

Audit and Governance Committee

Tuesday 22 July 2025

PRESENT:

Councillor Allen, in the Chair.

Councillor Finn, Vice Chair.

Councillors Raynsford, Sproston and Stevens (substitute for Councillor Cuddihee).

Independent Member Mrs Benny.

Apologies for absence: Councillors Cuddihee and P.Nicholson.

Also in attendance: Liz Bryant (Service Director for Legal Services), Hannah Chandler-Whiting (Democratic Advisor), Louise Clapton (Devon Audit Partnership), Wendy Eldridge (Lead Accountancy Manager), Glenda Favor-Ankersen (Head of Electoral Services), John Finch (Information Governance Manager), Carolyn Haynes (Lead Accountancy Manager), Pete Honeywell (Transformation Architecture Manager) (via Microsoft Teams), David Johnson (Grant Thornton), Barrie Morris (Grant Thornton), Tony Rose (Devon Audit Partnership), Jamie Sheldon (Senior Governance Advisor), Kirstie Spencer (Head of Health, Safety and Wellbeing) (via Microsoft Teams), Chris Squire (Service Director for HR & OD), Philip Symons (Category Lead for Governance and Systems), Ian Trisk-Grove (Service Director for Finance) and Ollie Woodhams (Head of Finance).

The meeting started at 2.00 pm and finished at 5.01 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. **Declarations of Interest**

The following declarations were made:

Name	Minute Number	Reason	Interest
Mrs Annette Benny	10	She was a non-executive Director of Livewell South West	Personal

2. **Minutes**

The minutes of the meeting held on 01 April 2025 were agreed as an accurate record.

3. **Chair's Urgent Business**

There were no items of Chair's urgent business.

4. **Role of an Audit Member**

Barrie Morris (Grant Thornton) presented the item and discussed:

- a) The importance of the Audit and Governance Committee in providing independent assurance on governance, risk management and control;
- b) The need for members to ask challenging and constructive questions;
- c) It was important that Committee members were satisfied with the actions of management;
- d) The role of the Committee as non-political, focused on scrutiny rather than policy;
- e) Important that if there was anything that wasn't understood, that questions were asked to change this;
- f) Offered to meet with Committee members in private, without Council officers present, especially as this was recognised as good practice.

Following questions, the discussion covered:

- g) "Non-political" referred to avoiding partisan behaviour, not excluding political insight or lived experience.

5. **Plymouth City Council Audit Plan 2024/25**

David Johnson (Grant Thornton) introduced the report and discussed:

- a) There were reflections in the report from Grant Thornton on local government reorganisation and that the initial requirement of new Council boundaries to have at least 500,000 people within them, wouldn't always be achievable, as was expected across Devon;
- b) Reform of local audit was also underway with a proposal to set up a new local audit office with a number of responsibilities;
- c) Plymouth was an area that had been especially impacted by the backstop and Grant Thornton, as an audit firm, and the local government market, did not want to return to that position, so Grant Thornton continued to feedback on how best reforms and process changes could be managed;
- d) IFRS16 leases were new and came into force 01 April 2024 and Grant Thornton would be focussing on ensuring that the processes that management had put in place were appropriate and that the disclosures within the financial statements were appropriate and accurate;
- e) The backstop deadline for 2024/25 accounts was 27 February 2026 and Grant Thornton would keep Committee members informed of the work to gain reassurance over the opening balances for that year and how it would impact the 2024/25 audit opinion;

- f) Key risks identified included management override of journals and valuation of land and buildings, investment properties, and the pension fund;
- g) Revenue cycle and expenditure cycles were mandatory risks, but Grant Thornton had made an assessment that they did not consider these to be of significant risk for Plymouth City Council (PCC);
- h) Recommendations made following the 2023/24 audit would be chased and would be reported on at future meetings;
- i) The Financial Reporting Council (FRC) had reviewed Grant Thornton files all as good or limited improvements required.

In response to questions, the following was discussed:

- j) The Committee could be reassured that Grant Thornton would report completed actions via reports, which would then be checked through the FRC's programme of reviews;
- k) It was explained that a legal 2025/26 budget was able to be set without a final resolution to the capitalisation direction, a further update from Government was expected imminently;
- l) **ACTION** Ian Trisk-Grove agreed to work with Grant Thornton on a response to Councillor Finn's query around whether the capitalisation and pension transaction were linked;
- m) Grant Thornton were planning on spending more time working on site in Plymouth as they found that to be more efficient as well as having weekly meetings with Council officers;
- n) The Audit Plan set out any areas that Grant Thornton believed to have a risk or significant weakness;
- o) If appropriate arrangements are not in place in an area of concern, officers would be made aware.

6. **Internal Audit End of Year Report 2024/25**

Louise Clapton (Devon Assurance Partnership) introduced the report and highlighted:

- a) The public sector internal audit standards and global internal audit standards that came into force from the 01 of April 2025 required the chief internal auditor provide an annual report providing an opinion that could be used by the organisation to inform its governance statement;
- b) Based on work carried out throughout 2024/25, the Chief Internal Auditor had given an assurance opinion of reasonable assurance;
- c) Whilst there were generally sound systems of governance, risk management and control in place, some areas for improvement had been identified;

- d) The report included an assurance map for the work completed in 2024/25, a new addition to the report, which provided a visible representation of the assurance results;
- e) 90% of the revised audit plan had been delivered;
- f) 86% of assurance opinions were rated reasonable or substantial;
- g) 14% of audits had limited assurance;
- h) The Council had made notable progress in addressing management actions arising from internal audits with limited assurance ratings;
- i) As of 31 March 2025, the number of audits with outstanding management actions had reduced from 15 to 10 since 31 March 2024;
- j) Seven audits had fully implemented all management actions and had been removed during 2024/25, reflecting a positive downward trend;
- k) Devon Audit Partnership (DAP) had been externally assessed and received the highest rating of 'generally conformed'.

In response to questions, the following was discussed:

- l) Delays in implementing actions were mostly due to system upgrades and strategic planning, which were understandable and senior officers were aware;
- m) Although some audits had a finance focus, sometimes they also had an impact on other directorates;
- n) Audits were prioritised based on the Council's pressures, risks and objectives;
- o) It was challenging for the audit teams to work across all of the various teams involved in areas such as children's services and adult services, who had their own teams, but also worked with others such as finance and business support;
- p) The new Eclipse system was looking to streamline information, raise standards and bring people to work more easily together, which would also make auditing easier;
- q) The Better Care finance system was due to be implemented in September 2025.

The Committee agreed:

- l. To note that based on work performed during 2024/25 and previous years' audit, the Head of Internal Audit's opinion was of "Reasonable Assurance" on the adequacy and effectiveness of the Authority's internal control framework.

7. **Counter Fraud Service Annual Report 2024/25**

Tony Rose (Devon Assurance Partnership) introduced the report and highlighted:

- a) A new 'failure to prevent fraud' offence would come into effect from September 2025 and the team would be working with the Council to update the relevant policies;
- b) Support from Plymouth City Council (PCC) had continued to be proactive.

The Committee agreed:

- I. To note the annual report.

8. **Draft Statement of Accounts 2024/25**

Carolyn Haynes (Lead Accountancy Manager) presented the item and discussed:

- a) The Draft Statement of Accounts 2024/25 had been published by the statutory deadline on 30 June 2025;
- b) The audited accounts would need to be signed off by 27 February 2026;
- c) The introduction of IFS16 leases was a major implementation for the team to work on and introduced the concept of a right of use asset for all qualifying leases, including those with nominal or peppercorn rents;
 - i. This approach eliminated the previous distinction between finance and operating leases for lessees;
 - ii. All leases, except those with a term of less than 12 months or of a low value, were recognised on the balance sheet, regardless of the transfer of risks and rewards;
 - iii. To complement the new standard the accounting policies within the statement of accounts had been updated;
 - iv. In advance of the implementation date of 01 April 2024, PCC conducted a comprehensive review of all lease arrangements and, as a result, 59 land and building leases, 32 equipment leases, and eight vehicle leases were identified for recognition on the balance sheet;
 - v. PCC's private finance initiative (PFI's) lease models were also reviewed in consultation with treasury management advisors to assess the impact of the introduction of IFS16 and resulted in a net reduction of £10.8985;
 - vi. The recognition of right of use assets and corresponding lease liabilities increased the Council's reported borrowings, which in turn raised the capital financing requirement and authorised debt limits;
 - vii. No new money had had to be borrowed, the rents paid through the accounts were converted into an asset, recognising the minimum revenue provision through the accounts;

- d) PCC's assets were £435 million greater than its liabilities, reflecting a downward movement of £40 million from 2023/24 due to various movements in the Council's assets and liabilities;
- e) Property, plant and equipment assets had increased by £61 million due to a combination of asset revaluation and acquisition of new assets through the capital programme.

In response to questions, supported by Ian Trisk-Grove (Service Director for Finance), the following was discussed:

- f) PFI's had remained fairly static and a forensic review had been undertaken due to the introduction of IFS16 and there would be no impact on the council tax payer as this was purely an accounting adjustment;
- g) Local government reorganisation (LGR) narrative did not impact this set of accounts;
- h) The autumn white paper on SEND (Special Educational Needs and Disabilities) was expected to address the Government's position on next steps for dedicated school grants, but in the meantime finance colleagues were working closely with those in the education department on internal mitigation plans around managing costs associated.

The Committee agreed:

- 1. To note the report;
- 2. To note the draft (unaudited) Statement of Accounts 2024/25, which were published by 30 June 2025 in accordance with the requirements of the Accounts and Audit Regulations 2015 (as amended);
- 3. To note the Statement of Accounts for 2024/25 would be subject to external audit and would be presented to the Committee for approval at their meeting planned for 20 January 2026, in advance of the backstop date of 27 February 2026.

9. **CIPFA assurance review – findings and response**

Ian Trisk-Grove (Service Director for Finance) provided a verbal update:

- a) Eight recommendations had been made by the review, all of which had been addressed and were incorporated into the Annual Governance Statement.

10. **Annual Governance Statement**

The report was introduced by Ian Trisk-Grove (Service Director for Finance) who highlighted that:

- a) The statement included progress and plans to make progress made against:
 - i. External audit recommendations;

- ii. Issues identified in the Annual Governance Statement 2023/24;
- iii. Key delivery areas;
- iv. Areas for continuous improvement;
- v. CIPFA review recommendations;
- vi. Armada Way Independent Learning Review (AWILR) Action Plan.

Following questions, supported by Liz Bryant (Service Director for Legal Services), these topics were covered:

- b) The relevant scrutiny panel would be made aware of the priority action areas for Adult Social Care **ACTION**;
- c) Any changes to the constitution could be considered by the Constitution and Civic-Sub Committee, following any relevant recommendations from the Armada Way Action Plan Sub-Committee **ACTION**;
- d) Regular monitoring and forecasting reports, with regards to insufficient built-in growth for adult and children's social care pressures, would be produced and sent to the relevant Scrutiny Management Board meetings as well as reports to engage with the corporate management team, working on plans to achieve a balanced budget in these areas despite pressures;
- e) It was suggested that for the next AGS statement a survey would also be undertaken to seek the views of Councillors, as well as those of senior officers **ACTION**.

The Committee agreed:

To approve the Annual Governance Statement, alongside the Statement of Accounts, prior to signature by the Leader, Chief Executive and Service Director for Finance (S.151 Officer).

11. **Armada Way Action Plan Sub-Committee Report**

Liz Bryant (Service Director for Legal Services) introduced the report:

- a) A resolution had been made at the City Council meeting of 02 June 2025 that the Audit and Governance Committee establish a cross-party sub-committee to oversee the implementation of the action plan;
- b) The report outlined the proposal for such a cross-party sub-committee.

In response to questions, the following was clarified:

- c) The action plan was based on the content of the AWILR report and so the actions related directly to issues identified within it;
- d) The sub-committee would report back into the Audit and Governance Committee.

The Committee agreed:

1. To establish a cross-party sub-committee to oversee the implementation of the Action Plan presented to City Council on 02 June 2025 in response to the Armada Independent Learning Review Report;
2. Delegated the authority to approve the Terms of Reference, membership and arrangements to the Chair and Vice-Chair of Audit and Governance Committee in discussion with the Monitoring Officer.

12. **Health, Safety and Wellbeing Annual Report 2024/25**

This item was introduced by Kirstie Spencer (Head of Health, Safety and Wellbeing) who highlighted:

- a) Lone working device programme had been developed and was being rolled out across the Council;
- b) Stress and incidents involving violence and aggression had continued to rise, which highlighted the importance of maintaining the safety and security of staff across all Council services;
- c) A stress survey was live for staff to complete;
- d) A detailed training programme had been undertaken with the corporate management team on accountabilities and responsibilities;
- e) Closing incidents on time was an area for improvement.

In response to questions, supported by Chris Squire (Service Director for HR & OD), the following was discussed:

- f) More incidents were being reported, but the increase was in lower level incidents, rather than higher level;
- g) Near misses had increased, but this was expected to be due to people being more aware and more supported in reporting hazards;
- h) Risk assessments were not held centrally and work was ongoing to change this and move risk assessments onto the Assure system;
- i) It would be worth speaking to colleagues at Livewell to share best practice and learnings with regards to addressing micro-aggressions experienced in the workplace **ACTION**;
- j) A new People Strategy was being developed;
- k) The stress survey was anonymous, though information was being gathered on where the responses were coming from within the organisation;

- i. 200 responses had been received on the first day;
- ii. The survey had been created with the Health and Safety Executive (HSE)'s stress management standards in mind;
- iii. Data from the survey would be used to shape further work;
- l) Health, safety and wellbeing (HSW) had to be rooted in common sense, but each incident required its own assessment and it was down to the person reporting an incident whether they interpreted a something as an incident of micro-aggression;
- m) It was important to ensure that customer-facing staff were trained in de-escalation techniques but were also not discouraged from making reports;
- n) Occupation health provision continued to be of a good standard, but there were reporting issues, but this was expected to improve with the implementation of iTrent - the new HR system.

The Committee agreed:

- 1. To continue to support the management and improvement of HSW across the organisation, to ensure that all duty holders (Councillors, Managers and Staff) were undertaking mandatory and role specific HSW training;
- 2. To communicate and role-model positive HSW performance and actively improve, maintain and own operational HSW competency.

13. **Treasury Management Outturn Report 2024/25**

Presented by Wendy Eldridge (Lead Accountancy Manager), the introduction to this report covered:

- a) The Council capital financing requirement had increased: On 02 June 2025 the provisional Capital outturn was presented to the City Council with the outturn position as at 31 March 2025 totalling £109.309m with 31% being financed through borrowing, this together with accounting treatment of capital grants used to finance the capital programme where conditions under the terms of grant funding gave a CFR (Capital financing requirement) of £870m and net borrowing increasing by £47m from £656m to £703m;
- b) There had been an £11m downward adjustment to PFI liability due to the implementation of new accounting standard IFRS16 from 01 April 2024;
- c) PCC's chief objective when borrowing was striking balance between securing lower interest rates/costs and cost certainty, with flexibility to renegotiate loans;
- d) PCC's average interest rate for borrowing was 3.27%, lower than the investment return;
- e) Investment activities showed a shift with additional cash invested within money market funds, the increase in cash was due to additional income through payment of accounts and

receipt of grant monies;

- f) The Council had maintained pooled investments with Shroder, Fidelity and CCLA investment, with other investment held with Altana Social Investment Fund which had generated nearly £3m from the original £50m investment and was generating the highest yield;
- g) The capital value of pooled investment funds stood at £48.464m at 31 March 2025 and was below original investment - the unrealised loss from the downward valuation did not have an impact on revenue budgets or the general fund;
- h) The return and holding held from the Property regeneration fund, categorised as non-treasury holdings, had generated a positive return of 1.41% after taking account of direct costs including borrowing costs;
- i) The 2024/25 revenue outturn position was a favourable variation of £6m.

The following was discussed in relation to questions:

- j) The threshold level of fixed rate exposure for borrowing was exceeded during the year was detailed in paragraph 41, rather than 42 as mentioned on the cover sheet;
- k) Borrowing activity showed a movement towards PWLB (Public Works Loan Board) borrowing;
- l) Higher fixed rate interest costs were incurred in 2024/25 as the Council switched part of its borrowing from short term to longer term PWLB borrowing with fixed rates to limit exposure to the risk of higher interest rates;
- m) Although existing borrowing was above the liability benchmark for 2024/25, it was forecast that existing borrowing in 2025/26 and 2026/27 would be below the liability benchmark, showing a forecast for improvement.

The Committee agreed:

- 1. To approve the Treasury Management Annual Report 2024/25;
- 2. To note that the threshold level of fixed rate exposure for borrowing was exceeded during the year.

14. **Procurement Strategy Report 2024/25**

Philip Simons (Procurement Lead) introduce the report and highlighted:

- a) The report outlined PCC's progress to delivery it's procurement strategy, highlighting the achievements over the past year and setting out the priorities for the year ahead;
- b) The strategy aligned with the Procurement Act 2023, which came into effect in February 2025 and reflected both national and local priorities, including social value, climate action

and economic inclusion;

- c) There was a strong focus on continuous improvement, partnership working, and readiness for future statutory changes.

Councillor Raynsford offered the following comments which were echoed by the Chair:

- d) Thanks to the PCC procurement officers for their wide range of knowledge and procurement that had to be undertaken;
- e) It was positive to see the number of PL postcode suppliers was increasing.

The Committee agreed:

- I. To note the progress made to date and endorse the planned actions.

15. **Risk Management Monitoring Report**

Ian Trisk-Grove (Service Director for Finance) introduced the report and highlighted the following points:

- a) There were three key risks:
 - i. To bring better focus to where key issues were being managed around broader social care sustainability;
 - ii. Cyber security;
 - iii. Management of the financial position and resilience of the authority as it navigated challenges in the medium-term financial plan;
- b) Three new risks had been introduced in relation to the following topics:
 - i. LGR and devolution;
 - ii. Legislative change;
 - iii. Risk management;
- c) Further work was being done in partnership with DAP around risk management to develop strategic risks, but also to looking forward to organising some workshops with different areas of the authority to identify operational risks.

In response to questions, the following was discussed:

- d) The maximum risk score was 25;
- e) Two workshops were booked in with DAP and the corporate management team so that there was shared ownership and understanding of strategic risks;

- f) Further updates on the work with DAP would be provided at future committee meetings;
- g) The risk register referred to risks for the Council, rather than a risk for the city;
- h) It was hoped in the future there would be better engagement with risk through processes that were already in place, such as business cases, and potentially the setting up of an officer risk group.

The Committee agreed:

- I. To note the Strategic Risks Quarter 4 2024/25 report.

16. **Whistleblowing Policy**

Liz Bryant (Service Director for Legal) introduced the item and highlighted the following:

- a) The amendments were in red and the requested amendments from the previous year were also set out in the report.

In response to questions, the following was discussed:

- b) It was requested that paragraph 7.1 (g) needed to be reworded to 'their individual MP' **ACTION**;
- c) More information on how contractors were made aware of the Whistleblowing Policy would be provided to the Committee **ACTION**;
- d) Councillors were not covered by the policy as per legislation, and if Councillors were to 'whistle blow', they would be covered by the standards regime.

The Committee agreed:

- I. To approve the updated Whistleblowing Policy.

17. **Annual Information Governance Statement**

Presented by John Finch (Information Governance Manager) and Peter Honeywell (Cyber Security Lead), the following points were covered during the introduction to the report:

- a) The number of Freedom of Information (FOI) and Subject Access Requests (SARs) had increased, and benchmarking showed that this was a regional trend;
- b) Compliance rates had improved due to increased capacity in team members and training;
- c) It was important to continue staff training to minimise data breaches;
- d) There was a serious, and increasingly sophisticated, threat from cyber criminals, using a range of different mechanisms to attack;

- i. Defence to cyber attacked included staff training to recognise attempts and how to correctly respond and report them;
 - ii. Since KnowBe4 training had launched, there had been a significant reduction in the risk profile, monitored through the questionnaires and quizzes staff responded to as part of their training;
- e) PCC had set up a cyber board with DELT Shared Services, the Council's IT provider, which met on a monthly basis to discuss and review the Council's risk profile and agree investments and implementations that would lead to a reduction in risk.

In response the questions, the following was explained:

- f) Government recommendations in relation to local authority cyber attacks was to not pay any ransom and a law was expected to be introduced later in 2025 that would prohibit any public authority from paying a ransom;
- g) Completion of training was tracked and chased;
- h) Anyone who took the bait in a phishing tests was required to complete specific additional training;
- i) KnowBe4 offered a management dashboard so that managers could monitor progress and raise issues as part of routine performance management arrangements;
- j) The BitLocker codes worked well to stop attackers from getting into Council laptops, and there shouldn't be data stored on a Council laptop, but this would remain encrypted without the log on details of the user of the laptop, making it very hard to get any information from a stolen laptop, and mobiles devices if lost were remotely wiped of data.

The Committee agreed:

- I. To note the report.

18. **Action Log**

The Committee noted the action log.

19. **Work Programme**

There was a request to add the following to the work programme:

- a) Pre-referendum guidance that included a timeline and detail on where it matched pre-election guidance, and where it didn't, explanations why not.

The Committee noted the work programme.