

## **Audit Committee**

**Thursday 13 December 2012**

### **PRESENT:**

Councillor Wheeler, in the Chair.  
Councillor Dr. Mahony, Vice Chair.  
Councillor Stark.

Co-opted Representatives: Mr R Clarke and Mr I Stewart.

Apologies for absence: Councillors Murphy and Stevens.

Also in attendance: Rob Hutchins and Brenda Davis – Devon Audit Partnership, Barrie Morris and Geraldine Daly – Grant Thornton; Mike Hocking – Head of Corporate Risk and Insurance, Julie Hosking – Risk and Insurance Officer, Andrew Liddicott – Senior Accountant, Louisa Mann – Archives and Information Manager, Les Allen – Strategic Capital Portfolio Manager, David Northey – Lead Officer and Amelia Boulter – Democratic Support Officer.

The meeting started at 2.00 pm and finished at 4.30 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.*

### 36. **DECLARATIONS OF INTEREST**

There were no declarations of interest.

### 37. **MINUTES**

The Committee had a discussion on the level of robustness of the minutes. It was reported that the Committee were downgraded in the past on minutes produced.

Agreed that –

1. the minutes of the meeting held on the 27 September 2012 were approved as a correct record.
2. future minutes should be an accurate reflection but not verbatim.
3. in future members receive a draft set of the minutes for comment prior to the next meeting.

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

There were no items of chair's urgent business.

39. **RECRUITMENT OF INDEPENDENT MEMBER**

It was reported that 5 applicants had raised an interest in the vacant independent member post. Interviews would take place in the New Year and new person to be appointed and in attendance at the March 2013 meeting.

40. **RIPA SURVEILLANCE REPORT**

The Corporate Information Manager provided the Committee with an overview of the RIPA Surveillance report. The Committee were informed that a review was undertaken on surveillance against the policy and to note the positive inspection reports on how officers had to behave when dealing with an investigation.

In response to questions raised, it was reported that -

- a. it was hard to determine a success criteria as this would take away the suspicion from the person under investigation;
- b. the annual report was to purely give the Committee an illustration on what investigations officers were involved in and was not an analytical report.

Agreed that the Committee -

1. note that the recent Inspections demonstrate that staff have appropriately implemented powers available under RIPA.
2. acknowledge that covert activities can be a necessary and proportionate response for achieving the council's objectives by accepting the Covert Activities and Surveillance Policy; which allows covert activities to be deployed where necessary and proportionate, under the control of a good practice process based on the RIPA requirements.
3. approve the Covert Activities and Surveillance Policy.

This item was moved up the agenda to facilitate good meeting management.

41. **INTERNAL AUDIT PROGRESS REPORT**

Devon Audit Partnership provided the Committee with an update on the Internal Audit Progress Report. The Committee were informed that the report included work undertaken up until the end of September. It was also reported that -

- a. good progress made against the Audit Plan and confident on the delivery of the plan;
- b. Appendix A sets out the work undertaken over the past year. Management had taken on board the recommendations made and were working to address areas where action was required to any reduce risk.

In response to questions raised, it was reported that -

- c. in relation to the childcare issues reported, it was felt this area of work had moved on and the officer involved in the work was looking at other ways to resolve issues and did not want to misinform the Audit Committee. This resulted in asking the officer to make direct contact outside of the meeting to give an update;
- d. Grant Thornton commended Internal Audit on the level of reporting but raised a slight issue in Section 6. A suggestion was put forward on whether it would be better to confirm that work was on-going to close off any issues;
- e. there were challenges for ICT and PCC had been asked to undertake further work. The Committee to receive a report when work was completed. It was further reported that ICT were undergoing a restructure to divide the service into two strands, strategy and client and operations and happy to share the information as they move the service forward;
- f. a tracker report came to the Committee in September and reporting on full report today. Improvements required were tracked and were included in the follow up reports in next year's Audit Plan. Anticipate reporting at the March meeting the key financial systems with the Annual Plan.

Agreed that –

1. the report is noted.
2. if any Committee Member makes a request for further information at a meeting a response to be reported back to the whole committee.

#### 42. **OPERATIONAL RISK MANAGEMENT - UPDATE REPORT**

The Head of Corporate Risk and Insurance provided the Committee with an update. The Committee were informed that –

- a. the report covers the last 6 months and operational risks had increased from 99 to 163;
- b. a new red risk to report on Plymouth and West Devon Office which was a long standing issue from the National Archive on the storage of documents;
- c. the Community Infrastructure Levy was another new red risk to report and was hoping to share a briefing paper with the Committee today;
- d. the Devon Audit Partnership raised a fundamental weakness on our information management arrangements and as a result a lead officer group was formed to look at how we manage data and this group had been operating for the last 12 months;
- e. that PCC were recently fined £60k by the Commissioners Officer for breach of information. A lot of work had been undertaken to mitigate that sort of breach.

The Archives and Information Manager and the Strategic Capital Programme Manager gave the Committee an overview of the new red risk relating to the Plymouth and West Devon Records Office. It was reported that -

- f. this had been an amber risk for some time;
- g. they were having regular communications and working closely with National Archive. This was a difficult standard to meet and hoping to give the Committee an update today on how things were progressing but had to reschedule a meeting due to the floods;
- h. in August a feasibility study was undertaken on a site at Royal William Yard which has come back with costings of £28m and we have a budget of £2m;
- i. a group of architects had been commissioned to look at 8 different options for the Records Office and work should have commenced 17 months ago;
- j. by January we should have a preferred option with costings to address the storage of records. Discussions were taking place with the Lottery Fund to obtain further funding.

In response to questions raised, it was reported that -

- k. the National Archive stipulated that a solution had to be found in 2013 for the storage of records. If a solution was not found Plymouth would lose half of the records;
- l. other alternatives such as digitalising the information had been investigated but the costs to undertake this was in excess of costing more than moving the records to Royal William Yard;
- m. the South West TV archive collection has been at risk for the last few years;
- n. was unsure whether PCC would have to pay for records to be transported to Cheshire.

Agreed that –

- 1. the Committee note and endorse the current position with regard to operational risk management.
- 2. the Director for Place is requested to attend the next Audit Committee meeting to address the serious concerns raised over the potential loss of records and to report on preferred options for storage.

43. **RISK MANAGEMENT - REVISED CORPORATE STRATEGY**

The Head of Corporate Risk and Insurance provided the Committee with an update. The Committee were informed that –

- a. following the annual review of the corporate risk management strategy resulted in the strategy to be renamed the Risk and Opportunity Management Strategy;
- b. a revised Risk Register template was piloted in Finance, Efficiencies, Technology and Assets alongside the strategy and was well received by officers and enabled them to identify any opportunity that may arise from the successful management of a risk.

Agreed that the Committee note and endorse the Risk and Opportunity Management Strategy 2012 – 14.

44. **TREASURY MANAGEMENT AND STRATEGY 2012/13 - MID-YEAR REVIEW**

The Senior Accountant provided the Committee with an update on the Treasury Management and Strategy undertaken for the first half of the year compared with the approved strategy for 2012-13.

In response to questions raised it was reported that –

- a) with regard to receiving money back from the Icelandic Banks, PCC should receive approximately 95 per cent of the Council's investments made with Heritable Bank in the next two years. The full amount should be received from Landsbanki and Glitnir over time and Bevan Brittan were currently working on behalf of the Council and other LA claimants to recover the remaining sums due;
- b) the cost of repaying any debt was currently unaffordable as there were premiums to pay on early repayment. However officers keep this under review so opportunities could be taken at appropriate times;
- c) although the fines were large for both HSBC and Standard Chartered they were still very strong and profitable banks. The main reason for PCC not having funds invested with them was that they were not looking for funding in sizes that would be viable for the Council.

Agreed that the report be noted and presented to full Council in accordance with TMP6.

45. **FINANCIAL RESILIENCE REVIEW**

Grant Thornton provided the Committee with an update. The Committee were informed that this was a detailed report which looked at 4 areas as directed by the Audit Commission.

In response to questions raised, it was reported that -

- a. there were a couple of amber indicators to report on, liquidity and workforce. Amber was given for liquidity because PCC rated low within the benchmarking group. In relation to the workforce indicator it was reported that 8.7 days sickness per employee was too high and PCC were undertaking a review on what the target should be;

- b. concerns were raised on whether best practice was being used on PCC borrowing and whether to spend money we have or to borrow. It was reported that it was about having a good understanding of benchmarking and following the strategy and being aware of the risks;
- c. a huge amount of work was being undertaken to manage sickness and ensuring PCC had a consistent approach to reduce sickness levels.

Agreed that the Committee noted the report.

46. **ANNUAL AUDIT LETTER 2011/12**

Grant Thornton, provided the Committee with a summary of the work undertaken over the last year and the fee for work undertaken.

Agreed that the Committee noted the report.

47. **VALUE FOR MONEY REPORT**

Grant Thornton, provided the Committee with an update on the Value for Money report. The Committee were informed that –

- a. the report contained a detailed review of the strategic priorities set by the PCC in 2011-12;
- b. 4 key priorities were identified and officers needed to have an understanding on the action they would undertake to address any risks;
- c. the framework was in place and the top level priorities can now be reported to Full Council and Cabinet.

In response to questions raised, it was reported that -

- d. there had been a change in how staff work and they now have a greater understanding of the service which reflected in the good work undertaken in closing the accounts;
- e. management gave a response to the report and we have taken on board the responses and happy to circulate to the Committee as a separate document.

Agreed that –

- 1. the Committee noted the report.
- 2. a copy of the management response to be circulated to the Committee.

48. **AUDIT PLAN 2012/13 PROGRESS REPORT**

Grant Thornton, provided the Committee with an update on the Audit Plan 2012/13 progress report and the Committee were informed that a summary of findings would come before the Committee in June.

Agreed that the Committee noted the report.

49. **ROLLING WORK PROGRAMME**

The Committee noted the rolling work programme.

50. **FUTURE MEETING TIMES**

Agreed that all future Audit Committee meetings will commence at 2 pm.

51. **EXEMPT BUSINESS**

There were no items of exempt business.