

Audit Committee

Friday 23 September 2011

PRESENT:

Councillor Dr. Mahony, in the Chair.
Councillor Stevens, Vice Chair.
Councillors Evans, Stark, and Thompson.

Independent Members: Mr. Clarke and Mr. Stewart.

Also in attendance: Kate Jefferies, Grant Thornton, Barrie Morris, Grant Thornton, Jonathan Fry, Senior Policy, Performance and Partnerships Officer, David Simpkins, Head of Services for Children and Young People in Care, Mairead MacNeil, Assistant Director of Children's Social Care, Tim Howes, Assistant Director for Democracy and Governance Julie Hosking, Risk Management and Insurance Officer, Sandra Wilson, Corporate Accountancy and Finance Manager, Sue Watts, Assistant Head of Devon Audit Partnership, Martin Gould, Head of Devon Audit Partnership, Dominic Measures, Audit Manager, Mark Grimley, Assistant Director for Human Resources and Organisational Development, David Northey, Head of Finance, and Ross Johnston, Democratic Support Officer.

The meeting started at 10.00 am and finished at 1.05 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.

19. **DECLARATIONS OF INTEREST**

There were no declarations of interest made in accordance with the Code of Conduct.

20. **MINUTES**

Agreed the minutes of the meeting held on the 27 June 2011.

21. **CHAIR'S URGENT BUSINESS**

The Committee was advised that the recent advertisement for Independent Members had received no applications.

Agreed that, in order to ensure recruitment to the post before the next meeting –

- (1) the Chair gives consideration to undertaking a radio interview to promote the vacancy;
- (2) the committee's existing Independent Members seek to promote the vacancy.

22. **EQUAL PAY/ JOB EVALUATION OUTSTANDING ISSUES**

This item was discussed under minute 33.

23. **DIVERTING CHILDREN FROM CARE PROJECT INITIATION DOCUMENT**

Jonathan Fry, Senior Policy, Performance and Partnerships Officer, David Simpkins, Head of Services for Children and Young People in Care and Mairead MacNeil, Assistant Director for Children's Social Care provided an update on Diverting Children from Care Project Initiation Document. Members were advised that –

- (a) the Diverting Children from Care service area had a clear work plan and a strong team who were dedicated to delivering value for money and were confident of reducing costs by £2.4m by 2013-2014;
- (b) the Project, which was part of the Council's overall efficiency programme, aimed to divert more children from care, thereby securing better outcomes for vulnerable children and realising significant efficiency savings in the process;
- (c) increasing the number of in house foster carer families would create efficiency savings and would support the reduction of the number of children in a residential care setting. Over the past 12 months the council had recruited 12 new foster families, improved the skills and resources available to foster carers and had been approached by a number of private sector foster carers about switching to the local authority's service;
- (d) by moving children from residential settings into a family environment, such as a foster care placement, would create efficiency savings and improve the life chances of these children in care;
- (e) the Council is building partnership working in local communities in the hope of enabling more vulnerable children to remain in their families and local environments; the associated risks of children remaining in their communities will be managed by experienced social workers;
- (f) the number of 16 – 18 year old children going in to care in the past 12 months had been reduced by 60 per cent, this had been achieved by a project which uses intensive support and mediation, as a result of this success, the project for 2011 – 2012 has been expanded to incorporate 11 – 15 year olds.

In response to members questions it was reported that –

- (g) 11 – 15 year olds going into care was a common problem nationally with Plymouth having comparable statistics to similar urban authorities;
- (h) Plymouth was trying to prevent an increase in 11 – 15 year olds going

into care by providing additional support to parents on dealing with problematic teenagers;

- (i) since May 2011 children in care numbers in Plymouth had reached a plateau; the number had not been reduced as the number of children leaving care was being replaced by a similar number of young people entering the care system;
- (j) despite the number of children in care remaining higher than the targeted number there had been significant efficiencies realised as a result of more children being cared for in a foster care setting.

Members were further reminded that the Diverting Children from Care project was being monitored by the Children and Young People's Overview and Scrutiny Panel.

The Chair thanked Jonathan Fry, Senior Policy, Performance and Partnerships Officer, David Simpkins, Head of Services for Children and Young People in Care and Mairead MacNeil, Assistant Director for Children's Social Care for their attendance.

24. **FUTURE OF LOCAL AUDIT**

David Northey, Head of Finance, updated the Committee on the future of local audit and advised members that written confirmation had been received from the Audit Commission stating that as Grant Thornton, the council's auditor was an external company there would be no change with Grant Thornton continuing to be the City Council's auditor in 2012 – 2013.

Agreed that a copy of Audit Commission's written confirmation is included as an annex to the minutes.

Further to the resolution above the response is attached as an annex to the minutes.

25. **STRATEGIC RISK REGISTER MONITORING REPORT**

Tim Howes, the Assistant Director for Democracy and Governance, and Julie Hosking, Risk Management and Insurance Officer, presented the Strategic Risk Register Monitoring Report. Members were informed that the total number of strategic risks had reduced from 32 to 30 with the number of red risks reduced from six to three.

It was commented by members that –

- (a) there was no evidence to suggest that Risk 69 – contribute and support the development of the Plymouth Life Centre at Central Park – was on programme and on budget and given that it was yet to be completed it was premature to delete that risk;
- (b) risk 76 – not getting government funding to build Efford Gypsy site - seemed to imply that there was a preferred bidder plan despite there not being any bidders;
- (c) risk 73 – Employee relations – had wider implications other than just

terms and conditions.

Agreed that -

- (1) risk 69 is re-installed and included on the register as a green risk;
- (2) an update is provided on bidders for risk 76 to be emailed to members;
- (3) the status of risk 73 shall not be reduced and further information is provided on this risk at the next meeting;
- (4) a further update on the Strategic Risk Register is provided at the next meeting.

The Chair thanked Tim Howes, the Assistant Director for Democracy and Governance, and Julie Hosking, Risk Management and Insurance Officer, for their attendance.

26. **STATEMENT OF ACCOUNTS**

Sandra Wilson, Corporate Accountancy and Finance Manager, submitted the Statement of Accounts for formal sign off. Following members questions it was reported that –

- (a) the late submission of the Statement of Accounts to members was regrettable, however, necessary due to a requirement for the purpose of quality control;
- (b) the Statement of Accounts needed to be approved in line with a new code of practice on Local Authority Accounting, which is based for the first time on the International Financial Reporting Standards (IFRS) based on approved standards by the International Accounting Standards Board (IASB);
- (c) the report listed a number of adjustments that were made to the Statement of Accounts that were recommended by the City Council's External Auditors, Grant Thornton.

Agreed that

- (1) the committee would proceed to agenda item 27, Annual Report to those charged with governance (ISA 260 report), and hear from the City Council's external auditor before they approve the Statement of Accounts for 2010 – 2011;
- (2) Sandra Wilson, Corporate Accountancy and Finance Manager would provide details to members via email on how many Plymouth City Council employees earn less than £30k per annum and comparison against employees in 2009 – 2010;
- (3) the timetable for approving the Statement of Accounts for 2011 – 2012 should allow a greater period of time for members to review the

document than was allocated this year.

27. **ANNUAL REPORT TO THOSE CHARGED WITH GOVERNANCE (ISA 260 REPORT)**

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 2011. Barrie Morris, Grant Thornton informed members that –

- (a) the Statement of Accounts and all its working papers were prepared to an adequate standard and the implementation of the IFRS had been successful;
- (b) there were a small number of adjustments required to the Statement of Accounts, with the most significant being -
 - a reduction of £60.2m in the value of the council's school assets;
 - the reclassification of £5m of assets incorrectly included as Community Assets;
 - increasing the value of the council's share of assets of £2.9m in the Devon Pension Fund;
- (c) there were some key recommendations put forward following the audit of the Council's financial statement, which were –
 - the council's asset register needed to be updated to support the accounts;
 - £4.7m of historic council tax debt should be written off, however the council should continue to pursue means of recovering this money;
 - the council should reassess its accounting treatment of the Tamar Bridge and Torpoint Ferry Joint Committee for 2011 – 2012 and include the Committee in the same accounts rather than as a separate entity;
- (d) the conclusion of the audit was that the council had sound financial and budgetary controls in place.

In response to members questions it was reported that –

- (e) a report would be submitted to the next Audit Committee which would review the council prioritising resources and undertaking financial resilience;
- (f) Plymouth City Council was a contributory group on the guidance that

was produced by the Chartered Institute for Public Finance and Accountancy (CIPFA) in dealing with the legal dispute with the Icelandic government and banks;

- (g) the dispute was currently going through the Icelandic courts and the council had taken the prudent, but less optimistic, view that the lowest amount proposed would be recovered from the £13m originally lost;
- (h) the reclassification of assets included as Community Assets would ensure that £2.4m of assets would be classified as Historical Assets; the valuation of these assets was determined by insurance valuations;
- (i) the Statement of Accounts was published in the Herald and on the council's website.

The City Council's External Auditor, Grant Thornton and the Committee commended the hard work of both the Corporate Accountancy and Finance Manager and the Devon Audit Partnership and their respective teams.

The Committee noted the report and agreed to adjourn the meeting to discover the outcome of the Tamar Bridge and Torpoint Ferry Joint Committee approving the Statement of Accounts 2010 – 2011.

28. **STATEMENT OF ACCOUNTS**

Councillor Dr John Mahony, Chair informed members that at the recent Tamar Bridge and Torpoint Ferry Joint Committee the Statement of Accounts 2010 – 2011 were approved.

It was therefore agreed that –

- (1) the amendments made to the Statement of Accounts for 2010 - 2011 as agreed with the Auditor, and outlined in this report are noted;
- (2) the Statement of Accounts for 2010 - 2011 is approved;
- (3) the letter of representation attached at Appendix B is authorised and submitted to the Auditor;
- (4) Plymouth City Council officers work with colleagues in Cornwall Council and the respective auditors to review the treatment of Tamar Bridge and Torpoint Ferry in the authorities accounts.

Councillor Dr Mahony, Chair, on behalf of the Audit Committee thanked Sandra Wilson, Corporate Accountancy and Finance Manager, and her team for their excellent work in preparing this year's Statement of Accounts.

29. **PROJECT MANAGEMENT REVIEW**

The City Council's External Auditor, Grant Thornton submitted a Project Management Review Report. Kate Jeffries, Grant Thornton, informed members that –

- (a) project management procedures had been identified to provide support on all corporate projects, however, as these would be built-in to the council's contract standing orders they were subject to the constitution being approved by the City Council;
- (b) a project at Compton Primary School was delivered using the newly identified procedures and the project was delivered on time and in budget and as such would be used as a best practice model;
- (c) good progress had been made through the Accommodation Strategy across the council, however, further improvements could be made by introducing better reporting mechanisms to the Corporate Management Team.

It was commented by members that –

- (d) Compton Primary School opened a week later than most other schools across the city, which suggested that the project was not completed on time;
- (e) internal matters such as project management procedures should not form part of the constitution and that the contract standing orders should be included as an appendix to the constitution to enable it to have flexibility so that it can be easily revised.

Agreed that –

- (1) Grant Thornton will submit a copy of the Project Management Review report to Adam Broome, Director for Corporate Support and Tim Howes, Assistant Director for Democracy and Governance along with advice on the need for the Contract Standing Orders to be a flexible annex to the constitution;
- (2) a further update on Project Management is provided at the next Audit Committee meeting;
- (3) clarification on whether the Compton Primary School project was finished on time be included as an annex to the minutes.

Further to (3) above the response is attached as an annex to the minutes.

30. **2010/11 AUDIT PLAN UPDATE**

The City Council's External Auditor, Grant Thornton, submitted a progress update on the 2010-2011 Audit Plan.

The report was noted.

The Chair thanked Barrie Morris and Kate Jefferies, Grant Thornton, for all their hard work and attendance.

31. **THE BRIBERY ACT 2010**

Martin Gould, Head of Devon Audit Partnership, and Dominic Measures, Audit Manager, presented a report on the Bribery Act 2010 and advised members that –

- (a) the Bribery Act had been built upon previous legislation and was effective since 1 July 2011;
- (b) it was anticipated that there was no significant risk to PCC following the introduction of the Act, however, it was felt necessary to make members and staff aware of the Act;
- (c) PCC had procedures and guidance in place, including the Code of Conduct, Contract Standing Orders and Financial Regulations which mitigate the risk of any potential bribery incidents.

It was commented by members that procedures and safeguards on how to deal with potential bribery needed to be made clear to staff and members.

Members noted the report and agreed that further information would be provided to all members.

The Chair thanked Martin Gould, Head of Devon Audit Partnership, and Dominic Measures, Audit Manager, for their attendance.

32. **AUDIT COMMITTEE FORWARD WORK PLAN**

The Committee's Forward Work Plan for 2011-2012 was noted.

33. **EQUAL PAY / JOB EVALUATION OUTSTANDING ISSUES**

Further to minute 22 this item was heard in Part I as councillors felt that the information provided did not warrant an exemption of the press and public from the meeting.

Mark Grimley, Assistant Director for Human Resources and Organisational Development, provided members with an update on equal pay and job evaluation outstanding issues. It was reported that –

- (a) in 2007 an Equal Pay Gender Gap Audit found that a number of staff were likely to have been successful in claiming compensation as there pay was not equal. As a result of this Plymouth City Council sought to reduce its liabilities by seeking to reach agreements with individual staff, 2,396 offers were made which had a 97.5 per cent acceptance rate;
- (b) the residual 2 per cent represented 54 staff members who had not reached an agreement;

- (c) following the Job Evaluation Scheme a number of additional claims were received, leaving at present just under 300 claims outstanding.

In response to members questions it was reported that –

- (d) Plymouth City Council's contingency fund for equal pay claims stood at £3.3m and was continuously under review;
- (e) until recently the council had other liabilities concerning terms and conditions. Following collective agreement being reached with the Unions in September the terms and conditions have been harmonised reducing the council's liability, however, further claims may be forthcoming.

The Chair thanked Mark Grimley, Assistant Director for Human Resources and Organisational Development, for his attendance.

34. **EXEMPT BUSINESS**

Further to minutes 22 and 33 being heard in Part I there were no items of exempt business.

MINUTE ANNEX (Pages 1 - 2)

Please find attached an annex to these minutes in relation to –

- 24. Future of Local Audit
- 29. Project Management Review