

Audit Committee

Monday 27 June 2011

PRESENT:

Councillor Dr. Mahony, in the Chair.
Councillor Stevens, Vice-Chair.
Councillors Evans, Stark and Thompson.

Independent Members: Mr. Clarke and Mr. Stewart.

Also in attendance: Councillor Ricketts, Cabinet Member for Transformation, Performance and Governance, Kate Jefferies, Grant Thornton, Neville Cannon, Assistant Director for ICT, Adam Broome, Director for Corporate Support, Mike Hocking, Head of Corporate Risk and Insurance, Julie Hosking, Risk Management and Insurance Officer, Sue Watts, Assistant Head of Devon Audit Partnership, Martin Gould, Head of Devon Audit Partnership, David Northey, Head of Finance, and Katey Johns, Democratic Support Officer.

The meeting started at 10 am and finished at 1.05 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 Dr. Mahony as Chair and Councillor Stevens as Vice-Chair for the Municipal Year 2011/12.

2. DECLARATIONS OF INTEREST

There were no declarations of interest made in accordance with the Code of Conduct.

3. MINUTES

Agreed the minutes of the meeting held on 25 March 2011, subject to the inclusion of the following

| Name | Minute No. and Subject | Reason | Interest |
|---------------------|-------------------------|-----------------|----------|
| Councillor Thompson | 79. Internal Audit Plan | School Governor | Personal |

4. CHAIR'S URGENT BUSINESS

Independent Member – Mr. Clarke

The Committee was advised that Mr. Clarke's four-year term of appointment as an Independent Member would expire at the end of the month.

Agreed that Mr. Clarke is appointed as an Independent Member of the Audit Committee for a further four-year term.

5. **RECRUITMENT OF INDEPENDENT MEMBER**

The Democratic Support Officer reported that there had been an initial delay in the recruitment process in order to try and co-ordinate appointments for other Independent Members on the Standards Committee, Local Access Forum and the Remuneration Panel. However, following an e-mail advertising campaign, only two expressions of interest had been received.

Agreed that, in order to ensure recruitment to the post before the next meeting –

- (1) the Chair gives consideration to undertaking a radio interview to promote the vacancy;
- (2) an advert is placed in the press.

6. **INTERNAL AUDIT ANNUAL REPORT 2010/11**

The Committee considered the report which summarised the work undertaken by Devon Audit Partnership during 2010/11, reviewed the performance and effectiveness of the Internal Audit Service and provided an audit opinion of the adequacy of internal controls.

In response to questions raised Members were advised that –

- (a) a number of security measures had been implemented throughout the authority, including the installation of digital locks to office doors and the introduction of shredders;
- (b) 94 per cent of the plan had been completed, however, due to a shortage of staff with the necessary skills, 6 per cent of the planned work remained outstanding. These areas had now been prioritised for completion within 2011/12.

Agreed that –

- (1) the report is noted;
- (2) the adequacy and effectiveness of Plymouth's internal audit for the year ended 31 March 2011 is endorsed;
- (3) written responses to the following questions are circulated to Committee Members after the meeting –
 - the number of shredders installed in Council buildings
 - anticipated reporting deadlines for the system reviews deferred to 2011/12, namely –
 - CareFirst – Children Independent Placements
 - Safeguarding Adults
 - Commissioning and Contracting – Adult Social Care

7. **ANNUAL GOVERNANCE STATEMENT 2010/11**

The Head of Corporate Risk and Insurance presented the Annual Governance Statement for 2010/11.

With regard to Employee Relations, concern was expressed at the fact that there had been no resolution locally to a number of outstanding pay claims, despite the job evaluation process having been undertaken four years ago.

Agreed that –

- (1) the processes adopted for the production of the 2010/11 Annual Governance Statement are noted;
- (2) the adequacy and effectiveness of the system of internal audit is endorsed;
- (3) the Annual Governance Statement is approved prior to signature by the Leader, Chief Executive and Director for Corporate Support;
- (4) a report is presented to the next meeting of the Committee explaining the issues related to resolving equal pay.

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

The Head of Corporate Risk and Insurance presented the Operational Risk Management Update Report. The report –

- (a) outlined the continuing progress being made across services in delivering operational risk registers;
- (b) advised that the total number of operational risks had increased from 118 to 131, comprising 2 high (red) risks, 71 medium (amber) risks and 58 low (green) risks;
- (c) provided a commentary on the high risk areas together with details of the control actions/mitigation in place.

Concern was raised at the Council's failure to achieve carbon reduction targets and Members queried whether the impact of an increasing number of lorries coming to the City to deliver waste to the proposed waste to energy plant had been considered.

Agreed that –

- (1) the current position with regard to operational risk management is noted;
- (2) a written response is provided to Committee Members to demonstrate the implications on the Council's carbon reduction targets of an energy from waste plant along with the financial benefits.

9. **RISK MANAGEMENT - ANNUAL REPORT**

The Head of Corporate Risk and Insurance presented the Risk Management Annual Report. The report summarised the work carried out during 2010/11 to develop the Council's approach to risk management and covered –

- Corporate and Operational Risk Management Groups
- Risk Registers
- Performance Management and Business Planning
- Annual Governance Statement
- Risk Management and the Competency Framework
- Partnerships Governance
- Intranet Risk Management Guidance
- Information Governance
- ALARM Benchmarking
- Risk Management Maturity Review by Heath Lambert
- Focus for 2011/2012

With regard to Partnerships Governance, Members queried whether the broad-based, city-wide review had commenced. As the answer to this question could not be provided at the meeting, a written response was sought.

Agreed that –

- (1) the Annual Report is noted;
- (2) a written response to the question raised about Partnerships Governance will be circulated to Committee Members

10. **ANNUAL REPORT ON TREASURY MANAGEMENT ACTIVITIES FOR 2010/11**

The Director for Corporate Support submitted for consideration the Annual Report on Treasury Management Activities for 2010/11. In attendance to present the report was the Corporate Accountancy and Finance Manager. The report –

- (a) provided information on the progress and outcomes against the Treasury Management Strategy;
- (b) detailed the final position on the statutory Prudential Indicators;
- (c) included a number of benchmarking indicators for investments demonstrating that the City Council's investment performance compared favourably with other unitary authorities;
- (d) provided information on the Council's short and long term borrowing levels and its impact on the revenue budget.

Agreed –

- (1) to note the Treasury Management Annual Report for 2010/11;

- (2) to refer the report to Full Council as required by the CIPFA Treasury Management Code of Practice (TMP note 6);
- (3) the changes to the Treasury Management Practices as outlined in Appendix 5 to the report.

11. **STATEMENT OF ACCOUNTS 2010/2011**

The Corporate Accountancy and Finance Manager reported that the accounts would be submitted, in accordance with the new International Finance Reporting Standards (IFRS) format, to the Committee Chair and Director for Corporate Support on Wednesday for sign off. Members were further advised that a training session had been arranged at 12.30 pm on 6 July 2011 in order to help them better understand the new accounting format.

12. **INTERIM REPORT AND UPDATE TO FINANCIAL AUDIT PLAN 2010/2011**

The City Council's external auditor, Grant Thornton, submitted an interim report and update to its Financial Audit Plan for 2010/11.

The report was noted.

13. **EXTERNAL AUDIT PLAN PROGRESS REPORT**

The City Council's external auditor, Grant Thornton, submitted a progress update on its Audit Plan for 2010/11.

The report was noted.

14. **VFM REVIEW OF THE PROCURE TO PAY PROJECT**

The City Council's external auditor, Grant Thornton, submitted its Value For Money Review of the Procure to Pay Project. The report detailed the key findings of the review and made a number of recommendations which were summarised in the form of action plan.

In response to questions raised, Members were informed that –

- (a) it was the opinion of the external auditor that the Council's target of £4m procurement savings was both prudent and realistic;
- (b) Procure to Pay related to expenditure on individual items whereas Category Management related to expenditure on items which could be grouped together.

The report was noted.

15. **AUDIT COMMISSION**

The Head of Finance updated the Committee on the latest situation regarding the future of local public audit. Members were advised that –

- (a) with regard to internal audit arrangements a number of recommendations had come out of Lord Sharman's report, namely –

- the Audit Committee Chair and Vice-Chair should be independent of the local public body
- the majority of the Committee membership should be independent of the local public body
- elected members on the audit committee should be –
 - non-executive, non-cabinet members
 - at least one should have recent and relevant financial experience
 - recommended that a third of members have recent and relevant financial experience

(b) with regard to external audit –

- the Audit Commission had acted as the regulator, commissioner and provider of local audit services (appointed auditors)
- there was a lack of transparency and clarity as well as potential conflicts between the roles
- in August 2010 the Secretary of State for Communities and Local Government announced plans to disband the Audit Commission
- local authorities will still be subject to robust auditing and would appoint their own auditors subject to –
 - the decision being made by Full Council
 - advice from an independently chaired Audit Committee
 - the auditor being on the register of local public statutory auditors

Discussion took place on the proposed changes to the committee membership and the merits of retaining the public right to challenge local authority accounts. A vote was recorded in respect of each of these matters as follows –

- proposal for an Independent Chair – not supported by the Committee
- proposal for a majority Independent membership – not supported by the Committee
- proposal to retain the public right to challenge local authority accounts – supported by the Committee

Agreed that –

- (1) the Committee's response to the Communities and Local Government consultation is delegated to the Head of Finance, in consultation with the Chair and Vice-Chair;
- (2) a written summary of the update is circulated to Committee Members after the meeting.

16. **POSITION STATEMENT - DIVISION OF CHILDREN FROM CARE - EFFICIENCY THEME**

Further to minute 76, the Committee considered the response from Children's Services to the concerns raised regarding the reduction of children in care and the implications of failure to the budget.

Agreed that a more detailed response is sought in advance of the next meeting, with a request being made for the Assistant Director for Children's Social Care to attend should the detail remain insufficient.

17. **AUDIT COMMITTEE FORWARD WORK PLAN 2011/12**

The Committee's Forward Work Plan for 2011/12 was noted.

18. **EXEMPT BUSINESS**

There were no items of exempt business.

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