



#plymaudit



Democratic Support

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AUDIT COMMITTEE SUPPLEMENT PACK I

Thursday 30 June 2016
2.00 pm
Council House, Plymouth

Members:

Councillor Sam Leaves, Chair.
Councillors Sam Davey, Dr Mahony, Parker Delaz-Ajete and Mrs Pengelly.

Independent Members:

Mr R Clarke.
Mr I Stewart.

Please find attached additional information in respect of agenda item 12 for your consideration.

Tracey Lee
Chief Executive

AUDIT COMMITTEE

AGENDA

I. STATEMENT OF ACCOUNTS 2015/16 (Pages 1 - 24)

The Committee will consider the Annual Governance Statement 2015/16 together with the Statement of Accounts 2015/16.

PLYMOUTH CITY COUNCIL

Subject: Annual Governance Statement 2015/16
Committee: Audit Committee
Date: 30 June 2016
Cabinet Member: Councillor Darcy
CMT Member: Lesa Annear (Strategic Director for Transformation & Change)
Author: Mike Hocking, Head of Assurance
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email: mike.hocking@plymouth.gov.uk
Ref: CRM/MJH
Key Decision: No
Part: I

Purpose of the report:

Regulation 6(1) of the Local Government, England and Wales Accounts and Audit Regulations 2015 requires all relevant bodies to prepare an Annual Governance Statement (AGS)

The purpose of the AGS is to provide evidence of a continuous review of the Council's internal control and risk management processes, to provide assurance as to their effectiveness and to identify action being taken or planned to address any key weaknesses identified.

The Accounts and Audit (Amendment) (England) Regulations 2006 also introduced a requirement to include an annual review of the effectiveness of the internal audit system.

The 2011/12 Code of Practice on Local Authority Accounting also requires that, within the AGS, there should be a statement on whether the Authority's financial management arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government.

This report outlines the process followed in order to produce the AGS for 2015/16 and recommends approval of the Statement prior to signature by the Leader, the Chief Executive and the Assistant Director for Finance (S.151 Officer).

The report also provides an opinion on the effectiveness of the internal audit system for the same period.

The proposed Statement for 2015/16 is attached to the report.

The Co-operative Council Corporate Plan 2013/14-2016/17:

Maintaining sound systems of internal control and risk management enables the council to monitor and review the key risks that may prevent it from achieving its corporate and service objectives.

**Implications for Medium Term Financial Plan and Resource Implications:
Including finance, human, IT and land**

None arising specifically from this report.

Other Implications: e.g. Child Poverty, Community Safety, Health and Safety and Risk Management:

The Risk and Opportunity Management Strategy specifically supports the processes which underpin the production of the Annual Governance Statement.

Equality and Diversity

Has an Equality Impact Assessment been undertaken? No.

Recommendations and Reasons for recommended action:

The Audit Committee is recommended to:

- a) Note the processes adopted for the production of the 2015/16 Annual Governance Statement.
- b) Endorse the adequacy and effectiveness of the system of internal audit.
- c) Approve the Annual Governance Statement prior to signature by the Leader, Chief Executive and Assistant Director for Finance (S.151 Officer).

Alternative options considered and rejected:

Not applicable.

Published work / information:

Background papers:

Strategic Risk & Opportunity Register

Title	Part I	Part II	Exemption Paragraph Number							
			1	2	3	4	5	6	7	

Sign off: Councillor Darcy

Fin		Leg	DVS2 5916	Mon Off		HR		Assets		IT		Strat Proc	
Originating SMT Member , Strategic Director for Transformation and Change													
Has the Cabinet Member(s) agreed the contents of the report? Yes													

1.0 Introduction

1.1 This report outlines the background to the statutory requirement to produce an Annual Governance Statement (AGS) and describes the process followed in producing the AGS for 2015/16 for publication with the Annual Statement of Accounts.

2.0 The Council's Statutory Responsibility

2.1 Plymouth City Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for and used economically, efficiently and effectively. Regulation 6(1) of the Local Government, England and Wales Accounts and Audit Regulations 2015 requires all relevant bodies to prepare an Annual Governance Statement.

2.2 There is also a requirement under regulation 5(1) that relevant authorities must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.

2.3 The 2012/13 Code of Practice on Local Authority Accounting also requires that, within the AGS, there should be a statement on whether the Authority's financial management arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government.

2.4 The purpose of the AGS process is to provide a continuous review of the effectiveness of an organisation's internal control and risk management, in order to give assurance as to their effectiveness and/or to produce a management action plan to address identified weaknesses in either process.

2.5 The AGS is required to be approved at a committee of the Council and this sits most comfortably with Audit Committee, as its terms of reference include both internal control and risk management.

2.6 The proposed Annual Governance Statement for 2015/16 is attached to this report.

3.0 Effective Review and the Control of Risk

3.1 The introduction of new responsibilities and the development of new collaborative structures and ways of working provide challenges for ensuring transparency, demonstrating accountability and, in particular, for managing risk. The statutory responsibility to publish an Annual Governance Statement requires the Council to review its key risks, and to identify and publish the actions that it intends taking to improve or resolve those risks.

3.2 These risks primarily relate to the achievement of the Council's core objectives and strategies and, therefore, the AGS provides an opportunity to formally review governance structures and processes that underpin their delivery.

4.0 Scope of the AGS

4.1 The AGS spans the whole range of local authority activities and includes those controls designed to ensure:

- The authority's policies are put into practice

- The organisation's values are met
- Laws and regulations are complied with
- Required processes are adhered to
- Financial statements and other published information are accurate and reliable
- Governance arrangements are in place for significant partnerships
- Human resources and other resources are managed efficiently and effectively

4.2 In establishing and defining the system of internal control the AGS provides a mechanism by which the authority can maintain, review and keep up to date its control environment. It links internal audit findings, external audit and inspection reports and the risk management process and provides an effective review of the Council's risk management and control mechanisms.

4.3 The Council's control environment is managed through a number of core processes and procedures which are defined within the body of the AGS.

4.4 The AGS has been compiled by carrying out an annual review of the control environment which has involved researching and formally recognising and recording the processes already in place across the Authority.

4.5 Recognising that preparation of the AGS is a wide-ranging and corporate issue that should not be owned by any one department, a Working Group of key officers was established to oversee the process. This Group comprised:

- Head of Assurance
- Audit Manager, Devon Audit Partnership
- Head of Integrated Finance
- Performance and Research Officer
- Head of Legal Services
- Risk Management & Insurance Officer

4.6 The Working Group is responsible for producing the AGS which is then approved by the Corporate Management Team and Cabinet Planning prior to ratification by the Audit Committee.

4.7 The Council's external auditors will consider the arrangements in place to enable preparation of the AGS, including the degree to which the Council recognises and can demonstrate corporate ownership of its governance arrangements.

5.0 The Assurance Gathering Process

5.1 Those with responsibility for signing the AGS need to feel confident that the information used to review the control environment is complete and accurate. The AGS is therefore required to be signed by the most senior officer and most senior member (i.e. the Chief Executive and the Council Leader). It is also signed by the Assistant Director for Finance (S.151 Officer) as the officer responsible for overseeing the production of the AGS.

5.2 Although the production of the AGS is required by the Accounts and Audit Regulations, the responsibility for securing effective internal control does not rest solely with Finance staff.

5.3 Preparation of the AGS has therefore involved a variety of people charged with delivering corporate governance:

- Directors, Heads of Service and managers assigned with the ownership of risk and the delivery of services
- The Chief Financial Officer who is responsible for the accounting control systems and records and the preparation of the statement of accounts
- The Monitoring Officer in meeting his statutory responsibilities
- Elected Members (e.g. through Audit or Scrutiny Committees)
- Others responsible for providing assurance (e.g. Internal Audit and Risk Management)

5.4 The primary source of information which informs the content of the AGS comes from Assurance Questionnaires completed by Directors, Head of Service and other senior managers covering key questions around the internal control and governance framework.

5.5 When completing these questionnaires respondents are asked to review a number of sources where internal control/governance weaknesses may be identified:

- Risks identified in Strategic and Operational Risk Registers
- Issues arising from Internal Audit Reviews completed in 2015/16
- Issues arising from external inspections

6.0 Code of Corporate Governance Self-Assessment/Annual Review

6.1 In accordance with the CIPFA/SOLACE framework document *Good Governance in Local Government*, the Council has adopted a local Code of Corporate Governance which was approved by Audit Committee on 31 March 2008.

6.2 The framework recommends that the Council carries out annually a self-assessment of the extent to which it complies with the six core principles of good governance set out in the Code.

6.3 The format provides in one document a review of both the Code of Corporate Governance and the framework the Council adopts to comply with its key principles, as well as identifying the significant governance issues arising from the review and the mitigating actions in place to manage the risks. It also captures our unique priorities, challenges and achievements, in order to allow the reader to recognise their individual council.

7.0 Review of Internal Audit System

7.1 Continuous review of the effectiveness of the Council's internal audit system is conducted by the Audit Committee whose terms of reference include, specifically, inter alia:

- To agree the annual Internal Audit Plan
- To monitor the progress and performance of Internal Audit
- To consider the Chief Auditor's annual report, and comment annually on the adequacy and effectiveness of internal control systems within the Council

7.2 The Chief Auditor's annual report is being considered at the same time as this report and invites Members to endorse the adequacy and effectiveness of the system of internal audit for the year ending 31 March 2016.

7.3 It is recommended that this endorsement forms part of the Annual Governance Statement for 2015/16.

8.0 Identifying control weaknesses significant for the purpose of the AGS

8.1 Whilst there is no absolute definition of the term, the following indicators (provided by CIPFA) have been used to help in considering whether or not an issue is significant enough to be reported on in the AGS:

- It seriously prejudices or prevents achievement of the principal objective of the authority;
- It has resulted in the need to seek additional funding to allow it to be resolved, or has resulted in significant diversion of resources from another aspect of the business;
- It has led to a material impact on the accounts
- The Audit Committee advises it should be considered significant for this purpose;
- The Head of Devon Audit Partnership reports on it as significant, for this purpose, in the annual opinion on the internal control environment;
- The issue, or its impact, has attracted significant public interest or has seriously damaged the reputation of the organisation;
- The issue has resulted in formal action being undertaken by the Chief Financial Officer and/or the Monitoring Officer

9.0 Conclusion

9.1 The attached AGS identifies the outcome of the review of the effectiveness of Plymouth City Council's governance arrangements, covering internal audit, internal control and risk management systems and also identified significant governance issues together with details of actions being taken to address them.

1. Scope of Responsibility

Plymouth City Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for and used economically, efficiently and effectively.

The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, Plymouth City Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of the Council's functions, and which includes arrangements for the management of risk.

This Annual Governance Statement explains how the Council has complied with the Code and also how it meets the requirements of Regulation 6(1) of the Local Government, England and Wales Accounts and Audit Regulations 2015, which requires all relevant bodies to prepare an annual governance statement

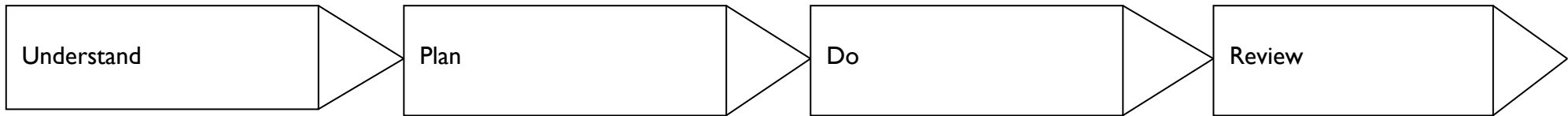
2. The Purpose of the Governance Framework

The governance framework comprises the systems and processes, and culture and values, by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money.

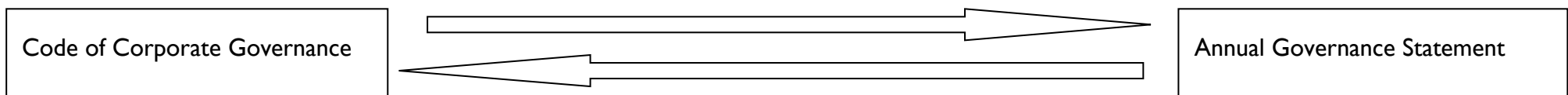
The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness.

The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The governance framework has been in place at Plymouth City Council for the year ended 31 March 2016 and up to the date of the approval of the Annual Report and Statement of Accounts.

3. Assurance Cycle



What are we seeking to receive assurances on?	What sources of assurance do we require?	How we will arrange ourselves to receive adequate assurances?	How we know that we are effective?
<ul style="list-style-type: none"> ▪ Delivery against the corporate plan whilst observing the governance framework ▪ Management of the Council's key risks ▪ Design and effectiveness of internal controls ▪ Compliance with laws, regulation, internal policies and procedures ▪ Key governance tools are fit for purpose, e.g. the performance management and risk management framework ▪ Value for money ▪ Direction of travel of previous governance issues ▪ Effectiveness of the system of Governance 	<ul style="list-style-type: none"> ▪ Internal Audit Annual Plan ▪ External Audit Annual Plan ▪ Ofsted and Care Quality Commission ▪ Other external agencies ▪ Management assurances from active compliance frameworks ▪ Committees/Internal Boards responsible for monitoring and reviewing the systems, processes and documentation 	<ul style="list-style-type: none"> ▪ Officer and Member structures working together ▪ Senior Management Teams working closely with Executive Roles ▪ Decision-making bodies ▪ Scrutiny Committees ▪ Audit Committee ▪ Project Boards ▪ Constitution 	<ul style="list-style-type: none"> ▪ Review sources of assurance identified at the planning phase ▪ Review Annual Reports that provide further insight such as; scrutiny committee report, audit committee annual report, task and finish groups ▪ Ensuring sources of assurances have delivered against their plans at the necessary quality ▪ Internal and External Audit Reports ▪ Highlight areas of weakness, development and implement action plans



4. The Governance Framework

The Council has approved and adopted a Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government. A copy of the Code is on our website under “Constitution”. Included within this framework are six core principles of governance:

Principle one	Description of governance mechanisms	Assurances received
<p>Focusing on the purpose of the Council and on outcomes for the community and creating and implementing a vision for the local area</p> <p>Plymouth’s vision:- Britain’s Ocean City – to be one of Europe’s most vibrant waterfront cities, where an outstanding quality of life is enjoyed by everyone.</p>	<ul style="list-style-type: none"> ▪ Members, working with officers, have developed a clear vision of their purpose and intended outcomes for citizens and service users. ▪ Corporate Plan 2016/17. ▪ The Plymouth Plan which looks ahead to 2031. ▪ Thrive Plymouth is a 10 year programme to reduce health inequalities and is addressing four behaviours (poor diet, lack of exercise, tobacco use and excess alcohol consumption). ▪ The Joint Commissioning Partnership is the single strategic commissioning body for the City of Plymouth. It considers and approves commissioning plans in line with the priorities identified in the Joint Health and Wellbeing Strategy, and ensures a coordinated and consistent approach to commissioning services on behalf of partner agencies in Plymouth. ▪ The Council has robust systems and processes to manage effectively financial risks and opportunities, and to secure a stable financial position that enables it to continue to operate for the foreseeable future. ▪ A staff survey was carried out to gauge employee satisfaction and assist in improving the organization for employees as a place to work and consequently improve how the organisation performs. ▪ The Council is jointly responsible (with Cornwall Council) for the operation of the Tamar Bridge and Torpoint Ferry (TBTF) Joint Committee which brings 	<ul style="list-style-type: none"> ▪ Annual Report communicates Council’s activities and achievements, its financial position and performance. ▪ Staff Survey 2015. ▪ The Corporate Plan provides the framework used by departments in developing their business plans which establish and monitor the achievement of objectives at service and team level. It also sets out how each service is implementing the Council’s principles laid out in the Corporate Plan. ▪ The Plymouth Plan is a ground-breaking concept which aims to undertake a review of the Plymouth Core Strategy and to take advantage of changes introduced by the Localism Act to create a Local Plan which integrates all of the other strategies produced by the Council into one Plan for Plymouth. The Plymouth Plan is generating national interest and won the Royal Town Planning Institute (RTPI) Award in 2015. ▪ Thrive Plymouth aims to reduce health inequalities across the city by focusing on prevention that encourages and enables health choices by influencing the context within which those choices are made. ▪ Devon Audit Partnership (DAP) Audit Plan linked to the overall objectives of the Council and the risks to their achievement. ▪ Joint Commissioning Partnership meet Bi-monthly and receive regular progress and performance reports from commissioning managers. Also produce regular reports to the Health and Wellbeing Board. ▪ External Audit findings reported that they were satisfied that in all significant respects the Council has put in place proper

Principle one	Description of governance mechanisms	Assurances received
	<p>with it a 50 per cent share of any future liabilities. However, from a governance point of view, the TBTF Joint Committee produces and monitors its own Governance arrangements, including the preparation of a separately published Annual Governance Statement covering the operations of the Joint Committee.</p> <ul style="list-style-type: none"> ▪ From 2015/16 the Council and NHS N.E.W. Devon Clinical Commissioning Group (CCG), as part of their overall transformation programme, created the Plymouth Integrated Fund by pooling or aligning the vast majority of the People Directorate budget and the Public Health commissioned services budget to form a fully integrated health and social care commissioning budget. This has been implemented via a Section 75 Agreement under the NHS Act 2006. The Plymouth Integrated Fund has a combined net budget of circa £482m in 2016/17. The Transformation Programme is investing £14.7 million over 3 years to bring about more than £54.3 million gross benefits. A full review of the Human Resources, Finance and Corporate Services is underway identifying new ways of working to reflect the changing requirements of the organisation; in particular, supporting the advent of more commissioned and shared frontline services. Utilising information technology, we will enable the business to access real time management information using core systems. Modernising our processes will make us more efficient and enable us to reduce our staffing and other associated support costs. Included within the Finance review are plans to strengthen the approach to making the Council more commercially focused. ▪ Included in the Corporate Services review will be the consideration of an Integrated Assurance Service, bringing together teams from Audit, Risk & Insurance, Fraud and Health & Safety to have an integrated compliance function. This new function would provide a 	<p>arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2015.</p> <ul style="list-style-type: none"> ▪ The Constitution aids the financial management of the Authority and is complemented by Financial Regulations and Standing Orders, which document protocols and procedures for members and officers in conducting the business of the Council. ▪ The day to day operation of the Treasury Management activity is carried out in accordance with detailed Treasury Management Practices (TMP's). ▪ Joint Plymouth City Council/NEW Devon CCG Risk Management Policy Framework ▪ Code of Corporate Governance reviewed annually as part of the preparation of this Governance Statement. ▪ At the end of 15/16 financial year the Transformation Programme has achieved £28.7 million gross benefits. ▪ The Transformation Portfolio Risk Register is reviewed monthly and reported to the Portfolio Board. ▪ Journals with a value of >£500k have been authorised by either Head of Corporate Strategy or Head of Finance Operations. <p>Weakness Identified:</p> <p>Devon Audit Partnership (DAP) identified weaknesses within the Domiciliary Care payment process with regard to overpayments and lack of service package authorisation. Provider contracts and report parameters have been reviewed and changes to payment processes and contract terms have been implemented to mitigate the risks.</p>

Principle one	Description of governance mechanisms	Assurances received
	<p>slicker, joined up management tool for the business, reducing the volume of compliance testing needed across the individual support functions whilst, also, creating a combined service that will have income generation potential.</p> <ul style="list-style-type: none"> ▪ The Children's Social Care Improvement Plan forms part of the Transformation Programme and will be delivered as part of Children and Young People Service Project within the Integrated Health and Well Being Programme. 	
Principle two	Description of governance mechanisms	Assurances received
<p>Members and Officers working together to achieve a common purpose with clearly defined functions and roles</p>	<ul style="list-style-type: none"> ▪ Elected Members are collectively responsible for the governance of the Council. Decision making and scrutiny of these decisions has been separated through the executive arrangements introduced by the Local Government Act 2000. ▪ The Constitution includes a statement on the roles of the Executive and Scheme of Delegation in place. ▪ The Department for Children's Services (DCS) has a politically restricted statutory chief officer in post who reports directly to the Chief Executive. ▪ A Local Assurance Test (LAT) has been produced to ensure that the structure for the DCS element of the People Directorate and its organisational arrangements enable the local authority, through the Strategic Director for People role, to fulfil its statutory duties towards children and young people effectively ▪ Statutory Officers are also documented within the Constitution. The Chief Executive (Head of Paid Service) is documented within the Constitution and works with Members and Strategic Directors to deliver the council's themes. ▪ A Local Government Association Team spent a week 	<ul style="list-style-type: none"> ▪ Devon Audit Partnership Report findings gave a satisfactory assurance assessment over the fundamental and key financial systems and satisfactory assurance assessment over system of internal control. ▪ DAP carried out an independent review of the responses to and the evidence supporting the LAT and concluded that overall the responses addressed the majority of points included in the self-assessment and these were suitably evidenced. ▪ Audit Committee in place providing independent oversight of internal control environment and corporate governance. ▪ External Audit findings are reported to Audit Committee. ▪ Peer challenge group found that the Council has a clear and compelling vision for the City. ▪ Plymouth Plan Working Group ▪ Housing Needs Working Group ▪ Corporate Parenting Working Group ▪ Constitution, Civic and Member Development Working Group ▪ Transformation Advisory Group ▪ Child Poverty Working Group

Principle two	Description of governance mechanisms	Assurances received
	<p>with the Council carrying out a peer challenge to assess as 'critical friends' our plans, priorities, performance and leadership</p> <ul style="list-style-type: none"> ▪ Role of the Chief Finance Officer (s.151 officer), as documented in the Constitution, has responsibility for ensuring that appropriate advice is given on all financial matters, for keeping proper financial records and accounts, and maintaining an effective system of internal financial control. ▪ The Monitoring Officer is in place and, in accordance with the Constitution, is responsible for ensuring agreed procedures are followed and that all applicable statutes and regulations are complied with. ▪ Formal procedures and rules govern the Council's business; Constitution, Scheme of Delegation and procedure rules such as financial regulations, etc. ▪ There is an annual process to review and agree the Pay Policy in accordance with the Localism Act section 38(1). 	<ul style="list-style-type: none"> ▪ City Council Investment Board
Principle three	Description of governance mechanisms	Assurances received
<p>Promoting values for the Council and demonstrating the values of good governance through upholding high standards of conduct and behaviour</p>	<ul style="list-style-type: none"> ▪ The Council recognizes that good governance is underpinned by shared values demonstrated in the behaviour of its Members, staff and partners. ▪ The Assistant Director and Head of Legal Services is the Monitoring Officer responsible for ensuring that decisions are made in accordance with the Constitution. ▪ Directors have the primary responsibility for ensuring that decisions are properly made in line with the Scheme of Delegation. Standards of conduct and behaviour expected of Members and Officers exist and are communicated. Training programs were in operation during the year to support good governance. ▪ The Members Code of Conduct and Protocol on 	<ul style="list-style-type: none"> ▪ Annual Staff 'Star' Awards. ▪ Scheme of Delegation in place. ▪ Staff Appraisals carried out annually. ▪ Equalities Policy in place. ▪ New employees' induction scheme and buddy system. ▪ Whistle blowing policy. ▪ In house training

Principle three	Description of governance mechanisms	Assurances received
	<p>Member/Officer Relations forms part of the Constitution.</p> <ul style="list-style-type: none"> ▪ Arrangements are in place for Members and Officers to register interest and manage conflicts of interest. 	
Principle four	Description of governance mechanisms	Assurances received
<p>Taking informed and transparent decisions which are subject to effective scrutiny and managing risk</p>	<ul style="list-style-type: none"> ▪ The Council has processes in place to demonstrate that decision makers followed due process, the decisions were properly documented and were taken having regard to all relevant considerations. ▪ Decision making is supported by embedded risk management arrangements, with the Risk and Opportunity Management Strategy and Policy Statement reviewed annually. ▪ Risks are considered quarterly by Corporate Management Team, Cabinet Planning and Audit Committee. ▪ The Council's arrangements for providing economy, efficiency and effectiveness are reviewed by the external auditors on an annual basis. Their Annual Report provides a summary of the activity undertaken during the year. ▪ An effective Audit Committee is in place whose purpose is to provide independent assurance of the adequacy of the internal control environment, and to oversee the financial reporting process. The Audit Committee has two independent members. ▪ The Chief Internal Auditor supports the Audit Committee and reviews its effectiveness on an annual basis. ▪ The internal Audit plan is based on the high risks reported within the risk registers 	<ul style="list-style-type: none"> ▪ Overview and Scrutiny Annual Report ▪ Devon Audit Partnership Audit Report ▪ External Audit findings reported to Audit Committee ▪ Risk and Opportunity Management Strategy – Risks monitored quarterly and monitoring results ratified by Audit Committee ▪ Operational Risk Management Group ▪ Risk and Opportunity Management Annual Report ▪ Plymouth City Council/NEW Devon CCG joint risk register ▪ Benchmarking ▪ Information Lead Officer Group in place to direct work streams within the overall governance of information assets. ▪ Management of Information Security Forum in place to ensure there is clear direction and visible management support for security initiatives. ▪ Annual report of the Plymouth Safeguarding Children Board <p>Weakness identified:</p> <p>Issues were identified within Print and Document Services relating to the physical security of the service accommodation. Following recommendations made by Devon Audit Partnership (DAP) immediate action was taken by management to secure print runs which are not dispatched the same day.</p>

Principle four	Description of governance mechanisms	Assurances received
	<ul style="list-style-type: none"> <li data-bbox="495 196 1245 363">▪ The Constitution makes it clear that management have the responsibility for operating a sound system of internal control. Internal Audit collaboratively works with services to make recommendations around improvement to the control environment. <li data-bbox="495 384 1245 515">▪ The Corporate Fraud Team fulfils the Council’s statutory obligation to ensure the protection of public funds and to have an effective system of prevention and detection of fraud and corruption. <li data-bbox="495 536 1245 735">▪ The chief auditor has overall responsibility for the maintenance and operation of the whistleblowing policy. This includes monitoring the policy and maintaining a record of the concerns raised and the outcomes, which will be reported to the audit committee as necessary in an anonymised format. <li data-bbox="495 756 1245 991">▪ The system of internal financial control is based upon a framework of regular management information, financial regulations, administrative procedures and a structure of delegation and accountability. The Medium Term Financial Strategy is updated each year and includes a risk assessment of budget option, the Medium Term Financial Strategy is agreed by Full Council. <li data-bbox="495 1011 1245 1110">▪ Children’s Safeguarding – The Local Safeguarding of Children Board has full partner engagement and its work and records are published and accessible. <li data-bbox="495 1131 1245 1230">▪ Adults’ Safeguarding – The Adult Safeguarding Board has full partner engagement and its work and records are published and accessible. 	

Principle five	Description of governance mechanisms	Assurances received
Developing the capacity and capability of Members and Officers to be effective	<ul style="list-style-type: none"> ▪ A staff survey was carried out to gauge employee satisfaction and assist in improving the organization for employees as a place to work and consequently improve how the organisation performs. ▪ Induction training is carried out for new Members and employees. ▪ eLearning Training utilized. ▪ Apprenticeship Programme. 	<ul style="list-style-type: none"> ▪ Staff Appraisal process gives assurances that staff are carrying out their work in accordance with Council priorities and objectives. ▪ Staff Survey 2015. ▪ Benchmarking undertaken. ▪ Won the Large Employer of the Year in the Apprenticeships 4 England Award 2015. ▪ Awarded Strategic Award 2015 by the Association of Local Authority Risk Managers (ALARM) for implementing a new corporate information governance approach following an information security breach. ▪ Annual Staff 'Star' Awards. ▪ Finalist in MJ Awards - Innovation in Finance - Enabling Community Share Capital. (Low Carbon City Team/PEC and PEC Renewables).
Principle six	Description of governance mechanisms	Assurances received
Engaging with local people and other stakeholders to ensure robust public accountability	<ul style="list-style-type: none"> ▪ The Council is committed to engaging and consulting with citizens about our services. A range of tools for effective engagement are used. ▪ There is a formal process for corporate complaints as well as Children's and Adults Statutory complaints. ▪ The Health and Wellbeing Board framework has been informed by engaging with the public through surveys and visiting communities. ▪ Committee agendas and minutes (Part 1) are published on the Council's website. ▪ Most Committee meetings including Full Council and Cabinet are webcast as part of our drive to make our decision making more open and transparent. 	<ul style="list-style-type: none"> ▪ The Council has commissioned a local voluntary and community provider to facilitate and support the development of time banks. ▪ Plymouth libraries have been commissioned to provide health and social care information hubs. ▪ Complaints process is managed and tracked on CRM system and enables regular reporting on performance to senior management. ▪ Quality Assurance Improvement Team (QAIT) working with 'Healthwatch' Plymouth in order to gain independent feedback from residents and relatives of care homes. ▪ We commissioned a new contract to deliver advocacy services to vulnerable and disabled people in the city and have dealt with 956 referral and advocacy cases during the year.

Principle six	Description of governance mechanisms	Assurances received
	<ul style="list-style-type: none"> ▪ 1000 Club and plan for jobs is an initiative led by Plymouth City Council Employment Sub Group, whose membership is made up from the private and public sector to support young people into employment. It aims to identify 1000 companies in the Plymouth area to commit to providing a range of jobs, apprenticeships, graduate internships and work experience. ▪ In May 2014 Council's Cabinet set out 50 new pledges that link to its Corporate Plan priorities. The commitments are themed around 10 priority areas focusing on: the economy and jobs, tackling crime and antisocial behaviour, supporting children and young people, the environment, transport, housing, culture and sport, improving the image and vision for the city, caring for residents whatever their age and being an open and transparent council. ▪ Waste Collection Re-organisation Project created to provide a more streamlined, transparent and focused service. ▪ The 'Framework for Working with Citizens and Communities' has been adopted as an approach to be taken by the Council, and was developed with input from the Plymouth Fairness Commission. 	<ul style="list-style-type: none"> ▪ Collaborative working with community and voluntary sector to develop funding bids drawing in external funding to the city. ▪ To make it easy to track progress on delivering 50 new pledges they will be updated on a chart on the Council's website as they are delivered. ▪ Extended opening hours at the First Stop Shop in New George Street, Register Office, four main libraries and the Contract Centre. ▪ 1000 Club, which was set up through the Plymouth Growth Board aims to make it easier for young people and employers to team up – over 800 organisations and businesses have signed up. ▪ Four Greens Community Trust – an empty care home in Whitleigh is being turned into a business and community hub. ▪ Our project to re-route Plymouth's refuse rounds to make them more efficient was awarded the Best Efficiency and Transformation Initiative in the 2015 APSE Awards ▪ 5% reduction in quantity of waste disposed of. ▪ The Plymouth Plan early engagement processes used many different ways to capture people's views and opinions across the city ▪ We are one of seven cities to have been selected as a City of Service to organise volunteers to tackle local problems.

5. Review of Effectiveness

Plymouth City Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the executive managers within the authority who have responsibility for the development and maintenance of the governance environment, the head of internal audit's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

The Council is subject to a number of audits and inspections. These help to inform the development of a strong control environment and to develop risk management processes. The Council has an established Risk and Opportunity Management Policy.

In reviewing the current control environment, reports issued by external bodies (Audit and Inspection) and reports produced by Internal Audit (Devon Audit Partnership) have been reviewed to ensure that a comprehensive assessment of the current control issues has been made and that all potential areas of significant risk are being addressed within the internal control environment.

Directors complete an Assurance Questionnaire reviewing the control environment within their Department and the results of the questionnaires have been used to inform the assessment of significant governance issues for the Council.

We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the audit committee and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework. The areas already addressed and those to be specifically addressed with new actions planned are outlined below.

6. Significant Risk Issues

The Council records the significant risks identified as potential threats to the delivery of its objectives within Strategic and Operational risk and opportunity registers and incorporate mitigation controls within action plans. Risks are formally monitored alternately every six months and reported to Corporate Management Team, Cabinet (for Strategic risks) and Audit Committee.

This table describes the significant risk issues identified during 2014/15 and the progress made against these during 2015/16:

Key Risk Area	Lead Officer	Update on position	Carry forward for 2016/17	Reporting Through
Medium Term Financial Strategy (MTFS) – The MTFS covers the likely revenue costs and pressures that the council will face and matches these against the anticipated resource allocation over the period against reduced funding. It also identifies the Transformation strands being undertaken plus other significant work streams, and sets out the anticipated savings these plans will generate. The MTFS includes our Capital Programme and funding sources, plus an overview of our Treasury management Strategy.	Asst. Director for Finance	The Council is adopting a balanced 2016/17 revenue (which includes a drawdown from existing reserves and provisions) and capital budget and the development of an Medium Term Financial Strategy (MTFS) to 2019/20. PCC Finance and People Directorate Senior Management Team are working in collaboration with the NHS Success Regime to ensure the Plymouth Integrated Fund is not compromised. Finance is working with Corporate Management Team to improve the production of the budget and MTFS reviewing what went well and what could be improved. Corporate Management Team and Cabinet will continue to receive monthly monitoring reports identifying risks and pressures leading to the consideration of proposals for corrective action.	Yes	Full Council
Being unable to deliver Council services	Strategic Director	Progress reported within monthly finance reporting to	Yes	Transformation

Key Risk Area	Lead Officer	Update on position	Carry forward for 2016/17	Reporting Through
<p>within the envelope of the resources provided in 2016/17 leading to negative impact on budgets, loss of reputation, negative impact on front line services and a negative opinion from external audit. (Formerly called Transformation Programme)</p>	<p>for Transformation & Change</p>	<p>cabinet members and scrutiny board.</p> <p>Improved Member engagement in Budget process and earlier in Medium Term Financial Plan setting process by having regular Member briefings.</p> <p>Budget presented to senior officers and members in a different format, delivering greater transparency and challenge.</p> <p>Higher profile of Council's finances at both Corporate Management Team and Cabinet.</p> <p>Budget sessions at Department Management Teams.</p>		<p>Portfolio Board; Scrutiny Panels and Cabinet</p>
<p>The Council not meeting its obligations to keep citizen data secure, or provide and display information in line with statutory requirements. The consequence can be a financial penalty and/or reputational damage resulting in loss of trust in the Council which will affect the ability of the Council to work efficiently and effectively with the public, contractors or partner organisations (formerly Information Governance)</p>	<p>Strategic Director for Transformation and Change</p>	<p>Staff awareness training has been developed.</p> <p>Effective security incident reporting and management.</p> <p>Escalation of breaches to Management of Information Security Forum (MISF) and Senior Information Risk Owner (SIRO)</p>	<p>Yes</p>	<p>Audit Committee</p>
<p>Failure to reduce Health Inequalities will mean our poorest residents continue to live shorter lives as well as more years in ill health. This risk impacts the city's growth ambitions as well as the sustainability of the health and social care system through increased demands on welfare care, support and health services. Further risk of failing to achieve the city's vision where "an outstanding quality of life is enjoyed by everyone" and the key Caring Plymouth objective to reduce health and social</p>	<p>Director of Public Health</p>	<p>Thrive Plymouth framework adopted by full council and reading across in Plymouth Plan and Integrated Commissioning Strategies provides good foundation to achieve prevention in all services and decision making processes. Work with major employers and schools in 2014/15 and 2015/16 seek to embed an understanding and focus to reduce health inequalities reaching thousands of employees and children and young people via schools.</p>	<p>Yes</p>	<p>Health and Wellbeing Board</p>

Key Risk Area	Lead Officer	Update on position	Carry forward for 2016/17	Reporting Through
inequalities.				
Risk of increased poverty/hardship as a result of the impact of Welfare Reform on our customers including e.g. increase in in-work housing benefit claimants and reductions in Emergency & Welfare Fund. Also risk of stress to staff dealing with customers affected by cuts	Head of Neighbourhood and Community Services	Welfare Reform Framework adopted. Impact of welfare reform continues to be monitored and discretionary welfare schemes reviewed. Plans implemented and strategies in place to create jobs. Support continues to Credit Unions	Yes	Cabinet
Deterioration of Highways Network – The condition and the perception of the road network across the city is poor and customer satisfaction points to a position where many believe the network to be in an unacceptable condition. Bad weather, extremes of cold and wet over the past few years have exacerbated the situation.	Strategic Director for Place	Despite significant funding challenges we spent more than £8 million on road repairs in 2015/16 and started a resurfacing programme that will treat two thirds of the city's main roads over the next three years. We also won a national award for improving public satisfaction with the condition of our roads – achieving the best improvement out of 88 councils across the UK that took part in the National Highways and Transport Survey. Between January and June 2015 our highways contractor Amey received just 867 reports or complaints about potholes, compared to 4,299 for the same period in 2014 – a drop of 80%	No	Cabinet
Delivery of sustained and accelerated economic population growth in line with the Council's Corporate Plan and vision for the City - The Council is working on several strategic projects and strategies that help to deliver the city's growth agenda.	Strategic Director for Place	We have put in place a series of economic development measures. These include for People - 1000 Club, Building Plymouth, Urban Enterprise Programme, Manufacturers Challenge. Place regeneration we have undertaken direct development (Hearder Court) signed a City Deal, embarked on Plymouth Science Park phase 5. Business Support we have set out a 2.5 million social enterprise investment fund, supported the Gain Growth Fund. As part of City Deal and to stimulate economic growth,	Yes	Cabinet

Key Risk Area	Lead Officer	Update on position	Carry forward for 2016/17	Reporting Through
		the Council is progressing with the major regeneration of South Yard to become a marine industry campus entitled Oceansgate. Land is being transferred from the MoD in phases with investment in new infrastructure and buildings already underway with works due to start on site in late summer 2016 which will progress over many future years. The site has recently been designated as an Enterprise Zone and it is anticipated that once completed Oceansgate will create up to 1,200 new jobs and up to 24,000m ² of employment space.		
<p>Ensuring the resources and capacity to deliver major capital transport schemes is in place to deliver effectively – The Council is working on several strategic projects and strategies that help to deliver the city’s growth agenda and is exploring delivery options for the city’s key sites.</p>	Strategic Director for Place	We have secured investment of £12.7 million to help improve traffic flow in Derriford, £1.4 million to improve public transport facilities at Derriford Hospital, £2.1 million for junction improvements to improve traffic flow to the east of the city and £2.46 million to improve walking and cycling facilities in the north of the city. We are finalising the business cases for a further £22.5 million of Growth Fund to create a new strategic link to the north of the city, £2.1 million to improve junctions between the north of the city centre and £3.4 million to improve walking and cycling in the city centre and to the east of the city. £3.5 million of investment has already created the Laira Bridge bike link over the Plym and £1 million was secured for the new Marjons Link Road.	Yes	Cabinet
Failure to jointly procure the Highway maintenance contract - failure to jointly procure between Devon and Somerset County Councils and Plymouth City Council leading to higher costs and damage to reputation	Strategic Director for Place	<p>Fall back options are currently being investigated which will mitigate the major risks, these are:-</p> <p>Option 1 - The procurement process allows us to enter into negotiations with the bidding companies for a Plymouth only procurement.</p> <p>Option 2 - Should all external procurement fail,</p>	Yes	Cabinet

Key Risk Area	Lead Officer	Update on position	Carry forward for 2016/17	Reporting Through
		Highways maintenance could be bought back in-house and a future collaborative venture such as TECKAL Shared Services will be investigated.		
<p>Delivery of the Plymouth Plan</p> <p>The concept of a single strategic plan for Plymouth was conceived in September 2012, when Cabinet approved a report setting out an innovative approach to the review of the City Council's adopted Core Strategy, taking the city's statutory development plan forward within the context of the government's new Local Plan system. This established the foundations for preparing the new 'Plymouth Plan', and explained how it will provide an integrated and holistic long term plan as to how the city will change between 2012 and 2031.</p>	Strategic Director for Place	This year we agreed a new Plymouth Plan. The aim is to raise Plymouth's population from 261,000 to more than 300,000 creating 22,700 homes (including around 7,250 affordable homes) and 18,600 jobs. The plan replaces over 100 existing strategies covering areas such as health, children and young people, culture, transport and the economy. The Part Two draft will be published by June 2016 and the whole plan submitted to the Government for public examination by January 2017.	Yes	Cabinet
Failure to secure funding for the Plymouth History Centre - Reputational and financial implications if full funding not received to complete the project led by Plymouth City Council, to transform the existing museum and art gallery on North Hill into the Plymouth History Centre.	Strategic Director for Place	<p>Programme Board has been established.</p> <p>Expertise in place</p> <p>£4m Arts Council funding application submitted and passed the first approval process.</p> <p>A team is working on the external design on the building as well as the themes and ideas that will feature in its galleries and spaces.</p> <p>Consultation has taken place with the public to hear what people think of our plans, share their passion for Plymouth, its history and its culture.</p>	Yes	Cabinet
Cooperative Commissioning and Adult Social Care Budget – Increasing numbers of older people with complex and multiple needs	Strategic Director for People	Integrated Governance arrangements have been established with the NEW Devon Clinical Commissioning Group, including a Section 75	Yes	Health and Wellbeing Board and Cabinet

Key Risk Area	Lead Officer	Update on position	Carry forward for 2016/17	Reporting Through
and an increase in dementia will continue to put pressure on the health and social care system.		agreement which provides the framework for health bodies and local authorities to pool money, delegate functions and integrate resources and management structures. In 2015/16, we spent £67.5 million on care packages and of these, 30% were for older people and 17% were for people with dementia. In 2015/16 Co-operative Commissioning saved £5 million through a range of measures including new contracts and reviews of care packages. The success of the 1st year of the Integrated Pool from a financial perspective is borne out by our ASC under spend for the first time in six years plus the final risk share coming in at £0.039m only (from CCG to PCC).		
The Care Act represents the most significant reform of care and support in more than 60 years, putting people and their carer in control of their care and support.	Strategic Director for People	In 2015/16 we spent £67.5 million on care packages and co-operative commissioning saved £5 million through a range of measures including new contracts and reviews of care packages. We help maintain the quality and safety of our care providers working with national regulators such as the Care Quality Commission.	No	Health and Wellbeing Board
Increase in the number of looked after children and those subject to a Child Protection Plan leading to cost pressures on independent placements, staffing and resources.	Strategic Director for People	Over the last year we have worked with more than 5,500 children in need. We have less than 400 children in our care and 189 children are helped and cared for by our in-house foster carers. We took almost 5,500 referrals in the year and completed 4,000 assessments to assess risk/need and initiated 1,500 child protection enquiries. We have significantly reduced the number of children subject to a child protection plan.	Yes	Children and Young People's Trust and Cabinet

The table below describes the new and emerging significant risk issues identified during this review period 2015/16 to carry forward for monitoring within 2016/17:

Key Risk Area	Lead Officer	Update on position	Reporting Through
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Key Risk Area	Lead Officer	Update on position	Reporting Through
<p>Failure to secure adequate market interest and funding in the South Yard Marine Industries Production Campus (MIPC) site, slows or prevents site occupation such that economic growth and funding projections are not achieved and/or the Council has to provide financial revenue support to run and maintain the site</p>	<p>Asst Director for Economic Development</p>	<p>Continue to explore ways of reducing site running costs and secure sufficient funding to develop Phase 1 and 2 at South Yard.</p> <p>The City Deal team are now progressing a number of initiatives including three key priorities:</p> <p>Creation of a Growth Hub to enhance productivity and support new enterprises through grant schemes to enable local businesses and entrepreneurs to access a range of support providers and schemes through a single Growth Acceleration and Investment Network portal.</p> <p>A Youth Deal to help young people to get into work and to achieve more in their careers and employment.</p> <p>The re-development of the Plymouth Devonport South Yard site – and a number of other marine sites in the region to create a Marine Industries Production Campus.</p>	<p>Cabinet</p>
<p>Devolution - Council chiefs and business leaders say they want a 'devolution revolution' to boost prosperity in Devon and Somerset.</p> <p>They have agreed to submit a prospectus to Government that would result in higher productivity and better-paid jobs, improved road, rail and broadband links and more homes for the region's growing population.</p>	<p>Chief Executive</p>	<p>Council leaders and chief executives from the 17 councils, 2 national parks, the Local Enterprise Partnership and the 3 Clinical Commissioning Groups make up the leadership for the Heart of the South West (HotSW) Partnership that is steering the Devolution programme.</p> <p>In late May 2016, senior political leaders from the partnership met with the Secretary of State for Communities and Local Government. At that meeting, the Secretary of State offered to open up negotiations for a Devolution Deal if the partnership, through its constituent members, agreed 'in principle' to the establishment of a Combined Authority for the Heart of the South West. Negotiations are expected to progress during the summer, with a draft Deal and proposals for the new Combined Authority being ratified by partners in the autumn.</p> <p>It is hoped that an announcement of a draft Devolution Deal will be made in the Chancellor's Autumn Statement, followed by a public consultation, and the potential establishment of a shadow Combined Authority in May 2017. The Deal is intended to help deliver the ambitious proposals set out in the partnership's Prospectus for Productivity.</p>	<p>Cabinet</p>

7. Certification

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Cllr Ian Bowyer
Leader of the Council
Dated:

Tracey Lee
Chief Executive
Dated:

Andrew Hardingham
Assistant Director for Finance (Section 151 Officer)
Dated: