

Audit Committee

Friday 26 June 2009

PRESENT:

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

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

Apology for absence: Councillor Wildy.

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

The meeting started at 10am and finished at 1.15pm.

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 of interest were made in accordance with the Code of Conduct in relation to items under discussion at this meeting –

Name	Minute No. and Subject	Reason	Interest
Councillor Vincent	Minute 5 – Draft Statement of Accounts 2008-09	Employed by Citybus	Personal
Councillor Thompson	Minute 4 – Transfer of Land by the Council to Widwell School Education Trust – Independent Review	Sit on Widewell Local Access Forum	Personal
Councillor Stark	Minute 5 – Draft Statement of Accounts 2008-09	Member of Plymouth Citybus Ltd	Personal
Councillor Sam Leaves	Minute 5 – Draft Statement of Accounts 2008-09	Relative is employed by Plymouth Citybus Ltd	Personal
Councillor Bowyer	Minute 5 – Draft Statement of Accounts 2008-09	Employed by Primary Care Trust Member of Plymouth Citybus Ltd	Personal

2. MINUTES

Resolved that the minutes of the meeting held on 25 March 2009 are confirmed as a correct record.

3. CHAIR'S URGENT BUSINESS

There were no items of Chair's urgent business.

4. **TRANSFER OF LAND BY THE COUNCIL TO WIDEWELL SCHOOL EDUCATION TRUST - INDEPENDENT REVIEW**

The Director for Corporate Support submitted a report on the Transfer of Land by the Council to Widewell School Education Trust – Independent Review.

The report advised that -

- (i) an independent review of the circumstances surrounding the transfer of land at Widewell Primary School from the Council's ownership to that of the Widewell School Education Trust which had been undertaken by Bevan Brittan Solicitors;
- (ii) the review was commissioned by the Head of Legal Services in the wake of criticisms in the manner in which the Council had handled this matter;
- (iii) whilst acknowledging the strength of feeling from the local community as to the loss of the use of this land which was understandably compounded by the Council not implementing the 2002 Council resolution, the committee was reassured that –
 - discrepancies between the guidance and regulations issued by the Secretary of State which had not assisted councils had now been addressed;
 - the internal governance arrangements that exist within the Council had significantly improved over the past two years, which had resulted in a rating level of 3 out of 4 by the Audit Commission in the Council's Use of Resources inspection which concluded at the end of 2008;
 - the Council's internal procedures for addressing land and property issues arising from notification of changes of school category had been reviewed.

The following responses were provided to questions raised by the committee –

- (a) the Department for Children, Schools and Families (DCSF) had corrected the discrepancies between the guidance and the regulations which had been in existence in the initial stages of the school trust initiative;
- (b) following the amendments to the guidance and regulations, a cross cutting departmental review of the Council's procedure for the transfer of land under the school trust initiative, had been initiated. Following comments by the committee, which included a request that the procedure should include, as part of the process, consultation with Ward Members, the Head of Legal Services confirmed that he would undertake a further review of the Council procedures, with the support of Bevan Brittan Solicitors and the Council's Chief Auditor;
- (c) if there was evidence that a breach of covenant had occurred then legal action could be initiated through the courts with the use of an injunction;
- (d) this matter had been referred to the Local Government Ombudsman;
- (e) the consent of the Secretary of State was required for the reduction in education land and planning consent for the change in the use of land was also required but neither were sought in 2002.

The committee wished to thank Bevan Brittan Solicitors for undertaking the independent review into circumstances surrounding the transfer of the land.

Resolved that –

- (1) consideration had been given to the independent review and its conclusions and the report is noted;
- (2) to ensure the Council's procedure for the transfer of land where a school changes category is robust, it would –
 - (a) include provision for consultation with Ward Members; and
 - (b) be reviewed by Internal Audit – Devon Audit Partnership and Bevan Brittan Solicitors.

5. **DRAFT STATEMENT OF ACCOUNTS 2008-09**

The Director for Corporate Support submitted for the Committee's approval the draft Statement of Accounts for 2008-09. As part of the submission, Members received a presentation covering the –

- role of the Audit Committee
- purpose of the Statement of Accounts
- SORP and BVACOP
- relationship with the outturn report
- main statements
- review of 2008-09
- what happens next

Following the presentation responses were provided to questions raised by the committee, which focused on the following issues –

- the accounting arrangements for the schools Private Finance Initiative (PFI);
- concern relating to the Council's increased contribution towards the Local Government Pension Scheme;
- the transfer of £1.76m for the provision of refunds for the Gas Serving Charges which had been incorrectly levied;
- the use of acronyms and plain English within the report.

The committee wished to thank all members of staff within the finance department for their work in drafting the Statement of Accounts.

Resolved that the Statement of Accounts, as amended and tabled at the meeting, are approved.

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

The Director for Corporate Support submitted a progress report on the International Financial Reporting Standards (IFRS) Transition Project, which -

- (i) outlined the requirement for the Local Authority Accounts to be produced on an International Financial Report Standards (IFRS) basis with effect from 2010/11, the project management framework and the recommendation to set up a steering group to oversee the project;
- (ii) highlighted tasks that had been completed which mainly related to –
 - an initial impact assessment

- agreement and setting up of the project work streams
 - completion of the high level project plan and objectives
 - participating and sharing best practice with external IFRS working groups
- (iii) identified the requirement for data collection of the carry forward of annual leave, flex and TOIL, in order to produce an opening IFRS balance sheet at 1 April 2009;
- (iv) reported that the draft IFRS code of practice had now been issued for consultation.

The following responses were provided to questions raised by the committee –

- (a) the collection of data from departments relating to the carry forward of leave, flex and TOIL had been carried out on a sample basis, as currently the HR system did not have the facility to record this information; this method of data capture had been adopted by other local authorities;
- (ii) Plymouth City Council's leave year ran from 1 April to 31 March;
- (iii) a copy of the risk matrix used to identify significant partners would be provided to all committee members;
- (iv) there were policies in place to manage the carry forward of leave entitlement; HR would review its policies to ensure that a consistent approach was applied throughout the whole of the authority.

Resolved that the progress on the Internal Financial Reporting Standards (IFRS) Transition Project is noted.

7. **EXTERNAL AUDIT PROGRESS REPORT - GRANT THORNTON, EXTERNAL AUDITORS**

Grant Thornton submitted a report detailing the progress on the external audit 2009-10.

Resolved that the report is noted.

8. **AUDIT COMMITTEE FORWARD WORK PLAN - DEVON AUDIT PARTNERSHIP**

The Assistant Head of Devon Audit Partnership submitted the Audit Committee's Forward Plan – Devon Audit Partnership for September 2009 – June 2010.

Following consideration of increasing the number of meetings, two provisional dates had been scheduled for 22 January and 9 April 2010, although no work or reports had been planned for these meetings.

Resolved that the Audit Committee's – Devon Audit Partnership work plan for September 2009 to June 2010 is noted.

9. **ANNUAL GOVERNANCE STATEMENT 2008-09**

The Director for Corporate Support submitted a report on the Annual Governance Statement 2008-09. The report –

- (i) outlined the background to the statutory requirement to produce an Annual Governance Statement;
- (ii) described the process followed in producing the Annual Governance Statement for 2008-09 for publication with the Annual Statement of Accounts;

- (iii) attached the proposed Annual Governance Statement for the committee's approval prior to signing by the Leader, Chief Executive and Director for Corporate Support;
- (iv) highlighted the significant governance issues, as follows –
 - North Prospect estate
 - Civic Centre listing
 - economic downturn affecting Treasury Management
 - medium term financial strategy
 - housing stock options

The following responses were provided to questions raised by the committee –

- (a) to ensure that the authority's key partnerships had proper governance arrangements in place, a partnership significance assessment scorecard was used to score the significance level 1 - 5; there were 115 companies associated with the Council but funding was not provided to all of them;
- (b) the Code of Corporate Governance Self Assessment had been adopted in accordance with CIPFA/SOLACE 'Good Governance in Local Government' framework document which ensured that the Council's review of its governance arrangements by way of a self assessment was robustly undertaken.

Resolved that –

- (1) the processes adopted for the production of the 2008-09 Annual Governance Statement are noted;
- (2) the adequacy and effectiveness of the system of internal audit is endorsed;
- (3) the Annual Governance Statement is approved, prior to signing by the Leader, Chief and Executive and Director for Corporate Support.

10. **EXEMPT BUSINESS**

To consider passing a resolution under Section 100A(4) of the Local Government Act 1972 to exclude the press and public from the meeting for the following item(s) of business on the grounds that it (they) involve the likely disclosure of exempt information as defined in paragraph 3 of Part 1 of Schedule 12A of the Act, as amended by the Freedom of Information Act 2000.

11. **INTERNAL AUDIT - ANNUAL REPORT 2008-09 (E3)**

The Director for Corporate Support submitted the Internal Audit – Annual Report 2008-09 which –

- (i) summarised the work undertaken by Plymouth's Internal Audit Service during 2008-09;
- (ii) reviewed the performance and effectiveness of the Internal Audit Service;
- (iii) provided an audit opinion on the adequacy of internal controls;
- (iv) outlined the relevance of the report in the preparation of the authority's Annual Governance Statement which was required under the Accounts and Audit Regulations 2003, as amended by 2006 Regulations.

Resolved that –

- (1) the report is noted;
- (2) the adequacy and effectiveness of Plymouth's system of internal audit for the year ended 31 March 2009, is endorsed.