

## **Audit Committee**

**Thursday 21 June 2012**

### **PRESENT:**

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

Co-opted Representatives: Mr Clarke and Mr Stewart.

Also in attendance: David Northey – Head of Finance, Mike Hocking – Head of Corporate Risk and Insurance, Julie Hosking – Risk Management and Insurance Officer, Martin Gould – Devon Audit, Brenda Davis – Devon Audit, Robert Hutchings – Devon Audit, Geraldine Daly – Grant Thornton and Amelia Boulter – Democratic Support Officer.

The meeting started at 10.00 am and finished at 12.20 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.*

#### 1. **TO NOTE THE CHAIR AND VICE CHAIR**

Members noted the appointment of Councillor Wheeler as Chair and Councillor Dr. Mahoney as Vice-Chair for the Municipal Year 2012/13.

#### 2. **DECLARATIONS OF INTEREST**

There were no declarations of interest.

#### 3. **MINUTES**

Agreed that the minutes of 16 March 2012 are approved as a correct record.

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

The Chair informed the panel of the outcome of an email sent to members with regard to the possibility of changing future Audit Committee meetings dates and times.

Agreed that all future Audit Committees meetings will now take place on the preceding Thursday and commence at 2.30 pm as follows –

Thursday 27 September 2012  
Thursday 13 December 2012  
Thursday 14 March 2013

5. **RECRUITMENT OF INDEPENDENT MEMBER**

David Northey, Head of Finance updated the panel on the recruitment of independent members. It was reported that this had now been on-going for the last 12 months and the Constitutional Working Group were meeting on 26 June 2012 to discuss this matter. The recruitment process for independent members would commence pending the outcome of the Constitutional Working Group meeting.

6. **INTERNAL AUDIT ANNUAL REPORT 2011/12**

Martin Gould, the Council's Internal Auditor, provided the Committee with an update on the Internal Audit Annual Report 2011/12. The Committee was informed that –

- (a) there were no major risks generally and actions were completed to a good standard. PCC were working effectively with controls in place to mitigate any risks;
- (b) the bulk of the work took place around the systems audit. A lot of good progress had been made in embedding the IT library which was commended for good practice. ICT had been quite stretched with a lot of demands made on the service and it was highlighted that IT issues were not given a high enough priority;
- (c) fraud was an increasing risk for the local authority and as a result PCC had put more effort and resource into preventative fraud. After investigating a majority of the cases, staff were either dismissed or were going through the disciplinary process;
- (d) the schools audit programme was complete. They were also helping schools achieve the financial standard and most of the schools appeared to meet the requirements;
- (e) performance had been generally on target and plans completed with good customer satisfaction.

In response to questions raised it was reported that -

- (f) PCC's consultants were not looked at and there was a need to bring in expert advice for certain areas of work. For example, independent people were employed to represent people in court and they needed to be independent from the council;
- (g) since the Assistant Director for Finance, Efficiencies, Technology and Assets had taken responsibility for ICT in February 2012, it was discovered that a lot of the core parts were very strong but there was no clear focus on where the service was moving forward and as a result the department spent a lot of time fire fighting. The restructuring of ICT would make the department sharper with better practices;
- (h) in relation to the fraud investigations it was found that controls and practices in place were robust but there were system weaknesses and recommendations had been made to improve systems.

Agreed that –

1. the Internal Audit Annual Report 2011/12 is noted.
2. Martin Gould will provide the Committee with copies of the Action Plan.
3. the Audit Committee receive an update on the changes to the ICT service in 6 months' time.

7. **ANNUAL GOVERNANCE STATEMENT 2011/12**

Mike Hocking, Head of Corporate Risk and Insurance provided the Committee with an update on the Annual Governance Statement 2011/12. The committee was informed that there was a new requirement for the authority's financial statement to conform to the governance requirements of the CIPFA statement on the Chief Financial Officer role.

Agreed to -

1. note the processes adopted for the production of the 2011/12 Annual Governance Statement.
2. endorse the adequacy and effectiveness of the system of internal audit.
3. approve the Annual Governance Statement prior to signature by the Leader, Chief Executive and Director for Corporate Services.

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

Mike Hocking, Head of Corporate Risk and Insurance, provided the Committee with an update on the Operational Risk Register. The committee was informed that risk management was pretty well embedded within the authority and good progress was being made.

Agreed that –

1. the report is noted and the current position with regard to operational risk management is endorsed.
2. the Audit Committee will receive a report at the next meeting and if members still want to question Officers then will invite them to attend a future meeting.

9. **RISK MANAGEMENT - ANNUAL REPORT**

Mike Hocking, Head of Corporate Risk and Insurance, provided the Committee with an update on the Risk Management Annual Report. The Committee was informed that the Risk Management Strategy would be more explicit on maximising opportunities and fits nicely with the new co-operative agenda.

In response to questions raised it was reported that –

- (a) 90 per cent of the Risk Management Bids were approved;

- (b) the vehicle scissor lift at Prince Rock was replaced with new equipment. The Committee felt that this issue of replacing the vehicle scissor lift should have been addressed earlier and requested a briefing note on why this was the last resort;
- (c) not all bids were successful in receiving funding;
- (d) the fund would support survey work to be undertaken on land Plymouth City Council (PCC) had inherited. In relation to trees, if there were no visible signs that a tree would fail, the law would support PCC. However, if a person had reported an issue with a tree and PCC failed to action the issue then that was a different matter.

Agreed that –

- 1. the Risk Management Annual report is noted.
- 2. the Audit Committee will receive a briefing note on why the vehicle scissor lift was not replaced sooner.

#### 10. **ANNUAL REPORT ON TREASURY MANAGEMENT ACTIVITIES FOR 2011/12**

David Northey, Head of Finance, provided the Committee with an update on the Annual Report on Treasury Management Activities for 2011/12. The Committee were informed that –

- (a) it had been a very difficult economic climate. PCC were continuing to recover outstanding monies from the Icelandic Bank;
- (b) with regard to the investment maturity profile now showing just under 70 per cent of our investment was now under one month. This detail provided shows us closer to the left when benchmarking us against other clients. This was due to following Arlingclose advice on the length of investment terms.

In response to questions raised it was reported that -

- (c) the position with the Icelandic Banks was improving;
- (d) the UK Santander Bank was separate to the Spanish parent and we had gained assurance from managers that they do not have the same exposure to Spanish banks;
- (e) in the value weighted average versus return graph Plymouth were benchmarked in the bottom right quadrant although Arlingclose clients were getting the same rate on investment with low level risk. To position Plymouth City Council into the bottom left quadrant (within the cluster of comparators), we need to consider investing in money market funds which have a better credit rating.
- (f) our money was deposited with UK banks and their ratings were being reduced and the risks attached were deteriorating. Other local authorities to improve their score invest in money market funds at a higher rating;

- (g) two thirds of money lost from investments with the Icelandic Banks had been paid back. Money was coming in and PCC was working with lawyers to continue recovery and were confident that it would be able to report soon on this matter and close down this issue;

Agreed that –

1. the Audit Committee note the Treasury Management annual report for 2011/12.
2. the report be referred to Full Council as required by the CIPFA Treasury Management Code of Practice (TMP note 6).
3. Audit Committee approve the Treasury Management Practices for 2012-13 as outlined at Appendix 3.

11. **TREASURY MANAGEMENT REVIEW - from March 2012 meeting**

David Northey, Head of Finance provided the Committee with an update on the Treasury Management Review. The Committee was informed that training was to be provided on Treasury Management by Arlingclose.

Agreed that –

1. all members to be invited to attend the Treasury Management training course.
2. a copy of the CIPFA Treasury Risk/Management Toolkit to be made available to all members on members room.

12. **STATEMENT OF ACCOUNTS 2011/12**

David Northey, Head of Finance, provided the Committee with an update on the Statement of Accounts 2011/12. The Committee was informed that the first draft of the Statement of Accounts 2011/12 was being signed off next week before being passed to external auditors. The final accounts would come back to this committee in September for formal sign off. We are now falling in line with the auditors for Tamar Bridge and Torpoint Ferry.

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

Geraldine Daly, Grant Thornton, provided the Committee with an update on the Interim Report and Update to Financial Audit Plan 2011/12. The Committee was informed that –

- (a) this report consolidates the work undertaken between March to end of June and sets out the process to combat the risks highlighted;
- (b) in previous years the guidance had been abbreviated on the debt owed to the council from the Icelandic banks. The committee had received reports on the current position on repayments and would receive further reports on repayments;

- (c) with regard to annual leave the cost implication on leave that employees hadn't taken needed to be fully costed.

In response to questions raised it was reported that -

- (d) a lot of companies were bringing the annual leave entitlement in line with the anniversary year of joining;
- (e) they were looking at the impact of the investigation into the mismanagement of funds at St Boniface School and the controls applied within all school when testing school balances. They were also quizzing schools a bit more deeply and giving more challenge;
- (f) an interim review took place on the financial systems and a series of tests were conducted. There were no issues to report;

Agreed that the Interim Report and Update to Financial Audit Plan 2011/12 is noted.

#### 14. **EXTERNAL AUDIT PLAN PROGRESS REPORT**

Geraldine Daly, Grant Thornton provided the Committee with an update on the External Audit Plan Progress Report. The Committee was informed that –

- (a) they were looking at the draft final accounts tomorrow and work had been on-going with the Finance Team since January. As of today there were no surprises and extensive work had been undertaken to ensure report accuracy;
- (b) VFM risk assessment work had been undertaken and was now complete;
- (c) financial resilience work was on-going.

Agreed that the External Audit Plan Progress report is noted.

#### 15. **EXTERNAL AUDIT ARRANGEMENTS**

Geraldine Daly, Grant Thornton, provided the Committee with an update on the External Audit Arrangements. The Committee was informed that staff from the Audit Commission was being TUPE over in November and a series of on-going discussions with Audit Commission staff would take place over the next couple of months.

#### 16. **EXTERNAL AUDIT FEE LETTER**

Geraldine Daly, Grant Thornton, provided the Committee with an update on the External Audit Letter. The Committee was informed that they would normally receive a letter by now but they were still in the process of finalising the fees to be agreed and would keep the Committee informed.

17. **AUDIT COMMITTEE FORWARD WORKPLAN 2012/13**

David Northey, Head of Finance, provided the Committee with an update on the Audit Committee Forward Workplan. The Committee was informed that the workplan would be populated in conjunction with the Chair and Vice Chair.

Agreed that the populated Audit Committee Forward Workplan is circulated to all members prior to the next meeting.

18. **EXEMPT BUSINESS**

There were no items of exempt business.