

# Audit Committee

Friday 24 September 2010

## PRESENT:

Councillor Berrow, in the Chair.  
Councillor Evans, Vice-Chair.  
Councillors Stark and Thompson.

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

Apology for absence: Councillor Murphy.

Also in attendance: Adam Broome, Director for Corporate Support, David Northey, Head of Finance, Sandra Wilson, Corporate Accountancy and Finance Manager, Mike Hocking, Head of Corporate Risk and Insurance, Sue Watts, Assistant Head of Devon Audit Partnership, Barrie Morris and Leslie Whitworth, Grant Thornton, Giles, Perritt, Head of Performance, Policy and Partnerships, Alison Mills, Head of Human Resources (Corporate Functions) and Katey Johns, Democratic Support Officer.

The meeting started at 10 a.m. and finished at 12.45 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.*

## 32. DECLARATIONS OF INTEREST

The following declaration of interest was made in accordance with the Members' Code of Conduct –

Name	Minute No. and Subject	Reason	Interest
Councillor Thompson	41 - External Audit – Review Of Arrangements For Complying With Age Related Equalities Legislation	School Governor	Personal

## 33. MINUTES

Agreed –

- (1) the minutes of the meetings held on 28 June and 23 July, 2010;
- (2) that written responses be provided in respect of the following questions raised –
  - cost to the Council in lost interest as a result of the Icelandic bank investments

- the impact on the Council as a result of VAT changes coming into effect in January 2011
  - whether there had been any substantial changes to Citybus service provision contrary to what had been agreed in its sale to Go Ahead
- (3) that a briefing paper be circulated to committee members in respect the recruitment process for Independent Members;
- (4) Officers investigate a Whistleblowing policy for Councillors, to cover vexatious complaints and confidentiality.

34. **CHAIR'S URGENT BUSINESS**

There were no items of Chair's urgent business.

35. **EXTERNAL AUDIT - ANNUAL GOVERNANCE REPORT (ISA 260)**

The City Council's external auditor, Grant Thornton, submitted the Annual Governance Report (ISA 260) highlighting the key issues arising from the audit of the Council's financial statements for the year ending 31 March, 2010.

In response to questions raised, Members were advised that –

- (i) the Council's accounts had now been unqualified for seven years and previous to that they had been qualified for nine years;
- (ii) further investigation would be undertaken to establish whether there were any sanctions for councillors failing to return their annual declarations. In the meantime, the names of the five who had not done so this year would be passed to the respective group whips;
- (iii) a full explanation of the Council's reasons not to adjust the accounts for the reduction in the teachers unfunded pensions liability of £1.661m was set out on page 50 of the Statement of Accounts report (agenda item 6);
- (iv) Devon County Council were responsible for managing the pension fund and had not included the unfunded element of the teachers' pension at the last tri-annual valuation. Whilst this had not been realised at the time, Plymouth did now have a revised pension fund valuation and Devon, along with Torbay, were reviewing their procedures. In addition, a national review of pensions was under way;
- (v) no teachers' pension contributions were made from council tax as these were met from Government grant to schools;
- (vi) the issue of the Citybus pension had been looked at by the External Audit and was not mentioned within the report because it had been accounted for correctly and found not to be a matter of concern.

The External Auditor and the Committee commended the hard work of both the Corporate Accountancy and Finance Manager and the Assistant Head of Devon Audit Partnership and their respective teams.

The Committee noted the report.

36. **STATEMENT OF ACCOUNTS 2009/10**

The Corporate Accountancy and Finance Manager reported that, following the audit of the draft Statement of Accounts submitted to Committee on 28 June, a few minor amendments had been made to the statements and disclosure notes. As a result, there was now a requirement for Audit Committee to re-approve the accounts prior to the statutory deadline of 30 September, 2010. Members were informed that the changes acted to strengthen the disclosure of information only and did not change the reported position.

Some Councillors expressed reservations and a reluctance to re-approve the accounts with regard to -

- the lack of adjustment being made to the accounts to reflect the reduction in the teachers' unfunded pension liability of £1.661m
- the failure by 5 councillors to submit their annual declarations

However, following an assurance by the External Auditor that he was satisfied that the City Council had done what was required of it and had been honest and competent, those reservations were withdrawn.

Agreed that –

- (1) the amendments to the Statement of Accounts for 2009/10, as outlined within the report, be noted;
- (2) the action by officers to not adjust the accounts for the reduction in the teachers' unfunded pension liability of £1.661m, as outlined within the report, be noted;
- (3) the Statement of Accounts for 2009/10, as presented, be formally re-approved;
- (4) the letter of representation attached at Appendix C to the report be authorised and submitted to the auditor.

37. **EXTERNAL AUDIT - PERFORMANCE MANAGEMENT ARRANGEMENTS**

Further to minute 27, the Committee reconsidered the report which was now accompanied by a more comprehensive action plan. In response to questions raised, Members were advised that -

- (i) savings plans had been linked to the corporate improvement priorities and the quarterly finance and performance report now had an increased focus on

key performance and budgetary areas through monitoring of monthly score cards;

- (ii) performance targets for the new Council and City Priorities, which had recently been considered by Cabinet and the Local Strategic Partnership Board, were currently being drawn up;
- (iii) the report was a backward look at what had been in place within the Council and its partners and did not take account of the recently revised priorities;
- (iv) revised performance management arrangements were being developed, including an upgrade of ePerform which would be cost-neutral;
- (v) a review of Policy, Performance and Partnership support was being undertaken with a view to consolidating services across the Council and its partners to be in place by April 2011. This had already happened in Community Services.

It was also reported that this would be Leslie Whitworth's last meeting as she would shortly be leaving Grant Thornton on 30 September.

The Committee noted the report and expressed a vote of thanks to Leslie, wishing her all the very best for the future.

#### 38. **REGULATION OF INVESTIGATORY POWERS ACT (RIPA) - ANNUAL REPORT ON COVERT SURVEILLANCE ACTIVITY**

The Assistant Director for ICT reported that the approach of the Council had been rated as 'good' at the last inspection in May and that the Council compared favourably with other local authorities. Members were also advised that -

- the number of RIPA investigations had decreased significantly in 2010
- there was now a requirement to have a separate policy document for RIPA and this policy would be prepared for the next inspection in May 2011
- a government review of RIPA was under way
- an action plan had been prepared to address the recommendations arising from the previous inspection, namely –
  - revising the application form
  - authorisations to be completed in handwriting
  - consequential amendments to the local Code of Practice

In response to questions raised, Members were advised that –

- (i) RIPA had not been used in covert operations to watch for people illegally parking. Staff applying this legislation worked in –
  - Public Protection Service which includes Trading Standards
  - Housing Benefit and Council Tax Fraud Investigation Team of the Revenues and Benefits Service
  - Anti-Social Behaviour Unit

- (ii) a breakdown of RIPA authorisations in the two years from April 2008 to March 2010 was provided at Appendix 1 to the report.

Agreed the annual report to Council and the recommendation that the current identified authorising officers can continue to make their own individual assessment in line with the Code of Practice, whilst considering proportionality and necessity, as to the appropriateness of undertaking covert surveillance, for preventing or detecting crime, or preventing disorder.

#### 39. **OPERATIONAL RISK MANAGEMENT - DEVELOPMENT AND REGENERATION**

The Business Manager for Development and Regeneration was in attendance to report on operational risk management within the directorate. The Committee was informed that there continued to be a high level of commitment across the directorate, both at department management team and senior management level, and that a recent review of the directorate's risk registers had revealed that there had been a reduction in the number of identified risks in all areas. The Head of Corporate Risk and Insurance added that there had been a significant change within the directorate around how it managed risk and this was being incorporated into the new business management plan for economic development. It was now working well from his point of view.

#### 40. **STRATEGIC RISK REGISTER - MONITORING REPORT**

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

- (i) provided a summary of the latest formal monitoring exercise completed for the period March to August 2010;
- (ii) highlighted that the number of strategic risks reported had reduced from 35 to 34 with the addition of three new risks and the deletion of four, including nine red risks.

Agreed that the current position with regard to the Strategic Risk Register be noted and endorsed.

#### 41. **EXTERNAL AUDIT - REVIEW OF ARRANGEMENTS FOR COMPLYING WITH AGE RELATED EQUALITIES LEGISLATION**

Further to minute 28, the Committee reconsidered the report which was now accompanied by the attendance of the Assistant Head of Human Resources (Corporate Functions). In response to questions raised, Members were advised that –

- (i) the Council did have a model corporate policy 'Working Beyond Retirement Age' which could be used by the City's schools. However, it was ultimately the decision of the schools and their governing bodies as to whether or not they adopted the policy;
- (ii) there had been a total of 196 applications since the legislation had been introduced in October 2006;

- (iii) a total of 12 appeals had been received -
  - 4 successful
  - 4 withdrawn
  - 4 resolved after reaching a new mutually acceptable retirement date
- (iv) letters with details of pension figures were sent to staff approaching retirement age at least six months' in advance of their retirement date, the majority of whom were very happy to be going;
- (v) the Council currently employed 670 members of staff between the ages of 60 and 65. This potential shortfall was being addressed through departmental workforce planning;
- (vi) the government's proposal to change the retirement age was still out to consultation but it was likely that the statutory age of 65 would change.

The Committee noted the report.

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

#### 42. **EXTERNAL AUDIT - PROGRESS REPORT**

The City Council's external auditor, Grant Thornton, submitted its audit plan progress report for projects undertaken in 2009/10. Members were advised that reports in respect of the following should be ready for submission to the next meeting –

- Follow up on Customer Access Arrangements
- Follow up on Partnership Working Arrangements
- Corporate Restructuring Arrangements
- Joint Strategic Needs Assessment

The Committee noted the report.

#### 43. **EXTERNAL AUDIT - VALUE FOR MONEY CONCLUSION REPORT**

The City Council's external auditor, Grant Thornton, reported that –

- (i) from 2010/11 their assessment would be concentrating on the Council's arrangements for securing financial resilience and prioritising resources within tighter budgets;
- (ii) no further information had been released following the Government's announcement of the abolition of the Comprehensive Area Assessment in May 2010. Updates would be provided to Committee as they arose;
- (iii) whilst there would not be a scored Use of Resources assessment for 2009/10, the work completed had been used to inform the value for money conclusion and indicated that the Council's direction of travel was positive;

(iv) the work completed in connection with their value for money conclusion had been undertaken in accordance with the agreed audit strategy set out in the Annual Fee Letter submitted to Committee on 25 March 2009, the scope of which comprised:

- Financial management
- Commissioning and governance
- Management of natural resources

(v) the review had highlighted a number of areas for improvement, including:

- better understanding of the supply market
- data quality
- further improvement of risk management arrangements around management of partnerships
- workforce development

In response to questions raised, he added that the Council was in a good place on the playing field and had done well to achieve £5.8m savings against an ambitious target of £6.2m. However, there were council's achieving higher than that and Plymouth would have to increase its savings significantly over the next few years by making a number of difficult decisions.

The Committee noted the report with thanks.

#### 44. **AUDIT COMMITTEE WORK PROGRAMME**

The Committee noted its work programme for September 2010 to June 2011, and agreed the addition of an extra meeting to take place at 2.00 p.m. on 15 November, 2010.

#### 45. **EXEMPT BUSINESS**

There were no items of exempt business.

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