

# Audit Committee

Friday 11 December, 2009

## PRESENT:

Councillor Sam Leaves, in the Chair.

Councillor Mrs. Aspinall (substitute for Councillor Vincent), Vice-Chair.

Councillors Stark, Thompson and Tuohy.

Independent Members: Mr. Clarke and Mr. Stewart.

Apology for absence: Councillor Vincent.

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

The meeting started at 10.00 a.m. and finished at 1.05 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.*

## 24. APPOINTMENT OF VICE-CHAIR

Having been proposed by the Chair and seconded by Councillor Thompson, and in the absence of any other nominations, it was resolved that Councillor Mrs. Aspinall be appointed Vice-Chair for this meeting.

## 25. 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	34 – Use of Resources 2009 – Findings and Conclusions	Governor at Plymstock School	Personal
	35 - Plymouth City Council's Use of Resources Action Plan	Governor at Plymstock School	Personal
Councillor Mrs. Aspinall	34 – Use of Resources 2009 – Findings and Conclusions	Governor at Brook Green Centre for Learning	Personal
	35 - Plymouth City Council's Use of Resources Action Plan	Governor at Brook Green Centre for Learning	Personal

## 26. MINUTES

Resolved that the minutes of the meeting held on 25 September, 2009, be confirmed as a correct record, subject to the following amendments –

(i) Minute No. 12 – Declarations of Interest

delete 'relative' from Councillor Vincent's reason so that the reason reads 'Employed by Plymouth City Bus Ltd.';

(ii) Minute No. 13 – Minutes

delete 25 September 2009 and replace with 26 June, 2009.

## **CHAIR'S URGENT BUSINESS**

### **27. Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice**

The Committee was informed that the City Council had received two new CIPFA codes of practice outlining changes to the Council's Treasury Management governance arrangements, following the Icelandic banking crisis and reflecting the recommendations of the Government Select Committee. The two key recommendations affecting Audit Committee were –

- (i) that a committee of the Council, preferably Audit, should have formal responsibility for the scrutiny of the Treasury Management Strategy before it was submitted to Full Council for approval;
- (ii) that members should be appropriately trained to undertake this role effectively.

Resolved that the –

- (1) provisional committee date of 22 January be used to undertake the Treasury Management Training;
- (2) Democratic Support Officer liaise with members to find an additional date in early February for general Audit Committee training.

### **28. Icelandic Bank Update**

The Committee was advised that, whilst it had initially been hoped that most of the money would be recovered, including interest, it was now likely that only £5m out of the total £13m would be recovered. The City Council would be appealing this decision and was working with a number of other affected authorities to this end.

The Chair commented that this was very disappointing news and asked that members be kept informed in advance of any press release.

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

### **29. OPERATIONAL RISK MANAGEMENT - UPDATE REPORT**

The Director for Corporate Support submitted a report outlining the continuing progress being made across services in delivering Operational Risk Registers. In attendance to present the report was the Head of Corporate Risk and Insurance who advised that -

- (i) the red risk identified in June around the structural condition of the Hoe Foreshore had been reduced to amber for a number of reasons namely –
  - the ongoing Growth and Prosperity Task and Finish Group looking at the Hoe Foreshore
  - £406,000 of health and safety improvement works to be implemented
  - decision taken to demolish Tinside Diving Stage
- (ii) two new red risks had been identified in respect of the –
  - reduction/withdrawal of grant funding for Community Safety Commissioning (drug rehabilitation and domestic violence)
  - ability of Carefirst to meet business requirements in terms of changes to service provision
- (iii) work was underway to consult on an update to the current Risk Management Strategy which, once redrafted, would be brought to the next meeting of this Committee;

- (iv) the Risk Management and Insurance Team had recently been awarded an ISO 9001 Quality Assurance accreditation.

In response to questions raised, the Committee heard that –

- (v) with regard to (ii) above, funding would run out in 12 months. In the meantime, discussions were taking place with partners in Health and the Police to explore what opportunities existed to fund jointly commissioned services;
- (vi) with regard to (ii) above, the risk was related to a computer programming problem and the Carefirst Programme Board (Chaired by the Assistant Chief Executive) was looking at how records were maintained in Children and Adult Services;
- (vii) there were 10 or 11 Risk Champions whose role was to –
- maintain the departments' individual risk registers
  - promote the importance of the risk registers through their respective departmental management teams.

The Committee thanked the Head of Corporate Risk and Insurance for his report and congratulated him and his team on receipt of their ISO 9001 Quality Assurance accreditation.

Resolved that the current position with regard to operational risk management be noted.

#### 30. **OPERATIONAL RISK MANAGEMENT - COMMUNITY SERVICES DIRECTORATE**

Further to minute 19, the Assistant Director for Community Services (Business Support) and the department Risk Champion were in attendance to report on operational risk management within the Community Services Department. The Committee was informed that –

- (i) as risk registers now included mitigation actions/controls for all risks identified and were being built into the business plan monitoring framework in each service, they were proving to be a useful tool in helping departments keep an eye on the 'golden thread' between priorities and service delivery;
- (ii) the Community Services departmental management team discussed risk on a monthly basis and submitted a bi-monthly report to Cabinet. In addition, once a quarter, a formal review of strategic and operational risks was undertaken and anything of significance highlighted and fed down through the department.

In response to questions raised, Members heard further that –

- (iii) relations with health partners were very good and had recently been formalised through the establishment of the following –
- Health and Adult Social Care Board, chaired by the Cabinet Member for Adult Health and Social Care
  - Joint Provider Board, chaired by the Director for Community Services
  - Joint Commissioning Board, chaired by the Chief Executive of NHS Plymouth
- (iv) there was a growing awareness amongst staff of the importance of managing risk, particularly managers as it featured as a management competency in the Council's employee Competency Framework. The appraisal process would help cascade this information down further to staff of all levels;
- (v) the Council was prepared to deal with a flu pandemic through both its Business Continuity Planning process and its separate Pandemic Flu Plan. All of the Adult Social Care frontline staff were being vaccinated on a voluntary basis.

The Committee welcomed the opportunity to hear from departments direct on operational risk management and thanked the officers for their attendance.

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

The Director for Corporate Support submitted an update in respect of the International Financial Reporting Standards (IFRS) Transition Project. The report advised –

- (i) that detailed impact assessments had now been completed for each of the International Reporting Standards;
- (ii) of work which was currently in progress;
- (iii) that new accounting requirements for Private Finance Initiative (PFI) contracts would be coming into effect for the 2009/10 accounts.
- (iv) of the main changes that had been made to the draft IFRS Code of Practice;
- (v) that, following representations from CIPFA, the Department for Communities and Local Government had issued draft regulations outlining proposals to mitigate any financial impact resulting from the move to IFRS based accounting to Council Tax payers;
- (vi) that officer training in this regard was continuing and that a meeting had been arranged with Plymouth Primary Care Trust in order to learn from the NHS experience;
- (v) that officers would shortly be asking the external auditor to review the initial work undertaken.

The Committee's attention was drawn to an error in the report at paragraph 1.1 which should read 2010/11 and not 2011/12.

Resolved that progress on the IFRS Transition Project as at the end of December, 2009, be noted.

32. **AUDIT COMMITTEE WORK PROGRAMME**

The Assistant Head of Devon Audit Partnership submitted the Audit Committee's Work Programme for January 2010 – December 2010. The Committee was advised that –

- (i) further to minute 27, the provisional meeting date of 22 January would now be used for Treasury Management training;
- (ii) the following issues required timetabling –
  - demonstration of ePerform
  - Treasury Management updates
- (iii) the timeline for consideration of the Annual Audit Letter 2008/09 needed to be changed to reflect the fact that it had been considered at this meeting.

Resolved that the Work Programme be noted.

33. **ANNUAL AUDIT LETTER 2008/09**

The Committee considered the Annual Audit Letter for 2008/09 as submitted by the City Council's External Auditor, Grant Thornton. The letter summarised the key messages and conclusions which had arisen from the work of Grant Thornton during their 2008/09 audit namely –

- auditing the 2008-09 financial statements
- assessing the Council's arrangements for securing economy, efficiency and effectiveness in the use of its resources

- PAYE and Employment Tax review
- Certification work on grant claims and returns

Members welcomed the positive nature of the letter and thanked Grant Thornton for their involvement and encouragement during the auditing process.

Resolved that –

- (1) the Annual Audit letter for 2008/09 be noted with thanks;
- (2) an e-mail be sent to all staff sharing the External Auditor's positive view of the Council's performance in regard to managing its finances and delivering improvements to the residents of Plymouth;
- (3) with regard to (2) above, a press release be prepared on behalf of the Audit Committee by the Assistant Director Finance, Assets and Efficiencies in consultation with the Chair and Vice-Chair.

#### 34. **USE OF RESOURCES 2009 - FINDINGS AND CONCLUSIONS**

The Committee considered the report submitted by the City Council's External Auditor, Grant Thornton. The report presented the findings of the 'use of resources' and 'value for money' work undertaken by Grant Thornton in 2008/09. Members were advised that -

- (i) the new assessment, introduced by the Audit Commission in 2009, presented a more robust challenge than the old framework based on different scoring criteria;
- (ii) despite the more robust assessment, Plymouth City Council had continued to perform well in a number of areas and had achieved an overall 'Use of Resources' score of 2 – performs adequately – from the following themes –
  - Managing Finances 3
  - Governing the Business 2
  - Managing Resources 2
- (iii) the key actions for the Council arising from the assessment were included in the action plan against which progress should continue to be monitored by the Audit Committee.

The Chair welcomed the report which contained lots of good news and was very encouraging. The Assistant Director Finance, Assets and Efficiencies reiterated the comments of the Chair, highlighting that two years ago the theme scores had been mostly 1s and 2s whereas now they were mostly 2s and 3s. He was confident that, should this momentum continue, the Council would be able to achieve an overall score of 3 next year.

Resolved that the report be noted.

(Councillors Mrs. Aspinall and Thompson declared personal interests in respect of the above item).

#### 35. **PLYMOUTH CITY COUNCIL'S USE OF RESOURCES ACTION PLAN**

The Assistant Director Finance, Assets and Efficiencies updated the Committee on the 'Use of Resources' Action Plan. Members were advised that –

- (i) a detailed action plan had been prepared identifying officer leads against each action point;
- (ii) the importance of financial planning was recognised and bi-monthly reports were produced;
- (iii) a new Head of Value for Money was now in post;
- (iv) outcomes for 2009/10 would be improved by focussing on –

- Use of Data
- Use of Natural Resources
- Workforce (new assessment)

In response to questions raised, Members heard further that –

(v) the message was getting through to the public in a number of ways –

- publication of the Council's Statement of Accounts
- presentation of the Corporate Improvement Priorities (CIPs) at various public events such as Area Committees and CMT sessions (one of which had been held in Drake Circus)

however, officers continued working to identify other appropriate methods of communication;

(vi) different ways of working within the Council were being considered and, despite initial reservations by some staff, the new 'hot-desking' arrangement in Finance was working well.

Councillor Mrs. Aspinall highlighted the importance of educating staff in energy conservation and quoted an example of where, despite installation of a new more efficient heating system at Brook Green Centre for Learning, energy bills remained high. It had subsequently been discovered that the thermostats had been set high and teachers had been opening windows to compensate for the heat instead of turning the thermostats down.

Resolved that –

- (1) the update on the Use of Resources Action Plan be noted;
- (2) a copy of the presentation be circulated to Committee Members at the earliest opportunity.

(Councillors Mrs. Aspinall and Thompson declared personal interests in respect of the above item).

### 36. **AUDIT PLAN - PROGRESS REPORT**

The Committee received the Audit Plan Progress Report for 2008/09 as submitted by the City Council's External Auditor, Grant Thornton.

Resolved that the report be noted.

### 37. **PROJECT MANAGEMENT ARRANGEMENTS**

The Committee considered the Project Management Arrangements report, as submitted by the City Council's External Auditor, Grant Thornton. The report detailed the key findings of the review of the Council's corporate project management arrangements, focussing on –

- elements of achievement of the Corporate Improvement Priorities (CIPs) and the Building Schools for the Future programme
- the project management methodology for capital schemes

The Assistant Director Finance Assets and Efficiencies commented that –

- an action plan was being drawn up in response to the recommendations set out in the report and would be brought back to a future meeting of this Committee
- proper governance boards were in place in respect of Capital Schemes and officers were looking at different ways of how they could be monitored. This included a very graphical pilot being trialled over 12 projects

Concern was expressed that public perception of large-scale schemes such as the Life Centre was often negative and that they were a waste of money. More needed to be done to highlight the benefit of such schemes and demonstrate value for money.

Resolved that –

- (1) a member of the Project Management team be invited to attend a future meeting of the Committee;
- (2) the report be noted.

38. **EXEMPT BUSINESS**

Resolved that under Section 100A94) 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 involves 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.

39. **INTERNAL AUDIT - 6-MONTHLY PROGRESS REPORT (E3)**

The Director for Corporate Support submitted the Internal Audit six-monthly progress report. The report –

- (i) reviewed audit work carried out since April, 2009;
- (ii) commented on current commitments and performance;
- (iii) outlined proposed audit coverage for the remainder of the financial year.

Although computer misuse now formed part of the staff induction programme, Members still had concerns that not all staff were fully aware of what the policy entailed and that communication in general to staff was poor. The Chair suggested that this may be something that scrutiny would like to consider as part of its work programme. Councillor Thompson advised that he was a member of the Overview and Scrutiny Management Board and would be happy to take this proposal forward.

Resolved that -

- (1) the report be noted;
- (2) the adjustments to the 2009/10 Audit Plan be approved;
- (3) future reports be submitted under Part I of the agenda;
- (4) the Overview and Scrutiny Management Board be requested to consider looking at communication to staff as part of the scrutiny work programme, particularly in light of the Council's equality and diversity agenda.

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