

Audit and Governance Committee

Tuesday 25 July 2023

PRESENT:

Councillor Allen, in the Chair.
Councillor Finn, Vice Chair.
Councillors Lowry, Dr Mahony and Stevens.

Independent Member: Mrs Annette Benny.

Also in attendance: Paul Dossett (External Auditor), Jon Roberts (Grant Thornton), David Northey (Interim Service Director for Finance), Giles Perritt (Assistant Chief Executive), Brenda Davis (Audit Manager), Ken Johnson (Counter Fraud Services Manager), Carolyn Haynes (Lead Accountancy Manager), Wendy Eldridge ((Lead Accountancy Manager), Ross Jago (Head of Governance, Performance and Risk), Louise Clapton (Senior Auditor) and Helen Rickman (Democratic Advisor).

The meeting started at 12.30 pm and finished at 3.30 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.

1. To Note the Appointment of Chair and Vice Chair for the Municipal Year 2023/ 2024

The Committee noted the appointment of Councillor Allen as Chair, and Councillor Finn as Vice Chair for the forthcoming municipal year.

2. Declarations of Interest

There were no declarations of interest in accordance with the code of conduct.

3. Minutes

The Committee agreed the minutes of 20 March 2023 as an accurate record of the meeting.

4. Chair's Urgent Business

Under this item the Chair advised Members that the Council delegated to the Audit and Governance Committee, the design and implementation of the Electoral Cycle Consultation and Electoral Review. Before finalising the approach and taking into account advice of officers, it was proposed by the Chair that the consultation was brought back to the Committee following discussions with Southampton City Council who had recently been through the same process.

Ross Jago (Head of Governance, Performance and Risk) advised Members that Southampton City Council had recently undergone a very similar process in respect of electoral review and it was

considered beneficial for officers to engage with Southampton City Council prior to further consultation being undertaken.

In response to a question raised it was reported that there had been a change of the Council's administration since the Audit and Governance Committee last discussed the Electoral Cycle Consultation in March 2023 – it was considered that Southampton was a good example of a Council that had undergone an electoral review with the Boundary Commission. As part of their consultation they focused upon electoral cycles. It was considered that one of the issues that the Boundary Commission would raise with Plymouth was that if a Council was to continue to have elections by thirds then it would have a potential impact on the number of Councillors that were allocated to each of the revised wards (if they were revised) as a result of the electoral review. The idea was that the number of Councillors in each ward should be dividable by 3 if a Council continued to elect by thirds. Three of the Council's wards had 2 Members currently; initial conversations had taken place with Southampton City Council.

It was confirmed that the Council had until June 2024 to confirm arrangements to the Boundary Commission.

The Committee agreed that officers should consult with Southampton City Council regarding the Electoral Cycle Consultation and Electoral Review and that the consultation is submitted to the Audit and Governance Committee prior to submission to Full Council in September 2023.

5. **External Audit Report - Progress Report**

Paul Dossett (External Auditor) presented the External Audit Progress Report and highlighted the following key points:

- (a) for the benefit of new Members to the Audit and Governance Committee a brief overview was provided on the Council's pension transaction: in 2019 the Council undertook a transaction that was designed to reduce the pension deficit and the impact of the contributions to the pension deficit on the general fund. The transaction involved the purchase of shares in a specifically-designed company, which then used that money to reduce the pension fund deficit. From an accounting point of view, Grant Thornton as the Council's Auditors, didn't agree with the Council's approach to the transaction. Grant Thornton did a review in 2021 of the governance upon making decisions around complex and innovative schemes; the results were reported back to the Audit and Governance Committee and the Council put in a process of how to deal with complex accounting matters;
- (b) it was highlighted that the Council had taken advice on the accounting treatment from CIPFA, however Grant Thornton didn't agree with that advice. Both the Council and the External Auditor had taken legal advice as to how the transaction should be accounted for and the legality of various decisions. In 2023 the two legal parties reached an agreed position however it did involve further discussions and complications with the pension fund. The Council have accounted in their 19/20 accounts in a way that spreads the cost of the investment over a 20 year period however Grant Thornton didn't agree that was the correct accounting approach – discussions were still ongoing;

- (c) different solutions to the accounting approach for the pension deficit transaction were contained in the external auditor's report however that was a decision for the Council; officers were keen to close this matter off within the next few weeks so that the subsequent years audits could go through the audit process. The value for money work undertaken as part of the 19/20, 20/21 and 21/22 audits had all been completed;

David Northey (Interim Service Director for Finance) advised Members that the Council had been working to clear the 19/20 accounts. The pension deficit accounting treatment was considered a local accounting issue, however delays with the 2019/20 accounts was also affected by national issues such as the complications with infrastructure issues and assets. Assurance was provided that officers were having direct conversations with the Actuary, as well as Devon County Council (who administered the pension fund). It was evident that there were 3 or 4 different routes that could be taken to progress the issue and that the Council was to make a decision and send to Grant Thornton for their audit opinion.

In response to questions raised it was responded that:

- (d) The conflict between the Council and the External Auditor was one of accounting treatment – Grant Thornton had one view regarding how the payment into the pension fund should be discharged and, with advice, the Council has a different view. The transaction was material to the accounts, therefore the auditor had to pursue their line of thinking. If an audited body (the Council in this instance) chose not to amend the accounts in which the auditor thought were materially wrong then the process was an audit qualification. That was a judgement call for the Council to make in terms of how it would move forward with the auditing of this transaction;
- (e) there were different options available to the Council which included the accounts being qualified, or the Council having a directive with the DLUHC It wasn't unusual for a Council to try and protect their payments when they get a three year evaluation to pay off the three years up front at a discount value in order to get benefit from that. The Council considered that pension deficits normally ran for 20 years so a figure was attributed to that of £72m and the Council found a way of paying that off in one go. The difference of opinion was that the Council considered the money had started as a capital transaction, however Grant Thornton believed that the Council had paid £72m in that year, so the entire £72m needed to be accounted for in that year;
- (f) where accounts were qualified, when you moved into the subsequent years' accounts, the opening balance would be incorrect if the closing balance in the previous accounts was materially wrong from the auditor's point of view; therefore the subsequent year would be qualified accounts. Over a period of time the Council would start to pay down the pension deficit and the payment would reduce the disputed amount between the auditor and the council however it was not known how long this would take. Eventually the accounts would become not material and not a qualification. It was further complicated by the fact that the Local Government Minister had written to all Council's with his proposals for dealing with a backlog of accounts, some of which

would involve qualifying audits that were not completed by a certain date;

- (g) the broader ramifications of having qualified accounts, in a commercial setting, would alarm lenders, it could cause some concern with some commercial partners; also from a governance perspective, there were not many qualified audit opinions in the local government sector; this was also a reputational issue;
- (h) It was expected that a decision on the accounts would be made by the time the September Audit and Governance Committee

Giles Perritt (Assistant Chief Executive) advised Members that the External Auditor had suggested the Council undertook a governance review; this was undertaken and a series of recommendations were formulated. The governance review and subsequent action plan were submitted to the Audit and Governance Committee alongside a series of progress reports detailing the implementation of recommendations. It was highlighted that the value derived from the transaction was having a positive revenue impact each year and a continuing financial saving.

The Committee were introduced to Jon Roberts (Grant Thornton) who would be taking over the responsibility of auditing the Council upon the completion of the 2019/20 accounts.

The Committee agreed:

1. to note the External Audit Report – Progress Report;
2. recommended that the External Auditor set out their vision for the Council's outstanding audits at the September Audit and Governance Committee meeting detailing what work had been undertaken and what work was still left outstanding.

6. **Internal Audit End of Year Report**

Prior to the introduction of this item, David Northey (Interim Service Director for Finance) advised the Committee that Brenda Davis (Audit Manager) was due to retire from the Council after 23 years' service; Brenda was thanked for her dedication, hard work and professionalism.

Brenda Davis (Audit Manager) presented the Internal Audit End of Year Report and highlighted the following key points:

- (a) the Internal Audit End of Year Report provided a summary of the Council's performance against the Internal Audit Plan that was approved by the Audit and Governance Committee in March 2022. It highlighted the key areas of work undertaken and a summary of some of the main findings and an overall assurance opinion which was a 'reasonable' assurance;
- (b) 'Reasonable assurance' was a good standard of assurance – there were 4 assurance opinions – reasonable assurance was the second from the top. To provide the top level of assurance, substantial assurance, was considered unrealistic for any council in the country to achieve;

- (c) officers assessed the key controls that were operating and from that work provided individual reports to managers; there was an assurance opinion for each piece of work. One such piece of work focused upon Delt services – a lack of engagement was recognised and reported upon related to their patch management work. This issue was raised with the Section 151 Officer and CMT – in terms of their processes and software, everything was in place that expected to be however the focus was now upon if anything was different and how those exceptions were managed;
- (d) the chart at the bottom of page 41 in the agenda pack provided a brief breakdown of the assurance opinions provided across the Council on pieces of work throughout the year.

In response to a question raised it was reported that –

- (e) in terms of the hand/arm vibration audit work it was highlighted that internal audit were not health and safety specialists so they were not able to undertake health and safety audits – that was the responsibility of the Health and Safety department and specialists. Internal audit became involved when issues were flagged by the HSC and officers were asked to assess processes in place. Three separate pieces of work had been undertaken regarding the hand/arm vibration work and not any other area of health and safety. Recommendations from work done by Internal Audit was regarding systems and processes specifically.

The Committee agreed to note that based on work performed during 2022/23 and previous years' audit, the Head of Internal Audit's opinion is of "Reasonable Assurance" on the adequacy and effectiveness of the Authority's internal control framework.

7. **Internal Audit Charter and Strategy**

Brenda Davis (Audit Manager) presented the Internal Audit Charter and Strategy and highlighted the following key points:

- (a) the Internal Audit Charter and Strategy was submitted to the Audit and Governance Committee on an annual basis; there was a requirement by the public sector internal audit standards to define the purpose and responsibility of internal audit – that was set out in the Audit Charter. The Audit Strategy set out how the service was delivered in accordance with the Charter and best practice and regulatory requirements;
- (b) this document was last presented to the Audit and Governance Committee in July 2022 where it was agreed; four minor changes have since been made which were identified in the document via tracked changes – these included the change to the year, a change to the tense of some text, the fact that a new partner had joined Devon Audit Partnership team and an update on the qualifications held by Devon Audit Partnership.

There were no questions from Members on this item.

The Committee agreed the Internal Audit Charter & Strategy for the year 2023/24.

8. **Counter Fraud Services Annual Report 2022-23**

Ken Johnson (Counter Fraud Services Manager) presented the Counter Fraud Services Annual Report 2022/23 and highlighted the following key points:

- (a) the Counter Fraud Services Annual Report detailed a summary of the work completed over the past 12 months and demonstrated good governance by Plymouth City Council to address counter fraud risks and threats. The report provided assurance to the Council as well as the citizens of Plymouth that the budgets were being protected and funds spent wisely. Fraud was an ever present and ever growing threat however officers were doing their best to protect the Council, its officers and the interests of the public;
- (b) the savings detailed in the report were consistent with the trend of previous years however the way work was approached was slightly different in that a lot of work was going in to checking records and protecting the public purse;
- (c) It was emphasised that a lot of the work undertaken to protect the public purse was based around the fact that the Council had a finite resource to provide public services and that had to be spent on those that required it. Every pound that was saved through the work of the Counter Fraud Services Team was money that could go back into front line services;
- (d) the team went back to assess work that was put in place to apply CIPFA best practice; the report at appendix 1 demonstrated a good response. Internal Audit and the Counter Fraud Team and Devon Audit Partnership worked closely together to provide integrated assurance;
- (e) the National Fraud Initiative was ongoing and statistical information would be provided at the next meeting of the Audit and Governance Committee; there were a few thousand matches to come back which would need to be checked. Some of those matches would be low value and others would be more significant. This bi-annual exercise also increased the resilience to Data Protection Act requirements;
- (f) several fraud investigations were still ongoing and several allegations had been dealt with; as financial pressures were increasing, fraud activity was also increasing.

In response to questions raised it was reported that

- (g) national statistics specified that between 4-6% of budgets were lost through fraud; control through social care budgets and reviews may not happen as regularly as they could due to high demand and high pressure in that area of work and it was likely that this increased the risk of fraudulent activity.
- (h) savings described in the report were either cashable or non-cashable; for example, savings for council tax fraud would be cashable and that would be

immediately billable resulting in someone having to pay. However if fraudulent activity was found with someone subletting a social housing property then the person would be removed from the property and the house would be put back on the social housing register for a new tenant. The Council could then place someone in that property instead of paying for emergency accommodation for example – that money would be non-cashable and a saving.

The Committee agreed to note the Counter Fraud Services Annual Report 2022/23.

9. **Draft Statement of Accounts**

Carolyn Haynes (Lead Accountancy Manager) presented the Draft Statement of Accounts and highlighted the following key points:

- (a) the deadline for producing the draft statement of accounts moved back to 31 May in 2023; in the first year of Covid it was produced at the end of August and then the following two years it was produced at the end of July. The Council was unable to produce the draft accounts by the 31 May 2023 deadline and instead published by 20 June 2023 alongside a lot of other local authorities. It was estimated that approximately only 30% of local authorities produced their draft statement of accounts by the deadline;
- (b) the reasons for the delay in publishing the draft statement of accounts were set out in the report; officers had to rely more on real-time data rather than estimates that would have been used when officers previously published the draft statement of accounts for the May deadline, as auditors were unhappy with estimation techniques and wanted the Council to rely more on actuals. In addition to that, a late issue arose in relation to a valuation that was undertaken in October 2022 – this resulted in changes having to be made to the 2021/22 accounts to be flowed through to the 2022/23 accounts;
- (c) the Council now had 4 financial years of accounts that were not audited; any agreed amendments couldn't yet be brought to Committee. As each year progressed those amendments, if any, would be progressed;
- (d) the report referred to the Council's balance sheet and information upon assets and liabilities. There was currently a positive balance sheet and the majority of that was down to the revaluation of the pension fund which had a positive impact upon the Council's balance sheet.

In response to questions raised it was reported that –

- (e) the report was a retrospective look back to 2022/2023; the impact on the Council's accounts as a result of recent fuel costs would be reported in the 2023/2024 budget report that was likely to be submitted to Council in the first quarter of the financial year;
- (f) a 'material impact' was specified as being £7m or over;

- (g) the statement of accounts was open for public inspection; as of yet it was considered that no-one has requested to view the accounts;
- (h) un-useable reserves could not be used for revenue spending; they reflected things such as movement in property values so there was a revaluation reserve, a capital adjustment account which reflected movements in depreciation. There was also a collection fund adjustment account – they were all used to reflect the international financial reporting standards on outturn position and were not useable for the council’s business. An adjustment had to be put through the accounts so that the Council could be compared to other organisations;
- (i) the working fund balance was not earmarked but useable reserves could be earmarked for a purpose. They could be put aside for voids; previously £20m had to be moved from the collection fund useable reserve to be able to fund the deficit for the following year – they could be used for budget smoothing.

The External Auditor’s offer to provide training was acknowledged and accepted.

The Committee agreed:

1. to approve the Statement of Accounts for 2022/23 attached as Appendix B with the understanding that they will be audited by GTUK. Should any issues be identified during the GTUK audit Members are asked to delegate the approval of the Statement of Accounts to the Service Director for Finance in consultation with the Chairperson of the Audit and Governance Committee.

Reason: Statutory Requirement, the Accounts and Audit Regulations 2015 require the accounts to be:

- i. Considered by committee;*
- ii. Approved by committee resolution;*
- iii. Signed and dated by the person presiding at the committee.*

2. to note the audit status of the Statement of Accounts for 2019/20, 2020/21 and 2021/22 and the delay to the publication of the Statement of Accounts for 2022/23.

Under this item Councillor Lowry, as a Member of the Audit and Governance Committee, queried if he was able to vote in support of items on the agenda as they were signed off by him as the Cabinet Member for Finance. He was under the understanding that he was able to continue to vote as the constitution didn’t specify that he could not, however raised that he potentially had an interest.

Ross Jago (Head of Governance, Performance and Risk) noted Councillor Lowry’s interest and confirmed that he would check as to what the interest was, however agreed that the constitution was quiet on this specific issue.

(Councillor Lowry raised an interest under this item)

10. Annual Report on Treasury Management Activities for 2022/ 23

Wendy Eldridge ((Lead Accountancy Manager) presented the Annual Report on Treasury Management Activities for 2022/23 and highlighted the following key points:

- (a) the report provided an update on treasury management activities for 2022/23 and was presented to comply with the CIPFA code of practice and to discharge the Council's statutory duty;
- (b) key messages from the report included:
 - the treasury management position - the Council's borrowing at the end of March 2023 was £565m;
 - the balance sheet summary as part of table one sets out where the Council's capital financing requirement offsetting where it's got its useable reserves;
 - the Council's net borrowing of £565m was an increase of 11 million from the previous year;
 - action taken to mitigate against interest rate risk where additional borrowing was taken out through the Public Works Loan Board – the counter side of that was reducing short term borrowing. This primarily was to address the interest rate risk;
 - at the start of 2022 the Council could secure short term borrowing (PWLB borrowing) at a lower rate than at the end of the year after numerous Bank of England increases;
 - the average rate presented for short term borrowing reflected the net impact of the transactions that had been put through with the interest rates swap arrangement; if the Council hadn't had the interest rate arrangement then the Council's short term borrowing would have been in excess of 2%;
 - table 3 set out the various investment activities, there was no significant movement between the long term investments. Short term investments with money held in banks and call accounts had reduced partly reflecting the use of treasury management to fund the treasury cash flow;
 - the external context affecting the 2022/23 treasury management activities included global inflation and base rates and the impact of that. The base rates at the start of the year was 0.75% whereas at the end of the financial year it increased to 4.25%;
 - the final part of the report focused upon the prudential indicators; these were set in 2022 and incorporated in the treasury management strategy which was included in the February 2022 suite of documents for budget

setting. The indicators were a control and good practice on how the council planned to undertake its borrowing and investment.

- the first indicator highlighted that the Council hadn't complied with the planned spread of borrowing between fixed rate and variable rate borrowing arrangements. The Council took mitigating action in 2022/23 to secure in more borrowing long term through the Public Works Loan Board than was initially planned.

In response to questions raised it was reported that –

- (c) the way the Council operated its treasury management function was to link borrowing to cash flow; where the Council received grants in advance the Council was able to delay the need to borrow money. The rate swap arrangement was protecting £75m of the Council's short term borrowing to a favourable rate. The ongoing review of the capital programme particularly where a programme was funded by corporate or service borrowing where programmes could be slipped or re-profiled;
- (d) With regards to minimum revenue provision, the Council worked with its treasury management advisors who had created a template/ working paper that the Council could complete – this was available for audit and sets out all borrowing where the Council made a minimum revenue provision against when the asset became operational. Issues some other Council's had experienced is where there had been minimum revenue provision adjustments on the rationale that the actual investment asset would increase; it was considered a risky strategy;
- (e) At the moment the rates for LOBO loans was considered favourable; the Council had had any call-ins. Arling Close had provided a tool whereby the Council could assess the probability of organisations calling in LOBO loans; currently the Council's loans were indicating that there was low probability of them being called in. One was due to finish in seven years which was indicating a higher probability of being called-in. the Council had the option to review and cash in a loan but the Council hadn't exercised that right as of yet.
- (f) The potential risk to the Council affecting its ability to borrow money would be contained partly the fact that the Council could approach borrowing through the Public Works Loan Board to maintain a cash flow for the capital programme. The Council had taken action to borrow in the current financial year to protect the capital programme allowing for slippage.
- (g) In terms of the disparity between the estimates, the numbers were calculated in advance of the 21/22 outturn and based on the Council's capital programme and expected borrowing from that programme. In 2021/22 and 22/23 there was significant slippage due to the impact of the capital programme.

The Committee agreed:

- I. to note the Treasury Management Annual Report 2022/23;

2. to recommend the Treasury Management Annual Report 2022/23 to Full Council for approval *(This is to comply with the CIPFA Code of Practice and discharge our statutory requirement.*

(The Committee took a 10 minute comfort break at the conclusion of this item)

(Councillor Stevens left the meeting during the presentation of this item and took no further part in this item or the remainder of the meeting)

11. **Report in the Public Interest - Thurrock Report**

David Northey (Interim Service Director for Finance) presented the Report in the Public Interest – Thurrock Report and highlighted the following key points:

- (a) Thurrock Council and Woking Council were two examples in the media whereby Council's had got themselves into financial difficulties. The report attached to the agenda detailed that it was a report of public interest as everyone could learn lessons from it. The link to the 110 page report was contained in the agenda; it was highlighted how things could quickly fall apart with poor governance;
- (b) as discussed earlier in the meeting, Grant Thornton's External Auditor's governance review was undertaken and as a result of several recommendations, the Council had changed its governance proposals to its own transactions;
- (c) the power the Government had when Councils were experiencing trouble was demonstrated in the report. In this instance Commissioners were sent to Thurrock who effectively had taken the role of the Chief Executive and looked at the whole senior management structure.

Giles Perritt (Assistant Chief Executive) also added that the Local Government Association had a sector led regulation improvement feature – a year ago a formalised peer review took place at Plymouth City Council where politicians and senior officers from a range of local authorities undertook a peer review. Preceding that, and due to the financial constraints that Council's had been under for a few years, the council asked the LGA to undertake a finance specific peer review of the way the council was managing its revenue and capital resources. Action was taken as a result of the findings.

Members discussed:

- (d) the benefits that might be achieved by undertaking a peer review with another council in order to assess and seek assurance that the Council's governance and audit functions were working as they should so as to avoid a situation faced by Thurrock Council:
- (e) that the council's governance arrangements and functions would not support a repeat of what happened at Thurrock Council however it was considered that the basis of what they were trying to do was similar to Plymouth. Both councils bought assets to receive a return on the yield from those assets. Plymouth City Council however ensured that any asset bought was in the

Plymouth postcode boundary and therefore a benefit would be achieved not just financially, but also in jobs growth and regeneration opportunities. Plymouth City Council was a lot larger than Thurrock and over a decade had spent £279m in that approach, but those assets were within the city and had an experience asset management team.

The Committee agreed to note the Thurrock Report update.

12. **Covid Business Grants Assurance**

Carolyn Haynes (Lead Accountancy Manager) presented the Covid Business Grants Assurance and highlighted the following key points:

- (a) the Council had recently received confirmation the Department for Business Energy and Industrial Strategy that they had completed their work on post payment assurance for the Covid 19 Business Grants;
- (b) the Council administered business grants from March 2020 to March 2022 working with eight different grants schemes to develop. The Council developed its assurance process as it went along, similar to most Council's across the country; officers were reassured to receive confirmation that of the checks and balances that they had done, they hadn't identified any grants that were incorrectly granted;
- (c) the Council had paid out just under £96m in grants over the two years; 93% of the funding received was paid out. This figure wasn't 100% as where it was considered discretionary it was paid out the grant in full, however subsidy rules affected other payments;
- (d) during the process there were over 50 officers working on business grants in terms of the application process, through to the assurance verification the Council was internally audited and received a reasonable assurance rating.

The Committee agreed to note the Covid Business Grants Assurance report.

13. **Health, Safety and Wellbeing Annual Report 2022/23**

Ross Jago (Head of Governance, Performance and Risk) presented the Risk Management Monitoring Report and highlighted the following key points:

- (a) the number of strategic risks currently being managed totalled 23; there were 8 red risks (the report detailed 7 and this was incorrect). The red risks referred to council expenditure exceeding resources, a pension fund accounting issue, the demand and complexity of demand in children's services, cyber security, IT supply chain constraints, workforce constraints in adult social care, the SYDS approval body (sustainable drainage system approval body) and a risk of financial instability with CaterEd;
- (b) of the 8 red risks, there was planned scrutiny around the council's budget and resources over the course of the next 6 to 9 months as the budget was prepared for February 2024; the pension fund accounting remained a discussion at the Audit and

Governance Committee; the demand and complexity of children's services was being reviewed by scrutiny specifically with regards to improvements that needed to be made following the recent Ofsted inspection; IT supply constraints and cyber security was listed as an item due to be considered at scrutiny in the near future; social care workforce constraints was under review by the Health and Social Care scrutiny committee; there was currently no scrutiny planned around Suds or CaterEd;

- (c) there was a new risk on the strategic risk register regarding the capacity within the senior leadership team in particular reference to statutory officers; there was an interim Section 151 Officer, an interim Monitoring Officer and several other gaps in management across the council. Mitigation was listed in the report and detailed the recruitment underway. A Chief Officer's Appointment Panel was scheduled earlier in the week and there was due to be another at the end of the week;
- (d) there were 111 risks on the operational risk register, this number had reduced since the last time it was submitted to committee as there were a number of duplicate risks and some that were considered sufficiently mitigated. The operational risks related to children's services, health and safety risks linked to trees, asbestos, data security, recruitment, home working and school transport budget;
- (e) Members were asked to consider if they wished to include any of the risks specified in the report on to the Audit and Governance Committee work programme for future consideration with the understanding that some scrutiny was underway in the scrutiny function of the council's governance structure.

It was acknowledged by Councillor Lowry that there were a lot of significant risks on the strategic risk register and it appeared to be more than usual. As Cabinet Member for Finance, Councillor Lowry was in discussion with David Northey (Interim Service Director for Finance) regarding how a more structured approach was put in place to deal with some of the strategic overspends that existed year upon year at the council. It was highlighted that the risks were equally reported and scrutinised by the Council's scrutiny panels to maintain oversight.

The Committee agreed to note the current position with regard to the Strategic and Operational Risk Registers.

14. **Risk Management Monitoring Report**

Ross Jago (Head of Governance, Performance and Risk) presented the Risk Management Monitoring Report and highlighted the following key points:

- (a) the number of strategic risks currently being managed totalled 23; there were 8 red risks (the report detailed 7 and this was incorrect). The red risks referred to council expenditure exceeding resources, a pension fund accounting issue, the demand and complexity of demand in children's services, cyber security, IT supply chain constraints, workforce constraints in adult social care, the SYDS approval body (sustainable drainage system approval body) and a risk of financial instability with CaterEd;
- (b) of the 8 red risks, there was planned scrutiny around the council's budget and resources over the course of the next 6 to 9 months as the budget was prepared for

February 2024; the pension fund accounting remained a discussion at the Audit and Governance Committee; the demand and complexity of children's services was being reviewed by scrutiny specifically with regards to improvements that needed to be made following the recent Ofsted inspection; IT supply constraints and cyber security was listed as an item due to be considered at scrutiny in the near future; social care workforce constraints was under review by the Health and Social Care scrutiny committee; there was currently no scrutiny planned around Suds or CaterEd;

- (c) there was a new risk on the strategic risk register regarding the capacity within the senior leadership team in particular reference to statutory officers; there was an interim Section 151 Officer, an interim Monitoring Officer and several other gaps in management across the council. Mitigation was listed in the report and detailed the recruitment underway. A Chief Officer's Appointment Panel was scheduled earlier in the week and there was due to be another at the end of the week;
- (d) there were 111 risks on the operational risk register, this number had reduced since the last time it was submitted to committee as there were a number of duplicate risks and some that were considered sufficiently mitigated. The operational risks related to children's services, health and safety risks linked to trees, asbestos, data security, recruitment, home working and school transport budget;
- (e) Members were asked to consider if they wished to include any of the risks specified in the report on to the Audit and Governance Committee work programme for future consideration with the understanding that some scrutiny was underway in the scrutiny function of the council's governance structure.

It was acknowledged by Councillor Lowry that there were a lot of significant risks on the strategic risk register and it appeared to be more than usual. As Cabinet Member for Finance, Councillor Lowry was in discussion with David Northey (Interim Service Director for Finance) regarding how a more structured approach was put in place to deal with some of the strategic overspends that existed year upon year at the council. It was highlighted that the risks were equally reported and scrutinised by the Council's scrutiny panels to maintain oversight.

The Committee agreed to note the current position with regard to the Strategic and Operational Risk Registers.

15. **Annual Governance Statement**

Ross Jago (Head of Governance, Performance and Risk) presented the Annual Governance Statement and highlighted the following key points:

- (a) the Annual Governance Statement (AGS) was part of the annual suite of documents submitted to the Audit and Governance Committee;
- (b) the AGS set out how the Council was ensuring that proper systems of internal control were in place. The first part of the report from pages 407 – 417 described the CIPFA principles of good governance; each principle linked to guiding documents that were being used to maintain the Council's position against the principles and examples of how those had been used over the past year;

- (c) the second part of the document was a summary of the issues that had arisen throughout the year alongside an assurance statement and plans to address issues where appropriate. Page 419 included a response from the external auditor review and the judgement from internal audit of reasonable assurance;
- (d) the corporate peer challenge, as referred to earlier in the meeting, was described in the report; officers had progressed through the action plan and a link was provided in the agenda to the most recent progress report;
- (e) following the Ofsted focus visit to Plymouth 'front door' back in December 2022 an improvement board had been established and would work alongside existing governance controls in that space;
- (f) throughout 2022/23 there were several components of the constitution which were found to be sub optimal which led to misunderstanding by multiple stakeholders; the Audit and Governance Committee were to lead a constitutional review for 2023/24 with the expectation that this would be reported back to Full Council in stages trying to deal with the most pressing matters first and making those changes to the constitution as quickly as possible;
- (g) new arrangements for complaints under the code of conduct had been implemented following the approval of the new code of conduct; a new Standards Committee was now required to be established;
- (h) issues identified by the senior leadership team as part of their work around the AGS included the improvement on the recording of decisions within departments, the centralisation of governance documents in respect to the family of companies including annual reports and articles of association, departmental business plans to be reviewed as a result of the change to the vision and strategic objectives of the Council following the election in May, the reporting and collating of risk within service areas needed to be addressed.

No questions were raised by Members.

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).

16. **Constitutional Review - Outline Plan**

Ross Jago (Head of Governance, Performance and Risk) presented the Constitutional Review – Outline Plan and highlighted the following key points:

- (a) there had been a number of issues raised over the last year in respect of the constitution with some of those issues requiring action imminently including procedures around Council, the status of the Cabinet when the Leader resigns and petition guidance. It was highlighted that the petition guidance had been in place since 2011 when the duty was first [placed upon local authorities – the duty had since been repealed therefore there was a need to consider how a local based approach could work;

- (b) work was also required to be undertaken with regards to contact standing orders and finance standing orders, and how those worked together, how those were presented both to officers, Members and the general public in a way that was understandable;
- (c) the suggestion contained within the report was to refer this matter to the Civic and Constitutional Review Group established in January 2022 – a draft outline for the review was contained within the report.

In response to questions raised it was reported that:

- (d) it was hoped that some changes to the constitution could be presented to the September 2023 Full Council meeting however some aspects of the review relating to contract and finance standing orders was expected to take more work so would likely be presented to Full Council in January 2024;
- (e) the Council's constitution was in line with several local authority constitutions around the country; in 2012 when it was written in the current format it was based upon Oxford's constitution. As part of the programme of review, and in order to ensure that the constitution was fit for purpose, efforts would be made to liaise with other local authorities. As with the code of conduct review and revision, officers would employ an expert consultant and work with the LGA to create a constitution that was accessible and good quality;
- (f) the terms of reference for the sub group was agreed at the Audit and Governance Committee in 2022; the specific plans for the constitution review were set out in the report contained within the agenda and would be circulated to Members.

The Committee agreed to refer the Constitutional Review to the Constitution and Civic Sub-Committee (established as a sub-committee January 2022) with a view to provide an initial report on prioritised changes to the September Full Council.

17. **Work Programme**

Members discussed the draft work programme and sought clarification as to if an additional meeting of the Audit and Governance Committee was required to be scheduled prior to the September Full Council meeting in order to discuss the constitution review findings; it was confirmed that an additional meeting of the committee would be scheduled.

The Committee agreed to note the draft work programme and for an additional meeting of the committee to be scheduled prior to the September Full Council meeting.