

Audit Committee

Wednesday 27 June, 2007

PRESENT:

Councillor Stevens, in the Chair.

Councillors Drean, Fox, Hutchings and Stark (substitute for Councillor Savery).

Independent Members: Messrs. Clarke and Fletcher.

Apology for absence: Councillor Savery.

Also in attendance: Councillor Bowyer, Cabinet Member for Budget and Asset Management, Revenues and Benefits, Governance.

The meeting commenced at 2.30 p.m. and concluded at 5.35 p.m.

1. **DECLARATIONS OF INTEREST**

The following declaration of interest was made in accordance with the Code of Conduct in relation to an item under discussion at this meeting –

Name	Subject	Reason	Interest
Councillor Stevens	Devonport Regeneration Community Action Plan (minute 13)	Employee of Devon and Cornwall Constabulary	Non-prejudicial

2. **MINUTES**

Resolved that the minutes of 26 March, 2007 (AC 1 07/08), be approved.

CHAIR'S URGENT BUSINESS

3. **Welcome**

The Chair welcomed those present to the first meeting of the Committee and asked everyone to introduce themselves.

4. **Councillor Savery**

The Chair referred to the ongoing indisposition of Councillor Savery.

Resolved that the best wishes of the Committee be extended to Councillor Savery for a speedy recovery.

(In accordance with Section 100(B)(4)(b) of the Local Government Act, 1972, the Chair brought forward the above items because of the need to inform Members.)

5. **APPOINTMENT OF INDEPENDENT MEMBERS**

The Chief Auditor advised that the tenures of the three existing Independent Members, Messrs Archer, Clarke and Fletcher had expired and needed to be renewed. In this regard, Messrs Clarke and Fletcher had indicated their willingness to continue to serve for another four years but Mr. Archer was no longer able to provide the commitment required.

Resolved that –

- (1) the tenures of Messrs Clarke and Fletcher be renewed for a further four-year period, subject to annual review;
- (2) on behalf of the Committee, the Chair write to Mr. Archer thanking him for his support to the Committee over the last four years;
- (3) arrangements be put in hand to advertise for and recruit a new Independent Member.

6. STATEMENT OF ACCOUNTS 2006/07

The Director of Corporate Resources presented the Statement of Accounts for 2006/07 (AC 2 07/08) indicating –

- (i) a report on the Council's revenue and capital outturn for the financial year had been reported to Cabinet on 12th June, 2007;
- (ii) the report represented the statutory form of accounts – the 'Statement of Accounts' – which the Council was required to produce for audit and publication;
- (iii) the Accounts and Audit Regulations required that the accounts be available for public inspection for four weeks with the period of inspection commencing on 2 July. 2007. The audit was due to commence at the same time;
- (iv) the Draft Statement of Accounts for 2006/07 was attached;
- (v) that unfortunately, due to new financial systems being implemented by one of the Council's group members, there had been a delay in finalising the Group Accounts resulting in their separate circulation to Members. A number of other amendments had been made, the Accounts were circulated, and the Director of Corporate Resources took members through those amendments, tabling a new draft for approval;
- (vi) the Accounts must be prepared in accordance with the Code of Practice on Local Authority Accounts (SORP);
- (vii) the Statutory Accounts differed from the Outturn report in four areas;
- (viii) the changes to the SORP applicable to the 2006/07 accounts.

Members were further advised that the –

- (ix) deadline for approval of the Statement of Accounts was 30 June 2007;
- (x) net expenditure for 2006/07 was £168.271m against an original budget of £169.660m being a favourable variation of £1.389m;
- (xi) Council's total reserves were £19.581m.

Following presentation of the report, Members raised a number of questions to which the Officers' responded as follows –

- (a) there had been better capture of Section 106 contributions this year;
- (b) there was a £250m deficit on the Local Government Pension Scheme. The Local Authority's position on pensions was reviewed every 3 years, by an independent Advisory, with a review due in 2007. It was anticipated that the pension fund would continue to be valued on a 25-year basis;

- (c) the value of the museum's assets was guaranteed, as assets were at historic cost or insurance value. They were not reflective of current market value but this was likely to be more than the Balance sheet value;
- (d) the listing of the Civic Centre as a Grade II Listed building had to be included in the Statement of Accounts and the Statement of Internal Control as a Contingent Liability. This indicated that the event was significant but not a quantifiable liability. Should the listing stand this would then become a Genuine Liability.

The Chair thanked the Director for Corporate Resources for his presentation and asked that the panel's thanks also be passed to the staff within the Finance Department for all their hard work.

Resolved that the Statement of Accounts for 2006/07 be approved.

7. **STATEMENT ON INTERNAL CONTROL**

The Director of Corporate Resources submitted a report (AC 3 07/08) indicating that-

- (i) Regulation 4 of the Accounts and Audit Regulations 2003 required a Statement on Internal Control (SIC) to be published with the annual Statement of Accounts;
- (ii) the purpose of the SIC was to provide evidence of a continuous review of the Council's internal control and risk management processes, to provide assurance as to their effectiveness and to produce a management action plan to address any key weaknesses identified;
- (iii) the Accounts and Audit (Amendment) (England) Regulations 2006 had introduced a new requirement to include an annual review of the effectiveness of the internal audit system and this had now been incorporated into the SIC;
- (iv) the report outlined the process followed in order to produce the SIC for 2006/07 and recommended approval of the Statement prior to signature by the Leader, the Chief Executive and the Director of Corporate Resources;
- (v) the proposed Statement for 2006/07 was attached to the report;
- (vi) future submissions of the report would be presented in a different format and would be entitled the 'Annual Governance Statement', guidance on which was still being developed.

Resolved that –

- (1) the processes adopted for the production of the 2006/07 Statement on Internal Control, as required by the Accounts and Audit Regulations 2003, be noted;
- (2) the adequacy and effectiveness of the system of internal audit be endorsed (see also minute 16);
- (3) the Statement be approved prior to signature by the Leader, Chief Executive and Director of Corporate Resources;
- (4) the Audit Committee continue to monitor the review of Financial Regulations and Contract Standing Orders in line with their constitutional responsibilities.

8. OPERATIONAL RISK REGISTER

The Director of Corporate Resources submitted the Operational Risk Registers monitoring report (AC 4 07/08). The report provided an update on the –

- (i) formal monitoring of service-specific Operational Risk Registers for the period from July 2006 to March 2007, which showed a reduction in red risks from four to two and an overall reduction in the number of risks from 291 to 276 across all Services;
- (ii) work undertaken to develop more consistent links between risk registers and the Service Planning process.

Members were further advised that –

- (iii) 70% of risks had been effectively managed by controls in place;
- (iv) the two 'red' risks that had been identified were in respect of –
 - Development – Condition of the Hoe Foreshore
 - Community Services - Identification of a new site for Plymouth and West Devon Record Office (PWDRO)
- (v) with regard to (iv) above –
 - money was now available for the development of the Hoe foreshore site and there would be another review of its status on the Operational Risk Register in September. The Hoe foreshore must remain high risk until work there was completed
 - the PWDRO would only cease to be a 'red' risk once the office had been relocated
- (vi) some departments were making good progress in establishing effective links between their risk registers and their Service Plans. However, this was not being carried out consistently across all Services and therefore further development work was now being undertaken with the Head of Corporate Planning for use with the 2008/09 Service Plans;
- (vii) the change of status from 'red' to 'amber' occurred during the formal monitoring process which took place every six months. However, in the interim, departments were responsible for monitoring and implementing the necessary actions to reduce those risks;
- (viii) should the Grade II-listed status of the Civic Centre stand, it would appear on the future Operational Risk Register monitoring reports.

Resolved that –

- (1) an update in respect of the two 'red' status items on the register, including the Civic Centre, be provided to the Audit Committee members at the next meeting;
- (2) the report be noted.

9. REVIEW OF RISK MANAGEMENT STRATEGY

The Director of Corporate Resources submitted a report (AC 5 07/08) on the Review of Risk Management Strategy. The report –

- (i) indicated that the current Risk Management Strategy dated from 2003 and had been revised in 2005 to reflect corporate and management restructuring;
- (ii) proposed the adoption of a revised Strategy and Policy Statement that more fully aligned the strategy with the role risk management played in the delivery of key corporate and strategic objectives;
- (iii) proposed a "Rough Guide to Risk Management" for distribution to all staff, a copy of which was tabled for members' consideration.

Members were further advised that –

- (iv) action was taken on 'amber' risks, they were not left until they turned 'red';
- (v) the 'Rough Guide to Risk Management' had been produced in order to raise levels of awareness of the role of risk management amongst all staff, not just senior operational managers.

Resolved that –

- (1) the revised Risk Management Strategy be approved;
- (2) the proposal to produce a 'Rough Guide to Risk Management' be approved, subject to the word 'Rough' being dropped.

10. **RISK MANAGEMENT ANNUAL REPORT**

The Director of Corporate Resources submitted the Risk Management Annual Report (AC 6 07/08). The report –

- (i) summarised the work carried out during 2006/07 to develop the Council's approach to risk management and covered –
 - Corporate and Operational Risk Management Groups
 - Risk Registers
 - Performance Management and Service Planning
 - Statement on Internal Control
 - Risk Financing Strategy
 - Risk Management Strategy Review
 - CPA Use of Resources Assessment
 - Comprehensive Area Assessment
- (ii) provided information on the focus of proposed risk management activity for the next 12 months in preparation for the transition from Comprehensive Performance Assessment of local government to Comprehensive Area Assessment form 2009.

Resolved that the report be noted.

11. **AUDIT COMMISSION PROGRESS REPORT**

The Audit Manager presented the Audit Commission's Progress Summary up to 19 June, 2007 (AC 7 07/08). Members were advised –

- (i) that since the last meeting of the Committee, the following reports had been finalised –
 - Annual Audit and Inspection Letter (incorporating Direction of Travel summary)

- IT review
- Use of resources 2006 action plan
- Progress in partnership working through Plymouth 2020
- Agreement of Audit Commission element of Audit and Inspection Plan 2007/08 (joint plan with RSM Robson Rhodes LLP) – see also minute 12

(ii) of work in progress on –

- Interim audit review work 2006/07
- Accounts audit planning 2006/07
- Data quality management arrangements
- Grant claims work/certification
- Investigating complainant issues

(iii) that a number of actions were recommended to the Council as follows –

- to continue to focus on and monitor the impact of improvement efforts on weaker services such as Children's Services
- to pursue greater consistency in value for money achieved by services through the transformational change programme and other initiatives
- to monitor closely outcomes of the transformational change programme to ensure that it delivered planned efficiencies and savings, and that the finance was available to deliver future plans
- to continue to focus on performance management at all levels and develop further performance reporting, corporate target setting and other areas of performance management that required strengthening
- to review how access to services could be improved and develop further the Council's strategic approach to community cohesion and diversity
- to ensure that improvements in arrangements for managing Use of Resources were embedded and that existing policies, processes and training were reviewed in the areas highlighted by the Audit Commission's reports

In response to queries raised, Members were further advised that –

- (iv) the 'Front Office/Back Office' system was not fully embedded but was understood by Corporate Management Team and operational Heads;
- (v) legislation regarding data sharing was changing and hence a review of data sharing protocol was under way. It was necessary to inform citizens what data items were being used for and the Council was currently working alone on this matter. Work was, however, being done in order to enable future liaison with other agencies such as the Police and the Health Service.

Resolved that the report be noted.

12. **JOINT AUDIT AND INSPECTION PLAN 2007/08**

The Audit Manager and RSM Robson Rhodes LLP submitted a joint report (AC 8 06/07) setting out the audit and inspection work planned for 2007/08. Members were advised that –

- (i) the external audit role would now be undertaken by RSM Robson Rhodes LLP on behalf of the Audit Commission. This appointment was somewhat significant as the role had been undertaken by either the Audit Commission or District Auditor since the 1850's;

- (ii) RSM Robson Rhodes LLP had been formed in the 1980's and had years of auditing experience which included working with local government. On 1 July 2007, it would be merging with Grant Thornton making it the fifth largest accountancy firm in the South West;
- (iii) the Public Sector would have to fully comply with the relevant International Financial Reporting Standards (IFRS) for accounting periods ending March 2009, therefore the format and presentation of future reports would be changing to reflect this;
- (iv) RSM Robson Rhodes LLP and the Audit Commission would continue to work with the Council on Risk Management to ensure that risks incurred were minimised and standards maximised;
- (v) the total indicative Audit and Inspection Fee for 2007/08 was approximately £100,000 less than for 2006/07, and RSM Robson Rhodes LLP would endeavour to reduce this figure year-on-year.

Members noted the report and thanked the Audit Manager for his work to date.

13. **DEVONPORT REGENERATION COMMUNITY PARTNERSHIP ACTION PLAN**

The Directors of Corporate Resources and Community Services submitted a joint report (AC 9 07/08) on the combined Plymouth City Council and Devonport Regeneration Community Partnership (DRCP) Action Plan. The report advised that –

- (i) the DRCP was one of 39 New Deal for Communities (NDC) projects nationwide which would run for a period of 10 years to 2010/11 and receive a total of £48.725m in government funding;
- (ii) Plymouth City Council, as the Accountable Body, worked with the DRCP to ensure there were systems in place to enable the partnership to deliver the programme in accordance with the terms and conditions of the NDC grant. The Accountable Body was also responsible for the claiming and disbursement of grant;
- (iii) a report of a review undertaken by the Audit Commission on DRCP had been submitted to the Audit Committee on 7 February, 2007, where it had been resolved that officers would draft and implement an action plan in response to the recommendations for improvement;
- (iv) the Internal Audit Service had also undertaken a planned review of the DRCP and the role of Plymouth City Council as Accountable Body;
- (v) its purpose was to present the combined action plan in response to the recommendations arising from both the Audit Commission and Internal Audit reports.

Resolved that the combined action plan be noted.

(Councillor Stevens declared a non-prejudicial interest in respect of the above item.)

14. **AUDIT COMMITTEE FORWARD PLAN**

The Chief Auditor submitted the Committee's work programme for 2007/08 (AC 10 07/08).

Resolved that –

- (1) the work programme be noted;

- (2) the date of the Committee's first meeting for 2008/09 be provisionally set as 30 June, 2008, at the latest.

15. **EXEMPT BUSINESS**

Resolved that under Section 100(A)(4) of the Local Government Act, 1972, the press and public be excluded from the meeting for the following item of business on the grounds that it involved the likely disclosure of exempt information as defined in paragraph 7 of Part 1 of Schedule 12A of the Act, as amended by the Freedom of Information Act 2000.

16. **INTERNAL AUDIT ANNUAL REPORT 2006/07**

The Director of Corporate Resources submitted the Internal Audit Annual Report for 2006/07(AC 10 07/08) which -

- (i) summarised the work undertaken by the Internal Audit Service during 2006/07;
- (ii) reviewed the performance and effectiveness of the internal audit service;
- (iii) provided an audit opinion on the adequacy of internal controls.

Members were further advised that the Department had been experiencing difficulties with recruitment, especially to high-level positions.

Resolved that –

- (1) the report be noted;
- (2) the adequacy and effectiveness of Plymouth's system of internal audit for the year ended 31 March, 2007, be endorsed (minute 7 also refers);
- (3) the thanks of the Committee be extended to the Chief Auditor and her staff for their continued good work.