of radiological material from a nuclear submarine at Devonport Dockyard and the arrangements for keeping the public safe;
 - ▶ provided a 24 hour on-call service for emergency response and business continuity; incidents which had been dealt with included severe weather alerts and subsequent damage, full ICT failure, WWII unexploded bomb, homemade explosive devices, a fatal fire and a gas leak at Windsor House and had assisted the police with the recent Modern Slavery incident.

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

- (a) the location of Gold Control relating to the Short Sermon exercise;
- (b) the reasons relating to the ICT failure;
- (c) whether work was being undertaken on counter terrorism and radicalism.

The committee noted the report.

49. **New Devon CCG Audit Committee - 23 March 2016**

David Northey (Head of Corporate Strategy) advised that both himself and the Chair had attended the NEW Devon CCG Audit Committee meeting which had been held on 23 March 2016. The main agenda items included the benefits of the integrated health and wellbeing one system one budget and the finance report for month nine. It was considered that some of the discussions were extremely detailed particularly relating to hospital admissions.

Currently the auditing arrangements for the integrated fund were being administered by both Plymouth City Council and NEW Devon CCG (both organisations had their own external auditors). The objective for the year end 2016/17 would be to have one auditing arrangement for the fund.

The committee noted the report.

50. **Treasury Management Strategy and Annual Investment Strategy 2016/17 including Minimum Revenue Provision (MRP) Strategy 2016/17**

Chris Flower (Lead Accountant) presented the Treasury Management Strategy and Annual Investment Strategy 2016/17 including the Minimum Revenue Provision (MRP) Strategy 2016/17 which highlighted the following key points –

- under the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice for Treasury Management in Public Services there was a requirement to set a strategy statement and prudential indicators on an annual basis which also included the annual investment strategy;
- the report fulfilled the authority's legal obligation under the Local Government Act 2003 to have regard to both the CIPFA Code and the CLG Guidance;
- the authority had borrowed and invested substantial sums of money and was therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates; the successful identification, monitoring and control of risks were therefore central to the authority's treasury management strategy.

The main area of questioning from Members related to whether the incremental impact of capital investment decisions (General Fund – increase in annual band D Council Tax) was an accumulative sum.

The committee noted the Cabinet recommends to Full Council to approve the Treasury Management Strategy and Annual Investment Strategy (incorporating the authorised limits, operational boundaries and prudential indicators) and the change of policy in the calculation of the Minimum Revenue Provision using the annuity method with effect from 2015/16.

51. **Treasury Management Practices, Principles and Schedules 2016/17**

Chris Flower (Lead Accountant) presented the Treasury Management Practices, Principles and Schedules 2016/17 which under the Local Government Act 2003 required the Council to set out its Treasury Management Policy and Treasury Management Strategy for borrowing and to prepare an Annual Investment Strategy. The following key points were highlighted –

- (a) the Council's Treasury Management Strategy for 2016/17 had been approved by Council at its budget meeting on 16 February 2016;

- (b) it was a requirement of the adopted CIPFA Code of Practices on Treasury Management that practices, principles and schedules were in place to ensure the Council's policy was adhered to and that working practices and controls were in place to meet the approved strategy and to fully report activities to the Audit Committee and Council;
- (c) Treasury Management Practices included the following -
- risk management;
 - performance management;
 - decision-making and analysis ;
 - approved instruments, methods and techniques;
 - organisation, clarity and segregation of responsibilities and dealing arrangements;
 - reporting requirements and management information arrangements;
 - budgeting, account and audit arrangements;
 - cash and cash flow management;
 - money laundering;
 - training and qualifications;
 - use of external service providers;
 - corporate governance.

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

- (d) whether the changes in the annual report could be highlighted rather than having the full document (although there was comfort that internal audit had set aside 10 days to review this);
- (e) the level of security relating to apprentices' accessibility to the Council's banking details.

The committee agreed to approve the Treasury Management Practices, Principles and Schedules for 2016/17.

52. **Strategic Risk and Opportunity Register Monitoring Report**

Mike Hocking (Head of Corporate Risk and Insurance) presented the strategic risk and opportunity register monitoring report for September 2015 to February 2016 which highlighted the following key areas –

- (a) a review of the strategic risk and opportunity register had been undertaken to ensure the risks contained within it were those that affected or were created by the Council's strategic objectives;
- (b) a reduction in the risks allowed senior officers to undertake a more proactive management of the key risks that may impact the Council's Corporate Plan;

- (c) as a result of the review, the total number of risks had reduced from 36 to 12.

The committee noted and endorsed the current position with regard to the strategic risk and opportunity register.

53. **Information Commissioner's Office Audit**

John Finch (Information Governance Manager) presented the Information Commissioner's Office (ICO) Audit which highlighted the following key points –

- (a) the ICO had conducted a data protection audit in 2014 which covered records management, training and awareness and subject access requests;
- (b) the findings from the audit recommended 49 actions and gave a rating of limited assurance;
- (c) 80% of the recommendations were completed with the remaining actions nearing completion;
- (d) the ICO recommended that the Council continued to work towards full implementation of their recommendations, in particular the appointment of a corporate records manager and the delivery of specialised training for specialised roles;
- (e) once the recommendations were completed the Council would be in a far stronger position than in 2014.

The main area of questioning from Members related to whether the ICO would follow up its audit to ensure that the Council had implemented all the recommendations.

The committee noted the report.

54. **Internal Audit Plan for 2016-17**

Robert Hutchins (Head of Devon Audit Partnership) presented the Internal Audit Plan 2016/17 which required local authorities to provide an internal audit service, in accordance with the Accounts and Audit Regulations and Public Sector Internal Audit Standards and to provide an annual risk-based internal audit plan together with the methodology for identifying the audit needs of the authority. The following key points were highlighted –

- (a) the report -
 - detailed the delivery of the Council's internal audit provision by Devon Audit Partnership (DAP) which was a shared service arrangement between Plymouth City, Devon County and Torbay Councils which commenced on 1 April 2009;

- outlined the internal audit resources available to undertake the 2016/17 plan and identified the work to be carried out between audit support and contribution to Transformation, value added work, core assurance, key financial systems, schools reviews, anti-fraud work, consultancy, corporate governance, grant certification and other chargeable works, together with specific audits to be undertaken.

The main area of questioning from Members related to whether knowledge was being captured from those experienced members of staff who were leaving the authority.

The committee agreed to approve the Internal Audit Plan for 2016/17.

55. **External Audit Progress Report**

Pamela Evans (BDO) presented the external audit progress report which provided an update on the audit work for 2015/16. The following key points were highlighted –

- (a) the auditor's principal objectives were to review and report on, under the relevant legislative requirements of the Code of Audit Practice for local government bodies the Council's financial statements and arrangements for securing economy, efficiency and effectiveness in its use of resources;
- (b) the requirement to certify specified grant claims and returns (as directed by Public Sector Audit Appointments Ltd);
- (c) the need to assess whether the arrangements put in place by the Council would allow the auditor to complete the work by the expected deadlines and whether there were any issues that were likely to have a significant impact on the auditor's ability to provide unmodified audit reports and opinions.

The main area of questioning from Members related to whether the external auditor (BDO) had liaised with internal audit (Devon Audit Partnership) regarding the review of the internal controls.

The committee noted the progress of the external auditor's work.

56. **Audit Plan 2015/16**

Grey Rubins (BDO) presented the audit plan 2015/16 which highlighted the following key points in the report –

- (a) the key issues which the external auditor considered to be relevant to the audit of the financial statements and the use of resources of the authority for the year end 31 March 2016;

- (b) formed a key part of the communication strategy with the Council and was designed to promote effective two-way communications throughout the audit process;
- (c) planning was an iterative process and the place would be reviewed and updated as the audit progressed.

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

- (d) whether the Waste to Energy PFI should be included on the balance sheet of the Council or its partners;
- (e) the advice provided by PWC which suggested that the facility should not be included on the balance sheet.

The committee noted the report.

57. **Internal Audit Charter and Strategy 2016/17**

Robert Hutchins (Head of Devon Audit Partnership) presented the internal audit charter and strategy 2016/17 which highlighted the following key points –

- (a) one of the requirements of the Public Sector Internal Audit Standards was to formally define, in an internal audit charter and strategy (consistent with the Definition of Internal Auditing, the Code of Ethics and Standards) the purpose, authority and responsibility of the internal audit activity;
- (b) the internal audit charter and strategy needed to -
 - define the terms ‘board’ and ‘senior management’ for the purposes of internal audit activity;
 - cover the arrangements for appropriate resourcing;
 - define the role of internal audit in any fraud-related work;
 - include the arrangements for avoiding conflicts of interest if internal audit undertook non-audit activities;
- (c) the strategy was a high-level statement of how the internal audit service would be delivered and developed in accordance with the charter and how it linked to the organisation objectives and priorities;
- (d) the strategy and charter needed to comply with the mandatory requirements of the Public Sector Internal Audit Standards;
- (e) the delivery of the internal audit service would be by the Devon Audit Partnership, a shared services arrangement between Devon County, Plymouth City and Torbay Councils in accordance with the agreed internal audit plan.

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

- (f) whether there were any significant changes which needed to be considered;
- (g) whether the customer satisfaction percentage needed to be higher than 90%.

The committee agreed to approve the internal audit charter and strategy for the year 2016/17.

58. **Review of Rolling Work Plan**

The committee considered and noted its rolling work programme for 2015/16.