

Audit Committee

Friday 26 March, 2010

PRESENT:

Councillor Sam Leaves, in the Chair.
Councillor Vincent, Vice-Chair.
Councillors Stark, Thompson and Tuohy.

Independent Members: Mr. Clarke, Ms. Myles and Mr. Stewart.

Also in attendance: Councillor Bowyer, Cabinet Member for Finance, Property, People and Governance.

The meeting started at 10.00 a.m. and finished at 1.10 p.m.

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.

44. DECLARATIONS OF INTEREST

The following declaration of interest was made in accordance with the Code of Conduct -

Name	Minute No. and Subject	Reason	Interest
Councillor Thompson	48 – Internal Audit Plan 2010/11	Plymouth Community Homes Board Member	Personal

45. MINUTES

Resolved that the minutes of the meetings held on 11 December, 2009, and 5 February, 2010, be confirmed as correct records.

46. CHAIR'S URGENT BUSINESS

There were no items of Chair's Urgent business.

47. MATTER ARISING FROM DECEMBER 2009 AUDIT COMMITTEE - PROJECT MANAGEMENT ARRANGEMENTS

The Head of Capital and Assets was in attendance to present details of the arrangements which had been put in place to –

- improve the control of projects
- control the steps a project must follow
- deliver successful outcomes
- review projects post-delivery

The Committee was advised that –

- (i) whilst these procedures were based on the Prince 2 project management methodology and would enable best practice to be implemented in the management of the Council's capital construction projects, the same principles could be applied to any type of project;
- (ii) the procedures had been introduced in November 2009 and trialled in the Capital and Assets Team which had since been awarded an ISA Quality Assurance accreditation. A review of the trial period would be undertaken in April, following which it was anticipated that the process would be rolled out across the Council.

In response to questions raised, Members were advised that –

- (iii) projects were divided into different stages and each stage had to be reviewed and signed off (gateway process) before the next stage could be commenced. A complete project review was also undertaken upon completion and any lessons learned identified and fed back into the process;
- (iv) the coloured flowchart was contained within the Project Management Procedures, full details of which were available on the Council's website at – <http://www.plymouth.gov.uk/homepage/business/projectmanagement.htm>
- (v) authority to stop a project could rest at various levels, such as Cabinet, CMT, Capital Delivery Board, Director, depending on the projects' size and value;
- (vi) one area of weakness previously identified was around governance and officers were working to produce clearer guidance to address this;
- (vii) the Capital and Assets Team had all been trained in project management and, once the review had been undertaken in April, training would be rolled out across the Council.

The Committee welcomed the presentation and thanked the Head of Capital and Assets for his attendance.

48. **INTERNAL AUDIT PLAN 2010/11**

The Assistant Head of Devon Audit Partnership submitted the Internal Audit Plan for 2010/11. The report –

- detailed information on the legislative requirements for local authorities to provide an Internal Audit service in accordance with the Accounts and Audit Regulations 2006;
- commented on delivery of the Council's Internal Audit provision by Devon Audit Partnership;
- contained details of the specific audit reviews to be undertaken, identified the number of days required for this work to be carried out and highlighted the resources available to do it

The External Auditor commented that, whilst the plan was good in respect of providing a detailed programme of work, in order to help monitor its delivery he suggested that the report should also include information such as –

- risk rating
- last review undertaken
- anticipated start dates
- planned completion dates

In response to questions raised, Members were advised that –

- (i) the six-monthly update report and annual report provided details of what had been delivered to date, what, if anything, had slipped and why;
- (ii) from the beginning of April, all audit work would be processed through the new Audit Management System which would make it easier to include the level of detail suggested. Inclusion of anticipated start dates would be more difficult whereas specifying which quarter (e.g. first, second etc.) should be achievable;
- (iii) the plan was continually reassessed and anything put on hold as a result of reprioritisation was added to the work programme for consideration for the following year;
- (iv) although all of the schools' site visits had been undertaken, the reports could not be finalised until discussion had taken place with the Headteacher. As the Easter holiday period was approaching and schools would be closing down for two weeks, the timescale had been slightly extended;
- (v) the cost of undertaking the Internal Audit Plan was detailed in the Annual Report;
- (vi) with regard to the Amey Contract, Auditors would be ensuring that the Council had been monitoring its performance in accordance with the recommendations made following last year's review. It was thought that the contract period was for 10 years but clarification would need to be sought.

Resolved that the Internal Audit Plan for 2010/11, as set out in Appendices 1 and 2 of the report, be approved, subject to the detail of the report being amended to reflect –

- risk rating
- last review undertaken
- anticipated start dates (e.g. first quarter, second quarter)
- planned completion dates

(Councillor Thompson declared a personal interest in respect of the above item).

49. **EXTERNAL AUDIT REPORT - ANNUAL AUDIT FEE 2010/11**

The City Council's External Auditor, Grant Thornton, submitted the Annual Audit Fee for 2010/11. The Committee was advised that –

- (i) although the fee represented an increase of 5 per cent, the Audit Commission was offering a 6 per cent reimbursement due to the additional work required on the International Financial Reporting Standards (IFRS).

Therefore, in cash terms, the fee reflected a 1 per cent decrease on the previous year;

- (ii) Grant Thornton's area partner had met with the Director for Corporate Support to discuss their work and he had been happy with the level and quality of the work undertaken;
- (iii) one area where savings had been achieved was in respect of certification of claims and returns which, in previous years, had cost the City Council in excess of £100,000.

In response to a questions raised around value for money, Members were advised that the Audit Commission had reviewed Grant Thornton under its quality regime and assessed them as having 'one of the best files it had seen'.

Resolved that the Annual Audit Fee for 2010/11 of £335,978 be approved.

50. **AUDIT COMMISSION - ANNUAL INSPECTION FEE 2010/11**

The Committee considered the Audit Commission's Annual Inspection Fee for 2010/11.

Resolved that the Annual Inspection fee for 2010/11 of £16,630 be approved.

51. **EXTERNAL AUDIT REPORT - GRANTS REPORT 2008/09**

The City Council's External Auditor, Grant Thornton, submitted the Grants Report for 2008/09. The Committee was advised that –

- (i) the Council had received nine grant claims and returns from government departments and other bodies that required external certification, representing income in excess of £197 million;
- (ii) a number of concerns had been highlighted during the certification process, including that –
 - there had been an increase in the number of claims requiring amendment by the external auditor, and a more robust quality assurance process was recommended
 - the Council did not maintain register of assets funded by the Sure Start, Early Years and Childcare grant

In response to questions raised, Members were advised that –

- (iii) a response from the Department for Work and Pensions in respect of the Housing and Council Tax Benefit Subsidy claim was still awaited;
- (iv) the absence of screen prints, whilst a problem, was not significant enough on its own to effect qualification.

Resolved that the Revenues and Benefits Service Manager be invited to attend a future meeting of the Committee to –

- report on the improvements put in place to address previous problems with processing Housing Benefit claims
- provide an overview of where Revenues and Benefits was going

52. **EXTERNAL AUDIT REPORT - FINANCIAL STATEMENTS PLAN 2009/10**

The City Council's External Auditor, Grant Thornton, submitted the Financial Statements Plan for 2009/10. Areas of the report highlighted to the Committee included –

- changes required to PFI accounting as a result of the 2009 SORP
- treasury management and the Icelandic banking crisis
- in respect of remuneration disclosures, that staff earning more than £100,000 had to be named and the job titles of those earning more than £50,000 had to be identified

The Committee noted the report with thanks.

53. **EXTERNAL AUDIT PROGRESS REPORT**

The City Council's External Auditor, Grant Thornton, submitted its Progress Report against projects undertaken in 2009/10. The Committee was advised that a draft report reviewing the sale of Plymouth Citybus had been submitted to the Director for Corporate Support for comment and a full and final report should be ready to come to the next meeting in June.

The Committee noted the report with thanks.

54. **ANNUAL REVIEW OF FINANCIAL REGULATIONS**

The Director for Corporate Support submitted the Annual Review of Financial Regulations for 2009/10. Members expressed concern at the late submission of this substantial report and, in view of its significance, requested that they be given more time to consider it.

Resolved that –

- (1) Committee Members submit any comments on the report to the Democratic Support Officer by Friday 2 April, 2010;
- (2) approval of the report's recommendations, namely –
 - (a) to note the amendments made to the Financial Regulations following the 2009/10 annual review;
 - (b) commend approval of the updated Financial Regulations to City Council;
 - (c) inclusion within the Index of the Governance arrangements for ordering and paying for the purchase of work, supplies and services for the collection and processing of income, and other amounts due, as outlined in Appendix B to the report;
 - (d) submission to the next meeting of the Audit Committee the following additional operational documents for formal adoption and inclusion

within the Index –

- Income and Credit Management Policy
- Money Laundering Policy
- Capital Programme Governance Document
- External Funding/Grants Protocol

taking on board any comments submitted by Members (as outlined at (1) above), be delegated to the Director for Corporate Support in consultation with the Chair and Vice-Chair.

55. **INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) TRANSITION PROJECT - PROGRESS REPORT**

The Director for Corporate Support submitted a progress report in respect of the International Financial Reporting Standards (IFRS) Transition Project.

The following comments were made –

- (i) a training session on the IFRS statement would be helpful;
- (ii) the use of the acronym PPE (Property Plant and Equipment) should be avoided.

The Committee noted progress of the IFRS Transition Project as at March, 2010.

56. **CHAIR'S DRAFT AUDIT COMMITTEE ANNUAL REPORT 2009/10**

The Chair presented a draft copy of the 2009/10 Annual Report and, in seeking the Committee's views on its format and content, was advised that –

- (i) the Committee's achievements should be accentuated and set out on page 1 of the report, with the following additions to the list –
 - the Committee's role in monitoring the Council's 'Use of Resources'
 - involvement in discussions around how to make the Statement of Accounts more user-friendly and accessible to the public
 - the favourable comments of the External Auditor in his 2008/09 Annual Letter
 - advanced notification of proposed land transfers to Ward Councillors
- (ii) a definition of the role of Audit Committee was welcomed but should also be included within the Financial Regulations report.

Resolved that –

- (1) the report be amended to take on board the comments made at (i) above;
- (2) once amended a copy of the report be circulated to all Members of the City Council;
- (3) the Chair make enquiries into the process for submitting the report to a future

meeting of Cabinet.

57. **AUDIT COMMITTEE SELF-ASSESSMENT**

The Assistant Head of Devon Audit Partnership submitted an initial draft assessment in order to facilitate discussion amongst Committee Members around the checklist recommended in the Chartered Institute of Public Finance and Accountancy (CIPFA) toolkit. A number of comments were made as follows –

- that better use of the comments column could be made to reflect how frequently something was reviewed and/or updated
- the Supporting Members Group was responsible for ensuring personal development plans were in place for each Councillor to build up appropriate skill sets and identify any gaps
- training for Audit Committee Members should be ongoing
- private meetings between Members of the Audit Committee and the Auditors (Internal and External) without the presence of council officers would enable a more frank and open dialogue

Resolved that –

- (1) Committee Members and Auditors meet privately once a year. The Democratic Support Officer to arrange for the first meeting to take place in June;
- (2) the Chair work with the Assistant Head of Devon Audit Partnership to complete the self-assessment in order for it to be brought back for consideration to the next meeting of the Committee.

58. **STRATEGIC RISK REGISTER MONITORING REPORT**

The Director for Corporate Support submitted the Strategic Risk Register Monitoring Report. The report –

- (i) summarised the latest formal monitoring exercise completed for the period September 2009 to February, 2010;
- (ii) advised that the number of strategic risks reported remained at 36.

The Chair commented that a few of the risks centred around waste and landfill issues and suggested that it would be useful if the responsible department's Risk Champion could attend a future meeting to explain what measures were being put in place to mitigate this risk.

Resolved that –

- (1) the current position with regard to the Strategic Risk Register be noted and endorsed;
- (2) the appropriate Risk Champion be invited to attend a future meeting to address the Committee's concerns regarding to Risk References 55, 43 and 68.

59. **REVISED RISK MANAGEMENT STRATEGY**

The Director for Corporate Support submitted a Review of the Risk Management Strategy. A copy of the Strategy document 'hot off the press' in its new format was tabled for Members' information. The Committee was advised that –

- (i) the Strategy was still in proof form and may contain errors;
- (ii) the accompanying report highlighted –
 - why such a Strategy was required
 - that the revisions reflected the latest senior management restructure
 - the main differences to the 2007 version
 - the local and national drivers which could also include Financial Regulations
- (iii) the draft Strategy had also been circulated to Team Plymouth and the Council's Corporate Management Team (CMT).

A number of comments were made in respect of –

- identification of a grammatical error on page 150 under the heading 'Partnerships' where the word 'formerly' was used instead of 'formally'
- where overall responsibility for approval of the Risk Management Strategy lay
- adding a further bullet point to the Audit Committee's role and responsibilities on page 155 along the lines of 'checking robustness'

Resolved that the revised Risk Management Strategy be endorsed and recommended to Cabinet for approval.

60. **AUDIT COMMITTEE WORK PROGRAMME**

The Assistant Head of Devon Audit Partnership submitted the Audit Committee's Work Programme for April 2010 to March 2011. The Chair commented that she personally welcomed the training events which had recently taken place and would like to continue the momentum established. With this in mind, she proposed that provisional dates be scheduled for either January or February and that one of the areas to be covered should be risk management.

Resolved that the revisions to the Work Programme as outlined above be agreed.

61. **EXEMPT BUSINESS**

There were no items of exempt business.