

Audit Committee

Thursday 8 December 2016

PRESENT:

Councillor Sam Leaves, in the Chair.
Councillor Parker-Delaz-Ajete, Vice Chair.
Councillors Clarke, Dr Mahony, Mrs Pengelly and Stewart

Independent Members: Mr R Clarke and Mr I Stewart.

Also in attendance: Also in attendance: Paul Barnard (Assistant Director for Strategic Planning and Infrastructure), Ben Chilcott (NEW Devon CCG), David Curnow (Devon Audit Partnership), Chris Flower (Lead Accountant), Peter Ford (Head of Development Management), Andrew Hardingham (Assistant Director for Finance), Robert Hutchins (Devon Audit Partnership), Matthew Hepenstal (BDO), Mike Hocking (Head of Assurance Services), Julie Hosking (Risk Management and Insurance Officer), Rob Loader (Audit South West), Dominic Measures (Devon Audit Partnership), Dave Shepperd (Head of Legal Services), and Helen Wright (Democratic Adviser).

The meeting started at 2.00 pm and finished at 4.20 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.

26. Welcome

The Chair gave a warm welcome to Councillor Philip Hackett, Alistair Ashworth and Chris Dobbs from Torridge District Council who would be observing how Plymouth City Council's Audit Committee operated.

27. Declarations of Interest

The following declarations of interest were made –

- (1) Councillor Sam Leaves declared a personal interest as she was employed by NEW Devon CCG;
- (2) Councillor Dr Mahony declared a personal interest as he was a Chair of Governors;
- (3) Mr R Clarke declared a personal interest as he was school governor in three schools.

28. **Minutes**

The committee agreed that the minutes of the meeting held on 15 September 2016 are confirmed as a correct record.

29. **Chair's Urgent Business**

There were no items of Chair's urgent business.

30. **Mid-Year Treasury Management Report 2016/17**

Chris Flower (Lead Accountant) presented the 2016/17 mid-year Treasury Management report and reported that 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 2016/17 was approved by Full Council at its budget meeting on 16 February 2016; this report provided an update on the progress and outcomes against the Treasury Management Strategy for the six month period ended 30 September 2016; it was also a requirement of the Chartered Institute of public Finance and Accountancy (CIPFA) Code of Practice on Treasury Management that a mid-year report, as a minimum, should be presented to Full Council.

In response to a question raised by the committee it was reported that the total investments (contained within the investment activity in 2016/17) should commence at £74m.

The committee noted the report.

31. **Treasury Management Strategy 2017/18**

Chris Flower (Lead Accountant) presented the Treasury Management Strategy 2017/18 and reported that the (CIPFA) Code of Practice for Treasury Management in Public Services required local authorities to set a Treasury Management Strategy on an annual basis to include the Annual Investment Statement and the Minimum Revenue Provision Statement.

In response to questions raised by the committee, it was report that –

- (a) the authority had £20m invested in the CCLA Property Fund; this was a pooled fund with other local authorities and was kept as a long term investment;
- (b) the Council spend the risks based on a maximum percentage of the funds available for investment; following the failure of the Icelandic Banks it was not prudent to invest funds in just one area;
- (c) ArlingtonClose had been appointed as the council's treasury management advisers and as such provided specific advice on investments, borrowing and capital finance issues; ultimately the Section 151 Officer was responsible for ensuring that the council's treasury management functions were discharged in the appropriate manor;

- (d) there was no impact on the Treasury Management Strategy regarding the autumn statement.

The committee agreed to recommend the Treasury Management Strategy 2017/18 (incorporating the authorised limits, operational boundaries and prudential indicators) to Cabinet for approval.

32. **Treasury Management Report - The Impact of Leaving the European Union**

Chris Flower (Lead Accountant) presented the Treasury Management report – the impact of leaving the European Union which provided a commentary on the effects on treasury management caused by the UK's decision to leave the European Union. The report also outlined the changes in the economy and markets and how these had affected the council's treasury management.

In response to a question raised by the committee, it was reported that if there was an increase in the inflation rate this would have an impact on the council's investments.

The committee noted the report.

The committee agreed to include any significant developments relating to the impact of leaving the European Union within the treasury management report (no separate report will be required).

33. **Operational Risk and Opportunity Management - Update Report**

Mike Hocking (Head of Assurance) presented the operational risk and opportunity management update report which supported the delivery of the City's vision and enabled the provision of high quality services to the residents and communities of Plymouth; it was imperative that effective risk management arrangements were in place; a fundamental element of corporate governance, risk managed approach to decision making would enable the council to achieve its objectives and deliver services more efficiently and cost effectively.

In response to questions raised by the committee, it was reported that –

- (a) staff, at all levels, were actively encouraged to be involved with risk management within the organisation; there was also an online ELearning risk management package which staff were encouraged to complete;
- (b) the Finance FIT project had been launched with the objective of managing delivery of a modern, fit for purpose, cost efficient, cost effective and customer focused finance service.

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

34. **Local Government Ombudsman Report**

Dave Shepperd (Head of Legal Services), Paul Barnard (Assistant Director for Strategic Planning and Infrastructure) and Peter Ford (Head of Development Management) presented the Local Government Ombudsman (LGO) report which reviewed the recommendations made by the Local Government Ombudsman regarding a complaint from residents of 'D street' (LGO ref 15015955 and 15015963) and to agree actions outlined in the report; the complaint related to a planning application 'xyz'; it should be noted that the LGO report did retain the confidentiality of certain details and so the council's report and background papers had followed this.

In response to questions raised by the committee, it was reported that –

- (a) as this matter had been ongoing for a couple of years, the corrective actions highlighted within the report had already been implemented such as the taking a photograph of the site notice;
- (b) assurance was provided that the Audit Committee had the authority to agree the recommendations;
- (c) the soakaways had been tested by John Grimes Partners and their conclusion was that, although water formed on the pathway during a recent storm, the soakaways are working effectively;
- (d) assurance was also provided that robust planning procedures were in place and the errors identified had been promptly rectified;
- e) Although there are still outstanding disagreements between the LGO and the Council, the recommendation is to agree to all the actions proposed by the LGO.

The committee agreed that –

- (1) following the publication of the valuation report for the properties in 'D street' by the District Valuer on 21 November 2016, it is proposed that the council should pay the complainant Ms C £17,500 and the complainant Mr and Mrs B £15,000;
- (2) following the publication of the drainage report by John Grimes Partners it is proposed that no further action is required with regard to alleged deficiencies in the soakaways in the new development subject to planning application 'xyz';
- (3) following the recommendations of the LGO report it is proposed that both the complainants are each given £500 compensation and provided with an apology;
- (4) following the recommendation of the LGO report officers make arrangements for external independent training for Planning Committee members through the Planning Advisory Service;

- (5) in addition, to further improve the future resilience of future planning decisions, it is recommended that the Assistant Director of Strategic Planning and Infrastructure be instructed to review the requirement for planning officers to have Chartered Town Planner status through the Royal Town Planning Institute;
- (6) the Local Government Ombudsman report is circulated to all Cabinet members and members of the Planning Committee.

35. **Issues Arising from Local Government Ombudsman Investigation: 15015955 and 15015963**

Robert Hutchins (Devon Audit Partnership) and Dominic Measure (Devon Audit Partnership) presented the issues arising from the Local Government Ombudsman investigation (15015955 and 15015963) which considered the events that had led to the Local Government Ombudsman's findings, the recent procedural changes made and the effectiveness of these changes in reducing the risk of future occurrence of such issues.

In response to a question raised by the committee, it was reported that council officers had commissioned Devon Audit Partnership to review the internal procedures of the planning service area to ensure they were robust and effective.

The committee agreed that –

- (1) when photographing site notices planning officers should endeavour to include a date and time stamp on the image;
- (2) site notices should be photographed whenever the planning department make a further site visit;
- (3) consideration should be given to whether current quality assurance arrangements sufficiently cover all circumstances, where more thorough scrutiny may be required, for example the nature and extent of a case officer's workload;
- (4) where interested parties are informed of an application's progress via email, the communication sent should be retained;
- (5) the following wording within the site notice 'if you want to be kept up to date with the planning application's decision, please include your email address' should be amended to read 'progress' rather than 'decision', as it is considered that this is a clearer reflection of the council's process.

36. **Impact of Workforce Changes**

Dawn Auger (Assistant Director for HR and OD), Alison Mills (Head of HR and Specialist Services) and Malcolm Fieldsend (Senior Health, Safety and Wellbeing Advisor) presented the impact of workforce changes which highlighted the workforce and sickness trends and highlighted particular monitoring and measures in place in relation to work related stress.

In response to questions raised by the committee, it was reported that –

- (a) the flu vaccination programme was offered to non-school members of staff; on occasion when there were spare vaccines these had been offered to school based staff;
- (b) there were measures in place to assist staff with musculoskeletal injuries such as health intervention checks which were undertaken by the council's occupational health provider IMASS;
- (c) the council benchmarked its sickness levels with other local authorities and its current average sickness of 7.01 working days per full time equivalent was under the average rate.

The committee noted the report.

37. **Internal Audit Half Year Report 2016/17**

David Curnow (Devon Audit Partnership) presented the 2016/17 Internal Audit half year report which provided the position statement on the audit work carried out since April 2016 and based on work performed to date during 2016/17; Internal Audit was able to provide reasonable assurance on the adequacy and effectiveness of the Authority's internal control environment.

In response to questions raised by the committee, it was reported that –

- (a) as a result of the partnership's involvement with the School Health Check process it had identified safeguarding issues within five schools; a 'dip test' would be undertaken on the single central record to ascertain whether a wider assurance review would be required;
- (b) one school had been identified as 'a cause for concern' (there were a range of issues that had been flagged up); as the Devon Audit Partnership was involved with the School Health Check process these issues would be raised at this forum; resources would be deployed to help address these issues;
- (c) the customer survey results for April – October 2016 (audit debrief was relevant and effect) had shown as red as the debrief had not taken place.

The committee agreed that the Devon Audit Partnership feedback information to the appropriate Strategic Director, the responsible Cabinet Member and the Chair of the Corporate Parenting Group regarding the safeguarding issues.

The committee noted the report.

38. **Audit Committee Progress Report**

Matthew Hepenstal (BDO) presented the progress report which provided an update on the progress in delivering the 2015/16 audit together with an update on the initial planning that had been undertaken in connection with the 2016/17 audit.

Andrew Hardingham (Assistant Director for Finance) advised that discussions had commenced regarding bringing forward the accounts preparation work and audit for 2016/17; this would be in preparation for 2017/18 when the statutory timetable would change requiring an earlier closedown and sign off process.

In response to a question raised by the committee, it was reported that work to evaluate the highways network assets had been deferred until 2017/18.

The committee noted the report.

39. **Annual Audit Letter**

Matthew Hepenstal (BDO) presented the Annual Audit Letter which summarised the key issues arising from the work that had been undertaken in respect of the financial year ended 31 March 2016.

The committee noted the report.

40. **Integrated Commissioning - Finance and Assurance Review Group - Annual Report 2015/16 including the ASW Audit Programme for the CCG**

Ben Chilcott (NEW Devon CCG) and Rob Loader (Audit South West) presented the Integrated Commissioning – Finance and Assurance Review Group – annual report 2015/16 including the ASW Audit Programme for the CCG which highlighted the work undertaken during the financial year, the success and risks and highlighted the key tasks for the forthcoming year.

In response to questions raised by the committee, it was reported that –

- (a) the co-location of Plymouth City Council and NEW Devon CCG staff was working well, although there were issues with the sharing of data;
- (b) a key financial risk was the resources required to deliver integration were not available/funding did not exist to commission external resources; it was not possible to recruit additional staff to undertake this work; new working practices would be required in order to operate more efficiently.

The committee noted the report.

41. **Review of Work Programme 2016/17**

Andrew Hardingham (Assistant Director for Finance) advised that in order to comply with future changes to the annual external audit of the statement of accounts process it would be necessary to bring forward the meeting dates of the Audit Committee.

The committee noted the current position of its work programme 2016/17 subject to the inclusion of the Director for Children's Services assurance test review for March 2017 and the merger of the 'Brexit' report with the Treasury Management report when significant developments occurred.